

Research Paper

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Does Britain Matter in East Asia?



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Summary

- Britain retains considerable economic power, diplomatic reach and involvement in international organizations (including NATO), which enable it to exercise influence and have impact worldwide.
- International polling suggests that the UK's profile in East Asia is positive. But its immigration policy could damage its reputation as an open society.
- The legacy of empire complicates Britain's image in East Asia, especially its relationship with China.
- Britain can only sustain its positive profile by engaging with the difficult issues in East Asia, which means acknowledging more actively that it is a stakeholder in continued regional stability.
- The UK's exit from the EU would have a seriously negative impact on its profile among its partners in the East Asian region, which want it both to have a strong national voice and to be an influential member of the EU.

Introduction

Measuring relevance and influence in the world is complex. Surveys and opinion polls give rough estimates of the positive and negative reactions specific countries evoke. Proxies, such as trade and investment flows, can indicate a country's impact (although these are not always easy to link to government interventions). Diplomatic effectiveness can be measured through specific objectives achieved. And there is a wider question: importance and relevance in whose eyes? The responses of a foreign government, or a business community, will not always be matched by the views of the wider population.

This paper is a personal reflection on this theme. It focuses primarily on the countries of Northeast Asia. It considers the exposition of British policy towards the Asia-Pacific region given by the Minister of State for Asia, Hugo Swire, in a speech on 15 July 2014. It draws on published sources to consider the UK's impact in this region, and also reflects the writer's personal experience as British Ambassador to Japan between 2008 and 2012.

It argues that the decline of the UK's relative economic position will inevitably affect its overall influence, but that the UK's industrial strength, diplomatic reach and soft power potential should enable it to continue to maintain a high international profile. It suggests, however, that the UK should be playing a more active role on the question of Asian regional stability; and that its withdrawal from the EU would have a serious negative impact.

Most of this paper was written before the Scottish referendum on 18 September. The majority in that vote for retaining the Union means therefore that all the references in the paper to 'the UK' obviously include Scotland. I write those words with relief, because I believe that a vote in favour of Scottish independence would have grievously weakened the UK's international profile.

However, the argument about independence versus the Union has been replaced by an equally intense argument, now cutting across the political parties, over the future constitutional settlement of the United Kingdom. There are three points to make about all this in the context of this paper.

First, if this focus on addressing the constitutional imbalance within the UK results in a period of introspection within a more inward-looking Britain – on mending the links between the constituent parts of the UK rather than building partnerships abroad – our ability to play a constructive and influential role in the world will inevitably suffer.

Secondly, if the need to balance nationalist pressures within the UK increases the likelihood of the UK leaving the EU at some stage, it will undermine the arguments in this paper for the UK to engage more actively in the EU in order to maintain that role..

And thirdly, if there was any doubt in anyone's mind about whether Britain 'mattered' in East Asia, the immediate impact of the 'No' vote on the Tokyo Stock Exchange on 19 September, coupled with the intense interest shown by the Asian press in the result of the referendum, should surely have disabused them.

The UK: ‘punching above its weight’?

In arguing over whether Britain punches above, below or at its weight, to use the phrase attributed to the former UK Foreign Secretary Douglas Hurd, one must first be clear what that weight is.

The UK is currently the sixth largest economy in the world, behind both Germany and France,¹ which also outweigh the UK as holders of foreign exchange reserves² and spenders on research and development.³ The UK, however, has more of the world’s top 100 universities, being second only to the United States.⁴

If industrial strength is measured by the number of Fortune 500 companies, France, Germany and the UK are narrowly bunched in fourth, fifth and sixth places respectively in the league table behind the United States, China and Japan (which account for 56% of the total).⁵

In terms of patents and industrial design league tables, the UK lags behind.⁶ But London is the world’s second most competitive world financial centre, after New York.⁷ Britain is the sixth largest country in terms of military expenditure, behind France but ahead of Germany.⁸ It is the second largest aid donor in volume terms, well ahead of France and Germany in both overall value and percentage of GDP.⁹

These indicators do not define relevance and impact. But simple conclusions can be drawn.

The process of relative British, indeed Western, economic decline will continue as power shifts, primarily back to Asia, where it had been for most of human history until the last few centuries. Britain, however, remains a major economic force, with global reach and corresponding interests and responsibilities. These flow not only from its economic size (the Centre for Economics and Business Research forecasts that the UK will be the largest Western European economy by 2030)¹⁰ but also its continuing role as a nuclear-armed state, a member of NATO and a permanent member of the United Nations Security Council. English remains the worldwide language of business, science and engineering (although British English-language teaching systems are not automatically preferred to American ones). Britain is an active and influential member of all the major world organizations and international groupings, and retains its soft power as a hub for the widest range of creative arts.

¹ Centre for Economics and Business Research, CEBR World Economic League Table, December 2013, <http://www.cebr.com/reports/cebr-world-economic-league-table/>.

² Data drawn from International Monetary Fund Data template on International Reserves and Foreign Currency Liquidity, <https://www.imf.org/external/np/sta/ir/IRProcessWeb/colist.aspx>.

³ Wikipedia page listing countries by research and development spending.

⁴ *Times Higher Education* World Reputation Rankings 2014, <http://www.timeshighereducation.co.uk/world-university-rankings/2014/reputation-ranking>.

⁵ The Fortune Global 500, 2014, <http://fortune.com/global500>.

⁶ World Intellectual Property Indicators, 2013 edition, <http://www.wipo.int/ipstats/en/wipi/index.html>.

⁷ The Global Financial Centres Index 15, March 2014, http://www.longfinance.net/images/GFCI15_15March2014.pdf

⁸ Stockholm International Peace Research Institute, *Trends in World Military Expenditure, 2013*, http://books.sipri.org/product_info?c_product_id=476.

⁹ Organisation for Economic Co-operation and Development aid statistics,

<http://www.oecd.org/dac/stats/aidtopoorcountrieslipsfurtherasgovernmentstightenbudgets.htm>.

¹⁰ CEBR World Economic League Table, December 2013, <http://www.cebr.com/reports/cebr-world-economic-league-table/>

This suggests that Britain should continue to ‘matter’ to East Asia as a potential centre for capital and industrial investment and trade partner, as well as in areas of cross-border cooperation – scientific, environmental, cultural and educational – which increasingly drive the international agenda. It is reasonable to assume that these may be some of the factors behind the visit of Chinese Premier Li Keqiang to the United Kingdom in June 2014, the state visit of President Park of South Korea in autumn 2013, and the Japanese prime minister’s two visits to the UK in his first 18 months in office (the first time for the UK’s chairmanship of the G8 in 2012).

The June 2013 UK–Japan Global Seminar conference report also demonstrated this.¹¹ Three examples: Professor Shinichi Kitaoka, President of the International University of Japan, said that while the UK could never replace Japan’s relationship with the US, the UK had proved itself able to offer a broader perspective on UN issues with more global influence. Ambassador Nishimura, former adviser to the Japanese government on climate change, saw the UK as a particularly influential country on energy efficiency and innovation. Jesper Koll of JP Morgan saw the UK’s pre-eminence in asset management as significant for Japan, given its demographic and pension fund management challenges.

Hugo Swire’s 15 July 2014 speech¹² set out the UK’s policy towards Asia in terms of UK government support for enhanced commercial links, commitment to the open trading system, contribution to regional stability through limited military involvement as well as bilateral security relationships, and support for a *rules-based* rather than a *power-based* regional order. He emphasized the promotion of what he described as ‘clear British values’ (though many would dispute that these are uniquely British) – human rights, democracy and the rule of law – in concert with like-minded countries in Europe and America.

He described a shift of British focus to the East – not a ‘pivot’, as in the US, but a reinforcement of existing diplomatic and commercial effort. So far there has been little direct reaction from US and Asian interlocutors, other than a positive response from some to the British government’s setting out its Asia policy in this way.

East Asian views of Britain

If the most recent (early 2014) BBC Globescan poll,¹³ which measures ‘influence’, is a guide, views of the UK in East Asian countries remain positive.

The poll shows Britain as the country whose perceived influence in the world has most improved from 2005 to the present. It has risen six points, from 52% to 58%, across the sixteen countries tracked in the poll. Negative ratings for the UK have fallen eight points since 2005, from 29% to 21%.

¹¹ Report of UK–Japan Global Seminar on ‘Fostering Strategic Partnerships’, held at Chatham House on 20 and 21 June 2013, <http://www.chathamhouse.org/publications/papers/view/198757>.

¹² Speech given at the Carnegie Institute, Washington, DC on 15 July 2014, <https://www.gov.uk/government/speeches/the-uk-in-the-asian-century>.

¹³ *Negative Views of Russia on the Rise: Global Poll*, BBC World Service, 2014, <http://downloads.bbc.co.uk/mediacentre/country-rating-poll.pdf>.

In Japan, Britain is viewed much more positively (47%) than negatively (2%).¹⁴ The same is true in the Republic of Korea (74% against 14%). China is more evenly balanced (39% against 26%), but still positive.

In Japan, the UK gets a higher positive score than any other country; Germany scores 46%, Canada 44%, France 38% and the US 37%. In Korea, the UK is outpolled by Germany (84%) and Canada (78%), but is ahead of France (70%) and the US (58%). In China the league table is headed by Canada (63%), Russia (55%), France (47%), and Germany (42%), with the UK at the rear (behind South Korea at 40%).

Analysing these ratings involves speculation. After a period of negative reaction to UK involvement in Iraq and Afghanistan, they may be evidence of a positive response to the scaling back of UK armed forces' engagement abroad and the August 2013 vote in parliament against military action in Syria, although the poll obviously predates the British re-engagement in Iraq in the summer of 2014.

The beginnings of British economic recovery may also be a factor. And while the effect of major 'soft power' demonstrations such as the 2012 Olympics and the Diamond Jubilee may dissipate quickly in the UK, they may have a deferred impact in some overseas countries (inbound tourist figures for 2014 are booming). The worldwide reputation of the BBC, and respect for Britain as a source of creativity and innovation in fashion, the arts, cinema, music and sport, are also factors. I was acutely conscious as Ambassador in Japan how powerful these symbols of Britain are in comparison with any government-sponsored activity.

Immigration policy affects perceptions of the UK

Some see talk of Britain's worldwide influence and image as inappropriately nostalgic, even triumphalist, at a time of radical global shifts of economic and social power. The poll suggests that such a view is too self-deprecating. At the same time, sustaining and increasing this impact will face intense competition. The UK's domestic, as well as foreign, policy choices will be relevant.

For example, the Globescan poll does not give a clear view on whether and how the UK's immigration rules influence attitudes. Korea and Japan are not that seriously affected by British attempts to reduce immigration from outside the EU. But this is less true for China or India, where positive views of the UK have fallen.

The British government seeks to appease the anti-immigration constituency in the UK by trying to impose more demanding border controls and immigration targets – even though the evidence is that immigration adds to rather than takes away from the national wealth, and many of the countries in question are low-risk in terms of illegal migration, criminal activity and so on. But it also wants to attract foreign direct investment and increased numbers of foreign students.¹⁵ It is

¹⁴ All the Japanese results – including respondents' assessment of their own country's influence in the world – have high 'don't know' scores compared with other countries.

¹⁵ See the Higher Education Statistics Agency, <https://www.hesa.ac.uk/stats#non-uk>, for details of how the UK saw the first fall in the number of overseas students at British higher educational institutions for 30 years in 2013.

hard to see how the perceived openness of a country, especially one promoting itself as an international hub of investment and creativity, can be divorced from the effectiveness of its international profile.

The heavy hand of history

Inevitably, attempts to exercise influence and build profile will be seen through a historical prism. As William Faulkner wrote: 'The past is never dead. It's not even past.'¹⁶ Britain may not now have imperial ambition. But many still see it as having a national image shaped by its historical experience of imperialism.

This history complicates British relationships in East Asia. Britain's participation in the Great Game during the 19th century, its imposition of 'unequal' treaties on China (and Japan) in order to force open those markets, the Opium Wars, the British invasions of Tibet – these events, however distant they may now seem to Britons themselves, remain a bitter historical legacy which China feels entitled to invoke when expedient. With the continuing obligation to uphold the principles of 'one country, two systems' in Hong Kong – and recent strong criticism of the UK by some over its failure to support pro-democracy activists – the legacy of Empire continues.

When the Chinese premier visited Britain earlier this year, the Chinese Ambassador to London, Liu Xiaoming, told the press that Britain now rated behind Germany and France in Europe.¹⁷ Premier Li was more emollient when asked about this in his press conference with Prime Minister David Cameron.¹⁸ But when President Xi Jinping came to Europe in March, he visited Berlin, Paris and the EU in Brussels; it was Premier Li who visited the UK (and Greece) a few months later – which suggests that there is a ranking in Chinese eyes; that the UK is no longer at the head of it; and when it suits the Chinese to rub salt into this wound, they will do so.

Economic data tell a more nuanced story. Britain's trade with China continued to expand (at a rate that exceeded that of its French and German competitors) during the period in which it was being punished for the UK prime minister's meeting with the Dalai Lama in 2012.¹⁹ Perhaps Ambassador Liu's remarks are a more brutal way of making a point sometimes made more politely by Korean and Japanese interlocutors: that East Asian countries have a choice about where they invest their resources in Europe (and, like the Chinese, continue to choose the UK).

Does the UK have a strategic foreign policy?

The Coalition government's foreign policy approach has emphasized Britain's active participation in the international networks through which world affairs are managed; the strengthening of links with both emerging powers and traditional partners, underpinned by clarity on values (and the

¹⁶ William Faulkner, *Requiem for a Nun*, 1950, Random House.

¹⁷ 'UK has fallen behind Germany and France, China warns', *Financial Times*, 13 June 2014.

¹⁸ *David Cameron and Li Keqiang Press Conference: June 2014*, <https://www.gov.uk/government/speeches/david-cameron-and-li-keqiang-press-conference-june-2014>.

¹⁹ 'UK-China trade hit record high in 2013, says Chinese ambassador', *Daily Telegraph*, 22 January 2014.

support of the whole of government, not just the Foreign & Commonwealth Office); and the importance of basing foreign policy on economic resurgence and recovery.

Some criticize this approach as lacking a strategic sense of the national interest, which British power, soft or hard, should be used to promote; others see it as the right and pragmatic course, given that post-imperial ambitions are unrealistic, and that there is neither an appetite, post-Iraq, for foreign entanglements nor a consensus within the UK on whether it wants to be Atlantic or European.

In his recent essay 'Making Britain China-Proof', Mark Leonard of the European Council on Foreign Relations gives an interesting critique of British policy as it relates to China.²⁰

He sees the UK as potentially losing influence with both the US (as it pivots towards Asia) and the EU (through the UK's 'half in, half out' approach) – and therefore losing leverage as the new rules of the international economic order are set – rules that will dictate the terms of Britain's relationships with China and other emerging powers.

At the same time, he argues, 'heroic' British assumptions about multilateral institutions' ability to 'socialize' these powers are being exposed. The UK needs to revise its tactical approach, for example through plurilateral initiatives such as the Transatlantic Trade and Investment Partnership. He warns of the dangers of a 'hubristic' foreign policy and urges a more tactical, defensive and realistic approach. The aim, he argues, should be to strengthen Britain's ability to withstand the pressure of China's development as an industrial competitor, a massive market, a source of global capital, and an oligarchy with an increasingly assertive foreign policy.

One element of the Leonard critique is that the UK is diminished by being seen either as a 'little US' by countries which resist US hegemony, or as semi-detached from the EU and its potential to play a more influential international role.

I do not believe that there is an alternative, given the current limited ability of Asian regional organizations to facilitate effective management and resolution of disputes, to America's continuing to act as guarantor of East Asian security. But I think that if Britain's impact in the region is to be maintained, it is not possible to duck either the issue of regional stability or the role of Britain in Europe.

Regional security in East Asia

Hugo Swire's statement of principle on regional security issues – that Britain 'want[s] a rules-based and not power-based system in the Asia Pacific region' – implicitly defines the regional security fault-lines as disputes in international law which should be subjected to appropriate arbitration. Not all East Asian countries would agree that that analysis goes far enough.

²⁰ Douglas Alexander and Ian Kearns (eds), *Influencing Tomorrow: Future Challenges for British Foreign Policy*, Guardian Books/IPPR, 2013.

The disputes that have arisen – between Japan and China over the Senkaku/Diayou islands in the East China Sea, and between China and a number of Southeast Asian countries over the nine-dash line²¹ – are in part arguments over territory, in some cases aggravated by perceived legal ambiguities in past treaty settlements. They also reflect a deeper concern in some Asian countries (notably Japan, Vietnam and the Philippines) that China’s increasingly assertive foreign policy challenges the status quo in East Asia.

The Japanese view that China, in challenging the US in the Asia-Pacific region, also directly threatens Japan, as a barrier to Chinese strategic aspirations in the region, pre-dates the Abe administration, and is held by politicians across party lines – not just nationalists in the governing Liberal Democrat Party. It has been intensified by the Chinese government’s imposition of air defence restrictions on the airspace above the disputed islands, and other provocative actions.

China argues that Japan’s reinterpretation of its post-war constitution to allow the Self-Defence Forces to participate in collective activity in support of allies where Japan’s security is threatened is likewise a disruption of the status quo. A similar view is taken by Korea, whose relations with Japan have also deteriorated after a resurgence of anger at equivocation by some Japanese politicians over the rights of Korean ‘comfort women’ coerced into prostitution during the Pacific War.

The result is a region where the main players have less than fully functioning relationships, and there are no obvious mechanisms through which confrontations can be de-escalated or disputes resolved. It is difficult to tackle this, but equally hard to see how Britain, or Europe, will continue to ‘matter’ in East Asia unless they find a way of engaging with issues that are at the heart of East Asian concerns.

Some will argue that Britain has no locus. It is not a member of any of the relevant regional organizations, or of the dormant six-party talks on North Korea, the most direct military threat to the security of the region. But Britain’s interest in the stability of the region suggests that it should do more than simply encourage peaceful dialogue from the sidelines.

How to respond to China’s growing power?

In his paper ‘Forging a Common Regional Approach to China’, Hitoshi Tanaka of the Japan Centre for International Exchange gives a clear and balanced (and closely argued) analysis of the current situation.²²

There is no question, he argues, but that China will play an increasingly influential role in the region. Its ‘destabilizing, unilateral’ actions (to quote US Defence Secretary Hagel on its claims in the South China Sea²³) can be seen as testing the resolve of the US–Japan Alliance.

²¹ The demarcation line used since 1953 by the government of the People’s Republic of China to set out its territorial claims in the South China Sea.

²² *East Asia Insights*, Vol. 9, No. 3, <http://www.jcie.or.jp/insights/9-3.html>.

²³ Speech by US Defence Secretary Chuck Hagel at IISS Shangri-La Dialogue, Singapore, 31 May 2014, <http://www.defense.gov/Speeches/Speech.aspx?SpeechID=1857>.

The way forward, in Tanaka's view, is to ensure that regional stakeholders forge a common approach to China; avoid entrenching confrontational positions; and balance their natural motivation to align themselves with the United States by making clear that 'hedging' against unpredictable Chinese behaviour is not containment of China and should include a strong component of engagement with it.

Tanaka explicitly calls for Japan to develop a China strategy that is firm on security and bold on engagement; warns the Japanese government not to undermine historical apologies for Japan's wartime actions; and urges a robust mechanism to ensure that the recent constitutional changes (criticism of which as a resurgence of militarism he describes as 'unfair') continue to observe the pacifist spirit of the original provisions. A robust regional confidence-building mechanism, perhaps through the East Asia Summit, is needed. The stakeholders in the region should be working to this end. Tanaka does not identify Europe as a key stakeholder in his essay. But Japanese policy-makers have privately said that it is, and that what is happening in East Asia should be of concern to Europe. The implication of Hugo Swire's speech is that Britain, indeed Europe, *is* a stakeholder. Britain should be playing this role more assertively both in the EU and with its partners in the region.

Britain in the EU, and the dangers of a 'Brexit'

The unresolved question at the heart of the debate over British foreign policy is what Europe's role should be and what part Britain should be playing in influencing it.

Much of the economic activity underpinning the UK's position in the world league table depends on Britain's membership of the European Union - as an export market, a source of research funding (the UK wins a bigger share of European resources in this area than any other member state), and as a centre for foreign direct investment. FDI is crucial in the services sector, where the UK is highly competitive, and where many non-European companies, according to a recent report by the Centre for European Reform, '[are seeking] a base for their European operations in a lightly-regulated economy'.²⁴

There would be obvious consequences for foreign investment in the UK if it were to withdraw from the EU, be forced to renegotiate access to the European Single Market, and negotiate new trade agreements with its non-EU trading partners (with no obvious negotiating levers through which to secure tariff and trade barrier concessions from them). Investors in Britain would seek ways of working around these factors, but the UK would have difficulty in sustaining its competitive edge as an environment for FDI over the medium to longer term.

Britain's partners value it both as a national interlocutor and as a member of the EU. This emerges particularly in foreign policy dialogue, where the argument is often heard, for example from Australian and Japanese policy-makers, that the UK might assert a national voice rather than one subsumed within a European identity.

²⁴ *The Economic Consequences of Leaving the EU*, Centre for European Reform, 2014, p. 89.

The UK's P5 status, nuclear capability and global interests independent of its European membership would all justify this. But it would be wrong to be seduced by these arguments into thinking that its partners are inviting the British to become latter-day Gaullists. The UK is valued for its ability to exercise influence: nationally, as part of the EU, and within the EU. It is to play all these roles if it is to remain a country of impact and relevance. David Cameron's intervention at the European Council in March 2011, for example, was crucial in maintaining momentum behind the negotiations on an EU–Japan Economic Partnership Agreement, a crucial element in European solidarity with Japan in the wake of the massive tsunami and earthquake that killed 20,000 people and caused serious economic damage.

Getting the national/European balance right is a delicate process. It will mean sometimes riding more than one horse simultaneously. But then, in the words of the radical Independent Labour MP James Maxton 90 years ago, anyone who can't ride two horses at the same time has no right to be in the circus.²⁵

An increasing number of (mainly) Conservative MPs continue to argue for withdrawal and 'liberation' from European constraints and regulations, allowing Britain to build an independent identity in the world. This illusory belief that it would be stronger outside the EU is linked to an anti-immigration rhetoric, not based on any serious analysis of the benefits and costs of immigration into the UK, which underpins draconian and unsuccessful attempts to impose targets for legal migration into the UK. These in turn have a negative impact on the profile of Britain in many of the emerging powers from which it is trying to attract investment, entrepreneurs and increasing numbers of students.

Conclusion

An honest answer to the question 'how much does Britain matter in East Asia (or anywhere else)?' might be: 'Less than the British might like to believe, but more than they realize'. The isolationist tendencies outlined above fly in the face of how Britain's impact and relevance are seen by its Asian partners. Britain's influence in the world, in common with that of other Western countries, will fluctuate as the centre of economic gravity shifts to the East and the emerging powers. But it will remain a function of the country's cultural, economic, innovative, military and diplomatic strength, and its openness to the world. Britain's views are still sought by its Asian partners, and its potential influence is still recognized. If it can maintain both a strong and united national voice, as well as an influential role in international organizations, with the EU centre stage, Britain will continue to matter in East Asia and elsewhere.

About the Author

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²⁵ Attributed to Maxton when he (unsuccessfully) opposed disaffiliation of the Scottish Independent Labour Party from the Labour Party: the *Oxford Dictionary of Modern Quotations* cites the *Daily Herald*, 12 January 1931.

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