



The SCRI and Strategic Advantage for the UK in the Indo-Pacific

Jagannath Panda

As the UK considers an engagement strategy with the Indo-Pacific after Brexit, the Supply Chain Resilience Initiative offers a chance to build a free-trade bloc amongst 'like-minded nations' and deepen strategic ties in the region.

The UK's preoccupation with the Brexit question has, until recently, limited broader strategic debates. In a rapidly changing global order in which it is no longer a part of the EU, the UK has realised that previously held alliances and priorities are 'all in question', forcing it to search for a 'more nuanced' foreign policy outlook.

While 2020 brought considerable challenges for the UK, it also marked the beginning of a more focused foreign policy debate, especially vis-à-vis the Indo-Pacific. The UK's emerging approach towards China – and its ties with democratic partner states like India, Japan, Australia and the US – has been the most visible outcome of these new foreign policy debates. Hong Kong, human rights, 5G, global trade and engagement with Indo-Pacific security debates have become key strategic policy areas for London, particularly as it gradually attempts to reassert its voice as a major power in the global arena.

Nonetheless, key questions remain. How does the Indo-Pacific, which is quickly becoming the world's most critical region, figure in the UK's geo-strategic and geo-economic outlook? And in this context, how can the emerging Supply Chain Resilience Initiative (SCRI), led by India, Japan and Australia, which aims to build alternative global supply chains in an effort to enhance resilience and reduce over-dependence on China,

help the UK deal with its economic restructuring efforts?

The UK's Emerging Geo-Economic Dilemma

The coronavirus pandemic has exposed the UK's supply chain dependency on China, especially for critical goods like active pharmaceutical ingredients, industrial chemicals, metals and consumer electronics. Even as the UK's reliance on China has come into question, the Chinese ambassador to London, Liu Xiaoming, bluntly warned London against decoupling from China, stating it would mean 'decoupling from the future'. In 2019, China was the UK's sixth-largest export market and fourth-largest import source; such dependence negatively impacted the UK during the pandemic, especially in the medical sector, pushing Downing Street to consider strategies that reduce reliance on China for essential products. The creation of new, sustainable and diversified supply chains is central to such an endeavour.

The UK's Supply Chain Resilience Model

In recent years, the UK has adopted a risk-management security outlook, in which the need for investing in resilience is evaluated based on the predicted levels of disruption that global threats cause to key British interests. Amid the pandemic and geopolitical

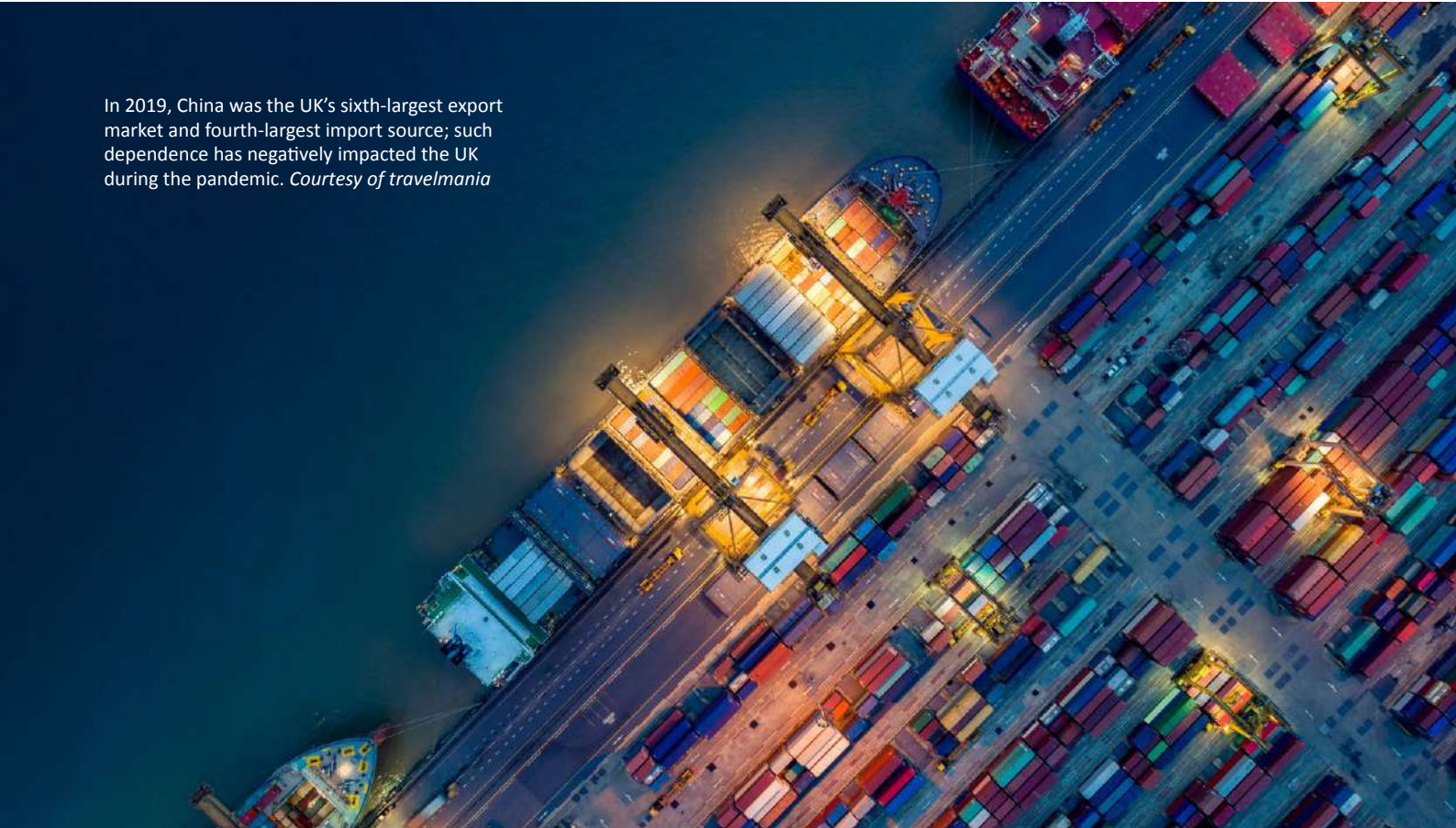
uncertainties caused by tense ties with China and the EU, British companies have quickly realised the importance of re-engineering and adapting their supply chains in accordance with the new normal to withstand future global disruptions. With the world more closely connected than ever before, risks in remote regions can have a direct impact on the UK's supply chains and markets.

Notably, such difficulties were highlighted in the UK Ministry of Defence's Global Strategic Trends report, which is meant to provide context for policymakers and assist their decision-making process, especially with regard to military strategy. The very inclusion of a discussion on supply chains within the context of a national security strategy attests to the strategic importance the UK accords to the creation of resilient supply chains in its broader geopolitical policy discourse.

The UK and the SCRI

In this context, the SCRI, proposed by India, Australia and Japan, could offer a unique advantage to the UK. As companies and countries rethink their economic strategies, global supply chains are set to undergo a 'great uncoupling' to form two nexuses, one for China, and one for the rest of the world, which the SCRI is poised to lead. The UK's ties with India, Australia and Japan have been on an upward trajectory in both the economic and security realms while London's increasing

In 2019, China was the UK's sixth-largest export market and fourth-largest import source; such dependence has negatively impacted the UK during the pandemic. *Courtesy of travelmania*



focus on the Indo-Pacific has further expanded scope for cooperation.

The UK and India: Achieving Their Potential

In 2019, bilateral trade between India and the UK grew by almost 10% to reach £24 billion; British investments also grew by £1.1 billion bringing the total to £22 billion, making the UK the second-fastest G20 investor in India in the past decade. There is already a budding research partnership with over £400 million of joint projects, making the UK India's second-biggest research partner. Such robust mutual growth, which led many to claim that the partnership was an 'unbeatable combination', only reflects the potential growth opportunities offered by the UK–India relationship, particularly in the economic sector.

The pandemic has further highlighted the scope of a UK–India partnership, as well as its resilience. Not only did India export massive quantities of essential drugs like paracetamol and facemasks to the UK, but India's Serum Institute joined forces with Oxford University and AstraZeneca to successfully produce a Covid-19 vaccine. Furthermore, at the recently concluded 10th edition of the India–

UK Economic and Finance Dialogue, the finance ministers of both countries inked an agreement furthering bilateral economic ties in sectors ranging from foreign investment to infrastructure and sustainable post-pandemic recovery.

Here, the SCRI can offer a platform to enhance bilateral trade and investment, while also allowing both countries to collaborate on an effective future geo-economic strategy. For instance, London and New Delhi can negotiate a potential free-trade agreement within the framework of the SCRI that helps remove barriers to market access and facilitate easier business exchanges. The SCRI could also potentially act as a framework to engage jointly in a public–private dialogue to work effectively towards business-friendly environments. This could, for example, manifest through the creation of a procurement portal, knowledge and training exchanges, initiating joint innovation projects in technology, healthcare and education, as well as cooperating to tackle global challenges like coronavirus and climate change.

UK–Japan Ties Post-Brexit

Japan and the UK's economic ties are perhaps best evidenced by their recently

concluded bilateral Comprehensive Economic Partnership Agreement – the first major trade deal that the UK signed post-Brexit – which points to the prominent place accorded to Tokyo within London's strategic outlook. The deal could not only increase bilateral trade by £15.2 billion in the long term but also create high-value jobs, higher wages and lower product costs – making it an important precursor to the UK joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Despite its forward-looking nature, the UK–Japan agreement remains limited in its scope, leaving considerable room to initiate a more wide-ranging and substantive agreement. Nonetheless, the agreement opened doors for a more comprehensive alliance in the security sector, amid Tokyo's hopes to see London play a larger role in the Indo-Pacific and coordinate a strategy vis-à-vis Chinese expansionism. Here, the signing of the Joint Declaration on Security Cooperation between former prime ministers Theresa May and Shinzo Abe in 2017 marked a major move towards a bilateral global security partnership.

The UK–Japan relationship may also take on a military dimension with Japan's potential inclusion in the Five Eyes

(FVEY) intelligence-sharing framework that includes the UK, Australia, the US, Canada and New Zealand. Alongside Indo-Pacific constructs like the Quadrilateral Security Dialogue, the FVEY is looking to establish its network as a counterbalancing force to China's diplomatic and economic influence. More importantly, to balance China's rising economic and manufacturing dominance, the FVEY is increasingly [considering](#) an expanded scope that includes an economic pact, which stresses supply chain resilience and risk diversification. In this context, the UK and Japan, alongside Australia, could find added synergy under the SCRI. It can provide the UK with an opportunity to establish an understanding with three of its critical trade partners, wherein they can look to mitigate supply chain vulnerabilities.

The UK and Australia: Historical Partners

Given their historical commitment to safeguarding the international rules-based order, the UK has been labelled Australia's '[most like-minded partner in the world](#)'. With cooperation spanning across foreign policy, security, defence, intelligence and economic sectors, London and Canberra have a comprehensive relationship with collaboration in numerous multilateral security and economic forums. Both countries have a robust trade and investment relationship, with over [\\$30 billion](#) in bilateral trade and an aggregate of over [\\$570 billion](#) in British investments in Australia and over [\\$408 billion](#) in Australian investments in the UK. These ties are set to receive a boost post-Brexit when the two states sign their free-trade agreement, negotiations for which were [launched](#) on 17 June 2020, with hopes that the agreement will symbolise their 'shared commitment to global trade liberalisation' and accelerate economic recovery.

The addition of a security characteristic to UK–Australia ties will necessarily require a joint focus on the Indo-Pacific, and the SCRI can help the UK shift its engagement from being

purely economic to being underscored by strategic security concerns. As Australia seeks to level the regional playing field by reducing Chinese dominance, it is actively pursuing coalitions that can support Indo-Pacific structures and promote security and prosperity; the UK's involvement in the SCRI can help further such goals.

The Indo-Pacific and China in the UK's Post-Brexit Outlook

Moving forward, if the UK is to substantially carve a '[bold new positive role](#)' for itself in the world, the Indo-Pacific must be [accorded](#) increased priority within the UK's foreign policy calculus. After the UK–EU trade agreement, the UK risks being further separated from the Asia-Pacific than ever before. It will, for instance, no longer be a dialogue partner with ASEAN – either with the EU or independently amid the ongoing moratorium on new members. Hence, the UK must necessarily explore new modes of engagement for deeper ties with Asia and the Indo-Pacific that benefit it both economically and politically. A recent report, endorsed by Shinzo Abe, has recommended that the UK forms its post-Brexit foreign policy with a focus on the Indo-Pacific.

The UK is equally concerned with Chinese belligerence in the Indo-Pacific, especially in Hong Kong. In response to China's breach of their 1984 bilateral treaty vis-à-vis Hong Kong through a sweeping national security law that quashed fundamental freedoms, the UK [censured](#) Beijing, suspended extradition, and banned export of riot control products to the country. A cross-party consensus is developing in the UK with parliamentarians asking for a [complete overhaul](#) of ties with China. Prime Minister Boris Johnson also [declared](#) a five-year visa for the 2.9 million Hong-Kongers with British overseas status, claiming that the law was a serious violation and setback to Hong Kong's autonomy. The UK has also consistently [accused](#) China of blatant human rights violations in its crackdown on Uighur Muslims, with more than 100 lawmakers [signing](#) a letter

to this effect to the Chinese ambassador to the UK. The UK also [banned](#) Huawei equipment from its 5G network, citing security concerns regarding potential cyber attacks, following a similar move by FVEY partners New Zealand, the US and Australia. Considering such political disputes, enhanced security engagements and reinforced democratic partnerships that uphold the regional rules-based order will be key narratives driving the UK's involvement in the Indo-Pacific framework. The UK-proposed [Democracy 10](#) initiative, which creates a club of 10 democracies, including India, shows London's desire to further coalitions that counterbalance China and reduce reliance on it. The SCRI, which is also underpinned by a shared desire to balance China, can be a key forum for engagement in this regard.

China's response to the UK has seen a [reciprocal](#) ban on extradition treaties and increased criticism of the UK's policies in Chinese strategic circles. Seeing the UK's emerging Indo-Pacific outlook, China's ambassador to the UK Liu Xiaoming has stated that a '[recognition deficit and a trust deficit](#)' have emerged in UK–China ties as a result of the UK's 'Cold War mentality'. While claiming that Hong Kong is a Chinese domestic matter, the Chinese outlook towards the UK urges London to make 'smart choices' and also shows signs of [targeting British companies](#) and businesses if further deterioration takes place. It hence encourages the UK to promote an '[independent](#)' policy with China and not one that is a derivative of the US.

Nevertheless, the UK's Indo-Pacific outlook, and indeed its consultations with the SCRI, need not be framed entirely through a Sino-centric narrative. Rather, as the UK loses access to its EU-centred dialogue mechanisms, the SCRI can be a way to sustain strategic communication with the economically vital Indo-Pacific region. It can aid Johnson's mysterious '[Project Defend](#)', which has swiftly become a domestic exercise to make sure that the UK retains access to critical goods while working on the diversification of trade ties. As

UK leaders look to avoid onshoring of supply chains, the SCRI can allow for an expansion of trade ties with the Quad members, other Indo-Pacific countries and Commonwealth partners. Economic alignment will also provide the UK with greater access and an active role to play in the Indo-Pacific security landscape.

The SCRI will also be of great advantage to the private sector, which is already actively looking for ways to [update](#) its supply chain strategies while inculcating structural agility into organisations breaking away from EU dependency. The UK–EU trade relationship is bound to undergo significant [changes](#) with the end of the Brexit transition period and the finalisation of the [UK–EU trade deal](#), which will only be further complicated by the drastically [transformed](#) economic context provided by the pandemic.

Amid such long-term changes, the SCRI can help the UK solidify its trade outlook.

The UK must play a more proactive role in the Indo-Pacific, and this engagement can begin with the SCRI's emerging platform. If the UK is to play a role commensurate with its historic status as a great power, as well as its existing position as a Permanent Five member of the UN Security Council, it must devise a new strategy to bolster its presence within Indo-Pacific frameworks. Only then can the UK establish itself as a reliable and trusted partner.

The SCRI offers the UK a chance to build a free-trade bloc among like-minded countries and opens an avenue for deeper, comprehensive and sustainable ties with the region. For proponents of the SCRI, who are concerned about China's growing

influence in the global tech sector, the UK's inclusion offers them an opportunity to devise tech partnerships that will be essential in countering (or at least balancing) China. Under the SCRI's umbrella, Japan, the UK, India and Australia can jointly invest in research and development of advanced technologies that will allow them to reduce their dependence on the Chinese high-tech sector and establish their own supply chains.

Jagannath Panda is a Research Fellow and Centre Coordinator for East Asia at the Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi. He is the Series Editor for 'Routledge Studies on Think Asia'.

The views expressed in this article are the author's, and do not represent those of RUSI or any other institution.