

# INSIGHT

## Post Brexit, a more nimble UK may prove useful to Asia

**Andrew Sheng** says while the full costs of its divorce from the EU are still being worked out, the prospects of a freer Britain, still a bridge linking US and Europe, are bright

Being in London when UK Prime Minister Theresa May formally triggered Article 50 in filing for divorce from the European Union was bitter-sweet. The mood was one of determination – Great Britain has decided to leave, and there is no looking back.

The debate in London was very much on whether there will be a soft, easy Brexit, in which the divorce is reasonably amicable, or a hard, acrimonious Brexit, in which there will be no winners. Most realists know that you cannot have a divorce and still stay in the same house. My British friends' views ranged from "depressingly tough negotiations" to "stiff upper lip and get on with it".

But all divorces come down to emotions, and dollars and sense. As emotions cool down and negotiations begin, the costs to both sides become rather contentious. The leading European think tank Breugel put the calculations as "divorce", where each party shares the assets and liabilities, or "leaving the club", where the leaver pays up all dues and does not share in any assets or liabilities. On either basis, the cost to the UK could be in the range of €25 billion (HK\$206 billion) to €60 billion.

But the true costs to both sides are actually unknown, because all forecasts so far turned out to be wrong. The UK economy did not collapse or face higher inflation or slower growth, but instead seemed to be doing slightly better, with a recovery of exports as the sterling depreciated. Like any divorce, the winner is the party that gets on with life, makes the mental adjustments to learn from past mistakes, makes new friends and seeks new careers direction.

By being part of Europe in terms of geographic proximity, but not a member of the euro zone, Britain has never fully signed onto the European dream. Having a separate currency has cushioned Britain from the worst defects of a single currency, the way the southern European countries and Ireland are suffering deflation without the flexibility of adjusting through the exchange rate.

In the short term, Europeans have managed to get over the shock of Brexit with a stronger sense of unity. Over the medium term, the strains between the net savers in the North, led by Germany, and the net borrowers in the South, will show.

From Asia's perspective, Brexit has opened up new policy options in terms of trade, investments and geopolitical initiatives. By leaving the EU, Britain must survive by dealing with her own fundamental problems of labour productivity and overall competitiveness. The City of London will surely suffer somewhat from the loss of the euro clearing business, as these shift back to either Frankfurt or Paris, but it will be decades before either city manages to get the legal, financial and commercial skills that exist in London.

To put it simply, Britain will always remain an offshore centre in the right time zone that bridges the American and the European continents. Being offshore and having probably the least ideological diplomatic skills, Britain will be able to move more nimbly than either the American exceptionalists and the more bureaucratic European coalition. In a world where Donald Trump is pushing for "America first" and Europe will be more preoccupied with internal issues and border tensions, Britain will become a champion of free trade and globalisation.

With still some of the best universities in the world, Britain must attract global talent in order to compete. In short, surviving in a hi-tech world depends not only on financial capital, but also brains and the ability to execute projects without being bogged down by too much complex red tape.

In short, British soft power in terms of intellectual leadership in thinking through how to navigate global tensions in geopolitics could be Britain's trump card.

Asia will find that working with Britain will offer an alternative option to trade negotiations with the US or the EU. If negotiations with Britain succeed faster in driving Asians to move towards say, the Regional Comprehensive Economic Partnership, this could open up avenues not thought possible after the demise of the Trans-Pacific Partnership. Asians who are frustrated with negotiating with Brussels or Washington will find a sympathetic ear in London. Of course, Britain will need to balance its interests with that of both sides of the Atlantic, but that has always been Britain's strong suit.

To paraphrase Jim Hacker, the hapless minister in the hit TV series *Yes, Minister*, the British banger will once more be freed from being defined by EU bureaucratic definitions of fat content with no taste. Soon, the British banger will be served with samosas, dim sum, French fries or Thai sauces, to new hybrid tastes.

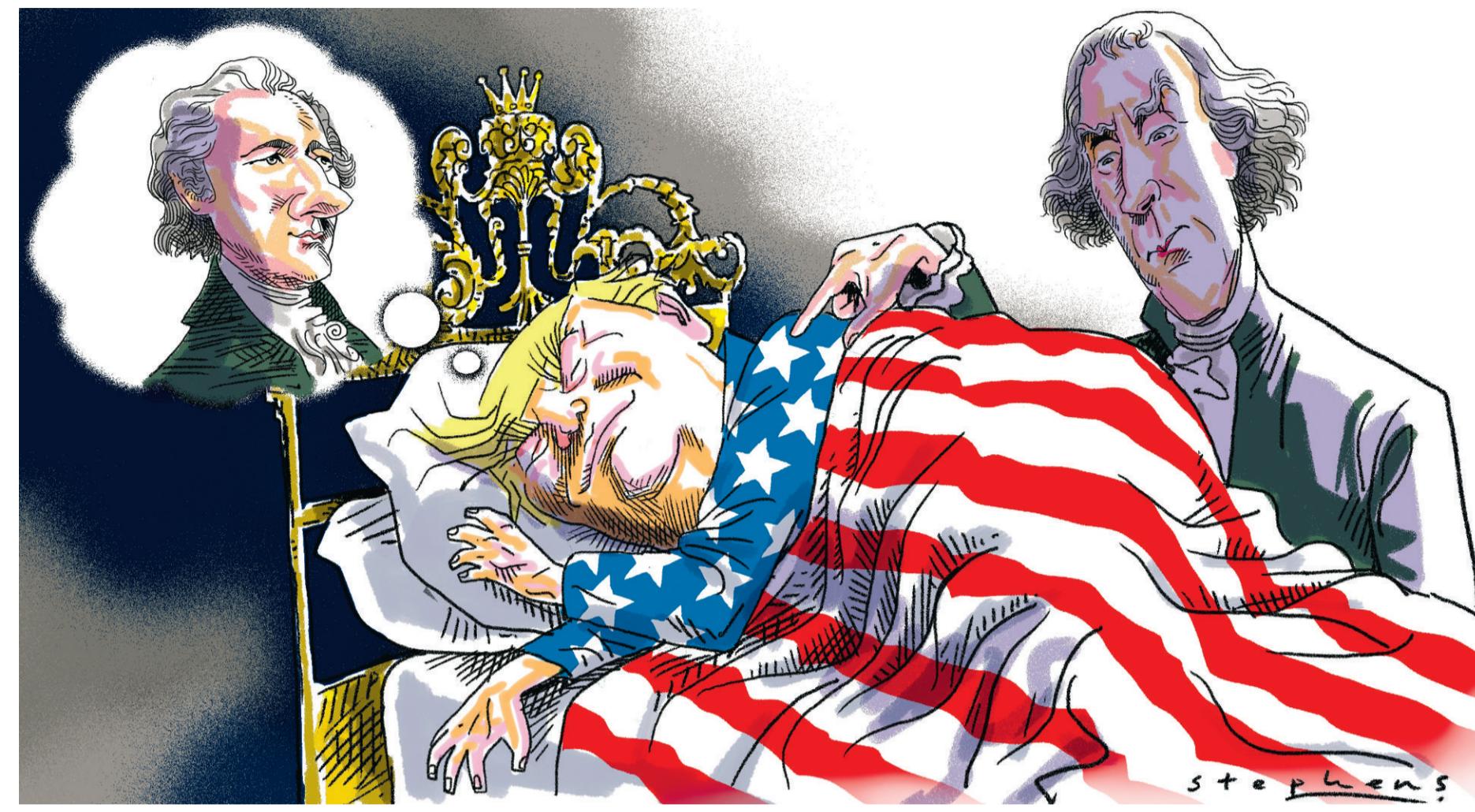
After a shambolic struggle for Conservative Party leadership, May seems to have found her calling in taking Britain to a new direction, thanks partly to a Labour Opposition that is still stuck mentally in 1970s.

I left London this spring not depressed by Brexit, but with a sense of new hope.

Andrew Sheng writes on global issues from an Asian perspective



The Bank of England in London. Britain must attract global talent in order to compete. Photo: Reuters



## TWO REPUBLICS

**Patrick Mendis** considers the points of agreement between Trump's 'America first' and Xi's 'China first' outlooks

**P**resident Xi Jinping's (習近平) China Dream is all about the rejuvenation of Chinese culture and its Confucian history, as if it is Beijing's "China first" strategy to bring back the glory of the Middle Kingdom.

This nationalistic approach is increasingly similar to that of the "America first" rhetoric of President Donald Trump, who has shaken the myth of "American exceptionalism" in world affairs.

Since the two presidents have now met at Trump's "Winter White House" in Florida, it is worth revisiting these two driving concepts as Beijing itself uses America's Hamiltonian elements in its historic development to realise the China Dream.

As George Washington's first secretary of the Treasury, Alexander Hamilton advocated a strong centralised government, supported a national banking system, developed a naval force to protect the nation and its external trade, and embraced manufacturing and commerce for the young nation's development strategy. This world view was different from his arch-rival Thomas Jefferson, the secretary of state. Jefferson romanticised agrarian virtues, popularised democratic sentiments in religious freedom and human rights, and the ability of the people to govern themselves at the hamlet level.

In their first face-to-face summit meeting in Florida, Trump had all but forgotten his previous anti-China rhetoric, and, instead, showed a conciliatory tone for a more pragmatic relationship with China. The tycoon-turned-author, who knows about "the art of the deal" for "transactional" relationships, shares a Hamiltonian outlook with his Chinese counterpart, whose China Dream is driven by the transactional nature of the "One Belt, One Road" plan for Beijing's national development.

Before Xi, Deng Xiaoping (鄧小平) adopted a Hamiltonian-like export-led open economic policy with a strong centralised government. Like the succeeding Communist Party leaders, Trump and his millionaire cabinet members and advisers have appeared to ignore the Jeffersonian ideals of religious freedom and human rights that have been the American trademark of "transformational" leadership in international affairs.

Trump is the first US president to explicitly reject the idea of American exceptionalism, saying it is "not a nice term", and campaigned on a set of nationalistic policies under the slogan of "America first". By contrast, his Democratic Party opponent Hillary Clinton championed a traditional vision of a globalised America, believing exceptionalism in international engagement as the "indispensable nation".

With the new leader in the White House, Xi echoed the Chinese version of liberal international

order and globalisation at the World Economic Forum in Davos, Switzerland, as if China intends to take on the global but transactional leadership now vacated by Trump's "America first" policy. Does it?

It is worth remembering the founding fathers of the United States gave birth to a republic. The US was not a "democracy"; the word was never mentioned in the founding documents. The nascent republic was essentially nurtured by Hamilton's vision. He was the primary architect of the American governing mechanism and the visionary of its capitalistic economic system; thus, creating a cosmopolitan, commercial and industrial nation, as opposed to a Jeffersonian "Empire of Liberty", with yeoman farmers in hamlets untouched by the so-called corrupting influence of bankers and financiers in Boston, New York and Philadelphia.

During the earlier years of the republic until the opium wars in China and the civil war in America, the US became a prosperous and wealthy nation through trade with China. The Hamiltonian frame-



### After Mao, Deng invoked Hamiltonian policies... Will China ever follow the American experience of Hamiltonian means to Jeffersonian ends?

work has long been the driving force in American prosperity to achieve Jeffersonian ends of greater freedom and liberty to all Americans – including women, African Americans, native Americans and immigrants. This tradition has changed with Trump, whose White House is now dominated by wealthy white men.

After Mao Zedong's (毛澤東) death, Deng also invoked Hamiltonian-like policies to spur economic growth. The question is: will China ever follow the American experience of Hamiltonian means to Jeffersonian ends?

With the China Dream, Xi's approach to "make China great again" through its state-owned enterprises has continuously been updated, while restricting Jeffersonian freedoms and other liberties of free expression and press in China. As the "Chairman of Everything", he has stressed that the party's unwavering leadership over state-owned enterprises is the

key component of his "One Belt, One Road" plan. China's state-owned enterprises are a strategic by-product of the Confucian culture of centralised governance. More recently, Xi has appointed former CEOs of state enterprises as provincial leaders, to strengthen his power structure in government and business.

Meanwhile, in America, as part of Trump's efforts to "make America great again", the White House has seemingly resorted to a Hamiltonian view of a manufacturing nation with a strong military, while it has criticised the Jeffersonian character of a robust and independent press, along with religious tolerance and the acceptance of immigrants.

Observing the changing dynamics in the US and elsewhere in the world, the question is: will the US follow the experience of centralised Confucian power – and by default the Chinese Communist Party – to create a Hamiltonian world for wealthy and powerful Hamiltonians?

Surely, China as a thriving civilisation-state is an artefact of evolution in history. For its part, the US has always aspired to be the "Empire of Liberty" envisioned by Jefferson and the other founding fathers. The colossal Statue of Liberty in New York City is the sacred symbol that has long separated the US from China and the rest of the world.

For human progress, the evolution of the American republic equally needs its Hamiltonian and Jeffersonian principles. With his "America first" policy, Trump has embarked on creating a Hamiltonian America without acknowledging the Jeffersonian pulse of the nation.

By design, the American system created by the founding fathers works in chaos but with the harmonious vitality of Jeffersonian and Hamiltonian elements. Even while the Hamiltonian evangelical fervour appears to project occasional political power, the inertia embedded in the Jeffersonian spirit of "deep state" – a decentralised army of patriotic public servants, diplomats and mainstream media – keeps the nation on the move in unison. These Jeffersonians, as well as the elected Democratic Party (and some Republican) representatives in Congress, are today like a school of fish – without a single leader – marching towards justice to realise America's Empire of Liberty.

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## Trump's army is making America great again

**Simon Tay** says US military moves are a message for challengers Russia and China, and a reminder that America still calls the shots

Some had expected a confrontation over trade and other issues when US President Donald Trump hosted President Xi Jinping (習近平) in Florida late last week. But there were no missed handshakes to upset protocol – as there had been when Trump met German Chancellor Angela Merkel at the White House. There were no major breakthroughs either.

The most concrete outcome will focus on Americans getting better access to China's market for financial services and beef.

A deadline of 100 days has been set and this is doable, given that negotiations on these issues began earlier, with the administration of Barack Obama. If this is successful, Trump could claim himself a dealmaker with China.

But, consider the bigger events outside the room, set in motion even as the US and Chinese leaders sat down together at Trump's Mar-a-Lago estate: more is at stake.

Just before he sat down for dinner with the Chinese president, Trump ordered a missile

strike on Syria. Then, the American navy deployed in waters off North Korea, after a series of provocative missile launches by Pyongyang. These muscular, unilateral moves have many American observers applauding.

But others looking at Trump's actions can find cause for concern.

Many see the US president's decision as an emotive reaction, his shock at seeing innocent victims, particularly "beautiful babies", being killed. "One strike doesn't make a strategy," former US defence secretary William Cohen was quoted as saying. There are questions of how effective the US strikes were, especially with no indication of any follow-up.

Similarly, dispatching a US aircraft carrier-led group of warships warns Pyongyang to curb its nuclear ambitions or potentially face a similar missile strike. But a show of military strength offers no clear resolution for a long-brewing and complex problem.

The US actions are not solutions but

messages – ones intended, moreover, not just for Syria's Bashar al-Assad and North Korea's Kim Jong-un but, even more importantly, for presidents Vladimir Putin and Xi.

Even if Trump has spoken positively about working with Putin, the Americans are not ready to cede Syria and the Middle East to Russia. On North Korea, Trump earlier said that the US will act with or without China's agreement.

This will surprise those who focused on Trump's early talk about putting "America first" and believed he would be less involved overseas. His latest actions relate instead to his campaign promise to "Make America Great Again" – of ensuring the US is respected and even feared on the world stage, and is free to act unilaterally, if and when it chooses.

This has many implications for China's claim to a larger place in the world, so long dominated by America, and for Putin's reassertion of Russian geopolitical weight.

Even as some praise the decisive actions taken, those who value American engagement with the world should pause and wonder about consistency and follow-up.

Will there be thoughtful and constructive policy, or instinctive and even knee-jerk reactions under the Trump administration?

Much depends on the temperament of the US president as commander-in-chief, and who and what captures his eye and ear.

Even leaving aside personalities, events of the recent past suggest that when domestic public opinion and political support shift, the Americans withdraw.

Questions remain concerning American staying power, guts and guile to deal with challengers and complex problems.

For now, events show Washington will negotiate, or else use force – as Americans see fit. The Trump administration has also shown that America retains the capability and the will to operate on several fronts and on different issues simultaneously. Let us be reminded that Americans can still call the shots – and the air strikes – for better or for worse.

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