

A framework for prosperity

Britain's Prosperity in a networked world – a new commercial focus, working hard to support British business and maintain the United Kingdom as a home for investment and business

It is a great pleasure to be here in Japan and to have been made so welcome by the Prime Minister. Two weeks ago I gave a speech in London which explains why I have come to Japan and China this week. I said that our new Government will pursue a distinctive British foreign policy that sets out to make the most of the abundant opportunities of the 21st century in a strategic fashion, creating the framework for sustaining British interests and our prosperity over the long term, as well addressing the challenges we face now in Afghanistan, Iran and the Middle East. I said we would pursue this distinctive British foreign policy in four ways.

First, by intensifying our engagement with the emerging economies of the world where so much economic opportunity now lies, looking beyond our shores for new partners and new possibilities.

Second, by building even stronger bilateral relationships for the United Kingdom. We will elevate key partnerships beyond Europe and North America with countries like Japan, seeking new ways of working together as networks of nations to support stability, security and prosperity in our own economies and in the wider world.

Third, by engaging with people and their aspirations and not just with other governments. If our foreign policy is to be effective in a networked world we must extend opportunity to others as well

as striving for the best for Britain, upholding our own values and influencing others by being an inspiring example of our own values.

The fourth principle, and the subject of my speech today, is that our new Government believes that British foreign policy needs to support the UK economy to a greater degree if we are to ensure our economic recovery and long-term growth for the future. We will make economic objectives a central aspect of our international bilateral engagement alongside our other traditional objectives. We will work in a targeted and systematic fashion to secure Britain's economic recovery, promote open markets and improved financial regulation and to open the way to greater access for British companies in new markets worldwide. We will champion Britain as a partner of choice for any country seeking to invest and do business in Europe; and we will use our diplomacy to help secure a strong, sustainable and open global economy that benefits all nations and helps create the basic conditions for prosperity for those who are now denied it. To do this, we will inject a new commercialism into the work of our Foreign Office and into the definition of our country's international objectives, ensuring that we develop the strong political relationships which will help British business to thrive overseas.

We are confident that this new approach will deliver results for Britain and that as a country, we have a great deal to offer our partners in the global economy. We are a world-class destination for international business, we are a global hub for creativity and innovation, a centre of the world's financial services industry and a leading champion of free trade and economic liberalism. We have a new Government that is committed to showing the world that Britain is open for business, to cutting corporation tax to 24% and to making Britain the easiest place in the world to start a business as well as one of the strongest business environments of all major European economies.

14 days after that first speech I am here in Asia to show that we do mean business. I am in Japan today and tomorrow to reaffirm our relationship and to seek a closer partnership in commerce and in foreign policy. I have just visited China, where I encouraged Chinese leaders to continue the process of opening China's markets to foreign companies. Later this week I will visit the Gulf, where we are taking systematic steps to elevate our ties. Over the coming month British Ministers will fan out across the world in support

Helping to initiate and build trade and investment partnerships across the world



of this new approach, including a delegation to India led by our Prime Minister David Cameron and a visit to Brazil by the Business Secretary Vince Cable.

Japan matters to Britain. You are our closest partner in Asia. We are both members of the G8, G7, G20 and the OECD and we will one day work alongside each other as permanent members of an expanded United Nations Security Council. We work closely together in Afghanistan, where you are a leading donor and we are the second largest contributor to international forces, and we have a common approach to challenges like nuclear proliferation. You are our largest export market outside Europe, China and the US and one of the five largest investors in the UK economy. 100,000 British jobs are linked to Japanese companies in Britain. We are the second largest recipient of your foreign direct investment in Europe, with 107 new projects in the last year alone, an increase of 27% on the previous year. You are our largest partner in research and development after the US and Japanese automotive companies are so integrated into our lives, communities and economies, manufacturing half of all cars made in the UK, that we almost think they are British anyway. And I cannot imagine that there are many households in Britain which do not own Japanese products which have revolutionised access to media and culture. It is for all these reasons that I have chosen to give my speech on the global economy and the new economic focus of UK foreign policy here in Japan. It may be no surprise, given the different national characteristics for which we are both famous, that our relationship has been somewhat understated in the past, but we must never undervalue the relationship.

For I believe we could do still better. UK direct investment in Japan is currently lower than in any of the other major Asian economies, even though you have the largest domestic market in the region. The maximum removal of both tariffs and non-tariff barriers could deliver,

it has been estimated, €3.4 billion of additional EU exports to Japan and €3.8 billion of additional exports from Japan to the EU, which would be good for all of our citizens. We welcome the announcement by your Transport Minister of a new 'open skies' approach to air services in Japan, and we stand ready to move to a more liberal agreement given that the Tokyo-London air route is busier than any other between Tokyo and Europe. We have a significant opportunity to deepen our defence and security partnership if British industry, as part of the Eurofighter consortium, is successful in bidding to supply Japan's future fighter aircraft. And we would also like to further deepen and broaden our bilateral Energy dialogue, looking together at how we develop energy infrastructure for the 21st century, spearheading the low carbon transition and creating new drivers for growth in our economies.

But also understand that our relations with Japan are not just a matter of trade and commerce, as important as those things are to the prosperity of both our countries. There are opportunities open to us which go far beyond the sum total of the economic connections between us. Japan has long been an economic titan; the world's second largest economy, still four times the size of India's. But today you are also at the heart of a region that is racing ahead and undergoing extraordinary economic and social transformation. You are linked through your bilateral ties, your investments and your trade with many of the fastest growing regions of the world, including China and your East Asian neighbours as well as Latin America and Africa.

We on the other hand are not only a leading member of a European Union of twenty seven member states and an advocate within the European Union of lots of things that matter to Japan, but we are linked to a Commonwealth of 54 nations which brings together countries in Europe, the Americas, Africa, Asia and the Pacific and which contains a third of the world's population and some of its fastest growing economies. Nearly two hundred thousand British people live and work in the Gulf, a region of vital importance to your economy as well as to ours, and we have thriving communities within the United Kingdom with strong links to the countries of their heritage whether it is Bangladesh, Pakistan, or India. Our common links are underlined by the different but unique alliances we have with the United States – you across the Pacific Ocean, we across the Atlantic.

All these different links, brought about in many cases over the course of hundreds of years of history, are being transformed and brought to life in previously unimaginable ways by new technology and new opportunities to communicate, many of which have been developed here in Japan. This is a dramatic new element in foreign policy and in relations between states and peoples. We have tended often in the media to focus on the negative aspects of these changes, such as how they can be used to

Leaders of G20 nations at the 2010 summit in Seoul, South Korea



repress in countries like Burma or Iran or to sow terror. But this transformation is overwhelmingly positive. In a world in which Japan is just one click away from Britain we should view our overlapping and complementary networks of relationships and connections as a springboard for developing innovative new ways of working together such as on humanitarian assistance, development aid, and potentially in helping the poorest in the world gain access to the life-changing technology in which Japan excels.

We have a great deal to offer in financial services, health, the creative industries and advance manufacturing

Our links also give us an invaluable means of working together in pursuit of our common interests in an environment where the international system is rapidly changing and it is harder for individual countries to exert influence. The economic crisis is accelerating the shift in economic power away from the countries of the West and towards the emerging economies, in Asia and also beyond it in Latin America and the Gulf as well as contributing to the rise of new groupings of nations - the G20 now alongside the G8 - and the weaving together of whole new systems of influence: ASEAN, the BRICs, BASIC, the Shanghai Cooperation Organisation, the African Union and so on. The widening of the circle of international decision making is positive and overdue, increasing the potential of reaching agreements that are binding on more countries and are regarded as more legitimate. But it does undoubtedly mean that Japan, Britain and our allies will have to work harder and influence more countries to protect our interests and to ensure that our diplomacy is sufficiently agile and energetic. So we hope to continue to work with Japan, on the Millennium Development Goals and on the existential threat of climate change, where we have among the most ambitious climate change targets of any developed countries and are both keen to exploit the opportunities that the new green economy presents for jobs and sustainable economic growth.

We also hope to make more of the links between our parliaments and our people and, with your Government, to reinvigorate the UK-Japan 21st Century Group and to elevate our links in education. The first Japanese students, the "Choshu Five" went to University College London in 1863 and all went on to become leaders of their country. Nine years later the Glaswegian Henry Dyer established the Engineering College in Tokyo which was later merged into Tokyo University. And today hundreds of young

Britons get their first experiences of living and working overseas by teaching here in Japan through the JET programme, while we welcome thousands of your students to study in the United Kingdom. But we want to go further.

Britain has some of the best universities in the world. That is why over 400,000 foreign students, including 4,500 Japanese students, come to the UK every year to study. This is of enormous benefit to Britain as well as those students. The Japanese Government rightly wants to internationalise its universities and has set a target of 300,000 overseas students entering Japanese universities by 2020 and the same number of Japanese students studying abroad over the same period. I can announce that the British Council will hold a series of policy dialogues to enable British and Japanese university leaders to share their best practices on internationalisation, and to broker strategic partnerships between British and Japanese universities to promote exchanges of both students and of researchers. The British Council will also provide the necessary specialised English language training for staff in Japanese universities, as well as for Japanese students. This should not only deepen collaboration between our universities, but it will boost British, and eventually Japanese, educational exports. Most importantly, it will give many more British young people the chance to come to Japan to study, cementing our relationship into the next generation.

Overall this British Government will give the consistent attention and effort to relations with Japan that we believe has sometimes been lacking in recent years. In 1906, Japan's Ambassador to London lamented what he saw as Britain's lack of desire "to know more of Japan's conditions and aspirations". Well that was a hundred years ago. I can tell you that the new British Government does wish to know more of Japan and work yet more closely with you. With our

Promoting international partnerships and relationships across Asia



long history as close allies and economic partners we can and should deepen our partnership.

While reinvigorating our relationship with Japan we will build up British engagement with the emerging powers in Asia, Latin America and the Gulf, and with Turkey, Europe's largest emerging economy. This will be critical for our economic recovery and our prosperity in the UK, just as it is to that of many other countries we are competing with. The global middle class is likely to grow to over a billion people by 2030 – an increase in consumers since the turn of the century equivalent to the total population of the European Union – creating new commercial opportunities. The emerging economies are also now home to some of the biggest state equity investors and buyers of sovereign debt. They are also essential to our ability to tackle global rebalancing, trade liberalisation and broader challenges such as nuclear proliferation and climate change.

So I am visiting Japan and China this week to reinvigorate ties, invest in personal relationships, and champion Britain. But I am also here to announce the significant new emphasis that the British Foreign Office will give to providing direct support to the UK economy, helping British business secure new opportunities in the emerging economies and putting our diplomatic weight behind British enterprise as well as helping to bring investors to Britain. We must use our global diplomatic network to support UK business even more intensively and to build stronger bilateral relationships for Britain. This is a matter of vital national importance. In the words of our Prime Minister, our Ambassadors will now be economic as well as political Ambassadors for Britain.

We will work alongside British businesses and the rest of Government and other Governments around the world to use our political influence to help unblock obstacles to commercial success, including cultural and language barriers, excessive regulation or weak enforcement of property rights. We will also strengthen and broaden the science and technology network in our Embassies across the world, so that we help maintain the world-class science and engineering base necessary to transform the United Kingdom into Europe's leading high-tech exporter and stay at the cutting edge of science and innovation. And we will pursue this approach across the whole of Government, not just the Foreign Office, so that this new focus on economic opportunity runs through the veins of our entire administration and so that whenever Ministers from domestic departments travel overseas on behalf of the United Kingdom they too will promote opportunities for British business as well as other essential objectives.

We have a great deal to offer as a nation, as world leaders in financial services, health, the creative industries and advanced manufacturing which we will draw on to create stronger bilateral relationships for the UK.

In addition to India, the key emerging economy is of course China. The UK and Chinese economies are now very complementary. China needs to increase domestic consumption, move its industry up the value chain and develop its service industries. These are areas where UK companies are highly globally competitive. China needs to diversify its overseas investment, and the UK is an

attractive investment destination. Chinese companies are becoming more active internationally. UK companies with their historic networks and international experience are ideal partners, and the City of London, with its world leading financial and professional communities, and media, services is an ideal springboard for global growth.

To conclude, UK economic recovery depends on global stability and growth. We will not prosper without a sustained economy recovery, access to new markets and new sources of inward investment. We will only thrive over the long term within a healthy global economy. So we must work with others on reform of the IMF, successful implementation of the G20 macroeconomic framework for strong, sustainable and balanced growth. We must find innovative ways to take forward the Doha trade round which would boost the global economy by around \$170 billion dollars annually and prevent billions more being lost through protectionism. At the same time we need to deal with the softer economic challenges which will be vital to sustaining prosperity: ensuring that growth in the developed and emerging economies benefits low income countries without further damage to our environment; improving international energy dialogue and institutional architecture; and embedding green growth into economic strategies.

So, making the most of our relations with Japan, with China and with other key economies will, for all of these reasons, be a central priority for the Foreign Office that I lead, as part of an approach that puts promoting trade and commercial interests at the heart of our foreign policy. Nothing will come to us by right or by virtue of the past. We have to work hard to earn our living as a nation and maintain our international influence. What we have set out to do with Japan we will also do more widely, pursuing British interests as well as the global good in a systematic fashion while making the most of the new opportunities for influence and action presented by a networked world. If we succeed, the rewards are clear, not only for our economy but for our ability to strengthen the international system and to deal with all challenges of the 21st century more effectively. P

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Working with British business to promote international commercial success

