

The British and Chinese conduct in the wake of the US trade war and Brexit

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Summary

The global trade system has in the recent years experienced two significant setbacks when it comes to the disruption of the free trade agenda, where two previous global frontrunners of the liberal approach of free trade changed their politics in order to become more nationalistic. The first setback could be experienced in the British referendum in 2016 which resulted in the Brexit and a never seen phenomena within the European Union, being disintegration. The other setback was when the 45th President of the United States, Donald J. Trump was elected, resulting in global changes of American interest in multilateral cooperation, which started in 2018 where the US initiated the progress of imposing tariffs on nearly all of the US' vital trade partners. Furthermore, the start of the biggest trade war in the world's history was started between the US and China, which only has been escalating. Some scholars have already been researching the events of the US-Sino trade war as well as the Brexit. However, these studies have often been focusing on external factors of the reasoning behind the Conduct of the two countries as well as how it has affected the global trading system and economies. However, this thesis will research China and the UK and look into both countries conduct towards one another with the two factors of Brexit and the US tariffs being the catalyst regarding the growing Chinese foreign direct investments in the British energy sector. The dissertation's problem formulation stands as following: In the wake of the US tariffs and Brexit, how has the conduct between the UK and China been affecting their relations, regarding Chinese FDIs in the British energy sector?

In order to research the problem formulation, a qualitative case design was employed as a means of gaining a comprehensive look into the case in question to ensure that the findings were exhaustive and adequate. The behaviour between the two countries and how the Chinese FDIs have affected the UK and China's relations will be examined through the two international relations theories; defensive realism and liberalism, which in this thesis will pose as the analysis. Afterwards, a discussion will take form and discuss which theory is most applicable regarding the two countries conduct towards one another and how the Chinese FDIs in the British energy sector has affected their relations. These steps all lead up to the conclusion, which in this case is resulting in that the US tariffs and Brexit in some way have improved the relations between the UK and China. The improvement is because both countries political and economical has been pushed into finding other alternatives in order to compensate for the loss of the US trade market and the UK, the European

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countries due to the Brexit. However, the countries are standing in different positions, where the UK can be regarded to have a greater need for Chinese investments to strengthen their economy. China may endeavour for the political factors as well as the economical in order to strengthen their position in a stable country in Europe, which may improve their standing in other European countries in the future. No matter what the Chinese investments in the British energy sector can be regarded as an opportunity for the countries to increase future cooperation and by that avoid conflict and prosper economically.

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The British and Chinese conduct in the wake of the US trade war and Brexit

1.0 Introduction

The year of 2016 resulted in some significant changes on the international scene concerning two liberal frontrunners of free trade changing their overall political and economic direction. The global changes in politics with a populist movement resulted in two heavy blows to the agenda of promoting free trade agreement globally. The first surprise and change came in the form of the Brexit, where the British referendum resulted in an interruption of a cycle of deepening and opening relations of European economic integration, which had lasted for 60 years. The second change was in the wake of Donald Trump's election as the 45th President of the United States, where a new nationalistic and protectionist trade agenda of the world's biggest economy, which resulted in the US departure of the Trans-Pacific Partnership the very first day of office (Melchior: 3, 2018). However, the election of Trump can be regarded to be the end of a history of 70 years where the US were the frontrunner concerning delivering a liberal order of world trade globally. The American move towards a new direction of bilateral trade policies containing a more nationalistic direction of American first resulted in a replacement of the previous multilateral approach. The Brexit did not entirely stop the agenda of maintaining free trade agreements, with the statement from the politicians behind the Brexit promising to maintain the UK's position as a global frontrunner of free trade (Ibid.).

With China being affected by the US's tariffs the most, and by retaliating with similar tariffs, a new situation within world trade emerged (J. Herbert et al.: 96, 2019). With the UK leaving the European Union, the UK also delayed the 40 billion US dollars investments and cooperations agreements between the UK and China in 2015 as China aspires to create closer ties with the European Union through the UK, with London, being the essential financial and service centre in the EU. By becoming the Premier minister in 2016, Theresa May, seemed sceptical of a more meaningful partnership with China. This conduct resulted in Theresa May postponing the signature on the deal of the agreement between China, UK and France allowing a government-owned nuclear company from Beijing, to invest in the new nuclear power plant, Hinkley Point, Somerset. Theresa

May was concerned about the national security of the UK together with the implications of political strategy with a rising China, aside from still benefiting from the economic cooperation between China and their lucrative developing market (Ting: 91, 2018). However, with a potential loss of markets with the UK leaving the European Union, together with also been affected by US tariffs, the UK faces a troubled economy weakened by their political actions of leaving the European Union and therefore economic connections and cooperation from previous economic partners. This together with China, also being affected by the US- tariffs, the UK could see strategic reasoning in further trading with China. However, with the question regarding foreign direct investments from China within strategic sectors such as the energy sector and concerns about national security, the question is how the UK will find advantages and act, or do they have any choice with the future economic problems they are facing? The still near-coming situation for the UK has sparked much interest in terms of better understanding a possible more significant relationship between UK and China. However, who will benefit the most and can both the UK and China's behaviour in the last five years be regarded as willingly or unwillingly in their attempt to increase political cooperation between the two countries? This paper will attempt to analyse the British and Chinese conducts towards one another with a focus on the British energy sector, in the wake of the US tariffs and Brexit. The thesis is conducted throughout a qualitative approach, where the international relations theories of defensive realism and liberalism will aim to support how China and the UK are acting and what effects this has on their relationship as well as FDI's in the UK. Moreover, the thesis will attempt to determine whether the factors; the US-tariffs and the Brexit have had any effect on the Chinese conduct regarding the Chinese FDI's in the British infrastructure.

2.0 Problem formulation

In the wake of the US tariffs and Brexit, how has the conduct between the UK and China been affecting their relations, regarding Chinese FDIs in the British energy sector?

3.0 Literary review

The following chapter will introduce and review the existing literature pertaining to the general relations between China and UK together with more specific literature regarding; How the UK and China are affected by US tariffs and Brexit, as well as how Chinese FDI's are affecting the UK. This literature will be in correlation with the thesis' selected research question and the approach, demonstrating how the project diverges from previous studies. Furthermore, the following chapter will also attempt to review the current literature on the subject endeavouring to find a gap in knowledge within the field.

The first text and case within the literary review is: *"A new era in EU-China relations: more wide-ranging strategic cooperation?"* The paper delves into the strategic importance of the relations between China and the EU and the new directions of the relation between EU-China under Xi Jinping and China's new promises. The Chinese focus on more sustainable growth and accommodating that the market will have a more decisive role within the economy. With a growth which can benefit both China and EU and a Chinese focus shifting from domestic to a more international approach and interests. The paper also focuses on the EU-China trade and investment relations, when it comes to bilateral investments and China's growing "Foreign Direct investments" in the EU.

Furthermore, the study of both the foreign and security policy issues together with the multilateral cooperation between the EU and China will be the pivot. The discoveries, in this case, display the growing importance of China in an international context within more initiatives. Furthermore, it also shows how EU as an international actor can benefit from China despite differences in politics, ambitions and economy within the international interest.

The second source is the Palgrave Handbook of Contemporary International Political Economy. This handbook is delving into the focus of changes in the international political economy. Where implications of the Brexit is one of the cited cases in this handbook, and a focus is if regionalism is in crisis, such as the UK with Brexit. With the case of Brexit and what implications it has on economic development globally as well as on developing countries. The handbook is also looking at

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how the UK needs to navigate through a changing economic power shift, where China and the other Asian countries are gaining more economical and therefore needs more focus from the UK's side. Moreover, these actions are analysed through the theories of neoliberalism, comparative capitalism and some realism in order to explain the countries actions in the global economic changes. There is therefore already some knowledge about the how the world order economic is changing and what effects it has on, for example, the UK, which also is undergoing Brexit, which further is affecting other countries as well as themselves.

This review is of the text: "Outward Foreign Direct Investment by Chinese National Oil Companies". The text concerns how developed countries have become increasingly suspicious regarding the increased growth of Chinese investments in various countries with the growing fear and threats of national security in many countries where also the influence of global governance are one of the main reason for generally increased concerns. The result of these increased Chinese investments many measures have been made in specially developed markets where additional regulations have been made in essential sectors to improve control in strategic industries such as the energy sector and oil sector. This article is supporting to refute some myths about Chinese investments, concerning the oil industry. The article touch the common rational thought of understanding the action between states comes from the two international relations theories, "realism" and "liberalism". Where this article is focusing on which kind of strategies and approaches China do have on the international oil market regarding maintaining secure conservation of oil through investments, other countries tend to feel threatened. Where the article differs from this paper is not having a focus on the connection between countries but instead the focus on China and their outward foreign direct investments (OFDI) and how they affect the rest of the world with these investments.

Another source which is relevant to the thesis is the book "Free Trade Agreements and Globalisation In the Shadow of Brexit and Trump". This book is concentrating on how actions as the Brexit and Donald Trump's protectionism is changing and affecting the global free trade agenda since the UK and US have been global frontrunners in this respect. This book is not using the normal international relations or international political, economic theories, but numerical model analysis and through that introduce a novel approach. The book's primary focus is to gather

qualitative data and knowledge about options, proportions, mechanisms and comparisons in order to be able to cope with the changes of actions as the Brexit and Trump's trade politics for the rest of the world economies. The book is regarded as being quasi-realistic, where it is capturing some mechanisms as well as interactions between factors such as markets and trades made globally. The research method in this book is shedding light on some aspects of free trade agreements in order to provide an insight based on qualitative insight on some present issues such as the Brexit and Trump's economic approach. When it comes to methodology the most valuable contribution in the book is the numerical model, used to give some insight on possible actions with trade.

A book which can be regarded already to have mentioned knowledge of this thesis is "The Implications of Brexit for East Asia". This book is investigating the EU-China relations after the Brexit as well as the Brexit impact on their relations to China, which in this case is comparable to the thesis. Moreover, the book also addresses the future of China- UK relations and how the UK- are affected by the Brexit concerning the Chinese FDI's and their attractiveness towards this. This book is using the theoretical approach of post-functionalism to introduce an identity mobilisation as well as deriving path dependence through the use of historical institutionalism, which is creating another focus compared to this thesis, where the political and economic actions are in greater focus. However, in this book, there is also a focus on the political reasons for the move of the Brexit through the rise of extreme right parties, which have been a growing reason for the Brexit referendum. However, there has not in this book made any attempt to understand other factors such as the US tariffs, which also are resulting in countries acting differently.

The sixth and last reviewed source in this thesis is called "*Brexit and the consequences for international Competitiveness*". The book is about how the referendum on the 23 of June 2016 made some changes and showed that the integration of regional progress not only have a one-way process. This book addresses and identifies how the Brexit and the structural changes due to Great Britain's exit from the EU are changing the global economy. The book gives a theoretical history of process and reason for the Brexit, together with contributing to a reason for regional economic disintegration. It further analyses the impending comprehensive leave from the EU, the international competitiveness of economics together with the international trade and foreign direct investments.

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This analysis also includes the trade openness and foreign direct investments within the UK after the Brexit, where a focus on examining possible effects of the decisions made by the UK to leave the EU may have on the British economy, because of the changes concerning attractiveness regarding foreign direct investments. The Chinese and UK relation is also one of the focus in the book with an analysis of whether the Brexit will affect the greater cooperation and plans made by China and UK in 2015 about the Belt and Road Initiative.

The books and papers are differentiating from this paper by not having a focus on the UK and their political as well as economic relations together with other countries, and how the effect of the Brexit may cause changes to these agreements. Moreover, a focus on how Brexit will be affecting the relations between China and the UK concerning foreign direct investments will also be addressed. However, the referenced sources differ through not having a single focus on the bilateral ties between the UK and China and further having a case study specifying on how the changes regarding the US trade war and Brexit as catalysts have on Chinese foreign direct investments within the UK's energy sector. An essential perspective regarding what this thesis will try to achieve is what effects the Brexit and US trade war will have on the UK and China's behaviour. Moreover concerning the UK receiving Chinese FDI's into their infrastructure and China placing themselves on these sectors in the UK, which may result in some security questions for the given country invested within.

4.0 Methodology

In the following chapter, an explanation will be given concerning this papers methodological approach and considerations upon the relations to the research question.

4.1 Case design and quality criteria

This thesis and the research design can be argued most beneficially as being worked through the lens of a case study method. The case study is in its most original design, a comprehensive and detailed look concerning a specific case (Bryman, 2014:66). The ability to analyse complicated cases when it comes to different aspects or a more specific case with a basic qualitative description like the relationship between two states is the real strength in applying the case study. Case studies together with the use of qualitative methods are working well, and this is due to the similarities in some aspects of the study. This fact does not, however, undermine the use or utilisation concerning the use of quantitative data, which makes it a very broadly used method. However, in this case, the use of only using qualitative data results in this design still complementing the subject of the thesis. While the project uses qualitative methods, the data does contain quantitative elements from the use of the British Office for National Statistics. However, because the thesis is not using the quantitative methods to gather data but only using data collected by other organisations through a quantitative method, the mixed method approach will therefore not be applicable in this case. Using the qualitative method is allowing to explore various kind of areas regarding the interaction and deals between two countries and therefore make an in-depth analysis. This in-depth analysis makes it possible to utilise the qualitative method delving into the question of how whether China and the UK cooperate or not concerning economics and politics and to see if any of them are advancing or not regarding the foreign direct investments.

4.1.1 Generalizability / External Validity

While a case study is compatible with the use of qualitative method approaches, a case study often meet some problems concerning the quality criteria generalisability (Bryman, 2014:69) However, due to quality criteria together with generalisability relatively can be regarded as playing a small part in the case studies, is adjusting well regarding the thesis' subject. The specific case between the UK and China is complex and circumstantial, and the relations between the countries can, therefore, make transferability problematic. This problematic results in the findings not being applicable to other states due to them not having similar political, economic and historical developments which means they cannot apply to the relations of other states. However, except for generalisability, quality criteria in this thesis still have relevance.

Reliability

For a thesis, transparency is a paramount aspect maintained through a high degree of reliability. Throughout the thesis, the thought process needs to be clear, so the thesis' replicability decrease if the precautions will not be made. Transparent reflections are made throughout the thesis in order to diminish the differences between the writing of the thesis and how well the reader understands it, together with a meta text ensuring the understanding by a step by step progress of each section (Bryman, 2014:392). In order to achieve these requirements, it is essential for the thesis to utilise the meta text in each section together with the methodological procedure, which explains the relations and structure concerning each chapter in the thesis.

Moreover, an absolute lack of reliability would result in any findings made throughout the process would reduce the plausibility. This lack of plausibility is because a possible gap within the process where knowledge throughout a chapter was acquired, it could be inclined to the reader, that the findings in the case may be fabricated which therefore would dismiss any finding as a possible result (Bryman, 2014:392). Furthermore, this would also include compromising a different aspect within reliability, which is the capacity to replicate the method, becoming able to arrive at similar output or results. If there throughout the thesis remains, evident transparency will result in an improvement and therefore strengthen the replicability which further result in strengthening the reliability throughout the thesis.

Internal Validity

When it comes to the terms of a thesis' validity, one of the challenges occurring will primarily concern the internal validity. The internal validity concerns the relevance of whether the applied measures within the research are the ones which are intended to be measured. When it comes to the theories applied in the thesis, as a measure these theories are made and used by respected and accepted by acclaimed international scholars, which has made them prominent theories over time. Whether the chosen theories in this thesis are applicable and hold their relevance in their use concerning the research question is in this case providing the argument for the internal validity in the thesis.

4.2 Delimitation

As the research question state, the central elements in the research will be the relationship between the two countries the UK and China. The focus on these two countries originates due to the emerging nationalism and protectionism which the United States of America is undergoing, which globally have affected all their previous essential trade partners. However, the UK is also undergoing a similar process through the Brexit which results in the UK leaving the European Union and therefore removing themselves from many of the economic and political benefits of trade which are a part of this organisation. With both China and the UK being affected somehow by the US tariffs and the UK by the EU, both countries could benefit from increasing their trade. In order to answer the chosen research question, this thesis has focused on cases of foreign direct investments made by China towards the UK and their energy sector. The research is focused on the UK alone without the European Union. However, there will be some information regarding previous relations between China and the UK before Brexit in order to make a comparison of pre-Brexit and post-Brexit. As such the delimitation regarding timeline may go back to 2015 due to this period being before the American presidency of Donald Trump and Brexit in 2016. The triggers and the results of the US tariffs on China as well as the UK started in 2018. However, to give some historical background regarding possible triggers concerning Chinese foreign direct investments in the UK as well as the US, there will be a brief introduction on how these foreign direct investments

may have affected the growing nationalistic movement within the UK and the US. Therefore, a timeline from 2015 until today anno, 2019 will be the delimitation, but with a significant focus on a more current time which will be between 2016-2019.

The case figures as an example of political and economic effects of the Brexit and the path the UK is taking and how they may be affected by Chinese foreign direct investments in the wake of the trade war with the US. The driving force of agendas and intentions of the two countries China and the UK together with how the UK is affected by the Chinese foreign direct investments together with China and UK's relations may become central in understanding their relationship as two sovereign states. A natural delimitation within the thesis is visible through literature and the language barrier, due to the available literature. A significant amount of the available literature is in Chinese and are therefore in this case not used. There has for this reason primarily been access to English literature, which has resulted in fewer sources but also a prevalence of English literature within the research of the thesis. The delimitation of the research has theoretically resulted in only using theories of international relations. The theories used are as followed: defensive realism, which is a variant within realism and liberalism. The use of liberalism provides greater insight into how international institutions can work together with countries and understanding the importance of economic relations between nations. Projects between the UK and China, supporting cooperation between states have primarily been regarded as economic. However, as argued by many scholars, these commercial project may also affect and touch the politics between countries. In order to understand more about the relationship between China and the UK outside of the economic and political tenets introduced in the theory of liberalism, an inclusion of defensive realism will, therefore, be added. This inclusion is due to the interest in gaining a greater understanding of how the structures within the foundation of the international system, together with supporting and clarifying the realist concepts of self-interest. Liberalism helps provide an understanding of relations between nations concerning economics relations and how international institutions together with international projects may influence the behaviour of a nation. Defensive realism will on the other hand help provide a greater understanding of why nations act as they do when it comes to actions made within an international organisation and how it may affect a nation's view of possible benefits.

5.0 Theory

Within the following chapter, a display of the theoretical aspects applied in the thesis' analysis of which the chosen empirical elements utilised within the later analysis.

5.1 Realism

The theory of thesis' is distinguishing between classical realism and the neorealism termed structural realism. Neorealism is based on some of the same interest as classical realism. This paper will shortly describe classical realism to assure a better understanding of structural realism and its differences. This separation of the theories has been chosen in order to present a more comprehensive analysis. The theories cause this separation due to their different views on the system, structures and international organisations activities and their influence on the international scene.

The international relations theory realism has throughout history been the most dominating and regarded as being one of the most used theories concerning international relations (Dunne, 2004:114). The most common characterisation of realism lies in human nature being fundamental when it comes to understanding motivation and what drives individuals as well as states in their doings. Man, is according to classical realism, by nature selfish, and only concentrated on own needs and acts solely on own interest. This selfishness and actions followed by these examples are throughout international relations visible today and throughout history. The motivation of every sovereign state is on their interests with a focus on maximising a state and its interest. This nature is according to realism resulting in the international scene considered as anarchistic (Dunne, 2004:100). When it comes to realism, the fundamental is prioritising the interest of the state over religion, ideology and political organisations. Prioritising the state is regarded as central when working with realism. One of the main arguments concerning how realism has been able to stay relevant is because of its nature and main thoughts of the theory, which is that sovereign nations strong as well as weak, easily are able to coexist although they may have different views on either a countries ethos or religion. A balance of strength can be regarded as the main reason for countries being able to maintain peace between different sovereign countries. This thought about maintaining peace is because all countries at some level will be able to defend and protect themselves (Ibid).

5.1.1 Defensive realism

Neorealism, as we know it today, is regarded as being founded by the American theorist and researcher Kenneth Neal Waltz. The neorealism of Kenneth Waltz is regarded as what is called a structural realism classified as defensive realism. Defensive realism is today described as a critical response to classical realism and what it focused on as aspects. Opposite to classical realism, defensive realism does not have any interest in a given state or any individuals endeavour regarding the idea of self-interest in order to secure themselves. On the contrary, the focus within the theory of defensive realism is regarded as relations between the sovereign states and how they act with one and others on the international scene (Sørensen, 2009:970). This international scene, which is the global society, consists of many different sovereign states whom all are fighting to stay alive and maintain their rights in order to stay independent. Staying independent is within the defensive realism of the struggle, due to neorealism considering the international scene one of anarchy. This anarchy means that there within this anarchistic system are no ruling world government which has the responsibility for the sovereign states. All sovereign states have to fend for themselves, and all power and authority is decentralised into every individual sovereign state on the international scene. However, this decentralisation of power and authority is creating a security dilemma. This security dilemma is resulting in a single country's military mobilisation of security in order to improve its security towards other countries may endanger other countries and their security, which results in all countries improving their security and therefore creates an international domino effect. This domino effect would result in every sovereign state fending for themselves in order to maintain their security (Ibid). The defensive realism is taking critics of classical realism into account. These critics are a customary thought, concerning the fact that great sovereign states according to classical realism cannot coexist within a balance of power. Moreover, defensive realism argues against the classical realism concerning international organisations and their status as an actor on the international scene (Baylis:4, 2014).

Defensive realism is as aforementioned a structural theory, within the genre of neorealism expanded throughout the thoughts of the international relations theory of classical realism. In the known work of “Theory of International Politics”, the author Waltz argues that all international politics, for the most part, is a struggle for power which according to Waltz cannot be justified by the argument of it being human nature (Dunne:104, 2014). According to all theorist within the defensive realism, all are agreeing that the international system and the anarchistic structures within are due to all the individual sovereign states and their strive for securing their survival which leads to security problems and therefore competition between different states. The lack of a leading authority within the international system is creating conflicts between the sovereign states due to no controlling authoritarian entity to whom can sanction the countries if they were to obstruct the general norms within the international system (Ibid.). Throughout defensive realism, Waltz has defined the structural order within the international system through a definition of three elements. These elements are as followed: capacity distribution, differentiation of devices and revised organisational principles. Waltz is within the revised organisational principles identifying two distinct forms of principles: the first form is anarchy which complement the same as the idea of the international system is decentralised. The second revised principle is the hierarchy. This principle is the way the individual states internally are divided within the international system, or based on how the system within the state is preserved. According to Waltz, the components within the international system practically can be compared to the sovereign states. This comparison is resulting in the differentiation of devices becoming irrelevant as an element. It is, however, the first element which is capacity distribution, which according to Waltz can be regarded as the most significant element in order to better understand the international results. This understanding is due to this element is regarded as essential when it comes to ranking as high as possible concerning the influx of resources (Ibid.). The international system and the relative distribution within, is representing the independent variables concerning the understanding of the results of measuring the international system. War, peace and the given balance are all variables which the relative distribution helps understand. These principles mentioned above together with the relative distribution within the international system makes it clear that the interest from the theoretical perspective within defensive realism is ranking the different countries within the international system. This interest in the ranking is in order for a state to distinguish between the different political powers which currently represent the balance of power, which in defensive realism is very important.

The balance of power is resulting in the overall structure within the international system are dictated by the number of great political powers, which are leading the balance of strength (Ibid.). When it comes to defensive realism, it is explicit that the distribution of power internationally is influencing the general behaviour of states within the international system. Waltz is arguing that the primary states which are regarded as the higher political powers within the system in overall need to be more careful and sensitive concerning their possibilities together with capacities when it comes to the smaller sovereign states. The reason for this sensitivity is caused by the problematic, that if all individual states in order to promote their interest were to use power, the result within the international system would be other states would have an increased concern regarding their security. A further result of this would be as the example as mentioned above of a domino effect, where other states within the international system would increase their measures of security which further can lead to intensifying the ambition of remaining independent by any means possible.

According to Waltz power needs to be regarded as an apparatus which are reducing possibilities within the international system to achieve future peace and security (Dunne: 105, 2014). Power as an instrument is within defensive realism regarded as helpful in some situations. However, a smart political leader will always attempt to have not too little nor too much power and use it appropriately. A sovereign state does not have a focus struggling for power. It is, however, the states independence and the safety of and the maintenance of this which is the critical priority for a state. No matter what, the focus for a state will always be securing its interest, even in urgent situations. In contrary to offensive realism the interest of the state can be seen in maximisation of own safety and security, not power maximisation (Ibid.). Within the international system, power maximisation is never the optimal resolution when it comes to the safety of an individual state, according to Waltz's theory. As aforementioned, whenever a sovereign state is to maximise interest by using power, other countries will mobilise their security in order to protect themselves, it can be argued that a counterweight happens every time a country is attempting to power maximise. The results of other states disrupting the power balance to often, cause other states to make it a focal point to ensure own safety and security as their priority (Ibid.). The structural theory of defensive realism figures within the Neo-realism, where states priority is to maintain the current power balance.

The term structural realism covers another different variant of realism and not only defensive realism. The other alternative of structural realism is called offensive realism and is based on the thoughts of the theorist John Mearsheimer. The Offensive realism can be regarded as the

counterpart to the defensive realism of Kenneth Waltz. However, one central focus both theories have in common is the question about the security matter as well as power and the amount the individual state wishes for (Ibid.).

5.2 Liberalism

The international relations theory liberalism is rooted in the enlightenment period of 18th century Europe. Political leaders together with scholars throughout this period gave way to the notion that the reasoning of rationality could improve relations and shape a better world. The liberalists as an individual are to a great extent hopeful concerning the possibility of making the world peaceful, and through that, a more secure place to live. The liberal theories and reasoning are therefore frequently depicted as idealistic or utopian (Mearsheimer, 2001:8).

The liberal view of idealism concerning international politics finds its basis of mentality in three central principles, where the bulk of the liberalist branches adhere. These three central tenets within the liberalistic branches can be listed as the following; a state is regarded as the most influential actor within international politics, within a state the internal characteristics can differ considerably, and as the final tenet the measure of a state's power is regarded as insignificant (Ibid). Within liberalism, the state is the most important actor concerning international politics, which may be viewed as legitimate, due to the theory accepting the basis and importance of the sovereignty of a state.

However, the states internal characteristics and its alternatives together with the ineffectiveness of power may require a further description. Liberalism displays the notion that the behaviour of a state is profoundly affected by the internal characteristics of states. As a result of this, the liberal theory differentiates the types of states by labelling them as either 'bad' or 'good' and firmly believes that the institutions potentially can change the course of a given state (Ibid). Democracy is by the liberalists regarded as good, due to it pursuing the collaboration between states which support the aim of avoiding conflicts and therefore war. On the other hand, dictatorship is regarded as less desirable and therefore bad due to dictators presumably willingly may initiate a possible conflict and use power in order to achieve their goals. The theory of liberalism declares that the solution for world peace needs to be organised through mutual interdependence between sovereign nations,

which involuntarily will use conflicts together with power in order to achieve their endeavour. In the end, proclaimed by the liberal theory is that measurement of a given state's power is regarded as ineffective, due to 'good' states being uninterested in economic and political measures concerning power. On the contrary, the bad states are often motivated by acquiring greater power, but these states are misguided in their overall pursuit of power, according to the liberalists. If the world were ideal, power would be meaningless due to the existence of only 'good' states (Ibid:8-9).

The theory liberalism is unquestionably comprehensive with many nuances. However, there are two primary theoretical pillars, which are regarded as having significant importance concerning the relationship between states, when it comes to the perspective of international relation(Ibid:9).

Of the two theoretical pillars, the first one is the free market. The free market and the creation of it involves a considerable amount of economic interdependence between states, which reduce the probability of that the given states entering a potential dispute with each other. One of the prerequisites for economic interdependence is the establishment of an economy which is based on liberal ideas which makes it possible for a given state freely being able to trade with another. The establishment of a liberal market economy is supporting and increase living standards together with peace, due to conflicts are reducing economic prosperity achieved through free trade. Conflicts have throughout history been fed with goals of not only preserving but also achieving more wealth. Liberalism is, therefore, arguing, that if a state, to begin with, is regarded as wealthy, an incentive of engaging into the conflict would be reduced drastically. Basically, conflicts generate less wealth compared to trade, which results in states as anticipated selects the more rational approach which is this case is engaging in free trade (Ibid:8-9). The second pillar within the theory of liberalism is dealing with the meaning and values of international institutions. This is due to international institutions are promoting greater cooperation between states, which is reducing the prospect of conflicts between nations. Besides states being the most important actor within the liberal theory of international politics, liberalism emphasises that the institutions have no direct control over another state. However, within the second pillar, there is a strong consensus that institutions have a capacity of being able to alter the behaviour of states. Within liberalism, institutions organised rules which are creating some guidelines for how states within institutions compete and cooperate with each other. Drafted and accepted by the different states within the institutions, these rules are based upon the composed interest of the states. With states influencing the given institutions they are a part of,

it is assumed that the states are accepting the rules within the institution together with adjusting their behaviour according to the rules agreed upon and by that avoiding conflict with another (Ibid).

5.3 Use of Theory

The analysis will clarify the relation between behaviour and theory, in order to discuss the implications upon Sino-UK. Defensive realism will provide explanations of how stability and relative power can influence the behaviour of states. On the other hand, offensive realism can provide explanations based upon the perceptions of fear, self-help, and power maximisation of states. Liberalism can provide explanations as to how conflicts and war can be avoided. Liberalism sees the path towards peace, as being accommodated through cooperation between states facilitated through international institutions and free trade.

Moreover, a brief historical overview of the changes on the international scene with the United States and their actions will be given as a background for the analysis of relations between China and the UK. The selected theories being structural realism and liberalism function as the means of categorising of theoretical tendencies within the selected cases of relations between countries. To follow up on this, through the thesis the project will use the international relations of liberalism and the structural realism defensive realism to analyse the relation between China and the UK. Through this analysis, the thesis will examine how their relations can be regarded through the Chinese investments, concerning the energy sector and how this is affecting Chinas and the UK's relations. This analysis will aid in determining how the different countries act within the international system towards one another. This will further explain what the countries, have as an overall strategy of relations towards the investments and which strategies the UK may have whether it is realism or a liberalism approach. This will, in the end, conclude whether the bilateral relations have been affected politically and economically due to the trade war and tariffs introduced by the United States. Furthermore, the case study of how the US trade war together with the Brexit has affected the Chinese Foreign Direct Investments within the UK's energy sector will also be concluded upon. This analysis will ensure the paper a higher perspective not only regarding the economic aspects due to the global changes but also how this has affected the political environment between two major economic powers.

6.0 Empirical data

The following chapter will introduce the US's trade war together with tariffs applied to both the UK's and China's export of goods and services. The chapter will support the understanding of why the tariffs were introduced as well as how this has affected countries like the UK and China. Furthermore, an introduction of the Brexit and the UK's conduct, as well as the current situation of China's FDI in the UK's energy sector in order to give a better understanding of how the analysis will use these current situations on the international scene, will be given.

6.1 The Sino-US trade war

In 2016 Trump was elected into office and became the 45th. President of the United States of America (J. Herbert et al.:136, 2019). After his election, a trade war or so-called trade disputes were hitting globally in 2018 and affecting most of the US allies and trade partners, including the UK and China. All bilateral ties with allies were affected by tariffs. To begin with, China was deemed as the biggest target, but also the EU together with other countries were confronted with the high import tariffs on selected goods. The aim with these tariffs was to strengthen the US domestic economy which is a part of the new American direction of Trump policies which is lead by the rhetoric of "America First" (Demerzis & Fredriksson: 260, 2018). However, the reason for initiating the trade disputes with China is due to three major concerns. The first concern the US has with China is the chronically large surplus China has concerning the trade deficit between the two countries and their economies. This surplus is according to the US affecting together with depressing a lot of job creation in the US which is hurting the US economy. The second issue and concern the US have regarding China is their allegedly illegal use of methods, which is securing China in acquiring technology from the US and their companies if they want to trade on the big attractive Chinese market. This is resulting in Chinese companies being able to use American technology which is acquired at discount prices, which makes trading unfair according to Trump's US officials.

Moreover, the last concern is that China through trade and politics are not only trying but seeking to weaken the national security of the US and thereby their international standing on the international

scene (Liu & Woo:320-321, 2018). These allegations resulted in December 2018 the US introduced tariffs on all trade partners affecting washing machines and solar panels. In February further tariffs was introduced which was a 25 per cent tariff on steel as well as a 10 per cent tariff on aluminium (Rabobank 2018). This resulted in the European countries retaliating with their tariffs on US goods. European tariffs strategically hit especially American states who voted for Donald Trump. However, the UK could not only view the effects on their tariffs but also the trade war between China and the US showed some adverse effects on the British economy. According to the Centre for Economics and Business research an analysis conducted in 2018, shows that more than 1.9 billion sterling pounds worth of UK export are being affected by the tariffs introduced by the US on China and the EU since 2018. With further tariffs hitting China, a growing fear is that the value of goods from the UK being affected by the tariffs can grow to 3.4 billion sterling pounds (CEBR, 2018). This new direction of the US is a way to secure their market, after the American president Donald Trump, introduced the politic called “America first”. This policy is practically a new American direction of protectionism in an attempt to improve American businesses competitiveness (Kriekhaus: 620, 2018). These tariffs are affecting the UK directly through the tariffs placed on EU and will result in a loss of goods worth up to 389 million sterling pounds per year (CEBR, 2018). However, it is not only direct tariffs in the UK which are affecting the British economy. The aggressive trade war between China and the US and the tariffs from the US directed against China is also affecting the UK. It is assumed that approximately the worth of 3 billion sterling pounds of Chinese products of export can be traced as sourced goods from the export of the UK. Approximately half of these are affected by the tariffs introduced on the Chinese export marked so far (Ibid.). In this trade war, President Donald Trump warned China, that if they were to retaliate, further tariffs would be introduced, but this time on nearly all Chinese products and goods exported to the US. China did retaliate by introducing tariffs on American goods, which was the first step into the so-called trade war between the US and China (Ibid.). This has affected not only the American allies and their economy but also the global economy together with the American middle and lower class.

6.2 Brexit

The Brexit, which is the UK's withdrawal from the EU, is based on the results of the referendum which was held on the 23 of June 2016 where 52 per cent of the eligible voters in the UK voted in favour of abandoning departing from the EU. This referendum was the start of a still going process where the British Government on the 29 of March 2016 caused the launch of Article 50 of the Lisbon Treaty. This treaty was commencing the withdrawal period of two years with negotiations which will result in the UK formally will cease being a member of the European Union and thereby interrupt a 60 old year cycle of deepening as well as widening economic integration within the EU. The UK should have negotiated with the EU about the UK's withdrawal which was supposed to result in the UK leaving with a deal on 29 March 2019 (Vickers: 283, 2019). Article 50 under the 2007 Lisbon Treaty is an EU law of a member states withdrawal and states:

“A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union” (EUR-Lex, Article 50 Lisbon Treaty)

However, the institutional arrangement and their exact nature of this long term partnership concerning the economic aspect between the UK and EU are still unclear. Moreover, what is more, particular is that after an EU membership of more than four decades as well as being a member of the European Single Market for over 20 years, will result in Brexit causing some wide-ranging implications for not only the EU and the UK but also for other countries around the world concerning economics. Furthermore, not only will there be economic disruptions, which are to be expected, but the Brexit can also result in a precise geopolitical price of the UK (Vickers: 284, 2019). The referendum of the Brexit has overall changed the broad perspective of the integration within Europe. It was previously perceived that the European cooperation between the member countries was a deepening economic and constant political process, but the Brexit has given new thoughts to the regional disintegration, which may become a problem in the future for the EU (Kowalski: 15, 2019). Since no other member of the EU has left the union leaves the Brexit as a journey for the UK into unknown territory (Vickers: 284, 2019). With the reality of Brexit

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approaching, results in two EU agencies the European Banking Authority and the European Medicines Agency, which both are UK-based, have announced to relocate to Paris and Amsterdam.

Moreover, the uncertainty regarding the future of the financial arrangement between the UK and EU is starting to make its impact the decisions concerning investments of contingency plans made by both manufacturing companies as well as some banks relocating part of their operations towards other countries within the EU (Ibid.). The third largest company in the UK, Unilever, shortly after the referendum announced its move of their dual headquarters to another European country, the Netherlands in Rotterdam, which will be the end to a century of being located in the UK's capital. However, the move can not entirely be deemed as related to the Brexit but the decisions of leaving the EU together with the relocation of Unilever has affected and dealt a blow to the status of the UK ahead of the Brexit as the European hub of businesses and therefore possible future investments may be affected (Ibid).

When it comes to the case of the Brexit, the UK's departure from the EU, an aspect which should be disclosed is that negotiation of the rules, agreements and the precise schedule of the Brexit process initiated in 2017. When it comes to the Brexit different possible scenarios may play out, as well as different variants of the Brexit, one of them is the so-called soft Brexit, which involve the UK would continue being able to enjoy some of the benefits, through customs unions or a common market connected with the rest of the EU and continent. If not being able to achieve a soft Brexit, then it, on the other hand, would be what is referred to as a hard Brexit. The hard Brexit would result in the remove of custom unions between the EU and the UK, which would get rid of the trade diversion effects as well as the trade creation between the UK and the EU member countries. According to, the author of the book '*Brexit and the Consequences for International Competitiveness*', Arkadiusz Michał Kowalski, the hard Brexit would also result in: "... *adverse dynamic effects on economies of scale, competition, capital formation and investment as well as terms of trade, technological progress and innovation*" (Kowalski: 15, 2019). There would, therefore, be some effects on the current relations between the UK and the EU, if it should result in a hard Brexit.

Moreover, the disintegration process of the UK with increasing the regional trade barriers together with restrictions of investments would also harm different aspects like the firm internationalisation.

This aspect would include the effects on the flow of FDI's into the UK drastically, due to less stability and cooperation with other countries. A lot of the benefits of being a part of the EU and the future for the UK with a hard Brexit could in the future affect the British economy in the form of areas within technology transfer and creations of new jobs (Ibid.).

The economic implications of the Brexit, although the UK has not left the EU yet is already showing in many sectors within the UK. The results of the British referendum together with the uncertainty concerning the future of the relations between the UK and the EU economic cooperation as well as the brinkmanship in the negotiations regarding the Brexit has already had its impact on the British economic performance (Vickers: 285, 2019). However, the British economy has shown to be resilient despite the Brexit process. According to Nordea trade analysis, London continues to be the financial capital of the European continent together with being one of the most important consumer markets in Europe, but if that will continue with further changes is not guaranteed (Nordeatrade, 2019).

6.3 The current situation of China's FDI in the UK's energy sector

The UK has long been the country in Europe with the most significant inflow of Foreign Direct investments compared to the other members of the EU. They have for many years been able to attract many investments, and Chinese FDIs has for many years been one of the most prominent sources when it comes to these investments. According to the MERICS, which is the Mercator Institute for China Studies, a European think tank based in Berlin, since 2000 until 2016 the UK has been an attractive country for China to invest in and the number one country to receive Chinese FDI's. With Germany as number two within the EU being receiving 18.817 thousands million Euros within 16 years, the UK tops with receiving more than 23,633 thousands million Euros worth of investments (Hanemann & Huotari 2, 2017). The year where the Chinese FDI's towards Europeans companies took speed was in 2016 where it reached a new record with more than, 36 billion US dollars being invested. This is a 77 per cent increase compared to the year before in 2015, where the European countries in overall received 23 billion US dollars. In the latest years, the biggest recipients of Chinese capital investments have been the sectors of energy, automotive and agriculture. The three European countries before 2016 were receiving the most investments where the UK as the biggest recipient followed by Germany and Italy (Le Corre: 162, 2018). The primary

sector which are receiving the most investments from Chinese companies has more recently been on the energy sector. The energy sector has since 2014 being invested in with almost 13 billion euros in all of Europe, where a clear connection between sectors and investments can be seen. With growing investments within utilities, renewable energy projects and fossil fuel assets, the energy sector is covering a lot of the investments. The energy sector was in 2014 covering a staggering 24 per cent of the Chinese investments on the European market. This is more than double as much as the second leading sector receiving investments, which is the automotive sector, which Germany, in this case, is leading (Hanemann & Huotari 1: 14, 2015).

With a period of significant investments within the southern European economies there has been a change of focus for the Chinese investors with refocusing on the so-called “Big Three” economies in Europe; France, Germany and the UK in 2016. These three countries in 2016 accounted for more than 59 per cent of the total investment. However, the Chinese FDI’s has for many years been growing every year but since the British referendum concerning the Brexit, has there been some general changes and focus when it comes to Chinese investments in Europe. In 2016 Germany became the largest recipient when it came to receiving Chinese investments and thereby accounting for more than 31 per cent concerning the Chinese investments inside Europe. The UK however, has been despite the Brexit been able to maintain some of their investments, but not the same per cent increase as before the referendum in June 2016 (Hanemann & Huotari 2, 2017). One of the significant Chinese investments made within the energy sector in the UK is the building project of the nuclear power plant of Hinkley Point, which is expected to cost approximately 24 billion US dollars. The project and the funding of the nuclear power station are partly made by the Chinese state-owned company China General Nuclear Power Corporation, who will be funding one-third of the nuclear power plant. The project will be built by the French company Electricite de France SA, which will be funding the rest of the costs together with being the company which will operate the nuclear power plant, approved by the British government in 2016 (Tartar et al. 2018). Other projects invested in from Chinese companies within the energy sector in the UK includes the Dudgeon offshore wind farm in the North Sea, where a minority stake was bought into by China resource Power Holding Co... This investment has been made together with three other wind farms; Ballie wind farm and Berry Burn wind farm in North Scotland, as well as Alltwalis wind farm in Wales, all invested in by the Chinese company Ginko Tree Investment Ltd. with all being a minority stake investment. Moreover, there has also been company takeovers by the Chinese company Trina Solar

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Ltd. at the solar farms in Norfolk England and Dorset. These investments have been made together with other minority stakes investments within the UK's oil sector within seven different oil rigs in the North Sea as well as one oil terminal and one oil storage and processing terminal, which all are owned by Repsol Sinopec Resources U.K. Ltd. (Ibid.).

Moreover, for the current situation, there are many speculations regarding the inward FDI's and if they will be affected by the referendum of the Brexit. Since the referendum 2016, there have been some changes regarding the outward and inward situation of FDI's in the UK. In 2017 the inward position of FDI's into the UK exceeded the UK's outward position of FDI's where the outward FDI's were closer to stagnate (Office for National Statistics 2017). Even though the UK has begun its journey of releasing themselves from the EU, the UK and London have still proven it more attractive despite the Brexit. According to Deloitte, a global and one of the most prominent consulting and financial advisory companies in the world is informing through one of their analysis that the UK in the past three years, from 2015 to 2018, has received more than 3900 inward investments (Deloitte, 2019). The analysis shows how 57 per cent of Fortune companies has placed their European headquarters in the UK. However, the impact of the Brexit concerning foreign investor sentiment is yet to be seen. As the UK is nearing its departure from the EU, the UK will according to Deloitte need to address some significant issues in order for the UK to maintain their status as the worlds second most popular destination for FDI's (Ibid.). Partner and Chief Executive of Deloitte UK and North West Europe -David Sproul, adds:

“Whether that's the ability to access the best talent or safeguard supply chains, uncertainty around Brexit could threaten the UK's current high standing. It is how government and business adapt and respond to this change that will shape the UK's future economic strength and success.”(Ibid.).

Moreover, with significant investments being made in a lot of different sectors in the UK, the British government is now proposing and making decisions to tighten screenings of the foreign investments rules. This move is making a further shift in policy for one of the most open markets of the free market regarding global mergers together with being the world's fifth largest economy (MacAskill & Martin, 2018). These changes of rules concerning foreign direct investments and the increased level coming from Chinese economies has also been seen in other Western countries such as Germany and Australia. The British Government will seek to broaden its power regarding

investigating deals no matter the size of the company and their revenue and their right in scrutinising any company being invested in regardless of the sector. The British Department for Business, Energy and Industrial Strategy is forecasting changes resulting in approximately 50 deals a year on national security grounds. One of the first decisions and actions of Theresa May as the British Prime Minister was in July 2016 about pausing the aforementioned multibillion-pound project on the nuclear power plant Hinkley Point, which is being built by the French state-controlled company EDF, which China is helping to finance. The deal was approved but with a promise of the government being more cautious concerning similar future foreign investments (Ibid.). The British Government is trying to demonstrate and uphold their attractiveness concerning FDIs from China and other countries with the change of rules, which will be up to consultation deeming whether it affects national security. This is done due to a wish of still having a positive approach to FDI's while the Government is preparing for the post-Brexit deals of trade (Ibid.).

However, even though this development in Europe regarding Chinese FDI's still are continuing the European countries FDI's towards China for many years has continued to be in decline (Hanemann & Huotari 2, 2017). However, this trend is something China is trying to accommodate the Chinese Commerce Minister Zhong Shan said that China would reduce foreign investment curbs in order to attract more foreign investments. The reason for this reduction of investments curbs is due to China having experienced a decline regarding investments in 2016 and 2017 (Galbraith et al. 2019).

7.0 Analysis

The following chapter will analyse the relations of countries, the effects of the US trade as well as the Brexit together with the case study of the UK and result of Chinese FDI, through the papers selected theories. Additionally, the results together with China's and the UK's possible need for each other both economical and political will also be analysed as well as how the two countries conduct may affect each other in the wake of tariffs and the Brexit.

A theoretical analysis of China in the wake of the US' tariffs

Chinese FDI's in the UK

Chinese government-owned companies, as well as private Chinese companies, have for many years made many investments towards different British sectors. Since 2000 up until 2016 China has made many investments throughout different European countries, however the most successful one in attracting them has by far been the UK. One of the main sectors in Britain, which for Chinese companies have been very attractive is the energy sector. 2016 was as aforementioned the year where the Chinese FDI's took pace with more than a 77 per cent increase compared to the year before, 2015 (Hanemann & Huotari 2, 2017). This analysis will try to explain whether the Chinese conduct concerning the Chinese FDI's within the British energy sector can be explained by either the theoretical approach of liberalism or defensive realism.

Pushing a country into defensive realism

China has since the beginning of 2000 seen massive economic development and had an average growth of nearly 10 per cent in its GDP. This is in history the fastest sustained economic development by a major economy in history, which has resulted in 850 million people being able to lift themselves out of the known poverty limit (The World Bank, 2019). However, China has not been able to maintain this growth, and the result of this came in 2012 where China's GDP growth gradually slowed, and a search for more sustainable and balanced growth was needed (Ibid.).

However, China and its economic development were affected again in 2018 not only by the challenges in maintaining their significant economic growth with growing domestic issues but by external causes from US tariffs due to the Sino-US trade war. The trade war which started in 2018 and affected nearly all of the US's allies affected China the most (Rabobank 2018). This is due to an American opinion of China not having fair trade policies and according to the American President, Donald J. Trump weakening the American position not only economical but political by removing the possibility of American job creation and national security (Liu & Woo:320-321, 2018). The

Chinese economy has since 2018 slowed down and the Chinese economy is according to The World Bank projected to be gradually weaker than expected. This may be due to stimulus measures, which has bolstered the current anticipation of the economy but may be affected by a more abrupt slowdown later (World Bank Group: 6, 2019). This decline has resulted in China being on the defensive regarding securing their self-interest, which is prospering economically and politically, to enforce not only China's position but also the Chinese people. This self-interest can also be seen as a way for the Chinese government to secure and maintain their economic independence through being able to secure some aspects of the economy.

Moreover, the current dispute between the US and China concerning the trade tariffs has been affecting both countries and therefore the two biggest economies in the world, which is affecting the current world order and thereby the global power balance, which in defensive realism aren't acceptable and will result in other countries reacting to these changes. It is assumed that these restrictions within the free trade on the international scene will affect the global market negatively through financial and commodity channels as well as the trade (Ibid.). However, China is starting to see changes regarding its GDP due to the trade war. According to The World Bank's report called Darkening Skies, released in 2019, China has since the trade wars start had some estimation on the development of their GDP, which since 2018 has been decreasing according to The World Bank's estimates. With an estimate, the Chinese GDP was in 2018 6.5 per cent, which up until 2021 was forecasted to decrease till 6. This forecast may not be the reality but are based on some aspects of the international environment and how trade and economics are shifting on the international scene (Ibid.). With a growing outward FDI from China into the UK, even though the UK since June 2016 by referendum has been leaving the EU can be seen through the theoretical lens of defensive realism, due to China's need for a compensating market to ensure being able to maintain economic growth.

Maintaining independence

To begin with, one can argue that there are some rational through applying the theory of defensive realism. With China's markets being affected by the US and its tariffs, China needs to find new possibilities to maintain some economic growth. With the UK also being affected by the American tariffs not only on the UK itself but also on the American tariffs imposed on China may create a

good incentive for closer cooperation between China and the UK. However, China can be argued to be acting through defensive realism throughout their actions on the international scene. With the Chinese tariffs imposed on the US and China's endeavour to maintain their economic growth by retaliating on the American tariffs and seeking new closer cooperation with other countries and thereby replacing the US as their most significant trade partner can be regarded as an approach of defensive realism. China is through many investments towards the European continent, especially the UK, trying to replace their dependency on the US and its market. This way of compensating can be argued to be a way for China to maintain not only their economic independence but also the political. With the movement within American politics and the election of President Donald Trump, clear rhetoric and opinion of China was already stated before the election of the president's problems with China and his view upon the competition between the US and China (J. Herbert et al.: 29, 2019). It can, therefore, argue that the actions of intensifying their investments in the UK and the rest of Europe can be regarded as a way for China to maintain their economic strength and independence from the US and their current wish to dictate trade within the international scene. The intensifying investment or FDI's can be seen in 2016 where China reached a new record by improving their investments by 77 per cent compared to the year before being 2015. Throughout those investments, it was clear that the primary sector within the UK receiving the most FDIs was the energy sector with not only investments within fossil fuel in the North Sea, but also alternative energy. With the energy sector being a safe investment, since everything needs energy, it can be argued that the Chinese FDIs are strategically placed within a sector where they are confident that the demand will continue. By making investments in essential sectors, China will not only be able to maintain some economic independence with a decline within the export sector but also gain some political influence within one of the most important sectors within the UK, being one of the biggest economies in the world.

Self-interest in an authoritarian decentralised world

Another reason it can be argued that China is acting throughout a defensive realism is that they cannot complain and seek help at a higher authority within the international society when it comes to the US, disrupting the rules of free trade by imposing tariffs on them. International organisations such as the WTO have not been able to punish countries which are opposing the norms of the international society with for example free trade or trying to mediate between the US and China and

thereby solve the problem and disputes between the countries. Therefore it can be argued that no higher authority within the international society will come to the aid of a country if another country does them wrong for not following the international norms. Moreover, one can argue that the US was feeling the same towards China for bending the rules of WTO while being a member, that is one of the reasons why the US imposed the tariffs on China, to begin with (Liu & Woo:320-321, 2018). However with both China and the US violating many rules within the WTO can be seen through the number given by the WTO, where China has 43 cases of being a respondent of violating the WTO rules and the US is respondent to 153 violations (WTO, 2019). With the US having more than three times as many violations according to member countries of the WTO, China may not take accusations of mistreating the WTO as pressing, due to the American hypocrisy of breaking the rules. However, according to defensive realism international organisations such as the WTO can not be regarded as an actor, but instead an essential arena for discussions of which norms the international society may want to live up to. Therefore China needs to fend for themselves in this so-called decentralised authoritarian international society, which according to defensive realism is a valid reason to retaliate and searching to improve within new markets to secure their interest, which in this case is to maintain a positive economic development (Sørensen, 2009:970). One can argue that China is acting within their self-interest, which is one of the key definitions with defensive realism. Also, the fact that there is no higher government who are able to lead a global sanction on China on their products and services due to their actions, the best thing for China to do is to make FDIs in secure sectors within states which for others may not seem economically sound, in this case the UK. However, the UK and its energy sector can be regarded as an excellent investment, but the country itself has experienced a decline from other countries concerning investments.

Moreover, China has still been investing in the energy sector due to Britain's situation and oil which is one of the products Chinese FDI's has been investing in, will not likely be reduced concerning its demand soon. However, the self-interest can be argued to be one of the reasons why China is acting as they are due to the US trade war (Ibid.). Finding a new possible market for China to increase its economic relations may also increase future political ties with the UK. With the possibility of the UK becoming vulnerable because they are leaving a protracted political and economic relationship with the EU after four decades and 20 years of being a part of the European Single Market (Vickers: 284, 2019). This may not only be in the self-interest of China to exploit the possibility of gaining political and economic benefits with the UK.

Furthermore, it can also be possible for China to gain a win-win situation with the UK economical in the future, due to China's steadfastness in continuing to invest in the UK regardless of their departure from the EU, which may cause future economic downturns for the UK. Closer economic and political relations have been the effect between the UK and China. In 2017 the former British Prime Minister David Cameron took a leading role in a BRI deal of infrastructural investments worth one billion US dollars during a two-day visit to Beijing with the UK's chancellor Phillip Hammond (Benner et al. 2018).

Power balance

Another aspect which one can regard as action through the lens of defensive realism is the disruption of the power balance. This case will be a part analysis between the US and China through the US-Chinese trade war. According to the US, China is through trade and politics seeking to undermine American national security and the US's standing on the international scene. As aforementioned this is one of the reasons why the US imposed tariffs on China, escalating the worlds biggest trade war through history (Liu & Woo:320-321, 2018). However, the reaction of the US with the introduction of the tariffs has resulted in a disruption of the current power balance, which for China results in a need to find alternatives in other markets in order to compensate for the loses due to the many tariffs imposed. The reaction of China through retaliation can be regarded as a defensive reaction, in order to secure some aspects of the trade with the US and by that not giving in to American demands. However, the fact that other countries also are being affected by the American tariffs on China is an excellent example of defensive realism, where one states attempt to power maximise results in other countries attempting to power maximise as well (Dunne: 105, 2014). The effect can be regarded as a domino effect, where other states will attempt to do the same, which is seen through the reactions the US has met globally from their allies which they imposed tariffs on (Rabobank 2018). What many countries regard as an American disruption of the power balance, has resulted in global retaliation and a change of the current power balance and in this case with the UK being affected by the Chinese and American trade war, due to the tariffs, creates reasons for the UK also to act. With more than 1.9 billion sterling pounds worth of UK export being affected by the American tariffs imposed on China, makes it clear that there is a connection in the world trade and this can also cause a growing fear for the UK and Chinese relationship. Therefore it

can be argued that act of China to increase political and economic relations with the UK by making a lot of FDI's within the UK energy sector is something which currently can help both countries in restoring some of the power balance.

Power as an instrument and the distribution of power

Within defensive realism, power is regarded as an instrument. However, it is not used well excessively. Therefore China needs to be careful when retaliating on the US since it can affect other countries and thereby relations with other countries (CEBR, 2018). China has not imposed the same amount of tariffs on the American economy compared to what the US has done to China. Therefore it can be regarded as China knows the value of power and the use of it, but not using it too much in order to create even a more significant political and economic gaps between the US and other countries, which also are affected by the tariffs imposed by both countries. The US, was before Trump one of the most interested in free trade, following the economic benefits from the Ricardian point, where all countries are benefitting from free trade. This Ricardian view on free trade has for a long time been within the interest of the US, due to being the world largest economy and their wishes to maintain what can be regarded as the public good globally, which in this case is the international trading system (Kriekhaus: 621, 2018). However, now with that changing due to Trump and his politics which are regarded as protectionism are changing the pattern of the power balance due to the US using way to much power in their search of domestic economic growth (Ibid). This distribution of power and use of power as an instrument is internationally affecting the behaviour of the general states on the international scene. These actions are further causing other countries such as China to use power, but not as excessively. China is losing its most prominent market, being the US, which gives them incentives to find other countries to improve relations with. Moreover, the fact that China now is using their self-interests, in this case, may give them better alternatives compared to the US, who have been fearing China and their economic growth for many years (Liu & Woo:321, 2018).

Liberalism UK

When looking at the Chinese system and their actions in general, it can be argued how much use of the international relations theory of liberalism they are using. However, China's role internationally has been growing around the year 2000 where China was a part of more than 50 different international organisations, which today are nearly doubled (Kent: 133, 2013). However, there are some aspects of the Chinese actions due to the trade war, which can resemble the behaviour of a liberal character. China is a part of different international organisations but is not always following the norms and rules of all organisations, for example, the WTO, which is one of the reasons why the US, started to impose the tariffs (Liu & Woo:320-321, 2018). However, China is following other examples of liberalism. In this case, China may be regarded to follow the thought of the solution for world peace needs to be organised through mutual independence between the sovereign states, whom unwillingly will use conflicts as well as power in order to achieve their goal (Mearsheimer, 2001:8-9). This can be argued to be China's agenda since they are not the states willingly going into conflict but only retaliating. China has also been increasing their trade with other countries such as the UK, where trade and FDIs have been growing a lot in other countries as well and not only within the European continent (Le Corre: 162, 2018).

Furthermore, this is also an example of China following another direction within liberalism, which is states freely can trade with one another, which also can be seen within China and their willingness to trade with all countries no matter politics or problems within a given nation.

According to the American Enterprise Institute and Heritage Foundation, the majority of the world is accepting investments from China, with the US, the UK and Switzerland being the three biggest recipients in that order, since 2015 until 2018 (AEI, 2018). Also, the fact that China is increasing trade with the UK, even though they are in a political and economic situation where the future is uncertain, can be argued to have some liberalistic aspect within it.

Moreover, they are meeting some resistance from the British government concerning Chinese FDI's in for example the energy sector, which the UK is not happy about and for some time was deemed to threaten the British national security. This reaction may harm the political relations between the UK and China, even though the nature of the investment is of a liberalistic approach. China's approach regarding their investments may relate to China preferring trade compared to conflicts which also can be viewed as one of the liberalistic characteristics, due to peace and trade provide

more wealth compared to war and conflicts. According to the actions as mentioned above of China, it can be regarded they on some parameters are acting according to some liberalistic characteristics. However, it cannot be concerned as being sufficient compared to other Chinese actions, which can be regarded to be conflicting with the ideas of liberalism.

A theoretical analysis of the UK and Chinese FDI's

In the following analysis, a theoretical approach through both liberalism and defensive realism will be made on the UK and their actions towards Chinese FDI's into the British energy sector. Both theories will be used to assist deeming how the UK is acting towards inbound FDI's into a sector which many countries view as being a part of the national security. The analysis' is done in the wake of the two factors being the US trade war as well as the Brexit, which have been affecting the British economy and political relations.

Defensive realism and the economic aspect

In 2016 through a referendum the UK chose to depart from the EU and today there is still being negotiated whether the EU will allow the Brexit to be either hard or soft (Kowalski: 15, 2019). Even though the UK still has not left the EU, uncertainty concerning the possible fallout from the referendum decision concerning the relationship and future between the EU- UK economic partnership is gaining more attention day by day. Also, the Brinkmanship concerning the negotiations of the Brexit has already started to show the economic effects together with impacting the UK's economic performance (Vickers: 285, 2019). With the UK's growth rate being one of the highest when looking at advanced economies within the Group of Seven (G7), in the year of 2016, the referendum changed this development and the following years the UK slipped to the bottom of the G7 as well as the Group of Twenty (G20). These rankings together with referendum are made at a time where both the global economy as well as the European have been strengthened for some time, but the UK has since 2016 met some obstacles (Ibid.). However, the reasons for the Brexit can be argued to be a political decision instead of an economic, due to the UK, still eagerly want to remain within the economic agreements and advantages, which the UK has enjoyed being a member of within the EU. With the information mentioned above, it is clear that the referendum

was not made out of self-interest if viewing the economic aspect, but rather a political, in order for the UK to gain more political independence. According to the newspaper the Independent a report made by Confederation of British Influence, CBI, is estimating that the benefits of being a member of the EU are worth 4-5 per cent of the UK's GDP which is the same as 62bn - 78bn sterling pounds every year (Lewis, 2016). It can, therefore, be argued that the defensive realism cannot be used as a reason for the Brexit referendum when it comes to the economic causes due to it being worsening some of the economic aspects of the economic future of the UK. Not only the relation to the EU and its members together with the benefits will be affected due to the Brexit, but if the inward FDIs are affected due to the Brexit, then the British economy will get some negative impacts through several channels (Napiórkowski et al.:187). However, the fact that the UK according to some sources will be affected will contradict the reasoning within defensive realism due to it is going against the self-interest of the country of losing economic development through an EU departure. This can be seen through Germany becoming the largest recipient of Chinese investments in 2016 after the Brexit referendum covering 31 per cent of the Chinese FDI's within Europe. As aforementioned the UK has despite the Brexit been able to maintain some of the investments, but not the same per cent increase as seen before the referendum (Hanemann & Huotari 2, 2017). It can therefore not argue through defensive realism that the UK is securing its self-interest through the Brexit, due to it harming the economy and giving a lot of countries and companies doubt about what the future of the Brexit will result in (Deloitte, 2019). Some of the only aspects which may resemble some defensive realism regarding the economic conduct of the Brexit is how organisations are regarded as not being an actor. By leaving the multilateral institution of the EU, they are moving towards some of the aspect within the defensive realism which relies on all authority is decentralised into different states within the international arena (Sørensen, 2009:970).

Brexit and the US-Sino trade war

Moreover, with the UK being affected by the tariffs as well as the Chinese and US trade war, the referendum of Brexit conflicts with the defensive realism concerning the possibility of maintaining independence both economically as well as politically. This independence may be reduced since free trade agreements through the European single market as well as the consequences of the US tariffs are affecting the UK economy negative. Therefore actions made to leave trade agreements may not seem as strategical regarding economic prosperity. With the escalating trade war between

the US and China, an approximated 1.5 billion sterling pounds will be affected due to Chinese exports to the US made by British companies, and this was only at the beginning of the trade war (CEBR, 2018). It can therefore further argued that it would be in the UK best 'self-interest' to stay within known territory instead of departing from the EU and advancing into the unknown. However, with the trade war between the US and China as well as the US tariffs on the EU countries, the Chinese FDI's can be argued for the UK to be a way to maintain their attractiveness towards FDI's and therefore it would be in the UK's self-interest to continue to possibility of receiving FDI's. With the effect of the trade war already creating some economic obstacles and affecting jobs in the UK, the British government needs to be open towards some trade deals in order not to scare off other investment opportunities (Glennen, 2017). However, it can be argued if being open towards FDI's in a time of political and economic disputes can be a way out, by securing future bilateral ties with new markets and thereby restore lost jobs and investments, or a sell out of geopolitics to the highest bidder. With a fragile unknown future, it can be feared that agreements and mergers which are supporting the economic self-interest are hindering the future political self-interest and maintenance of independence by creating a conflict of interests (Vickers: 284, 2019). However, through an economic aspect, the UK needs to allow FDI's to make sure they still can maintain their attractiveness, which in the case of the US trade war and Brexit is in the country's self-interest. However, as aforementioned this may within the defensive realism be contradictory since serving a country's self-interest in a global world with auctioning of vital sectors as energy infrastructure may damage the point of maintaining the independence of a country, leaves the decision making troubling. It can, therefore, be regarded that the consistent decisions made not only to support the referendum of the Brexit but also allowing FDI's within sectors which can be deemed as decisive for the national security to strengthen the economy might damage more than necessary.

However, after the referendum, the British pound depreciated between 10 and 20 per cent, but it since regained its value. Moreover, the fall in the pound has been helping the UK, and it can be argued to be an act of self-interest and to fend for themselves with the current economic problems they have met since the referendum. However, the fall of the pound did contribute to raising inflation together with creating higher interest rates within the UK. This, however, did not support the regular household income, but instead the government together with the fact that the developing countries had a decrease in earnings concerning export to the UK, which has helped the British economy, but the advantage may be what can be regarded as short-lived (Ibid: 285).

Security measures

Allowing Chinese companies to invest in the energy sector has recently become a discussion about national security for many countries, where it may be regarded as a security threat due to the importance of the energy sector for a country. An example from Australia, where the Chinese state-owned company State Grid Corporation in a joint proposal with the Hong Kong-listed Company Cheung Kong Infrastructure made a bid for the government-owned and Australia's biggest energy grid, Ausgrid, was rejected by the Australian government. Scott Morrison who was the Australian Treasurer at the time announced the rejection of the offer from the Chinese companies stating that the foreign investors investing in the Ausgrid power grid for the lease of 50.4 which will give the Chinese majority shareholding of the electricity distribution network in New South Wales is in contrary to the national interest (Glennen, 2017). Moreover, reportedly the decisions were made by recommendation of the Australian Foreign Investment Review Board. Furthermore, the reasons for the rejection of the proposed investment made from the Chinese companies were claimed by Morrison to raising security concerns. However, this was not well received by Australia's biggest foreign direct investing country, being China and the Chinese government. According to BBC, a spokesman from the Chinese Commerce Ministry, Shen Danyang, stated the following: "This kind of decision is protectionist and seriously impacts the willingness of Chinese companies to invest in Australia" (Ibid). This Australian move of defensive realism securing own self-interest and maintaining independence within the domestic energy sector was not received well in China, and this problematic was leaving some questions in the UK in 2016 concerning the same issues of security within the energy sector. However, it can be argued that this case has sparked some fear for the British energy sector, with failing to attract FDI's from China due to the example of Australia. The situation can be concerned to be similar to the UK case concerning the Hinkley Point nuclear power station, which in 2016 was temporarily delayed due to security implications. The Chinese ambassador in the UK Liu Xiaoming stated after the delay to the Financial Times that the relations of the UK and China were at what the Chinese regards as a "crucial historical juncture" (Glennen, 2017). The fact that China arguably is flexing their economic power in some blackmail towards both Australia and the UK can be received differently between the two countries due to Australia and the UK not being in the same situation. The UK is way more dependent on still being able to have a country like China to invest in the country to ensure some economic stability, due to it being

in the UK's self-interest not becoming completely left out from all economic development and outward foreign direct investments (OFDI). However, in this case, the UK needs to secure its own interest before anything else before they out of economic necessity will sell out on domestic security. Energy security has for the reasons years continued to emerge on the very forefront when it concerns foreign policy. The growing interest, as well as foreign ownership concerning the energy infrastructure of a country, has lately been under increased scrutiny. The security of energy is according to the International Energy Agency defined the following: "...the uninterrupted availability of energy sources at an affordable price..."(Ibid.). Moreover, this is where it within defensive realism becomes interesting regarding the case of the UK and the Brexit. In order for the Brexit to hold on to economic development, they have, as aforementioned, to be able to attract FDI from other countries. However, since the Brexit the UK has experienced a drop regarding GDP, which has resulted in France in 2017, just eclipsed the UK in becoming the fifth largest economy in the world by gross domestic product (GDP) (Vickers: 285, 2019). This fact is for the UK, pushing the power balance, which is not good if they want to remain as a competitive country on the international scene. However, there have been serious considerations regarding Theresa May and her stalling to approve the Chinese state-owned company in owning a third of the Hinkley Point nuclear power plant project. The question in the future will be if the UK actually sold out and decreased their possibility to maintain independence within the British energy sector both politically and economically (Huang & Reilly: 84, 2018). However, according to Margot James, who was Secretary of State for Business, Energy and Industrial Strategy in 2016, that the UK does have safeguards regarding the matters of mergers and acquisitions which will not hurt the future inward FDI's. These safeguards are administrated by independent bodies which are supporting decision makings and concerns about mergers which may concern not only the public interest but also the national security. However, they are independent which are providing confidence to foreign investors and making it easy to maintain some attraction towards FDI's (Webb & Ward: 9, 2017).

Defensive realism and the political aspect

When it comes to the defensive realism and the political aspect of the inward Chinese FDI's in the UK, it can be asserted as being of economic reasons, whereas the reason for the Brexit is concerned as being a matter of a political choice. Moving away from the EU politics, the UK and the half of

them whom voted for the Brexit referendum are asking for a more strict and tighter control of the borders, being better to protect what they regard as the British identity as well as an improvement concerning the usage of British taxation (Ting, et al.: 92, 2018). This move may be regarded as a move of defensive realism from the UK, by trying to maintain independence from a multilateral organisation, which the EU is. The so-called self-interest which also is one of the essential factors within the defensive realism is strong in this British action, due to the UK wanting to increase their political freedom and not being lead by Brussel lead politics, but their own. However, there are as aforementioned a lot of political reasons for the UK to have concerns regarding growing interest and a majority shareholding in the energy sector, due to it having some effects on the UK's capability to maintain independence in this vital sector. The energy sector is not only delivering energy to the British population but also the businesses in the UK, which can be affected by foreign investors. These investors could be more interested in having more significant turnover instead of political and economic stability if the UK according to the foreign investors are leaning too much into the direction of securing their interest. Globally the UK was the fourth most popular host country regarding inward foreign direct investments before 2016. When China started a strategy called "going out" the UK has been the country with the most investments in all of Europe when it comes to attracting Chinese investments. Notably the Belt and Road Initiative, BRI, where China is investing in a wide range of different industries in Asia, Africa and Europe concerning the sectors of Energy, real estate and transportation. The BRI is a way for China to enforce the infrastructure of countries doing business with China and improve their capabilities to trade and work together through bilateral relations (Heiduk: 229, 2018) China is often attracted to a country's legal system as well as stable regulatory. The UK can arguably be seen as a country trying to improve their connection attractiveness towards China, due to the UK's self-interest in maintaining political ties with a country which are supporting British energy infrastructure. However, the actions of the UK towards Chinese investments have has met some controversy since 2016 because of two high-profiling investments. The first one was Huawei, a Chinese IT company which was barred from two of the UK's closest allies, Australia and the US due to the concerns regarding national security grounds. The second was the as mentioned before the Chinese involvement in the financing together with the construction of Hinkley Point nuclear power station in Somerset, UK. With these two investments and the UK's concerns regarding allowing Chinese companies maintaining such essential sectors when it comes to national security can be regarded as a way for the UK to control their sectors from foreign investors which partly are lead by a foreign government. This can be

regarded as a move of defensive realism when it comes to the political aspect. However, the Hinkley Point nuclear power plant was accepted, but concerns were still raised, which can lead some doubt in the bilateral ties between the UK and China, even though the UK has a growing need for Chinese investments.

Liberalism

Negotiating the new UK

The UK can as seen above have some characteristics when it comes to defensive realism. However, they are also having a liberalistic behaviour if looking at their economic as well as political actions. Although they have left an economic and political multilateral union they still act within liberalism, due to liberalism proclaims that the solution for world peace needs to be organised through mutual independence between sovereign states whom unwillingly use conflict and power to achieve their goals. By leaving the EU, the UK are seeking mutual independence between different states and still want to improve trade globally. After leaving the EU, the UK needs to determine their future concerning trade relations with other countries which are non-EU countries (Vickers: 290, 2019).

The UK was the first Western country to join the AIIB, and with Xi Jinping visiting the UK in 2015 the start of the so-called Golden Era in Sino-British relations was started. The UK became the first major European country to actually focus China and thereby shifting their strategic focus under Ex-Premier Minister James Cameron to what can be regarded as an "interest above all" approach.

However, this changed when Theresa May became the new Prime Minister in the UK in 2016.

However, the UK can still be able to regain the liberal approach they had to China and regain their previous Golden Era if they wanted to, it can be argued that the UK need it with the current crisis of the US trade war and Brexit (Ting: 95, 2018). However, with EU in general, which also includes the UK, for some time, currently possess the worlds largest and most comprehensive network of trade agreement around the globe, which are including more than 40 free trade agreements with more than 50 different countries around the world. This will make it easy for the UK to exploit these previous relations, now they are leaving the EU and need to improve their situation and start making use of these previous relations they had under one banner and make new agreements.

Therefore the UK need to renegotiate these agreements in order to be able to maintain their current position regarding market access globally (Vickers: 290, 2019). The UK is therefore arguably still acting within the free trade spirit of liberalism and wants to secure not only a political future but

also economical, and by having previous stable relations with China gaining the most IFDI in Europe, it would be a good idea to remain attractive towards them. For the UK to untangle themselves from the EU concerning regulatory and institutional relations, it can become not only complex but also very costly for the UK to departure from the EU. An act of what can be regarded as removing themselves away from a liberal world, by leaving the EU may for many countries be considered with some fear, due to creating some imbalance for a given country now to deal differently regarding politics towards the UK. However, the UK needs can rebrand themselves as a global Britain and seek the challenges to present themselves as an open liberalistic country who are interested in remaining trade deals and staying within international treaties as well as being reliable to do so. It is estimated that the UK in the future have to renegotiate at least 759 international agreements and treaties, which is involving more than 168 non-EU countries, which means, that if the UK maintains their liberalistic image as an open global trading country they need to prioritise these international agreements (Vickers: 284, 2018). The rebranding of the UK needs to ensure that they are interested in trade and not conflict when they start renegotiating with other countries. However, when it comes to the UK and their departure from the EU, the UK will have autonomy and possibility of designing their independent trade agreement as well as a policy with whomever they want and by that create new relations not to promote but support their national interests and strategies. This may concern investment and form liberalising trade agreements with the partners of their own choice in order to compensate for the loss of the US trade war as well as the European single market, which they in the future perhaps will not be a part of. Moreover, the UK will outside of the EU be able to dictate own directions within international relations and launch their initiatives in order to help the poorest nations being able to achieve the goal of sustainable development by 2030 (Ibid.:285). Furthermore the UK will be able to dictate their own politics and economic values regarding countries whom are enforcing protectionist sentiments and thereby threatening the global society by conflict through trade war such as the US and at the same time confront the challenges of the global institution of WTO of which they are a part of (Ibid.). For the UK to support the WTO and their importance in the global trade, can be argued to enforce their position as an idealistic and liberalistic country on the international scene. This will not only force the incitement for other countries to make trade agreements with the UK but also ensure that the UK is continuing their attractiveness regarding the FDI's towards other countries and thereby supporting the loses they have encountered since the referendum. However, for this to happen, the UK needs to continue to

be an advocate of leading, what they were before the Brexit, being a preeminent supporter of global free trade (Ibid.).

The UK and Chinese FDI's

Since the 2000s, China started increasingly promoting their outward foreign direct investments in order to cope with the growing demand of energy in the country, acquiring technology from other countries as well as increasing the Chinese presence on foreign markets. With the BRI together with other investments in other countries, China has in quantitative terms been promoting their outward foreign direct investments in 2016 with 44 per cent (Heiduk: 221, 2018). The Chinese government are supporting single domestic companies to make investments overseas, to become more international and exploit foreign technologies in order for Chinese companies to be more dominant in foreign countries. These foreign investments, especially within the UK, has ensured the UK still being a country coping with the recent changes and losses they have suffered through the trade war and EU departure. Even though the UK has been selling some of their stocks on their offshore oil platforms, they still have the majority and will be able to remain as a liberal country attracting foreign direct investments (Ibid.). However, it has been necessary for the UK to stay open toward the FDI's from China after the Brexit in order to maintain its liberal approach and openness. The FDI and their position in the UK have for many years been important, creating many jobs. Half of the inward FDI's comes from other members of the EU, which in 2015 was 45.37 per cent. The UK is therefore very dependent on these FDI's and with the EU-members failing to achieve same levels of FDI's after 2016 has made it a political priority to stay attractive towards free trade and welcome the FDI's from China (Napiórkowski: 191, 2018).

Since 2016 where Theresa May became Prime Minister of the UK, there has been resistance concerning joining the BRI and the Juncker Plan, which is supporting infrastructure projects within the EU. These actions have for many of the European countries were in contrast with the interest in member states in EU who have been interested in joining as well as preserving the bilateral ties with China. However, the Choice for the UK about choosing sites due to the UK's departure from the EU. However, if the Central and Eastern and European countries will ignore China due to the Juncker Plan, then the UK will be a prominent country, becoming what can be regarded as a natural partner in the relation of China and Chinas plans concerning further expanding and including the

UK in their other investments programmes (Heiduk: 234, 2018). The Chinese FDI's can be exploited even further by improving the bilateral ties for the UK, and the Brexit has proved that it is important not to scare China away. This nearly happened after rejecting the investment of the Chinese Company of Huawei technology group and using their technology in the fear that it would compromise the British security and telecommunications infrastructure in the country (Beatson: 84, 2018). Moreover, in order to remain what the UK regard themselves as, being an example of free trade, it is essential to maintain that and not assume free trade, as well as bilateral ties, are made to build up future conflicts. Even though it can be assumed the UK needs to make a solution whether they will act through a liberalistic approach or not.

The UK may need to change their approach due to the British government in July 2018 proposed rules to cope with FDI's which could harm the national security in the UK and thereby block and unwind these investments made by countries they might see posing a threat. This is coming after the British government approved the sale of the British company Sepura, which are making the walkie talkies to for Londons police (MacAskill & Martin, 2018). The British Department for Business, Energy and Industrial Strategy are soon expecting the change of rules regarding unwinding investments will result in the government will investigate up to 50 investment deals concerning national security each year (Ibid.) These investigations will create some questions about the British governments approving of the Chinese investment on the nuclear power plant Hinkley Point in the UK, which Theresa May as one of the first things becoming Prime Minister paused. She did later approve it, however, did later state that the government would be more cautious with their approach on similar investments in the future (Ibid.). These conducts can be troubling to do so if the UK wants to have a healthy bilateral relationship with China. They cannot create conflicts on trades like these, due to it possibly can hurt their attractiveness in the future. However, it needs to be said that the rules were made before the US tariffs were imposed at the end of 2018, but with the Brexit and the effect on the British economy, such an approach is hurting the liberalistic image of the UK. With the US tariffs as well as the US-Sino trade war hurting the British Economy it is vital for the UK to know how they get through these economic obstacles in order to produce more wealth instead of conflict (Mearsheimer, 2001:8). However, as mentioned before there is a need for the UK to maintain these bilateral ties and improve the connection and their economic as well as political relations with China, this can be seen with Germany in late 2016 became the largest recipient concerning Chinese investments and thereby covering approximately 31 per cent of the Chinese

investments within the European continent. However, the UK has been able to maintain a favourable share of the Chinese investments despite the referendum of Brexit. However, the growing investments have not been the same since before the Brexit, where China became the country with the most FDI's in the UK with a 44 per cent increase rate since 2015 (Hanemann & Huotari 2, 2017).

With US tariffs imposed on the EU countries regarding the steel and aluminium, the UK cannot be sure to get rid of the American tariffs quickly. The American administration has not been easy in the UK when it comes to renegotiating the trade between the two countries. The US has not any intentions on being soft on the UK with a possible Brexit and is demanding that the US needs greater access to the UK market concerning the US agriculture, which has been affected by the US-Sino trade war. This demand is coming together with a British guarantee that the UK stop manipulating the currency, which the UK has done to easier cope with the fact that they are losing investments and being affected by tariffs (Politi, 2019). Moreover, it is not likely that the UK will get any softer treatment compared to the US other allies who also are affected by the tariffs. However, with a more significant agreement which means that the US will have complete access to the British market with their agricultural good, there might be an agreement regarding either reducing the current tariffs or altogether remove them. This US request has, however, not been received well in the EU and is still affecting the trade relations between the US and EU today (Ibid.). This request will probably not be received well by the UK either, due to it is contrary to the British liberal approach of the free market, which the UK has been following more or less since the Brexit. However, with the UK not only experiencing the effects on their economy from their tariffs imposed by the US, but also by the trade war or trade disputes between China and the US, which also has shown its effects on the British economy (CEBR, 2018). From the analysis, mentioned in the introduction before the analysis, made by the Centre for Economics and Business research, is showing that more than 1.9 billion Sterling pounds worth of UK export are being affected by the US-Sino trade war, due to the tariffs, since late 2018. With more tariffs which have been imposed on China since the number has been growing to approximately 3.4 billion Sterling pounds (Ibid.). With the US limiting the global trade and therefore also the liberalistic ideal of institutions potentially being able to alter states behaviour, it may have some effects on the UK to give in to the demands of the US. The US is after all according to liberalism not acting rational creating a global conflict with their tariffs which overall are reducing the wealth of other nations.

The British energy sector

The former Professor of Economics, Günter Heiduk from Albertus-Magnus -University in Cologne is arguing that according to the empirical evidence he has collected, there is evidence, which is suggesting that even after the Brexit the UK, will be able to keep its position as the recipient of the most FDI's in Europe. The UK after the Brexit will remain an attractive destination concerning successfully being able to captivate foreign investments. As mentioned before the British capital, London, was in Europe still the most prosperous city when it comes to attracting the inflows of FDI's. However, Londons lead had shrunken compared to other years, with 2016 resulting in Paris getting closer to London and their position as the most attractive city in Europe (Heiduk: 230-231, 2018).

Moreover, according to Heiduk's empirical evidence, indicators looking forward in the process of the post-Brexit are indicating that for London and the UK preserving this success in the future hardly can be guaranteed. However, for the UK to maintain this attractiveness, they need to remain as an open market, where trade and political ties can be structured and create a sustainable future for the UK, with the US still leading a protectionist approach which is creating conflict. Furthermore, the UK needs to be particular about their approach as well and make sure they are willing to be a liberalist model for the rest of the world. This means they will not make fluctuating statements as well as actions through limiting Chinese companies within the different infrastructures, which definitely will affect the Chinese FDI's and decrease the confidence of Chinese investors (Ibid.). This will affect not only Chinese investments but also other foreign companies and countries which can support China in maintaining their status as the number one country in Europe to attract foreign investments.

However, if we look at how to assess the risk profile to the security of supply in the electricity market of the UK, some factors are coming up which some background knowledge concerning investment within the British energy sector. The Delivery of sustainable energy policies which at the same time are addressing energy security, as well as universal access for the public to receive affordable energy services together with an energy production which are environmentally capable of being upheld is in the British energy sector very important. Moreover, the overall use of energy is one of the most challenging challenges which a government, as well as an industry, can be faced with. These challenges are because the different stakeholders within the energy sector are focusing on a different dimension, conclusively of which one best serves their priorities, which may be

financial profit (Castro: 149, 2017). This is one of the main fears that the British government are facing with the increase of foreign direct investments from for example Chinese investors. However, the approve and the foreign companies being able to make these investments through liberalism should also give some credibility. This is because for Chinese companies to make these investments a specific factor of liberalism can be viewed within their actions, which in theory should persuade foreign investors not to create conflict by damaging a possible situation within the energy sector and thereby making future investments impossible. It can be argued that the idealistic persuasion of liberalism lies in the collective trust for one another, which in this case is the Chinese and British government. The security concerning energy supply in the UK is becoming a growing essential and sensitive subject politically with increasing concerns for the future regarding the margin of the possible reserve of energy concerning demand narrowing which leads to an increase of the risk of security supply. Most of the factors which are contributing to the security concerns can be acclaimed to be driven by politics as well as market-driven (Ibid.). The understanding of the concerns of the UK regarding the security of the energy sector can be viewed as a problem for the British government. If the needed supply of energy were to be assisted by the market, which in this case will be Chinese and other foreign investment, the UK would be acting according to liberalism and letting the market work for itself. If there is a demand, a company will act on attempting to supply, which can be seen by the nuclear power plant Hinkley Point. On the other hand, if the British government were to politically limit the companies whom they fear would pose a threat to the energy security and therefore the national security, then they will be affected by foreign investors only viewing obstacles, which won't provide a market based investment which will result in a need for governmental investments instead. This will not help the economic situation for the British opportunities when it comes to economy nor policies.

An example of what the British government shortly deemed to be a threat to the national security of the energy sector was the Chinese involvement in the nuclear power station Hinkley Point. The nuclear power station has a history going back to 2005, where Tony Blair was the Prime Minister of the UK and launched a review of the British energy. This review resulted in formal permission to proceed with a plan to initiate attracting private companies, who were able to fund, construct as well as operate nuclear power plants in the UK. This resulted in the French state-owned French nuclear energy Company EDF purchased the British company, British Energy, which at the time of the purchase owned eight existing nuclear power plants in the UK (Heiduk: 235, 2018)

However, as mentioned above there has been some lack of energy supply in the UK and to act on the demand, the EDF unveiled a plan to build four new nuclear power reactors in the UK. However, this ended up in a debate between the EDF and British government concerning government subsidies. However, after making the liberal initiative of opening up for private investors into the British energy sector, it is understandable for the British not to feel compelled to support private investments when a private company takes over such a big company within such important sector in the British infrastructure. This conduct resulted in the British government and EDF reached a provisional agreement in 2013. However, this was not making it possible for EDF to construct the planned nuclear power plants and turned in to bottleneck for two years. However, in 2015 EDF signed a deal with the state-owned company China General Nuclear Power Corporation (CGN) in covering 33 per cent of the cost of constructions which estimates at 18 billion Sterling pounds.

Moreover, the deal also resulted in CGN having a guarantee of 20 per cent stake in another project of developing a second power plant which was to be led by EDF as well, located at Sizewell. This agreement further opened the door for CGN to support the development of another reactor in Bradwell, but this time with the power reactor was built with Chinese technology, which resulted in the UK having the first nuclear power plant in a Western country which completely was designed and build from Chinese technology (Ibid.). However, it can be argued that there have been some different approaches when it comes to the British Prime Minister who was in charge. The more liberal Prime Minister David Cameron who was in charge during the deal saw the deal between China and the UK as historic (Ibid.). The UK was more open and liberal in their approach towards China under David Cameron, which may be one of the reasons why the UK for many years until 2016 was able to attract the highest development of Chinese investment from 2015 until 2016 which was 44 per cent (Hanemann & Huotari 2, 2017). The reason may be because of the attractiveness and possibilities foreign companies had in the UK at the time. These investments were supporting the British economy and removing the problems regarding the energy supply which is of national interest to be covered, to ensure the economy can prosper.

In 2016 Theresa May became the new British Prime Minister, who cannot be argued to be as liberal as predecessors but more nationalistic in her approaches regarding politics and economy in the first years. This development is a significant change for what the UK has been used to as well as regarded as internationally, where they were considered as one of the most liberal countries in the

Western world. However, with the new approach of Theresa May a suspension of the Hinkley Point project was compelling and was done early under her new political rule, due to a growing wave of populism and securing national interest. The first period of Theresa May's time as Prime Minister one can argue that decisions of putting up Brexit for the referendum were a different action for a liberal country like the UK. Also the fact about suspending the Hinkley Point project due to China's investments which were done a day before the scheduled execution of the Hinkley Point project agreement between CGN, EDF and the British government. Moreover, this action of suspending the projected deal was arguably a factor which was hurting and bringing the relationship between the Chinese and British governments under pressure (Heiduk: 235, 235).

The UK's new approach

With the UK receiving a lot of new investments at the beginning of 2016 due to their liberal acceptance of the global market and allowing private investments in many of their sectors 2016 was not only a good year for the attractiveness of the UK. Half into the year, 2016 also brought what can be regarded as two heavy blows to the free trade agreements agenda. With the Brexit being the first one, the British referendum with a blow changed the new European history and interrupted a deepening as well as opening economic integration of the European continent after 60 years as a current frontrunner for FTA's. Secondly, the US elected their new President, Donald Trump, whose policy, rhetoric as well as approach ended the American history of being the world's leading country when it came to the liberal world trade order. To begin with, assumptions were made concerning the retraction of this development when it comes to the US. However, Donald Trump continued and moved the US and the world order of liberalism in the Western societies into a new area, consisting of bilateralism with restricted trade policies with a nationalistic agenda of "America first" and thereby replacing the long progress of global multilateralism (Melchior: 3, 2018).

However, these two heavy blows have not entirely cancelled the global agenda of free trade agreements, on the contrary the UK and the politicians who were behind promoting the Brexit have made promises concerning still being champions of free trade, by planning to preserve FTA's globally including countries which are emerging economies (Ibid.). The promise from the UK can arguably be seen at the Belt and Road Forum in 2017 where the British finance minister stated:

"As China drives forward the Belt and Road initiative from the east, we in Britain are a natural partner in the west, standing ready to work with all Belt and Road partner countries to make a success of this initiative" (Heiduk: 234, 2018)

This statement can realistically be expected to be the new liberalistic approach of the post-Brexit UK generation with a focus on new favourable circumstances which can support the UK to enhance their growth and preserve as well as improve more sustainable external relations with China. This liberalistic attitude from the UK to towards the improvement of the relations with China becoming a basis was noticeable with the signing in 2015 where Xi Jinping visited the UK signing the: "China-UK Joint Declaration on Building a Global Comprehensive Strategic Partnership for the 21st Century" (Ibid.). In this joint declaration between the UK and China paragraph 11 states that both China and the UK possess a determined interest regarding cooperating on each country's primary initiatives. For China, the main initiative is the Belt and Road initiative, where the dominant initiatives for the UK are the National Infrastructure Plan, as well as the Northern Powerhouse. Both China and the UK will further discuss an alliance within infrastructure between China and UK which will cover the already existing mechanisms of their relations. They will furthermore under the liberalistic banner delve into the cooperation in consideration of the EU-China Joint Investment Fund and Connectivity Platform. These considerations of cooperation will also include the popular support between China and the UK concerning the cooperation between the European Investment Bank and China (Heiduk: 234, 2018). These actions can be argued to improve the bilateral ties between the two nations and their approach still believe in institutions potentially can alter the behaviour of a state into achieving universal norms and ideas. This approach will furthermore assist in reducing conflict between the big economic powers by increasing interest between the countries and thereby improve the political as well as economic relations in the wake of the US tariffs.

One of the questions many experts within politics and economics have been asking about is, besides investments, what kind of benefits are there for the European countries to achieve by leaving some of their essential national infrastructural sectors to be controlled, by what many countries are concerning as a future competitor like China? China is not only seeking to increase their foreign investments in infrastructure on the European continent; they are also increasing their investments in South Asia and Central Asia through the Chinese initiative Belt and Road initiative. By opening

up for new markets through investments, they are increasing interest and better opportunities regarding selling their national products and technology like their high-speed trains and soon they will have their first export of a nuclear plant in a Western country; the UK. With this liberalistic approach of China through an increasing presence within more and more countries infrastructural sectors, it will become a more normal debate for the European countries to engage in. The debate should concern whether China as "future competitor" should be permitted to profit and have an influence as well as a stake in the European countries utilities (Le Corre: 171, 2018).

Moreover, questions regarding the interest of China in European utilities when it comes to the long-term also became a worry. For example, the Chinese investment in the nuclear power plant of Hinkley Point together with other power plants in the UK will result in the British energy consumers will be paying to China through their monthly energy consumption. This fact is leaving another question concerning the value of money. With China being interested in financing and investing in the infrastructure of the European countries, it is not like the French EDF and other national companies committed and interested in the European concept of public service (Ibid.). The fear is, therefore that these investments within the European infrastructural sectors can result in the check, in the end, will be placed on the public of the European states with either being within taxation, rail fares or electricity. This fact may scare the liberalistic countries in Europe, that they are leaving these public services to a foreign investor like China, who do not have the same norms as the Western world.

Furthermore, the general public in Europe nor the media do not automatically have the same insight as to the governments. This point is making it difficult for the public in Europe to understand what the implications and financial stakes of the foreign investments from China have of importance for them in their everyday life. However, Chinese investors have improved regarding announcing and communicating about their positions in recent years. However, many are still arguing that there is a gap between the grassroots movements and the European elites, who are gaining on the investments, about Chinese investments in Europe and their possible consequences for the public (Ibid.).

8.0 Discussion

The following chapter will introduce the papers following findings of how the UK politically is affected by the Chinese foreign direct investments with the British energy sector in the wake of the US tariffs and Brexit. Afterwards, an assessment of the theories applied in the analysis and their explanatory power will follow up. Furthermore, this chapter will also include an assessment of the bilateral effects of the US tariffs as well as the Brexit and the credibility of how these potentially are affecting the relationship between the UK and China.

Which theory is most applicable in defining China's choice of conduct

It can be discussed whether China in the wake of the US and the Chinese trade war is acting through the theoretical approach of what can either be regarded as liberalism or defensive realism. China is a typical liberalistic country when it comes to trade area and their commitment within an international organisation, as well as being one of the biggest production countries in the world together with having a great majority of import in many countries (Kent: 133, 2013). However, since 2018 the Chinese exports have been affected by the US-Sino trade war, where it can be argued they are through their loss of export due to tariffs are moving towards using defensive realism in order to maintain their economic independence and development. However, the way China is using defensive realism by securing their interest can be regarded through an increase of their liberalistic conduct on the global market, where China today is an active player, trading globally in order to compensate for losing their biggest trading partner, the US (WITS, 2018). However, in their reaction towards the US tariffs and concerning their increasing investments in the British energy sector, it can be argued that the liberalistic approach of targeting the UK one can regard this as a response of defensive realism for China in order to compensate for their lost market in the US. Moreover, the liberalistic approach of their response can still be argued to be their natural reaction due to their conduct for many years before the trade war and tariffs was a case for the Chinese market, which is increasing free trade. However, it is the reaction of the Chinese foreign direct investments which are interesting in this case. With a growing interest in the European infrastructural sectors and the UK, is the country which has been the biggest recipient, one can argue that there is a change of focus from the Chinese side. China has lately been moving their

initiatives and interests towards Western Europe, throughout for example BRI, which is focusing on investing in the infrastructure with a previous interest in the geopolitical areas surrounding China. However, both China and the US have been hurt by the trade war and China's actions of focusing other countries, especially Western Europe can be argued to be a defensive realism through self-interest with a reaction of a liberalistic approach (Liu & Thye Woo: 320, 2018). The reaction makes it difficult to point further out whether liberalism or defensive realism is the most applicable theory in this case. One can argue that in the wake of the US-Sino trade war, China made some decisions to strengthen its relationships with other countries in order to compensate for their losses. China is according to the defensive realism well off, by not having any negative trade deficit with other countries in trade. China has the greatest advantages when it comes to trading with countries (WITS, 2018). This positive trade deficit might be due to China's wide production of various products, which is exported globally. Moreover, it is difficult to analyse, whether China's investments within the UK energy sector is due to the US-Sino trade war. However, there has been a more steady investment rate from China into the UK since the Brexit referendum. The UK has lost much interest concerning investments within the UK due to the Brexit which has been hurting their attractiveness from for example the countries from the EU. This factor can either be regarded as China acting on the less competition which comprises investments-deals in the UK together with the US-Sino trade war and their need to compensate trade losses through trading with the UK, which is internationally known for their liberalistic agenda. On the other hand, it can be argued that the Chinese investments in the UK are due to, what can be regarded as merely being a liberalist spirit of free trade, where investments are made through the thought of supply and demand in a country within a secure sector as the infrastructure of energy is. However, when it comes to the reactions, as aforementioned, you may say that there is a resemblance to the actions of regarding China trying to achieve and maintain some independence. The independence is not only economical but also political by creating closer bonds with the UK, due to many other countries in the West do not feel the same way about China and their growing investments in important national infrastructural sectors (Le Corre: 171, 2018). However, China and their use of liberalism can be seen through their intensive investment globally and with China having done that for years before the US-Sino trade war, then it can be considered that liberalism somehow is the main tool for China to solve problems but their actions due to the trade war, can be seen as defensive realism. This brings some complexity into the conclusion of which theory is the most applicable one in China's case, whether it being either liberalism or defensive realism. However, one can argue that China is reacting

through a realistic defensive approach but are acting through improving their liberalistic approach in order to compensate for why they are reacting through defensive realism, which is the US-Sino trade war. It can, therefore, be concluded that the Chinese reaction in the wake of the trade war is acting according to defensive realism.

Does China need the UK market in the wake of the US tariffs?

China is becoming more and more global and is using a lot of liberalistic markets to strengthen its international stand and interest in the world. Moreover, China is the most important trade partner for many countries and have managed to preserve a positive trade deposit towards the majority of their trade partners today (WITS, 2018). However, the UK is a strong economy in Europe and may have a good influent on China concerning the political aspect as well as future economic factors. This can be seen on by China during 2015 with Xi Jinping visiting the UK and praising the new development between China and the UK with new stronger political and economic ties and thereby starting a new era in their relations (Heiduk: 234, 2018). China is capable of maintaining economic development through trading with its other trade partners internationally through their different initiatives. However, a lot of these countries are not as economical secure as the Western countries, which means that the UK as a country is more interesting, also shown in their interest in China becoming the first European member country of the Asian Infrastructure Investment Bank (AIIB). China is also interested and needs to attract foreign direct investments from other countries, which are lacking from the many countries of which China is investing in. There is, therefore, an interest from China to achieve strong political ties with Western countries as the UK, due to China's similar need for FDI's (Galbraith et al. 2019). The UK being an English talking country with high international credibility and connection towards other countries argues that China has an interest in the UK. The interest is due to their capabilities like the US of being an attractive frontrunner concerning the liberalistic free trade agreement agenda in the world. The fact that both China and the UK are affected by the US and their tariffs may cause, that there is a good incentive for the countries improving on each other's markets in order to be able to compensate for the common loses. However, one can argue that in the political and economic relationship between the UK and China, China is not truly dependent on the British market, even though it is a big economy as well as market to improve as the Chinese already are attempting to do.

Moreover, China does have other options in Europe, but Germany and France is not as excited, concerning the Chinese investments in the country compared to the UK, even though the German

market has been growing when it comes to Chinese investments and covers 31 per cent of the European inward FDI's from China (Hanemann & Huotari 2, 2017). However, regarding the British market as a necessity for the future of Chinese growth cannot be considered being a fact. However, the effects of having the UK as a partner may be regarded as a variable, which can strengthen the Chinese position in Europe, since the UK is a financial centre in Europe, with a lot of interests and openings, due to the UK's liberal agenda. The UK and its values may also affect China into improving a greater understanding of the European values and thereby ease the transition of China being able to attract other European countries. However, the fact that the US tariffs still are at large in China broader scope of benefits of the European countries such as the UK cannot be denied, but for the time being, there is not the same dependence of the UK market. However, the political aspect can be regarded as a gain for the Chinese government, due to the UK's stand on the international arena and their influence in global politics. The question can, therefore, be divided into a political and economic one, due to the liberal approach, which is stating that trade will minimise the chance of conflict and increase the possibility of growing closer political ties and understanding. However, this matter, can for China be dismissed, due to the US and China, previously being each other's most significant trading partner, the US, still saw a reason for imposing tariffs on the Chinese export. Which is therefore also supporting the fact that China can be regarded to be using defensive realism, but with the liberalistic approach of trade as a tool in order to maintain their economic and political independence.

The US tariffs Bilateral effects on UK-Sino political and economic ties

The bilateral effects from the US-Sino trade war and tariffs may be regarded as a reason for the UK and China to increase the economic as well as political gains between each other. Both countries are in need for compensating for economical losses and what also can be regarded as political because the tariffs on both countries are hurting the political aspect and ties between the three countries of China, the UK and the US. The US is therefore in a way pushing the countries of China and the UK together and further strengthening the possibility of a future developing and increased political and economic relationship between the countries. The political can also in the future hurt the US and blacklist them from future interests due to the fact they have imbalanced the current world order by imposing tariffs on nearly all of their trading allies. The US and their actions concerning the tariffs can, therefore, be a factor for countries like the UK and China to in the future relinquish their

dependency on the US as a variable within future free trade agreements and how countries may cooperate. It can therefore be argued that even though the US- trade war has affected a lot of countries economy, somehow it has also given incentives for the rest of the world to see a future of free trade agreements without the US, which only will strengthen other countries bilateral ties within economy as well as political in the future. It can, therefore, arguably assess that the bilateral ties between the UK and China concerning political and economic ties may improve soon, due to the factors of the US in an attempt to empower their domestic economy are negatively affecting the US and their liberal position as a free trade country.

Which theory is most applicable in this case to define the actions of the UK in this case and what may they hope to achieve with these actions?

When it comes to the question about whether the UK is acting through the theoretical lens of liberalism or defensive realism, it is arguable that the UK's actions can be divided into two different actions. One of them can be regarded as the political choice of leaving the EU, which have given an effect of improving their economic position. The other one is the economic choices the UK has made in order to cope with the effect of the US tariffs, the US-Sino trade war and the effects of the self-chosen political move of Brexit. The Brexit was as aforementioned a choice made for political reasons, in order for the UK to gain more control of their domestic politics, which have countered the previous history of the EU and resulted in an until now unknown disintegration in the EU (Kowalski: 1, 2018). However, it can be argued that the UK with the referendum of Brexit acted throughout defensive realism due to the UK wish of serving their self-interest and regain political and economic independence by being able to make their own choices.

Moreover, the move of Brexit resulted in the UK needed to sacrifice some economic relationships because they may not be able to keep their economic ties with the rest of the members of the EU. The Brexit would also result in the UK not being able to maintain the benefits from the EU, which could have been a possibility with a soft Brexit. A hard Brexit may result in the UK losing much attraction concerning FDI's from other EU countries due to their process of disintegration (Hanemann & Huotari 2, 2017). It can, therefore, argues that for the UK to be able to regain their political saying, the UK has given up some of the economic benefits, which the EU had ensured through being a member. The UK is with their conduct of Brexit acting through a defensive realism

and when it comes to how the UK is affected from the Chinese FDI's it can be said that they in the beginning after the referendum also acted through defensive realism, trying to protect their energy sector from Chinese FDI's. However, this quickly changed and one can argue that the UK after realising they need the FDI's and China is a significant investment when it comes to the UK, that it is essential to act liberalistic and stay open in order to maintain their attractiveness. This openness is for the UK a necessity in order to cope with the economic challenges which the US tariffs, as well as the Brexit, have caused concerning the British economy.

Moreover, they need to stay open and liberalistic in their conduct in order to find new alternatives to the US and many of the EU countries if the Brexit were to result in a so-called hard Brexit. It is therefore vital for the UK to see themselves embrace new possibilities in other countries and with China being affected by tariffs as well, compensation for lost relations on both sides could be both countries advantage. The UK and other European countries have been privatising many of the infrastructural sectors, and it is, therefore, crucial for the given country to evaluate possible threats for national security. However, for the UK, being in an unknown situation as the Brexit it is essential to be sure about the countries approach towards securing economic growth. However, with continuing to act within the frames of the liberalistic approach, the UK should not be affected negatively by the Chinese FDI's within the energy sector, unless the UK will seek problems and speculate in the Chinese investment in a relevant sector as the energy sector. If the UK change its politics and continue to be worried about possible challenges and threads due to Chinese investments, then the UK needs to fear an adverse reaction from the Chinese investors.

Moreover, if the UK regard the Chinese investments as a political thread due to these investments, then a counter-reaction can emerge, where China, in that case, will see themselves alienated from any goodwill from the UK, which in the end can cause political as well as economic problems. The UK has used or lost a lot of money and FDI's, by leaving the EU and needs to be open and focus on trade in order to develop itself economically. The UK is, therefore, best of with continuing their current conduct by using liberalism and be consistent or else they will see themselves affected negatively by the Chinese FDI's which already are in the country if they were to regard the Chinese investments and China as a threat to their security. The UK needs to have the best intentions in this relation in order to be treated the same way and not force themselves out in a situation, where China may take advantage of their position within for example the British energy sector.

Do the UK need Chinese FDI's in the wake of the US tariffs and Brexit?

When it comes to the discussion about whether the UK needs China as an investing country in the wake of the US tariffs and Brexit, it can be regarded as arguable. The fact that the UK is in a position where they need to renegotiate with many countries concerning new trade deals as well as not standing as strong as being in the EU is making it more challenging to make advantageous political and economic deals, due to possessing less leverage. However, on the other hand, the UK can be regarded to have a new standing point, where they more comfortably can make deals which are mutual benefits for both parties, which may be regarded as more difficult having a multilateral organisation, where further requirements are necessary in order to make a trade agreement. However, with the British economy being affected by the US tariffs as well as the Brexit, developing further economic and political relations with China would be of interest for the UK, due to traditional investments made by China into the UK. With China maintaining the majority of investments in the UK after the EU, it can, therefore, argue that the best thing for the UK would be to strengthen the relations with China (Hanemann & Huotari 2, 2017).

Moreover, with the UK already having a lot of deals and a stable investment flow from China concerning inward FDI's, it may be argued that the UK is in greater need of the capital flow from China compared to China's need for the British market. Furthermore, the Chinese market is already affected by the US tariffs, which also is affecting the British profits of goods produced in China (CEBR, 2018). A result of this is making it more relevant for the UK to maintain the attractiveness towards China and their FDI's because the UK, as mentioned before, is affected by other economic actions. It can, therefore, argue that the UK does need the Chinese FDI's since they are pressured regarding trade agreements with other countries because of the Brexit as well as the US tariffs which are affecting the economy as well.

9.0 Conclusion

As stated in the beginning, the problem formulation the thesis seeks to answer is the following question:

In the wake of the US tariffs and Brexit, how has the conduct between the UK and China been affecting their relations, regarding Chinese FDI's within the British energy sector?

China's conduct in the wake of the US-Sino trade war may regard as a shift from having an advantageously trade with the US, where changes of direction have been deemed necessary. The trade war views as a reason for China to further improve relations with other nations, in order to compensate for the economic, loses, which has resulted in the Chinese economic development for the first time in many years has experienced a decline. This disruption of the current power balance has resulted in China conducting agreements and investments in order to compensate for loses, with the Chinese self-interest being one of the most critical factors. Being able to maintain economic and political independence through economic development has for China been a goal, where it can be regarded that an approach of using liberalism to promote their realistic defensive goals. The Chinese goals and conduct can, therefore, be argued to be of realistic defensive characteristics in the wake of the US tariffs.

Furthermore, being a country which has been using the free liberal market, it has been necessary for China to maintain their position and therefore use liberalism as a tool in order to promote their realistic defensive approach. Moreover, the Chinese FDI's in the British energy sector can be regarded to be security investments in order to serve their self-interest in maintaining economic growth in a vital infrastructural sector in the liberalistic UK. The Chinese FDI's can therefore not entirely be regarded as an investment done through a liberalistic approach due to the security matters and conflicts these investments could cause with the UK.

The British conduct before the Brexit was more and less purely liberalistic. However, after 2016 a more nationalistic approach from the UK was shown and affected more and less the political agenda of the UK, with the Brexit and also some investments from China concerning the British energy sector. The conduct of leaving the EU through Brexit can be regarded to be a realistic defensive

approach of securing the UK's self-interest which in this case is to have more political independence from the EU. However, the nationalistic political approach of the Brexit also sparked some wishes of securing national interest, which in the early years affected the Chinese investments in the nuclear power plant of Hinkley Point. However, since the UK, because of the US tariffs and Brexit were affected by economic decline. The UK can be seen to have changed their conduct towards Chinese FDI's, due to the UK after Brexit experiencing EU countries restraining their interest in investments towards the UK. The Brexit and the US tariffs have therefore resulted in the UK attempting to maintain a liberalistic approach regarding free trade and welcoming FDI's regardless of the origin. The UK have since 2018 been more interested in improving their relations with China, which also can be seen from the reopening of trade agreements from the UK towards China. However, the UK is still conducting security measures of the Chinese government-owned investments in vital infrastructural sectors as seen in the energy sector. This can be assumed to be because China requires compensating for the US tariffs, which today still are growing. The fear from the UK may, therefore, be that the Chinese FDI's not always can be regarded as mutually beneficial, due to China's need for securing their interest to ensure economic development. However, the UK needs to maintain its attractiveness towards FDI's which also involves Chinese investments.

It can, therefore, be concluded that the effects of the US tariffs and Brexit in some way have strengthened the Chinese and British economical as well as political relations. The fact that both countries have been in need to compensate for their losses due to the two catalysts of Brexit and US tariffs have made them closer. With the UK in need for FDI's to maintain economic development, China has been a necessary actor, and China's need for opening up for an economic stable Western country has also improved. Furthermore, the UK's need for economic investments may be the reason for this opening, where other European countries have been more reluctant in compromising their interest and allowing China to invest in such infrastructural sectors. The investments in the British energy sector can, therefore, be an opportunity for the two countries to improve their relations even more and if they can maintain a liberalistic approach of investment and free trade, the possibility for conflict can further decrease. However, a necessity for the UK is that China will not exploit this relationship and their growing interest in the crucial infrastructural sector of energy. However, for now, both countries seem to benefit from the relation. However, such relations have been seen before between the US and China.

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