



House of Commons
Foreign Affairs Committee

East Asia

Seventh Report of Session 2005–06

Volume I



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Volume I

Report, together with formal minutes

*Ordered by The House of Commons
to be printed 19 July 2006*

HC 860-I

Published on 13 August 2006
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the administration, expenditure and policy of the Foreign and Commonwealth Office and its associated agencies.

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Conclusions and recommendations

Economics

1. We conclude that the growth of China's trade will continue to have an enormous impact on the world economy, both by providing consumers with cheap goods and by presenting manufacturers with a serious challenge, although China's dependence on foreign direct investment could increase the potential for economic shocks. We further conclude that Chinese companies will strive to increase the technological content of their products and so the challenge for companies competing in this sector will be very likely to intensify. However, foreign investors and traders can profit greatly from these transformations, provided China adheres to its World Trade Organisation commitments. We recommend that the Government work both bilaterally and with its EU partners to engage its counterparts in Beijing to ensure that China works within the spirit, and not just the letter, of its World Trade Organisation obligations. (Paragraph 19)
2. We conclude that the world must take account of the economic changes occurring in China and cannot simply close the door on Chinese goods; any attempts at protectionism would damage attempts to bind Beijing effectively into the existing international order. We further conclude that the preservation of the global multi-lateral trading structures has become more important than ever with the emergence of the Chinese economy. We recommend that the United Kingdom maintain its championship of free trade between the European Union and China, by working with other advocates of free trade within the EU to support trade with China. We conclude that China must not resort to unfair trade practices such as dumping and must work within the existing rules in order to strengthen support for free and fair trade within the EU. (Paragraph 24)
3. We conclude that the Government must urge its counterparts in Washington and in the EU not to succumb to the temptations of protectionism, even in the face of growing trade frictions such as those over the value of the Chinese currency. We further conclude that the protection of intellectual property rights is essential for the effective functioning of a creative, innovative economy. Unless the Chinese government takes greater steps to establish secure intellectual property rights, tensions between China and its trading partners will grow and domestic innovation will suffer. We recommend that the Government work with the Chinese government to establish a legal framework in which intellectual property rights can be enforced, and we recommend that it set out in its response to this Report how it is doing so. (Paragraph 32)
4. We conclude that China's growing income inequality is a matter of concern. We commend the Chinese government's initiatives to close the income gap. We further conclude that China's appetite for economic reform provides a great opportunity for the United Kingdom to work with Chinese policymakers. We recommend that the Government set out in its response to this Report how the United Kingdom is engaging its Chinese counterparts on economic and social reforms and that it

identify in which areas of British expertise, such as welfare provision, might best help the Chinese government to straddle the divide. (Paragraph 41)

5. We conclude that until the banking system undergoes successful reforms, its weakness could undermine China's economic progress. We further conclude that the United Kingdom has much to offer, in terms of expertise in corporate governance and transition issues. We recommend that the Government set out in its response to this Report how it is helping the Chinese authorities to tackle the problem of reforming China's banking system. (Paragraph 44)
6. We conclude that energy supplies present a constraint on China's economic growth, and that China's need for raw materials and imported energy sources has an impact on the interests of the United Kingdom by driving up demand for oil and other resources. We recommend that the Government explore measures to co-operate on a European level with the Chinese authorities to establish a common framework within which the development of renewable energy and energy efficiency technologies can take place at a greater pace and that it set out in its response to this Report what steps it is taking to do so. (Paragraph 52)
7. We conclude that environmental degradation is a major impediment to the sustainability of the growth of the Chinese economy, and that the United Kingdom has a strong interest in helping the Chinese overcome internal stresses since they easily translate into external stresses. We further conclude that the United Kingdom and its European partners have a large stake in encouraging the reduction of carbon emissions in China to counter global warming, since any reduction of emissions by the United Kingdom will have a negligible effect if China does not take similar steps. We recommend that the Government increase its support for environmental projects in China, particularly in areas such as water supplies and carbon emissions. We further recommend that the Government provide support to British companies with expertise in areas such as environmental management seeking opportunities in China. (Paragraph 61)
8. We conclude that the United Kingdom's market share in China is lagging behind its competitors, and that the Government must do more to support British business in China. (Paragraph 68)
9. We conclude that Expo 2010 presents a key opportunity for the Government to support British business in China, and we recommend that the Government sign up to Expo 2010 forthwith. We further recommend that the Government undertake a review of Whitehall structures dealing with China to ensure that they operate together in an co-ordinated fashion, so as to avoid leaving the United Kingdom and its businesses at a disadvantage when dealing with China. (Paragraph 75)
10. We conclude that the Government must seek to ensure that lines of responsibility between UK Trade and Investment, the China–Britain Business Council, the British Chambers of Commerce and Regional Development Agencies are clear and that there is no duplication of work, so that smaller businesses seeking to 'take the China challenge' do not face duplication of costs and services provided by the range of

organisations. We recommend that the Government increase the number of high level ministerial visits to China in support of British business. (Paragraph 81)

11. We conclude that the United Kingdom must attain greater proficiency in East Asian languages and cultures or face a diminution of influence in a very dynamic region. We recommend that the Government redouble its efforts to support the teaching of Chinese and other East Asian languages in schools and universities in the United Kingdom. (Paragraph 85)

China's Rise and its Impact on Foreign Policy and Security

12. We conclude that China's policy towards resources threatens the market-based mechanisms on which Western states rely for supply, and that Beijing's attitude to business with states which the international community has condemned for their behaviour damages efforts to uphold international standards in human rights and good governance. We recommend that the Government increase its efforts to persuade the Chinese authorities that they have a strong interest in the maintenance of international standards and that working with or supporting outcast regimes will damage China's reputation and could set Beijing on a course in opposition to other major members of the international community. (Paragraph 95)
13. We conclude that Beijing's support for regimes in Africa which flout existing norms, such as Sudan and Zimbabwe, damages both the interests of Western states like the United Kingdom, and also China's own long term interests, since corrupt, brutal and incompetent regimes make unreliable partners. We recommend that the Government urge the Chinese to support the referral of the Darfur and Zimbabwe situations to the UN Security Council. We further recommend that the Government increase the resources of the Foreign and Commonwealth Office dedicated to monitoring Chinese activity in Africa. (Paragraph 99)
14. We recommend that the Government urge its counterparts in Beijing to use their influence in regions such as the Middle East and Latin America to work in concert with the international community to settle controversial issues in an equitable manner and to play a positive role in the resolution of the Iran crisis. (Paragraph 103)
15. We recommend that the Government maintain its support for China's growing prominence at the United Nations and encourage the Chinese authorities to view their permanent membership of the Security Council as a means to influence the international community, rather than simply as a useful tool with which to defend narrow national interests. (Paragraph 109)
16. We conclude that the USA continues to play a huge role in the maintenance of stability in East Asia. We further conclude that the maintenance of peace and security in East Asia is profoundly in the United Kingdom's interests. We recommend that the Government draw on the UK's involvement with and knowledge of NATO and of regional organisations in Europe, such as the Council of Europe, the Organisation for Security and Co-operation in Europe and the European Union, to encourage debate about the institutionalisation of security issues in East

Asia. These organisations provide useful models for any indigenous security structures which might broaden the security system from one based on alliances into one of mutual interdependence. (Paragraph 120)

17. We recommend that the Government continue to work with its EU partners to expand the resources dedicated to strategic issues in East Asia, so that policy makers take a range of other matters into account in addition to economic relations. We conclude that the new Partnership and Co-operation Agreement might be an effective venue for tackling strategic issues, as well as other important concerns such as human rights and the environment. (Paragraph 125)
18. We recommend that the Government work within the EU to maintain the arms embargo on the People's Republic of China. We further recommend that the Government stay in close contact with its US counterparts on this issue and explain US sensitivities to its EU partners, as part of its broader efforts to strengthen transatlantic ties and to ensure the embargo stays effective. (Paragraph 134)
19. We conclude that an effective and constructive Sino–American relationship is a fundamental condition for the maintenance of peace and security in East Asia. The growing strength of the relationship is therefore welcome. We recommend that the United Kingdom support both the USA and China in their efforts to entrench a process of ‘managed interdependence’ in Sino–US ties, perhaps by drawing on British expertise in working within frameworks such as the Organisation of Security and Co-operation in Europe (OSCE). We also recommend that the Government work to support the US vision of China as a global stakeholder and to assuage any misgivings in Beijing about US motives. (Paragraph 144)
20. We conclude that Taiwan's exclusion from bodies addressing concerns in areas including health and environment is unsatisfactory, particularly with the spread of avian influenza. We recommend that the Government set out in its response to this Report what measures it is taking to ensure that Taiwan takes a fuller part in organisations tackling such matters, and its attitude towards full membership of the World Health Organisation (WHO) for Taiwan. (Paragraph 156)
21. We conclude that the Chinese military build-up across the Taiwan Straits threatens peace and stability in East Asia. We recommend that the Government support US efforts to preserve peace and stability in the Taiwan Straits. We further conclude that the growth and development of democracy in Taiwan is of the greatest importance, both for the island itself and for the population of greater China, since it demonstrates incontrovertibly that Chinese people can develop democratic institutions and thrive under them. We further recommend that the Government and its partners in the EU make clear to the Taiwanese government that it should not provoke a crisis by acting in an impetuous manner and continue to urge all parties in the Taiwan dispute to seek a peaceful resolution of the problem. (Paragraph 173)
22. We recommend that the Government should increase contacts with Taiwan at a political level, especially between elected representatives of Taiwan's vibrant, young democracy and of elected members of the United Kingdom's democratic system. It should be made clear, however, that such contacts do not constitute recognition of

Taiwan as a state and that the policy of the Government is not to recognise Taiwan as a state. We further recommend that the Government increase the number of informal ministerial visits to Taiwan so as to strengthen economic links between Taiwan and the United Kingdom in a manner commensurate with the size of its economy. (Paragraph 179)

23. We conclude that the launch by North Korea of a series of missiles on 4 July 2006 was calculatedly provocative and unacceptable. We recommend that the Government and the UN continue to urge North Korea to return to the Six Party Talks forthwith, and to call on the DPRK to adhere to its commitment to a moratorium on missile testing. (Paragraph 193)
24. We conclude that, lack of verification notwithstanding, it would be irresponsible for the Government to assume that North Korea had not developed a nuclear weapon or weapons. We further conclude that the risk of a nuclear accident occurring in North Korea is significant, and recommend that the Government set out, in its response to this Report, its assessment of the likelihood of this scenario, possible effects, and the UK's strategic planning to react to such an event. (Paragraph 196)
25. We conclude that, although it is not possible to verify North Korea's possible stocks of biological and chemical weapons, the risk of an ongoing programme remains real. We therefore conclude that the Government is right to regard North Korea as a potential proliferation risk, and to act accordingly. We further conclude that North Korea's exports of missile technology pose a threat to peace and security. We recommend that the Government sets out in its response to this Report, what measures it believes can be taken to restrain or stop these sales. (Paragraph 202)
26. We conclude that it is not clear how the Six Party Talks will be carried forward, and that the US policy of increasing pressure on the North Korean regime may be entrenching the divisions between the parties. We recommend that the Government use its relationship with the US to suggest a more flexible and pragmatic approach, in the interests of reconvening the Six Party Talks as soon as possible. We further recommend that the UK maintain its strong relationship with the Republic of Korea. (Paragraph 228)
27. We conclude that productive links between China and Japan are essential for peace and stability in East Asia, and we regret the deterioration of those ties to the 'verge of dysfunctional'. We also conclude that the dispute over the Senkaku/Diaoyu Islands in the East China Sea is most worrying. We recommend that the Government set out in its response to this Report what it is doing to improve dialogue between Beijing and Tokyo. (Paragraph 246)
28. We welcome the development of institutions in East Asia which strengthen links between the regional states. However, we recommend that the Government monitor developments closely to ensure that a group does not develop which might discriminate against EU trade. (Paragraph 252)
29. We conclude that the growing links between Russia and China present a particular concern for the United Kingdom and other advocates of human rights as well as democratic and pluralistic values, since their new ties may signal the emergence of an

authoritarian bloc opposed to democracy and Western values in Eurasia. We further conclude that the Shanghai Co-operation Organisation has the potential to evolve into an alliance of authoritarian powers opposed to the West, and may aid China's efforts to establish control over Central Asian energy reserves. We recommend that the Government set out in its response to this Report how it is expanding its presence in Central Asia, and how it is monitoring Chinese activity in the region, so as to nurture democracy and Western values in Central Asia. (Paragraph 261)

30. We conclude that the confidence-building measures which have taken place are playing a positive role in reducing tensions in the South China Sea and encouraging dialogue. However, we further conclude that the potential for conflict remains. We recommend that the Government set out in its response to this Report its assessment of this complex dispute. (Paragraph 266)

Politics

31. We recommend that the Government continue to make the case to their Chinese counterparts that a vibrant civil society can offer benefits to both government and people, and should be encouraged, in the interests of involving more of the population in systems of governance and advocacy. We further recommend that British Council resources for projects in this area be enhanced. (Paragraph 291)
32. We conclude that the development of China's independent media is crucial to the evolution of a more pluralistic society in the PRC. We recommend that the Government continue to sponsor projects improving the skills of journalists in China. We further conclude that the Regulations Concerning Foreign Journalists and Permanent Offices of Foreign News Agencies are not acceptable in a modern state, particularly in a state that will be hosting the Olympic Games in 2008. We recommend that the Government ask the Chinese Government to revoke the Regulations before the Games take place. (Paragraph 297)

Human Rights

33. We recommend that the Government set out, in its response to this Report, what progress has been made since it gave a pledge to our predecessor Committee, over five years ago, towards ratification by China of the International Covenant on Civil and Political Rights. (Paragraph 321)
34. We recommend that the Government encourage the Chinese government to introduce legislation prohibiting courts from accepting evidence procured through torture, and that it offer to advise the Chinese government on UK best practice in eliminating abuse in prisons and police facilities. (Paragraph 331)
35. We conclude that Re-education Through Labour is, in many cases, tantamount to torture, and recommend that the Government upgrade the urgency with which it addresses this issue with the Chinese government. (Paragraph 334)
36. We recommend that the Government consider funding a project through the Global Opportunities Fund to promote religious freedom in China. We further recommend

that the Government communicate to the Chinese authorities the positive influence which religious groups can have on social stability, in the interests of encouraging progress to be made on this issue. (Paragraph 339)

37. We conclude that the collaboration of Western internet companies in the censorship and policing of the internet for political purposes is morally unacceptable. We further conclude, however, that it is in the interests of Chinese internet users that as much information be available for browsing as possible. We recommend that the Government put pressure on the Chinese government to relax its censorship of the internet and its requirement for foreign companies to restrict the political content of their pages. We further recommend that the Government represent to the Chinese authorities the damage which is done to economic growth by continued restriction of the free flow of information. (Paragraph 343)
38. We recommend that the Government continue to raise human rights at the highest levels with Chinese counterparts, and do not flinch from making public statements where appropriate. (Paragraph 349)
39. We recommend that the Government, which clearly believes that the UK–China Human Rights Dialogue achieves results, make greater efforts to ensure that this is obvious to others, such as ourselves and NGOs. We further recommend that NGOs be invited to have observer status at the dialogue. We recommend that, in its response to this Report, the Government set out what steps are taken to follow up issues raised in each round of the dialogue. We recommend that the Government publish a summary of objectives before, and outcomes after, each round. We further recommend that the Government seek the agreement of its EU partners to the adoption of these same procedures in relation to the EU–China Human Rights Dialogue discussed in paragraphs 357–359 below. We recommend that the Government set out, in its response to this Report, in what other meetings human rights are raised, at official level, with the Chinese authorities, apart from during the human rights dialogue. (Paragraph 352)
40. We recommend that the Government conducts a rigorous analysis of the long-term impact of each of its Global Opportunities Fund projects in China, and publish the results. (Paragraph 354)
41. We recommend that the Government set out, in its response to this Report, what can be done to improve the transparency of the Berne group process. (Paragraph 359)
42. We conclude that the Chinese assertion that the Dalai Lama advocates Tibetan independence flies in the face of public statements made by the Dalai Lama. We recommend that the Government continue to press the Chinese to allow the Dalai Lama to return to Tibet in his capacity as spiritual leader. (Paragraph 369)
43. We conclude that Beijing’s insistence on controlling the appointment of the next Panchen Lama is a serious abuse of the right of freedom of religion. We recommend that the Government press for the recognition by the Chinese of the right of Tibetan religious leaders to choose the next Panchen Lama according to their religious beliefs and practices. (Paragraph 372)

44. We conclude that the economic development of Tibet is to be welcomed, if it brings improvements to the living standards of ordinary Tibetans, and if Tibetan people have ownership over the process. We recommend that the Government urge its Chinese counterparts to improve the degree of Tibetan involvement in development decisions and emphasise to the Chinese the beneficial effect of such involvement on social stability. (Paragraph 375)
45. We conclude that freedom of religious belief and worship in Tibet remains significantly restricted. We recommend that the Government continue to press this issue with its Chinese counterparts, emphasising the beneficial influence which religious freedom can have on social cohesion. (Paragraph 380)
46. We conclude that the Tibetan people have a right to conduct their economic and social lives in the Tibetan language; that Tibetan culture should be preserved; and that Tibetan secular and religious buildings of architectural, historic and religious significance should be protected. We recommend that the Government urge the government of the Peoples Republic of China to strengthen the use of Tibetan in the education system in the Tibetan Autonomous Region and other ethnic Tibetan areas. (Paragraph 386)
47. We conclude that repressive Chinese policies in Xinjiang are reprehensible. We recommend that the Government continue to monitor developments in Xinjiang closely. (Paragraph 391)
48. We conclude that the package of constitutional changes presented by the Chief Executive in December 2005 was a very limited measure which did not go far enough towards the introduction of representative democracy and universal suffrage. (Paragraph 400)
49. We recommend that the Government urge the Hong Kong Special Administrative Region to make significant, major steps towards representative democracy and to agree with Beijing a timetable by which direct election of the Chief Executive and LegCo by universal suffrage will be achieved. (Paragraph 402)
50. We conclude that, despite some concerns, overall Hong Kong remains a vibrant, dynamic, open and liberal society with a generally free press and an independent judiciary, subject to the rule of law. (Paragraph 404)
51. We recommend that the Government ensure that its strategy on China recognises the continuing economic importance of Hong Kong in its own right, and its role as a gateway to China. We recommend that the Government work with business organisations to identify priority sectors which could benefit from opportunities in Hong Kong, and to offer assistance in delivering market research and trade promotion. (Paragraph 413)
52. We recommend that the Government set out, in its response to this Report, what progress has been made on the issue of visa-free travel worldwide, by holders of British National (Overseas) passports resident in Hong Kong, and what efforts the Government has made to improve this position. We further recommend that the Government build support within the Council of Ministers for the European

Commission proposal to allow visa-free travel to the Schengen area by British National (Overseas) passport holders, to ensure that the proposal is agreed by the Council as soon as possible. We further recommend that the Government set out, in its response to this Report, what potential obstacles, if any, there may be to the successful adoption of the proposal. (Paragraph 418)

The UK in China

53. We conclude that the Government's decision to increase the numbers of its personnel in China is welcome, but we recommend that the Government consider establishing smaller posts or nodes for diplomatic activity in other parts of China, owing to the size and variety of the country, as part of an overall review of the deployment of FCO resources. We further recommend that the Government increase the numbers of personnel in the FCO dedicated to strategic work in posts in China alongside its planned expansion of the economic, energy and environment sections. (Paragraph 423)
54. We conclude that the Government should continue to strengthen its East Asian expertise. We further conclude that all UK diplomatic duties should be concentrated under one roof in Beijing and recommend that the Government consider establishing a new Embassy with adequate space. (Paragraph 426)
55. We conclude that the work of the British Council plays a valuable role in efforts to broaden understanding of the United Kingdom in China, which could have a beneficial impact on British business links in China and also on the world class status of the United Kingdom's educational institutions. We recommend that the Government consider the British Council's school links programme in China as a model for school links with other countries. (Paragraph 429)
56. We conclude that ties between the United Kingdom and China's higher education institutions are welcome both because they strengthen ties and because of the business opportunities in China. We recommend that the Government continue to offer support for British universities seeking to engage with China. (Paragraph 432)
57. We conclude that strengthening understanding of China is most important and we recommend that the Government continue its support for the Great Britain China Centre. (Paragraph 435)
58. We conclude that the Government must continue to make strong representations on behalf of the BBC to the Chinese government about the continuance of jamming of BBC World Service broadcasting. (Paragraph 438)

1 Introduction

1. East Asia is a dynamic region, with half of the world's population, the world's fastest-growing economies¹ and a wide spectrum of diverse cultures and political systems. The region has huge economic potential, but also has hundreds of millions of the world's poorest people. The region also contains a number of significant security risks and unresolved disputes. The emergence of the People's Republic of China over the past ten years as an influential regional and international player increasingly engaged with international structures has had a major impact on every area of foreign policy. The UK relationship with China is "closer than at any time",² following the agreement of a Strategic Partnership in 2004,³ and the EU will soon open discussions with the People's Republic on a Partnership and Co-operation Framework Agreement. However, the People's Republic of China is still an authoritarian one-party state, human rights abuses remain widespread and, despite changes in the economic system, signs of political liberalisation remain scarce.

2. Our predecessor Committee conducted an inquiry into *China* in 2000⁴ and we judged it a suitable time to reassess developments, six years on. The FCO strategy, *Active Diplomacy for a Changing World*, published in March 2006, describes China as the first of a number of countries which will have significant global strategic significance over the next ten years⁵ and relations with China are directly relevant to nine of the ten UK Strategic International Priorities.⁶

3. We announced our inquiry in November 2005 and have taken oral evidence from the Foreign Secretary, Rt Hon Margaret Beckett MP, Mr Sebastian Wood CMG, Director, Asia Pacific, and Mr Denis Keefe, Head of Far Eastern Group, Foreign and Commonwealth Office; Dr Christopher Hughes, Director, Asia Research Centre, London School of Economics and Political Science and Professor David Wall, Centre of Chinese Studies, School of Oriental And African Studies, University of London and Chatham House; Dr Linda Yueh, Pembroke College, University of Oxford, and Department of Economics, London School of Economics and Political Science, Professor Jude Howell, Director, Centre for Civil Society, London School of Economics and Political Science, and Professor Yongnian Zheng, Head of Research, China Policy Institute, University of Nottingham; Mr Brad Adams, Director for Asia, Human Rights Watch and Ms Corinna-Barbara Francis, East Asia Team, Amnesty International; Dr Gerard Lyons, Chief Economist, Standard Chartered Bank, and Committee Member, Hong Kong Association, and Lord Powell of Bayswater KCMG, a Member of the House of Lords, and President, China Britain Business Council; Dr Dafydd Fell, Department of Politics and International Studies, School of Oriental and African Studies, Dr Patrick Cronin, Director of Studies, International

1 Ev 164 [Professor David Shambaugh]

2 Ev 112 [Foreign and Commonwealth Office]

3 Ev 112 [Foreign and Commonwealth Office]

4 Foreign Affairs Committee, Tenth Report of Session 1999–2000, *China*, HC 574–I

5 Foreign and Commonwealth Office, *Active Diplomacy for a Changing World: The UK's International Priorities*, Cm 6762, March 2006, p 24

6 *Ibid*, p 28; The addition of a tenth priority, "Achieving climate security by promoting a faster transition to a sustainable, low carbon global economy", was announced by the Foreign Secretary Rt Hon Margaret MP in June (HC Deb, 8 June 2006, col 38WS [Commons written ministerial statement])

Institute for Strategic Studies, and Dr John Swenson-Wright, East Asia Institute, University of Cambridge; Mr Aidan Foster-Carter, Honorary Senior Research Fellow in Sociology and Modern Korea, Leeds University, Dr Jim Hoare, former member of the research cadre of HM Diplomatic Service, and Mr John Ashton, Chief Executive, E3G, Third Generation Environmentalism.⁷

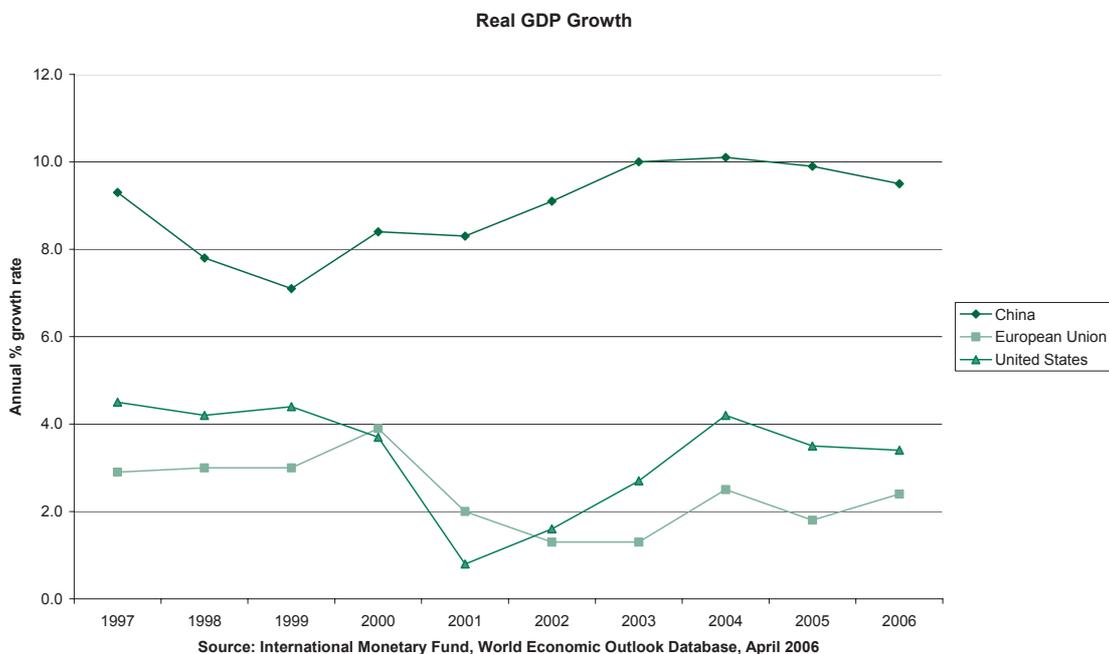
4. We received over sixty pieces of written evidence and would like to thank all who made submissions to our inquiry. We also visited China, and held meetings in Hong Kong, Beijing, Shanghai, Lhasa and Tsedang (in the Tibetan Autonomous Region) and Taiwan, where we visited Taipei. Our visit to China was officially hosted by the National People's Congress in Beijing and our programme included meetings with government Ministers and officials, legislators, business people, human rights organisations and religious figures.⁸ The information we gathered and discussions we had were extremely useful and are reflected in our Report.

7 Mr Ashton has recently been appointed the Foreign Secretary's Special Representative for Climate Change (HC Deb, 8 June 2006, col 38WS [Commons written ministerial statement])

8 The programme of our visit is appended to this Report as Annex 2.

2 Economics

5. Since Deng Xiaoping introduced his Open Door policy in 1978, the rapid growth of its economy has transformed the People's Republic of China (PRC). Between 1991 and 2001, the Chinese economy grew at an average of about 9.9% per annum. Exports have increased from \$22 billion in the early 1980s to \$249 billion in 2000 and \$593 billion in 2004, representing about 35% of Chinese gross domestic product (GDP). Foreign direct investment (FDI), much from the Hong Kong and overseas Chinese communities, including Taiwan, has remained steady at about \$50–60 billion per annum, and consumer spending has grown from about \$155 billion in the early 1980s to \$650 billion in 2003.⁹ China's 1.3 billion people have a GDP per capita of about \$5,400, adjusted for purchasing power parity (ppp).¹⁰ The graph below shows China's rate of growth since 1997, compared with the EU and US.



6. Commenting on the growth of the Chinese economy, the Foreign and Commonwealth Office (FCO) memorandum to our inquiry stated that:

The Chinese economy grew by 9.5% in 2004 and annual growth of 9% is forecast this year [...] China's long term goal is to quadruple GDP between 2000 and 2020 [...] Its share of world trade—now at 8%—has doubled in the last decade and it is forecast to become the world's largest exporter by 2010 and possibly overtake Japan as the second largest economy in the world within a decade.¹¹

9 Vanessa Rossi, "The Chinese Economy: Risky reporting", *Briefing Paper*, The Royal Institute of International Affairs, April 2005

10 Judith Kornberg and John Faust, *China in World Politics*, (London 2005)

11 Ev 113

7. China's spectacular economic growth has resulted in vast quantities of manufactured goods flooding onto the global market, Chinese companies searching overseas for commodity sources with which to fuel the boom and a growing assertiveness in Chinese foreign policy, all of which are changing the international system. We saw at first hand the scale of the transformations affecting China.

8. Maintaining this growth rate is of the greatest importance for the Chinese Communist Party (CCP) because increasing wealth and living standards for the population is one of the CCP's chief sources of legitimacy. Dr Christopher Hughes, Director, Asia Research Centre, London School of Economics and Political Science, told us that economic growth had become one of the "three pillars of legitimacy for the leadership".¹² Yet the precipitate rates of growth present serious challenges for the Chinese authorities. Professor Yongnian Zheng, Head of Research of the China Policy Institute at the University of Nottingham, told us: "The problem now for the Chinese government is how to manage the economic growth."¹³

Foreign Direct Investment and Trade

9. China's growth has been driven by exports, and by 2010 the OECD estimates that China will be the world's leading exporter.¹⁴ Dr Yueh, of Pembroke College, University of Oxford, explained in her memorandum:

Over the period 1990–2000, Chinese manufactured exports grew by 16.9% per annum, compared with 10.3% for the rest of East Asia, and its world market share tripled during that period [...] By 2005, China accounted for around 6% of global markets in manufactured goods.¹⁵

10. The World Trade Organisation's statistics for trade in 2004 show China's place in the global league table of manufacturing exporters and importers:¹⁶

12 Q 6

13 Q 65

14 "China's Economic Growth And Its Global Impact", Report on Wilton Park Conference, Monday 31 October – Thursday 3 November 2005, available at <http://www.wiltonpark.org>

15 Ev 17

16 World Trade Organisation, *International Trade Statistics 2005*, Table 1.5, p 21

Leading exporters and importers in world merchandise trade, 2004

(billion dollars and percentages)

| Rank | Exporters | Value | Share | Annual percentage change | Rank | Importers | Value | Share | Annual percentage change |
|------|-------------------------|-------|-------|--------------------------|------|--------------------------|--------|-------|--------------------------|
| 1 | Germany | 912.3 | 10.0 | 21 | 1 | United States | 1525.5 | 16.1 | 17 |
| 2 | United States | 818.8 | 8.9 | 13 | 2 | Germany | 716.9 | 7.6 | 19 |
| 3 | China | 593.3 | 6.5 | 35 | 3 | China | 561.2 | 5.9 | 36 |
| 4 | Japan | 565.8 | 6.2 | 20 | 4 | France United Kingdom | 465.5 | 4.9 | 17 |
| 5 | France | 448.7 | 4.9 | 14 | 5 | France United Kingdom | 463.5 | 4.9 | 18 |
| 6 | Netherlands | 358.2 | 3.9 | 21 | 6 | Japan | 454.5 | 4.8 | 19 |
| 7 | Italy United Kingdom | 349.2 | 3.8 | 17 | 7 | Italy | 351.0 | 3.7 | 18 |
| 8 | United Kingdom | 246.9 | 3.8 | 13 | 8 | Netherlands | 319.3 | 3.4 | 21 |
| 9 | Canada | 316.5 | 3.5 | 16 | 9 | Belgium | 285.5 | 3.0 | 22 |
| 10 | Belgium | 306.5 | 3.3 | 20 | 10 | Canada | 279.8 | 2.9 | 14 |

Source: World Trade Organization

China's membership of the World Trade Organisation (WTO) has helped growth in trade. China joined the WTO in 2001, signing an agreement which permitted a five year transition period before the liberalisation of its economy in line with WTO standards. Entry to the WTO gave reform-minded officials the power to enact unpopular reforms. Dr Christopher Hughes told us: "The WTO was used very much within domestic politics to do things that could not have been done anyway."¹⁷ Professor David Wall, of the Centre of Chinese Studies at the School of Oriental and African Studies, University of London, and Chatham House, told us that opinion in China favoured liberalisation, saying: "If you sit down with people from Beijing, they would say, 'Yes, we are all in favour of all these liberalisation processes'. They can see the link between the liberalisation and economic growth and the strength of China."¹⁸

11. 2006 is the final year of China's five year transition period to full WTO membership. However, much work still needs to be done before the Chinese economy operates on a basis similar to that of the United Kingdom or the USA. Dr Yueh wrote: "China's legal and regulatory systems are adopting reforms quickly, but the laws and structures in place are not yet matched by enforcement."¹⁹

12. Professor Wall pointed in particular to problems with the legal system and told us that people could either work within the *guanxi*, or 'connections', system, or try to use the legal system, although enforcement of court decisions is extremely difficult even in the event of a court victory.²⁰ However, Lord Powell of Bayswater KCMG, President of the China Britain Business Council, took a more optimistic line. He told us: "I think there has been some progress towards developing a rule of law in China. It is very, very far from complete but a

17 Q 19

18 Q 19

19 Linda Yueh, "The economy: opportunities and risks", *China and Britain: the potential impact of China's development*, Smith Institute, 2005, p 37

20 Q 19

real effort is now being made to make the courts more efficient and more just, to make redress through legal channels possible.”²¹

13. Legal issues are a high concern for investors, given the role played by foreign direct investment in China’s growth. Most of its exports have been driven by overseas companies setting up in China; in the first 11 months of 2005, 58% of China’s exports were produced by foreign companies.²² Dr Yueh outlined the role played by FDI in China’s export economy:

The way that China has increased exports is via attracting foreign direct investment, taking those multinationals which are investing in China and putting them into joint ventures with Chinese firms [...] One [element] is, if a Chinese firm is in partnership with a foreign firm with more advanced technology, it facilitates the technological upgrading of that Chinese firm, which would allow China to grow even if the export side were to slow. The other element is, by attracting foreign direct investment in this way, China has plugged itself into what we call ‘production chains’ across Asia.²³

14. However, Dr Steve Tsang, Fellow of St Antony’s College, Oxford, was less optimistic about the future role of FDI, and stated in his memorandum that:

There is a serious question whether China can sustain such a high rate of growth uninterrupted for another two to three decades. Indeed, with so much of China’s growth being driven by foreign investments, it faces a grave danger that its growth momentum may collapse if, for example, a critical mass of the largest foreign investors no longer accepts that it is worthwhile to take substantial losses for many years before turning a profit.²⁴

15. At present, China’s exports continue to grow overall. However, they have tended to be low value-added products offering only slim profit margins. However, China’s companies are now improving their technology and aiming to increase the quality of their exports as did Japan and Taiwan during their periods of economic ‘take-off’. Professor Catherine Schenk, of the Department of Economic and Social History at Glasgow University, stated in evidence that:

Chinese exports will continue to diversify away from labour-intensive products. In January 2006 Geely International exhibited the first Chinese-made car at the Detroit auto-show. Another Chinese car manufacturer, Chery, plans to begin exports to the USA at the end of 2007.²⁵

16. Dr Yueh also described China’s investments in producing high technology goods, which “has in the past few years led China to become the world’s second-largest investor in R&D, in per capita terms”:

21 Q 117

22 Ev 264 [Professor Schenk]

23 Q 83

24 Ev 180

25 Ev 264

The education of scientific personnel and the development of infrastructure have accordingly been a priority. Coupled with access to foreign capital and global markets, China is attempting to increase the technological component of its growth model to sustain a rate of growth that would otherwise begin to slow.²⁶

17. If these trends persist it is likely that China will give great emphasis to technology transfer from foreign companies, and the quality and technological content of, and the value added to, China's exports may well improve over the coming years, presenting manufacturers across the industrialised world with a major challenge.

18. The Foreign Secretary, Rt Hon Margaret Beckett MP, was positive about China's role in the global economy. She told us: "My Department, as with the rest of the British Government, is very much a department that recognises the benefits and the advantages of free trade. With all of the shorter-term difficulties that that can sometimes create, we still believe that it is in the long term beneficial."²⁷

19. We conclude that the growth of China's trade will continue to have an enormous impact on the world economy, both by providing consumers with cheap goods and by presenting manufacturers with a serious challenge, although China's dependence on foreign direct investment could increase the potential for economic shocks. We further conclude that Chinese companies will strive to increase the technological content of their products and so the challenge for companies competing in this sector will be very likely to intensify. However, foreign investors and traders can profit greatly from these transformations, provided China adheres to its World Trade Organisation commitments. We recommend that the Government work both bilaterally and with its EU partners to engage its counterparts in Beijing to ensure that China works within the spirit, and not just the letter, of its World Trade Organisation obligations.

Frictions

20. China's growing trading power is creating frictions with the USA and EU. Professor Schenk explained: "China's competitiveness in export of labour-intensive production has already generated considerable trade friction with the USA and the EU. In 2005 the USA trade deficit with China grew 45% and the USA launched 11 anti-dumping investigations against China".²⁸

21. One dimension of these trading disagreements is visible in one of China's current goals in its relations with the EU—the attainment of 'market economy' status. In 1998 China was reclassified as a transition economy by the EU, and in 2001 China agreed that the definition would stand until 2015. This means that although China will become a full member of the WTO this year, the EU and other trading partners can more easily enact anti-dumping measures against Chinese firms. Dr Christopher Dent from the Department of East Asian Studies, University of Leeds, wrote in his submission: "The EU still applies a number of anti-dumping duties in Chinese imports, for example on bicycles, and has

26 Linda Yueh, "The economy: opportunities and risks", *China and Britain: the potential impact of China's development*, Smith Institute, 2005, p 37

27 Q 236

28 Ev 264

expressed its concern over China's managed exchange rate, although not as vehemently as the United States has done."²⁹ The matter is a totem of national pride in China; Beijing sees definition as a transition economy as discriminatory and the product of EU protectionism.³⁰

22. Trade frictions with the EU came to a head in a dispute over textiles in 2005. The European Commissioner for External Trade, Peter Mandelson, negotiated a settlement in September 2005, which permitted the entry of excess textiles to be counted against the quotas for 2006.³¹ Professor Wall was critical of this deal. He told us: "It is only playing around at the margin. In the long run, the world will have to adjust to the growth of Chinese textiles."³² Other trade frictions between China and the EU are now arising, such as disputes over shoes and car parts, and China is taking an increasingly active role in international trade negotiations. The shoes issue has become a particular concern following the decision of Trade Commissioner Mandelson to institute a levy on children's shoes manufactured in China in July 2006, which might raise the cost to consumers and limit China's trade with the EU.³³

23. We asked the Foreign Secretary about EU trade policy. She told us:

there is a responsibility on us, particularly as we do [...] believe in the advantages of free trade, to try to show China on issues like the textile issue and shoe issue, and so on, that the multi-lateral trade regime works, and it works fairly [...] Of course, there will always be different national interests and different nuances of approach, but I think that there is a recognition within the EU of the advantages of a proper multi-lateral regime and of free trade. Insofar as there are growing protectionist concerns in the EU, that is a global phenomenon.³⁴

24. We conclude that the world must take account of the economic changes occurring in China and cannot simply close the door on Chinese goods; any attempts at protectionism would damage attempts to bind Beijing effectively into the existing international order. We further conclude that the preservation of the global multi-lateral trading structures has become more important than ever with the emergence of the Chinese economy. We recommend that the United Kingdom maintain its championship of free trade between the European Union and China, by working with other advocates of free trade within the EU to support trade with China. We conclude that China must not resort to unfair trade practices such as dumping and must work within the existing rules in order to strengthen support for free and fair trade within the EU.

25. The United States also has serious trade frictions with Beijing. China runs consistent large trade surpluses with the USA, and its imports have had a major impact on the

29 Ev 182

30 Stephen Green, "China's quest for market economy status", *Briefing Note*, The Royal Institute of International Affairs, May 2004

31 "EU approves textiles deal", *BBC News Online*, 7 September 2005, news.bbc.co.uk

32 Q 28

33 "Mandelson child shoe levy 'will hit the poor'", *Daily Telegraph*, 6 July 2006

34 Qq 236-8

politically sensitive US manufacturing sector. Underlining protectionist frictions, in September 2005 the then US Deputy Secretary of State Robert Zoellick said:

The US business community, which in the 1990s saw China as a land of opportunity, now has a more mixed assessment. Smaller companies worry about Chinese competition, rampant piracy, counterfeiting, and currency manipulation. Even larger companies, once the backbone of support for economic engagement—are concerned that mercantilist Chinese policies will try to direct controlled markets instead of opening competitive markets.³⁵

In February 2006 China accounted for about 23% of the total US trade deficit of \$782 billion.³⁶ In response to growing concerns, the US Government launched a task force on 15 February 2006 to scrutinise trade between the USA and China.³⁷

26. Part of the difficulty stems from US perceptions that the Chinese currency, the renminbi, or yuan, is undervalued, so providing a trading advantage to Chinese goods in the US market. According to the US Congress, China's currency reserves, which total about \$875.1 billion, are one sign of this undervaluation.³⁸ However, the US Treasury contends that the trade surplus is not a sign of undervaluation, since while China runs a trade surplus with the USA, it has a deficit with states in Asia. Much of China's trade consists of re-export of goods from Japan or other Asian manufacturers, and China's overall global surplus, which is a better indication of the valuation of the renminbi, is reasonably small—some 3%.³⁹

27. Notwithstanding the economic arguments, the cause of urging China to revalue the renminbi has won political support from a broad spectrum within the US Congress. In response, China agreed to shift its currency regime in July 2005 from a straight peg to the US dollar to a basket of currencies including the Korean won, the Japanese yen, the US dollar and the European euro, and revalued the renminbi by 2.1%; the currency since strengthened further in May 2006. These moves have staved off some protectionist sentiment in the USA, but feelings remain strong.

28. We asked Dr Cronin, Director of Studies at the International Institute for Strategic Studies, about revaluing the renminbi. He told us: "It is not an elixir that solves the problem [...] but there is this concern about competitiveness. The fact is that it does need to reflect that new value and it has not."⁴⁰ Dr Swenson-Wright of the East Asia Institute, University of Cambridge, added: "The Chinese official line is that, given the weakness of their internal banking sector, they worry particularly about the exposure to speculation if they were to allow their currency to float."⁴¹

35 Jamestown Foundation, *China Brief*, 22 November 2005, Volume V, Issue 24

36 "Economic and Financial Indicators", *The Economist*, 25 February 2006

37 "US launches new task force on China trade", *China Daily*, 15 February 2006

38 "Emerging market indicators", *The Economist*, 3 June 2006

39 Albert Keidel, "China's currency: not the problem", *Policy Brief*, Carnegie Endowment for International Peace, June 2005

40 Q 151

41 Q 151

29. Another source of contention on trade matters between Beijing and Washington and the EU is the continued infringement of intellectual property rights (IPR) in China. Robert Zoellick, former US Deputy Secretary of State, said in September 2005:

A responsible major global player shouldn't tolerate rampant theft of intellectual property and counterfeiting, both of which strike at the heart of America's knowledge economy. China's pledges [...] to crack down on the criminals who ply this trade are welcome, but the results are not yet evident."⁴²

The EU has strong concerns about intellectual property rights too; the statement issued at the end of the EU–China summit in September 2005 stated:

[Both sides] recognised the vital importance of transparency in commercial decision making, robust corporate governance, effective implementation of protection of intellectual property and safeguarding the interest of consumers in creating a positive business environment for continued economic growth and individual prosperity. With this in mind China and the EU agreed to deepen the dialogue on intellectual property rights.⁴³

30. We asked Professor Wall about intellectual property. He told us: "Central government, which you deal with, is very rational [...] and well trained [...but] they cannot stop the people in the streets selling CDs and DVDs [...] The people who are doing it have political connections and you cannot clamp down, they have political support."⁴⁴

31. Sebastian Wood CMG, Director, Asia-Pacific at the Foreign and Commonwealth Office, agreed that implementation was the problem. He said: "The problem that we identify the Chinese have is really a problem of law enforcement and implementation. They have the political will, they have set the right legal and regulatory frameworks, or are trying to do so."⁴⁵ Denis Keefe, Head of the FCO's Far Eastern Group, also pointed to the domestic imperative for improvements. He told us: "The progress the Chinese have made in their own internal systems for dealing with intellectual property issues are increasingly being exploited by Chinese companies themselves who can see that their own interests are damaged."⁴⁶ Yet until a solid basis for intellectual property rights exists in China, international companies may hesitate before installing their latest technology and domestic innovation may suffer from the lack of security available to creative individuals.

32. We conclude that the Government must urge its counterparts in Washington and in the EU not to succumb to the temptations of protectionism, even in the face of growing trade frictions such as those over the value of the Chinese currency. We further conclude that the protection of intellectual property rights is essential for the effective functioning of a creative, innovative economy. Unless the Chinese government takes greater steps to establish secure intellectual property rights, tensions between China and its trading partners will grow and domestic innovation will suffer. We recommend

42 "Whither China?", Speech by Robert Zoellick US Department of State, 21 September 2005

43 EU–China Summit: Joint Statement, European Commission, 5 September 2005

44 Q 22

45 Q 274

46 Q 274

that the Government work with the Chinese government to establish a legal framework in which intellectual property rights can be enforced, and we recommend that it set out in its response to this Report how it is doing so.

Domestic Reform

Income Inequality

33. China's growth has increased prosperity but has not spread wealth equitably. Growing economic disparities within China point to severe fault lines in the current system of growth which have the potential to evolve into increasing instability and opposition to CCP rule. Professor Jude Howell, Director of the Centre for Civil Society at the London School of Economics and Political Science, told us:

the economic reforms, the pace of change and the rapid growth are putting enormous pressures on society and governance. One of the issues that the new leadership and previous leaders have been concerned about is the growing inequality: across generations, between rural and urban areas, and across different sectors of society.⁴⁷

34. Professor Schenk also stated in evidence that:

China's economic growth has been accompanied by worsening inequalities in the geographic distribution of income. This has generated a flow of migrants from rural and poorer provinces to the main cities, not all of whom have been able to find employment. In 2005 the government's statistics showed that the poorest 10% of families own less than 2% of residents' assets, while the top 10% of families own over 40% of total assets.⁴⁸

35. The FCO outlined the Chinese government's plans to establish more balanced economic growth:

In October 2005 the Party Plenum meeting chaired by President Hu approved the 11th Five-Year Plan (2006–2010). This guiding document sets out the Government's broad policy aims of maintaining China's stable rate of economic growth while speeding up structural adjustments to the economy. The plan also emphasises the Government's commitments to protecting the environment, encouraging innovation, achieving social justice, harmonizing inequalities in the pace of regional development and achieving a better balance between industry and agriculture.⁴⁹

36. However, the inefficiency of some parts of the state-owned sector limits the economy's growth and efforts to rebalance income distribution, because of the complexity of the necessary reforms. Dr Yueh told us: "These [state-owned enterprises or SOEs] have the

47 Q 66

48 Ev 265

49 Ev 125

potential to be inefficient, and large numbers of them are.”⁵⁰ She described the social consequences of reform of the SOEs:

The state-owned enterprises [...] are not just enterprises, but providers of social security and instruments for the government policy of maintaining full employment. Despite the inefficiency of state-owned enterprises, they did not shed labour until the large-scale layoffs of the mid-1990s. China’s urban unemployment rate until then did not exceed 3.5%. Urban unemployment, more broadly defined to include laid-off workers and other forms of non-employment, is now estimated to be as high as 8–12%. Since there is no social safety net and on account of concerns about instability, the restructuring of the state-owned enterprises and banks will be a difficult challenge for China.⁵¹

37. Nonetheless, the government has slowly reformed the SOEs by fully privatising small ones and carrying out share issue privatisation for bigger ones in an effort to introduce better standards of corporate governance, which has increased their efficiency levels, although the question of privatising their parent companies is as yet unanswered.⁵²

38. Another concern is that China’s economy may be overheating. Professor Schenk stated in her evidence that:

In 2003 the IMF identified potential over-heating of the economy and recommended policies to reduce the growth rate of capital accumulation to prevent bottlenecks [...] These appeared to have been somewhat successful in the first half of 2005 but there was a further acceleration in the second half of the year.⁵³

39. Revaluation of the renminbi might slow down growth and reduce the likelihood of inflation and may also help to stimulate the domestic market. However, any revaluation could have a serious impact on China’s export sector, which might contribute to higher levels of unemployment. At present, concerns about overinvestment remain salient.

40. Overall, China’s appetite for economic reform provides great opportunities for foreign governments and businesses to provide advice and influence the evolution of Chinese economic policy. The FCO memorandum suggests that the UK should have a role in assisting China in promoting economic reform:

There is an unparalleled opportunity to promote a positive Chinese mindset on economic and structural reforms [...] The UK and other Governments stand to contribute by providing specific expertise and in fostering technology transfer and professional know-how.⁵⁴

41. We conclude that China’s growing income inequality is a matter of concern. We commend the Chinese government’s initiatives to close the income gap. We further

50 Q 69

51 Q 69

52 Q 67–70 [Dr Yueh]

53 Ev 264

54 Ev 113

conclude that China's appetite for economic reform provides a great opportunity for the United Kingdom to work with Chinese policymakers. We recommend that the Government set out in its response to this Report how the United Kingdom is engaging its Chinese counterparts on economic and social reforms and that it identify in which areas of British expertise, such as welfare provision, might best help the Chinese government to straddle the divide.

The Banking System

42. Full reform of the SOEs will also require a root and branch transformation of the banking system. Professor Schenk told us that bad debt is rife within the Chinese banking system, much owed to the SOEs.⁵⁵ Dr Yueh assessed the problem of reform of the banking system, pointing to the economic and legal sides of reform. She told us:

On the economic side, for the banking sector official statistics say that the amount of non-performing loans are falling, but the underlying problem of non-performing loans is structural to the economy. State-owned banks have non-performing loans through policy-directed lending to state-owned enterprises [...] Unless they are able to undertake a reform that creates jobs, creates a social safety net, improves the competitiveness of SOEs, and cuts off the flow of non-performing loans from the close relationship of the state-owned banks to the state-owned enterprises and the state, then even if the stock is falling the flow is likely to continue. That is the economic side.⁵⁶

Dr Yueh continued:

On the legal side, China has always encouraged a dual-track reform process. It allows a market sector to develop alongside a non-market. So one of the ways in which China would like to improve the banking and the financial sector is to allow essentially private banks—non-state institutions—to increase their share in the entire lending system. This makes the state-owned banks' not-very-attractive portfolio shrink in relative size; but the difficulty of this approach [...] is that you need to have legal, regulatory information, credit assessment, risk, and all of these types of structures in place before you could have a well-functioning private financial banking sector, driven by interest rates and driven by risk and profitability.⁵⁷

43. In this context, the United Kingdom and its successful financial services sector have much to offer the Chinese government, both in expertise in transition issues, much gained in Russia and Eastern Europe, and also in investment from companies with experience of operating to global standards.

44. We conclude that until the banking system undergoes successful reforms, its weakness could undermine China's economic progress. We further conclude that the United Kingdom has much to offer, in terms of expertise in corporate governance and transition issues. We recommend that the Government set out in its response to this

55 Ev 265

56 Q 113

57 Q 75

Report how it is helping the Chinese authorities to tackle the problem of reforming China's banking system.

Limits to Growth

Energy and Resources

45. China may also face a slowdown unless it can continue to secure the raw materials it needs to supply its manufacturing base. Professor Schenk said in evidence that “the growing shortage of key resources threatens to create a bottle-neck in China’s industrial development.”⁵⁸

46. Commenting on this issue, the FCO wrote:

China’s relatively low endowment of natural resources means that its material needs are substantial, and this is exerting a powerful influence on world commodity prices. As resource constraints are already constraining growth, the Chinese government has been looking increasingly actively for energy security. China currently accounts for 10% of global energy consumption, second only to the US. But this is likely to rise to 14% over the next decade [...] China is already the world’s largest coal burner; by 2020 it will consume over 40% of the world’s total production. Most of its additional needs will be met by importing oil from the Middle East and Africa and gas from Russia.⁵⁹

47. At present, China’s overall energy use comprises 63.4% coal, 25.8% oil, 6.9% hydroelectricity, and 3.1% natural gas. China’s efforts to reduce reliance on coal include the development of natural gas and the use of coal bed methane, adding hydropower capacity and developing wind and solar energy.⁶⁰ However, China’s per capita energy use is much lower than that of the USA, despite its huge population. US energy consumption per capita is 11 times higher than China’s consumption, and five times higher than the global average.⁶¹

48. Mr John Ashton, former Chief Executive of Third Generation Environmentalism, (E3G) explained why this was important for the United Kingdom. He told us:

We need a soft power China. That means a China which is successful and stable but, above all, a China that is achieving a transition to a much more efficient use of energy and other resources, and thereby accelerating the same transition for everybody else. China’s current pattern of development is undermining its own stability.⁶²

49. In this context, support for more efficient use of energy is essential. The United Kingdom and other states with advanced renewable energy industries and energy

58 Ev 263

59 Ev 114

60 “China: Environmental Issues”, *Country Analysis Brief*, Energy Information Administration, US Department of Energy

61 Ibid

62 Q 208

efficiency technologies could export their knowledge to a burgeoning Chinese market. At present, renewable sources, including hydroelectricity, account for about 18% of China's electricity production, and the government has put effort into expanding their role in the energy economy.⁶³ In meetings in Beijing we also heard that China was looking at various energy technologies to reduce its dependence on imports, particularly of oil, such as the production of ethanol to fuel cars and of liquid coal capabilities which would release far lower levels of carbon dioxide into the atmosphere.

50. John Ashton explained how China and the EU could co-operate on renewable energy development, stressing that any effective co-operation had to take place on a pan-European level simply because of the scale of the task. He said:

If you created, in effect, a single market between Europe and China for ultra-efficient appliances, for very efficient vehicles, for renewable energy products of one kind or another, then you would be accelerating the deployment of those technologies in China, in Europe; and you would be driving down the global prices of them, so you would be doing that globally as well. That is a big business opportunity for European companies, apart from anything else.⁶⁴

51. The EU has already started moving towards this type of co-operation, by establishing in September 2005 a programme worth \$6 million to transfer carbon sequestration technology to China, but initiatives are still at a tentative stage.⁶⁵ While we recognise that the insecurity of intellectual property rights presents a serious obstacle to an effective initiative, any effort to improve energy use in China and reduce environmental degradation is very much in the United Kingdom's interests.⁶⁶

52. We conclude that energy supplies present a constraint on China's economic growth, and that China's need for raw materials and imported energy sources has an impact on the interests of the United Kingdom by driving up demand for oil and other resources. We recommend that the Government explore measures to co-operate on a European level with the Chinese authorities to establish a common framework within which the development of renewable energy and energy efficiency technologies can take place at a greater pace and that it set out in its response to this Report what steps it is taking to do so.

Environmental Degradation

53. Another serious impediment to continued economic growth in China is steady environmental degradation. China is home to 16 of the 20 most polluted cities in the world, 70% of the state suffers from water pollution, crop returns across the country are decreasing and desertification, particularly in the north east, is expanding.⁶⁷ John Ashton told us that environmental degradation "is a significant constraint":

63 "China: Environmental Issues", *Country Analysis Brief*, Energy Information Administration, US Department of Energy

64 Q 221

65 "China: the sky darkens", *Le Monde Diplomatique*, April 2006

66 See above, Para 29

67 Jamestown Foundation, *China Brief*, October 2005, Volume V, Issue 22

Estimates of the costs to China's GDP vary enormously and each one must be taken with a pinch of salt, but I have seen figures up to 15%. I think the World Bank has estimated something like 8% [...] China would be growing twice as fast if it had its environmental stresses under control.⁶⁸

54. The Chinese government has made efforts to curtail environmental degradation, through the State Environmental Protection Agency (SEPA). However, the scale of the task limits its effectiveness; its small staff numbers cannot police the hundreds of thousands of industrial enterprises, while the power of local party leaders with an interest in maintaining breakneck economic growth hampers its work. John Ashton told us: "The trouble is that there are no very easily accessible buttons that Chinese leaders can push that will solve those problems with a sweep of a wand."⁶⁹

55. John Ashton outlined why environmental degradation in China is a matter of importance for the United Kingdom's foreign policy. He said: "It is about recognising that we will increasingly be unable to secure our separate national interests unless we secure our shared global interests; for example our interest in a stable climate."⁷⁰ He went on:

It is dangerous to see the internal environmental stresses as in any way separate from the external consequences, the external stresses, which are being catalysed by the way in which China's economy is growing [...] If we find a way of engaging China that will help deal with the external stresses, we will also be helping them deal with the internal stresses—if they are using energy and water much more efficiently, for example.⁷¹

56. The decision by the Chinese authorities to prohibit logging demonstrates the transnational nature of environmental degradation, since demand for timber still exists in China but is now projected outside its borders. This need has encouraged illegal logging in states such as Burma and Indonesia with all the associated environmental impacts and has also provided a source of income to warlords in Liberia, notwithstanding the preservation of China's forests.⁷²

57. This interdependence is most visible on climate change questions. China's greenhouse gas emissions are the second largest in the world but are still relatively low per capita. At present China emits about 12% of global carbon emissions, and its output will increase to about 18% by 2025; but the USA emits about 5.5 metric tones of carbon per person, while China emits 0.6 metric tons of carbon per person.⁷³ Under the United Nations Framework Agreement on Climate Change, China is a non-Annex I country, meaning it has not agreed to binding emissions reductions in the Kyoto Protocol, which it ratified in 2002; any fall in emissions would be a happy by-product of efforts to improve energy efficiency and security, rather than an end in itself. However, any effort to tackle carbon emissions needs

68 Q 214–215

69 Q 216

70 Q 208

71 Q 211

72 Q 220 [Mr Ashton]

73 "China: Environmental Issues", *Country Analysis Brief*, Energy Information Administration, US Department of Energy

to take place on an international level—and so China’s extensive use of high carbon coal undermines efforts in the United Kingdom or Europe to reduce their emissions.

58. Water is another factor of some concern in China. Growing urbanisation is putting enormous demands on supplies, as municipalities such as Beijing, Shanghai, Tianjin, and Chongqing demand water for industrial and consumer needs. SEPA estimates that pollution levels in 75% of China’s rivers and 92% of its lakes and reservoirs are high enough to make their water unfit for human consumption, while the northern cities are draining non-renewable ground aquifers, which has led to increasing levels of drought, dust storms and large scale subsidence.⁷⁴ In the 11th Five Year Plan China’s government dedicated about \$61 billion to water related projects. Efforts include plans to reduce water use by 20% in urban areas, and large scale diversification projects are under way to divert water from the Yangtze River north to the Yellow River valley. China is also importing more ‘virtual water’ in the form of grain and other food imports to sate urban appetites, which, over time, could lead to increases in global food prices.⁷⁵

59. John Ashton said:

There is a close link, I think, between the efficiency of water use in China and the global food economy. The more Chinese agricultural production is hit by shortage of water [...] the more that will be an upward pressure on global food prices. On top of that, as China gets richer there is more of an appetite for meat, and producing meat is more water-intensive than producing arable crops. Some of that water intensity is in effect exported. China has become a very large-scale importer of soya, for example from Brazil, for animal feed. In Brazil there are also issues of water stress which are exaggerated if you grow more soya.⁷⁶

60. We asked the Foreign Secretary about the environmental question. She told us:

The Chinese government has shown a very welcome and indeed a more thorough recognition of some of these dangers and the importance of some of these issues than perhaps many others in the developing world [...] The reason that the Chinese Government has become engaged in this work is because of their own recognition of how substantial these issues are for the whole length and breadth of China.⁷⁷

We welcome positive engagement from the Chinese.

61. We conclude that environmental degradation is a major impediment to the sustainability of the growth of the Chinese economy, and that the United Kingdom has a strong interest in helping the Chinese overcome internal stresses since they easily translate into external stresses. We further conclude that the United Kingdom and its European partners have a large stake in encouraging the reduction of carbon emissions in China to counter global warming, since any reduction of emissions by the United Kingdom will have a negligible effect if China does not take similar steps. We

74 “China: The Worth of Water”, World Markets Research Centre, 24 March 2006

75 Ibid

76 Q 230

77 Q 263

recommend that the Government increase its support for environmental projects in China, particularly in areas such as water supplies and carbon emissions. We further recommend that the Government provide support to British companies with expertise in areas such as environmental management seeking opportunities in China.

British Business in China

62. Following WTO admission in 2001, new opportunities have emerged for foreign business in China. Dr Yueh said that “following WTO accession, a major source of opportunities will be provided by the opening of China’s domestic market”.⁷⁸ Dr Yueh went on:

Insurance, banking and financial services will be liberalised, though the issue remains one of timing and degree. Geographical restrictions will be removed and foreign banks will be permitted to engage in Chinese currency (renminbi) business by the end of 2006, for instance [...] Other areas of WTO-related opportunities lie in education and service professions, such as law and accountancy. The opening of these sectors is significant and follows a trend of increase in global trade in services. For a developed country such as the UK, its trade surplus in services with China—despite an overall trade deficit—is likely to continue and grow.⁷⁹

63. However, James Forder, of Balliol College, Oxford, emphasised the difficulties in doing business in China despite the WTO reforms:

It should never be doubted that China remains a very difficult place to do business. The legal system is developing from a very primitive base; there have until recently been serious concerns about widespread corruption within it; and it is in many respects obscure and confusing to outsiders. At least one British law firm advises its clients of the dangers of falling foul of laws which are actually unpublished.⁸⁰

64. Dr Christopher Dent of the Department of East Asian Studies, University of Leeds, was more optimistic when he said in his evidence that:

China’s difficult regulatory environment and lax commercial laws continue to frustrate European, American and other foreign investing firms alike, although the Chinese are making some progress at improving the situation. Corruption levels, while still comparatively high by broad international standards, are reported to be falling significantly. The commercial legal environment is improving too, partly out of intensified competition between provincial governments to attract foreign investment.⁸¹

78 Linda Yueh, “The economy: opportunities and risks”, *China and Britain: the potential impact of China’s development*, Smith Institute, 2005

79 Ibid

80 Ev 243

81 Ev 182

65. Notwithstanding the difficulty of doing business in China, some witnesses felt that Britain was lagging behind its competitors. Stephen Perry, Chairman of the 48 Group and Vice-Chairman of the China Britain Business Council, made a negative assessment, saying:

Whilst Germany has a positive trading balance [with China] the UK is in deficit in a ratio of approx[imately] 4:1 in visible trade and is underperforming even on invisible trade [...] Over the past five years the UK has underperformed in both goods and services. Only 1.25% of UK total exports are to China and what is more the UK share of the [...] total market has fallen, even if the total value of exports has risen. Economists might argue that we are a service economy and since China's services sector is relatively underdeveloped the UK can hope to make its comparative advantage count in years to come. But the figures show that the UK share of total cross border trade in services is 8% but we only have a 2% share of China's service imports. And before you start to think it, trade through H[ong] K[ong] does not even up the figures at all.⁸²

66. Caution has been expressed about these statistics. We heard from a range of interlocutors in China that the figures were distorted—Rolls Royce engines, for instance, count as French trade because of their incorporation into Airbus airplanes. We also heard that investment substituted, to some extent, for trade. However, Stephen Perry said:

The UK is the biggest European investor by stock but not by trend—Germany is *en route* to overtake us soon. And our investment in China accounts for only 1% of their total investment—the real money comes from East Asia and the States. And our investment is heavily skewed. If we strip out Shell, BP and Vodafone who have in the past taken equity stakes in Chinese companies for strategic purposes, our investment level declines by almost 50%. And almost all our investment is concentrated in the Pearl River Delta, Bohai Rim and Yangtze River Delta. If you travel the rest of China you will frequently find Germany and other European investment but not UK.⁸³

Lord Powell also told us: “Our market share is 1.3%, which is obviously inadequate—China is Britain's sixteenth export market. Here is the world's fastest growing economy on course to be the third largest before very long and it is our sixteenth market.”⁸⁴

67. We asked the Foreign Secretary about this, and she said:

In the past we have not enjoyed as great a share of trade as one might think judging from the share we have of investment in China [...] it is my understanding that part of the issue has been that the things that China has most needed in the most recent past have been in the heavy goods/heavy machinery end of things, where, for good or ill [...] the fact is that these are not areas where Britain has the strengths that we have had the past.⁸⁵

82 Ev 193

83 Ev 193–4

84 Q 125

85 Q 245

68. We conclude that the United Kingdom's market share in China is lagging behind its competitors, and that the Government must do more to support British business in China.

69. A coherent Government approach is crucial in supporting British business activity in China. The FCO described Government structures for dealing with China:

The FCO takes the lead in developing UK policy towards China and for ensuring that the work of other groups such as the China and Asian Task Forces are reflected in broader strategy. The Government's strategy on China as a whole is coordinated by the Cabinet Office. It arranges meetings of the Whitehall China officials group, which enables individual Government departments to feed in their views on the Whitehall China strategy and to update others and contribute towards a cross-Government detailed action plan on China.⁸⁶

70. However, Stephen Perry criticised the Government's approach to China:

There is no Whitehall China trade strategy. It is true to say that Whitehall departments meet periodically in the Cabinet Office and detail their respective bilateral initiatives which are then put together under four or five headings. But this is a description of activity with the word strategy imported as a heading...Equally, UK Trade & Investment do not have a China Strategy [...] Indeed the China unit which did have a pan-China brief staffed with China hands has been radically reduced in numbers and responsibility restricted to managing overseas posts [...] The last couple of years have seen almost all the regions establishing physical offices in China; the mayor of London is setting up offices; the City of London is setting up an office; the CBI is setting up offices. And who is coordinating all of this? No-one.⁸⁷

71. Lord Powell, on the other hand, expressed a more positive view of Government co-ordination. He told us:

co-ordination has improved greatly in recent years for a number of reasons. One has been the establishment of the China Task Force, set up about three years ago. For the first time, all elements of British policy towards China involving not just business but education, health care and cultural matters are drawn together. We are approaching the point where you could say we have a national strategy towards China, which is co-ordinated through a clearing house called the China Task Force. This is a great step forward, and I think the Government deserves a lot of credit for it.⁸⁸

72. The Deputy Prime Minister, who chairs the Task Force explained its role:

The China Task Force was established as a result of my right hon. Friend, the Prime Minister's visit to China in 2003, when he agreed with the Chinese Premier Wen Jiabao that a group should be set up to consider issues of interest to our two countries' bilateral relations [...] The Task Force's remit covers trade and

86 Ev 132

87 Ev 194

88 Q 116

investment, education, science and technology, health, culture, environment and sustainable development, and development issues. These areas align closely with the areas identified for cross-departmental action being developed in response to the challenges of globalization.⁸⁹

73. We asked the Foreign Secretary about Whitehall co-ordination on China, and she said:

As to an issue of Whitehall strategy in departments, again this is something that one can always say one can improve [...] but there is actually quite good co-ordination between the different departments and the involvement of departments working together to support things like the UK–China Task Force and so on. There is quite a lot of good engagement.⁹⁰

74. We heard that the United Kingdom has not yet signed up to the Shanghai 2010 commercial exhibition (Expo 2010). We asked the Foreign Secretary about this, and she said: “This is an issue that has to go to the Prime Minister but what I can certainly tell the Committee is that I do intend to recommend to the Prime Minister that we should in principle accept that we should be participants in Expo”.⁹¹

75. We conclude that Expo 2010 presents a key opportunity for the Government to support British business in China, and we recommend that the Government sign up to Expo 2010 forthwith. We further recommend that the Government undertake a review of Whitehall structures dealing with China to ensure that they operate together in an co-ordinated fashion, so as to avoid leaving the United Kingdom and its businesses at a disadvantage when dealing with China.

76. A number of organisations support British business in China. The FCO described the structure of support for business as follows:

UK Trade and Investment (UKTI), the China Britain Business Council (CBBC) and the British Chamber of Commerce in China (BCCC) have different and complementary roles in supporting UK business in the China market. UKTI and the CBBC work in partnership to provide a range of business promotion activities for UK companies. These activities are divided between UKTI and CBBC by way of a Service Level Agreement between the two parties. This arrangement enables UKTI to draw on the CBBC’s organisational flexibility, expertise and resource in China (and UK) to deliver a wide service in a cost-effective manner. CBBC has nine offices in China, seven in cities where there is no British diplomatic representation. CBBC also provides a range of independent services for UK business. The BCCC is primarily a knowledge accumulation and sharing organisation through its provision of connectivity and networking opportunities for its membership. The Chamber has a small paid staff and no desire or facility to replicate the work of the CBBC and UKTI.⁹²

89 HC Deb, 23 May 2006, col 1664W [Commons written answer]

90 Q 243

91 Q 239

92 Ev 132

77. Our predecessor Committee in a Report in November 2000 commented on this issue, saying:

We recommend that the British Trade and Investment's long-term trade and investment strategy for China take account of the potential overlaps between the CBBC, the diplomatic posts' commercial work, and the Chambers of Commerce in China, and should aim to eliminate duplication.⁹³

78. We asked Lord Powell, the President of CBBC, about this arrangement. He told us:

it is fair to say there has been improved co-operation between UKTI, which of course is the Government's trade promotion body generally, and the China Britain Business Council. We have a service level agreement with them, which describes exactly what the Government expects of the China Britain Business Council, as well as of course what business expects of it. That enables us to work very closely with UKTI without duplicating what they are doing. That coordination also extends into China where we have a clear understanding with the Embassy and the consulates-general what they do, particularly what I would call the higher level work, the policy work, ministerial visits work, and what the China Britain Business Council does, which is to deliver the basic commercial trade promotion services.⁹⁴

79. CBBC shares an office with the British Chamber of Commerce in Beijing which has aided effective co-operation between the two organisations. Lord Powell described the role played by the CBBC in encouraging British businesses to enter the China market. He said: "In the China Britain Business Council, we run a programme called *Take the China Challenge*, which goes out to different regions, spends a day, invites in smaller and medium sized companies."⁹⁵ We heard in Shanghai that the CBBC does provide a useful service, since its geographical spread means its people can offer services to British companies where there is no diplomatic representation.

80. However, one consequence of this system is that businesses operating in China have to join several organisations, adding costs and complexities to their efforts to enter the Chinese market. The presence of the United Kingdom's Regional Development Agencies adds to the confusion. Yet the Foreign Secretary defended the arrangement when we asked her about it. She said:

I can understand [...] in the business community there is a tendency to want...one kind of simple channel, but China, as you have seen for yourselves, is a large and very complex place and what we have at present is not a plethora of bodies but we have a number of different bodies, each of whom play a role which is slightly distinct [...] It appears to me [...] there is quite a good working, constructive relationship. They are not competing with each other.⁹⁶

93 Foreign Affairs Committee, Tenth Report of Session 1999–2000, *China*, HC574-I, para 138

94 Q 116

95 Q 119

96 Q 242

81. We conclude that the Government must seek to ensure that lines of responsibility between UK Trade and Investment, the China–Britain Business Council, the British Chambers of Commerce and Regional Development Agencies are clear and that there is no duplication of work, so that smaller businesses seeking to ‘take the China challenge’ do not face duplication of costs and services provided by the range of organisations. We recommend that the Government increase the number of high level ministerial visits to China in support of British business.

82. In addition to these structural questions, submissions have emphasised the need for the UK to step up language training if British companies are truly to take advantage of opportunities in China. The Great Britain China Centre and the China Media Centre at the University of Westminster stated in evidence that “research by the British Association for Chinese Studies has demonstrated just how little knowledge of China, or study of the Chinese language, takes place in UK schools” and that “we need to think seriously about encouraging widespread Chinese language study in our schools”.⁹⁷

83. Don Starr, Head of East Asian studies at the University of Durham, also stated:

Britain’s poor record in studying the languages and cultures of East Asia is impacting negatively on our effectiveness, particularly in business [...] British universities have gone from having some of the most extensive and highest quality East Asian language and culture programmes in the world to languishing behind other European countries, the US and Oceania. This reflects the way governmental bodies charged with overseeing skills needs have consistently under-rated the importance of language skills and been unwilling to pay for them.⁹⁸

Lord Powell agreed that the lack of expertise was a problem. He told us: “There is a very big problem in that the number of Chinese speakers and the amount of Chinese studies in this country are quite clearly inadequate.”⁹⁹

84. We asked the Foreign Secretary how to improve this. She told us:

In the UK there is a quite substantial [...] and growing area of study. There is the educational co-operation programme with schools in China [...] Just under 2,000 15-year-olds were entered for a GCSE in Chinese in 2005 and just over 1,600 16 to 18-year-olds were entered for a GCE A level.¹⁰⁰

85. We conclude that the United Kingdom must attain greater proficiency in East Asian languages and cultures or face a diminution of influence in a very dynamic region. We recommend that the Government redouble its efforts to support the teaching of Chinese and other East Asian languages in schools and universities in the United Kingdom.

97 Ev 236

98 Ev 231–2

99 Q 121

100 Q 246

3 China's Rise and its Impact on Foreign Policy and Security

86. The FCO memorandum describes China's growing geopolitical power:

Sustained economic growth and development over the past 25 years have made China an established economic power with global reach. This in turn has increased the country's geopolitical influence, and the importance of ensuring that it contributes constructively to the collective goals of the international community.¹⁰¹

At present China pursues a policy of 'peaceful development', which Zheng Bijian, the Chair of the China Reform Forum, described in an article in *Foreign Affairs* in September 2005. In the article, Zheng wrote:

For the next few decades, the Chinese nation will be preoccupied with securing a more comfortable and decent life for its people [...] The most significant strategic choice the Chinese have made was to embrace economic globalisation rather than detach themselves from it [...] Beijing has stuck to the belief that there are more opportunities than challenges for China in today's international environment.¹⁰²

The article continues by saying:

China will not follow the path of Germany leading up to World War I or those of Germany and Japan leading up to World War II, when these countries violently plundered resources and pursued hegemony. Neither will China pursue the path of the great powers vying for global domination during the Cold War. Instead, China will transcend ideological differences to strive for peace, development, and cooperation with all countries of the world.¹⁰³

We asked Dr Hughes about China's 'peaceful development'. He said:

They talk about 'peaceful development' now, but originally the term was 'peaceful rise', which was about three years ago [...] To talk about 'peaceful rise', how do you reconcile it with the arms build-up opposite Taiwan?¹⁰⁴

87. Professor Wall also raised concerns about China's 'peaceful development'. He said:

They talk about the peaceful development and that they are no threat to other countries of the world but they have 20 neighbours [...] and they have disputes with every single one of them. If you were one of the 14 fishermen who was killed by the Chinese Navy because you happened to slip over what the Chinese regard as their

101 Ev 112

102 Zheng Bijian, "China's 'peaceful rise' to great power status", *Foreign Affairs*, September–October 2005

103 Ibid

104 Q 5

maritime border, you would not feel that the Chinese are that friendly across borders.¹⁰⁵

88. Economic growth is central to China's rise. The FCO wrote that China's "overriding objective is economic growth, which it sees as central to restoring China's regional pre-eminence and global importance."¹⁰⁶

89. Professor Rosemary Foot of St Antony's College, Oxford, agreed and wrote in her submission that China "is an authoritarian country and thus it derives its legitimacy, its authority to rule, not from being a representative state, but from being able to guarantee continued high levels of growth from which important sectors of society benefit."¹⁰⁷

90. Steve Tsang also wrote:

The domestic imperative is rooted in the existence of a de facto 'social contract' between the Communist Party leadership and the people of China after the Tiananmen crackdown of 1989. This involves the Party delivering social stability and steadily improving living standards on the basis of rapid and sustained growth in return for the general public's acquiescence to continued Party rule [...] For this condition to sustain China requires a benign international environment and continued inflow of foreign investments.¹⁰⁸

91. China has a voracious appetite for raw materials from overseas, which are essential for its continued economic expansion. Rosemary Foot wrote that China "has become a resource-hungry country for oil, natural gas, water, inputs for processing, home construction and manufacturing [...] These kind of resource needs drive a lot of its foreign policy."¹⁰⁹

92. In 2005 China accounted for 31% of world oil demand.¹¹⁰ Of that oil, roughly 60% is brought in by ship from the Middle East, a proportion which will rise to 70% by 2015.¹¹¹ This dependence on imports of raw materials and other commodities has contributed to some sense of insecurity in Beijing, and has led to diplomatic initiatives by China in areas traditionally associated with resource provision, such as Africa and Middle East.¹¹² However, Dr Philip Andrews-Speed of Dundee University described how Chinese oil and gas strategy could damage Western interests, because with "respect to oil and gas supply, China's 'strategic' approach threatens to undermine the nature of the existing market mechanisms preferred by the West."¹¹³ He went on to say:

105 Q 2

106 Ev 121

107 Ev 206

108 Ev 178–9

109 Ev 206

110 "China's global hunt for energy", *Real Clear Politics*, 6 September 2005

111 Mokhzani Zubir and Mohd Nizam Basiron, "The Straits of Malacca: the rise of China, America's intentions and the dilemma of the littoral states", *Maritime Institute of Malaysia*, April 2005

112 "China's global hunt for energy", *Real Clear Politics*, 6 September 2005

113 Ev 213

China's international oil and gas strategy poses potential threats to Western diplomatic and strategic interests in two ways. The first is through China's willingness to do business with 'states of concern' and other governments currently out of favour with the West. These include Iran, Sudan, Myanmar and Venezuela. China's actions directly and indirectly undermine Western policies towards these states. The second is through China's growing influence in regions of strategic interest to the West, for example the Middle East or Central Asia. Through its oil and gas diplomacy China's profile is rising across much of Africa and Latin America, as well as closer to home in Southeast Asia.¹¹⁴

93. Professor Wall also told us:

China does not have an equivalent of the American desire to spread democracy by force around the world. It has given up any hope of forcefully imposing communism. It also takes the line that what in the West we would sometimes think of as grounds for intervention are not grounds for intervention because they are very strong believers in the philosophy of non-intervention, even though the countries may be engaging in activities which are alien to the United Nations.¹¹⁵

94. We asked the Foreign Secretary about China's attitude to securing resources. She told us:

An extremely long-standing principle of the Chinese regime [...] is a sort of non-intervention in other countries' affairs [...] Obviously [...] we do try to encourage [...] the notion that it is not just a matter of signing a contract in the short term [...] that we see it as very much in their long term interests to take account of some of these issues.¹¹⁶

95. We conclude that China's policy towards resources threatens the market-based mechanisms on which Western states rely for supply, and that Beijing's attitude to business with states which the international community has condemned for their behaviour damages efforts to uphold international standards in human rights and good governance. We recommend that the Government increase its efforts to persuade the Chinese authorities that they have a strong interest in the maintenance of international standards and that working with or supporting outcast regimes will damage China's reputation and could set Beijing on a course in opposition to other major members of the international community.

96. Africa presents a particular illustration of this problem. China's trade with Africa has grown very rapidly in the last decade, increasing by 58.6% in 2003 alone, reaching about \$29 billion. Much of the trade is of African exports of commodities such as oil or mineral ores, in exchange for finished industrial goods; Africa supplied 28.7% of China's crude oil

114 Ev 213

115 Q 12

116 Q 275

imports in 2004, and China is cultivating relationships with Algeria, Angola, Egypt, Gabon, Kenya, Zimbabwe and states in the Gulf of Guinea, such as Nigeria.¹¹⁷

97. Sudan, which has come under much criticism for its brutal policies in Darfur, is a major trading partner of China. Currently, China receives about 5% of its oil imports from Sudan, and has invested about \$3 billion in the oil industry,¹¹⁸ Beijing reportedly also has 4,000 non-uniformed forces protecting its interests there and rumours have emerged that Beijing might make use of prisoners to construct pipelines in Sudan.¹¹⁹ Professor Foot wrote in her submission: “China is Sudan’s leading trade partner and leading foreign investor in its oil industry. It has a 40% stake in Sudan’s Greater Nile Petroleum Operating Company. China has also made efforts to develop close relations with other oil-producing countries on the African continent: Algeria, Angola, Nigeria as well as Sudan.”¹²⁰ Professor Wall went further when he told us:

[The Chinese] have continued to block discussions of the problems in Sudan on the grounds that they have business interests in Sudan and will not have the [UN] Security Council interfering. The foreign minister said, ‘Business is business’ when he was asked why he would not allow Sudan to be protected by the Security Council.¹²¹

China is also a close ally of Zimbabwe, despite the terrible abuses committed by the government of Robert Mugabe.¹²²

98. However, the Foreign Secretary was more positive about China’s engagement in Africa. She told us:

over the years there has been a growing recognition by the international community that it is not in anybody’s interests [...] to see this appalling governance, because [...] that in itself is not sustainable [...] and it is to everybody’s mutual disadvantage. China is much too wise not to see that that thinking.¹²³

99. We conclude that Beijing’s support for regimes in Africa which flout existing norms, such as Sudan and Zimbabwe, damages both the interests of Western states like the United Kingdom, and also China’s own long term interests, since corrupt, brutal and incompetent regimes make unreliable partners. We recommend that the Government urge the Chinese to support the referral of the Darfur and Zimbabwe situations to the UN Security Council. We further recommend that the Government increase the resources of the Foreign and Commonwealth Office dedicated to monitoring Chinese activity in Africa.

117 “China’s global hunt for energy”, *Real Clear Politics*, 6 September 2005

118 “China’s strategic global influence”, *China Rights Forum*, No 3, 2005

119 Jamestown Foundation, *China Brief*, Vol V, Issue 21, October 13 2005; *China’s involvement in Sudan: Arms and Oil*, Human Rights Watch, November 2003

120 Ev 206

121 Q 4

122 “China gives Zimbabwe economic lifeline”, *The Guardian*, 16 June 2006

123 Q 288

100. It is not only in Africa that China's role is in question; the issue is global. Commenting on the question of growing Chinese investment in Latin America, Daniel Erikson, Director of Caribbean Programmes at the Inter-American Dialogue, wrote in his submission: "China has the potential to displace US trade and investment while offering an alternative model for development to Latin American countries that have lost faith in policies associated with the 'Washington Consensus' reforms of the 1990s."¹²⁴ For instance, Venezuela and Bolivia have seized on links with China as a means to increase leverage against the traditional dominance of the USA in South America.

101. Access to Middle Eastern oil supplies is also a paramount concern in Chinese foreign policy. This may also lead to collision with Western interests. China has put a lot of effort into its relations with major Middle Eastern players like Iran and Saudi Arabia. For instance, China played an active role in Iran's civil nuclear program between 1985 and 1997.¹²⁵ In 1997 China pledged to cease nuclear co-operation with Iran, but has had difficulties in stopping all support for weapons programmes; in 2002 the US imposed sanctions on eight Chinese companies for selling biological and chemical weapons technology to Iran.¹²⁶ Beijing also has major economic links with Tehran; Iran supplies about 13% of Chinese oil needs at present and China signed a deal with Iran in 2004, comprising investment of about \$100 billion over twenty years in the Yadavaran oil and gas field.¹²⁷

102. However, Dr Hughes told us that he did not see China preventing international action on Iran:

[The Chinese authorities] are not in a position to confront the United States on these issues—that is the bottom line. The most they will do is abstain on these issues. I do not think they will play a particularly positive diplomatic role either, which is maybe disappointing.¹²⁸

We asked the Foreign Secretary about Iran and China. She said: "There is a very considerable amount of common ground, agreement, understanding and basic concern among the participants in that dialogue, the P5 and Germany."¹²⁹

103. We recommend that the Government urge its counterparts in Beijing to use their influence in regions such as the Middle East and Latin America to work in concert with the international community to settle controversial issues in an equitable manner and to play a positive role in the resolution of the Iran crisis.

124 Ev 199

125 "China's nuclear exports and assistance to Iran", Nuclear Threat Initiative

126 "China's strategic global influence", *China Rights Forum*, No 3, 2005

127 "Iran's new alliance with China could cost US leverage", *Washington Post*, 17 November 2005; and Chietigj Bajpae, "Setting the stage for a new Cold War: China's quest for energy security", *Power and Interest News Report*, 25 February 2005

128 Q 59

129 Q 268

The United Nations

104. China is a longstanding supporter of multilateral fora in general and the United Nations in particular. The Republic of China (Taiwan) held China's seat at the UN until 1971, when the PRC took over. The Chinese Embassy in London wrote: "China attaches great importance to the role of international organisations such as the UN and has already acceded to 267 multilateral treaties and 130 inter-governmental organisations, and is playing an increasingly important role in upholding and promoting multilateralism."¹³⁰ Steve Tsang wrote in his memorandum: "China puts great importance on international organisations in general and on its United Nations Security Council seat in particular. They are useful in countering the preponderance of the US."¹³¹

105. Dr Swenson-Wright agreed and told us:

It is important to stress the extent to which China, since the mid 1990s, in a whole range of initiatives, has demonstrated that it is much more willing to identify with international norms, whether it is participation in multilateral organisations, signing on to regional agreements, giving very explicit support to the role of the United Nations, perhaps more so than the United States.¹³²

The FCO also pointed out that China had supported counter-terrorism measures in the UN Security Council.¹³³

106. However, only rarely has China driven events within the UN, and the PRC has been sparing in its use of the Security Council veto. Dr Hughes said:

I suppose until now Chinese behaviour in the Security Council has been seen as pursuing its own interests rather than taking the responsibility of a permanent member [...] You may think that is good or bad, but for many people in China especially this has been a disappointment that it is not acting like a great power and is not really taking the responsibility that comes with its special status as a permanent member.¹³⁴

107. On the question of UN reform, China has made clear that its priorities include expanding the roles of developing states, particularly African countries, but Beijing opposed Japan's membership of the UN Security Council. Professor Wall told us: "They blocked the reform of the Security Council by making clear that they would not approve of the inclusion of Japan, which meant the reform could not go ahead at all."¹³⁵

108. We asked the Foreign Secretary about China's role in the United Nations. She told us:

I would say that China tends to be a quiet and sometimes a silent power house rather than a vocal one at present. I think China's economic importance is increasingly

130 Ev 156

131 Ev 178

132 Q 142

133 Ev 113

134 Q 3

135 Q 4

recognised, and of course China is a powerful player and fully understands and recognises that. I think, however [...] that China is not yet using her economic power as fully as she could.¹³⁶

109. We recommend that the Government maintain its support for China’s growing prominence at the United Nations and encourage the Chinese authorities to view their permanent membership of the Security Council as a means to influence the international community, rather than simply as a useful tool with which to defend narrow national interests.

Security in East Asia

110. The current US-led order in East Asia revolves around a series of treaties, inherited from the Cold War era. Professor David Shambaugh, Director of the China Policy Program at the Elliot School of International Affairs, George Washington University, wrote in his submission:

The US-led security system remains the predominant regional security architecture across all of Asia [...] This includes a number of elements: the five bilateral alliances in East Asia; non-allied security partnerships in Southeast Asia, South Asia and Oceania; the build-up of forces in the Southwest Pacific; the new US–India and US–Pakistan military relationships; and the US military presence and defence arrangements in Southwest and Central Asia. Taken together, these comprise the dominant security architecture across all of Asia. No country can match the United States in these regards.¹³⁷

111. The FCO agreed and wrote:

The US is the largest Pacific power. It has an essential national interest in peace and stability in the western Pacific. It has kept the lid on a regional arms race by guaranteeing Japanese and South Korean security and their non-nuclear status. In the absence of any indigenous security structures, the US network of bilateral alliances is the chief guarantor of peace and stability. The US maintains a large number of troops and military assets in both Japan and ROK, and has a legal and political commitment to help Taiwan defend itself.¹³⁸

112. China recognises the historic role the USA has played in the maintenance of stability in the region. Professor Foot wrote that China “accepts that the US provides a degree of regional order in China’s neighbourhood.”¹³⁹ Professor Shambaugh wrote: “The system [...] has been central to the maintenance of strategic stability and economic development throughout the East Asian region. Even China has benefited from the regional security and

136 Q 265

137 Ev 165

138 Ev 123

139 Ev 207

stability engendered by the system, which has provided a conducive environment for China's recent explosive economic development."¹⁴⁰

113. The USA will maintain its role, said Dr Swenson-Wright:

The United States remains committed. It sees itself as a Pacific power. It sees itself tied to the region, partly because of the obvious economic interest the country has in East Asia.¹⁴¹

114. However, China's economic growth is contributing to a slow change in the existing system thanks to increases in military spending by the PRC government. The FCO wrote: "China's rise could disturb the military balance in the region which the US has maintained for half a century."¹⁴² The Pentagon's *Quadrennial Defence Report* pointed to the global implications of China's economic growth in February 2006: "As China's economy expands so will its interests and the perceived need to build an armed force capable of protecting them."¹⁴³ China has increased its defence spending by more than 10% every year since 1996, except 2003.¹⁴⁴ Indeed, US Secretary of Defence Donald Rumsfeld has made clear his concerns about China's growing military might.¹⁴⁵ He said: "I think it's interesting that other countries wonder why they China would be increasing their defence effort at the pace they are and yet not acknowledging it [...] It is almost as interesting as the fact that it is increasing at the pace it is."¹⁴⁶

115. The USA's main concern is the lack of transparency in Chinese defence spending. A prominent academic in Shanghai explained to us why defence spending in China was not transparent. He said that the definition of military spending does not include the two million People's Armed Police, who are effectively soldiers, and that subsidies from local government are not included in the military budget; that military research and development funding is dispersed by the central government through industrial ministries, and so does not count as part of the military budget; that many Russian arms purchases do not come from military funds but from the Prime Minister's budget; and that funds for housing the 2.5 million standing forces comes from the civilian budget, not from the military budget. The Pentagon estimates China's real military spending at between \$70 and \$105 billion, far above China's own figures of about \$35 billion.¹⁴⁷

116. Dr Hughes explained the purpose behind Chinese military spending:

The answer is very simple, it is Taiwan. The nature of the deployment, the redeployment from the north to the south-east, the nature of the armaments, all

140 Ev 165

141 Q 139

142 Ev 123

143 Office of the US Secretary of Defence, *Annual Report to Congress: The Military Power of the People's Republic of China 2005* and US Department of Defence, *Quadrennial Defense Review Report*, February 2006

144 US Department of Defence, *Quadrennial Defense Review Report*, February 2006

145 "Intelligence brief: US-China relations", *Power and Interest News Report*, 26 July 2005

146 "Rumsfeld questions China spending", *BBC News Online*, 18 October 2005, news.bbc.co.uk

147 Office of the Secretary of Defence, *Annual Report to Congress: Military Power of the People's Republic of China 2006*

point to one thing which is a contingency over Taiwan. Given that there was a near conflict with the US in 1995–1996, it came very close to real naval conflict, that was really the wake-up call.¹⁴⁸

Given the role of the USA as a guarantor of the *status quo* in the Taiwan Straits, some analysts have pointed out that the Chinese army is the only one in the world being developed to fight the USA.¹⁴⁹

117. Partly in response to the changing security dynamic in East Asia, the USA is in the process of restructuring its military forces throughout East Asia. The USA has decided to move an additional aircraft carrier group to the Pacific.¹⁵⁰ Dr Swenson-Wright told us:

The American administration has drafted a new security doctrine, the Global Force Posture Review, and we see in that [...] a commitment on the part of the United States to maintain a flexible presence within the region, albeit a reduced one; so one should not view the build-down of military forces, whether from the Korean peninsula or the reallocation of forces from Japan to Guam, as a sign of diminishing commitment. Far from it, I see it much more as a re-emphasis of America's commitment to stay within the region in a fashion that allows it to exert maximum flexibility; a strategy based on a hub and spokes approach involving the use of both bilateral and multilateral alliances, which [...] gives the United States the opportunity to build coalitions that are willing with some of its key allies, most notably Japan.¹⁵¹

He added: “It is very clear that part of the Global Force Posture Review is an attempt to deal with contingencies that might involve Taiwan.”¹⁵²

118. Professor David Shambaugh wrote:

The US Global Force Posture Review [...] envisions changes in deployments and command structures that increase joint military interoperability and further facilitate Japan's involvement in global peacekeeping operations [...] The United States has also undertaken its own unilateral military build-up in the western Pacific. Guam in particular is being built up into a forward base of major significance. The forces deployed there are directly relevant to China, potential contingencies in the Taiwan Strait or Korean Peninsula, and can also be used for deployments into the Indian Ocean, Persian Gulf, and broader Middle East.¹⁵³

119. Any instability in East Asia would have severe global repercussions including damage to British interests in the region. The FCO submission stated:

148 Q 16

149 Chalmers Johnson, “No longer the ‘lone’ superpower”, *ZNet*, 15 March 2005; and Q154

150 “The politics of assigning a nuclear carrier to Japan”, *Japan Times*, 9 November 2005

151 Q 139

152 Q 143

153 Ev 166

Economic interests which the EU—and with it the UK—have at stake in the region are large. China, Japan, ROK, Taiwan and member states of the Association of South East Asian Nations account for 26% of the EU's global trade; and this proportion is rising. The EU is now China largest trading partner, and China is the EU's second largest trading partner after the US. East Asian economies hold the greatest volume of the world's foreign currency resources and consequently have significant influence on global financial stability. The security and stability of the region has direct consequences for Europe; and for the region itself, it is a precondition for continued economic success.¹⁵⁴

In this context, it could be in the United Kingdom's interests to make a contribution to East Asian security. Commenting on how the United Kingdom might assist in the maintenance of stability in the region, the Foreign Secretary said:

Is there anything we can do to assist? Yes, I think there is [...] One of the things that we try to do is build good relationships, obviously, with all those with whom we interact but also encourage them to build relationships with each other. As you may have noticed, of recent years we, the UK (and we have encouraged this in the EU) have set up strategic dialogues with a number of emergent major players in the world scene in order precisely to encourage [...] recognition of mutual concern, mutual dangers and difficulties.¹⁵⁵

The United Kingdom's experience within multilateral frameworks such as the European Union, the Council of Europe and the Organisation for Security and Co-operation in Europe might be one area of expertise which would be of value in East Asia, given the region's lack of effective regional security mechanisms.

120. We conclude that the USA continues to play a huge role in the maintenance of stability in East Asia. We further conclude that the maintenance of peace and security in East Asia is profoundly in the United Kingdom's interests. We recommend that the Government draw on the UK's involvement with and knowledge of NATO and of regional organisations in Europe, such as the Council of Europe, the Organisation for Security and Co-operation in Europe and the European Union, to encourage debate about the institutionalisation of security issues in East Asia. These organisations provide useful models for any indigenous security structures which might broaden the security system from one based on alliances into one of mutual interdependence.

The European Union

121. Although the US plays the predominant role in security in East Asia, the EU also has a role. The FCO said: "The EU is a major economic player; but up to now has not played a significant political role."¹⁵⁶

122. The first meeting between an EU troika and PRC officials took place in 1998, but the relationship has grown rapidly since so that now the EU and China are involved in more

154 Ev 124

155 Q 276

156 Ev 121

than 20 sectoral dialogues.¹⁵⁷ The last EU–China summit, in September 2005, concentrated on five main areas of co-operation, which were: a memorandum of understanding on labour, employment and social affairs; a joint statement on cooperation in space exploitation, science and technology development; a memorandum of understanding on China–EU dialogue on energy and transport strategies; a maritime protocol extending the existing maritime agreement to new member states; and two financing agreements for China–EU bio-diversity and river basin management.¹⁵⁸ A round of the EU–China strategic dialogue also took place in December 2005.¹⁵⁹

123. The nature of relations with China varies across the European Union. The FCO wrote: “EU engagement [with China] has to date [...] been largely defined through Member States’ economic interests in the region, rather than the political or security concerns of regional partners.”¹⁶⁰ We asked the FCO how the EU operates throughout the region. It wrote:

The EU is developing [a] wide-ranging strategy in China. Both sides are committed to strengthening and focusing their relationship through a new Partnership and Co-operation Agreement (PCA) [...] The PCA will help to reinforce key strands of the EU–China bilateral relationship (e.g. encouraging regulatory and economic reform in China, promoting rule of law and governance) and support further collaboration on global issues (e.g. environment and climate change, sustainable development, energy security co-operation). The UK is encouraging the EU to take a long-term strategic approach to China.¹⁶¹

124. However, Dr Hughes was critical of the European Union’s policy towards China. He said that the EU arms embargo issue “tells us, first of all, about the lack of capacity in the EU and the lack of awareness of the broader strategic issues in the region beyond economic issues, the political and military balance of power and so on, which of course the United States is at the centre of.”¹⁶²

125. We recommend that the Government continue to work with its EU partners to expand the resources dedicated to strategic issues in East Asia, so that policy makers take a range of other matters into account in addition to economic relations. We conclude that the new Partnership and Co-operation Agreement might be an effective venue for tackling strategic issues, as well as other important concerns such as human rights and the environment.

126. The United Kingdom has a particular role to play, in the context of the debate about the future of the EU’s arms embargo on China. The EU introduced the embargo following the massacres in Tiananmen Square in 1989. However, in 2005 France and Germany launched a debate about lifting the embargo against China.¹⁶³ The USA and Japan both

157 Katinka Barysch, Charles Grant and Mark Leonard, *Embracing the Dragon*, Centre for European Reform, 2005

158 EU–China Summit, Joint Statement, European Commission, 5 September 2005

159 Ev 133 [Foreign and Commonwealth Office]

160 Ev 123

161 Ev 133

162 Q 26

163 Katinka Barysch, Charles Grant and Mark Leonard, *Embracing the Dragon*, Centre for European Reform, 2005

strongly opposed lifting the ban, and in response to their comments and the passing of the Anti-Secession law by China, the EU shelved discussions.

127. Feeling is still strong in the USA. Commenting on the EU arms embargo, the May 2006 Pentagon *Report to Congress on Chinese Military Power* stated:

China has maintained pressure on the European Union (EU) to lift its embargo on the sale of arms to China, which the EU established in response to the Tiananmen crackdown in 1989. An EU decision to lift the embargo would, in the US view, weaken the restraints on EU member states' transfers of arms and other technologies with military application to China. Chinese access to European military and dual-use technologies could result in new weapons systems entering into China's inventory and an increase in the quality of, and production capabilities for, current and future systems.¹⁶⁴

Sales of European military goods might also provide an insight for Chinese military planners into the capabilities of the US military because of NATO interoperability, we heard from interlocutors in the USA.

128. The Foreign Affairs, Defence, Trade and Industry and International Development Committees, meeting as the Quadripartite Committee, which examines the Government's policy on strategic export controls, tackled the question of the China arms embargo in its Report last year. It concluded:

Although we believe that the embargo is an imperfect tool, there are risks associated with its removal. It is possible that there could be major EU–US trade repercussions from an EU arms 'export drive' to China, or that EU member states enhance China's military capability in a worrying way, or that the Chinese Government uses arms exported from the EU for internal repression.¹⁶⁵

Commenting on the arms embargo in its memorandum to the Committee, the FCO wrote:

The embargo is politically, not legally, binding at the EU level and in practice member states interpret it as covering only lethal weaponry. The great majority of applications for the export of licensable defence or other sensitive equipment to China do not fall into this category: these are assessed instead against the criteria of the EU Code of Conduct. Under the criteria of the Code, the Government would not permit the export of goods if there was clear risk that the export would be used for internal repression or external aggression or would upset the regional military balance or cause instability. The embargo is therefore of largely symbolic significance.¹⁶⁶

129. Yet Dr Fell of the Department of Politics and International Studies at the School of Oriental and African Studies, felt that its symbolism was a reason to maintain the embargo:

164 Office of the US Secretary of Defence, *Annual Report to Congress: The Military Power of the People's Republic of China 2006*

165 Foreign Affairs, Defence, Trade and Industry and International Development Committees, First Joint Report of Session 2004–05, *Strategic Export Controls*, HC 145 para 139

166 Ev 121

the lifting of the embargo would be highly symbolic, and I think perhaps that impact would be greater than the practical issue of increasing the PRC's arms capabilities. In the light of the failure to re-examine the Tiananmen student incident of 1989, which was the key factor in why the arms embargo was enforced in the first place, I cannot see that there is a clear case for lifting the arms embargo at this stage. Moving back to Taiwan, the issue of the 700–800 missiles that have been built up pointing at Taiwan, I think, should be a factor that is considered.¹⁶⁷

130. Dr Hughes also felt that symbolism was important. He told us: “With the EU arms embargo issue we saw how even on these rather traditional security issues now European states, and the EU too, are not able to just stay out of these issues [...] In that sense it impacts, also, on the transatlantic relationship”.¹⁶⁸

131. Dr Cronin also emphasised the transatlantic element to the discussions on the arms embargo, and told us:

I [...] would like to see [Trans-Atlantic] co-operation on dealing with the big issues of the twenty-first century, and integrating China is exactly one of those big issues [...] It is in Britain's interest, it is in Europe's interest, as Asia rises—China, India even Japan globalising—to take a more active participatory role in shaping China's integration and shaping Asia.¹⁶⁹

132. On the other hand, Dr Cronin accepted that a case might exist for lifting the embargo in exchange for certain concessions from China. He said:

Lifting the arms embargo, under some circumstances, could be the right move, but it has also been linked with the other issue of human rights and human rights abuses and there is a linkage issue. The Chinese say, ‘We do not like that linkage.’ That is fine, but you have to take what leverage you have.¹⁷⁰

133. We asked the Foreign Secretary about the arms embargo and she told us the issue was not currently under discussion in the EU.¹⁷¹ Nonetheless, the United Kingdom has a particular role to play in this debate given its close links with Washington, at a political level between governments and at a commercial level between defence manufacturers. In addition, the United Kingdom must ensure that other European states do not let it wither on the vine.

134. We recommend that the Government work within the EU to maintain the arms embargo on the People's Republic of China. We further recommend that the Government stay in close contact with its US counterparts on this issue and explain US sensitivities to its EU partners, as part of its broader efforts to strengthen transatlantic ties and to ensure the embargo stays effective.

167 Q 141

168 Q 1

169 Q 155

170 Q 155

171 Q 240

Sino–US Relations

135. China's most important relationship, and the most important for all states with an interest in stability in East Asia, is that between Washington and Beijing. Robert Zoellick, when US Deputy Secretary of State, made a major statement of policy on Sino–American relations in September 2005; he said that the USA must urge China to become “a responsible stakeholder” in the international system.¹⁷² The Foreign Secretary was supportive of this effort. She told us: “I thought his speech was an important signal, which was warm towards China and was in a sense encouraging China.”¹⁷³

136. The Pentagon's *Quadrennial Defense Review Report* reiterated this point in February 2006:

US policy remains focused on encouraging China to play a constructive, peaceful role in the Asia-Pacific region and to serve as a partner in addressing common security challenges [...] The United States' goal is for China to continue as an economic partner and emerge as a responsible stakeholder and force for good in the world.¹⁷⁴

137. China seems willing at present. The Chinese Embassy in London wrote:

At present, China–US relations enjoy a sound and stable development momentum in general. China and the US have maintained effective cooperation and coordination in various important fields including economy and trade, anti-terrorism, law enforcement, prevention and control of Avian Flu, nuclear issues in the Korean Peninsula and Iran, and UN reform.¹⁷⁵

138. The relationship has strengthened of late. Since 2001, ties between Beijing and Washington have progressed towards what Professor Shambaugh described as “a real institutionalisation”.¹⁷⁶ A Pentagon Report of July 2005 pointed to developments in the relationship since the 2001 EP3 spy plane incident, including: the establishment of the Six Party Talks on the Korean crisis, and co-operation on counter-terrorism, with China's membership of the Container Security Initiative; efforts to manage trade between the USA and China through the Joint Commission on Commerce and Trade and the Joint Economic Committee; a periodic dialogue on strategic issues; and expanded military to military exchanges, including high level visits and co-operation between military academies.¹⁷⁷

139. However, views in the US Congress are more critical. A report by the US–China Economic and Security Review Commission of Congress in November 2005 pointed to a range of risks inherent in the US–China relationship and concluded by recommending the

172 “Whither China?”, Speech by Robert Zoellick US Department of State, 21 September 2005

173 Q 278

174 February 2006, *Quadrennial Defense Review Report*, US Department of Defence

175 Ev 157

176 Ev 167

177 Office of the US Secretary of Defence, *Annual Report to Congress, The Military Power of the People's Republic of China, 2005*

introduction of tariffs to reduce China's trade surplus with the USA.¹⁷⁸ Particular points of friction have been over: the value of China's currency, which many US legislators feel is undervalued,¹⁷⁹ abuses of intellectual property rights in China;¹⁸⁰ China's efforts to 'lock up' commodity supplies with a mercantilist approach to trade;¹⁸¹ and Beijing's growing military spending.¹⁸²

140. However, Dr Cronin told us that the outlook is quite positive. He said that "for all of the concerns that you have in Washington [...] there is an understanding that the major powers have to get along and have to find a co-operative way of working."¹⁸³ He went on to say that the relationship:

is one of both competition [...] and it is also one of growing co-operation and it is that complexity that makes it uncertain, increases concern around the world and raises questions about Europe's role in the future of Asia perhaps as well. Overall I am fairly optimistic about US–China relations. I think [...] despite the hedging strategies that occur on both sides [...] the reality is that there is still growing co-operation [...] There are clearly some areas that are right for co-operation and some areas that are very vexing.¹⁸⁴

141. Professor Shambaugh wrote in his submission that the US–China relationship is "characterised by substantial cooperation on bilateral, regional, and global issues—while, despite this tangible and positive cooperation, there remain evident suspicions and distrust of the other's motives and actions."¹⁸⁵

142. Professor Foot broadly agreed:

Overall, Beijing's aim has been to accommodate where possible and to seek coincidences of interest with the US. Only over the Taiwan question and US criticism of its human rights record [...] has Beijing consistently taken a firm stand [...] However, China's strategy also contains an important 'hedging' element, through which China seeks to secure its future. If necessary, China can try to use its newly-formed bilateral and multilateral relationships to offset any serious deterioration in relations with America.¹⁸⁶

143. The Foreign Secretary pointed in particular to the economic risks in a deterioration of Sino–American relations: "domestically in the United States [...] is recognition that

178 2005 Report to Congress, US–China Economic and Security Review Commission, November 2005

179 See above Para 26

180 See above Para 29

181 See above Para 91

182 See above Para 114

183 Q 145

184 Q 145

185 Ev 167

186 Ev 2 07

China's existing and potential economic power is leading to anxiety about competitiveness and there is a terrible danger [...] of it helping to fuel the drive towards protectionism".¹⁸⁷

144. **We conclude that an effective and constructive Sino–American relationship is a fundamental condition for the maintenance of peace and security in East Asia. The growing strength of the relationship is therefore welcome. We recommend that the United Kingdom support both the USA and China in their efforts to entrench a process of ‘managed interdependence’ in Sino–US ties, perhaps by drawing on British expertise in working within frameworks such as the Organisation of Security and Co-operation in Europe (OSCE). We also recommend that the Government work to support the US vision of China as a global stakeholder and to assuage any misgivings in Beijing about US motives.**

Taiwan

145. The issue with greatest prospect for leading to a crisis in East Asia is that of Taiwan. The FCO underlined the peculiarity of Taiwan's situation: “Taiwan holds a unique position in the world. It has an economy of global importance and its own democratic system. Yet the UK, like most other states, does not recognise Taiwan as a state and does not have diplomatic relations with Taiwan”.¹⁸⁸

146. The roots of the problem are deep. In 1949 the Kuomintang (KMT) retreated to Taiwan and established the Republic of China (ROC), while the Chinese Communist Party took control of the mainland and declared the People's Republic of China. The division of China became one of the Cold War pivots until 1971, when the PRC took over the ROC's seat in the United Nations, after which US President Nixon visited Beijing. The USA did not formally recognise Beijing until 1979, but the tilt towards Beijing proved controversial in the USA and Congress passed the Taiwan Relations Act, which established US links with Taiwan through the American Institute in Taiwan and enshrined in law the US undertaking to help Taiwan to defend itself in the event of a military attack. The FCO wrote: “The Taiwan Relations Act does not oblige the US to come to the defence of Taiwan in the event of an attack by China. It does, however, require the US to maintain a capacity to resist any resort to the use of force or other forms of coercion that would jeopardise Taiwan.”¹⁸⁹

China and Taiwan

147. The People's Republic of China maintains that Taiwan is a province of China. The Chinese embassy wrote in its submission:

Settlement of the Taiwan issue and realisation of the complete reunification of China embody the fundamental interests of the Chinese nation. The Chinese government has worked persistently towards this goal over the past 50 years. The Chinese government adheres to the basic principle of ‘peaceful reunification and one country,

187 Q 278

188 Ev 118

189 Ev 119

two systems' on handling the Taiwan issue. The purposes of our policies on Taiwan issue are opposing and checking Taiwan's secession from China by secessionists in the name of 'Taiwan independence', promoting the development of Cross-Straits relations, maintaining peace and stability in the Taiwan Straits, and endeavouring on achieving the peaceful reunification of China.¹⁹⁰

148. China vehemently opposes the concept of Taiwan as an independent state and has taken steps, both domestically and internationally, to underline its claim that Taiwan is an indivisible and inalienable part of China. A white paper issued in 1993 by the People's Republic of China describes the question of Taiwan, outlining the international legal principles used to support its view, which are primarily the principles of territorial integrity of states and of non-interference by other states in a country's internal affairs espoused in the Charter of the United Nations.¹⁹¹ China sees the question as an internal, domestic matter and does not accept other states' intervention in attempting to resolve the dispute. The paper discusses the historical relationship between China and Taiwan:

Taiwan has belonged to China since ancient times [...] Many historical records and annals documented the development of Taiwan by the Chinese people in earlier periods. Reference to this effect were to be found, among others, in Seaboard Geographic Gazetteer compiled more than 1,700 years ago [...] Since [the] early seventeenth century the Chinese people began to step up the development of Taiwan [...] from the very beginning the Taiwan society derived from the source of the Chinese cultural tradition [...] After the Chinese people's victory in the war against Japanese aggression in 1945, the Chinese government reinstated its administrative authority in Taiwan Province.¹⁹²

149. China maintains that "Taiwan was returned to China *de jure* and *de facto* at the end of the Second World War. It became an issue only as an aftermath of the ensuing anti-popular civil war stated by Kuomintang, and more especially because of the intervention by foreign forces."¹⁹³ Its argument was further set out in a later white paper issued in 2000, and Beijing has consistently maintained its position.¹⁹⁴

150. The PRC has made clear that any moves towards formal independence by Taipei would lead to a military reaction in response. Article 8 of the Anti-Secession Law which was adopted by the National People's Congress in May 2005 states:

In the event that the Taiwan independence secessionist forces should act under any name or by any means to cause the fact of Taiwan's secession from China, or that possibilities for a peaceful re-unification should be completely exhausted, the state

190 Ev 162

191 Principally Article 2(4)

192 "The Taiwan Question and Reunification of China", Taiwan Affairs Office and Information Office of the State Council, People's Republic of China, August 1993

193 Ibid

194 "White Paper—The One-China Principle and the Taiwan Issue", Taiwan Affairs Office and Information Office of the State Council, People's Republic of China, 21 February 2000

shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity.¹⁹⁵

151. The Taiwan question is closely linked to the Chinese Communist Party's claims to legitimacy. Dr Hughes told the Committee:

The Taiwan issue is so important as an issue of legitimacy that it has been established as one of the three pillars of legitimacy for the leadership along with opposing hegemony, and economic development. It is more than an exception, it really is at the core of Chinese politics and legitimacy.¹⁹⁶

152. Steve Tsang described China's approach to Taiwan:

China [...] wants to gain control of Taiwan. There is no question that China is ultimately prepared to use force against Taiwan if the latter should assert *de jure* independence [...] However, this is a last option for China. In its long term strategic view, the best outcome is to weaken Taiwan's international [...] capacity [...] to resist so [...] that Taiwan would [...] negotiate for unification under overwhelming Chinese military pressure.¹⁹⁷

Taiwan's Perspective

153. Taiwan has a different perspective. Although in its official policy positions the government no longer officially claims to represent the whole of China, it argues that "the Republic of China (Taiwan) is an independent and sovereign country."¹⁹⁸ Taiwan bases its claim on the recognised international legal principles of state sovereignty, democratic legitimacy and adherence to the generally accepted criteria of statehood in the Convention on the Rights and Duties of States.¹⁹⁹ Taiwan also maintains that it has the right of self-determination and states that other attributes such as having a constitution, the capacity to regulate in various fields and the evidence of signing treaties, show evidence of sovereignty. It also holds that Taiwan has never been ruled by mainland China.²⁰⁰

154. Taiwan claims that although the Republic of China's seat in the UN Security Council passed to the PRC in 1971, the transfer did not settle the question of the international status of Taiwan. In this context, Professor James Crawford of the University of Cambridge has written that, although Taiwan appears to fulfil the criteria of statehood, it "is universally agreed not to be a separate State". He has emphasised, however, that "this does not mean that Taiwan has no status whatever in international law."²⁰¹ Don Starr told us that: "The UK recognizes one China, but there is a strong case for Britain supporting the

195 "Text of China's anti-secession law", *BBC News Online*, 14 March 2005, news.bbc.co.uk

196 Q 6 [Dr Hughes]

197 Ev 179

198 "The Bases for Taiwan's National Sovereignty and Participation in the International Community", Ministry of Foreign Affairs, Republic of China (Taiwan), July 2005

199 Convention on the Rights and Duties of State, Montevideo, 26 December 1933

200 "Comments on Beijing's White Paper on the 'One China Principle and the Taiwan issue'", Ministry of Foreign Affairs, Republic of China (Taiwan), 22 February 2000

201 James Crawford, *The Creation of States in International Law*, Oxford University Press, April 2006, p 219

status quo of *de facto* but not *de jure* independence for Taiwan” particularly because of its democratic status.²⁰²

155. Taiwan is a member of a number of international institutions, although none which are limited to states: “Of around 7,200 [Inter-Governmental Organisations] in the world, Taiwan only participates in 26, and has membership, observership or some other status in 17. Taiwan’s participation in the international community is not at all proportional to its political and economic achievements.”²⁰³ Yet, given the emergence of global concerns such as the SARS and avian influenza epidemics Taiwan argues that it should have observer status in the World Health Organisation (WHO). In our *China* Report of 2000 we noted that China “does not take objection to the non-governmental, economic or cultural exchanges between Taiwan and foreign countries”, but that the WHO is a UN body which only states can join.²⁰⁴ Nonetheless, this has implications; as Dr Cronin told us, Taiwan’s peculiar status “does affect Britain, Europe and the world on things like avian flu when Taiwan is not represented [...] there are real implications.”²⁰⁵

156. We conclude that Taiwan’s exclusion from bodies addressing concerns in areas including health and environment is unsatisfactory, particularly with the spread of avian influenza. We recommend that the Government set out in its response to this Report what measures it is taking to ensure that Taiwan takes a fuller part in organisations tackling such matters, and its attitude towards full membership of the World Health Organisation (WHO) for Taiwan.

157. Taiwan is a young and vibrant democracy. Since the end of martial law in 1987 a four-party, or two-bloc, system has emerged, with the Pan-Greens (the pro-independence Democratic People’s Party (DPP) and its partner the Taiwan Solidarity Union (TSU)), competing with the Pan-Blues (the KMT, and its ally the People First Party (PFP)). In its Report on *China* in 2000 the previous Foreign Affairs Committee recommended that: “the United Kingdom should take account of the remarkable development of Taiwanese democracy by incrementally strengthening relations. This should include enhancing the status of Taiwanese inward visits and the level of outgoing ministerial visits to Taiwan, but not recognition of Taiwan as a state.”²⁰⁶ We saw at first hand the freedom of discussion in Taiwan, where we met with legislators from the main four political parties represented in the Legislative Yuan and enjoyed seeing the vigorous debate between them.

158. Domestic political developments in Taiwan may be the key to maintaining peace, since any changes to Taiwan’s *de jure* status would provoke an angry response from Beijing. Dr Cronin explained:

Before [2008] the most likely catalyst or trigger for conflict may be political manoeuvrings inside Taiwan by the DPP for adding amendments to the

202 Ev 234

203 “The Bases for Taiwan’s National Sovereignty and Participation in the International Community”, Ministry of Foreign Affairs, Republic of China (Taiwan), July 2005

204 “Why does the Chinese Government have no objection to non-governmental economic or cultural exchanges between Taiwan and foreign countries?”, Ministry of Foreign Affairs, People’s Republic of China, 15 November 2000

205 Q 175

206 Foreign Affairs Committee, Tenth Report of Session 1999–2000, *China*, HC574-I, para 191

constitution, which are probably not real ‘red meat’ amendments of national identity but the Chinese are likely to be quite reactive to almost anything, frankly, because they do not trust [Taiwan’s President] Chen Shui-bian.²⁰⁷

159. The question of relations with the PRC divides Taiwanese politics. The opposition Kuomintang and People First Party take a more conciliatory line towards mainland China than the government. In the summer of 2005 both James Soong, Chairman of the PFP and Lien Chan, then Chairman of the KMT, visited mainland China, marking the first visit by incumbent opposition leaders. The Embassy of China wrote:

In April and May [2005], Lien Chan, then Chairman of the Kuomintang (KMT) and James Soong, Chairman of the People’s First Party (PFP) led delegations respectively to visit the Mainland at the invitations of the Secretary General of the Central Committee of the Communist Party of China (CPC), Chinese President Hu Jintao. President Hu Jintao held official meetings with both Lien Chan and James Soong.²⁰⁸

We met Lien Chan in Taipei.

160. The strength of economic links between Taiwan and mainland China influences the KMT and PFP positions. We heard from interlocutors that Taiwan’s stake in the economic development of China is huge. We were told that Taiwan’s investment represents about 10% of all foreign direct investment in mainland China and about 70% of Taiwan’s outbound investment; around 500,000 Taiwanese live on the mainland; and about 70,000 Taiwanese companies are based in China. The FCO wrote in its submission: “China’s apparent acceptance that time is working in its favour through the gradual increase of economic and social contact between Taiwan and the mainland has contributed to the easing of political tensions.”²⁰⁹ Air links for tourism also mark the growing closeness of ties. However, despite supporting closer economic links, the KMT does not support a ‘one country, two systems’ policy. Dr Fell told us:

They have been doing opinion polls on this ‘one country, two systems’ issue in Taiwan for well over ten years. Support has never been over 15% [...] The KMT’s position is still opposed to one country, two systems. However, the visits to China by the KMT last year do show that there is some potential for agreement.²¹⁰

161. In contrast, the current government of Chen Shui-Bian and his Democratic People’s Party (DPP) is part of the ‘Pan-Green’ camp which works to consolidate Taiwan’s status as a state separate from the PRC. Chen narrowly won the presidential elections in 2000, espousing a policy of formal independence. In a speech shortly after his election he announced that he would not call a referendum on independence, instituting the policy of the Four Noes, One Not and One If.²¹¹

207 Ev 164

208 Ev 162

209 Ev 122

210 Q174 [Dr Fell]

211 The One If: “the CCP regime has no intention to use military force against Taiwan.” The Four Noes: no declaration of independence; no change in the “national title”; no “state-to-state description in the Constitution”; no referendum to change the status quo. The One Not: no abolition of the National Unification Council nor the Guidelines for National Unification.

162. Since then Chen has taken some controversial actions. His latest widely debated comments, following a setback in local elections in December 2005, were in a speech in January 2006, outlining plans to abolish Taiwan's National Unification Council and the National Unification Guidelines, which he had previously agreed to retain. His comments elicited a strong response from China, which branded him a troublemaker.²¹² However, Chen announced that the Council would 'cease to function' and the Guidelines would 'cease to apply' in February 2006. We had the opportunity to meet President Chen during our visit to Taiwan. He assured us that politically sensitive issues such as any change of sovereignty were unlikely to be adopted due to the high threshold of consent required—approval by three-quarters of the Legislature, and then support of at least half of the eligible citizens in a national referendum. He added that Taiwan's Constitution was a contract between the government and the people, saying that no options should be excluded as long as they are by the consent of the people and not aimed at cross-strait unification as the ultimate goal.²¹³

163. We asked Dr Fell about Chen's latest moves. He told us:

there is a limit to how reckless the Chen Shui-bian administration can be in its last two years [...] It is a minority government [...] To actually pass constitutional reform they need a two-thirds or three-quarters majority in the parliament and they do not even have 50%. There were some tensions created by scrapping the National Unification Guidelines and Council [...] but again this was essentially a symbolic move. It was something that could be done without parliamentary agreement.²¹⁴

164. Dr Cronin told us that this "is why you are more likely to see the mainland trying to isolate the DPP, posturing for 2008, and you are more likely to see Chen Shui-bian and the DPP trying to test the limits of what they can get away with, with their [...] limited power."²¹⁵

Role of the USA and Japan

165. The USA has a particular role to play in Taiwan. China wants the USA to rein in the Taiwanese government, which, in the run-up to the 2008 elections, could prove problematic if the President takes a populist, pro-independence line. The Chinese Embassy in London wrote:

China demands the US to seriously abide by its commitment [to maintain the status quo in the Taiwan Straits], put an end to its sales of advanced weapons to Taiwan and its elevation of US-Taiwan relations, refrain from sending any misleading signals to 'Taiwan Independence' elements, and take concrete actions to maintain peace and stability across the Taiwan straits and safeguard general situation of China-US relations.²¹⁶

212 "China brands Chen troublemaker", *BBC News Online*, 8 February 2006, news.bbc.co.uk

213 "President Chen meets UK parliament members", Office of the President of Taiwan, 17 May 2006

214 Q 167

215 Q 167

216 Ev 158

166. The US has worked to restrain President Chen Shui-bian. For instance, Condoleezza Rice, the US Secretary of State, on 10 July 2005, made clear that the US wants to see no unilateral changes to the *status quo*, and more recently the USA did not permit Chen anything more than a refuelling stop in Alaska in May 2006, which was taken by observers as a sign of US displeasure with his controversial political programme and statements.²¹⁷

167. US guarantees to Taiwan may also be less solid than they appear. The FCO wrote:

US policy has been deliberately ambiguous on the subject of defending Taiwan in the event of an attack from China. The Taiwan Relations Act does not oblige the US to come to the defence of Taiwan in the event of an attack by China. It does however require the US to maintain a capacity to resist any resort to the use of force or other forms of coercion that would jeopardise Taiwan. But the US is also clear that it does not support Taiwan independence, and that it opposes unilateral steps on either side of the Taiwan Strait to change the *status quo*.²¹⁸

168. We asked our witnesses if the USA would support Taiwan against all eventualities. Dr Fell told us that it would depend on whether Taiwan crossed a “red line”.²¹⁹ Dr Cronin agreed:

That is right, that is the point. If Taiwan is doing something that is so flagrant that they are clearly provoking Beijing [...] then I think you have seen in recent years the United States saying, ‘Wait a second, we want stability, we want peace. We have agreed to this principle so there is no unilateral change of the status quo.’²²⁰

169. In the interim, however, the military balance in the Taiwan Straits is shifting in favour of the PRC. The Pentagon’s report of June 2006 on the PRC’s military capabilities stated:

The cross-Strait military balance is shifting in the mainland’s favour as a result of Beijing’s sustained economic growth, increased diplomatic leverage, and improvements in military capabilities based within striking distance of Taiwan [...] Taiwan’s defense spending has steadily declined in real terms over the past decade, even as Chinese air, naval and missile force modernisation has increased the need for defensive measures that would enable Taiwan to maintain a credible self-defence.²²¹

170. We heard in Taiwan a widespread concern expressed by many interlocutors about the increasing number of missiles aimed across the Straits by the PRC.

171. Japan also has a role to play in the situation. Japan made a joint statement with the USA on the Taiwan issue in February 2005.²²² Dr Swenson-Wright explained why the issue was important for Japan, saying that “Japan critically depends on access to those sea lanes

217 “Rice calls for China-Taiwan talks”, *BBC News Online*, 10 July 2005, news.bbc.co.uk; and “President Chen’s long trip to nowhere”, *Asia Times*, 13 May 2006

218 Ev 119

219 Q 173

220 Q 173

221 Office of the US Secretary of Defence, *Annual Report to Congress: The Military Power of the People’s Republic of China 2006*

222 “Japan to join US policy on Taiwan”, *Washington Post*, 17 February 2005

of communication given its 80 per cent dependency on oil from the Middle East.”²²³ He went on:

The reinforcement of the co-operation between the United States and Japan takes Taiwan as one of its principal concerns. Japan maintains a one China policy [...] from the point of view of the policy making community they want to avoid instability, they support the American position, they want to encourage a continuing co-operative relationship. Taiwan is important principally because of where it is and the risk of instability associated with Chinese direct action.²²⁴

172. Japan also has strong historic and current ties with Taiwan, where the population has a largely positive view of its role during the 1895–1945 colonial rule, which was a relatively benign civilian administration in contrast to the harsh military government in Korea or the ravages carried out in mainland China between 1931 and 1945. Dr Fell said:

Another factor here is the fact that Taiwan was a Japanese colony for 50 years. Again, there are very close links there and many see that Japanese colonialism during that period was relatively benevolent, and that is a factor in the slightly more pro-Japanese sentiment within Taiwan itself.²²⁵

Taiwanese lobbyists also have close links with Japanese legislators.²²⁶

173. We conclude that the Chinese military build-up across the Taiwan Straits threatens peace and stability in East Asia. We recommend that the Government support US efforts to preserve peace and stability in the Taiwan Straits. We further conclude that the growth and development of democracy in Taiwan is of the greatest importance, both for the island itself and for the population of greater China, since it demonstrates incontrovertibly that Chinese people can develop democratic institutions and thrive under them. We further recommend that the Government and its partners in the EU make clear to the Taiwanese government that it should not provoke a crisis by acting in an impetuous manner and continue to urge all parties in the Taiwan dispute to seek a peaceful resolution of the problem.

The United Kingdom's Role in Taiwan

174. The United Kingdom accepts the PRC's One China principle. The FCO told us:

Under the terms of a 1972 agreement with China, HMG acknowledged the position of the government of the PRC that Taiwan was a province of China and recognised the PRC Government as the sole legal government of China [... This] remains the basis of our relations with Taiwan. We do not deal with the Taiwan authorities on a government to government basis, and we avoid any act which could be taken to imply recognition.²²⁷

223 Q 186

224 Q 186

225 Q 186

226 Q 186 [Dr Fell]

227 Ev 118

175. The FCO went on to describe the nature of relations:

HMG's principal objectives in relation to Taiwan are economic. We seek to develop UK trade and commercial involvement with Taiwan, including inward investment. We also seek to develop a wide range of unofficial links, particularly in the educational and cultural fields. We support the further economic development of Taiwan. We also welcome Taiwan's political development and the democratic elections that have taken place there. In developing our relations with Taiwan we act within the restraints imposed by our formal position on the status of Taiwan and bear in mind China's sensitivities in order to ensure that unnecessary damage to that relationship is avoided. We also make clear that we consider the Taiwan issue is one to be settled by the people on both sides of the Taiwan Strait. We are strongly opposed to any use of force and urge both sides to engage in constructive dialogue.²²⁸

176. The size of Taiwan's economy, which is the seventeenth largest in the world and as big as many western European states such as Belgium or Denmark, means that economic links between the United Kingdom and Taiwan are of particular importance. We heard from British business representatives in Taiwan that Taiwanese companies and investors play a very important role in China's economic growth and that the economy had become closely linked to the mainland. They told us that Taiwan provides an ideal base for companies doing business in mainland China. However, they also raised concerns about the limited number of British ministerial visits to Taiwan in relation to Taiwan's economic weight.

177. We asked our witnesses how the United Kingdom's policy towards Taiwan could be improved. Dr Fell said:

Personally I would suggest that on the Taiwan issue that perhaps we should learn a little bit from our US cousins and take a slightly more pro-Taiwan position. If we are going to have an ethical foreign policy, we need to consider the fact that Taiwan is a liberal democracy, perhaps one of the few functioning liberal democracies in Asia.²²⁹

Dr Cronin agreed that support for Taiwan's democracy was important. He told us:

Maybe there is a special role for parliaments and legislative branches to especially uphold the support of liberal democracies, the support of the rule the law [...] Being democratically elected does not guarantee good policy [...] but nonetheless it is a liberal democracy and it is one that makes the world a better place overall.²³⁰

178. In Beijing, we were told on repeated occasions not to visit Taiwan. During our discussions with representatives of the National People's Congress and Chinese government representatives we were told that if we went ahead with our visit to Taiwan there would be "serious consequences" for bilateral UK-China relations and one meeting in Beijing was cancelled. We made clear to our hosts that:

228 Ev 118

229 Q 176

230 Q 176

The Foreign Affairs Committee of the House of Commons is a Committee of the British Parliament, made up of 14 Members of Parliament from the Labour, Conservative and Liberal Democrat Parties. The Committee's role is to scrutinise the British Foreign and Commonwealth Office and to hold the Government to account. The Committee conducts inquiries into areas of Government policy, by taking evidence in public from expert witnesses and travelling to visit the relevant regions. The Committee usually publishes Reports of its inquiries, making recommendations to the Government. In November 2005 the Foreign Affairs Committee announced the launch of an inquiry entitled 'East Asia' [...] Successive British Governments of all parties have maintained the position set out in the 1972 Communiqué signed with the People's Republic of China in which the United Kingdom recognised the Government of the People's Republic of China as the sole legal Government of China. The United Kingdom does not recognise Taiwan as a state and does not have diplomatic relations with Taiwan. The United Kingdom considers that the Taiwan issue should be settled peacefully by the people on both sides of the Taiwan Straits. The United Kingdom urges both sides to take confidence building measures and engage in constructive dialogue.²³¹

As a Committee of the House of Commons, we reserve the right to travel to destinations in order to enhance our understanding of key foreign policy questions and, as a Committee of parliamentarians, we will continue to express our support for democracy and parliamentary government throughout the world, including in Taiwan.

179. We recommend that the Government should increase contacts with Taiwan at a political level, especially between elected representatives of Taiwan's vibrant, young democracy and of elected members of the United Kingdom's democratic system. It should be made clear, however, that such contacts do not constitute recognition of Taiwan as a state and that the policy of the Government is not to recognise Taiwan as a state. We further recommend that the Government increase the number of informal ministerial visits to Taiwan so as to strengthen economic links between Taiwan and the United Kingdom in a manner commensurate with the size of its economy.

The Korean Peninsula

180. Since the end of the Korean War in 1953, a peace treaty has never been signed between North and South Korea, or between North Korea and the USA. Although the past few decades have seen rapprochement, the North remains a pariah state which poses a range of threats to the stability of the region and beyond. The FCO described North Korea (the Democratic People's Republic of Korea, or DPRK) to us as "a potentially destabilising factor, posing a [Weapons of Mass Destruction] and proliferation threat, risk of economic collapse and an appalling human rights record".²³² South Korea, (Republic of Korea, or ROK) on the other hand, is a major free-market democracy, with the eleventh largest economy in the world, a high trade and investment relationship with the UK, which

231 "East Asia" Press Notice, Foreign Affairs Committee, 17 May 2006

232 Ev 112

“largely shares our political outlook and is developing a greater international commitment”.²³³

181. Dr Cronin told us that “managing the changing relationship between the peoples of the Korean peninsula remains one of the salient challenges of our time”,²³⁴ and Professor Shambaugh described the nuclear crisis in North Korea as one of the world’s most dangerous military flashpoints.²³⁵ During our inquiry, we considered the foreign policy challenges posed by the Korean Peninsula in its own right, and also explored China’s role in Korean security.

North Korea

182. The most worrying of all the security threats posed by North Korea is its nuclear programme, although it is also suspected of having a chemical and biological weapons programme, and of proliferating conventional weapons, including long-range missiles, to unsavoury regimes.

183. North Korea’s nuclear programme dates back to 1958, when the Soviet Union agreed to assist its research, following the deployment of nuclear weapons on the Korean Peninsula by the United States.²³⁶ In the 1980s, work began on several industrial scale plutonium reactors (5MW(e), 50 MW(e) and 200MW(e)), facilities for mining and processing uranium ore, and for reprocessing and storing spent fuel.²³⁷ In 2002, US intelligence assessed that North Korea had a secret programme to enrich uranium using gas centrifuge technology obtained from Pakistan.²³⁸

184. Over the past few decades, diplomatic efforts to bring North Korea’s nuclear activity within international safeguards have progressed intermittently. In 1985 North Korea acceded to the Non-Proliferation Treaty (NPT), and it accepted inspections by the International Atomic Energy Agency in 1992. However, the refusal of DPRK to accept verification of plutonium produced before 1992 led to collapse of the inspections and threats from North Korea to withdraw from the Treaty in 1993. An agreement between North and South Korea to denuclearisation made in 1992 was never implemented.

185. Renewed diplomacy led to conclusion of the Agreed Framework between the US and North Korea in 1994. This called for the freeze and dismantling of plutonium production facilities in exchange for oil supplies and assistance in developing a Light Water Reactor for production of civil nuclear power. In 2002, however, the US revealed its suspicions of the uranium programme and the Agreed Framework collapsed. In December 2002 DPRK revived its plutonium facilities and in January 2003 withdrew from the Non-Proliferation Treaty. Since then, Six Party Talks between the US, ROK, DPRK, China, Japan and Russia,

233 Ev 112

234 Ev 76

235 Ev 165

236 Ev 314 [Jenny Warren]

237 *North Korea’s Weapons Programmes: A Net Assessment*, International Institute for Strategic Studies, January 2004, p 32

238 *Ibid*, p 39

have been in stalemate. In February 2005, the DPRK government claimed publicly to possess a nuclear weapon.²³⁹

186. There have been various points at which North Korea could have produced weapons-grade plutonium. Before 1992, the US assessed that North Korea could have produced 8–12 kg of separated plutonium, or “enough plutonium for one or possibly two nuclear weapons”.²⁴⁰ In 1994, North Korea unloaded and stored 8,000 spent fuel rods from its 5MW(e) reactor, and may have reprocessed “enough to produce one or two nuclear weapons”.²⁴¹ In 2003 North Korea is believed to have restarted the 5MW(e) reactor, which is capable of producing up to 7.5kg of plutonium a year, “perhaps enough for one nuclear weapon”.²⁴² North Korea announced it had reprocessed the spent fuel from this reactor in 2005, perhaps producing enough plutonium for another one or two weapons.²⁴³ The 50MW(e) and 200 MW(e) reactors have apparently never been completed, but if completed, could produce “about 55kg of plutonium per annum, enough for about five to ten nuclear weapons” and “hundreds of kilograms of plutonium annually, enough for tens of nuclear weapons”, respectively.²⁴⁴ Whereas the 50MW(e) reactor “would [...] likely take a few years to complete”, the 200MW(e) reactor is at a much earlier stage of development and “some experts believe that it may be a complete write-off”.²⁴⁵

187. North Korea has never carried out a full nuclear weapons test. However, the International Institute for Strategic Studies stated in its *Net Assessment* of 2003 that “in theory, [...] high-explosive tests for nuclear weapons development] can be used to develop an effective nuclear weapon design without the need for a full nuclear test”.²⁴⁶ North Korea has apparently conducted such tests since the 1980s, leading to the conclusion that it is now capable of building a simple nuclear weapon.²⁴⁷ US intelligence believes that Pakistan may have provided North Korea with weapons-design information in the 1990s.²⁴⁸

188. North Korea possesses a range of missiles, some of which could, in theory, be used to deliver nuclear weapons. The FCO stated in evidence that:

[DPRK] possesses and has tested missiles which we believe are capable of delivering payloads, possibly including nuclear, to the ROK, Japan and beyond. It has also demonstrated expertise in technologies that could enable development of missiles with ranges of over 10,000 km, allowing it to target the UK.²⁴⁹

239 “N. Korea Declares Itself a Nuclear Power”, *Washington Post*, 10 February 2006

240 *North Korea’s Weapons Programmes: A Net Assessment*, p 7

241 *Ibid*, p 43

242 *Ibid*, p 44

243 Ev 305 [Mark Fitzpatrick]

244 *North Korea’s Weapons Programmes: A Net Assessment*, p 45

245 *Ibid*

246 *Ibid*, p 46

247 *Ibid*, p 46

248 *Ibid*

249 Ev 120

189. In March 2006, North Korea claimed that it had the ability to launch a pre-emptive attack on the United States.²⁵⁰ The Center for Nonproliferation Studies at Monterey Institute of International Studies published the following assessment of DPRK's missile capabilities in March 2006:

CNS Technical Assessments of North Korean Ballistic Missile Capabilities

| | Range (km) | Payload (kg) | Warhead | CEP* (meters) | Launcher/Fuel | Likely Targets | Status |
|--|-------------------------|--------------|--|---------------|---------------------|---------------------------------|-----------------------------------|
| KN-02 (modified SS-21 Scarab) | 100-200 | 250 | Conventional | 250-300 | mobile, solid fuel | tactical targets in South Korea | testing |
| Hwasong-5 (Scud-B) | 300 | 987-989 | Conventional; possible nuclear, biological or chemical | 800-1,000 | mobile, liquid fuel | South Korea | deployed exported |
| Hwasong-6 (Scud-C) | 500 (calculated) | 770 | Conventional; possible nuclear, biological or chemical | 2,000 | mobile, liquid fuel | South Korea | deployed exported |
| Scud-D | 700 (estimated) | 500 | Conventional; no information on other types | unknown | mobile, liquid fuel | South Korea | deployed exported |
| Nodong | 1,000 (calculated) | 700 | Conventional; possible nuclear, biological or chemical | 2,000-4,000 | mobile, liquid fuel | Japan | deployed exported |
| Taepodong-X (R-27/SS-N-6) | 2,500-4,000 (estimated) | unknown | Conventional; possible nuclear, biological or chemical | 1,000-2,000 | mobile, liquid fuel | Japan, Okinawa, Guam | deployed ? exported? |
| Paektusan-1 (Taepodong-1; two-stages) | 2,200 (calculated) | unknown | Conventional; possible nuclear, biological or chemical | unknown | fixed liquid fuel | Japan, Okinawa, Guam | testing deployed? Exported? |
| Taepodong-2 | 5,000-6,000? | unknown | Conventional; possible nuclear, biological or chemical | unknown | fixed liquid fuel | United States | R & D prototype testing |

* CEP = circular error probable. CEPs for Hwasong-5 (Scud-B) and Hwasong-6 (Scud-C) are based on flight-test data. CEPs for other missiles are estimates with less reliability

Source: CNS Special Report on North Korean Ballistic Missile Capabilities, 22 March 2006. Available at: <http://cns.mii.edu>

190. On 4 July, North Korea tested a Taepodong-2 missile for the first time, which, theoretically, has a range which could reach parts of the United States.²⁵¹ This was the first ballistic missile test since 1998, after North Korea signed up to a moratorium on testing in 1999.²⁵² The missile crashed within a minute of launch, suggesting that DPRK's missile programme is not as successful as some had feared. Preparations for the launch had been

250 Ev 305 [Mark Fitzpatrick]

251 "North Korea fires a seventh missile", *Financial Times*, 4 July 2006

252 "Statement: DPRK Unilateral Missile Moratorium", 24 September 1999, available at www.nautilus.org

observed by intelligence agencies several weeks beforehand, and it was reported in June that the US had activated its missile defence shield in response.²⁵³ Analysts suggested that the missile launch was intended to shore up domestic support for Kim Jong-il's regime, and to express dissatisfaction at the lack of progress in the Six Party Talks.²⁵⁴

191. The reactions were immediate. The Foreign Secretary stated that: "These tests are provocative, and only serve to raise tensions in the region", and urged the DPRK to adhere to its moratorium and return to the Six Party Talks.²⁵⁵ The United States stated that it "strongly condemns these missile launches" and said that: "we will continue to take all necessary measures to protect ourselves and our allies".²⁵⁶ South Korea also issued a condemnation of the launch, and Japan imposed sanctions on DPRK.²⁵⁷ Before the launch took place, Russia and China had both expressed strong concern,²⁵⁸ but following the launch, the two countries opposed the imposition of UN sanctions.²⁵⁹ The DPRK responded to criticism by stating that the launches were "part of the routine military exercises staged by the KPA [Korean People's Army] to increase the nation's military capacity for self-defence", which did not transgress any international agreement, and that the DPRK "will have no option but to take stronger physical actions of other forms, should any other country dare take issue with the exercises and put pressure upon it". However, the statement claimed that the DPRK "remains unchanged in its will to denuclearize the Korean Peninsula in a negotiated peaceful manner".²⁶⁰

192. The UN Security Council adopted a Resolution on 15 July which condemned the missile launches, demanded the suspension of the missile programme, required other states to prevent the transfer of materials related to missile construction or WMD to the DPRK, and called for the resumption of the Six Party Talks.²⁶¹ An earlier draft drawn up by Japan under Chapter 7 of the UN Charter, which provides for the use of military force, was abandoned in response to objections by China and Russia.²⁶² North Korea immediately denounced the Resolution and Japan announced it would impose further bilateral sanctions on the DPRK.²⁶³

193. We conclude that the launch by North Korea of a series of missiles on 4 July 2006 was calculatedly provocative and unacceptable. We recommend that the Government and the UN continue to urge North Korea to return to the Six Party Talks forthwith,

253 "US turns on missile shield as Korea fears grow", *The Daily Telegraph*, 21 June 2006

254 Daniel A Pinkston, "Will North Korea Launch a Long-Range Missile?", Center for Non-Proliferation Studies, 16 June 2006

255 Foreign and Commonwealth Office, Press Release, "Foreign Secretary Condemns North Korean Missile Launch", 5 July 2006

256 White House, Press Release, "North Korea Missile Launches", 4 July 2006

257 "North Korea fires a seventh missile", *Financial Times*, 4 July 2006

258 "Russia summons N Korean Envoy in Moscow", *The Guardian*, 23 June 2006

259 "North Korean missile test to go unpunished after UN split", *The Times*, 6 July 2006

260 "DPRK Foreign Ministry Spokesman on Its Missile Launches", Korean Central News Agency of DPRK, 6 July 2006

261 UN Security Council Resolution 1695 (2006)

262 "Push to end bitter row on N Korea", *BBC News Online*, 11 July 2006, news.bbc.co.uk

263 "N Korea rejects UN missile call", *BBC News Online*, 16 July 2006, news.bbc.co.uk; "Japan prepares N Korea sanctions", *BBC News Online*, 18 July 2006, news.bbc.co.uk

and to call on the DPRK to adhere to its commitment to a moratorium on missile testing.

194. Some of the evidence we took was sceptical that an effective weapons programme could be sustained and developed in a country in which the economy is debilitated. Dr Jim Hoare, former British chargé d'affaires in Pyongyang, told us that:

having travelled on North Korean roads and on North Korean railways, having seen the nature of the military vehicles that the army—the most favoured group in society—drive around in, I do find it very hard to reconcile that with, somewhere, a white-hot modern technology, producing sophisticated weapons.²⁶⁴

195. Professor Hazel Smith of Warwick University stated that: “Given the parlous state of the economy and the lack of resource base in the civilian and the military sectors, it is unlikely that the DPRK has a stockpile of usable short-range, medium or long range missiles”.²⁶⁵ More pressing than the nuclear weapons programme, according to Professor Smith, is the possibility of a nuclear accident:

The DPRK has no systematic technical arrangements for what is known in engineering parlance as ‘quality assurance’ in any of its industrial or energy sectors [... which] means that a nuclear accident is more likely than not given the recent resuscitation of the DPRK’s nuclear reactors [...] A nuclear accident is a much more likely cause of a regional nuclear crisis than the launch of a nuclear weapon.²⁶⁶

196. We conclude that, lack of verification notwithstanding, it would be irresponsible for the Government to assume that North Korea had not developed a nuclear weapon or weapons. We further conclude that the risk of a nuclear accident occurring in North Korea is significant, and recommend that the Government set out, in its response to this Report, its assessment of the likelihood of this scenario, possible effects, and the UK’s strategic planning to react to such an event.

197. Our witnesses also queried the likelihood of DPRK actually using a nuclear weapon in war, given the rapprochement which has taken place between North and South Korea, and the annihilation which would occur if it attacked the US or Japan. Dr Hoare told us:

If you sent a nuclear warhead against Japan, that would be suicide. If you tried to launch something against the United States or, nearer to home, the United States Forces in Japan or South Korea, that would be suicide. Of all the traits of the North Korean regime, suicide does not actually seem to me to be a very strong one. They are desperate to survive, not to go out in a blaze of glory.²⁶⁷

198. Professor Smith told us that any weapon would therefore be “intended to be negotiated away in return for economic assistance”, and is being sought to counterbalance DPRK’s weakness in conventional military terms.²⁶⁸ However, Aidan Foster-Carter,

264 Q 201

265 Ev 299

266 Ev 301

267 Q 201

268 Ev 298

Honorary Senior Research Fellow in Sociology and Modern Korea, Leeds University, has said that it is “frankly unlikely that North Korea will soon ‘do a Libya’, and surrender the nuclear deterrent which it claims and is believed to possess. It has no other card to play”.²⁶⁹

Other threats

199. The DPRK is also suspected of possessing a chemical and biological weapons programme. The FCO stated in evidence that:

the DPRK is also believed to have chemical weapons capabilities and the infrastructure to support a biological weapons programme. It is not a party to the Chemical Weapons Convention (CWC), but has ratified the Biological & Toxin Weapons Convention (BTWC).²⁷⁰

200. Aidan Foster-Carter told us that “North Korea’s suspected chemical and biological warfare (CBW) stocks have never been formally addressed” and said that “chemical and biological weapons are neither technically difficult nor expensive—it would surprise me very much if [North Korea] did not [have CBW capability]”.²⁷¹ However, Professor Smith told us that: “If the DPRK ever had a capacity to produce huge stockpiles of chemical and biological weapons we now know that it does not have this capacity today”.²⁷² Fertiliser plants which could have been used to produce chemicals for warfare have now been dismantled: “much of the heavy industrial plant of the DPRK has been dismantled for scrap due to lack of energy supplies and other basic inputs; and [...] fertiliser and agricultural chemicals are hardly produced any more”.²⁷³

201. DPRK has demonstrated in the past a willingness to proliferate its weapons to other regimes. The FCO made clear the added dimension this poses in respect of the nuclear programme, stating that “an unchecked DPRK nuclear programme would undermine global non-proliferation norms weakening our ability to counter proliferation elsewhere”.²⁷⁴ Mark Fitzpatrick, Senior Fellow for Non-Proliferation at the International Institute for Strategic Studies, told us that the Proliferation Security Initiative (PSI) “was...designed largely to contain North Korea”.²⁷⁵ Although the PSI has not yet interdicted “a WMD-laden North Korean ship”, Mr Fitzpatrick concluded that “undoubtedly there has been a deterrent effect”.²⁷⁶ North Korea has shown itself willing to sell missiles to unsavoury regimes in the past. Dr Tat Yan Kong, Senior Lecturer in Politics at the School for Oriental and African Studies, University of London, stated in evidence that “the export of missiles (mainly ageing Scuds) to the Middle East earns around \$500

269 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, *Country Forecast Asia and Australasia Regional Overview*, Economist Intelligence Unit, April 2006, p 18

270 Ev 120

271 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, *Country Forecast Asia and Australasia Regional Overview*, Economist Intelligence Unit, April 2006; Q 204

272 Ev 299

273 Ev 299

274 Ev 122

275 Ev 305

276 Ev 305

million per annum”.²⁷⁷ Iran remains a customer.²⁷⁸ Aidan Foster-Carter reminded us that North Korea is not signed up to the Missile Technology Control Regime.²⁷⁹

202. We conclude that, although it is not possible to verify North Korea’s possible stocks of biological and chemical weapons, the risk of an ongoing programme remains real. We therefore conclude that the Government is right to regard North Korea as a potential proliferation risk, and to act accordingly. We further conclude that North Korea’s exports of missile technology pose a threat to peace and security. We recommend that the Government sets out in its response to this Report, what measures it believes can be taken to restrain or stop these sales.

DPRK as a Failing State

203. Over the last few decades, DPRK has become increasingly impoverished and unstable, and poses risks to the region as a failing state. The DPRK underwent economic meltdown during the 1990s as a result of losing support from Russia, Eastern Europe and China at the end of the Cold War. Severe floods in 1994 and 1995 damaged infrastructure and harvests and, in the famine that followed, one million people died. Since then, there have been some economic reforms, but criminality has flourished. In evidence, Professor Smith described “various kinds of cross-border illegality: economic migration to China, trafficking in women, armed robbery and night-time theft, and smuggling”.²⁸⁰

204. The regime maintains its control of the country through the support of the military, its ideology of self-sufficiency (*juche*) and tight control of information. Indoctrination begins at an early age and North Koreans are sealed off from contact with the outside world.²⁸¹ Human rights are routinely abused. The FCO *Human Rights Annual Report 2005* gave the following assessment:

There are allegations of abductions and disappearances; arbitrary detention and imprisonment for up to three generations of the same family; regular use of the death penalty, including political and extra-judicial executions; routine use of torture and inhumane treatment; forced abortions and infanticide; political prison camps and camps for rehabilitation through labour; extreme religious persecution; chemical experimentation; and sanatoria for non-conformists [...] There is no freedom of expression, assembly, association, movement or information. The state tightly controls all media [...] there is no genuine religious freedom [...] There are no workers’ rights: the government allows unions but uses them as instruments of social control [...] North Koreans are subject to arrest and detention without trial [...] The government has fitted all apartments in Pyongyang and other cities with radios tuned to a specific station to cascade propaganda: people can turn the radios down,

277 Ev 281

278 “Iran acquires ballistic missiles from DPRK”, *Jane’s Defence Weekly*, 29 December 2005

279 Q 203

280 Ev 300

281 Q 205 [Dr Hoare]

but not off. The judiciary has no independence and the legal system has no transparency.²⁸²

205. Despite these abuses, our witnesses assessed that the regime is not in immediate danger of collapse. Aidan Foster-Carter judged that “Kim Jong-il’s regime arguably has a more stable outlook, at least in the short and medium term, than the usual talk of a ‘crisis’ (albeit technically correct) would suggest”.²⁸³ The collapse of Kim Jong-il’s regime would have a serious impact on the surrounding region, and neighbouring countries will seek to avoid that scenario. Dr Hoare told us that “anything that would lead to the implosion of North Korea and the expulsion of numbers of people would worry both China and South Korea. It also worries Japan. I think they have a common objective in trying to keep North Korea stable”.²⁸⁴

206. Moreover, Aidan Foster-Carter has said that: “the alternative [to Kim Jong-il] may well be worse”: “Imagine warlords; imagine the degree of lawlessness that we have, dare I say, in present-day Iraq, if there were loose nukes around. Kim Jong-il is not the worst possible thing that one can have”.²⁸⁵

Managing the North Korean Threat

207. The regional and international communities are hobbled in their attempts to deal with North Korea by a divergence of views on the best long-term strategy. The Bush Administration has followed a hawkish line, with President Bush’s designation of North Korea as part of the “axis of evil” in 2002, and Condoleezza Rice’s description in January 2005 of DPRK as an “outpost of tyranny”.²⁸⁶ The US does not have diplomatic relations with DPRK, and the Swedish Embassy represents US interests in Pyongyang.²⁸⁷ Some witnesses have described a tussle between conflicting camps within the Administration to determine policy on North Korea: Mark Fitzpatrick said in his evidence that the Administration “was following bifurcated policy tracks”²⁸⁸ and Aidan Foster-Carter told us: “[the Americans] have not got a policy. They have not made up their minds. There are some of them who would engage [...] Were I Kim Jong-il I would not know what the American Government wants of me”.²⁸⁹

208. Dr Hoare suggested that the US had the capacity to resolve the nuclear issue whenever it wished to do so, by buying out Kim Jong-il’s regime, stating “the United States could solve the North Korean nuclear issue if it wanted to very quickly. The North Koreans are

282 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, pp 54–55

283 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, *Country Forecast Asia and Australasia Regional Overview*, Economist Intelligence Unit, April 2006, p 16

284 Q 194

285 Q 205

286 The President’s State of the Union Address, 29 January 2002, available at <http://www.whitehouse.gov>; “Rice names ‘outposts of tyranny’”, *BBC News Online*, 19 January, 2005, news.bbc.co.uk

287 Ev 297 [Hazel Smith]

288 Ev 304

289 Q 195

willing to be bought out on this issue [...] Unfortunately the other partner will not come to the bargaining table”.²⁹⁰

209. Japan has followed the hard line towards North Korea, although perhaps with less vacillation. Dr Swenson-Wright told us that: “The emphasis on enhanced missile co-operation between Japan and the United States is in part prompted by the fear and the risk of the threat from North Korea”.²⁹¹ Aidan Foster-Carter described Japan’s priority towards DPRK as the resolution of the kidnapping over 20 years ago of at least 13 of its citizens. Bilateral trade is down to its lowest point since 1977 (US\$194m in 2005) and Chongryun, the General Association of Korean Residents in Japan, is under scrutiny by the government.²⁹² A Bill in the Japanese Parliament introduced in 2006 threatens to impose sanctions on North Korea for failure to improve human rights.²⁹³

210. Other regional powers, notably China and South Korea, have attempted to deal with North Korea through rapprochement and engagement, for a variety of reasons. The “sunshine policy” begun by Kim Dae-jung (President of the Republic of Korea from 1998–2003) and the “peace and prosperity” policy of his successor Roh Moo-hyun, led to the first and only inter-Korean summit in 2000, contacts through regular ministerial meetings, mass tourism to the North’s Mount Kumgang resort, family reunions, and the construction of two new cross-border rail and road corridors.²⁹⁴ Trade between North and South Korea exceeded \$1 billion in 2005, up from \$700 million in 2004, spurred by a joint North-South Korean industrial park in Kaesong just north of the border.²⁹⁵ The South also provides food aid.

211. This policy is in part driven by fellow feeling: Mark Fitzpatrick told us that South Koreans view the North as “a pitiable renegade brother, estranged by an accident of history in which America was culpable”.²⁹⁶ However, the South Koreans also see engagement as a way to bring North Korea into line with international norms. For example, Dr Key Young-Son, lecturer in Korean studies at the University of Sheffield, told us that: “At present, the South Korean government is making all-out efforts to convince the United States that the industrial park project is an important step in offering a capitalist training to North Koreans and enabling North Korea to find an alternative source of income instead of resorting to the exports of weapons, counterfeiting, drug trafficking and other forms of internationally banned activities”.²⁹⁷

212. Assessments of the impact of ROK’s engagement policy vary. Professor Smith stated that the ROK “currently is taking much of the initiative and bearing much of the burden of keeping diplomacy alive in the interrelated nuclear, security and humanitarian crisis which

290 Q 198

291 Q 143

292 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, *Country Forecast Asia and Australasia Regional Overview*, Economist Intelligence Unit, April 2006, pp 21–22

293 “N Korea to face Japan sanctions”, *BBC News Online*, 13 June 2006, news.bbc.co.uk

294 “Inter-Korean Ties Develop Rapidly since 2000 Summit”, *People’s Daily*, 16 June 2003

295 Ev 305 [Mark Fitzpatrick]

296 Ev 305

297 Ev 296

persists in respect of DPRK relations with the rest of North-East Asia”.²⁹⁸ Aidan Foster-Carter was more negative, describing the ROK approach as “quasi-unconditional generosity, which gives North Korea no incentive to behave better”, and downplays human rights.²⁹⁹

213. China has also followed a policy of engagement with DPRK, although its motives are slightly different. China signed the Treaty of Friendship, Cooperation and Assistance with North Korea in 1961, which is still in effect today.³⁰⁰ China has historical links and a long border with DPRK, with ethnic Koreans who are Chinese citizens living on the Chinese side.³⁰¹ Chinese annual investment and trade with North Korea rose to \$2 billion in 2005, accounting for 40% of North Korea’s foreign trade. Dr Key Young-Son described China as a “life line for North Korea as the main supplier of food and energy”, supplying 80% of consumer goods and 70% of oil used in North Korea and “cancelling out” US sanctions.³⁰² Kim Jong-il visited Beijing in January, his fourth visit in six years, and was welcomed by Hu “with no sign of any reprimand or pressure”.³⁰³

214. China appears to offer to North Korea a model of economic development which does not threaten the authoritarian regime. Dr Swenson-Wright told us that “China acts as a powerful model of a potential way out of the current predicament in the long term through economic development”.³⁰⁴ Our witnesses also told us that China’s engagement is partly motivated by competition with South Korea for economic and strategic influence: “the race to control the Korean peninsula”.³⁰⁵ China’s interests are in preserving an anti-Western country on its perimeter—“a useful buffer state against the United States”³⁰⁶—and, as Aidan Foster-Carter told us: “North Korea’s economy is in a terrible state but it does have a lot of minerals. You know what is happening to mineral prices currently. China is on the doorstep, South Korea is on the doorstep. There is quite direct competition now”.³⁰⁷

215. This engagement does not mean that China is unconcerned by the regime’s policies. In particular, China does not want to see nuclear weapons on the Korean Peninsula trigger Japan’s development of a nuclear capability.³⁰⁸ However, although China “would have preferred North Korea not to have developed nuclear weapons or to have brought about the current tension”,³⁰⁹ neither is she willing to exert maximum pressure, for fear of bringing down the regime. Implosion of Kim Jong-il’s regime would “upset the stability,

298 Ev 297

299 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, p 22

300 Ev 191 [Kim Heung-kyu]

301 Q 194

302 Ev 293

303 Aidan Foster-Carter, “A soft landing? North Korea’s prospects”, p 21

304 Q 194

305 Ev 305 [Mark Fitzpatrick]

306 Q 184 [Dr Fell]

307 Q 194

308 Q 193 [Dr Cronin]

309 Ev 179 [Steve Tsang]

order and basis for rapid economic growth in Northeast Asia and, as such, harm Chinese interests".³¹⁰

216. Other relationships complicate the picture. The US relationship with South Korea, which has been essential to South Korean security since the 1953 Mutual Defense Treaty, is now under strain. Recent changes to US forces have caused tensions, as the United States has sought to restructure its military bases and convert stationary forces into units which could be deployed elsewhere.³¹¹ Professor Shambaugh described in evidence "rising anti-Americanism in South Korea as well as divisions between Seoul and Washington over handling of the North Korean nuclear crisis"³¹² and Mark Fitzpatrick described the ROK and the US having "an increasingly divergent set of threat perceptions and security priorities", in particular, how to deal with North Korea.³¹³ However, a ministerial conference between the US and ROK in January 2006 sought to improve cooperation between the powers, on the Peninsula, Iraq, Afghanistan, counter-terrorism, proliferation, and other measures.³¹⁴ In February 2006 ROK and the US agreed to open talks on a Free Trade Agreement, the first round of which was completed in June.³¹⁵

217. South Korea's relationship with Japan is complicated by a dispute over a small group of islands, known as the Dokdo or Takeshima Islands, to which both countries assert rival claims. The islands lie in valuable fishing grounds and the area may have extensive gas deposits. South Korea recently launched a survey of the islands as part of a five-year development plan; Japan has called for the survey to be stopped, warning that Japan would "respond appropriately" should South Korea go ahead.³¹⁶

218. China's relationship with South Korea is also evolving. According to an article submitted to us by the Embassy of ROK:

Human and economic exchanges between ROK and China have rapidly increased since establishment of diplomatic ties in 1992, and China has become the number one trading partner of Korea in terms of quantity. Politically, also, the relationship between the two countries has been enhanced to an all-round cooperative partnership in 2003.³¹⁷

219. Nonetheless, mutual suspicions remain. Dr Key Young-Son told us:

In particular, the South Korean government worries [about] the possibility that the North Korean military, which has close ties with its Chinese counterpart, might launch a pro-Beijing military coup in the event of an internal power struggle in the

310 Ev 179 [Steve Tsang]

311 Ev 293-4 [Dr Key Young-Son]

312 Ev 166

313 Ev 305

314 "United States and the Republic of Korea Launch Strategic Consultation for Allied Partnership", US State Department Press Release, 19 January 2006

315 "A Bumpy Road for the US-ROK Free Trade Agreement", 2 March 2006; "Round One of the US-ROK FTA Talks Sails Through", 15 June 2006, Heritage Foundation

316 "South Korea survey angers Japan", *BBC News Online*, 3 July 2006, news.bbc.co.uk

317 Ev 191

future. Given the presence of an estimated three million ethnic Koreans in the north-eastern provinces of China, the Beijing government also holds a suspicion that a reunited Korea might try to ‘recover its fatherland’ as part of a ‘greater Korea’.³¹⁸

220. Dr Key Young-Son also told us that China could have something to offer both Koreas, at the expense of US influence:

For North Korea, which has been increasingly bullied by the powerful capitalist states around it after the collapse of the Soviet bloc, China’s rise has served as a long-awaited buttress for its survival as an independent state. For South Korea, China is offering an opportunity to end its decades-long reliance on the United States in terms of security and economic affairs and reshape its identity as an independent regional power interacting dynamically with the United States, the world’s sole superpower, and China, a potential challenger of US hegemony.³¹⁹

Ways forward: Six Party Talks

221. Since 2003, the Six Party Talks between the US, China, DPRK, ROK, Russia and Japan have replaced previous diplomatic efforts on the nuclear issue. The Talks have gone through several rounds and appear to have reached a stalemate. At the fourth round in September 2005, it seemed that progress had been made, with the announcement of a Joint Statement.³²⁰ In the Statement, the DPRK committed to abandoning all nuclear weapons and existing nuclear programs, while the other parties agreed to discuss “at an appropriate time”, the provision of a Light Water Reactor to the DPRK, for the production of civil nuclear power. The parties agreed that the 1992 Joint Declaration on the Denuclearization of the Korean Peninsula should be observed and implemented, and the US stated that “it has no nuclear weapons on the Korean Peninsula and has no intention to attack or invade the DPRK with nuclear or conventional weapons”. The parties signed up to implementation of the agreement “in a phased manner in line with the principle of ‘commitment for commitment, action for action’”. However, the ambiguity of the statement on the implementation process immediately undermined the agreement. The US issued a statement saying that the Light Water Reactor would be discussed when DPRK complied with the NPT and “has demonstrated a sustained commitment to cooperation and transparency”; North Korea announced the next day that the agreement would only be implemented when the Light Water Reactor had been provided.³²¹ A fifth round of talks in November 2005 failed to make progress, as did an attempt in April 2006 to meet in the margins of a conference in Tokyo.³²²

222. US accusations of money-laundering and counterfeiting US currency in North Korea, as well as the sanctioning of eight North Korean companies as having been involved in the proliferation of weapons of mass destruction and their delivery vehicles, have provided

318 Ev 294

319 Ev 293

320 Joint Statement of the Fourth Round of the Six-Party Talks Beijing, 19 September 2005, available at <http://www.state.gov>

321 “North Korea – U.S. Statement”, US State Department Press Release, 19 September 2005; “Pyongyang: Ending weapons program tied to civilian power”, *CNN*, 19 September 2005

322 David Wall, “North Korea and the ‘six-party talks’: a road to nowhere”, 12 April 2006, *openDemocracy*

DPRK with a reason to refuse to reconvene the talks.³²³ Mark Fitzpatrick told us in evidence that:

[the Bush administration] believes North Korea will not give up its nuclear weapons for any inducement, unless the survival of the regime is at stake. Hence, pressure through financial measures is deemed useful not only for containing North Korea but as part of a longer-term strategy of putting pressure on the regime.³²⁴

223. Our evidence suggested that, while the Talks may reconvene, they are unlikely to be successful. Mark Fitzpatrick stated that:

the two protagonists have no willingness to offer fundamental compromises. North Korea will not give up its nuclear deterrent without a tangible, irreversible assurance of 'no hostile intent', and the only tangible assurance it seems willing to settle for is a light water reactor. The Bush Administration will not be party to providing a nuclear reactor.³²⁵

224. Dr Hoare stated that: "Until you get direct talks [between North Korea and] the United States, I do not think that you will make a great deal of progress. The United States does not want to talk to the North Koreans".³²⁶ The fundamental problem, according to Dr Tat Yan Kong, is "whether North Korea trusts the US to allow its regime to survive after denuclearization, and whether the US administration is prepared to recognize (thereby guarantee the survival of) a regime that it genuinely considers 'evil' (and by extension, dangerous)".³²⁷ Daniel A. Pinkston, Director, East Asia Non-proliferation Program, Center for Non-proliferation Studies at the Monterey Institute of International Studies, judged in an article of April 2006 that: "Since many North Korean officials probably believe the Bush administration is determined to topple Kim Jong-Il and the Korean Workers Party, the commitment problem might be insurmountable until Washington undergoes regime change in January 2009".³²⁸

Role of the UK

225. The UK is not a party to the Six Party Talks and is not a major player in the region. The FCO told us that the UK signed a joint declaration in 1953 "pledging to resist if armed attack in Korea were renewed", but without "an automatic commitment to get involved". The UK however "continues to play a role in upholding the Armistice; the British Defence Attaché in Seoul is the one-star Commonwealth Member of the United Nations Command".³²⁹ Professor Smith told us that: "Politically and strategically the Korean nuclear crisis is understood, given the extensive US military and political interests in the

323 "DPRK accuses U.S. of tarnishing its world image", *People's Daily*, 12 February 2006

324 Ev 305

325 Ev 305

326 Q 203

327 Ev 284

328 Daniel A Pinkston, "North Korea's Nuclear Weapons Program and the Six-party Talks", *Nuclear Threat Initiative*, April 2006

329 Ev 120

region, as best left to United States leadership”.³³⁰ However, the UK does have diplomatic relations with DPRK, unlike the US, and sponsored various forms of engagement, until 2003. The FCO told us:

HMG does not consider the DPRK to have met the withdrawal provisions of the NPT when announcing its departure from the NPT in 2003 [...] Following that announcement, we halted bilateral activity which might be held directly to support the DPRK regime *e.g.* economic/technical assistance and trade promotion. We have made clear to the DPRK that relaxation of these restrictions will not be considered without progress on the nuclear issue and also on human rights concerns. Other EU Member States adjusted their approach to the DPRK on similar lines.³³¹

226. According to a Written Answer in May 2006, the Department for International Development contributed more than £1.2 million in humanitarian assistance to the DPRK in 2005, for water, sanitation and health care (through UNICEF) and disaster risk deduction (through the International Federation of the Red Cross). However, following DPRK’s announcement in late 2005 that it would no longer accept international humanitarian assistance, “DFID can no longer feel confident that programmes of assistance are appropriate and are reaching those who most need it most”.³³²

227. The UK’s relationship with ROK is strong, particularly in the economic sphere. UKTI told us that: “Trade and Investment links with the Republic of Korea (ROK) have a long and robust history” and that total UK–Korea bilateral trade in goods in 2004 amounted to £4578.6 million. The UK is also South Korea’s preferred destination for foreign direct investment in Europe.³³³

228. We conclude that it is not clear how the Six Party Talks will be carried forward, and that the US policy of increasing pressure on the North Korean regime may be entrenching the divisions between the parties. We recommend that the Government use its relationship with the US to suggest a more flexible and pragmatic approach, in the interests of reconvening the Six Party Talks as soon as possible. We further recommend that the UK maintain its strong relationship with the Republic of Korea.

Sino–Japanese Relations

229. Links between Tokyo and Beijing have fallen to a low of late. Professor Shambaugh said that the Sino-Japanese relationship:

is on the verge of being dysfunctional, despite the robust economic relationship between the two nations. Some describe it as ‘hot economics, cold politics’ but in fact the relationship is more complex than that. Suspensions, nationalism, and hostility run deep in each society. Mutual perceptions are increasingly negative. The ‘history issue’ hangs as a dark cloud over the entire relationship, and repeated visits to the Yasukuni Shrine by Japanese Prime Minister Koizumi are an unnecessary irritant. To make

330 Ev 297

331 Ev 120

332 HC Deb, 22 May 2006, col 1268W [Commons written answer]

333 Ev 176

matters worse, the potential for military engagements over disputed maritime claims in the East China Sea/Sea of Japan and around the Diaoyu/Senkaku Islands is growing.³³⁴

230. The rise of China in the 1990s has led to a shift in the strategic balance in the region. Dr Swenson-Wright told us:

From Japan's perspective, the challenge of China is the challenge of an emerging power in the region that threatens its dominance. The Japanese worry about the economic competitiveness of China. Like the Americans, they worry about the military modernisation and the lack of transparency. They worry about China as a political rival regionally and globally.³³⁵

He added that a particular concern was the lack of any serious dialogue between high level representatives from each state, although recent positive signals about dialogue are most welcome.³³⁶

231. Dr Cronin also told us: "From the Japanese policy perspective, China is the number one issue and country of concern for the twenty-first century. They have no framework for a relationship with China, and they are very worried about this and they openly acknowledge this."³³⁷

232. The transformation of Japan's political landscape over the 1990s has added to the tensions across the East China Sea. The pacifist constituency in Japan has declined markedly since 1991, while Prime Minister Koizumi's role in national security measures has increased with administrative reforms introduced in 2001. The perception by the public of the threat to Japan posed by North Korea's nuclear capabilities has contributed to the trend.³³⁸

233. Dr Cronin said:

They also have in Japan, as a result of this concern in China's accelerative rise and the perception of it, growing nationalism. Nationalism is throughout East Asia. We have a decoupling of both Koreas from the major powers. That is an uncertainty. China's nationalism is growing, reflected in popular concerns about Japan, and the politics in Japan are moving to the right, so that poor [Foreign] Minister Aso will tell you, 'I used to be a conservative, but now I am in the middle, I am a centrist'.³³⁹

234. In China, part of the rise of nationalism may be the consequence of the patriotic education campaign, focussing on the war against Japan in the 1930s and 1940s, which the CCP launched after the Tiananmen Square massacres as a means to restore its legitimacy. In its submission the FCO wrote: "Many Japanese [...] see the Chinese government's

334 Ev 167–8

335 Q 157

336 Q 157

337 Q 157

338 Minxin Pei, "Simmering fire in Asia: Averting Sino-Japanese strategic conflict", *Policy brief*, Carnegie Endowment for International Peace, November 2005

339 Q 157

‘patriotic education’, with its emphasis on Japanese war crimes, as a ploy to shore up legitimacy by stoking nationalist, anti-Japanese feeling among young Chinese.”³⁴⁰ The strength of popular nationalism in China was most visible in a spate of anti-Japanese riots in April 2005. Dr Fell told us: “It would seem that these recent anti-Japanese demonstrations have not been completely government controlled [...] I think also the CPC [Communist Party of China] itself is concerned about these demonstrations getting out of hand.”³⁴¹ Questions from history loom large. The legacy of World War II is still visible in some parts of Northern China, in the form of Japanese chemical and biological weapons, and the collective memory of atrocities such as the 1937 ‘Rape of Nanjing’ raises passions in China.

235. Japan has expressed regret for its wartime record, first in 1971 and on subsequent occasions. For instance, in 2005, Prime Minister Koizumi said:

In the past, Japan, through its colonial rule and aggression, caused tremendous damage and suffering to the people of many countries, particularly to those of Asian nations. Sincerely facing these facts of history, I once again express my feelings of deep remorse and heartfelt apology, and also express the feelings of mourning for all victims, both at home and abroad, in the war. I am determined not to allow the lessons of that horrible war to erode, and to contribute to the peace and prosperity of the world without ever again waging a war.³⁴²

236. However, the Chinese do not feel these expressions of remorse are adequate and the visits of Prime Minister Koizumi to the Yasukuni shrine have seriously damaged the relationship.³⁴³ The Chinese Embassy wrote in its submission:

At present, China–Japan relations are in difficulties and the root cause lies with the repeated visits by Japanese leaders to the Yasukuni Shrine where WWII Class A war criminals are worshipped. Such wrong doings of Japanese leaders have deeply hurt the feelings of people in victimized Asian countries including China, undermined the political foundation of China–Japan relations, and put the relations between Japan and its East Asian neighbours into a state of disharmony.³⁴⁴

237. Commenting on the shrine issue, Dr Swenson-Wright told us: “Much of the dispute surrounding the shrine has to be attributed to the personality of the Prime Minister.”³⁴⁵ Yet he also pointed to opinion in Japan which favoured a less aggressive attitude on the Shrine:

It also has to be said that, yes, there are emerging nationalist tendencies in Japan, there has been a swing to the right, but there are also moderate voices. One hundred and twenty members cross-party have put forward a proposal to establish a new

340 Ev 122

341 Q 159

342 Statement by Prime Minister Koizumi, 15 August 2005, Office of the Prime Minister of Japan

343 “S Korea snubs Japan over shrine”, *BBC News Online*, 19 October 2005, news.bbc.co.uk

344 Ev 157

345 Q 158

alternative shrine. That would be a very constructive and immediate way of demonstrating a willingness to address this issue.³⁴⁶

238. Relations between Tokyo and Beijing are also subject to outside influences; Washington's attitude towards both plays into the strategic calculus. At present Japan is taking a more assertive security role than in the last fifty years, by providing UN peacekeepers and sending elements of its Self-Defence Forces (SDF) to Iraq, although the Prime Minister announced their withdrawal in June 2006.³⁴⁷ The FCO outlined the changes which have occurred under the current Prime Minister:

Under Koizumi Japan has aligned itself closely with US policy in the war on terrorism and Iraq, and reinforced the security alliance, including through joint development of Ballistic Missile Defence [...] The Security Consultative Committee Document agreed by US and Japanese Foreign and Defence Ministers in October 2002 represents a further significant step in the evolution of the security alliance. Although this included a provisional agreement on the reduction of the US Marine presence in Okinawa, it also committed Japan and the US to work more closely on international as well as regional security issues. Koizumi has said that he regards a strong relationship with the US as a 'necessary foundation' for Japan's relations within the region.³⁴⁸

239. Professor Shambaugh described what the redefinition of the US–Japan military alliance meant, saying it:

has involved collaboration on theatre missile defence (TMD), a resolution of the nettlesome Okinawa base issue (with redeployment of the Third Marine expeditionary Force), and the issuance of a Joint 2+2 Statement on mutual security interests (which outlined twelve common strategic objectives, including a controversial clause identifying Taiwan as a matter of 'mutual security concern').³⁴⁹

Japan has also recently expressed a desire to enter into closer partnership with the North Atlantic Treaty Organisation (NATO) and the United Kingdom favours such efforts. The Foreign Secretary told us: "We are supportive of Japan's wish to have a better relationship with NATO [...] We believe there is a useful role that they can play and would not be hostile to seeing them play it."³⁵⁰

240. However, Japan's role as a frontline command post for US military power projection is a cause of concern for Beijing. China fears that Japan will lend support to the USA in the event of a Taiwan crisis.³⁵¹ Indeed, Dr Fell told us: "The Taiwan perspective on Japan's military normalisation tends to be fairly positive. I think the idea is that there is an extra

346 Q 158

347 Judith Kornberg and John Faust, *China in World Politics*, (London 2005)

348 Ev 122–3

349 Ev 166

350 Q 282

351 Thomas J Christensen, *China, the US-Japan alliance and the Security Dilemma in East Asia in The Rise of China*, eds. Micheal Brown, et al (London 2000)

counterweight against the PRC.”³⁵² The question of Japan becoming a nuclear weapon state—particularly in the face of the threat from North Korea—also raises serious concerns in China as we heard from interlocutors in Beijing and Shanghai, and could precipitate a cascade of states moving to adopt nuclear weapons in East Asia.³⁵³

241. Dr Cronin said:

All of this [...] is of some consternation to China, which does not look at Japan as a small island country with self-defence forces. It looks at Japan as the high technology country [...] The outside powers, not just the United States, have an important role to play in making sure that two major East Asian powers, China and Japan, for the first time in modern history, can co-operate and get along.³⁵⁴

242. One potential source of military exchanges is over eight small islets in the East China Sea, which the Chinese call the Diaoyu Islands and the Japanese call the Senkaku Islands. The islands may mark significant oil and gas deposits, making them of potential economic importance.



Source: BBC News at bbc.co.uk/news
<http://news.bbc.co.uk/1/hi/world/asia-pacific/4784716.stm>

243. Japan argues that the islands were unclaimed until 1885, when Okinawa Prefecture, and by extension the Japanese government, surveyed them. In January 1895 Japan formally incorporated the islands, although Tokyo contends that the islands were not part of the land ceded by China under the 1895 Treaty of Shimnoseki, as was Taiwan. China’s claims

352 Q 161

353 Conn Halligan, “The Dragon and the Chrysanthemum”, *Foreign Policy in Focus*, 31 May 2005; Judith Kornberg and John Faust, *China in World Politics*, (London 2005)

354 Q 161

date to the seventeenth century, when the Ming dynasty charted the islands. Japan and China also dispute their sea border and the incursion of Chinese submarines into Japanese waters in November 2004 has added to tensions.³⁵⁵ Dr Swenson-Wright told us:

The territorial issues, I think, are much more fundamental, particularly [...] because they deal with the immediate national interests of Japan and access to oil and gas reserves, and the position adopted by the two governments [...] underlining their claim over the territory in very different terms does not leave much room for compromise. There does not appear to be a very effective legal mechanism which can provide a route out of that particular disagreement.³⁵⁶

244. Dr Cronin agreed on the potential for conflict over the disputed islands. He said:

China and Japan are going to increasingly bump into each other, and more than metaphorically. That does not mean they will come to blows, but we have seen Japan very anxious over Chinese incursions into territorial waters. We have seen a very assertive China when it comes to oil, gas and mineral rights. China has got an economic strategy right now. It is a quiet strategy, but on resources it is very aggressive and they will push it to the limit, and Japan is being pressed to the limit in the East China Sea.³⁵⁷

245. The United Kingdom can play only a small role, given its limited presence in East Asia, but a constructive one. The Foreign Secretary told us: “We have a very good relationship [...] with China. We also have with Japan and we are doing everything we can to encourage two countries [...] to maintain more positive relationships with each other.”³⁵⁸ We agree that the United Kingdom should do all it can to help Japan and China improve relations.

246. We conclude that productive links between China and Japan are essential for peace and stability in East Asia, and we regret the deterioration of those ties to the ‘verge of dysfunctional’. We also conclude that the dispute over the Senkaku/Diaoyu Islands in the East China Sea is most worrying. We recommend that the Government set out in its response to this Report what it is doing to improve dialogue between Beijing and Tokyo.

Other Aspects of Chinese Foreign Policy

Regional Integration

247. China’s relations with the ten members of the Association of South East Asian Nations (ASEAN)³⁵⁹ are prominent in Beijing’s foreign policy. Commenting on the emergence of regional institutions in East Asia, Professor Shambaugh wrote in his evidence to the Committee: “The Chinese government’s general embrace of regional multilateralism

355 Chalmers Johnson, “No longer the ‘lone’ superpower”, *ZNet*, 15 March 2005

356 Q 158

357 Q 162

358 Q 281

359 Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam

is very significant, as no regional institution can be considered effective unless China is not only a member, but an active one.”³⁶⁰

248. Dr Hughes explained China’s attitude to the regional fora. He said:

China does not want its action in South East Asia to be seen as hegemonic, so therefore it has encouraged ASEAN Plus Three [...] It wants to keep South East Asia as a region of good neighbourliness, as they describe it, with very little friction [...] The big question is whether ASEAN Plus Three can become a sort of regional architecture, in some form, bridging North East and South East Asia [...but] at the moment it is very much ASEAN Plus One.³⁶¹

249. Professor Wall also told us:

[The Chinese] are looking for an institutional form for the links with the South East Asian countries, and ASEAN Plus One provides that. They do not particularly want the ASEAN Plus Three to develop into a regional entity in its own right and they are blocking that, and they have kicked it into the long grass, if you want.³⁶²

250. Moves towards an East Asian Community also experienced a fillip in 2005, with the East Asian Summit (EAS). Commenting on the EAS, the 48 Group wrote in its submission to the Committee:

The recent [...] Kuala Lumpur summit ended with an ASEAN+3+3 meeting [...] This reflects several different national agendas, the possible rise of a new third and most dynamic free trade area, and the failure of the west to contemplate, and be alert to, the emergence of the unexpected. China will be the economic dynamo at the centre of the new emerging area.”³⁶³

251. However, Dr Hughes told us the EAS was unlikely to present a trade bloc which might exclude EU products. He said:

I do not think so because it would include Japan and the Republic of Korea, and their interests in maintaining solid relations with the EU are very high. Even China, I think [...] wants to have good relations with the EU. Given the nature of the exporting economies of the region, the EU is still the main market, along with the US.³⁶⁴

252. We welcome the development of institutions in East Asia which strengthen links between the regional states. However, we recommend that the Government monitor developments closely to ensure that a group does not develop which might discriminate against EU trade.

360 Ev 169

361 Q 43

362 Q 43

363 Ev 194

364 Q 45

China and the Russian Federation

253. In contrast to the strained relations between the Soviet Union and China between the late 1950s and 1989, ties between Moscow and Beijing are now strong, based on a Treaty of Good-Neighbourliness, Friendship and Co-operation, signed in 2001.³⁶⁵ Dr Marcel de Haas from the Netherlands Institute of International Relations wrote that:

The long-standing border disputes between both states were settled in agreements in 2005. Furthermore, Russia, in addition to its arms exports, will supply China with oil and gas. But even more important, both countries have found each other in a strategic partnership aimed at countering the (Western/US) 'monopoly in world affairs', as was made clear in a joint statement by the Chinese and Russian Presidents in July 2005.³⁶⁶

254. However, China's growing strength raises difficulties for Russia. One concern is that Russia needs to establish a new policy of development for Asiatic Russia.³⁶⁷ Professor Wall told us:

The Russians are moving out of that area and the Chinese are moving in at a rate which alarms people in Moscow. They are trying to strengthen their hold over that part of Russia [...] There is much discussion on how many Chinese are there; the scaremongers in Moscow talk about two million already. If you take the whole area around the Chinese border, seven million Russians, declining rapidly; on the Chinese side there are 120 million, officially 100 but probably 120. The Chinese with resident rights in the area of Vladivostok are about 200,000, maybe 500,000 will be there on a daily basis and the numbers are growing. In some towns the Chinese inhabitants almost outnumber the Russian inhabitants.³⁶⁸

Dr de Haas also pointed to Chinese immigration into Eastern Russia. He wrote:

Although continuously denied there seems to take place a constant large Chinese immigration into Russia's thinly populated Far East. It is not inconceivable that this flood is more than a coincidence, it might well be a planned policy directed from Beijing. Possibly, China is carrying out a policy of 'Finlandisation', in order to gradually increase its influence over this Russian region. The reasons for such a policy might be to create an overflow area for Chinese citizens [...] but also to gain a political and/or economic foothold in this area, which is rich in energy sources.³⁶⁹

255. Professor Wall went on to discuss Russia's reactions to the influx of Chinese. He said:

At the operational level, Moscow is doing everything it can to stop it, to slow it down. They raised tariffs last year on Chinese imports [...] into that part of Russia by 300

365 Judith Kornberg and John Faust, *China in World Politics*, (London 2005)

366 Ev 237

367 Dmitiri Trenin, "Russia and Global Security Norms ", *Washington Quarterly* , Spring 2004, 27: 2, pp 63–77

368 Q 17

369 Ev 239

per cent [...] The links are there and growing strong, they are known to be a threat, Moscow sees it as a threat.³⁷⁰

Dr de Haas echoed his views, when he wrote: “This close relationship with China could very well turn out to be for the short term [...] Russia is well aware that China’s growing economic and military importance could develop into a threat.”³⁷¹

The Shanghai Co-operation Organisation

256. China’s north-west also plays a big role in Sino–Russian ties. Since 1991 China has taken a political lead in Central Asia, and in the longer term, some Chinese thinkers see Central Asia as a crucial transport corridor to the oil reserves of the Middle East, presenting a more secure alternative to the risky sea route through the Malacca Straits.³⁷² China also has major economic interests in Central Asia. Professor Wall told us: “For the first time in recent history one of the pipelines in Central Asia is now going east not west. It is in the process of being filled with Russian oil that is coming out of the Chinese financed Kazakhstan oil fields”.³⁷³

257. China operates in part in Central Asia through the Shanghai Co-operation Organisation (SCO), membership of which includes China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. India, Iran, Mongolia and Pakistan have observer status. Professor Foot wrote in her submission:

The Shanghai Cooperation Organisation involving China, Russia and five central Asian countries has also witnessed China taking a more active role in its deliberations. It is important to China because of geographical location (it borders China’s restive province of Xinjiang), energy needs, and because Central Asia has seen a larger US presence since 11 September 2001.³⁷⁴

258. Dr Hughes told us:

One of the achievements [the Chinese] are most proud of is the Shanghai Co-operation Organisation which brings Russia and China together with the central Asian states essentially to [...] control secessionist movements.³⁷⁵

The SCO has changed focus recently. Dr de Haas said:

At its [...] Summit of July 2005, in Astana, Kazakhstan, the SCO proclaimed a radical change of course. The last few years the governments of the Central Asian member states—faced with the Western backed regime changes in Ukraine and Georgia, as well as with Western criticism of the Uzbek government’s beating down of the unrest in Andijan—increasingly saw their existence threatened, which forced them to

370 Q 32

371 Ev 241

372 “China’s global hunt for energy”, *Real Clear Politics*, 6 September 2005

373 Q 15

374 Ev 207

375 Q 33

choose for an alliance with Russia and China and diminishing the (economically favourable) relationship with the West. At the Summit this led to a final statement of the SCO members, in which (US) unipolar and dominating policies as well as foreign military deployment in Central Asia were condemned and the withdrawal of the (Western) military troops was encouraged.³⁷⁶

259. However, Dr de Haas also told us that the SCO was based on a negative strategic objective:

To a large extent common, positive targets are absent. For example, China is seeking markets and energy sources, Russia is eager to regain its leadership status within the CIS [Commonwealth of Independent States] as well as that of a superpower in the international arena, and the Central Asia regimes consider the SCO as their guarantee of survival.³⁷⁷

260. He went on to say that a split in the organisation was not inconceivable in this context. Dr Caroline Hoy, of the University of Glasgow, pointed to unease about China's activities in Central Asia even amongst its treaty partners: "There are wider concerns in Central Asia, which extend to Russia, about the extent to which China is seeking access to energy resources and the consequent impacts on geo-political relationships."³⁷⁸ The presence of President Ahmadinejad of Iran and President Musharraf of Pakistan at the most recent summit in June 2006 demonstrated the growing importance of the SCO. We asked the Foreign Secretary about the SCO, but she said that it was too early to comment on its development.³⁷⁹

261. We conclude that the growing links between Russia and China present a particular concern for the United Kingdom and other advocates of human rights as well as democratic and pluralistic values, since their new ties may signal the emergence of an authoritarian bloc opposed to democracy and Western values in Eurasia. We further conclude that the Shanghai Co-operation Organisation has the potential to evolve into an alliance of authoritarian powers opposed to the West, and may aid China's efforts to establish control over Central Asian energy reserves. We recommend that the Government set out in its response to this Report how it is expanding its presence in Central Asia, and how it is monitoring Chinese activity in the region, so as to nurture democracy and Western values in Central Asia.

India

262. India's relations with China have improved since the April 2005 launch of a "strategic partnership for peace and prosperity", aimed at improving economic links and ending the Aksai-China border dispute.³⁸⁰ India has also signed a Memorandum of Understanding on defence with China in May 2006, and opened the Nathu La border crossing to trade

376 Ev 240

377 Ev 241

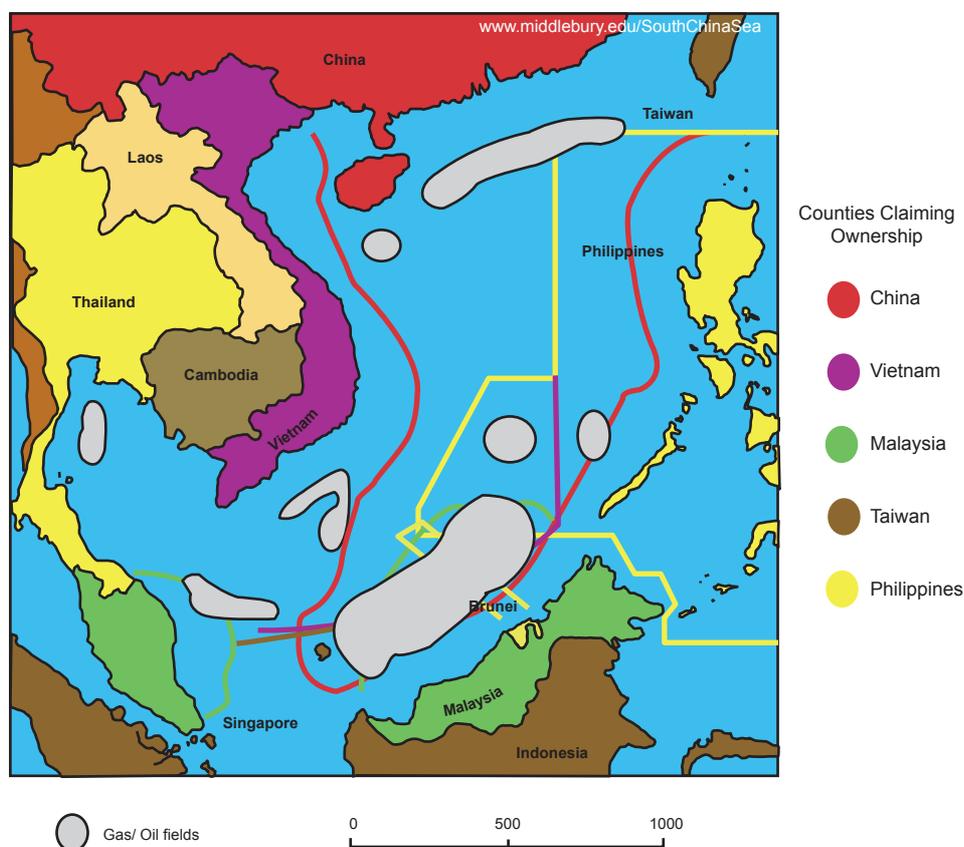
378 Ev 278

379 Qq 283-4

380 "India, China, the US and the balance of power in the Indian Ocean", *Power and Interest News Report*, 20 July 2005

between Sikkim and Tibet in July 2006, which may lead toward better ties.³⁸¹ Dr Hughes commented on relations between India and China: “The border issues are still there and there was an incursion late last year from the Chinese side but it did not get blown up into anything bigger.”³⁸² Professor Wall told us that the border issue would remain problematic. He said: “People forget there is a third bit of Kashmir which the Chinese have occupied for sometime. They have now integrated into their defence mechanism by building roads [...] I do not see any solution coming out of that committee which has been meeting”.³⁸³ We will consider China’s relations with India in greater detail during our forthcoming inquiry into South Asia.

The South China Sea



263. China also disputes territory in the South China Sea with its neighbours.³⁸⁴ China’s claims over the two island archipelagos within the Sea are based on their discovery by explorers and traders in 2000 BC and occupation since the Han Dynasty of 23–220 AD.³⁸⁵

381 “China, India sign an MoU on defence co-operation”, *Jane’s Defence Weekly*, 31 May 2006; “On roof of the world, India and China put aside differences to open trade route”, *The Guardian*, 7 July 2006

382 Q 52

383 Q 52

384 John Daly, “Energy Concerns and China’s Unresolved Territorial Disputes”, The Jamestown Foundation, 7 December 2004

385 “The Issue of South China Sea”, Ministry of Foreign Affairs, People’s Republic of China, June 2000; “Jurisprudential Evidence to Support China’s Sovereignty over the Nansha Islands”, and “Basic Stance of the Chinese Government in Solving the South China Sea Issue”, Ministry of Foreign Affairs, People’s Republic of China, 17 November 2000

Formal claims over the islands were made in 1887. Unexplored oil, gas and hydrocarbons beneath the seabed lie behind China's claims and both island groups also contain extensive fishing grounds. The islands are also near primary shipping lanes and their possession would give China influence over traffic, although Beijing states it has no aspiration to interfere with passing vessels.³⁸⁶ These trade routes across the Sea are crucial for the local and global economies: "over 90% of the world's international trade occurs via commercial shipping and 45% of that tonnage makes its way through the virtually unregulated waters of the South China Sea [... it] is the world's second busiest international sea lane".³⁸⁷ Any dispute over maritime trade could have an impact on UK economic interests in the region.

264. Both archipelagos are contested by China's neighbouring states and Taiwan. The Spratly Islands are claimed in their entirety by China, Taiwan and Vietnam, and partly by Malaysia and the Philippines. Brunei has established a fishing zone overlapping a reef, but has made no formal claim. The Paracel Islands are occupied by China, and are also claimed by Taiwan and Vietnam. Taiwan's claim is similar to that of China, although its unclear international status complicates the dispute further. Vietnam claims to have "historical evidence and legal foundation to affirm its indisputable sovereignty"³⁸⁸ over both sets of islands, by discovery and occupation from the seventeenth century and the jurisdiction of its emperors in the nineteenth century. The Philippines argues that due to its discovery of certain islands by a private citizen in 1956, sovereignty lies with itself; gradual occupation through military garrisons led to a 1978 decree formalising its claims over islands and territorial sea jurisdiction. Malaysia's claim stems from a map it first published in 1979 claiming various islands in its territorial waters and continental shelf, and both Malaysia and Brunei base their claims on provisions of the 1992 UN Convention of the Law of the Sea.

265. Although the issue has not specifically been addressed under international law, negotiations have taken place bilaterally and multilaterally, demonstrating, as Dr Cronin told us, that China shows "generally much more moderation and flexibility when there are other incentives to do so."³⁸⁹ In November 2002, member states of ASEAN and China signed the Declaration on the Conduct of Parties in the South China Sea³⁹⁰ describing working principles and a structure on which to conduct the dispute, although it is not a legally binding code of conduct.³⁹¹ Dr Christopher Hughes also told us that there is a "real issue of friction [...] over the South China Sea disputes, which seem to have been shelved for now, and certainly not resolved."³⁹² However, recent cooperation in oil exploration has seen encouraging developments in claimant relations.

386 "The Issue of South China Sea", Ministry of Foreign Affairs, People's Republic of China, June 2000; "Jurisprudential Evidence to Support China's Sovereignty over the Nansha Islands", and "Basic Stance of the Chinese Government in Solving the South China Sea Issue", Ministry of Foreign Affairs, People's Republic of China, 17 November 2000

387 Joshua Rowan, "The US-Japan Security Alliance, ASEAN and the South China Sea Dispute", *Asian Survey*, vol XLV, No 3, May-June 2005

388 "Vietnam has sufficient evidence to affirm its sovereignty over the Paracel and Spratly", Ministry of Foreign Affairs, Vietnam

389 Q 187

390 ASEAN Declaration on the South China Sea, Manila, Philippines, 22 July 2002

391 Clive Schofield, "A Code of Conduct for the South China Sea?", *Jane's Intelligence Review*, 27 October 2000

392 Q 43

266. We conclude that the confidence-building measures which have taken place are playing a positive role in reducing tensions in the South China Sea and encouraging dialogue. However, we further conclude that the potential for conflict remains. We recommend that the Government set out in its response to this Report its assessment of this complex dispute.

4 Politics

Political Developments within China

267. China's political complexion is of particular importance in the context of the country's economic and military rise, and the PRC's growing presence on the international stage. While the Chinese government describes the political system as "socialist democratic",³⁹³ it is not a democracy that would be recognised by many in Europe or North America. The Chinese Communist Party retains its monopoly of political power, and other political parties are prohibited from contesting its leadership.

268. However, new economic pressures have begun to bear upon the political structure. The evidence we have received during our inquiry has been taken up in particular with the long-term prospects for one party rule, and the implications of political change for China's territorial integrity, internal stability and economic progress.

The Political System

269. The Chinese Embassy described in evidence the elements of government seen as integral to Chinese 'democracy': "The system of the people's congress, the system of multi-party cooperation and political consultation under the leadership of the CPC, and the system of regional autonomy for ethnic minorities".³⁹⁴ The Foreign and Commonwealth Office told us that "Chinese political development has not kept pace with the impressive economic changes in the country", and described a lack of fundamental political rights, Communist Party monopoly on political power, absence of democratic elections and independent political parties and harassment of political activists.³⁹⁵

270. Witnesses to our inquiry have questioned the capacity of political institutions in China to adapt to the seismic economic changes in the country. Professor Jude Howell told us that: "Whilst China's economic system has undergone fundamental change over the past quarter of a century, its political institutions [...] have varied considerably in their desire for and capacity to adapt and change".³⁹⁶

271. Professor Howell told us that the effect of this inflexibility in the face of change has been a crisis of legitimacy in an environment in which the Chinese Communist Party seems increasingly irrelevant to many in China today.³⁹⁷ In the absence of an effective mobilising state ideology, the government relies increasingly upon nationalist sentiment, economic performance and its capacity to maintain social order as the justifications for its continuing rule.³⁹⁸

393 Ev 158

394 Ev 158

395 Ev 114

396 Ev 21-2

397 Ev 22

398 Ev 22

Chinese Communist Party

272. The CCP has gone through various transitions during its half-century in power. Professor Yongnian Zheng told us in evidence that from its days under Mao when workers and peasants made up 83% of Party membership in 1956, the CCP has undergone fundamental change. Under Deng Xiaoping's opening up policy, technocrats began to take up positions within the Party and the representation of workers and peasants dwindled to 64% in 1981 and 48% in 1994.³⁹⁹ With the marketisation of the economy, entrepreneurs were then absorbed into party ranks, following Jiang Zemin's "Three Represents" speech in 2001, acknowledging the place of capitalists in society.⁴⁰⁰ The FCO told us that in 2004, Communist Party membership was 69.6 million, and of the total, 36.7% had joined the Party after 1992.⁴⁰¹

273. The CCP is not a political party in the Western model. Professor Zheng described its function as similar to that of an imperial power attempting to exercise control over the entirety of the state.⁴⁰² Although the Party is nominally separate from state institutions, it has moved in recent years to consolidate its identity with the state.⁴⁰³ The Party controls political appointments from the centre and in local government, and Party groups within each state organ—the State Council and NPC, for example—drive policy debates and secure consensus.⁴⁰⁴ However, Professor Zheng stated in evidence that: "Ideological reliability is slowly giving way to allow more professionalism in the ranks of government officials", and that: "To boost effective governance the CCP [...] has begun to loosen its grip on state appointments to give professionals more autonomy in the day-to-day running of the country".⁴⁰⁵

Central Government

274. The State Council is China's central government. It is presided over by an Executive Board of heads of Ministries, overseen by the Premier, Vice Premiers and State Councillors, and State Council Secretary-General.⁴⁰⁶ Nominations to all positions above Vice-Ministerial level (State President, Vice-State President, Premier, Vice-Premiers, State Counsellors) are selected by the Political Bureau of the Central Committee of the CCP then endorsed by the National People's Congress.⁴⁰⁷

275. Professor Zheng told us that the Party has moved to consolidate its close relationship with state offices, by upgrading the role of State President, which before 1993, "was insignificant and was usually filled by a retired revolutionary".⁴⁰⁸ Today, Hu Jintao unites

399 Ev 27

400 Ev 28

401 Ev 126

402 Ev 25

403 Ev 26

404 Ev 28

405 Ev 27

406 Ev 126 [Foreign and Commonwealth Office]

407 Ev 26 [Yongnian Zheng]

408 Ev 27

the office of the State President with the Chairmanship of the Central Military Commission and the position of the Party Secretary-General.⁴⁰⁹ This has also legitimised the Party's command over the military.⁴¹⁰ Professor Zheng sees the Council as increasingly professionalized, and told us that: "The Council has, over the years, become a body of economic and social management by professionals. The posts of Premier, Vice Premier, State Councillor, ministers and vice ministers are now filled by professionals".⁴¹¹

National People's Congress

276. The National People's Congress (NPC) is China's legislature, and, according to the Constitution, the preeminent organ of state power.⁴¹² With nearly 3,000 indirectly elected delegates, and representation from China's regions, the NPC meets annually to pass legislation, confirm state appointments and vote on reports from government departments. A smaller Standing Committee of 176 members acts for the NPC during the large part of the year in which the plenary is not meeting.

277. In March 2006 the NPC met and endorsed the Government's 11th Five Year Plan, the Premier's Work Report, the plan for economic and social development in 2006, the central budget for 2006, as well as reports of the NPC Standing Committee, the Supreme People's Court and the Supreme People's Procuratorate.⁴¹³

278. The Foreign and Commonwealth Office judged that the NPC "is becoming more capable and professional" in its role of scrutinising legislation, but "is subject to control by the Party, and takes no major decisions that do not have Party approval".⁴¹⁴ Professor Zheng told us that "professionalisation has altered the role of the NPC from that of a 'rubber stamp', to one that is capable of overseeing governmental operations", particularly through the use of specialist Committees.⁴¹⁵ Professor Howell has written that: "The National People's Congress has become much more a platform for discussion of issues than in the past", and that delegates have started to use their voting power to express dissatisfaction with the government.⁴¹⁶ Professor Howell has highlighted other procedural innovations including soliciting public opinion on legislative items, holding legislative hearings, and establishing investigative committees on specific questions.⁴¹⁷

279. The Foreign Affairs Committee of the National People's Congress was the official host for our visit to China in the course of this inquiry. Our programme was organised meticulously and we were well looked after. However, the tactics by which our

409 Ev 27

410 Ev 27

411 Ev 27

412 Article 57 of the Constitution of the PRC states that "The National People's Congress of the People's Republic of China is the highest organ of state power". Available at <http://english.people.com.cn>

413 "China's Parliament endorses major economic policy changes", *Xinhua*, 14 March 2006, <http://news.xinhuanet.com/>

414 Ev 126

415 Ev 27

416 Jude Howell, "Governance: the challenges", in *China and Britain: the potential impact of China's development*, Smith Institute, 2005, p 104

417 Ibid

interlocutors on the NPC chose to seek to dissuade Members of the Committee from visiting Taiwan disappointed us.⁴¹⁸

Local Government

280. Local government in China is constructed on several levels from the province and autonomous region, down to the city, county and country levels. Local People's Congresses mirror the role of the National People's Congress and government appointments are made by the Party. Professor Zheng described how the CCP has entrenched its control of local politics through the consolidation of the position of provincial Party Secretary with the Chairmanship of the provincial People's Congress.⁴¹⁹ However, this consolidation of power has also had the effect of bringing the Party leadership face-to-face with local people's representatives such that they "now need to listen to and take the representatives' opinions into consideration before the provincial Party committees can make important decisions".⁴²⁰

281. During our visit to China we frequently heard repeated the saying: 'The mountains are high and the Emperor is far away'. This indication of the dislocation between the policies formulated by central government in Beijing and the implementation at a local level was demonstrated in the evidence we took. Professor Howell has written about signs of increasing independence of provincial People's Congresses:

Provincial NPCs elect candidates nominated by the party for top civil service positions, usually unopposed. There have been occasions when the candidates supported by the party organisations have not been elected, as in the provincial people's congresses of Guizhou, Zhejiang, Hubei and Hainan. Also recently, provincial NPCs—such as in an experiment in Ya'an—are being given functions and a greater say throughout the year, not just at the one meeting each year.⁴²¹

282. At village level, competitive elections were brought in, in the 1980s, as an attempt to improve the quality of leadership and strengthen support for the Party. While village administrations are not officially part of the government, they nonetheless have an important role to play in extending the influence and policies of the centre down to grassroots level. Professor Howell has written that this strategy was a survival technique by which the Party hoped to escape criticism: "By encouraging young, popular and competent candidates to stand for election, it was hoped that villagers would vote to oust corrupt, unpopular and incompetent leaders, who brought the party into disrepute".⁴²² Although this reform has brought in greater transparency and accountability, and in some cases led to elections for village party branch leaders, and to the experimental extension of the idea

418 See above, para 178

419 Ev 28

420 Ev 28

421 Jude Howell, "Governance: the challenges", in *China and Britain: the potential impact of China's development*, Smith Institute, 2005, p 104

422 Ibid, p 101

to township level, the Party has resisted any upward extension of elections as a principle of selection of officials.⁴²³

Civil Society

283. The CCP has shown strong resistance to sharing the political space with competing actors, and places great store by bringing different political voices under the umbrella of the state and Party. The evolution of the membership of the CCP, and the “remarkable policy turnaround” of accepting entrepreneurs into the Party in 2001, can be seen in this light.⁴²⁴

284. The central organ for participation in the state is the Chinese People’s Political Consultative Conference (CPPCC), which is an advisory body to the government. The CPPCC meets once a year at the same time as the NPC and membership comprises CCP, “other political parties, mass organizations, different ethnic groups and representative public personages from all walks of life, representatives of compatriots of Taiwan, Hong Kong and Macao as well as of returned overseas Chinese and other specially invited people”.⁴²⁵ The FCO told us that the CPPCC “has no real power”.⁴²⁶

285. Social organisations also perform mediatory roles between the government and population. However, Professor Howell stated in evidence that Party organisations such as the All-China Women’s Federation, the All-China Federation of Trade Unions and the Communist Youth League “have struggled hard to adapt to the changing needs of their constituencies and have varied in their degree to innovate, restructure and adapt”.⁴²⁷

286. In the vacuum created by the lack of state organisations to serve social needs, there has been an expansion in the number of more ‘independent’ organisations. The Party has characteristically extended its influence over ‘NGOs’, which have a rather different flavour in China from in the West, and established ‘Government-Organised Non-Governmental Organisations’ (GONGOs). The number of registered national NGOs in China has grown from around 100 in 1978, to 1,736 in 2003. Numbers of local-level social organisations reached 142,121, and private non-enterprise units 124,491.⁴²⁸

287. Professor Zheng described these organisations as performing tasks for government in various spheres, including as trade associations and chambers of commerce, and providers of ‘state’ services such as social welfare.⁴²⁹ Chinese NGOs are, not in this sense, independent voices or lobbyists in the way in which civil society functions in Western societies. Indeed, “these NGOs are far from autonomous [and] have to toe the line of the Chinese government in order to remain relevant and effective”.⁴³⁰ As Professor Howell told

423 Ibid, p. 102

424 Ev 28

425 “The Nature of the Chinese People’s Political Consultative Conference (CPPCC)”, China Internet Information Center,

426 Ev 126

427 Ev 23

428 Ev 28 [Yongnian Zheng]

429 Ev 28

430 Ev 28

us, “the Party [...] fears that yielding more space to non-governmental actors might rebound and undermine its power and authority”.⁴³¹ Human Rights Watch stated that:

China is deathly afraid of independent political activity. They are afraid of ‘colour revolutions’. They are very conscious of it. It is a term that they are bandying about. They do not want that to happen [...] any independent activity is now getting more scrutiny than it was before.⁴³²

288. Despite these provisos, however, in some areas, private organisations may influence and participate in the political space, particularly in the economic sphere and on less controversial policy areas such as poverty reduction and the environment. On issues such as human rights, religion, ethnicity, and rights of farmers and workers, on the other hand, “the influence of NGOs is virtually absent”.⁴³³ Moreover, Professor Howell stated that the “restrictive regulatory framework governing social organisations continues to be a key barrier to the flourishing of this realm of non-governmental organisation”.⁴³⁴

289. The British Council is actively engaged in civil society projects, although they told us in evidence that “the overt development of an independent NGO sector remains anathema to many of China’s leaders”.⁴³⁵ The Council therefore adopt a more subtle approach:

In its own project work in these fields, the British Council works with reform-minded agencies and individuals, in sensitive areas where our help and partnership is trusted and welcomed [...] we have identified common ground under the heading of ‘social innovation’: creative and scaleable innovations at grass roots level by citizens and groups of citizens acting on their own initiative within the law [...] Our partnership with the China Centre for Politics and Economy (a Party think tank) and the UK’s Young Foundation is focused on the processes of developing positive models of social innovations including the role of non government organisations.⁴³⁶

290. The Foreign Secretary told us that:

it is in everybody’s interests, including in China’s interests, for that economic development and growth to be matched by a growth of participation and activity in civil society [...] there are two things we can do. One is to make that basic case to our Chinese colleagues that this kind of development is something which is really bound to come with their economic development and which can be beneficial, and also of course to offer people opportunities and experience. We have got this huge number of students from China, as from elsewhere in East Asia, coming to the United Kingdom and here too they will experience some of that, and no doubt learn from our mistakes as well as what we hope are our successes.⁴³⁷

431 Ev 24

432 Q 95

433 Ev 28 [Yongnian Zheng]

434 Ev 23

435 Ev 310

436 Ev 310

437 Q 248

291. We recommend that the Government continue to make the case to their Chinese counterparts that a vibrant civil society can offer benefits to both government and people, and should be encouraged, in the interests of involving more of the population in systems of governance and advocacy. We further recommend that British Council resources for projects in this area be enhanced.

Media

292. The media in the West perform an important role in the political sphere, contesting the authority devolved to government and mediating between different interests within society. In China, however, the media are restricted in their ability to perform those functions. In 2005, China was rated 159th out of 167 countries in Reporters sans Frontières' World Press Freedom Index.⁴³⁸ It was recently reported that a Law on Response to Contingencies is planned, which will fine journalists for publishing reports about disasters and public disorder without government approval.⁴³⁹

293. The BBC World Service told us in evidence that China's media market is "highly developed", "has the largest number of media users in the world" with "a wide choice across all media platforms".⁴⁴⁰ The World Service also said that:

The opening-up of the industry has extended to distribution and advertising, but not to editorial content. The government exercises a tight control over all media and news content is subject to stringent censorship, although freedom is said to be growing in areas such as sport, entertainment and business news.⁴⁴¹

294. Although the press report on corruption and inefficiency among officials, they "as a whole avoid criticism of the Communist Party's monopoly on power".⁴⁴² However, the Great Britain China Centre and China Media Centre stated that, whereas in the past, the media had been "the throat and tongue of the Party", now "there are public debates and discussions of issues" and: "Investigative journalists [...] expose corruption, abuse of power, exploitation and expropriation".⁴⁴³ This kind of journalism acts "as a kind of inspectorate and censorate, identifying abuses and highlighting problems".⁴⁴⁴

295. The FCO supports several projects designed to encourage the development of the media in China. Under the Global Opportunities Fund, a project to train journalists in reporting human rights issues has been granted £64,414 for financial year 2006–07.⁴⁴⁵ The BBC World Service told us in evidence that, through the BBC World Service Trust, projects were being funded to build capacity within the Chinese broadcast media for covering disability issues and marginalised groups, and to "extend the boundaries of

438 Available at <http://www.rsf.org>; See below, paras 340–343 for a discussion of freedom of expression.

439 "China to ban news reports of major disasters", *The Independent*, 5 July 2006

440 Ev 215

441 Ev 215

442 Ev 216

443 Ev 235

444 Ev 235

445 Ev 149

Chinese media coverage of human rights and democratisation issues whilst working to increase official tolerance towards greater freedom of expression in the Chinese media”.⁴⁴⁶ The Foreign Secretary told us:

We are of course committed to a media being able to operate without artificial restrictions [...] What we seek to do through [the human rights dialogue and projects] is indeed to convey the notion of the role [...] that a responsible media can play which can indeed be beneficial in terms of exposing and exploring areas where things have gone wrong [...] and there can be a benefit in having a media which is able to explore some of these issues—benefits to government as well as to society as a whole.⁴⁴⁷

296. When we were in China we heard from various sources about the restrictions placed by the Chinese government on foreign journalists. The Ministry of Foreign Affairs publishes a detailed set of regulations covering the activities of foreign journalists, requiring journalists to register their presence in the country and make applications to interview government figures and cover state events. Article 14 of the Regulations Concerning Foreign Journalists and Permanent Offices of Foreign News Agencies states:

[...] Foreign journalists and permanent offices of foreign news agencies shall observe journalistic ethics and shall not distort facts, fabricate rumors or carry out news coverage by foul means. Foreign journalists and permanent offices of foreign news agencies shall not engage in activities which are incompatible with their status or tasks, or which endanger China’s national security, unity or community and public interests.⁴⁴⁸

297. We conclude that the development of China’s independent media is crucial to the evolution of a more pluralistic society in the PRC. We recommend that the Government continue to sponsor projects improving the skills of journalists in China. We further conclude that the Regulations Concerning Foreign Journalists and Permanent Offices of Foreign News Agencies are not acceptable in a modern state, particularly in a state that will be hosting the Olympic Games in 2008. We recommend that the Government ask the Chinese Government to revoke the Regulations before the Games take place.

Drivers for Political Change in China

298. In October 2005 the Chinese Government published a White Paper entitled “Building of Political Democracy in China”.⁴⁴⁹ Despite the title, the paper gave little sign that the Party leadership has any intention of moving towards political pluralism. The paper states: “The leadership of CPC is a fundamental guarantee for the Chinese people to be masters in managing the affairs of their own country” and: “We are against the anarchic call for ‘democracy for all’, and against anybody placing his own will above that of the

446 Ev 220

447 Q 257

448 International Press Centre, *Handbook for Foreign Journalists in China*, July 2005, p 65

449 State Council Information Office, *Building of Political Democracy in China*, October 2005

collective”.⁴⁵⁰ However, during our inquiry, we heard that beneath the level of the political elite, changes are taking place which raise the possibility of movement in the long term.

Economic disparities

299. Various arguments have been made to us about the possibility of political change or collapse in China, prompted by the rapid and profound economic upheaval. The movement towards a market economy, and the growth which has been released, has altered social structures, and has created inequalities and disparities between different sectors of society. Professor Howell stated in evidence that “[t]he fundamental restructuring of the economy, coupled with rapid growth, has brought about significant changes in the structure of Chinese society, in the distribution of wealth, in values, attitudes, and expectations”.⁴⁵¹

300. In summary, these changes have included a growth in the population of rural migrants in urban areas, particularly where farmers have been forced from their land by urban expansion; a new class of unemployed workers released by the closure of state-owned enterprises; the collapse of the social welfare system; an emerging middle class of entrepreneurs, managers and technicians; and strong income disparities between rural and urban areas and between different regions, particularly the eastern coast and undeveloped west of China. The World Bank, and the UN’s *China Human Development Report 2005* have indicated that China “has become one of the most unequal societies in the world with a wealth gap that is potentially destabilising”.⁴⁵² More than half of China’s population lives outside the booming eastern coastal areas and, although overall incomes have risen, so too have demands on that income, with the failure of state-provided services.⁴⁵³

301. The economic turmoil appears to have led to a rise in social unrest. Over the past few years officially reported incidents of unrest have risen dramatically, from 58,000 incidents in 2003, to 74,000 in 2004 and 87,000 in 2005.⁴⁵⁴ The volume of letters, complaint and petitions received by courts has risen “almost 500 times” over the last twenty years.⁴⁵⁵ The social profile of protesters includes:

Pensioners who have not received their pensions, former state enterprise workers who have been laid-off, migrant workers who have not been paid their wages or been subject to abusive managerial practices, farmers who have not been adequately compensated for their land, urban-dwellers whose houses have been demolished to make way for new roads and office-blocks.⁴⁵⁶

302. The Chinese government is well aware of the economic disparities and the potential for social problems flowing from them. Elizabeth Croll, Professor of Chinese Anthropology

450 Ibid, Chapter I

451 Ev 21

452 Ev 250 [Elizabeth Croll]

453 Ev 251 [Elizabeth Croll]

454 Ev 257 [Elizabeth Croll]

455 Ev 22 [Jude Howell]

456 Ev 22 [Jude Howell]

at the School of Oriental and African Studies, drew our attention to “several frank and official admissions that so far reforms remain superficial, tentative and flawed and that perhaps the very process of reform itself has never been more complex or difficult than at the present time”.⁴⁵⁷ Professor Croll told us that “[t]here is no doubt that China’s present leaders, Hu Jintao and Wen Jiabao, are committed to improving the lot of the rural poor, the urban unemployed and the well-being of migrant workers”, although there are apparent splits within the wider leadership on the best way to increase the benefits of economic growth.⁴⁵⁸ The government has made commitments to reducing income inequalities between urban and rural populations, creating jobs for China’s abundant labour force and increasing training opportunities for the unemployed, as well as seeking to address shortfalls in the welfare system and stabilise the rising costs of public services.⁴⁵⁹ These initiatives have had uneven success.

Liberalisation and Prosperity

303. It has also been argued that those in the increasingly prosperous section of society, as well as those in the disadvantaged groups, may become a source of dissent. Steve Tsang told us:

If the Chinese economy should turn out to be a real miracle [...] it will result in a dramatic expansion of the middle class in the coming two to three decades [...] once they have a taste of middle class life-style, most will find the Communist authoritarian system stifling, repressive and intolerable [...] When sufficient momentum has been gathered for political reform, the Communist regime will either have to face down such a challenge by repression or reform itself drastically.⁴⁶⁰

304. However, Professor Croll has down-played the significance of this emergent middle class, stating that:

A study of China’s social classes published by the Chinese Academy of Social Sciences suggests that the middle class is still small—only 15% of the population—and that this thin wafer of a middle class, sandwiched between the few with higher incomes and the very large numbers of lower-income groups, did not warrant the journalistic hype that surrounds the size, income and expectations of China’s middle classes.⁴⁶¹

Moreover, Professor Zheng told us that the emergent middle class had an interest in maintaining the status quo, and that: “As in the case of Singapore, having a middle class does not necessarily mean Western-style democracy”—“this middle class also needs protection from the communist state and its power, because the majority of Chinese people

457 Ev 254

458 Ev 256

459 Ev 257

460 Ev 180

461 Elizabeth Croll, “Consumption and social stability”, in *China and Britain: the potential impact of China’s development*, Smith Institute, 2005, p 75

are still farmers and workers. The new rich actually need the authoritarian state to protect their interests".⁴⁶²

Elite Politics

305. Arguments for change have, apparently, been made at elite political levels. In April, the minutes of a closed-door meeting of advisers to the State Council, the China Society of Economic Reform, were illicitly posted on an internet site. The minutes revealed divisions between these high-level advisers. Most controversy was caused by comments made at the meeting by Beijing University Law Professor He Weifang, who is quoted as saying that he hoped for the formation of factions within the CCP, the nationalisation of the army, and the rationalisation of Party relations with state organs and judiciary. He also stated that: "We all have our objective. This objective cannot in fact be mentioned right now but will be a path we will follow in future, such as multi-party system and freedom of the press".⁴⁶³

306. Professor Zheng told us that the government has established a "constitutional reform consultant committee" to talk about how the NPC and other organizations "can have more elements for political participation, interest representation, and so on".⁴⁶⁴ However, Professor Foot stated in evidence that: "The Chinese Communist Party has ruled China since 1949 and it has no intention of giving that up".⁴⁶⁵

Party Legitimacy

307. Social and economic change have also, we heard in evidence, led to questioning of the Party's legitimacy as ruling power. Professor Foot told us that in the past, the CCP derived its legitimacy from having ejected from the country imperialist foreign powers, and from the discourse of Marxism-Leninism. Now that China has entered the capitalist world, the Party relies upon its capacity to deliver economic growth and ensure the stability of the country, to justify its continued rule, and the unifying force of nationalism.⁴⁶⁶ Steve Tsang told us that, in the event that the Chinese economy slows down, the Party will face challenge, leading him to judge that: "the Communist regime and the Chinese economic juggernaut are in reality brittle in nature. When all is well they look hard and strong but they can disintegrate quickly with little warning should their key weak points be hit hard simultaneously".⁴⁶⁷

308. Party legitimacy is also threatened by corruption within government. Professor Croll stated in evidence that:

It is widely recognised that officials, personally and frequently, have benefited from the closures of state factories, property development schemes and any number of

462 Q 77

463 "Chinese scholar's multi-party proposal sparks condemnation by leftists", *BBC Monitoring*, 10 April 2006 (Original Source: "Beijing University professor's multi-party remarks trigger debate, minutes of closed-door economic meeting come to light", Hong Kong newspaper *Ming Pao* website, 9 April 2006)

464 Q 77

465 Ev 205

466 Ev 205

467 Ev 180

loans and bribes both in major cases which grab media headlines as well as in small-scale and local practices which require extra payments for permits, access to services, funds and jobs.⁴⁶⁸

The degree of awareness within the Party of this problem is illustrated by actions it has taken to diminish the scale of abuses: in 2005, 115,000 Chinese Communist Party members were punished for bribery and other offences.⁴⁶⁹ China's National Audit Office has been strengthened and produces annual audits across government widely publicised in the media.⁴⁷⁰ Other actions, including the competitive election of village administrations, have been made to seek to eradicate this problem at the local level. However, in the absence of independent scrutiny of government, this may not be adequate to address the problem. Professor Howell told us that “[t]he opportunities for corruption created by government involvement in business contracts, coupled with tight controls over the media and the limited spaces for public monitoring, continue to thwart the Party's attempts to clean up their act”.⁴⁷¹

309. On the other hand, Professor Zheng told us that the Party's success in stifling the development of strong state institutions and administration means that the Party has made itself indispensable to China's continuing economic modernisation and development, as “without the party and its apparatus, the state administration is incapable of moving ahead with anything at all, much less its reformist agenda”.⁴⁷²

Collapse or Consolidation?

310. None of our witnesses, or the interlocutors we met during our visit to China, predicted the imminent demise of the Chinese Communist Party, or the collapse of the state. Professor Croll judged that although social unrest was likely to continue to rise, “it seems unlikely, barring some major incident such as a run on any of China's banks jeopardising savings, that these local and small-scale incidents will lead to demonstrations of such magnitude that they could cripple or topple China's government”.⁴⁷³ Mitigating factors against political or social revolution are, in Professor Croll's judgement, the “genuine appreciation of the overall rise in incomes, living standards and greater freedom of expression resulting from economic reform and growth”, the continuing resonance of the chaotic years of the Cultural Revolution and the fear of return to social instability, and “widespread support for China's political system” with criticism focussed on questions of good governance rather than a change of system of government.⁴⁷⁴

311. As Professor Croll pointed out, “[a] few years ago, as reports of numbers of labour-related demonstrations and unrest increased, Western press observers forecast that such

468 Ev 254

469 Ev 23 [Jude Howell]

470 Ev 256 [Elizabeth Croll]

471 Ev 23

472 Ev 26

473 Ev 257

474 Ev 258

incidents would multiply and eventually bring down the government”.⁴⁷⁵ This failed to happen, largely because localised protests have not coalesced into national movements; the government “has shown some sympathy with and tolerance of such incidents”, and disadvantaged and dissenting groups are not organised.⁴⁷⁶ Where long-running disputes of a political nature have emerged, in the unquiet ethnic regions of Xinjiang and Tibet or in the form of social movements such as Falun Gong and political movements such as the Democracy Party in the late 1990s, repression appears to have been successful.

312. Many of those we have talked to throughout our inquiry were cautiously optimistic about China’s future political trajectory, seeing gradual movement towards a more politically liberal state as an inevitable corollary of economic change and openness to other countries. Professor Howell stated that China “is likely to liberalise politically, not least because with the internet, opportunities for travel, the return of internationally trained graduates, and the increasing exposure of China to the world, the demand for a more open regime will become harder to resist”.⁴⁷⁷ Lord Powell told us that economic imperatives were likely to lead to liberalisation: “can you ever have a properly functioning, really successful economy without much greater freedom than exists in China today? My answer is: no, you cannot”.⁴⁷⁸

313. However, cautious development will not necessarily lead to liberal Western democracy. Professor Zheng told us that: “The problem for China’s democratisation is not whether China will be democratic but whether you can have a so-called liberal democracy, a Western type of liberal democracy, under a one-party system”.⁴⁷⁹ “Some sort of democracy” could be introduced, without the CCP giving up power.⁴⁸⁰ As Amnesty told us: “There are examples of authoritarian regimes, even one-party or military authoritarian regimes, able to make that gradual transition”.⁴⁸¹ However, Amnesty was negative about the Chinese government’s willingness to take that path:

for that to be possible the Chinese Government will have to take much more serious steps towards political reform. Unfortunately, they have not taken those steps towards political reform. We think of China as having just started its reforms and we give it a lot of slack [...] but in two years’ time it will be 30 years since China started its reforms. It is far overdue.⁴⁸²

475 Ev 251

476 Ev 251

477 Ev 25

478 Q 117

479 Q 77

480 Q 77

481 Q 95

482 Q 95

5 Human Rights

314. In March 2004 the 10th National People's Congress approved an amendment to the Chinese Constitution which added the statement that: "The State respects and preserves human rights".⁴⁸³ This constitutional commitment notwithstanding, the international community continues to have serious concerns about human rights abuses in China. The FCO *Human Rights Annual Report 2005* listed particular areas as follows:

extensive use of the death penalty; torture; shortcomings in judicial practices and widespread administrative detention, particularly re-education through labour; harassment of human rights defenders and activists (NGOs, political activists, journalists and lawyers); harassment of religious practitioners and adherents of Falun Gong; the situation in Tibet and Xinjiang; and severe restrictions on basic freedoms of speech and association.⁴⁸⁴

315. This litany of abuses is in marked contrast to the stated policy of the Chinese government, as described by the memorandum we received from the Chinese Embassy, which said that: "The Chinese Government and its people faithfully observe the solemn promises to the Universal Declaration on Human Rights".⁴⁸⁵ The memorandum made clear the Chinese view that "China's specific situation" calls for an interpretation of human rights "that is suited for Chinese conditions".⁴⁸⁶ This "socialist human rights concept with Chinese characteristics"⁴⁸⁷ is evidently rather different from the concept of universal human rights in the West and the Western interpretation of the Universal Declaration of Human Rights. Nonetheless, China has recently been elected a member of the newly-created United Nations Human Rights Council.⁴⁸⁸

316. The fundamental disagreement over the terms of the debate poses particular problems for governments which seek to persuade the Chinese government to take further steps to improve rights within the PRC. However, the Foreign Secretary told us that the UK–China bilateral relationship is now excellent and that "we are seen as people with whom China can work to our mutual benefit".⁴⁸⁹ This context offers a fruitful opportunity to maximise the UK's capacity to encourage China to adopt international standards on human rights. In our inquiry we considered particular human rights issues in China, and also the methods used by the UK and EU to address human rights issues with the government of the PRC.

Recent Developments

317. Our witnesses bore testimony to the improvement of human rights in China over the last few decades. Yiyi Lu of Chatham House told us that "on the whole the situation has

483 Amendment Fourth, approved on 14 March 2004, by the 10th NPC at its 2nd Session.

484 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 40

485 Ev 159

486 Ev 159

487 Ev 159

488 "A new deal on rights UN Human Rights Council has chance to establish credibility", *Financial Times*, 19 June 2006

489 Q 235

improved significantly in the last two and half decades”.⁴⁹⁰ However, others told us that this has not been a smooth upward curve and that, in the past few years, the regime appears to have taken steps backwards. Human Rights Watch characterised the views of Chinese people as follows:

If you ask a Chinese person, “Are things better now than 20 years ago?”—“Yes”. “Are things better now than ten years ago?”—“Yes.” They would laugh at you if you thought otherwise. “Are they better than five years ago?”—“Yes.” “Are they better than two years ago?” Ah, now we have a different question, and in some places we will have different answers.⁴⁹¹

318. Human Rights Watch and Amnesty International both criticised the government of President Hu Jintao for presiding over a deterioration in human rights, expressed particularly in crackdowns on freedom of expression, restriction of the activities of human rights advocates, and misappropriation of land by government.⁴⁹² Professor Wall agreed that the “political human rights situation has got much worse” under the current government and attributed the development to a “more authoritarian, more communist-style” ethos of this administration.⁴⁹³

319. China has ratified international treaties on Torture, and Discrimination, and on Economic, Social and Cultural Rights (with a reservation covering the right to organise labour), the Rights of the Child and Racial Discrimination. It has signed, but not ratified, the International Covenant on Civil and Political Rights. China has not signed up to the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families and has chosen not to sign optional protocols on Torture and Discrimination.⁴⁹⁴ The FCO *Human Rights Annual Report 2005* states that the first priority of the UK Human Rights Dialogue is to secure China’s ratification of the International Covenant on Civil and Political Rights (ICCPR). Ministers and officials have pressed China to publish a timetable for ratification, without success. The FCO has also pressed China to lift its reservation on rights to organise labour. The *Human Rights Annual Report 2005* states that: “There is no sign when China will do so”.⁴⁹⁵ We note that, in its response to our predecessor Committee’s Report into *China* in 2000, the Government stated that “we continue to press the Chinese authorities to ratify the Covenant on Civil and Political Rights”.⁴⁹⁶

320. Human Rights Watch queried whether China’s ratification of the ICCPR would have much effect upon abuses on the ground, stating that “the signing and ratifying of these documents has not noticeably changed Chinese behaviour in many cases”.⁴⁹⁷ However, the

490 Ev 224

491 Q 95

492 Ev 36 [Human Rights Watch]; Ev 41 [Amnesty International]

493 Q 25

494 UNHCR data, available at <http://www.unhchr.ch>

495 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 41

496 Foreign and Commonwealth Office, *Tenth Report from the Foreign Affairs Committee Session 1999–2000 China: Response of the Secretary of State for Foreign and Commonwealth Affairs*, Cm 5038, February 2001, p 5

497 Q 90

ratification of the Covenant would “give Chinese people more tools to hold the state accountable”.⁴⁹⁸

321. We recommend that the Government set out, in its response to this Report, what progress has been made since it gave a pledge to our predecessor Committee, over five years ago, towards ratification by China of the International Covenant on Civil and Political Rights.

Human Rights Abuses

322. It is not possible for us, in this context, to conduct an exhaustive review of human rights abuses in China. The following paragraphs address a selection of issues but do not pretend to cover the full panoply of concerns.

Treatment of Human Rights Activists and NGOs

323. The improvement of human rights depends in part upon the freedom of activists and organisations to champion particular rights issues within the state. However, activists are severely curtailed in China, and we were told in evidence that repression has worsened under President Hu. Human Rights Watch described how Gao Zhisheng, “China’s foremost human rights lawyer”, after sending an open letter to President Hu Jintao and Premier Wen Jiabao calling attention to the “barbaric persecution” of Falun Gong members, was instructed in November 2005 to close his law firm and stop practising law for one year, and “has since been subjected to intense surveillance by security personnel and effectively put under house arrest”. Moreover, other activists have “recently ‘disappeared’ or been detained”.⁴⁹⁹

324. The FCO *Annual Human Rights Report 2005* registered concern at the treatment of activists, but Professor Wall told us that “there has been very little protest from the Europeans on how NGOs have been treated in China and how their operation activities have been increasingly restricted in the last few years”.⁵⁰⁰

Use of the Death Penalty

325. The death penalty in China is applicable to more than 60 different crimes, including many economic and other non-violent crimes.⁵⁰¹ Amnesty told us that Guandong province had recently included “violent bag-snatching” in that list,⁵⁰² but that “the average Chinese person believes the death penalty is legitimate and fair”.⁵⁰³ It is difficult to establish the full extent of the use of the death penalty in China. Amnesty International recorded 3,400 executions in China in 2004, but in 2004, a deputy to China’s National People’s Congress,

498 Q 90

499 Ev 36

500 Q 27

501 United Nations, *Civil And Political Rights, Including The Question Of Torture And Detention: Report Of The Special Rapporteur On Torture And Other Cruel, Inhuman Or Degrading Treatment Or Punishment, Manfred Nowak: Mission To China*; March 2006, p 39, footnote 72

502 Q 105

503 Q 104

Chen Zhonglin, suggested that 10,000 death sentences were imposed each year.⁵⁰⁴ The Chinese Government has resisted pressure to publish figures, although the FCO judges that “China could show more transparency if it wished”.⁵⁰⁵

326. The Chinese Government has recently decided to allow the Supreme Court to review all death penalty cases, which has been welcomed by NGOs. This change may lead to the reduction in the use of the death penalty, as, in 2003 alone, the Court reviewed 300 cases and of those, changed the original sentence or ordered retrials in 118 of the cases.⁵⁰⁶ The FCO welcomed this development in the *Human Rights Annual Report 2005*.⁵⁰⁷ On the other hand, Amnesty told us in evidence that the implementation of the change would be slow, and that the effect of the reforms might be to entrench the system further.⁵⁰⁸

327. In 2004–05, through the Global Opportunities Fund, the FCO spent £26,185 in training Chinese defence lawyers taking on capital cases. The budget for 2005–06 was £12,995. During 2004–05 £31,000 was spent on a series of events involving legislative officials, judges and policy-related researchers, advocating the abolition of the death penalty for non-violent crimes.⁵⁰⁹

Torture

328. The use of torture in the Chinese judicial system has been judged “widespread” by the Special Rapporteur of the United Nations Commission on Human Rights on torture and other cruel, inhuman or degrading treatment or punishment, Manfred Novak.⁵¹⁰ In 1997 the Chinese Government published the first statistics on torture, comprising “an average of 364 cases per year between 1979 and 1989, upward of 400 cases per year for most years in the 1990s”.⁵¹¹

329. The central government has taken steps to reduce the use of torture, including, in 2004, issuing regulations prohibiting the use of torture and threats to gain confessions, and instructing procurators that confessions obtained as a result of torture cannot form a basis for the formal approval of arrests and that prosecutors must work to eliminate illegally obtained evidence. Amnesty told us that “the central government would like to see a reduction in torture” but that “the institutional mechanisms are not powerful enough to undercut the phenomenon”, in a judicial system in which courts accept evidence based on torture, and confession regarded as key evidence in criminal prosecutions.⁵¹²

504 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 198

505 Ibid, p 42

506 According to the 2004 SPC Work Report, cited in *Report Of The Special Rapporteur On Torture And Other Cruel, Inhuman Or Degrading Treatment Or Punishment*, p 40 footnote 74.

507 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 42

508 Q 105

509 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 254

510 United Nations Press Release, “Special Rapporteur On Torture Highlights Challenges At End Of Visit To China”, 2 December 2005

511 *Report Of The Special Rapporteur On Torture And Other Cruel, Inhuman Or Degrading Treatment Or Punishment*, p 14

512 Q 103

330. The FCO stated in the *Human Rights Annual Report 2005* that torture remained widespread in China and that, despite reforms, “China could do much more to address this issue by improving transparency and detainees’ access to lawyers and establishing a genuinely independent prison inspectorate”.⁵¹³ In 2004–05, the FCO spent £27,000 on a project designed to prevent the use of torture to obtain confessions.⁵¹⁴

331. We recommend that the Government encourage the Chinese government to introduce legislation prohibiting courts from accepting evidence procured through torture, and that it offer to advise the Chinese government on UK best practice in eliminating abuse in prisons and police facilities.

332. The Chinese judicial system allows for the detention of individuals without trial, for certain classes of offence, at the discretion of the police. This practice is known as Re-education Through Labour (RTL). A broad range of crimes are subject to this kind of detention, including “endangering national security”, “splitting the State or undermining the unity of the country”, and “subverting the State power or overthrowing the socialist system”.⁵¹⁵ Detainees may be imprisoned in this way for up to four years.⁵¹⁶ The UN Special Rapporteur on torture stated that “some of these measures of re-education through coercion, humiliation and punishment aim at altering the personality of detainees up to the point of even breaking their will”, and described the system as “a form of inhuman and degrading treatment or punishment, if not mental torture”.⁵¹⁷

333. The FCO *Human Rights Annual Report 2005* stated that the Chinese planned to bring forward legislation to include an element of judicial review and a role for defence lawyers into the Re-education Through Labour process, which “would mean, in effect, the abolition of RTL”, although by the time of the Report, the promised legislation had not been forthcoming.⁵¹⁸ Human Rights Watch told us that the move towards phasing out RTL had been “stopped in its tracks recently” by dissenting views in central government, and that the reforms “probably will not amount to very much” in any case.⁵¹⁹ In 2005–06, the FCO spent £25,000 on promoting a reduction in police powers of administrative detention and advocating alternative judicial sanctions with legal safeguards.⁵²⁰

334. We conclude that Re-education Through Labour is, in many cases, tantamount to torture, and recommend that the Government upgrade the urgency with which it addresses this issue with the Chinese government.

513 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 42

514 *Ibid*, p 255

515 *Report Of The Special Rapporteur On Torture And Other Cruel, Inhuman Or Degrading Treatment Or Punishment*, para 33

516 *Ibid*, para 33

517 *Ibid*, para 62

518 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 42

519 Q 106

520 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 259

Religious Freedom

335. During the Cultural Revolution, religious institutions in China suffered prolonged attack. Today, however, religious faiths practised in China include Daoism, Buddhism, Islam, and Christianity, although the state remains officially atheist.

336. The memorandum we received from the Chinese Embassy assured us that religious freedoms were guaranteed in the People's Republic, stating: "The Chinese Government has always respected and protected people's freedom of religious beliefs".⁵²¹ However, the memorandum stated that "while all citizens enjoy the right to the freedom of religious belief they must also carry out obligations prescribed by law" according to rules "to maintain social order, public security, health and morality".⁵²²

337. According to evidence we received from other sources, the position of religious believers in China is less rosy. Human Rights Watch told us that all religious groups in China must be registered with the state and independent groups are subject to "monitoring, harassment, arrest, and severe ill treatment".⁵²³ Christian Solidarity Worldwide has stated that "this year has seen a notable increase in reports of religious persecution against unregistered Protestant Christians in China" and testified to the "ongoing repression of the underground Catholic Church".⁵²⁴ The submission we received from the Falun Gong Human Rights Working Group stated that "the persecution [of Falun Gong practitioners] is indeed as severe and extensive as it has ever been".⁵²⁵ Amnesty told us that: "Because the Communist Party in a sense wants to be the religion [...] it therefore feels threatened by any ideological or religious belief system that might put its rule into question".⁵²⁶

338. China has introduced new "Regulations on Religious Affairs", which became effective March 1, 2005, but Human Rights Watch has called the new legislation "little more than a continuation of long-established policies that limit religious freedom".⁵²⁷ The Foreign Office told us that the new regulations "are not, in our view, compatible with the spirit of the International Covenant on Civil and Political Rights".⁵²⁸ The *Human Rights Annual Report 2005* recorded the raising of issues of religious freedom on several occasions with the Chinese authorities, but bluntly stated that: "There has been no progress".⁵²⁹

339. We recommend that the Government consider funding a project through the Global Opportunities Fund to promote religious freedom in China. We further recommend that the Government communicate to the Chinese authorities the positive

521 Ev 159

522 Ev 159

523 Ev 39

524 *China: Current Developments And Cases Of Concern*, Christian Solidarity Worldwide, November 2005, p. 1, 11

525 Ev 314; We discuss the repression of Tibetan Buddhism, and Islam in Xinjiang below at paras 376–80, and 389.

526 Q 97

527 Ev 39

528 Ev 114

529 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 43

influence which religious groups can have on social stability, in the interests of encouraging progress to be made on this issue.

Freedom of Expression: the Internet

340. The restriction of the internet in China has emerged as a key infringement of the right of freedom of expression.⁵³⁰ Numbers of internet users in China have been estimated at between 110 and 200 million.⁵³¹ However, the system for filtering, censoring and controlling the internet has been described as “the most sophisticated effort of its kind in the world”.⁵³² Government regulations prohibit the use of the internet for a variety of activities, which include “harming the honor or the interests of the nation”, “disrupting national policies on religion, propagating evil cults and feudal superstitions” and “inciting illegal assemblies, associations, marches, demonstrations, or gatherings that disturb social order”.⁵³³

341. In a new development, and to the dismay of human rights organisations, several Western internet companies have recently adapted their products in order to gain access to the Chinese market, by developing technology which censors their web-browsers in accordance with government diktat. Particular criticism has been aimed at Microsoft, which last year launched a portal in China that blocks use of words such as ‘freedom’ in the text of weblogs (‘blogs’)⁵³⁴; Yahoo!, for identifying journalist Shi Tao at the request of the Chinese authorities, leading to his arrest and sentencing for posting on the internet an internal Communist Party minute;⁵³⁵ and Google, for launching a self-censoring version of its website in China.⁵³⁶ Yahoo!, Google and Microsoft submitted evidence to our inquiry.⁵³⁷ The argument they put forward, in various ways, was that the choice faced by foreign companies in China was either to comply with domestic legislation, or to leave the country, and that remaining in the country has the beneficial effect of offering Chinese internet users increased access to information and internet services. However, in June, Sergey Brin, one of Google’s founders, admitted that Google’s actions had compromised its principles.⁵³⁸

342. Human Rights Watch raised the possibility of other countries with repressive regimes observing China’s successful manipulation of Western companies and following suit, stating that “China is already exporting technology for monitoring the Internet to other repressive governments, Zimbabwe, for example”.⁵³⁹ The companies which submitted

530 We have considered the role of the media in China above, at paras 292 to 297. We consider the jamming of the BBC World Service below at paras 436 to 438.

531 China Internet Network Information Center, statistics available at <http://www.cnnic.net.cn>; “China Surpasses U.S. In Internet Use”, *Forbes.com*, 4 March 2006

532 OpenNet Initiative, *Internet Filtering in China in 2004–2005: A Country Study*, April 2005

533 Provisions on the Administration of Internet News Information Services, available on the website of the Congressional Executive Commission on China

534 “Microsoft censors Chinese blogs”, *BBC News Online*, 14 June 2005, news.bbc.co.uk

535 “Yahoo ‘helped jail China writer’”, *BBC News Online*, 7 September 2005, news.bbc.co.uk

536 “Google censors itself for China”, *BBC News Online*, 25 January 2006, news.bbc.co.uk

537 Ev 266 [Google]; Ev 270 [Yahoo!]; Ev 286 [Microsoft]

538 “Brin Says Google Compromised Principles”, *ABC News*, 6 June 2006, <http://abcnews.go.com>

539 Ev 39

evidence to us advised that China was not the only country in which their product was modified according to the requests of government, but did not give specific details of the nature of such regulation.

343. We conclude that the collaboration of Western internet companies in the censorship and policing of the internet for political purposes is morally unacceptable. We further conclude, however, that it is in the interests of Chinese internet users that as much information be available for browsing as possible. We recommend that the Government put pressure on the Chinese government to relax its censorship of the internet and its requirement for foreign companies to restrict the political content of their pages. We further recommend that the Government represent to the Chinese authorities the damage which is done to economic growth by continued restriction of the free flow of information.

UK Approach to Human Rights Violations in China

344. The Government has a clear commitment to the promotion of human rights as a core element of the UK's bilateral relations with China. Over the past five years, both in the Committee's *China* Report of 2000, and in successive Reports on the FCO Human Rights Annual Reports, we and previous Foreign Affairs Committees have considered the effectiveness of FCO engagement in this area.

345. The FCO explained in their memorandum to the Committee's inquiry that there are three main modes of engagement by which UK Ministers and officials seek to influence Chinese behaviour on human rights: through high-level advocacy, through the Human Rights Dialogue, and through sponsorship of human rights projects.⁵⁴⁰ All three of these methods of influence have been criticised by NGOs and others in evidence to us.

346. Approaches to the Chinese on human rights matters are complicated by the Chinese government's suspicion about the motives of other governments. The memorandum we received from the Chinese Embassy stated that: "China is [...] firmly opposed to interfering in other countries' internal affairs by taking the human rights issue as an excuse, firmly opposed to the fallacy about human rights transcending over sovereignty, and firmly opposed to pursuing hegemony under the disguise of human rights".⁵⁴¹ Don Starr told us that: "As a result of Britain's 19th century history of aggression against China, Chinese question Britain's right to criticise her human rights record".⁵⁴²

High Level Advocacy

347. The first lever available to the Government is high-level advocacy. The FCO told us that frequent use of this approach was used by Ministers. However, NGOs have repeatedly criticised the Government for not saying enough to the Chinese, and not saying it loudly enough. Human Rights Watch told us that "human rights struggles to find its way on to the agenda at the highest level meetings"⁵⁴³ and criticised the Prime Minister for not making

540 Ev 114

541 Ev 159–160

542 Ev 233

543 Q 102

public statements on human rights at the time of President Hu's visit to the UK.⁵⁴⁴ Dr Hughes also criticised the reception of the Chinese President in the UK and told us that the magic of the Chinese market has acted to silence government criticisms of human rights: "We are all getting into this very embarrassing situation trying to outdo each other and kowtowing to the Chinese leadership".⁵⁴⁵ To put these criticisms into context, Human Rights Watch told us that French and German governments had behaved worse in this respect, and "the US has vacillated".⁵⁴⁶

348. The point has been made to us that overly strident public statements on human rights can be counter-productive. The Chinese Embassy told us in evidence that: "The only correct and effective way to solve the differences [between states on the human rights issue] is through dialogue and cooperation, rather than through confrontation and pressure".⁵⁴⁷ Yiyi Lu of Chatham House told us that "merely attacking the Chinese government over its human rights records may not be the best approach to influence the situation on the ground".⁵⁴⁸ Human Rights Watch, on the other hand, stated that "China's leaders respond to public diplomacy and take note when it is absent".⁵⁴⁹

349. We recommend that the Government continue to raise human rights at the highest levels with Chinese counterparts, and do not flinch from making public statements where appropriate.

Dialogue

350. The second channel of influence on human rights mentioned by the FCO is the UK Human Rights Dialogue. The UK Human Rights Dialogue is the main vehicle for government to government discussion of human rights with China. It is mirrored by an EU Human Rights Dialogue.⁵⁵⁰ We and the previous Foreign Affairs Committee have commented regularly on the Dialogue⁵⁵¹ in the past and have expressed concern about the speed of progress. Criticisms we have received of the dialogue from human rights organisations do not seem to have changed much over the past six years, although Human Rights Watch did say this year that "within the confines of the dialogue [British diplomats] are pushing pretty well".⁵⁵² The main criticisms of the dialogue are that it facilitates the exclusion of human rights discussions at other levels and meetings and that it is not transparent, measurable or benchmarked, making it unclear what concrete results the

544 Q 99

545 Q 25

546 Q 100

547 Ev 160

548 Ev 224

549 Ev 37

550 See below paras 357–9

551 For example, in Foreign Affairs Committee, Tenth Report of Session 1999–2000, *China*, HC 574–I; First Report of Session 1999–2000, *Annual Report on Human Rights 1999*, HC 41; Fifth Report of Session 200–2001, *Human Rights Annual Report 2001*, HC 589; Fourth Report of Session 2002–03, *Human Rights Annual Report 2002*, HC 257; Fourth Report of Session 2003–04, *Human Rights Annual Report 2003*, HC 389; Fourth Report of Session 2004–05, *Human Rights Annual Report 2004*, HC 109; First Report of Session 2005–06, *Human Rights Annual Report 2005*, HC 574; see Annex 1 for a table of Foreign Affairs Committee recommendations and Government responses.

552 Q 99

process has achieved.⁵⁵³ Professor Hughes told us that, having played a part in the dialogue himself, he was “far from impressed by the way it was organised”. He explained that: “It was one brief meeting: nothing, no preparations, no follow-up, no briefings, that was it”.⁵⁵⁴ On the other hand, Don Starr told us that “through on-going human rights dialogues, Britain and the EU have certainly helped improve Chinese human rights practice”.⁵⁵⁵

351. The Government has responded to our criticisms in the past by stating that although the dialogue is slow, it is not ineffective.⁵⁵⁶ The Foreign Secretary told us during our inquiry that the dialogue “does represent a worthwhile engagement” and that: “We do believe that we see gradual movement and greater recognition of some of the concerns”.⁵⁵⁷ In its response to our *Human Rights Annual Report 2005* Report, the government stated a number of achievements to which the dialogue had contributed, such as China’s signature of the International Covenant on Civil and Political Rights in 1998.⁵⁵⁸ The Foreign Secretary told us, in another context, that “it has always been my view that you try to do what is most effective, and if that disappoints people who wish to see you do the thing in a different way but you think you are actually getting a better result, then you should bite the bullet and put up with it”.⁵⁵⁹

352. We recommend that the Government, which clearly believes that the UK–China Human Rights Dialogue achieves results, make greater efforts to ensure that this is obvious to others, such as ourselves and NGOs. We further recommend that NGOs be invited to have observer status at the dialogue. We recommend that, in its response to this Report, the Government set out what steps are taken to follow up issues raised in each round of the dialogue. We recommend that the Government publish a summary of objectives before, and outcomes after, each round. We further recommend that the Government seek the agreement of its EU partners to the adoption of these same procedures in relation to the EU–China Human Rights Dialogue discussed in paragraphs 357–359 below. We recommend that the Government set out, in its response to this Report, in what other meetings human rights are raised, at official level, with the Chinese authorities, apart from during the human rights dialogue.

Projects

353. In financial year 2006–07, the FCO will spend £307,704 on nine human rights-related projects in China, through the Global Opportunities Fund, spanning a range of issues, from police and prison staff training, to raising awareness of torture, to seeking to influence the Chinese government over the death penalty. The effectiveness of these projects is

553 Ev 37

554 Q 24

555 Ev 233

556 Foreign and Commonwealth Office, *First Report from the Foreign Affairs Committee Session 2005–06 Annual Report on Human Rights 2005: Response of the Secretary of State for Foreign and Commonwealth Affairs*, Cm 6774, May 2006, para 114

557 Q 259

558 Foreign and Commonwealth Office, *First Report from the Foreign Affairs Committee Session 2005–06 Annual Report on Human Rights 2005: Response of the Secretary of State for Foreign and Commonwealth Affairs*, Cm 6774, May 2006, para 116

559 Q 261

assessed each year in the report of the Global Opportunities Fund. The latest Report, issued in October 2005, stated that: “All projects are now evaluated against their original proposal and particularly their purpose. In addition, some are targeted for later impact assessment studies”.⁵⁶⁰

354. We recommend that the Government conducts a rigorous analysis of the long-term impact of each of its Global Opportunities Fund projects in China, and publish the results.

Other Forms of Leverage

355. Other approaches to encouraging progress on human rights merit examination. As Dr Cronin told us: “You have to grab what leverage you have sometimes in policy and try to apply it”.⁵⁶¹ Dr Hughes told us that: “The EU has more power [to influence human rights] than perhaps it realises, partly because of the way the Chinese perceive the EU as a balance to US power and they are desperate to have EU support on a whole range of issues”.⁵⁶² Dr Cronin told us that, in his dealings with the Chinese government when working for the US government, “the Chinese wanted to know: how can we get [former US Trade Representative] Robert Zoellick to tick the box saying we are being a co-operative global stakeholder?”.⁵⁶³

356. This analysis suggests that the Chinese can be incentivised to improve human rights where mere encouragement has failed. Some of our witnesses did sound a note of caution on this approach, however. Yiyi Lu stated that: “Over-politicising the human rights issue and linking it to other issues, such as trade and investment, will only make the Chinese government more wary of engaging in human rights dialogue and cooperation with the West”.⁵⁶⁴ However, Dr Cronin told us that: “The Chinese say, ‘We do not like that linkage [of human rights with other issues].’ That is fine, but you have to take what leverage you have.”⁵⁶⁵ The obvious levers which the UK and EU have in these areas are trade and lifting the EU arms embargo.⁵⁶⁶

EU Human Rights Dialogue

357. The UK human rights dialogue with China is mirrored by an EU dialogue. Once again, the effectiveness of the EU approach was challenged by our witnesses. Dr Hughes told us that: “European foreign policy has tended to overlook many of the value issues or normative issues of human rights”.⁵⁶⁷ He went on to say that the EU–China Human Rights Dialogue “can hardly be called a success because we have seen no results at all out of it”,

560 Foreign and Commonwealth Office, *Global Opportunities Fund Annual Report 2004–05*, Cm 6665, October 2005, p 132

561 Q 155

562 Q 25

563 Q 149

564 Ev 224

565 Q 155

566 We discuss the arms embargo above, at para 126–134.

567 Q 1

and that “EU policy has become unashamedly orientated towards economic interests”. While “EU strategy documents [...] pay lip service to human rights issues”, EU officials “are not interested in sensitive issues, they do not want to rock the boat” of economic cooperation.⁵⁶⁸

358. Part of the problem with the EU dialogue is the lack of coordination between the different bilateral dialogues conducted by various EU states, and the EU dialogue. The forum for coordination is known as the Berne group, which meets to address this issue. The Foreign Secretary told us that:

We and others who are members of the Berne Group have become more actively involved in sharing information, co-ordinating our efforts, precisely so that, first, we have got a better picture of what the problems are and, second, that we think we can have and we do get some indication that we are having greater impact in that respect.⁵⁶⁹

359. We recommend that the Government set out, in its response to this Report, what can be done to improve the transparency of the Berne group process.

Autonomous Regions

360. The system of Chinese government is, as we have discussed, highly decentralised. The system of “autonomy” for particular regions is described by the Chinese Embassy as one of the “important components of China’s democratic system”.⁵⁷⁰ In this section we consider the human rights issues raised by the system as it applies to the ethnic autonomous regions of Tibet and Xinjiang, which present particular human rights issues, and the challenges of the rather different autonomy enjoyed by Hong Kong Special Administrative Region.

361. The Chinese Embassy stated in their memorandum that “all ethnic groups [in China] enjoy equal political status, and a new type of socialist ethnic relationship featuring equality, unity, and mutual support has been formed”.⁵⁷¹ According to the memorandum, autonomous government ensures representation of the regional ethnic groups in the national and regional government, and Beijing has poured central funding into the regions. The ethnic regions, comprising Inner Mongolia, Guangxi, Tibet, Ningxia, Xinjiang, Guizhou, Yunnan and Qinghai, reportedly received 4.84 billion renminbi (US\$598 million) in assistance in 2005.⁵⁷² The Chinese Government published a white paper in February 2005 entitled *Regional Autonomy for Ethnic Minorities in China*, which stated that the system of devolved government “is critical to enhancing the relationship of equality, unity and mutual assistance among different ethnic groups, to upholding national unification, and to accelerating the development of places where regional autonomy is practiced and promoting their progress”.⁵⁷³ However, the ethnic regions have also been a

568 Q 24

569 Q 259

570 Ev 158

571 Ev 160

572 “US\$598 Mln Allocated to Ethnic Regions”, www.china.org.cn, 3 February 2006

573 State Council, *Regional Autonomy for Ethnic Minorities in China*, February 2005, Preface

source of significant dissent within China, belying the assurance of “a new type of socialist ethnic relationship”.

Tibetan Autonomous Region

362. During our visit to China, part of the Committee visited Lhasa and Tsedang in the Tibetan Autonomous Region, and held meetings with a range of officials from municipal and regional government as well as monks of Sera and Samye monasteries. We were dependent upon our hosts in Beijing for our programme, so were not able to contact dissenting groups on the ground. At least one representative of the NPC in Beijing was present at all of our meetings.

363. The relationship between mainland China and Tibet is a complex one. The main source of contention from which other problems stem is the Chinese insistence that Tibet has always been part of China. The Chinese Embassy told us that: “China’s sovereignty to Tibet allows no doubt. The Chinese Central Government has been exercising sovereignty over Tibet since the 13th century [...] Tibet has never been an independent country, and there is no country in the world that recognizes Tibet as an independent country”.⁵⁷⁴

364. The Chinese government characterises the arrival of People’s Liberation Army troops in Lhasa in 1951 as a “peaceful liberation” of Tibetans from a “feudal serfdom system” in which: “The basic rights of subsistence of the majority of the serfs could not be guaranteed, let alone their political rights”.⁵⁷⁵ This analysis of history is not shared by others, and the Tibetan Government in Exile, headed by His Holiness the Dalai Lama, who fled Tibet in 1959, “has consistently held that Tibet has been under illegal Chinese occupation since China invaded the independent state in 1949–50”.⁵⁷⁶ The FCO memorandum stated that: “Successive British Governments have regarded Tibet as autonomous whilst recognising the special position of the Chinese authorities there [...] HMG does not recognise the so-called ‘Tibetan Government in Exile’”.⁵⁷⁷

365. In Tibet, traditional religious leaders such as the Dalai Lama and Panchen Lama have, in the past, had a role in government. This has led to particular difficulties in encouraging dialogue between religious leaders and the Chinese authorities. Although four rounds of talks have taken place between the Chinese and the Tibetan Government in Exile, the Chinese Embassy described the current Dalai Lama as “not only a religious figure, but a political exile engaged in separatist activities”.⁵⁷⁸ The Chinese stated that “The door for negotiation is always open”. However, the Chinese judgement is that:

although the Dalai Lama kept changing tactics, his position on Tibetan independence did not budge at all, neither did the nature of his separatist activities. The Dalai clique has never abandoned the separatist activities both at home and

574 Ev 161

575 Ev 161

576 Michael C. van Walt van Praag, “The Status of Tibet”, available at <http://www.tibet.com>

577 Ev 115

578 Ev 161

abroad, and they do not have any sincerity in engaging and negotiating with the Central Government.⁵⁷⁹

366. The Dalai Lama himself has, in fact, made public statements renouncing his former political role and accepting Chinese rule. In 2005, he said that:

My involvement in the affairs of Tibet is not for the purpose of claiming certain personal rights or political position for myself nor attempting to stake claims for the Tibetan administration in exile [...] when we return to Tibet with a certain degree of freedom I will not hold any office in the Tibetan government or any other political position and [...] the present Tibetan administration in exile will be dissolved.⁵⁸⁰

367. In 2006, the Dalai Lama said that: “I have only one demand: self-rule and genuine autonomy for all Tibetans, *i.e.*, the Tibetan nationality in its entirety. This demand is in keeping with the provisions of the Chinese constitution, which means it can be met [...] I do not wish to seek Tibet’s separation from China”.⁵⁸¹

368. The Office of Tibet in the UK told us in evidence that the talks with the Chinese Government have been unproductive because of the attitude of the Chinese, stating that: “There have been no positive changes inside Tibet since the opening of direct contact with the Chinese leadership and that there are no clear signs that Chinese leadership is genuinely interested in beginning an honest dialogue”.⁵⁸² The FCO told us that: “We have pressed the Chinese repeatedly to continue these contacts [with the Dalai Lama’s representatives] and enter a substantive dialogue without pre-conditions and have made clear our view that negotiations should work towards a long term peaceful solution acceptable to the Tibetan people”.⁵⁸³

369. We conclude that the Chinese assertion that the Dalai Lama advocates Tibetan independence flies in the face of public statements made by the Dalai Lama. We recommend that the Government continue to press the Chinese to allow the Dalai Lama to return to Tibet in his capacity as spiritual leader.

370. The Panchen Lama is the second highest spiritual leader in Tibetan Buddhism after the Dalai Lama. When the Fourteenth Dalai Lama left Tibet in 1959, the Panchen Lama remained in Tibet in uneasy compromise with the Chinese authorities, suffering ten years’ imprisonment for loyalty to the Dalai Lama. After his death in 1989, a search was made, according to Tibetan belief, for his reincarnation. The Dalai Lama announced in 1995 that the reincarnation had been identified as Gedhun Choekyi Nyima, a six year-old boy living in Lhari district in Nagchu, Tibet.⁵⁸⁴ However, the Chinese authorities rejected this decision and anointed a different successor, Gyaltzen Norbu, another Tibetan boy; Gedhun Choekyi

579 Ev 161

580 Statement of His Holiness the Dalai Lama on the Forty-Sixth Anniversary of the Tibetan National Uprising Day, 10 March 2005, available at <http://www.tibet.net>

581 Statement of His Holiness the Dalai Lama on the Forty-Seventh Anniversary of the Tibetan National Uprising Day, 10 March 2006, available at <http://www.tibet.net>

582 Ev 170

583 Ev 115

584 The Government of Tibet in Exile, “His Holiness the Dalai Lama recognises the Panchen Lama”, 14 May 1995, available at <http://www.tibet.com>

Nyima has not been seen since. Norbu appeared in April 2005 at the World Buddhism Conference, held in Beijing, and was reported as giving a speech in which he exhorted Tibetans to “defend the nation”.⁵⁸⁵

371. The FCO told us that: “We remain concerned about the status of Gedhun Choekyi Nyima” and that at the EU–China Human Rights Dialogue in February 2005, the EU pressed for an independent figure to have access to him.⁵⁸⁶ When we visited Tibet, the government authorities assured us that the boy was in good health, and that we should not be concerned about his location.

372. We conclude that Beijing’s insistence on controlling the appointment of the next Panchen Lama is a serious abuse of the right of freedom of religion. We recommend that the Government press for the recognition by the Chinese of the right of Tibetan religious leaders to choose the next Panchen Lama according to their religious beliefs and practices.

Economic Development

373. The Chinese government’s contention is that its policies towards Tibet have been motivated by the desire to modernise the state and raise the living standards of the people. The Chinese Embassy described the Tibetan society which preceded the incursion of Mao’s forces as “even darker and more backward than that in the Middle Ages in Europe”, stating that “high-ranking monks and nobles that only account for 5% of the population controlled more than 95% of the serfs and means of production” and that: “The serfs were exploited economically, suppressed politically, and controlled spiritually”.⁵⁸⁷ By contrast, since the establishment of the Tibet Autonomous Region in 1965, “earth-shaking changes have taken place in the political, economic and social life of Tibet”, triggering a “great leap forward in the development of its system, structure and size of the economy”, such that “Tibet’s GDP jumped from 327 million yuan RMB in 1965 to 21.15 billion yuan RMB in 2004; per capita GDP in 1965 was only 241 yuan RMB, while in 2004 it reached 7,779 RMB”.⁵⁸⁸ The Western Development Strategy, launched in 2000, seeks to address disparities between the West of China and the wealthier East, by investing in major infrastructure projects. The opening for trade of the Nathu La pass between Tibet and India in July raises the prospect of further potential development.⁵⁸⁹

374. However, the FCO told us that: “We are concerned that economic development does not take the wishes of the local Tibetan population into account, nor do they benefit proportionately”.⁵⁹⁰ The Free Tibet Campaign told us that the Western Development Strategy “is amplifying the existing disparities and strengthening the linkage between security issues and economic policy, and the projects contained within the strategy are

585 “Panchen Lama makes rare public appearance at Buddhist conference”, *The Associated Press*, April 13, 2006

586 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 43

587 Ev 161

588 Ev 161

589 “Asian detente: On the roof of the world, India and China put aside differences to reopen trade route”, *The Guardian*, 7 July 2006

590 Ev 115

designed to consolidate China's political control of Tibet".⁵⁹¹ For example, Free Tibet Campaign argued that the new 1,142 km railway linking Lhasa to Qinghai, at a reported cost of \$3 billion,⁵⁹² "will provide logistical support to the military, enable greater and swifter in-migration of non-Tibetans to the area and facilitate the exploitation of mineral resources contrary to the Tibetans' economic rights". Moreover, Free Tibet Campaign stated that government expenditure has neglected social infrastructure such as primary and secondary education, healthcare facilities, rural secondary roads and irrigation outside the main valley systems, which would make most difference to the people.⁵⁹³

375. We conclude that the economic development of Tibet is to be welcomed, if it brings improvements to the living standards of ordinary Tibetans, and if Tibetan people have ownership over the process. We recommend that the Government urge its Chinese counterparts to improve the degree of Tibetan involvement in development decisions and emphasise to the Chinese the beneficial effect of such involvement on social stability.

Freedom of Religion

376. The economic development of Tibet has taken place in the context of a human rights situation about which the FCO told us they are "very concerned". The FCO said in evidence that it was particularly concerned about "the restrictions on religious practice and the on-going political education campaign in monasteries".⁵⁹⁴ Amnesty International told the Committee during the inquiry into the Human Rights Annual Report that: "We do not think [the situation in Tibet] is improving. We continue to document abuses taking place in Tibet particularly of monks and nuns and of other religious minorities. So we have nothing to say about improvement in Tibet".⁵⁹⁵

377. Free Tibet Campaign drew our attention to the Patriotic Re-education campaign, re-launched in 2005, which is designed to "instil loyalty to the State and Communist Party as a pre-requisite for being a good monk or nun, [...and] attempt to undermine the influence of the Dalai Lama".⁵⁹⁶ Free Tibet Campaign told us that "religious institutions are very strictly controlled by management committees, and all Tibetan officials are prohibited from following their traditional Buddhist traditions".⁵⁹⁷ Management Committees perform a political as well as religious function in regulating the activities of the monastery.

378. The Members of our Committee who visited Tibet raised the issue of religious freedom at meetings with government officials and with Abbots and Management Committees of several monasteries. Every interlocutor assured us that all Tibetans enjoyed freedom of religion. This was clearly at odds with the evidence we had received, and with

591 Ev 246

592 "China completes railway to Tibet", *BBC News Online*, 15 October 2005, news.bbc.co.uk

593 Ev 246

594 Ev 115

595 Foreign Affairs Committee, First Report of Session 2005–06, Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, HC 574, Q 61

596 Ev 244

597 Ev 244

discussions which some Members had in the UK with a group of Tibetan nuns who had been imprisoned and tortured while in Tibet.

379. The FCO told us that it has regular contacts with the Chinese on the issue of human rights in Tibet and “raise our concerns with the Chinese authorities at every suitable opportunity”.⁵⁹⁸ The *Human Rights Annual Report 2005* described UK funding for work in Tibet, including provision by DFID of £0.5 million per year for development assistance.⁵⁹⁹ The Foreign Secretary told us that that, in addition to project work:

We are also seeking to use what I think is a degree of goodwill and mutual confidence that we are gradually building up with the Chinese Government to encourage political dialogue and try to encourage from all quarters an approach of trying to identify a greater degree of common ground so that there can be a more peaceful approach and peaceful settlement in the area of Tibet.⁶⁰⁰

380. We conclude that freedom of religious belief and worship in Tibet remains significantly restricted. We recommend that the Government continue to press this issue with its Chinese counterparts, emphasising the beneficial influence which religious freedom can have on social cohesion.

Tibetan Culture and Language

381. In addition to the threats to Tibetan freedom of religion, the FCO described its concern about “the impact of continuing inward migration into the region on traditional Tibetan culture”⁶⁰¹. The FCO told us that: “The most recent Chinese government statistics gave the population of the TAR [Tibetan Autonomous Region] as 2.76 million in November 2005. Of these, 2.5 million (92%) were ethnic Tibetans, and 180,000 were Han Chinese (6.5%)”.⁶⁰² However, as 80% of ethnic Tibetans live in rural areas, whereas most Han immigrants live in Lhasa; “The presence of Han Chinese is felt disproportionately in the cities” and: “In urban areas, the number of Han Chinese is almost equal to the number of ethnic Tibetans”.⁶⁰³ The new railway is expected to bring more migrants into Tibet.

382. The effect of this migration, it is argued, has been to dilute Tibetan culture. Human Rights Watch told us that “the Chinese-isation, Hanisation, Sinisation, whatever you want to call it, of Tibet has really taken over”.⁶⁰⁴ Brad Adams of Human Rights Watch told us that Tibetans regard the new railway as “the end of their culture and the end of their civilization over time [...] it has just opened a door that can never be closed”.⁶⁰⁵

598 Ev 115

599 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 43

600 Q 262

601 Ev 115

602 Ev 147

603 Ev 148

604 Q 113

605 Q 113

383. We observed a great deal of construction activity during our visit to Tibet, and were told by government officials in Lhasa that, under planning regulations, new buildings must be in keeping with traditional Tibetan architectural styles. However, the *Annual Report 2005* of the Tibetan Centre for Human Rights and Democracy described “extensive demolition of traditional Tibetan buildings and construction of new Chinese apartment blocks” over the last decade,⁶⁰⁶—glaringly evident to us in Lhasa—and Human Rights Watch told us that: “There is an attempt to move people off the land and into apartment buildings and new neighbourhoods that are built mostly in urban areas, sometimes in more rural areas, changing their way of life”.⁶⁰⁷ The UN Committee on Economic, Social and Cultural Rights expressed concern in 2005 about “the lack of effective consultations and legal redress for persons affected by forced evictions and demolitions, including those of historic structures, buildings and homes in Lhasa”.⁶⁰⁸

384. Another criticism of Han migration is the undermining of the Tibetan language, and we heard that command of Mandarin Chinese is critical to succeed in the new Tibetan economy. Human Rights Watch told us that: “For the jobs that pay good money, mostly Chinese language is a barrier”;⁶⁰⁹ Freedom House stated in 2005 that: “Many Tibetans are torn between a desire to learn Chinese in order to compete for university slots and jobs and the realisation that increased use of Chinese threatens the survival of the Tibetan language and culture”.⁶¹⁰ The Tibetan officials we met in Lhasa and Tsedang conducted our meetings almost exclusively in Mandarin Chinese.

385. It is argued that the emasculation of Tibetan language and culture is a deliberate Chinese policy, orchestrated through the education system. The Tibetan Centre for Human Rights and Democracy stated in its *Annual Report of 2005* that since 1949, “China has been conducting an education policy aimed at indoctrinating Tibetan students with communist ideologies and ultimately at totally assimilating Tibetans”.⁶¹¹ The Report states that ideological education has been strengthened during 2005, and that:

In the aim of making Tibetans Chinese, Tibetan history and culture are not only not taught; they are formally denied and denigrated. Furthermore, in a Chinese dominated economic and social life, the Tibetan language has become useless. Tibetan Children learn Chinese from grade one and must be fluent to enter secondary school and higher education where the medium of instruction is exclusively Chinese.⁶¹²

386. We conclude that the Tibetan people have a right to conduct their economic and social lives in the Tibetan language; that Tibetan culture should be preserved; and that Tibetan secular and religious buildings of architectural, historic and religious

606 Tibetan Centre for Human Rights and Democracy, *Annual Report 2005*, p 143

607 Q 113

608 United Nations Economic and Social Council, Thirty-Fourth Session 25 April–13 May 2005, *Consideration of Reports Submitted by States Parties under Articles 16 and 17 of the Covenant: Concluding observations of the Committee on Economic, Social and Cultural Rights – People’s Republic of China (including Hong Kong and Macau)*, para 31

609 Q 113

610 Freedom House, “Freedom in the World – Tibet [China]”, 2005, available at www.freedomhouse.org

611 Tibetan Centre for Human Rights and Democracy, *Annual Report 2005*, p 157

612 *Ibid*, p 176

significance should be protected. We recommend that the Government urge the government of the People's Republic of China to strengthen the use of Tibetan in the education system in the Tibetan Autonomous Region and other ethnic Tibetan areas.

Xinjiang Uighur Autonomous Region

387. The issues posed by Xinjiang are, in many respects, similar to those relevant to Tibet. Amnesty told us that: “Xinjiang has many of the problems of Tibet. It is in a similar situation but it is in an even more dire situation because it has very little international recognition.⁶¹³ However, the region is also a strategic concern for the central government given its geographical position in Central Asia. Moreover, the region is the only provincial region in which Han Chinese do not have demographic dominance, making up 41% of the population compared to 45% Uighur.⁶¹⁴ State-sponsored Han migration into Xinjiang has been significant.⁶¹⁵

388. Again, sovereignty is disputed. The Chinese Embassy stated in evidence that Xinjiang “has been an inalienable part of the multi-ethnic China since the Western Han Dynasty (BC 206–B.C.24)” and that “Xinjiang was liberated through peaceful means” in 1949.⁶¹⁶ However, the Uighur population has a long history of independence from China and strong linguistic and historical ties with the neighbouring states of Central Asia. The Chinese Embassy memorandum stated that, since the launch of the Western Development Strategy, Xinjiang has benefited from economic growth and that: “By 2010, Xinjiang’s GDP will double that of 2000 and the general public will lead a better life”:

In 2004, the GDP of the entire region reached 220 billion RMB, up 11.1% over the previous year. The *per capita* GDP reached 11,199 yuan, an increase of 9.5%. The economic structure has been adjusted and optimized. The overall production capacity of agriculture has been strengthened notably and its rural economy has gained comprehensive development. The industrial strength has been greatly increased and the technological standard notably lifted. Infrastructure has been improved remarkably. Communications and transportation have made great progress. Tourism has become a new growth point for economic development in Xinjiang [...] By 2004, Xinjiang had established economic and trade cooperation with 132 countries and regions. Its border trade grows very fast.⁶¹⁷

389. The Chinese Embassy also stated that traditional ways of life have been protected, threats to the environment have been warded off, and religious freedom guaranteed.⁶¹⁸ However, Human Rights Watch described, in a report in 2005, “a multi-tiered system of surveillance, control, and suppression of religious activity aimed at Xinjiang’s Uighurs”.⁶¹⁹

613 Q 115

614 Ev 277 [Dr Caroline Hoy]

615 Ev 277 [Dr Caroline Hoy]

616 Ev 160

617 Ev 160

618 Ev 160

619 Human Rights Watch, Press Release, “China: Religious Repression of Uighur Muslims – Architecture of Xinjiang Suppression Detailed”, 12 April 2005

According to the report, routine harassment and religious controls affect most people, and “peaceful activists who practice their religion in a manner deemed unacceptable by state authorities or Chinese Communist Party (CCP) officials are arrested, tortured, and at times executed”.⁶²⁰

390. China justifies its treatment of Uighurs as a necessary response to separatist activity. The East Turkestan Islamic Movement, an extreme Uighur movement, seeks an independent state of ‘East Turkestan’, and China attributes to the group responsibility for 200 terrorist attacks between 1990 and 2001, including bombings and assassinations.⁶²¹ China has sought to deal with this activity by linking it to the global war on terror, and by securing an agreement through the Shanghai Cooperation Organisation⁶²² to tackle regional terrorism in concert with neighbouring powers. The Chinese attitude towards separatists in Xinjiang has been heavily criticised. Amnesty told us in evidence that the linkage with the global war on terror is a spurious attempt to justify “serious human rights violations against the ethnic Uighur community such as the harassment and arbitrary detention of Uighur peaceful protesters and dissenters, often described as ‘religious extremists’ or ‘terrorists’”.⁶²³ The FCO also told us that they had concerns about human rights violations in Xinjiang. The *Human Rights Annual Report 2005* states that the Chinese authorities fails to distinguish between “people who express peaceful political views and those who advocate violence”.⁶²⁴

391. We conclude that repressive Chinese policies in Xinjiang are reprehensible. We recommend that the Government continue to monitor developments in Xinjiang closely.

Hong Kong Special Administrative Region

392. Since Hong Kong returned to China in 1997, the UK has retained a strong interest in developments in the Special Administrative Region (SAR), and significant business and people to people links. The Government reports biannually to Parliament on developments in Hong Kong. We visited Hong Kong during our visit to China and held meetings with government, legislative, business, human rights and other interlocutors.

Constitutional Developments

393. Hong Kong’s system of government and procedures for choosing its Chief Executive and Legislative Council (LegCo) were set out in the Basic Law, which became operational in 1997. The Basic Law, which was drafted by a Committee of Chinese and Hong Kong members, between 1985 and 1989, was adopted on 4 April 1990 by the Seventh National People’s Congress. The basis for the Law was the Sino–British Joint Declaration on the Question of Hong Kong, which was signed by the Chinese and British Governments on 19 December 1984.

620 Ibid

621 Council on Foreign Relations, “East Turkestan Islamic Movement (China, separatists)”, November 2005

622 See above, para 256 to 261.

623 Ev 44

624 Foreign and Commonwealth Office, *Human Rights Annual Report 2005*, Cm 6606, July 2005, p 43

394. Hong Kong's current Chief Executive, Donald Tsang, was appointed by a "broadly representative" Election Committee made up of 800 Hong Kong residents, "drawn from all walks of life".⁶²⁵ The current Legislative Council comprises Members elected by different means: 50% of seats are elected directly according to geographical constituencies; and 50% by "functional" constituencies representing professional groups and business sectors.⁶²⁶ Functional constituencies comprise the following sectors: commercial, industrial, finance, accountancy, medical, legal, real estate and construction, architecture, surveying and planning, financial services, textiles and garment, import and export, wholesale and retail, insurance, rural landowning interests, tourism, transport, catering and information technology.

395. The Basic Law also institutionalised a presumption of gradual progression towards election by universal suffrage.⁶²⁷ The Chinese Embassy stated in evidence to us that: "The Central Government highly values and actively supports Hong Kong SAR to act in accordance with the stipulations of the Basic Law to develop [a] democratic system that suits the actual situation of Hong Kong in a gradual manner".⁶²⁸ The memorandum describes developments since 1997 in the selection of the Chief Executive and composition of LegCo as steps towards universal suffrage.⁶²⁹

396. In December 2005, the current Chief Executive, Donald Tsang, brought before LegCo further proposed changes to the electoral system. The package of proposals had been drawn up by a Constitutional Development Task Force, created in 2004. In April 2004, the Standing Committee of the National People's Congress in Beijing restricted the Task Force's ambit by denying the possibility of election of the Chief Executive in 2007 by universal suffrage, and by stating that the 50:50 ratio of functional constituencies and geographical constituencies in LegCo should be retained for the 2008 elections, leading to accusations of undue interference.⁶³⁰

397. The final proposals of December 2005 included expanding LegCo by another ten seats, five of which would be elected by geographical constituencies and five by District Councillors (of whom 427 are directly elected and 102 appointed). In addition, procedures for electing the Chief Executive were also to be changed. The Election Committee was to double in size to 1600 members. The political sector of the Committee would be expanded by the inclusion of all District Councillors, and the commercial, social and professional sectors of the Committee would also each gain an additional 100 members. Candidates running for Chief Executive would have to gain 200 nominations (rather than the current 100 required nominations) in order to stand.⁶³¹

625 From the website of the Government of Hong Kong SAR, at <http://www.info.gov.hk>

626 Ibid

627 Article 45 states: "The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures". Article 68 states: "The ultimate aim is the election of all the members of the Legislative Council by universal suffrage".

628 Ev 162

629 Ev 162

630 Foreign and Commonwealth Office, *Six-monthly Report on Hong Kong January–June 2004*, Cm 6292, July 2004, para 42

631 Foreign and Commonwealth Office, *Six-monthly Report on Hong Kong July–December 2005*, Cm 6751, March 2006, para 4

398. Presenting the package, Donald Tsang stated that: “While some consider that the current pace of constitutional development as proposed in the package is not quick enough and would want to have universal suffrage for the C[hief] E[xecutive] and LegCo elections as soon as possible, others are concerned that by moving too fast we may undermine the merits of the current system which would impact negatively on balanced participation” and urged all sides to accept his solution as a compromise.⁶³² However, a protest march organised by pro-democracy legislators on 4 December attracted a reported 250,000 people (although the police estimate was 63,000).⁶³³ On 21 December LegCo rejected the package, because although there were 34 votes for, 24 votes against, and two abstentions, a majority of two-thirds was required to pass the change.⁶³⁴

399. The UK Government had described the proposed changes as “an incremental step in the right direction” and said that “in the short term they are the best way of making progress”.⁶³⁵ We are less convinced.

400. We conclude that the package of constitutional changes presented by the Chief Executive in December 2005 was a very limited measure which did not go far enough towards the introduction of representative democracy and universal suffrage.

401. In the wake of the failure of the constitutional reform measures, the Chief Executive stated that he would not bring forward alternative suggestions in the short term, saying that: “It is regrettable because Hong Kong has, gratuitously, missed an opportunity for a giant step towards democracy.”⁶³⁶

402. We recommend that the Government urge the Hong Kong Special Administrative Region to make significant, major steps towards representative democracy and to agree with Beijing a timetable by which direct election of the Chief Executive and LegCo by universal suffrage will be achieved.

Rule of Law and Protection of Human Rights

403. One of the concerns raised at the time of Hong Kong’s handover was that human rights and the rule of law would be eroded by incorporation into the People’s Republic. We met human rights organisations in Hong Kong and also took evidence on this issue. Amnesty International expressed some concerns about freedom of expression and the press, freedom of association and assembly, violence against women, lack of anti-racial discrimination legislation, and legislation covering discrimination on grounds of sexual orientation, the protection of asylum seekers and refugees and rendition and the death penalty.⁶³⁷ The FCO told us that their overall assessment of rights and freedoms in Hong

632 Hong Kong Economic and Trade Office, London, Press Release, “CE’s Statement on Constitutional Development”, 30 November 2005

633 *Six-monthly Report on Hong Kong July–December 2005*, para 14

634 *Ibid*, para 19

635 *Ibid*, para 18

636 *Ibid*, para 20

637 Ev 46–7

Kong was positive, but highlighted concerns over the freedom of the media, and restrictions placed on travel to the mainland by pro-democracy politicians.⁶³⁸

404. We conclude that, despite some concerns, overall Hong Kong remains a vibrant, dynamic, open and liberal society with a generally free press and an independent judiciary, subject to the rule of law.

Economy and Business

405. The UK retains strong economic links with Hong Kong and UKTI described it as “a crucial centre for UK business interests in the Asia Pacific region”.⁶³⁹ Hong Kong is the UK’s 13th largest export market with exports in 2004 of £2.6 billion, exceeding UK exports to mainland China.⁶⁴⁰ In 2004, bilateral trade amounted to £8.5 billion; approximately 1,000 British companies have offices in the Hong Kong market.⁶⁴¹ Hong Kong invests around £19 billion in the UK, which is 70% of its total investment in Europe.⁶⁴² UKTI stated in evidence that while the UK acts as gateway to the EU market for Hong Kong, Hong Kong performs a similar role for the UK, allowing British companies a way into mainland China. In 2004, 19% of the UK’s exports to China went through Hong Kong.⁶⁴³

406. Hong Kong’s economic relationship with mainland China is significant. China accounts for 45% of Hong Kong’s total trade; and Hong Kong accounts for about 10% of China’s total trade.⁶⁴⁴ Hong Kong is the largest direct investor in China: the Hong Kong Association told us that Hong Kong businesses are estimated to have set up over 60,000 factories in China.⁶⁴⁵ The Closer Economic Partnership Arrangement (CEPA), signed in 2003, allows Hong Kong products to be exported tariff-free to the mainland, and gives preferential treatment to Hong Kong-based service providers.⁶⁴⁶ This agreement has given impetus to the integration of the Pan Pearl River Delta economic area, comprising nine Chinese provinces, Hong Kong and Macao. The British Chamber of Commerce told us that this integration denoted the creation of “a Pearl River Delta Common Market”.⁶⁴⁷ Professor Schenk stated that: “it is much more evident now that Hong Kong’s economic future lies through further integration with the booming mainland economy and, indeed, that prosperity in Hong Kong is dependent on this relationship”.⁶⁴⁸ The advantage works both ways. The British Chamber of Commerce told us that:

A further phenomenon has been the unprecedented growth in the number of mainland Chinese businesses that have established themselves in Hong Kong. These

638 Ev 116–7

639 Ev 175

640 Ev 175

641 Ev 115; Ev 175

642 Ev 175

643 Ev 175

644 Ev 60

645 Ev 60

646 Ev 59 [Hong Kong Association]

647 Ev 259

648 Ev 266

companies are increasingly using Hong Kong to network with international business, to raise capital and to explore global markets.⁶⁴⁹

Moreover, Hong Kong has a role to play in offering China its experience to assist the mainland's efforts to improve business structures and governance.

407. Hong Kong has advantage of close links with the Chinese economy but a business culture aligned with international corporate governance and a common-law system based on the British legal system. In addition, the Hong Kong Association told us:

it is one of the most open and dynamic economies in the world; it has a strong legal system, with an independent judiciary and rule of law; it has an anti-corruption environment and sound corporate governance; a world class communications infrastructure and an international financial centre.⁶⁵⁰

408. Moreover, Hong Kong has its own currency, which is free of exchange controls, fiscal independence from China, and controls its own labour and product market regulation, and trade policy.⁶⁵¹ Hong Kong also performs a significant regional role, in part because of its geographical position, which gives it easy access by air to mainland China and other Asian countries. The Hong Kong Association told us that 1,167 international companies have regional headquarters in Hong Kong, 115 of which are from the UK.⁶⁵²

409. Hong Kong's attractions lead many companies to use Hong Kong as "as a springboard to leap into China".⁶⁵³ The British Chamber of Commerce in Hong Kong described the "significant risk mitigation benefits of using Hong Kong as an access point for Mainland business".⁶⁵⁴ By comparison with China's patchy enforcement of intellectual property rights, "Hong Kong, [...] with its solid legal infrastructure and tradition of contract enforcement, is far better able to protect intellectual property rights".⁶⁵⁵ While businesses with long experience of mainland China can successfully navigate the challenges of the Chinese market, the Chamber stated that:

For businesses with little or no experience of Mainland Chinese business norms, Hong Kong companies offer the expertise and trust required. Contracts originating in Hong Kong provide British companies with the assurance that the goods that they have ordered will be delivered on time, to the correct specifications and at the agreed price.⁶⁵⁶

410. Given Hong Kong's economic importance, the UK has a strong interest in making the most of its historical connections with Hong Kong to exploit the business opportunities. However, the Hong Kong Association told us that "there is a feeling that the [UK–Hong

649 Ev 259

650 Ev 61

651 Ev 242 [James Forder]

652 Ev 60

653 Ev 60

654 Ev 259

655 Ev 261

656 Ev 261

Kong] relationship has not strengthened as much as it could have done since the 1997 handover”.⁶⁵⁷ UK share of Hong Kong’s total trade has fallen from 2.8% in 1997 to 2.1% in 2005.⁶⁵⁸ The British Chamber of Commerce stated that “the perception in the British, Hong Kong and Mainland Chinese business communities alike has been that the UK has refocused its attention on the Mainland, at the cost of its involvement and profile in Hong Kong”.⁶⁵⁹ The Chamber called for “a more visible acknowledgement of the scale of UK business interests in Hong Kong and continued firm support from government in promoting Hong Kong”.⁶⁶⁰ However, the Chamber did note signs of progress in this area, stating that: “In the earlier days of the China Task Force initiative, the Chamber was concerned that Hong Kong was not fully included in the process” but that Chamber members have since been assured that “this was not the case and that senior UK government policy makers were well-aware of the advantages that Hong Kong provides”.⁶⁶¹

411. Particular opportunities available to UK business were described as follows:

Declining birth rates and increased life expectancy mean that Hong Kong is facing an aging population, which in turn is putting significant strain on health care services. Economic success and demographic changes are also increasing demand for manpower and educational services. Competition in the manufacturing sector is increasingly driving companies to look for improved hi-tech solutions. The environment, however, represents Hong Kong’s greatest challenge. Poor air quality and a lack of space in local landfills, in particular, are leading to calls for greater investment in renewable energy and recyclables. These challenges present obvious potential opportunities for British companies skilled in these fields.⁶⁶²

412. The Chamber suggested various ways in which the Government could assist UK business in Hong Kong, including greater promotion of UK business in Hong Kong, focusing on highlighting the UK’s core strengths, creation of “an easily accessible database providing statistics on the UK’s existing engagement in the region” and “regular meaningful updates on UK/China-related events and policy developments”.⁶⁶³ The Chamber also suggested research to isolate the relevant industry sectors which are likely to need help in the future.⁶⁶⁴

413. We recommend that the Government ensure that its strategy on China recognises the continuing economic importance of Hong Kong in its own right, and its role as a gateway to China. We recommend that the Government work with business organisations to identify priority sectors which could benefit from opportunities in Hong Kong, and to offer assistance in delivering market research and trade promotion.

657 Ev 62

658 Ev 62

659 Ev 259

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661 Ev 263

662 Ev 260

663 Ev 263

664 Ev 259

British National (Overseas) Passport holders

414. The FCO told us that: “There are nearly 3.5 million holders of the British National (Overseas) (BN(O)) passport, most of whom live in Hong Kong. There are also an estimated 200,000 British Citizens in Hong Kong”.⁶⁶⁵ The FCO *Six-monthly Report on Hong Kong (July–December 2005)* stated that:

The British Government remains fully committed to providing the highest standard of consular and passport services to the holders of the British National (Overseas) (BN(O)) passport. We continue to offer the same level of consular service to BN(O) passport holders in third countries as we do to other British Nationals and regularly remind all our overseas missions of their obligations towards BN(O)s.⁶⁶⁶

415. However, the FCO pamphlet *Support For British Nationals Abroad: A Guide* states that:

We cannot help British nationals (overseas) of Chinese ethnic origin in China, Hong Kong and the Macao Special Administrative Regions. The Chinese authorities consider British nationals (overseas) of Chinese ethnic origin as Chinese nationals, and we have no power to get involved if they are held in mainland China. However, we provide the same help to all British nationals (overseas) living or travelling outside China, Hong Kong and Macao as we do to any other British national in difficulty.⁶⁶⁷

416. In past Reports, our predecessor Committee raised the issue of visa rights for BN(O) and Hong Kong SAR passport holders. 136 countries now allow visa-free or visa on arrival access to holders of Hong Kong SAR passports⁶⁶⁸ and 100 countries allow visa-free/ visa on arrival access to holders of BN(O) passports.⁶⁶⁹ The latest FCO *Six Monthly Report* stated that:

We continue to lobby other European countries and the European Commission to ensure that BN(O) passport holders enjoy the same access within Europe as SAR passport holders. The Foreign Secretary has written to the EU Commission to take this forward and we are working hard to secure early and positive progress.⁶⁷⁰

417. In July, the European Commission published a proposal to amend the Regulation covering visa requirements for third country nationals travelling to the Schengen area.⁶⁷¹

665 Ev 115

666 Foreign and Commonwealth Office, *Six-monthly Report on Hong Kong July–December 2005*, CM 6751, March 2006, para 72

667 Foreign and Commonwealth Office, *Support For British Nationals Abroad: A Guide*, 2006, p. 8

668 The Government of Hong Kong SAR Website, “Topical Issues: Visa-free Access for HKSAR Passports”, available at <http://www.immd.gov.hk>

669 British Consulate-General Hong-Kong, “Visa free access for BN(O) passport: Visa-Free Travel Update”, 17 June 2005

670 Foreign and Commonwealth Office, *Six-monthly Report on Hong Kong July–December 2005*, CM 6751, March 2006, para 74

671 Commission of the European Communities, Proposal for a Council Regulation amending Regulation (EC) No 539/2001 listing the third countries whose nationals must be in possession of visas when crossing the external borders of Member States and those whose nationals are exempt from that requirement, COM (2006) 84, Brussels, 13 July 2006

Among the proposed amendments is one that would allow visa-free travel to the Schengen area by holders of BN(O) passports, for a period of three months at a time. This provision already applies to holders of Hong Kong SAR passports. The Council of Ministers will begin to consider this proposal in September, though, as it is a measure applying to the Schengen area, the UK will not formally participate in its adoption.

418. We recommend that the Government set out, in its response to this Report, what progress has been made on the issue of visa-free travel worldwide, by holders of British National (Overseas) passports resident in Hong Kong, and what efforts the Government has made to improve this position. We further recommend that the Government build support within the Council of Ministers for the European Commission proposal to allow visa-free travel to the Schengen area by British National (Overseas) passport holders, to ensure that the proposal is agreed by the Council as soon as possible. We further recommend that the Government set out, in its response to this Report, what potential obstacles, if any, there may be to the successful adoption of the proposal.

6 The UK in China

419. The United Kingdom has an Embassy in Beijing, and Consulates-General in Shanghai, Chongqing, and Guanzhou, as well as in Hong Kong, although the Hong Kong post answers directly to London and not to Beijing. A Trade and Cultural Office handles British interests in Taipei.

420. Our predecessor Committee praised the opening of a post in Chongqing but added: “We recommend that the FCO consider the possibility world-wide of opening more mini-posts in regional cities of political, economic or commercial importance.”⁶⁷² The Committee also concluded: “We recommend that the FCO consider innovative methods of recruiting China experts in mid career both on term and permanent contracts.”⁶⁷³

421. We asked the FCO about current plans, and were told:

The FCO is in the process of shifting resources to China to meet the challenge of its economic and political emergence. We expect total staff numbers to increase over the next five years particularly in key priority areas—Economic, Energy and Environment sections. Many of these staff will be seconded from other Whitehall departments. We also expect to enhance the presence of UKTI and UKVisas. There are no current plans to open new Consulates General in China as we believe resources are better deployed from existing sites.

Full-time equivalent positions: June 2006

| Country | Post | FCO UK based | FCO Local Staff | OGD UK based | OGD Local Staff |
|---------|-----------|--------------|-----------------|--------------|-----------------|
| China | Beijing | 73 | 180 | 27 | 118 |
| China | Chongqing | 9 | 30 | 0 | 0 |
| China | Guangzhou | 18 | 49 | 0 | 0 |
| China | Hong Kong | 33 | 122 | 5 | 2 |
| China | Shanghai | 19 | 56 | 1 | 2 |

There are currently nine UK based staff and 42 locally based staff at the British Trade and Cultural Office (BTCO) in Taipei. Two locally engaged staff are also based at the BTCO in Kaohsiung. There are no current plans to change these staffing numbers over the next few years.⁶⁷⁴

422. The Foreign Secretary also told us that the United Kingdom was to expand personnel in China, but had no plans to establish new posts. She said: “We are not necessarily talking about setting up any new posts but expanding personnel and staff where we are. We have looked at it and think that probably we are in enough of the right places but that there is

672 Foreign Affairs Committee, Tenth Report of Session 1999-2000, *China*, HC574-I, para 196

673 Ibid

674 Ev 132

more that we can do if we have more people.”⁶⁷⁵ We feel that our predecessor Committee’s advocacy of more mini-posts across China was sensible, given the size and variety of the country, which interlocutors described to us repeatedly as a continent and not a country.

423. We conclude that the Government’s decision to increase the numbers of its personnel in China is welcome, but we recommend that the Government consider establishing smaller posts or nodes for diplomatic activity in other parts of China, owing to the size and variety of the country, as part of an overall review of the deployment of FCO resources. We further recommend that the Government increase the numbers of personnel in the FCO dedicated to strategic work in posts in China alongside its planned expansion of the economic, energy and environment sections.

424. Don Starr, head of the East Asian Studies Department at the University of Durham and President of the British Association for Chinese Studies, raised other concerns in his evidence. While he praised the expertise of the British diplomatic staff in China, he also said that the skills fielded by the FCO could be under threat:

The quality of Britain’s highly successful diplomatic representation in East Asia, with its excellent training in linguistic competence and cultural awareness, appears to be under threat from FCO policy changes [...] it is reportedly planning to abandon this in favour of ‘parachuting in’ discipline specialists to deal with specific issues on a ‘one day China, the next day Brazil’ basis. Technical issues require technical experts, but they need their hands holding by competent locally based staff who understand the cultures in which they are operating. It is vital in a ‘*guanxi*’ (connections) orientated society.⁶⁷⁶

425. We asked the Foreign Secretary about this concern, but she played it down. She said: “I have not come across the suggestion that there might be a thing about somebody doing China one day and Brazil the next, but certainly on the trade side, on the general diplomatic side and so on, we are planning to step up our engagement in China, which I think the Committee would wish to see.”⁶⁷⁷ We also feel that a new, single site for all diplomatic and consular activities in Beijing might serve British interests in China better than the existing arrangements. We also heard that Expo 2010 in Shanghai might provide an opportunity for the unification of all British diplomatic activity in the city, including the British Council, under one roof.

426. We conclude that the Government should continue to strengthen its East Asian expertise. We further conclude that all UK diplomatic duties should be concentrated under one roof in Beijing and recommend that the Government consider establishing a new Embassy with adequate space.

The British Council and Educational Links

427. The British Council has a particular role to play in China, by helping to educate Chinese individuals about the United Kingdom, and we heard in particular about the

675 Q 254

676 Ev 232

677 Q 243

connection between Chinese or Taiwanese students in the United Kingdom and their willingness to work more closely with British businesses in later life. Pointing out its educational achievements, the British Council wrote in its memorandum:

The UK is now clearly established as the second most popular study abroad destination after the USA, and the difference is small: last year the UK enjoyed a 16% market share compared to the USA's 17%. For two years following 9/11 and the US immigration restrictions which followed, the UK was in fact the number one destination for Chinese students.⁶⁷⁸

428. We visited the British Council in Shanghai and were impressed by the quality of their work, even if the Council was unable to offer language lessons owing to Chinese legal restrictions. We were taken in particular by the British Council's engagement of the Chinese authorities on the matter of community sentencing for prisoners, which, although a matter of bureaucratic effectiveness, also has benefits for human rights. We were also impressed by the educational ties between schools in the UK and China.

429. We conclude that the work of the British Council plays a valuable role in efforts to broaden understanding of the United Kingdom in China, which could have a beneficial impact on British business links in China and also on the world class status of the United Kingdom's educational institutions. We recommend that the Government consider the British Council's school links programme in China as a model for school links with other countries.

430. Educational institutions also play a major role in Sino–British ties. The 1994 Group, a collection of British universities, wrote in its submission:

British Policy with regard to East Asia and the PRC in particular should seek to maximise the comparative advantages that the UK has to offer in the short to medium term, at the very least. One of the areas of advantages is in the layered expertise that UK HEIs [Higher Education Institutions] have to offer.⁶⁷⁹

The 1994 Group pointed to the benefits arising from such collaboration, including: increasing links by training China's future managers; improving China's higher education; the prospects of collaborative research; improved links between higher education institutions; and the trade benefits which may arise.⁶⁸⁰

431. However, the 1994 Group also pointed to China's growing academic capacity as a future threat:

The emergence of China as an academic powerhouse is to be welcomed but there is no doubt it will create competition for the UK HE [Higher Education] sector and its resources will inevitably come to dwarf those available to the UK. The best solution is for UK HEIs to seek to collaborate rather than to become aggressive competitors.

678 Ev 307

679 Ev 209

680 Ev 209

The proposal by the UK government to set up a budget for the development of such collaborations is a sensible way forward.⁶⁸¹

A number of British educational institutions have opened campuses in China, including the Universities of Nottingham and of Liverpool.

432. We conclude that ties between the United Kingdom and China’s higher education institutions are welcome both because they strengthen ties and because of the business opportunities in China. We recommend that the Government continue to offer support for British universities seeking to engage with China.

The Great Britain China Centre

433. The Great Britain China Centre (GBCC) told us that it promotes “understanding between the UK and China”. It also “delivers projects and exchange programmes to encourage best practice primarily but not exclusively in legal reform, good governance and sustainable development. Its close relationships with Chinese ministries and educational establishments are based on over 30 years of engagement”.⁶⁸² The GBCC said in its submission that “because Chinese culture is very distinct from Anglophone and is likely to remain so as China grows in confidence, the key to operating with China in the generations ahead is through language.”⁶⁸³

434. The Government launched a review of the GBCC recently, and in a written statement in May 2006 said:

The follow-up work to the review has ensured that the GBCC now has stronger financial controls, a better alignment of the Centre’s work with Government policy on China and improved management oversight. Ministerial agreement to these new measures brings to an end the process initiated by the review. The GBCC now looks forward to further consolidating and expanding its position as a centre of expertise on China, widening its project base and diversifying its funding sources, including from the EU, UN and the private sector.⁶⁸⁴

435. We conclude that strengthening understanding of China is most important and we recommend that the Government continue its support for the Great Britain China Centre.

BBC World Service

436. The BBC World Service has a particular role to play in societies which lack a free press, such as China. However, China’s policy of jamming external news services or cutting items of which the authorities disapprove limits the availability of the World Service radio and TV broadcasts in China. Our predecessor Committee recommended in 2000 that “the

681 Ev 2010

682 Ev 234

683 Ev 237

684 HC Deb, 24 May 2006, col 87WS, [Commons written statement]

British Government make it plain to the Chinese Government that there should be no inhibition on the free availability in China of BBC World transmissions.”⁶⁸⁵

437. The problem of jamming continues to limit BBC broadcasts in China. The BBC World Service wrote in its submission:

The issue of jamming is something that the BBC, and the FCO on behalf of the BBC, has taken up with the Chinese authorities. The Chinese side has not admitted to deliberate jamming but has suggested that congestion on the air waves might result in accidental co-channel interference (where the output of one radio broadcaster is heard on a frequency used by another radio broadcaster). However, earlier this year, the BBC World Service carried out an experiment whereby Mandarin programming was broadcast on three new frequencies alternately on a random pattern. Within 24 hours, the jamming followed the random pattern so that whatever frequency was used, it was jammed within a few minutes. Our conclusion was that the jamming was deliberate.⁶⁸⁶

438. We conclude that the Government must continue to make strong representations on behalf of the BBC to the Chinese government about the continuance of jamming of BBC World Service broadcasting.

685 Foreign Affairs Committee, Tenth Report of Session 1999–2000, *China*, HC574–I, para 207

686 Ev 217

Annex 1

Foreign Affairs Committee Recommendations on the UK–China Human Rights Dialogue

| Foreign Affairs Committee Recommendation | Government Response |
|---|---|
| <p>First Report, Session 1999–2000, <i>Annual Report on Human Rights 1999</i>, HC 41</p> | <p>Government Response, March 2000, Cm 4687</p> |
| <p>We expect the Government to list in its next Annual Report the practical results it has achieved since the publication of the 1999 Annual Report in response to the human rights dialogue it has with China and to list any specific commitments it has elicited from the Chinese authorities to improve human rights standards. (Paragraph 14).</p> | <p>The Government continues to believe that a policy of critical dialogue with the Chinese government remains the best way of achieving long-term concrete improvements in human rights on the ground. The Government has never claimed that the dialogue would prevent the kind of deterioration that occurred in 1999. There is no quick solution to the human rights situation in China.</p> <p>The dialogue process is slow, but effective in a number of ways:</p> <ul style="list-style-type: none"> the Chinese now accept that human rights are a legitimate subject for discussion; dialogue has been a catalyst for positive change and provided the environment for a wide ranging programme of cooperation, particularly in the development of the legal and judicial fields; the dialogue now covers sensitive issues such as the death penalty and administrative detention; China is now more engaged in international human rights mechanisms. <p>The fourth round of the UK/China human rights dialogue took place in Beijing between 16–18 February 2000. China made the following commitments:</p> <ul style="list-style-type: none"> agreement for the All Party Group on Tibet to visit Tibet in Summer 2000; agreement for an early visit to Beijing by the Foreign Secretary’s Death Penalty Panel; the establishment of a UK/China Working Group of experts to work towards China’s ratification of the two key UN Human Rights Covenants; agreement to start discussions with the International Committee of the Red Cross on a prison visiting programme; a commitment to conclude an agreement with the UN High Commissioner for Human Rights, Mary Robinson, on a multilateral technical assistance programme. <p>The Government believes that the dialogue process merits continued support. But equally the Government will not shy away from publicly criticising the Chinese government when</p> |

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| | its actions merit it. As the Committee has requested, the Government will report the practical progress of its human rights policy towards China in the next Annual Report on Human Rights. (Paragraphs 8–11) |
| Tenth Report, Session 1999–2000, <i>China</i> , HC 574 | Government Response, February 2001, Cm 5038 |
| We recommend that, so long as the dialogue process continues, the Government should set out in each year's Human Rights Report its objectives in relation to China for the year to come and its achievements over the past year. Both objectives and achievements should be expressed in as explicit and measurable a form as possible (Paragraph 74). | The Government has identified a set of working objectives towards which we expect the dialogue process to work. They cover issues relating to the rule of law, engagement with UN mechanisms, political and religious rights, economic and social rights and the situation in Tibet. These, together with achievements from the dialogue process over the preceding year, will be set out in the FCO Annual Human Rights Report. (Paragraph 5) |
| We recommend that the Government does all that it can to involve human rights organisations in the dialogue process (Paragraph 75). | The Government is committed to involving Non-Governmental Organisations (NGOs) in the dialogue process. This includes full consultation before each round of the bilateral human rights dialogue and de-briefings afterwards. The views of NGOs are also sought on the cases of individual dissidents submitted to the Chinese side. The Government will also continue to consult NGOs on strengthening the critical dialogue through the setting of objectives towards which the process should work. (Paragraph 16) |
| We conclude that the Government has been supportive of a number of positive developments for human rights in China, but that it now needs, in concert with our EU partners, to toughen its stance in response to the deterioration in human rights standards which have occurred in China over the past two years. (Paragraph 108) | The Government has made clear in its evidence submitted to the Committee that it harbours serious concerns about the human rights situation in China and particularly over the developments of the last two years. The policy of critical dialogue is not a static one. It is continually reviewed in the light of developments in China. The Government has responded to recent developments in China by making its concerns known to the Chinese through a wide variety of channels, both public and private. We and our EU partners have made it clear to the Chinese authorities that we expect the dialogue process to achieve real progress in the respect for human rights in China. (Paragraph 108) |
| [...] Our Report sadly reveals that there has been a serious deterioration in the human rights situation during the last two years which calls into question the efficacy of the Government's new approach to human rights through the dialogue. The dialogue has not yet delivered meaningful results. This should be a matter of great common concern to Ministers and Parliament. The Foreign Secretary confessed that his Department has not analysed why there had been such a deterioration. We believe it imperative that such an analysis be conducted to contribute to the way forward. (Paragraph 222) | In the Government's view, significant systemic change is bound to be a long term process in China. The policy of critical dialogue with the Chinese Government was never expected to achieve immediate improvements. We do not however agree with the Committee's conclusion that it has yet to deliver meaningful results. The very fact that a dialogue exists without limitations, and with NGO involvement, is in itself a dramatic departure on the part of the Chinese who had previously refused to go beyond statements that such issues were an "internal" matter. It is also noteworthy that the dialogue has been accompanied by increased cooperation by the Chinese with international human rights mechanisms. We welcome in particular the signature on 20 November with Mrs Mary Robinson of a Memorandum of Understanding (MOU) on the provision of human rights technical assistance, and the submission of reports for Hong Kong in 1998 under the International Covenants on Civil and Political Rights, and Economic, Social and Cultural Rights. We also welcome the Chinese Government's signature of those Covenants and recent |

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| | <p>indications that ratification of the Covenant on Economic, Social and Cultural Rights may take place as early as the next session of the National People's Congress in March 2001. Encouraging the Chinese to live up to these obligations will remain a high priority. Critical dialogue has helped create an environment which facilitates the comprehensive programme of cooperative projects in human rights[...]</p> <p>The last round of the dialogue took place in London between 16–18 October and was characterised by increased Chinese openness and frankness. For example, the Chinese side:</p> <p>provided information for the first time on 18 individual cases of concern submitted by the Government.</p> <p>were more open than before on Tibet-related issues, providing a briefing on resumed approaches to the Dalai Lama, through his elder brother, and showing photographs of Gedhun Choekyi Nyima, the Dalai Lama's choice as Panchen Lama.</p> <p>invited the Foreign Secretary's Death Penalty Panel and the All Party Parliamentary Group on Tibet to visit China and Tibet respectively next year.</p> <p>committed themselves to signing an MOU with Mrs Mary Robinson on the provision of technical assistance, as indeed they did on 20 November.</p> <p>stated that they would welcome visits by UN Special Rapporteurs to China. [...] (Paragraph 59)</p> |
| <p>Fourth Report, Session 2002–2003, <i>Human Rights Annual Report 2002</i>, HC 257</p> | <p>Government Response, May 2003, Cm 5820</p> |
| <p>We conclude that, despite the best efforts of the FCO, the rate of progress in the Human Rights Dialogue with China remains too slow. We recommend that future Annual Reports present a more honest picture of what has and has not been achieved by the Dialogue. We also recommend that the FCO give serious consideration to a fundamental re-evaluation of its work with China on the issue of human rights, given that the current strategy appears to be yielding few tangible results (Paragraph 39).</p> | <p>The purpose of the Human Rights Dialogue is two-fold: to raise with the Chinese government our serious concerns about human rights in China; and to look for ways of working with Chinese people to improve respect for human rights. Improvements in human rights in China have been slower than we would wish. But there has been progress, albeit incremental. It is important to acknowledge that this is a long term engagement which aims to promote systemic reform and better human rights in China.</p> <p>The Government does not agree with the FAC's criticism about the honesty of its reports of the UK/China Human Rights Dialogue. The Annual Reports have always tried to present a balanced picture. However, this year's Annual Report will include a more detailed account of the Dialogue including the Chinese response to points raised and areas where we expect more progress to be made.</p> <p>As the Committee will be aware, the UK took the initiative in pressing for an evaluation of the EU/China Human Rights Dialogue. The Government is constantly considering how to improve our Dialogue. In April we exchanged views on evaluation methods and the creation of benchmarks with other countries holding similar bilateral human rights dialogue with China (eg the US, Canada, Australia). The Government has also taken into account Non-Governmental Organisations (NGO) suggestions for more transparency. At an NGO seminar in April in Geneva, in which FCO officials</p> |

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| | participated, and which looked at the successes and failures of the dialogue process, all participants supported continuing the dialogue with China. (Paragraph i) |
| Fourth Report, Session 2003–2004, <i>Human Rights Annual Report 2003</i> , HC 389 | Government Response, Cm 6275, July 2004 |
| <p>We recommend that the Government do more to raise human rights questions with the Chinese authorities, and that the Government does not let the human rights dialogue with the People's Republic of China become nothing more than a talking shop. Similar considerations apply to the EU dialogue. We recommend that in its response to this Report the Government set out what it hopes to achieve with the dialogue, and to what extent it has been successful. (Paragraph 152)</p> | <p>The Government continues to raise human rights issues with the Chinese government at every appropriate opportunity. The Prime Minister raised human rights and Tibet with Premier Wen during his visit to the UK in May. The Foreign Secretary had a robust discussion with Foreign Minister Li Zhaoxing about Tibet-related issues during the same visit. Other ministers, particularly the Minister responsible for relations with China, Bill Rammell, have engaged with high level Chinese interlocutors on various human rights concerns including labour issues and DPRK refugees. Mr Rammell has also backed up our private exchanges with public statements about our concerns, notably at the CHR in March. We have supported EU human rights activity, in particular on individual cases of concern.</p> <p>We have made clear to the Chinese government that the dialogue is not an end in itself and that it has to contribute to real improvements on the ground. The Joint Statement, signed during Premier Wen's visit in May, made clear that we valued the dialogue but also stressed that it was an opportunity for concrete co-operation. At the most recent round of the dialogue, Mr Rammell made it very clear, both in public and in private, that the dialogue had to contribute to genuine progress on issues of concern. There will now be an assessment of the round in order to agree appropriate follow up action, including project work.</p> <p>The EU dialogue has a very similar overall objective to the UK dialogue. We and EU partners share information about our bilateral dialogues, where they exist, in order to influence and get better value from the EU dialogue process.</p> <p>We set out the individual objectives of the UK dialogue in last year's Annual Report. Over the past year, there has been some movement on some issues particularly those connected with rule of law. For example the Chinese government, having abolished the "custody and repatriation" form of arbitrary detention, appear to be seriously working towards the abolition of "re-education through labour" a form of administrative detention. At the dialogue round in May 2004, the Chinese delegation confirmed that they had invited the UN Special Rapporteur on Torture, Theo van Boven, to visit in June and the Chairperson of the Working Group on Arbitrary Detention, Zerrougui, to visit in September. However in June they announced that they had decided to postpone the visit of the Special Rapporteur on Torture until November because of "technical difficulties". We are concerned at this further delay to the visit, and hope that it will go ahead as soon as possible.</p> <p>On other issues there is much less movement—for example the death penalty and the end to controls on access to the Internet. However, even where there is no concrete change, the dialogue process has enabled us to effectively highlight our concerns regularly and in detail. In some cases we have been able to work with the Chinese authorities on those</p> |

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| | <p>issues. For example we are carrying out projects on the death penalty and on other issues related to ratification of the International Covenant on Civil and Political Rights. We will not change Chinese attitudes to human rights overnight. But we believe that the dialogue process has led to an increased willingness on the part of the Chinese government to discuss issues and to permit and in some cases to request co-operation with others. The Annual Report on Human Rights 2004 will give a detailed breakdown of progress against the individual objectives of the dialogue. (Paragraph 27)</p> |
| <p>Fourth Report, Session 2004–2005, <i>Human Rights Annual Report 2004</i>, HC 109</p> | <p>Government Response, Cm 6571, May 2005</p> |
| <p>We conclude that the UK–China Human Rights dialogue is failing to deliver results with sufficient speed, despite the incremental progress described in the Annual Report. We recommend that the Government review the continuation of the dialogue in this light. We further recommend that the Government set specific goals for the dialogue, with appropriate timescales by which it hopes to achieve them. (Paragraph 179)</p> | <p>The Government reviewed our dialogue and broader China human rights policy internally after the May 2004 dialogue round. We also held a similar in-house review and forward look after the latest round. The Government continue to believe that the dialogue process is useful and contributes to incremental positive change, although we look continually to refine and improve it. China’s progress on human rights is slow relative to the impressive economic change in the country. But we do not believe that this lack of speed means the dialogue is failing. Engaging with China on human rights is not easy and requires sustained long-term effort. The objectives of the dialogue are ambitious and long term. We assess China’s progress towards these goals through the dialogue process and through reporting on the dialogue to Parliament. (Paragraph 76)</p> |
| <p>We recommend that the Government describe, in its response to this Report, how it co-ordinates the UK–China dialogue with the EU–China dialogue and with other mechanisms available to the UK and EU to encourage positive change in China on human rights. (Paragraph 180)</p> | <p>The Government consult with other countries that hold dialogues with China through the Berne Process. We play a full part as an EU member in preparations of the EU Dialogue and EU demarches. As the Presidency we will lead the next EU Dialogue round. The EU dialogue now has a focus, as does ours, and consequently we will try to ensure that all the key human rights issues of concern are raised and discussed at least once a year through either the UK or EU dialogues. Our overall strategy and activities aim to encourage positive change which complements reform in China, for example building up rule of law and encouraging co-operation with UN Special Mechanisms. But we also pursue an advocacy role on issues on which China is less interested and less capable of change – for example difficult topics such as freedom of association or freedom of expression. We also respond to specific concerns or cases that arise on an ad hoc basis and are often brought to our attention by NGOs. (Paragraph 77)</p> |
| <p>First Report, Session 2005–2006, <i>Human Rights Annual Report 2005</i>, HC 574</p> | <p>Government Response, Cm 6774, May 2006</p> |
| <p>We conclude that the UK–China human rights dialogue appears to have made glacial progress. We recommend that the Government set out in its response to this Report what measures it uses to determine whether the dialogue is a success, what it sees as the achievements of the dialogue to date, and why it wishes it to continue. (Paragraph</p> | <p>The Government agrees that China’s progress on human rights is slow relative to the economic changes in the country. We do not believe this means the Dialogue is failing. In our view improving the political and civil situation of its citizens presents serious challenges to the Chinese Communist Party and the Chinese Government. In order to secure improvements we and other members of the international community have to commit to long-term engagement.</p> |

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| 186) | <p>In determining whether the Dialogue is a success, the key factor we consider is what progress China is making towards fulfilling the objectives set out in the FCO's Human Rights Annual Report. In addition, we consider what progress China is making in other areas of concern not directly covered by the objectives. We make a political judgement about this progress, taking into account exchanges at the Dialogue and information obtained through ministerial exchanges, project work, EU exchanges and Embassy and other reports.</p> <p>The Government believes that, together with similar effort by other countries and with ministerial engagement and project work, the Dialogue contributes to incremental improvements. There are several developments in recent years to which we believe our engagement, through the Dialogue and in other ways, has contributed:</p> <p>Signature of the International Covenant on Civil and Political Rights (ICCPR) in 1998</p> <p>Ratification of the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 2001</p> <p>A visit by the UN Working Group on Arbitrary Detention in September 2004</p> <p>A visit by the UN Special Rapporteur on Torture in November 2005</p> <p>The decision by China's Supreme People's Court to take back its authority to review death sentences (which we expect to take effect in 2006).</p> <p>Five rounds of talks between the representatives of the Dalai Lama and the Chinese Government</p> <p>The Dialogue is an important political signal to the Chinese authorities that we are concerned about their human rights record. It allows us to put across our messages in detail at a high level with members of the Chinese Government who lead on human rights issues (e.g. representatives from the Ministry of Justice and Supreme People's Court). These exchanges are complemented and reinforced with other engagement by Ministers and officials; project work; and EU exchanges. We therefore see merit in continuing with the Dialogue. (Paragraphs 114–117)</p> |
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Annex 2

Foreign Affairs Committee Visit to China and Taiwan, 8–18 May 2006

Participating Members:

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|--------------------|----------------------|
| Mike Gapes | Mr Greg Pope |
| Mr Fabian Hamilton | Sir John Stanley |
| Mr Paul Keetch | Ms Gisela Stuart |
| Andrew Mackinlay | Richard Younger-Ross |
| Sandra Osborne | |

HONG KONG

Monday 8 May

Consul-General, Stephen Bradley, and staff

Tuesday 9 May

Amnesty, Human Rights Watch, China Labour Bulletin, the Catholic Diocese of Hong Kong, Human Rights in China

Guy de Jonquieres (Financial Times), Tom Mitchell (Financial Times), Stephen Vines, (Guardian), Jon Rutwitch (Reuters)

Legislators: Albert Chan (Independent Democrat), Lee Cheuk-Yan (Frontier/Confederation Trade Unions), Choy So Yuk (Democratic Alliance for the Betterment of Hong Kong), Alan Leong (Civic Party), Martin Lee (Democratic Party), Audrey Eu (Civic Party), Tsang Yok-sing (Democratic Alliance for the Betterment of Hong Kong), Leung Kwok-hung (Independent Democrat), Albert Cheng (Independent Democrat)

Wong Yan-Lung, Secretary for Justice and Robert Allcock, Solicitor General

Donald Tsang, Chief Executive

Thomas Roe, Head, Office of European Commission in Hong Kong

Han Dongfang (China Labour Bulletin)

Wednesday 10 May

Christopher Page, Chairman, and Members, British Chamber of Commerce, Hong Kong

BEIJING

William Ehrman, CMG, Her Majesty's Ambassador to the People's Republic of China

Jiang Enzhu, Chairman, and Members, Foreign Affairs Committee, National People's Congress

Thursday 11 May

Zheng Lizhong, Vice Director, Taiwan Affairs Office of the State Council

Ben Blanchard (Reuters), Clifford Coonan (Independent), Jane Macartney (Times), Jonathan Watts (Guardian), Dominic Waghorn (Sky News)

Jin Linbo, China Institute of International Studies, Gu Guoliang, Institute of American Studies, Chinese Academy of Sciences, Liu Yongsheng, Senior Researcher, China Arms Control and Disarmament Association, Pan Zhenqiang, Professor, Institute for Strategic Studies, Zhang Xioaming, Professor, Peking University.

Ji Peiding, Chairman of the UK Friendship Group of the National People's Congress

Han Wenxiu, Deputy Director-General, Department of Comprehensive Affairs, National Development and Reform Commission

Liu Bainian, Vice Chair, Chinese Catholic Patriotic Association

Chevening Alumni

Friday 12 May

China Britain Business Council

Nicole Davison, HM Consul, and staff

Human rights activists

Li Zhaoxing, Foreign Minister

Patrick Horgan, Director, and Members, British Chamber of Commerce in China

SHANGHAI

(Mike Gapes , Mr Paul Keetch, Mr Greg Pope, Sandra Osborne)

Monday 15 May

Sue Bishop, Consul-General, and staff

Shen Dingli, Executive Dean, Institute of International Studies; Huang Renwei, Vice President, Shanghai Academy of Social Sciences; Zhaung Jianzhong, School of International and Public Affairs, Centre of RimPac Studies, Shanghai Jiaotong University; Zhang Tiejun, Director, Department of European Studies, Shanghai Institute for International Studies; Feng Shaolei, Dean, School of Advanced International Relations and Area Studies, East China Normal University

Roots and Shoots (NGO)

Zhou Mu Yao, Vice Chairman, Municipal People's Congress Standing Committee, Shanghai

Tuesday 16 May

British Chamber of Commerce, Shanghai

British Council

Geoff Dyer (Financial Times), and Mark O'Neill (South China Morning Post)

Jing Yiming, Deputy Chief Executive of Airport Construction, Lin Chen Director of Planning and Design and Tang Jieyao, Director of Terminal Project at Pudong International Airport

TIBET

(Sir John Stanley, Mr Fabian Hamilton, Andrew Mackinlay, Ms Gisela Stuart, Richard Younger-Ross)

Saturday 13 May

Abbot and Management Committee of Sera Monastery

Mr Champa Garden, Vice Chairman of the Standing Committee of the People's Congress of Tibet Autonomous Region

Mr. Lobsang Gyaltzen, Vice Chairman of the Government of the Tibet Autonomous Region

Sunday 14 May 2006

Mr. Shobe, Deputy Mayor of Lhasa Municipal Government

Officials from the Development and Reform Commission, Public Security Bureau and Environmental Protection Bureau, Tibet Autonomous Region

Monday 15 May 2006

Mr. Bhasang Tsering, Deputy Director-General of the Working Committee of the People's Congress of Lhokar Prefecture, Tsedang

Abbot and Management Committee of Samye Monastery

TAIPEI

Wednesday 17 May

Michael Reilly, Director, and staff, British Trade and Cultural Office

President Chen Shui-bian

Legislators: Chuang Suo-han (Democratic Progressive Party), Su Chi (KMT), Daniel Huang (People First Party), Bi-Khim Hsiao (Democratic Progressive Party), Joanna Lei (KMT), Shangren Lee (Taiwan Solidarity Union), Lai Shin-Yuan (Taiwan Solidarity Union), Chuang Suo-han (Democratic Progressive Party)

Chou I-jen, Secretary-General, National Security Council

Vice Premier Tsai Ing-wen

James Huang, Foreign Minister

Monsignor Madtha, Apostolic Nunciature

Professor Norman Yin, Department of Banking, National Chengchi University, Tsai Hsung-Hsiung, President, National Policy Foundation, Lin Wen-cheng, Vice President, Taiwan Foundation for Democracy, Stephen Chen, convenor, National Security Division, National Policy Foundation, Professor Chao Chien-min, Vice President, Foundation on International and Cross-strait Studies, Professor Michael Hsiao, national

Policy Adviser to the President, Huang Guo-jun, Vice-President, Institute for Information Industry

Thursday 18 May 2006

Joseph Wu, Chairman, Mainland Affairs Council

Chung Jung-Chi, Deputy Speaker, Legislative Yuan

Lien Chan, Honorary Chairman, KMT

Christine Skinner, Director, British Council, Caroline Gluck, Taipei Correspondent, British Broadcasting Corporation, and members of the British business community.

Formal minutes

Wednesday 19 July 2006

Members present:

Mike Gapes, in the Chair

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| Mr Fabian Hamilton | Sandra Osborne |
| Mr David Heathcoat-Amory | Mr Greg Pope |
| Mr John Horam | Mr Ken Purchase |
| Mr Eric Illsley | Sir John Stanley |
| Mr Paul Keetch | Ms Gisela Stuart |
| Andrew Mackinlay | Richard Younger-Ross |

The Committee deliberated.

Draft Report (*East Asia*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 119 read and agreed to.

Paragraph 120 read, amended and agreed to.

Paragraphs 121 to 163 read and agreed to.

Paragraph 164 read, amended and agreed to.

Paragraphs 165 to 188 read and agreed to.

Paragraph 189 read, amended and agreed to.

Paragraphs 190 and 191 read and agreed to.

A paragraph—(*The Chairman*)—brought up, read the first and second time, and inserted (now paragraph 192).

Paragraph 192 (now paragraph 193) read, amended and agreed to.

Paragraphs 193 to 244 (now paragraphs 194 to 245) read and agreed to.

Paragraph 245 (now paragraph 246) read, amended and agreed to.

Paragraphs 246 to 350 (now paragraphs 247 to 351) read and agreed to.

Paragraph 351 (now paragraph 352) read, amended and agreed to.

Paragraphs 352 to 381 (now paragraphs 353 to 382) read and agreed to.

Paragraph 382 (now paragraph 383) read, amended and agreed to.

Paragraphs 383 and 384 (now paragraphs 384 and 385) read and agreed to.

Paragraph 385 (now paragraph 386) read, amended and agreed to.

Paragraphs 386 to 415 (now paragraphs 387 to 416) read and agreed to.

A paragraph—(*The Chairman*)—brought up, read the first and second time, amended and inserted (now paragraph 417).

Paragraph 416 (now paragraph 418) read, amended and agreed to.

Paragraphs 417 to 420 (now paragraphs 419 to 422) read and agreed to.

Paragraph 421 (now paragraph 423) read, amended and agreed to.

Paragraphs 422 to 436 (now paragraphs 424 to 438) read and agreed to.

Annexes agreed to.

Resolved, That the Report, as amended, be the Seventh Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (reports)) be applied to the Report.

Several Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman*.)

A Paper was ordered to be reported to the House.

[Adjourned till Two o'clock on Wednesday 18 October.]

List of witnesses

Wednesday 1 February 2006

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Dr Christopher Hughes, Department of International Relations, Director, Asia Research Centre, London School of Economics and Political Science and **Professor David Wall**, Centre of Chinese Studies, School of Oriental and African Studies, and Chatham House.

Ev 1

Wednesday 8 March 2006

Dr Linda Yueh, Pembroke College, University of Oxford, and Department of Economics, London School of Economics and Political Science, **Professor Jude Howell**, Director, Centre for Civil Society, London School of Economics and Political Science, and **Professor Yongnian Zheng**, Head of Research, China Policy Institute, University of Nottingham

Ev 29

Mr Brad Adams, Director for Asia, Human Rights Watch and **Ms Corinna-Barbara Francis**, East Asia Team, Amnesty International

Ev 48

Dr Gerard Lyons, Chief Economist, Standard Chartered Bank, and Committee Member, Hong Kong Association, and **Lord Powell of Bayswater KCMG**, a Member of the House of Lords, President, China Britain Business Council

Ev 67

Wednesday 22 March 2006

Dr Dafydd Fell, Department of Politics and International Studies, School of Oriental and African Studies, **Dr Patrick Cronin**, Director of Studies, International Institute for Strategic Studies, and **Dr John Swenson-Wright**, East Asia Institute, University of Cambridge, and Associate Fellow, Chatham House

Ev 79

Wednesday 26 April 2006

Mr Aidan Foster-Carter, Honorary Senior Research Fellow in Sociology and Modern Korea, University of Leeds, and **Dr Jim Hoare**, former member of the Research Cadre of HM Diplomatic Service

Ev 95

Mr John Ashton, Chief Executive, E3G, Third Generation Environmentalism

Ev 105

Wednesday 7 June 2006

Rt Hon Margaret Beckett, a Member of the House, Secretary of State for Foreign and Commonwealth Affairs, Mr Sebastian Wood CMG, Director for Asia Pacific, and Mr Denis Keefe, Head of Far Eastern Group, Foreign and Commonwealth Office

Ev 134

List of written evidence

| | |
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| Dr Linda Y Yueh, University of Oxford, and London School of Economics | Ev 16 |
| Professor Jude Howell, Director, Centre for Civil Society, London School of Economics | Ev 21 |
| Professor Yongnian Zheng, Head of Research, China Policy Institute, University of Nottingham | Ev 25 |
| Human Rights Watch | Ev 36 |
| Amnesty International | Ev 41 |
| Standard Chartered Bank | Ev 56 |
| Hong Kong Association | Ev 59 |
| China Britain Business Council | Ev 63 |
| Dr Patrick M Cronin, Director of Studies, International Institute for Strategic Studies | Ev 76 |
| Foreign and Commonwealth Office | Ev 111 |
| Foreign and Commonwealth Office correspondence | Ev 131 |
| Embassy of China | Ev 156 |
| Professor David Shambaugh, Washington University | Ev 164 |
| The Office of Tibet | Ev 170 |
| UK Trade and Investment | Ev 173 |
| Steve Tsang, Reader in Politics, St Antony's College, University of Oxford | Ev 177 |
| Dr Christopher Dent, Department of East Asian Studies, University of Leeds | Ev 181 |
| HE Mr Yoshiji Nogami, Ambassador of Japan | Ev 185 |
| Society for the Protection of Unborn Children | Ev 185 |
| HE Dr Cho Yoon-Je, Ambassador of the Republic of Korea | Ev 191 |
| 48 Group | Ev 193 |
| Taipei Representative Office in the UK | Ev 195 |
| City Remembrancer's Office, Corporation of London | Ev 196 |
| Daniel P Erikson, Director, Caribbean Programs, Inter-American Dialogue | Ev 198 |
| Rosemary Foot, St Antony's College, University of Oxford | Ev 205 |
| 1994 Group | Ev 208 |
| Philip Andrews-Speed and Ma Xin, Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee | Ev 210 |
| BBC World Service | Ev 215 |
| Yiyi Lu, Asia Programme, Chatham House | Ev 222 |
| Mothers Bridge of Love | Ev 226 |
| Don Starr, Head, Department of East Asian Studies, University of Durham and President, British Association for Chinese Studies | Ev 231 |
| Great Britain China Centre and the China Media Centre | Ev 234 |
| Dr Marcel de Haas, Netherlands Institute of International Relations Clingendael | Ev 237 |
| James Forder, Fellow and Tutor in Economics, Balliol College, University of Oxford | Ev 242 |
| Free Tibet Campaign | Ev 243 |
| Elisabeth J Croll, Professor of Chinese Anthropology, School of Oriental and African Studies | Ev 250 |
| British Chamber of Commerce in Hong Kong | Ev 258 |

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| Catherine R Schenk, Professor of International Economic History, University of Glasgow | Ev 264 |
| Google | Ev 266 |
| Yahoo! | Ev 270 |
| Koryo Group | Ev 274 |
| Dr Caroline Hoy, Department of Urban Studies, University of Glasgow | Ev 277 |
| Dr Jane Duckett, Department of Politics, University of Glasgow | Ev 279 |
| Dr Tat Yan Kong, Senior Lecturer in Politics, School of Oriental and African Studies | Ev 280 |
| Microsoft | Ev 286 |
| British Association for Korean Studies | Ev 289 |
| Dr Key-young Son, University of Sheffield | Ev 292 |
| Hazel Smith, Professor of International Relations, University of Warwick | Ev 297 |
| Mark Fitzpatrick, International Institute for Strategic Studies | Ev 304 |
| British Council | Ev 306 |
| European Commission | Ev 311 |
| Dr Li Shao, Falun Gong Association | Ev 312 |
| Falun Gong Human Rights Working Group | Ev 314 |
| Ms Jenny Warren | Ev 314 |
| Hongwei Lou | Ev 321; 323 |

List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House. Copies have been placed in the House of Commons library where they may be inspected by Members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074) hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Gareth Howell

Reports and Evidence from the Foreign Affairs Committee since 2005

The following reports and evidence have been produced in the present Parliament.

Session 2005–06

REPORTS

| | | |
|---------------|--|---------------------------|
| First Report | Human Rights Annual Report 2005 | HC 574 (<i>CM 6774</i>) |
| Second Report | Foreign and Commonwealth Office Annual Report 2004–05 | HC 522 (<i>CM 6791</i>) |
| Third Report | Public Diplomacy | HC 903 (<i>CM 6840</i>) |
| Fourth Report | Foreign Policy Aspects of the War against Terrorism | HC 573 |
| Fifth Report | Strategic Export Controls: Annual Report for 2004, Quarterly Reports for 2005, Licensing Policy and Parliamentary Scrutiny | HC 873 |
| Sixth Report | Developments in the European Union | HC 768 |