



HOUSE OF LORDS

International Relations and
Defence Committee

1st Report of Session 2021–22

The UK and China's security and trade relationship: A strategic void

Ordered to be printed 7 September 2021 and published 10 September 2021

Published by the Authority of the House of Lords

International Relations and Defence Committee

The International Relations and Defence Committee is appointed by the House of Lords in each session “to investigate the United Kingdom’s international relations and defence policy”.

Membership

The Members of the International Relations and Defence Committee are:

<u>Lord Alton of Liverpool</u>	<u>Baroness Fall</u>
<u>Lord Anderson of Swansea</u>	<u>Lord Mendelsohn</u>
<u>Baroness Anelay of St Johns</u> (Chair)	<u>Baroness Rawlings</u>
<u>Baroness Blackstone</u>	<u>Lord Stirrup</u>
<u>Lord Boateng</u>	<u>Baroness Sugg</u>
<u>Lord Campbell of Pittenweem</u>	<u>Lord Teverson</u>

Declaration of interests

See Appendix 1.

A full list of Members’ interests can be found in the Register of Lords’ Interests: <http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

Publications

All publications of the Committee are available at:

<https://committees.parliament.uk/committee/360/international-relations-and-defence-committee/>

Parliament Live

Live coverage of debates and public sessions of the Committee’s meetings are available at:

<http://www.parliamentlive.tv/>

Further information

Further information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is available at: <http://www.parliament.uk/business/lords/>

Contact details

All correspondence should be addressed to the International Relations and Defence Committee, House of Lords, London SW1A 0PW. Telephone 020 7219 7412. Email hlintlrelations@parliament.uk

Twitter

You can follow the Committee on Twitter: [@LordsIRCom](https://twitter.com/LordsIRCom).

CONTENTS

	<i>Page</i>
Summary	3
Chapter 1: Introduction	7
Figure 1: Map of China and its immediate neighbours	7
Background to the UK-China relationship	7
Box 1: UK-China relations timeline	8
Global Britain and the Integrated Review	9
Our inquiry	10
This report	10
Chapter 2: The UK's approach since 2010	12
The 'golden era'	12
Box 2: The Asian Infrastructure Investment Bank	14
2016 onwards	15
The current Government's approach	16
The Integrated Review	17
Box 3: The Indo-Pacific region	18
Consistency of strategy towards China	20
Chapter 3: China's position and outlook	24
The rise of China and Chinese foreign policy	24
Priorities of the Communist Party of China	24
Chinese foreign policy	24
China's approach to national security	25
National security policy	25
Threat perceptions	26
China's economic policy under Xi Jinping	28
Chinese approach to global governance	29
The Belt and Road Initiative and Digital Silk Road	31
Figure 2: Map of the Belt and Road Initiative	32
The place of the United Kingdom	34
Chapter 4: The UK's partners and allies	36
The United States	36
A new Cold War?	37
US-China trade war	37
Co-operation with partners and allies	38
Box 4: Quadrilateral Security Dialogue	39
Near neighbours of China	40
Taiwan	40
India	42
Japan	44
Australia	45
Regional and international organisations	46
The European Union	46
Multilateral formats of co-operation	47
Chapter 5: Security	49
Traditional security challenges	49
Maritime security	49
Formal alliances	50

Box 5: The Five Power Defence Arrangements	51
Cybersecurity and technology	51
Non-traditional security challenges	52
The UK's threat assessment of China	53
China as a "systemic competitor"	53
Co-operation with allies	54
Areas of co-operation with China	55
Climate change	56
Scale of resources	57
Chapter 6: Current scale and nature of trade and investment	59
Figure 3: UK trade with China as a percentage of total trade (goods and services), 1999–2019	59
Table 1: UK-China product trade comparisons 2019	60
Impact of Brexit	60
Opportunities for increased trade and investment	61
Barriers to increased trade and investment	63
Competition with state-owned enterprises	63
Intellectual property and forced technology transfer	63
Deterioration of relationship	64
Lack of a China strategy	65
Chapter 7: Future of trade and investment	66
A future trade or investment agreement	66
Box 6: Parliamentary opposition to a trade agreement with China	67
Lessons from the EU and US	69
EU and China	69
US and China	70
Multilateral engagement	71
Comprehensive and Progressive Trans-Pacific Partnership	71
World Trade Organization	73
Risks associated with economic engagement	75
Chinese investment in the UK	75
Chinese involvement in British universities	76
Dependency and supply chain vulnerabilities	77
Balancing economic relations with the UK's values	78
Chapter 8: Key strategic themes	82
Summary of conclusions and recommendations	85
Appendix 1: List of Members and declarations of interest	93
Appendix 2: List of witnesses	95
Appendix 3: Call for evidence	100

Evidence is published online at: <https://committees.parliament.uk/work/1067/the-uks-security-and-trade-relationship-with-china/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

SUMMARY

China is the world's second largest economy and most populous country. It is, in the words of our witnesses, "unignorable", and will be a prominent player on the global stage over the coming decades. In this inquiry, we set out to understand the security and trade relationship between the UK and China and provide recommendations for the future approach to that relationship.

The UK-China relationship has a long and complex history, encompassing periods of both co-operation and confrontation. Our inquiry looked at the past decade, starting with the so-called 'golden era' of the coalition and Cameron governments through to the present day. The focus in the early 2010s was on the economic aspects of the relationship, but in the second half of the decade there was increased concern about the security challenges.

This reflected a change in posture by the Chinese government. Under Xi Jinping the country became more assertive and hardened its stance on its territorial integrity and national sovereignty, reacting strongly to what it perceived to be foreign interference in its domestic politics. We heard that the UK's decision to leave the EU, and the changing policies of the US, also affected the relationship.

In the past year tensions between the UK and China have increased. In June 2020 China imposed the Hong Kong National Security Law, which the Foreign Secretary called a "clear and serious breach of the joint declaration" between the UK and China on the transfer of the sovereignty of Hong Kong. In July 2020 the Government announced that all Huawei equipment must be removed from the UK's 5G network by the end of 2027, following a decision by the US to restrict the export of key electronic components to China.

In recent months the relationship has deteriorated further as a result of the response of the UK and its allies to human rights abuses and allegations of genocide in China's Xinjiang province. In March 2021 the UK and other western countries placed sanctions on Chinese officials "for systematic violations against Uyghurs and other minorities", to which China responded with retaliatory sanctions. In April 2021 the House of Commons passed a motion declaring that Uyghurs and other ethnic and religious minorities in Xinjiang are suffering crimes against humanity and genocide.

Despite the shift in the nature of the relationship, and the significance of these issues to the UK, the current government has not set out a clear position on China; several witnesses told us that the Government is attempting to "have its cake and eat it". The recently published Integrated Review refers to China as both a "systemic competitor" and an "important partner", but provides no detail on how the Government plans to balance the tensions inherent in such a dual characterisation. The evidence we heard from Ministers has failed to convince us that the Government has a strategy for balancing its ambition for increased economic engagement with China with the need to protect the UK's wider interests and values.

This lack of a China strategy has been raised by other parliamentary inquiries and it is disappointing that the Government has not followed their recommendations to develop one. We therefore again ask the Government to publish a clear China strategy which identifies key objectives and relative priorities. The

recommendations in this report suggest a basis for such a strategy, and our final chapter identifies the key themes on which it should focus.

We heard that Taiwan is currently the most important issue in the US-China relationship, and that tensions over the future of the island could lead to war between the two powers. Even if the probability of such an outcome is low, the consequences would be very serious. As a key ally of the US, and with its strategic tilt to the Indo-Pacific region, the UK's interests would be closely involved. Such a conflict would therefore represent a grave risk to the UK, yet the Integrated Review makes no mention of Taiwan. The Government should correct this omission by reflecting the importance of Taiwan in its China strategy.

China will remain a key global economic player and an important trading partner for the UK. There are increasing opportunities for UK businesses, particularly in the services sector, so maintaining productive economic relations with China would have significant advantages for the UK. It will also be important to co-operate with China on wider challenges, including climate change and global public health. Witnesses were clear that such issues cannot be solved without China's engagement.

There are, however, divergences between the UK and China on some critical matters. Increased economic co-operation must not be at the cost of upholding the UK's values, including human rights and labour protection. The Government must not sit on the fence over these issues, and its China strategy should include details on how decisions will be made when economic considerations clash with values. The National Security and Investment Act is a good start towards addressing this, but more clarity is needed on how such legislation will be implemented. The Government must include an atrocity prevention lens in its overall trade policy; current atrocity prevention tools and strategies have fallen short.

The Government must also work towards upholding the UK's interests on the global stage, including the maintenance of a fair and effective rules-based order, through its involvement in organisations such as the UN and WTO. Such a policy should take priority over trade issues. Whether or not China is seeking to overturn the existing order, we heard strong evidence that it is at least seeking to undermine it and make it more "China-compliant", particularly in areas of international law that are not yet well regulated, such as in the polar regions and cyberspace. It will also continue to use the Belt and Road Initiative to gain influence in its near neighbourhood and more broadly. To counter the influence of China, the UK must play a leading role in strengthening international organisations such as the WTO, as well as seeking to develop new ones where appropriate.

The UK will only be successful in this if it acts in concert with partners who in aggregate can compete with the political, economic and scientific strength of China. As an outsider to the region, the UK will need to be mindful of the concerns of allies and partners who are close neighbours of China, and for whom the consequences of damaged relations will be more severe. The UK should maintain and develop partnerships based on interests, seeking to work with a broad range of countries and regional actors in support of its own objectives. We heard strong support for the UK's soft power in the region, including through Official Development Assistance, the BBC, the British Council and universities.

The Government should continue to support these methods of engagement as a means of upholding its values and interests.

The UK's pursuit of its interests and values will inevitably be perceived by China as running counter to its own objectives, at least in part, and the UK should expect it to react accordingly. That reaction could be severe, including the possible weaponisation of trade, investment and the supply of raw materials. The Government must ensure that the UK has sufficient resilience in its infrastructure and economy to weather such periods of stress, including reducing the UK's dependency on China in critical supply chains.

These policies will require careful diplomacy and a degree of understanding of China that is currently neither as deep nor as widespread as necessary, particularly within Whitehall. An increased knowledge and understanding of China—including its languages—within Government, the civil service, and the public more generally will be crucial for both constructive engagement and managing periods of stress.

Engaging with a country with such a different political system to the UK will always be a challenge, but there is no realistic alternative, so the Government needs to approach the problem in a strategic and co-ordinated way. A policy of deliberate constructive ambiguity can sometimes have advantages, but on such a crucial issue as its trade and security relationship with China the UK needs much more clarity than it has had hitherto. We therefore call upon the Government to publish a clear strategy setting out how it will balance the competing elements of the UK-China relationship.

The UK and China's security and trade relationship: A strategic void

CHAPTER 1: INTRODUCTION

1. China is the world's most populous country, and the second-largest economy after the United States. Its rise has been rapid, its confidence has grown, and its global influence has expanded. We heard that in recent decades China has "done more to lift people out of poverty than any aid programme or ... government initiative imaginable",¹ but that also it has "become much closer to a totalitarian state than at any time since the death of Mao Zedong."²
2. Figure 1 shows a map of China and its immediate neighbours.

Figure 1: Map of China and its immediate neighbours



Source: Adapted from *The Economist*, 'Brushwood and Gall' (4 December 2010): <https://www.economist.com/special-report/2010/12/04/brushwood-and-gall> [accessed 2 September 2021]

Background to the UK-China relationship

3. China's relations with the UK have a long-remembered history. China faced its period of 'humiliation' by European powers during the nineteenth and early twentieth centuries, and by Japan in the 1930s and 1940s. The Opium Wars waged by the United Kingdom in China between 1839 and 1860 were

1 [Q 35](#) (George Osborne)

2 Written evidence from Sir Malcolm Rifkind ([TRC0020](#))

a particular cause of that humiliation. As a result of those conflicts many of the European powers obtained 'concessions' on Chinese territory. It was at this time that the UK gained sovereignty over Hong Kong in addition to many other trading concessions. While not discussed in this report, this history is still relevant to the way that UK-China relations are perceived by both parties today.

4. In recent decades, the UK-China relationship has been dominated by challenging issues including the China's increasingly direct interventions in the governance of Hong Kong, a desire for increased economic ties, and most recently tensions relating to human rights abuses in Xinjiang.
5. Box 1 sets out a timeline of key events in the UK-China relationship since 1984.

Box 1: UK-China relations timeline

1984: The UK and China sign the Sino-British Joint Declaration on the Question of Hong Kong,³ setting out the "one country, two systems" principle and the transfer of sovereignty over Hong Kong from the UK to China.

1997: The UK transfers sovereignty of Hong Kong to China.

2013: Xi Jinping becomes the President of China.

2015: The UK becomes a founding member of the Asian Infrastructure Investment Bank.⁴

October 2015: Xi Jinping makes a state visit to the United Kingdom, and both countries sign the UK-China Joint Statement on "building a global comprehensive strategic partnership for the 21st Century".⁵

30 June 2020: China imposes the Hong Kong National Security Law, which gives China greater powers in the territory and makes crimes of secession, subversion, terrorism and collusion with foreign or external forces punishable by a maximum sentence of life in prison.

1 July 2020: The Foreign Secretary tells the House of Commons that "the enactment of [the National Security Law], imposed by the authorities in Beijing on the people of Hong Kong, constitutes a clear and serious breach of the joint declaration".⁶ The Government pledges to provide Hong Kong citizens with British national (Overseas) status a path to British citizenship.⁷

14 July 2020: The Government announces that all Huawei equipment will be removed from the UK's 5G network by the end of 2027.⁸

3 'Joint Declaration on the question of Hong Kong (with annexes). Signed at Beijing on 19 December 1984' in United Nations, *Treaties and international agreements registered or filed and recorded with the Secretariat of the United Nations* : vol 1399 (1995), p 33: <https://treaties.un.org/Pages/showDetails.aspx?objid=08000002800d4d6e> [accessed 2 September 2021]

4 HM Treasury, 'UK signs founding Articles of Agreement of the Asian Infrastructure Investment Bank' (29 June 2015): <https://www.gov.uk/government/news/uk-signs-founding-articles-of-agreement-of-the-asian-infrastructure-investment-bank> [accessed 2 September 2021]

5 Foreign, Commonwealth and Development Office, 'UK-China Joint Statement 2015' (22 October 2015): <https://www.gov.uk/government/news/uk-china-joint-statement-2015> [accessed 2 September 2021]

6 HC Deb, 1 July 2020, col 329

7 *Ibid.*

8 Department for Digital, Culture, Media & Sport, 'Roadmap to remove high risk vendors from telecoms network', (30 November 2020): <https://www.gov.uk/government/news/roadmap-to-remove-high-risk-vendors-from-telecoms-network> [accessed 2 September 2021]

22 March 2021: The UK, EU, US and Canada impose sanctions on senior Chinese officials involved in the mass detentions of Uyghurs in Xinjiang.⁹

25 March 2021: China responds with countersanctions on ten British individuals, including members of the House of Commons and the House of Lords.¹⁰

22 April 2021: The House of Commons passes a motion declaring the mass detention of Uyghurs in Xinjiang a genocide.¹¹

8 July 2021: The House of Commons Foreign Affairs Committee publishes a report on its inquiry into Xinjiang detention camps, which calls for a stronger response to atrocity crimes and slave labour in Xinjiang.¹²

6. In this inquiry we have focused on the more recent relationship between the UK and China, starting in the 2010s with the coalition and Cameron Governments and the so-called 'golden era' of UK-China relations. However, we have incorporated historical context where it is important.

Global Britain and the Integrated Review

7. Since 2016 the Government has advocated a vision of a 'Global Britain'. In March it published a review of security, defence, development and foreign policy, entitled *Global Britain in a competitive age* (the 'Integrated Review').¹³
8. The Integrated Review states that the UK's departure from the European Union:

“provides a unique opportunity to reconsider many aspects of our domestic and foreign policy, building on existing friendships but also looking further afield. We must exploit the freedom that comes with increased independence, such as the ability to forge new free trade deals. We must also do more to adapt to major changes in the world around us, including the growing importance of the Indo-Pacific region.”¹⁴
9. A “tilt” in focus to the Indo-Pacific region¹⁵ was a key theme of the Integrated Review. The Government stated its ambition to become the “European partner with the broadest, most integrated presence” in the region by 2030,

9 Foreign, Commonwealth and Development Office, 'UK sanctions perpetrators of gross human rights violations in Xinjiang, alongside EU, Canada and EU' (22 March 2021): <https://www.gov.uk/government/news/uk-sanctions-perpetrators-of-gross-human-rights-violations-in-xinjiang-alongside-eu-canada-and-us> [accessed 2 September 2021]

10 'Uighurs: China bans UK MPs after abuse sanctions', *BBC News* (26 March 2021): <https://www.bbc.co.uk/news/uk-56532569> [accessed 2 September 2021]; Foreign, Commonwealth and Development Office, 'China's sanctions on UK citizens: Foreign Secretary's statement' (26 March 2021): <https://www.gov.uk/government/news/foreign-secretary-statement-on-china-sanctions> [accessed 2 September 2021]

11 HC Deb, 22 April 2021, col 1211

12 Foreign Affairs Committee, *Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond* (Second Report, Session 2021–22, HC 198)

13 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

14 *Ibid.*

15 The definition of the Indo-Pacific is discussed in Box 3.

“in support of mutually-beneficial trade, shared security and values”.¹⁶ We discuss this “tilt” in further detail below (see paragraph 42 onwards).

10. The Integrated Review also acknowledged that parts of the international order were under threat. It stated that the Government intended to work with others to help shape that order for the future to “protect open societies and democratic values”, and to “create shared rules in areas such as cyberspace and space”.¹⁷
11. As the largest economy in the Indo-Pacific region, and the second largest economy in the world, the role of China in the UK’s vision for ‘Global Britain’ cannot be ignored.

Our inquiry

12. This inquiry set out to understand the nature of the security, trade and investment relationships between the UK and China, and the intersections between them, including the desirability of deepening trade with a country accused of human rights abuses.
13. The key tension in the UK’s relationship with China is balancing a desire for close economic engagement with the need to uphold the UK’s values and protect its national security. This tension is alluded to in the Integrated Review, but there is no indication of how it is to be resolved.
14. There have been numerous parliamentary inquiries into aspects of the UK-China relationship, including recent and ongoing inquiries into UK value chains and human rights abuses in Xinjiang,¹⁸ China’s position in the rules-based international system,¹⁹ and the UK’s foreign policy regarding autocracies.²⁰
15. This inquiry did not seek to replicate previous inquiries. Instead, it sought to examine the interplay between trade and security, an area of tension which is increasingly dominating many countries’ relations with China, and in light of this, to make recommendations for the future direction of the UK-China relationship.

This report

16. In Chapter 2 we describe the relationship between the UK and China over the past decade, and the changes observed across the Cameron, May and Johnson Governments. In Chapter 3 we consider China’s foreign policy outlook and position on the UK. Chapter 4 outlines the position of the UK’s major allies towards China. Chapter 5 considers the security challenges China poses to the UK, while in Chapter 6 we consider both the opportunities for

16 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age- the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

17 *Ibid.*

18 Business, Energy and Industrial Strategy Committee, *Uyghur forced labour in Xinjiang and UK value chains* (Fifth Report, Session 2019–21, HC 1272) and Foreign Affairs Committee, ‘Xinjiang detention camps’: <https://committees.parliament.uk/work/564/xinjiang-detention-camps/>

19 Foreign Affairs Committee, *China and the Rules-Based International System* (Sixteenth Report, Session 2017–19, HC 612)

20 Foreign Affairs Committee, *A cautious embrace: defending democracy in an age of autocracies* (Second Report, Session 2019, HC 109)

and risks posed by barriers to increased economic engagement with China. In Chapter 7 we consider the future of the UK-China economic relationship and how human rights considerations should be balanced with increased economic engagement. In our final chapter we identify some of the key strategic themes that emerged during our inquiry and propose objectives and priorities that could form the basis of a coherent strategy for dealing with China.

17. We thank our Specialist Adviser, Dr Yuka Kobayashi, for her support during this inquiry, and all our witnesses.

CHAPTER 2: THE UK'S APPROACH SINCE 2010

18. Lord McDonald of Salford, former Permanent Under-Secretary at the Foreign and Commonwealth Office, described the UK's relationship with China across the 2010s as a “decade of two halves”, the turning point of which was the change of Prime Minister from David Cameron to Theresa May in 2016.²¹ He explained that under David Cameron, the Government was focused on improving economic links with China, whereas under Theresa May the Government was “much more conscious of the security aspects of the relationship”.²²
19. We heard several reasons for this change. Some witnesses told us it was due to a change in approach from the Chinese Communist Party (CCP). George Osborne, Chancellor of the Exchequer between 2010 and 2016, told us that in recent years China has become “more assertive and more nationalist”,²³ while Professor Katherine Morton, Professor of Global Affairs at Schwarzman College, Tsinghua University and Associate at the University of Oxford China Centre told us that under Xi Jinping there has been “a hardening stance on national sovereignty and territorial integrity”.²⁴ Robert Clark, Research Fellow on the Global Britain Programme at the Henry Jackson Society, told us that the CCP's “tightening grip upon domestic security issues” has led to a more “assertive” and “aggressive” outlook.²⁵ This change in outlook is discussed in more detail in Chapter 3.
20. We heard that the change in the relationship also reflected changes in the political environment in the UK, such as the “intensification of the issue of Hong Kong in domestic British politics”,²⁶ the referendum to leave the EU, and external events including the change of administration in the US in 2016.²⁷
21. The direction the relationship will take under the current Government is not yet clear. Tensions have deepened in recent months, resulting in, most notably, sanctions being placed on both Chinese and British individuals. Several factors are likely to influence the relationship in the immediate future, including decisions on Chinese involvement in the UK's new nuclear programme and telecommunications network, human rights concerns in Hong Kong and Xinjiang, the coronavirus pandemic, and the Biden administration's approach to China and Taiwan.²⁸
22. This chapter assesses in more detail these recent phases of the UK-China relationship, providing context for the assessment of the UK's trade and security relationship with China in later chapters.

The ‘golden era’

23. George Osborne told us that the central challenge relating to China has not changed since the coalition and Cameron Governments: how to “deal with

21 [Q 38](#) (Lord McDonald of Salford)

22 *Ibid.*

23 [Q 25](#) (George Osborne)

24 [Q 67](#) (Professor Katherine Morton)

25 Written evidence from Robert Clark ([TRC0008](#))

26 [Q 14](#) (Professor Kerry Brown)

27 [Q 3](#) (Dr Yu Jie). See also [Q 14](#) (Professor Kerry Brown), [Q 16](#) (Dr Janka Oertel), [Q 23](#) (George Osborne), [Q 71](#) (Professor Katherine Morton).

28 See for example [Q 1](#) (Charles Parton).

the geopolitical challenge of the re-rise of China, which is on course ... to be the largest economy in the world". He told us that the aim of the UK's policy towards China during those years was to:

"find a way of engaging with China in a more meaningful and deeper relationship that recognised the threat, but also sought to try to co-opt China into the international order, which it had not been present at the creation of but which we felt it had a key interest in sustaining. [The approach] understood that many of the world's biggest challenges like climate change or biodiversity loss were not going to be solved without engagement with China."²⁹

24. There was a consensus among witnesses that the UK's China policy at the time was focused on the economic benefits of a relationship with China, and as such driven by the Treasury. George Osborne told us that as Chancellor he led on this policy, as a lot of the "positives" of the UK-China relationship were economic, and "the Treasury leads on economic diplomacy".³⁰
25. Former Commercial Secretary to the Treasury Lord Sassoon told us that the coalition Government's policy towards China was based on four factors, all of which were economic:
 - (1) The size and growth of the Chinese economy
 - (2) The underperformance of UK trade to China, particularly exports
 - (3) The lack of focus in the economic relationship
 - (4) Opportunities for the UK to play to its strengths in the Chinese economy.³¹
26. On the first, Lord Sassoon highlighted the rapid growth of China's economy compared to the UK's, noting that in 2002 the UK's economy was larger than China's, but that only eight years later China's economy was twice the size of the UK's. On the second, he told us that in 2010 the UK was exporting a similar amount to China and Hong Kong combined as to Belgium, leaving a "huge opportunity", given the much larger size of the Chinese economy by that point. On the third, he explained that China "likes to have a focus" in economic relations, and so in 2010 and 2011 infrastructure and financial services were identified as key themes for the relationship. On the fourth, he told us:

"In 2010 we were seeing Chinese policy moving from an economy that was investment-led to much more of a consumer-driven economy ... That clearly played to the UK's strengths in consumer goods of all kinds. China was starting to actively internationalise its currency, the renminbi, which presented significant opportunities for us in financial services. There were many other issues relating to Chinese policy to improve services in healthcare, the environment and education, which played to the strengths of Britain."³²

29 [Q 22](#) (George Osborne)

30 [Q 24](#) (George Osborne)

31 [Q 94](#) (Lord Sassoon)

32 [Q 94](#) (Lord Sassoon). See also [Q 80](#) (Lord O'Neill of Gatley).

27. Robert Clark told us that a key moment in the UK-China relationship during this period was the visit of Xi Jinping to the UK in October 2015, which resulted in a UK-China Joint Statement.³³ Another key moment was the establishment of the Asian Infrastructure Investment Bank (AIIB, Box 2), in which the UK played a key role. George Osborne told us that this was “one of the most interesting British achievements” of the period:

“There was a real possibility at the time that this institution would be established outside the international norms, not using the rule of the law, the established code of conduct for an international institution, and would become seen as a sort of China puppet. However, because Britain got involved ... British officials were absolutely instrumental in drawing up the rules ... the code of conduct, the proper standards for the body, and many other western countries quickly followed suit and joined.”³⁴

He described this as “an example of real British influence”, and of “diverting China away from a course of action that ... could have been prejudicial to our interests”.³⁵ Lord Sassoon told us that the AIIB is “now seen as a model of its kind” and “shows that, where you can draw China into working on a positive project, we can have significant influence that works well for both sides and for global governance”.³⁶

Box 2: The Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank focusing on improving infrastructure in Asia, headquartered in Beijing. It was formally proposed by China in 2013.

In March 2015 the Chancellor of the Exchequer, George Osborne, announced that the UK would apply to join the bank, despite criticism from the US administration.³⁷ The UK became the first non-Asian country and first G7 member to ratify the Articles of Agreement of the bank. Other European states also became members, including Germany, France, Italy and Poland.

The AIIB was officially formed in January 2016. China is the largest shareholder, with 30.8% of total shares, followed by India (8.6%) and Russia (6.7%). Jin Liqun was elected as the bank's president for a five-year term. Sir Danny Alexander, former Liberal Democrat MP and Chief Secretary to the Treasury, became the Bank's vice president and corporate secretary.³⁸ The AIIB has 103 members, including 57 “founding members”, including the UK and 13 EU states.³⁹

28. Views were mixed on both the wisdom and success of the approach of the coalition Government. Lord Sassoon's view on how the UK should approach relations with China had not changed: “For post-Brexit global Britain there

33 Written evidence from Robert Clark ([TRC0008](#)) and Foreign, Commonwealth and Development Office, ‘UK-China Joint Statement 2015’ (22 October 2015): <https://www.gov.uk/government/news/uk-china-joint-statement-2015> [accessed 2 September 2021]

34 [Q 23](#) (George Osborne)

35 [Q 23](#) (George Osborne). See also [Q 81](#) (Lord O'Neill of Gatley).

36 [Q 95](#) (Lord Sassoon). See also written evidence from the China-Britain Business Council ([TRC0014](#)).

37 Geoff Dyer and George Parker, ‘US attacks UK's ‘constant accommodation’ with China’, *The Financial Times* (12 March 2015): <https://www.ft.com/content/31c4880a-c8d2-11e4-bc64-00144feab7de> [accessed 2 September 2021]

38 HM Treasury, ‘Danny Alexander appointed as Vice-President of new Asian Infrastructure Investment Bank’ (5 February 2016): <https://www.gov.uk/government/news/danny-alexander-appointed-as-vice-president-of-new-asian-infrastructure-investment-bank> [accessed 2 September 2021]

39 Asia Infrastructure Investment Bank, ‘Who We Are’: <https://www.aiib.org/en/about-aiib/index.html> [accessed 2 September 2021]

is no opportunity in the world for greater growth in trade, and therefore jobs in the UK, than ... China.”⁴⁰ The China-Britain Business Council noted that critics of the golden era approach have labelled it as “‘kowtowing’ to China”, but argued that this ignores both “the gains the UK has made from the rapid growth in our economic ties with China”, as well as “successful examples of the UK using its ‘soft power’ to influence China”.⁴¹

29. However, Dr Yu Jie, Senior Research Fellow on China at Chatham House, told us: “In the Cameron-Osborne era, we let economic opportunities completely dominate everything through bilateral relations and viewed ‘bilateral relations’ as a mercantilist term.”⁴² Lord Patten of Barnes described the ‘golden era’ approach as an “example of doubtless well-meaning failure”: while there were “well-meaning efforts to develop a better economic and trade relationship with China ... the tune has been played by China rather than the Treasury”.⁴³
30. We also heard scepticism about the scale of the UK’s influence in the AIIB. The UK’s subscription to the AIIB gives it 2.9% voting powers, compared with China’s 26.6%.⁴⁴ Robert Clark told us that: “In this China-led framework, it is difficult to see how the UK’s national interests are fulfilled.”⁴⁵
31. **The UK’s relationship with China during the coalition and Cameron Governments was largely focused on the economic benefits of closer ties. The UK played a key role in the founding of the Asian Infrastructure Investment Bank, but it is unclear whether it has retained its influence in the intervening years.**

2016 onwards

32. Events in the mid-2010s precipitated a shift in the UK’s approach to China, including the Brexit referendum in June 2016. On the one hand, we heard that the decision to leave the EU required the UK to think more deeply about its relationship with China, both in terms of security and economics. Dr Lynn Kuok, Shangri-La Dialogue Senior Fellow for Asia-Pacific Security at International Institute for Strategic Studies, told us that the UK’s “strategic imperatives [and] its interests in the region are heightened with Brexit and its push for a global Britain”,⁴⁶ while Robert Clark noted that the desire to stimulate foreign (including Chinese) investment into the UK would become “even more pertinent” following the referendum.⁴⁷
33. On the other hand, George Osborne believed that “because of Brexit, Britain turned inwards” in the following years. This was echoed by Professor Morton who told us that from China’s perspective, it appears that “the UK has really been driven much more by its domestic politics” since Brexit.⁴⁸ The referendum was also the catalyst for Theresa May becoming Prime

40 Q 94 (Lord Sassoon)

41 Written evidence from the China-Britain Business Council (TRC0014)

42 Q 8 (Dr Yu Jie)

43 Q 128 (Lord Patten of Barnes). See also written evidence from Robert Clark (TRC0008).

44 Asian Infrastructure Investment Bank, ‘Members and Prospective Members of the Bank’: <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> [accessed 2 September 2021]

45 Written evidence from Robert Clark (TRC0008). See also written evidence from Dr Radomir Tylecote (TRC0002).

46 Q 58 (Dr Lynn Kuok)

47 Written evidence from Robert Clark (TRC0008)

48 Q 71 (Professor Katherine Morton)

Minister: we heard that she was more focused on the security aspects of the relationship with China than the economic aspects.⁴⁹

34. Other external factors contributed to a change in the UK's approach to China. George Osborne told us that both China and the West "changed" during this period, with the world becoming "more fragmented" and "more nationalist".⁵⁰
35. The position of the UK's allies also changed. Lord McDonald of Salford told us that in parallel to events in the UK, "other bits of the international community were reappraising China". In particular, the Trump administration had a "much more sceptical, not to say harsher, line with Beijing".⁵¹ This contributed to a "recalibration" of the UK's China policy over the last five years, resulting in the approach laid out in the Integrated Review.⁵² Dr Alessio Patalano, Senior Fellow at Policy Exchange and Reader in East Asian Warfare and Security at King's College London's Centre for Grand Strategy, agreed:

"For the UK government a strong and close relationship with the United States remains a primary security interest. The Trump and Biden administrations have approached policy towards China in more competitive terms. This has, in turn, put pressure on the UK government to maintain policies that are compatible with changes in Washington."⁵³

36. Dr Summers told us that the Trump administration "was active in lobbying the British government to support it, most notably on the Huawei issue".⁵⁴ Lord O'Neill of Gatley, former Commercial Secretary to HM Treasury said that from China's perspective, the UK's firmer approach towards China in recent years, while perhaps "completely coincidental", had coincided with the "aggressive stance adopted, at least publicly, by the Trump administration", giving the sense that "the UK is being dragged into this position and is not doing this based on its independent judgments".⁵⁵

The current Government's approach

37. The direction of the current UK Government's approach to China under the leadership of the Prime Minister Boris Johnson remains uncertain. Some witnesses thought that the Government wished to pursue a relationship like that of the 'golden era'. Robert Clark told us that the "Conservative strategy of a 'golden era' [has] developed further" under the current Government, noting that in July 2020 the Prime Minister said his government would be "pro-China" and vowed to keep Britain the most open economy in Europe

49 Q 38 (Lord McDonald of Salford)

50 Q 25 (George Osborne)

51 Q 38 (Lord McDonald of Salford)

52 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age-the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

53 Written evidence from Dr Alessio Patalano (TRC0026)

54 Written evidence from Dr Tim Summers (TRC0007)

55 Q 84 (Lord O'Neill of Gatley)

for Chinese investments.⁵⁶ George Osborne told us that the Prime Minister should be “congratulated for seeing off the hotheads who want to launch some new cold war with China ... instead promoting an approach that is realistic about the threat that China poses but ... essentially tries to co-opt China rather than confront China”. In his view, “That was the approach back then and it is the approach today.”⁵⁷

38. However, we also heard that the mood in the UK had “changed dramatically” in response to recent events, including decisions on Chinese firms’ involvement in Hinkley Point and 5G infrastructure, events in Xinjiang and Hong Kong, and the coronavirus pandemic, and that this was contributing to a more cautious approach from the Government.⁵⁸ Dr Patalano told us that in 2020, “public scepticism in the UK about the Chinese government’s domestic and foreign policy practices set the context for a policy ‘reset’ in relations with China”.⁵⁹ Dr Tim Summers, Assistant Professor at the Centre for China Studies at the Chinese University of Hong Kong, told us that “the mood of MPs changed after both the 2017 and 2019 elections”, leading to the UK’s policy towards China becoming “more discussed and more contested”.⁶⁰
39. Nigel Adams MP, Minister of State for Asia at the Foreign, Commonwealth and Development Office said that the Government wants its policy towards China “to be defined by our national interest ... based on mutual respect and trust”. The Government believes that there is “huge scope for engagement and co-operation”, with China being “an important partner in tackling global challenges”. The Government is intent on continuing “to pursue a positive economic relationship with China”, including “deeper trade links and more Chinese investment”, but “at the same time we will not hesitate to stand up for our values and our interests when we feel they are threatened or when China, for example, acts in breach of existing agreements”.⁶¹
40. **While there appears to have been a shift in the mood of the UK towards China, there remains considerable uncertainty over the current Government’s policy towards China. The Minister for Asia’s comments did not offer clarity.**

The Integrated Review

41. In March 2021, the Government published its Integrated Review of Security, Defence, Development and Foreign Policy, *Global Britain in a Competitive Age*.⁶² This represents the most recent statement of the Government’s foreign policy objectives.

56 Written evidence from Robert Clark (TRC0008); see also Zhenhua Lu, ‘Pro-China’ Boris Johnson ‘enthusiastic’ about belt and road plan’, *South China Morning Post* (24 July 2019): <https://www.scmp.com/news/china/diplomacy/article/3019884/pro-china-boris-johnson-enthusiastic-about-belt-and-road-plan> [accessed 2 September 2021]

57 Q 25 (George Osborne)

58 Q 1 (Charles Parton). See also Q 14 (Professor Kerry Brown).

59 Written evidence from Dr Alessio Patalano (TRC0026)

60 Written evidence from Dr Tim Summers (TRC0007)

61 Q 136 (Nigel Adams MP)

62 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

42. A core message of the Integrated Review was that the UK's international strategy will “tilt” towards the Indo-Pacific. The Review states that the UK will pursue “deeper engagement in the Indo-Pacific”, and by 2030 will be the “European partner with the broadest and most integrated presence” in the region.⁶³ The definition of the Indo-Pacific region is discussed in Box 3.

Box 3: The Indo-Pacific region

The Indo-Pacific is a region which, in its broadest definition, covers the area between the east coast of Africa and west coast of the Americas. The exact definition is contested. Veerle Nouwens told us that “exact geographic boundaries of the Indo-Pacific do not exist”, though it is generally agreed there is a “core” area constituting South Asia, Southeast Asia, North-East Asia, and Oceania. Dr Heritage agreed that the Indo-Pacific is “not a homogenous region”.⁶⁴

Dr Kuok told us that the Indo-Pacific terminology “captures the integral link between the Indian and the Pacific oceans as one strategic theatre”, and “highlights the importance of the maritime domain for the region's security”.⁶⁵ She added that the importance of India is highlighted in the use of Indo-Pacific to describe the region.

Veerle Nouwens noted that “every country's interpretation ... will differ significantly” based on their own interests: it is not yet clear how the UK defines the region. However, she added that this flexible approach is “probably the right [one] to take”.⁶⁶

The Integrated Review does not define the Indo-Pacific. However the Minister for Asia told us that the Government regards the Indo-Pacific as “covering most of south Asia and the Indian Ocean, northeast and southeast Asia, Oceania and the Pacific”, though he accepted that there are “various broader and narrower definitions”.

43. The Integrated Review states that the UK needs to engage more deeply in the Indo-Pacific for three reasons:
- (1) For “economic opportunities”, as “the Indo-Pacific is the world's growth engine”, and “already accounts for 17.5% of UK global trade and 10% of inward FDI⁶⁷”.
 - (2) For “our security”, as the region is “at the centre of intensifying geopolitical competition with multiple potential flashpoints”, as well as being “on the frontline of new security challenges, including in cyberspace”.
 - (3) For “our values”, as the UK needs to “deepen and expand our partnerships to promote open societies and to uphold the international rules and norms that underpin free trade, security and stability”.
44. The Integrated Review made several references to China specifically, mentioning its “increasing international assertiveness” and “growing impact on many aspects of our lives”. It refers to China as a “systemic competitor”, which poses a “systemic challenge” to “our security, prosperity and values—

63 *Ibid.*

64 Written evidence from Dr Anisa Heritage ([TRC0030](#))

65 [Q 49](#) (Dr Lynn Kuok). See also written evidence from Dr Anisa Heritage ([TRC0030](#)).

66 [Q 49](#) (Veerle Nouwens)

67 Foreign Direct Investment

and those of our allies and partners”, but also states that the UK “will co-operate with China in tackling transnational challenges such as climate change”.

45. We heard mixed responses on both the wisdom and clarity of the approach outlined in the Integrated Review. Lord Sedwill, former National Security Adviser at the Cabinet Office, told us that the focus on the Indo-Pacific is “clearly right, given the rising importance of the Pacific economies generally”.⁶⁸ Veerle Nouwens, Senior Research Fellow at the Royal United Services Institute’s Indo-Pacific Programme, added that while “the mention of the Indo-Pacific was slightly less detailed than many of us had expected and hoped”, it “had the tone exactly right” and would be “welcomed by countries in the region”.⁶⁹
46. Dr Kuok told us that the UK is “well placed to work with allies and partners to build capacity in the region, including humanitarian assistance and disaster relief”, and “given its strong naval capabilities, [it is] well placed to preserve maritime security in the region”. Professor Akio Takahara, Professor of Contemporary Chinese Politics at University of Tokyo, told us that the UK’s “legacy in the region about the rule of law ... is a very important element of the free and open IndoPacific that the Japanese government have proposed and been promoting”.⁷⁰
47. However, Dr Kuok warned that the aim in the Integrated Review to uphold and defend a “rules-based order” will only gain traction if it is “also able to incorporate a strong economic element into its Indo-Pacific vision”, given the development needs of the region, particularly in light of the pandemic.⁷¹ Similarly, Lord O’Neill of Gatley said he would have “liked more economics in the Integrated Review”.⁷² Dr Tanvi Madan, Director of the India Project and Senior Fellow on Foreign Policy at the Brookings Institution, also highlighted that while partners like India “broadly welcome” the tilt, they are waiting to see what resources will be allocated and what the approach will be.⁷³
48. Some witnesses felt that the Integrated Review did not offer clarity on the UK’s position towards China. Lord Patten of Barnes told us that the Review was an “elegantly written avoidance of making hard choices”, and on the issue of relations with China, a “terrific indulgence in cake-ism”.⁷⁴
49. The Minister for Asia, on the other hand, argued that the Integrated Review “sets out clearly how we will approach [the UK-China] relationship”, although he acknowledged that “there are some aspects of our approach to China that are necessarily withheld from public view”.⁷⁵
50. Others told us that the Review could have gone further in clarifying the UK’s priorities. For example, Lord McDonald of Salford said that “prioritisation is a real issue. We are acquiring and acquiring without ditching anywhere.”⁷⁶

68 [Q 43](#) (Lord Sedwill)

69 [Q 57](#) (Veerle Nouwens)

70 [Q 63](#) (Professor Akio Takahara)

71 [Q 58](#) (Dr Lynn Kuok)

72 [Q 86](#) (Lord O’Neill of Gatley)

73 [Q 63](#) (Dr Tanvi Madan)

74 [Q 129](#) (Lord Patten of Barnes)

75 [Q 137](#) (Nigel Adams MP)

76 [Q 45](#) (Lord McDonald of Salford)

On the other hand, Lord Sedwill noted that the Review is “at least giving an indication of an implicit reprioritisation to the Indo-Pacific”.⁷⁷

51. We heard concern from some witnesses about how the Review would be perceived externally. Lord O'Neill of Gatley warned that the timing of its publication during a time of political tension with China over Xinjiang made it “seem geared against China”.⁷⁸
52. Despite these debates, some witnesses suggested that the Integrated Review did not represent a significant departure from the UK's approach to China in recent years. Lord McDonald of Salford said that the tilt to the Indo-Pacific is “one of the aspects [of the Integrated Review] that could be overinterpreted”, and that while “it is good for a headline ... [and] a little bit of emphasis”, it will not be “the core of our future foreign policy, which remains the Euro-Atlantic area”.⁷⁹
53. **A cornerstone of the recently published Integrated Review is the UK's “tilt” to the Indo-Pacific. While we welcome the attention being paid to this important region, the Government needs to provide greater detail on its objectives and how it plans to achieve them, particularly with regard to China. However, given the Royal Navy's home waters and North Atlantic obligations it is optimistic to believe the UK could contribute much.**

Consistency of strategy towards China

54. Some witnesses complained of a lack of consistency in the UK's approach towards China over the past decade. Lord O'Neill of Gatley told us:

“The speed with which the mood has shifted ... is, by definition, not conducive to a conscious effort to improve the overall economic relationship, including trade and attracting foreign direct investment. It is about getting the right balance, and we seem to lurch from one to the other.”⁸⁰
55. Lord O'Neill said that this inconsistency has meant that Chinese officials are “very confused about what the UK really wants from a relationship with China”.⁸¹ Dr Summers agreed that “Britain's approach to China has oscillated too much over the last decade”, and that stakeholders would “benefit from a more consistent approach”.⁸² Lord Patten of Barnes told us that the UK's policy on China has been driven by “confusion and, to some extent, delusion”, particularly with regard to issues such as Hong Kong.⁸³
56. Professor Steve Tsang, Director of the SOAS University of London's China Institute, told us that there have been “different degrees of clarity” among recent UK Governments: “Whatever one thought about Cameron's ‘golden era’ approach to China, there was a sense of clarity in what the UK was trying to get in its engagement with China. At the moment, it is not clear what we really want to get in our relationship with China.”⁸⁴ Charles Parton,

77 [Q 45](#) (Lord Sedwill)

78 [Q 86](#) (Lord O'Neill of Gatley)

79 [Q 43](#) (Lord McDonald of Salford)

80 [Q 83](#) (Lord O'Neill of Gatley)

81 *Ibid.*

82 Written evidence from Dr Tim Summers ([TRC0007](#))

83 [Q 128](#) (Lord Patten of Barnes)

84 [Q 14](#) (Professor Steve Tsang)

Senior Associate Fellow at Royal United Services Institute, thought that there was “was no really clear strategy” even during the Cameron and May Governments, resulting in “flip-flops” over issues such as Huawei and “quarrels” between different departments.⁸⁵ But he agreed with Professor Tsang on the current Government’s approach to China: “It is hard to say exactly what the strategy or the policy is because it has not been declared.”⁸⁶ From the perspective of business, Fang Wenjian, Chairman of the China Chamber of Commerce in the UK, and General Manager of Bank of China in London, said: “A lack of consistent and coherent policy on China ... is creating uncertainty for the business community.”⁸⁷

57. Witnesses identified this inconsistency within the Integrated Review. Professor Tsang described the Review’s section on China as the Government attempting “to have [its] cake and eat it when it deals with China”, as “on the one hand, it identifies China as posing a systemic challenge to the UK”, while “on the other hand, it underlines the importance of economic relations with China”.⁸⁸ Dr Garima Mohan, Fellow at the German Marshall Fund of the United States’ Asia Program, told us that regional partners in the Indo-Pacific “expected a little more clarity on the UK-China relationship” in the Review, “particularly in walking the tightrope between co-operation and competition”.⁸⁹
58. Witnesses also noted a lack of policy coordination on China across Government. Lord McDonald of Salford told us: “The system is still grappling with how to organise policy overall in relation to China.” He contrasted the UK’s approach to China with the approach to Russia in 2018, which was “strikingly successful, developed and quick”, because everything was coordinated by the Foreign and Commonwealth Office (now FCDO), whereas in the case of China, the model for coordinating policy still needed to be resolved.⁹⁰
59. Lord Sedwill believed that “the coordination of policy towards China has improved over the last decade”. He noted that the challenge over this period was “trying to pursue our national security concerns and interests at the same time as pursuing our economic interests”, and that as a result there have been “periods when those two communities in Whitehall have not operated together or communicated with each other as effectively as they should have done”. He noted that the UK has “a complex national strategy in dealing with China”, but believed that overall “we have managed to bring all those different considerations to bear”, in part due to the coordinating role of the National Security Adviser.⁹¹
60. On a similar theme, we were told of a general lack of expertise on China within the UK Government and civil service, and a lack of understanding of China by the wider public. This contrasts with the Chinese Government and people’s understanding of the UK. Lord O’Neill of Gatley told us that countries of a similar standing to the UK appeared to have a greater

85 [Q 1](#) (Charles Parton)

86 *Ibid.*

87 [Q 104](#) (Fang Wenjian)

88 Written evidence from Professor Steve Tsang ([TRC0015](#))

89 [Q 63](#) (Dr Garima Mohan)

90 [Q 38](#) (Lord McDonald of Salford)

91 [Q 38](#) (Lord Sedwill)

depth of understanding on China.⁹² Lord Sassoon noted that the Integrated Review “identifies the need to build additional China capabilities across government”, but said that “a lot more needs to be done”. He told us that his “number one” policy recommendation would be “education of officials, maybe even of Members of the two Houses, on China and its history”.⁹³

61. The Minister for Asia disagreed. He said that there are China experts in every department, allocated in “key strategic areas, aimed at protecting our national interests from potential threats”, and that last year the Government invested £3 million “to increase our capability on China”.⁹⁴
62. The inconsistency in approach and lack of policy coordination points to the need for a clear strategy on China. Professor Tsang told us: “With Xi Jinping working to make China the dominant global power, the UK can no longer afford not to have a well thought through and sustainable China policy that upholds British national interests.”⁹⁵ Charles Parton saw a need for a strategy that is “united across government and is clear not just within the Government but to business, civil society and indeed to the Chinese”.⁹⁶ Representatives from the business community agreed: the China-Britain Business Council urged the Government to “put in place a strategic framework, agreed across Whitehall, to promote and encourage engagement with China, bringing together relevant Government departments and multiplier organisations”.⁹⁷
63. The Foreign Affairs Committee highlighted the need for a clear, coherent China strategy in its April 2019 report, *China and the Rules-Based International System*.⁹⁸ It concluded that while the Government has a “strategic goal” to “build a deeper partnership with China, working more closely together to address global challenges” (as set out in the 2015 National Security Strategy and Strategic Defence and Security Review),⁹⁹ this is “not sufficient”. The Committee recommended that the Government produce a “single, detailed public document defining the UK’s China strategy” by the end of 2020.¹⁰⁰
64. In its response to the Foreign Affairs Committee, the Government did not commit to publishing a strategy, but said: “We will find opportunities to set out more detail on the UK Government’s approach to China over the next 18 months.”¹⁰¹
65. The Minister for Asia told us that “it is simply not true that the Government have not found opportunities to set out our approach to China in more detail”, and highlighted a range of occasions on which the Government had

92 [Q 87](#) (Lord O’Neill of Gatley). See also written evidence from the China-Britain Business Council ([TRC0014](#)).

93 [Q 100](#) (Lord Sassoon)

94 [Q 138](#) (Nigel Adams MP)

95 Written evidence from Professor Steve Tsang ([TRC0015](#))

96 [Q 1](#) (Charles Parton)

97 Written evidence from the China-Britain Business Council ([TRC0014](#))

98 Foreign Affairs Committee, *China and the Rules-Based International System* (Sixteenth Report, Session 2017–19, HC 612)

99 HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A Secure and Prosperous United Kingdom*, Cm 9161, November 2015 para 5.74: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/478933/52309_Cm_9161_NSS_SD_Review_web_only.pdf [accessed 2 September 2021]

100 Foreign Affairs Committee, *China and the Rules-Based International System* (Sixteenth Report, Session 2017–19, HC 612)

101 Foreign Affairs Committee, *China and the Rules-Based International System: Government Response to the Committee’s Sixteenth Report* (Twenty-First Special Report, Session 2017–19, HC 2362)

“spoken publicly ... about our approach to China.” He said that in presenting the Integrated Review to Parliament, “the Prime Minister made clear that our overarching approach to China will be to manage disagreements, defend our values but, importantly, preserve space for cooperation where our values align”.¹⁰²

66. The Government also told us that “UK policy on China is coordinated across Government”, with the FCDO “at the heart of the cross-Whitehall strategic approach to China”. It added:

“To date our policy towards China has been agreed by the National Security Council (NSC) and is reviewed regularly. The NSC sets the UK’s strategic objectives on China which cover the depth and breadth of UK-China engagement, and the implications of China’s growing geopolitical and global role. For reasons of national security, we do not publish correspondence or decisions relating to the NSC.”
67. **The attempt of the three most recent governments to navigate across the complexity of economic, sovereignty, security and human rights issues in relation to China has led to inconsistencies, created uncertainty and points to a lack of a central strategy. There is no clear sense of what the current Government’s strategy towards China is, or what values and interests it is trying to uphold in the UK-China relationship.**
68. **Current levels of China expertise within Government and the civil service are insufficient when compared to the ambitious agenda and the tilt to the Indo-Pacific outlined by the Government in the Integrated Review.**
69. **The Government told us that it has made its approach to China clear in public statements and in the Integrated Review, but these statements, and those made to us during this inquiry, have been vague and do not constitute a strategy.**
70. **We call on the Government to produce a single, coherent China strategy, as recommended by the Foreign Affairs Committee in April 2019, and a plan for how it will execute that strategy. The strategy should seek to resolve the ambiguities in the current Government’s China policy. The recommendations made in this report will help highlight what the strategy should contain.**

102 [Q 137](#) (Nigel Adams MP)

CHAPTER 3: CHINA'S POSITION AND OUTLOOK

The rise of China and Chinese foreign policy

Priorities of the Communist Party of China

71. Dr Michał Bogusz, Senior Research Fellow at the Centre for Eastern Studies' China Research Programme, said that to understand China's perspective on the existing international order, one has to understand the Communist Party of China (CCP¹⁰³), its goals and the tools it uses in international politics.¹⁰⁴ He told us that the CCP has "only one primary goal: the survival of the regime".¹⁰⁵
72. Another key feature of the CCP is that it "leads everything" in China.¹⁰⁶ Dr Bogusz told us that from the perspective of the CCP, "everything must be controlled", as this is seen as "the only way to gain a political advantage" both domestically and internationally.¹⁰⁷
73. We heard that CCP policy has been generally consistent over time. Dr Yu said that "the key role for the Chinese Communist Party and for Chinese foreign policy is to secure China's economic interests", and that this has not changed between presidencies.¹⁰⁸

Chinese foreign policy

74. Professor Morton said that Chinese foreign policy is influenced by a "mix of domestic and international drivers in relation to protecting regime security, national development, economic diplomacy, the importance of ensuring that China is rising and protecting that rise more broadly".¹⁰⁹ These have remained constant and have not changed under Xi Jinping. However, there has been a "hardening stance" on national sovereignty and territorial integrity, and a "much stronger emphasis on national security".¹¹⁰
75. We heard that under President Xi China has become "much more proactive, less risk averse and much more outward looking",¹¹¹ with a greater focus on China's image and on economic diplomacy,¹¹² and with the aim of "transforming China from a rule-taker to a rule-maker in the international community".¹¹³ This increased assertiveness was expressed by Xi Jinping in his recent speech for the centenary of the CCP, in which he said: "we will never allow anyone to bully, oppress or subjugate China" and that "anyone who dares try to do that will have their heads bashed bloody".¹¹⁴ Professor Tsang said that President Xi's priority is to "steer China" to a more proactive engagement with the rest of the world, including via the Belt

103 The Communist Party of China is commonly referred to as the Chinese Communist Party, or CCP. We have used the acronym CCP in this report to reflect this common usage.

104 Written evidence from Dr Michał Bogusz ([TRC0010](#))

105 *Ibid.*

106 [Q 3](#) (Charles Parton)

107 Written evidence from Dr Michał Bogusz ([TRC0010](#))

108 [Q 2](#) (Dr Yu Jie)

109 [Q 67](#) (Professor Katherine Morton)

110 *Ibid.*

111 [Q 67](#) (Professor Yongjin Zhang)

112 [Q 67](#) (Professor Katherine Morton)

113 Written evidence from Professor Steve Tsang ([TRC0015](#))

114 'CCP 100: Xi warns China will not be 'oppressed' in anniversary speech', *BBC News* (1 July 2021): <https://www.bbc.co.uk/news/world-asia-china-57648236> [accessed 2 September 2021]

and Road Initiative,¹¹⁵ vaccine diplomacy and by “re-shaping international organisations and rules” and by placing its nationals in key positions in international organisations.¹¹⁶

76. We asked witnesses whether China can be considered to have a ‘grand strategy’. Professor Morton told us there has been a shift from a “vision” of a “peaceful rise” towards a more considered approach of how to strategically position China in the world.¹¹⁷ In Professor Breslin’s view, China’s “overarching goal” is to create “an autonomous developmental or governance space”,¹¹⁸ where the Chinese leadership can “do what it wants in its own sovereign territory free of criticism, hindrance, complaint and insecurities”.¹¹⁹ That could entail either the creation of a “Sino-centric alternative to global order”, or simply “undermining the ability of others to impose their norms and preferences”.¹²⁰
77. Witnesses disagreed about the extent to which China is interested in exporting of its own governance model. Charles Parton said that China’s ambition was to “ensure a China-compliant world and thereby make systems and relations that thoroughly advance its aims”.¹²¹ Dr Yu offered a different view, arguing that “exportation” of the Chinese model of governance “is nowhere to be seen so far”.¹²²
78. **Regime survival remains the key objective of the Chinese Communist Party delivered through continued strong economic growth and China’s rising international standing.**
79. **While China’s overall objective of protecting its rise has remained consistent over presidencies, its foreign policy under Xi Jinping has been more outward looking and pro-active, and more aggressive.**

China’s approach to national security

National security policy

80. The CCP has defined China’s national security priorities in several places. The 2014 Overall National Security Outlook—categorised by Dr Kuok as a “defining document”¹²³ in terms of Chinese national security—identified five aims regarding national security:

(1) The security of the people

115 The Belt and Road Initiative is an infrastructure development strategy proposed by China in 2013. It includes two major components: an overland component (the “Silk Road Economic Belt”) and a maritime component (the “Maritime Silk Road”) ‘Mapping the Belt and Road initiative: this is where we stand’, *Mercator Institute for China Studies* (7 June 2018): <https://merics.org/en/tracker/mapping-belt-and-road-initiative-where-we-stand> [accessed 2 September 2021]

116 Written evidence from Professor Steve Tsang (TRC0015)

117 Q 67 (Professor Katherine Morton)

118 Q 67 (Professor Shaun Breslin)

119 *Ibid.*

120 *Ibid.*

121 Q 12 (Charles Parton)

122 Q 2 (Dr Yu Jie); see also Q 2 (Charles Parton).

123 Q 52 (Dr Lynn Kuok). See the Chinese version of the National Security Outlook: Chen Wenqing, ‘Vivid practice and rich development of the overall national security concept’, *Qiushi.com* (15 April 2015): http://www.qstheory.cn/dukan/qs/2020-04/15/c_1125856695.htm [accessed 2 September 2021]; and English-language commentaries: ‘Xi calls for efforts to break new ground in national security’, *Xinhuanet* (17 April 2018): http://www.xinhuanet.com/english/2018-04/17/c_137118101.htm [accessed 2 September 2021], Center for Strategic and International Studies, ‘Ideological Security as National Security’ (2 December 2020): <https://www.csis.org/analysis/ideological-security-national-security> [accessed 2 September 2021]

- (2) Political security¹²⁴
 - (3) Economic security
 - (4) Military, cultural and societal security
 - (5) International security.¹²⁵
81. The Hong Kong National Security Law¹²⁶ defined China's national security as "one where the major interests of the state are relatively secure and free from both internal and external threats".¹²⁷ More recently, as Professor Breslin observed, the 14th Five-Year Plan,¹²⁸ adopted in March 2021, sought to reduce economic insecurity by, for example, "doing more things" domestically.¹²⁹ It also introduced a more "holistic" approach to national security, adding security of food, energy, environment and the financial system.¹³⁰
 82. Military security remains a key priority for China. China is the second highest military spender after the US, and Veerle Nouwens estimated that China's defence spending "accounted for about 25% of global defence spending".¹³¹ She added that the official CCP figures underestimate the true spend, because they do not include foreign weapons purchases, military research and defence funding, or the People's Armed Police central budget.¹³²
 83. **China is taking an expanded view of security into non-traditional areas such as food, the environment, its financial system, investment, aid and debt. At the same time, it is rapidly growing its military expenditure (including its navy and coastguard) and now has the second-highest national spend after the United States.**

Threat perceptions

84. Witnesses identified five factors that influence China's perception of threat.
85. First, Professor Breslin explained that there is a "feeling that China is trying to rise in a global order that is not amenable to China's rise". This creates

124 According to Dr Kuok, this refers to "the security of the regime and the political system". Q 52 (Dr Lynn Kuok)

125 Q 52 (Dr Lynn Kuok)

126 People's Republic of China 'The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region': [https://www.elegislation.gov.hk/fwddoc/hk/a406/eng_translation_\(a406\)_en.pdf](https://www.elegislation.gov.hk/fwddoc/hk/a406/eng_translation_(a406)_en.pdf) [accessed 2 September 2021]

127 Q 52 (Dr Lynn Kuok)

128 The 14th Five-year Plan is the most recent Five-Year Plan published by the Chinese government, outlining social and economic initiatives for the next five years. It was outlined in October 2020 and formally adopted in March 2021 and covers the period 2021–2025. An English translation of the 14th Five-year plan can be found at: Chinese Communist Party. 'Proposal of the Central Committee of the Chinese Communist Party on drawing up the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2030', *Centre for Security and Emerging Technology* (7 December 2020): https://cset.georgetown.edu/wp-content/uploads/t0237_5th_Plenum_Proposal_EN-1.pdf [accessed 2 September 2021]

129 Q 68 (Professor Shaun Breslin)

130 Q 68 (Professor Yongjin Zhang)

131 Q 53 (Veerle Nouwens). According to the Stockholm International Peace Research Institute, Chinese military spending in 2019 accounted for 14% of the global total. See more: Nan Tian, Alexandra Kuimova, Diego Lopes Da Silva, Pieter D Wezeman and Siemon T. Wezeman, 'Trends in World Military Expenditure, 2019' *SIPRI* (April 2020), p 3: https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0.pdf [accessed 2 September 2021]

132 Q 53 (Veerle Nouwens)

“considerable vulnerabilities and insecurities”, and a “hypersensitivity” that criticism of the President is criticism of the entire political system of China.¹³³

86. Second, we heard that particular events have contributed to China's perceptions of its national security. Dr Kuok highlighted the 1995–96 crisis in the Taiwan Strait,¹³⁴ the bombing of Chinese embassy in Belgrade in 1999,¹³⁵ the Hainan Island incident in 2001,¹³⁶ and Hillary Clinton's 2010 speech in Hanoi.¹³⁷ She told us that all of these have had a bearing on China's strategic thinking.
87. Third, there are perceptions of threat arising from domestic national security concerns, such as the “perception of destabilisation in Xinjiang”¹³⁸ and “the question of unification of the mainland and Taiwan”.¹³⁹
88. Fourth, Veerle Nouwens told us that Chinese perceptions of threats are further influenced by an awareness that “the international environment has taken a sharp turn against it, particularly among the Western partners in the Indo-Pacific region”. She highlighted a “rumoured report” which said that the levels of anti-China sentiment observed recently have not been seen since the events in Tiananmen Square in 1989.¹⁴⁰
89. Fifth, we heard that China fears external interference in the Chinese system. Professor Morton said that there is a belief in Beijing that Washington is “interfering” in domestic politics and is “intent on undermining the party state system”.¹⁴¹ Lord Patten of Barnes highlighted a leaked internal CCP

133 Q 68 (Professor Shaun Breslin). See also Q 52 (Dr Lynn Kuok).

134 The Third Taiwan Strait Crisis was the effect of a series of missile tests conducted by China in the waters around Taiwan from July 1995 to March 1996, in the run-up to the first direct presidential election in Taiwan in March 1996. The crisis prompted the US Administration under Bill Clinton to deploy a carrier battle group to international waters near Taiwan.

135 On 7 May 1999 NATO forces, conducting ‘Operation Noble Anvil’ against the Federal Republic of Yugoslavia, have bombed the Chinese embassy in Belgrade. The US and NATO announced it was an accident. According to the official explanation the bombs were supposed to hit the nearby headquarters of the Yugoslav Federal Directorate for Supply and Procurement. Chinese officials did not accept this explanation. See Kevin Ponniah and Lazara Marinjovic, ‘The night the US bombed a Chinese embassy’ *BBC News* (7 May 2019): <https://www.bbc.co.uk/news/world-europe-48134881> [accessed 2 September 2021]

136 The ‘Hainan Island Incident’ took place on 1 April 2001, when a US EP-3 signals intelligence aircraft collided with a People's Liberation Army Navy fighter jet. Both sides have refused to accept responsibility for the crash. See ‘Who caused the crash’ *BBC News* (5 April 2001): <http://news.bbc.co.uk/1/hi/world/asia-pacific/1260290.stm> [accessed 2 September 2021]

137 Hilary Clinton declared that the freedom of navigation and respect for the international law on the sea in the South China Sea are in the US' national interest. US Department of State, ‘Hillary Rodham Clinton's remarks, July 23 2010, Hanoi’: <https://2009-2017.state.gov/secretary/20092013clinton/rm/2010/07/145095.htm> [accessed 2 September 2021]

138 Q 52 (Veerle Nouwens)

139 Q 68 (Professor Yongjin Zhang)

140 Q 52 (Veerle Nouwens)

141 Q 68 (Professor Katherine Morton)

document from 2013, known as Document Number Nine, which warned of threats posed by western values.¹⁴²

90. We heard that while there is an general understanding of how China might respond to a conventional attack, it remains unclear how China would behave in response to a non-conventional attack, such as cyber-attack or “grey zone attack”.¹⁴³ Veerle Nouwens told us that “China has not explicitly said what it considers to be an attack”, and maintains a policy of: “We won’t attack if we aren’t attacked, but if we are attacked we will surely counterattack”.¹⁴⁴
91. **China’s perception of threats to its national security is influenced by insecurities about its rise, history (including perception of ‘national humiliation’ and memory of its semi-colonial past), domestic security concerns, anti-Chinese sentiment, and fears of external interference.**
92. **There is insufficient understanding of whether China intends to take a more aggressive approach to the existing status of Taiwan and, if it does, how it might react to the consequences of those attempts. It is also unknown how China might respond to non-conventional, “grey zone” attacks.**

China’s economic policy under Xi Jinping

93. Dr Summers identified the following key features of the Chinese economy:

“Growth of the middle class and consumption, burgeoning research and innovation activity, dynamic and often large private companies (more like capitalist monopolies than socialist behemoths), and an impact on the global economy which is almost certain to grow further over the coming decade and more.”¹⁴⁵
94. Professor Yongjin Zhang, Professor of International Politics at the University of Bristol, underlined the importance of the regulatory reforms initiated in 2017 and the opening of China’s financial market to foreign financial institutions.¹⁴⁶ He explained that “at the moment, the foreign financial institutions account for only 2% of China’s banking assets and 6% of insurance assets”, but “at the end of last year, China’s financial sector had total assets of about \$48 trillion” and was “growing fast”.¹⁴⁷

142 **Q 128** (Lord Patten of Barnes). ‘The Communiqué on the Current State of the Ideological Sphere’, also known as ‘Document Number Nine’, is allegedly an internal confidential document of the Chinese Communist Party circulated within the Party in April 2013. The document “urged to guard against seven political “perils,” including constitutionalism, civil society, “nihilistic” views of history, “universal values,” and the promotion of “the West’s view of media.” It also called on Party members to strengthen their resistance to “infiltration” by outside ideas, renew their commitment to work “in the ideological sphere,” and to handle with renewed vigilance all ideas, institutions, and people deemed threatening to unilateral Party rule”. See an English translation of the document at: ‘How much is a hardline party directive shaping China’s current political climate’, *Chinafile* (8 November 2013): <https://www.chinafile.com/document-9-chinafile-translation> [accessed 2 September 2021]

143 The Ministry of Defence’s Strategic Command defines the “grey zone” as everything that falls between a “white zone”, that is “a peaceful action carried out by a group or nation”, and a “black zone”, that is “a hostile action, which could be seen as an act of war”. More specifically, grey zone attacks include cyber-attacks, poisonings (e.g. an attempt to kill Sergei and Yulia Skripal in Salisbury in March 2018), espionage, and disinformation. See Samuel Connell, ‘Getting to grips with grey zone conflict’, (26 April 2021): <https://stratcommand.blog.gov.uk/2021/04/26/getting-to-grips-with-grey-zone-conflict/> [accessed 2 September 2021]

144 **Q 52** (Veerle Nouwens)

145 Written evidence from Tim Summers (**TRC0007**)

146 **Q 69** (Professor Yongjin Zhang)

147 *Ibid.*

95. Professor Breslin told us that domestically China is increasingly focused on “reducing vulnerabilities, occupying more of the value chain, and doing more things at home”.¹⁴⁸ According to Professor Morton, Xi Jinping’s ambition is to “move away from foreign dependency” by focusing on resource and energy security as well as technology.¹⁴⁹ Didi Kirsten Tatlow, Senior Fellow at the German Council of Foreign Relations Asia Program and senior non-resident fellow at Sinopsis in Prague, Czech Republic, added that there are “at least 52” Chinese embassies and consulates with diplomats assigned for science and technology.¹⁵⁰
96. Economic self-reliance and technological independence were key elements of the 14th Five-Year Plan. Professor Zhang said that this is a “radical change from the previous Chinese policies, which talk more about how to integrate China’s technology sector globally”.¹⁵¹ Dr Alicia García-Herrero, Adjunct Professor of the Department of Economics at Hong Kong University of Science and Technology, Chief Economist for Asia Pacific at Natixis and Senior Fellow at Bruegel, said that the ideas of self-reliance introduced in the 14th Five-Year Plan do not imply that China “will close itself to the world”.¹⁵² Instead, it “wants to reduce dependence while still exporting to the rest of the world”.¹⁵³
97. We also heard that China is beginning to focus on the quality of overseas investments, rather than just quantity. For example, Professor Breslin said that after the announcement of the Belt and Road Initiative, there was “a lot of exuberant investment”, where “a lot of money went out of the country and ... did not bring back the returns”. There was now more focus on “quality” Belt and Road” investments.¹⁵⁴ But despite the talk of self-reliance and need for greater independence, China still “relies quite heavily” on FDI, and became the biggest recipient of FDI in 2020.¹⁵⁵
98. **The 14th Five-Year Plan introduced in March 2021 has signalled modifications to the previous model of Chinese economic governance, with a greater focus on self-reliance and emphasising the importance of the domestic market. China will remain a key participant in the global economy, but is likely to focus increasingly on its domestic market.**

Chinese approach to global governance

99. We heard mixed views on whether China has a different approach to global governance from the West. Veerle Nouwens thought that China “has made it clear that it does not seek to reinvent itself as the next superpower”, and that it “does not want that responsibility”. She told us that China “notoriously tries to avoid taking sides” and does not want to be the “global policeman”, although she added that it was not clear how long that would last.¹⁵⁶ Similarly, Professor Liang told us that it is “hard to conclude” China is attempting to “overthrow” the rules-based international order, since “China is one of [its]

148 [Q 69](#) (Professor Shaun Breslin)

149 [Q 69](#) (Professor Katherine Morton)

150 [Q 125](#) (Didi Kirsten Tatlow)

151 [Q 69](#) (Professor Yongjin Zhang). See also [Q 69](#) (Professor Shaun Breslin).

152 [Q 122](#) (Dr Alicia García-Herrero)

153 [Q 122](#) (Dr Alicia García-Herrero). See also [Q 69](#) (Professor Shaun Breslin).

154 [Q 69](#) (Professor Shaun Breslin)

155 *Ibid.*

156 [Q 51](#) (Veerle Nouwens)

largest beneficiaries”, but added that it is “definitely trying to challenge the US dominance in the existing international order”.¹⁵⁷

100. Conversely, Robert Clark argued that under Xi Jinping, “China’s role in global affairs has increasingly sought to undermine” the global rules-based order. He told us that the CCP’s “tightening grip” on domestic security issues in recent years has led to:

“a much more assertive, regressive geopolitical outlook and subsequent foreign policy which aims to transform China into a global hegemon, replacing both the US and NATO as the current custodians of the global economy and international security.”¹⁵⁸

101. There was consensus that China is testing out ways it can make the global international order, in the words of Charles Parton, more “China-compliant”.¹⁵⁹ In particular, we heard that China wants to play a greater role in global economic governance.¹⁶⁰ Dr Linda Yueh, Fellow in Economics at St Edmund Hall in the University of Oxford, and Adjunct Professor at the London Business School, said that China is “keen to have a role that fits its economic weight in the global economic order, multilateral organisations and the international financial institutions”.¹⁶¹ Professor Liang agreed, telling us that because of its leverage as the second biggest economy, China has become “more assertive in reforming the global economic governance, especially the WTO, the IMF¹⁶² and the World Bank”.¹⁶³
102. The Asian Infrastructure Investment Bank (AIIB; Box 2) was seen as an example of China testing out greater involvement in global economic governance. Professor Liang told us that the AIIB is a platform for China to “try out some of its own ideas for global governance”, and that it has been used by China to “emphasise it is less legalised but more development-friendly and more developing country-friendly” than western economic institutions.¹⁶⁴ Dr Radomir Tylecote, Director of Defence and Security for Democracy at Civitas, highlighted that China has a much larger voting share in the AIIB (around 27%) than the US has in the World Bank (around 15%) or Japan in the Asian Development Bank (around 13%), and that China expects “overriding control” in the institution.¹⁶⁵
103. There are also particular sectors where China seeks to have a greater influence. Professor Morton said that China wants to increase its influence in areas where international law is not yet codified, such as cyber, the polar regions or the deep sea.¹⁶⁶ Dr Yueh added services, digital trade and data,¹⁶⁷ and according to Dr Anisa Heritage, Senior Lecturer at the Department of Defence and International Affairs, Faculty for the Study of Leadership,

157 [Q 113](#) (Professor Wei Liang)

158 Written evidence from Robert Clark ([TRC0008](#))

159 [Q 2](#) (Charles Parton)

160 [Q 113](#) (Professor Wei Liang)

161 [Q 113](#) (Dr Linda Yueh)

162 The International Monetary Fund

163 [Q 113](#) (Professor Wei Liang)

164 *Ibid.*

165 Written evidence from Dr Radomir Tylecote ([TRC0002](#)). See also Asian Infrastructure Investment Bank ‘Members and Prospective Members of the Bank’: <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> [accessed 2 September 2021]

166 [Q 67](#) (Professor Katherine Morton)

167 [Q 113](#) (Dr Linda Yueh)

Security and Warfare at the Royal Military Academy Sandhurst, China is already “promoting its own standards globally in emerging technologies”.¹⁶⁸

104. **China’s policy on the international stage is partially motivated by its dissatisfaction with the current international rules-based system, but we heard mixed evidence on whether China seeks to reverse or overthrow this system. This, though, seems a distinction without a practical difference from the UK’s perspective. In either case the likely result would be an international environment that would, at least in part, be detrimental to the UK’s interests and values. This would run directly counter to the strategic objective set out by the Government in the Integrated Review. Nevertheless, as the world’s second largest economy it is inevitable that some international structures will need to adjust to reflect the modern reality of China’s position.**

The Belt and Road Initiative and Digital Silk Road

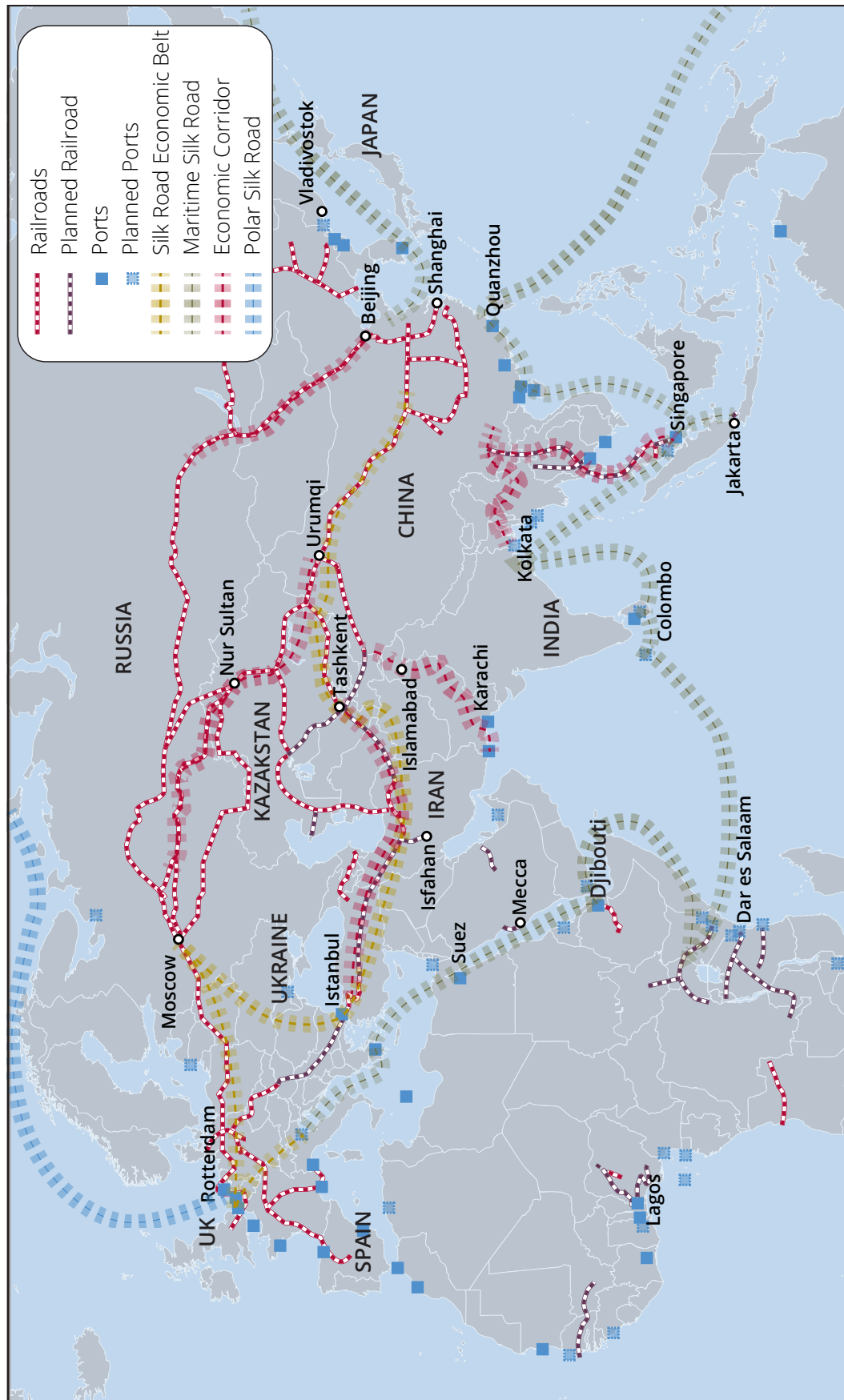
105. Dr Heritage told us that China seeks to realise its own vision for global governance “starting in its near neighbourhood”, via initiatives including the Belt and Road Initiative and Digital Silk Road.
106. The Belt and Road Initiative (BRI) is an infrastructure development strategy proposed by China in 2013.¹⁶⁹ It includes two major components: an overland component (the ‘Silk Road Economic Belt’) and a maritime component (the ‘Maritime Silk Road’).¹⁷⁰ Figure 2 shows a map of the BRI.

168 Written evidence from Dr Anisa Heritage (TRC0030)

169 European Bank for Reconstruction and Development, ‘Belt and Road Initiative (BRI)’: <https://www.ebrd.com/what-we-do/belt-and-road/overview.html> [accessed 2 September 2021]

170 Mercator Institute for China Studies, ‘Mapping the Belt and Road initiative: this is where we stand’ (7 July 2018): <https://merics.org/en/tracker/mapping-belt-and-road-initiative-where-we-stand> [accessed 2 September 2021]

Figure 2: Map of the Belt and Road Initiative



Source: Mercator Institute for China Studies, 'Mapping the Belt and Road initiative: this is where we stand' (7 July 2018): <https://merics.org/en/tracker/mapping-belt-and-road-initiative-where-we-stand> [accessed 2 September 2021]

107. In Robert Clark's view the BRI is a prime example of China's strategy for "changing or reinterpreting" aspects of the international order.¹⁷¹ The BRI was an example of not only of China's "capacity to generate new norms ... but also its ability to socialise and subsequently persuade other actors to internalise China's alternatives". Sir Malcolm Rifkind, former Foreign Secretary, described the BRI as "primarily a project with major geopolitical implications and objectives", including Chinese ambitions to "become the major Asian naval power" and to ensure free passage of Chinese trade.¹⁷²
108. Dr Kuok added that the Belt and Road Initiative is "intensifying China's already strong economic links with Southeast Asia".¹⁷³ She explained that although the COVID-19 pandemic led to an "initial dip" in activities, projects within the BRI "have already largely restarted".¹⁷⁴ Dr Kuok suggested that the demand for economic support will probably now be higher, as countries will seek to recover from the economic consequences of the pandemic.¹⁷⁵
109. Dr Tylecote said that China uses the BRI to apply political leverage via debt. He gave the example of Sri Lanka, which ceded 70% of control of a key port to a Chinese company after it became unable to repay the loans which paid for the port's construction.¹⁷⁶ However, Lord McDonald of Salford said that this "debt trap" is now "more obvious" to countries, and that China has recognised it needs "legitimate interest" from other countries to meet its objectives.¹⁷⁷
110. The Digital Silk Road (DSR)¹⁷⁸ is one of the components of the BRI.¹⁷⁹ The Council for Foreign Relations estimated that one third of the 138 countries involved in the Belt and Road Initiative are also co-operating with China on the DSR, primarily African states.¹⁸⁰ Professor Liang told us that the DSR is a critical component of China's ambition to set global standards in emerging technology areas where such standards have not yet been set, such as data governance and e-commerce.¹⁸¹
111. **The Belt and Road Initiative, and the Digital Silk Road component, are key elements in China's drive to make the international order more 'China-compliant'. Some argue that the BRI allows China to apply political leverage through debt, though we also heard that China is increasingly recognising that this approach may not be sustainable. The subversion of international institutions and indebted nations' compliance with China's wishes should be given greater prominence and consideration.**
112. **The United Kingdom has a strong and proud record in its development programmes and encouraging other nations to act similarly. While there are many questionable elements of the Belt and Road Initiative,**

171 Written evidence from Robert Clark ([TRC0008](#))

172 Written evidence from Malcolm Rifkind ([TRC0020](#))

173 [Q 55](#) (Dr Lynn Kuok)

174 *Ibid.*

175 *Ibid.*

176 Written evidence from Dr Radomir Tylecote ([TRC0002](#))

177 [Q 41](#) (Lord McDonald of Salford)

178 The Digital Silk Road sometimes referred to as the "tech arm" of the Belt and Road Initiative and focuses on technological infrastructure such as telecommunications networks, surveillance technology, and e-commerce systems.

179 [Q 114](#) (Professor Wei Liang), [Q 114](#) (Dr Linda Yueh) and [Q 55](#) (Dr Lynn Kuok)

180 [Q 114](#) (Dr Linda Yueh)

181 [Q 114](#) (Professor Wei Liang)

and BRI projects will always reflect China's interests, some will equally benefit the receiving nation. Belt and Road investments may on such occasions be welcomed.

The place of the United Kingdom

113. Professor Breslin said that he did not think that, “when representatives of the Chinese Foreign Ministry wake up in the morning, the United Kingdom is the first place that they think about”.¹⁸² Professor Breslin and Professor Morton agreed that the UK's prominence in China's thinking was greatest at times when London followed an independent line from the United States or the European Union.¹⁸³ Dr Mohan noted that in general, China's perception of other countries is influenced by their partnership with the United States.¹⁸⁴
114. Professor Brown and Professor Tsang, on the other hand, said that the UK is significant to China because of its permanent membership in the United Nations Security Council. Professor Tsang also noted that China has “not forgotten how the UK supported the AIIB”.¹⁸⁵
115. Nevertheless, the balance of the bilateral relationship has “reversed” since the 2000s, as China's economy has overtaken the UK's.¹⁸⁶
116. Whether or not the UK features high in China's considerations, witnesses agreed that until recently China had a favourable view of the UK, in particular its culture. Lord McDonald of Salford said that China is “very interested in our cultural diplomacy, our universities, our press, [and] the BBC”.¹⁸⁷ Sir Sherard Cowper-Coles, Chair of the China-Britain Business Council, noted a range of British products and institutions that are popular in China, including the Premier League, Scottish salmon, Peppa Pig and Jaguar Land Rover.¹⁸⁸
117. China also has economic interests in the UK. According to Professor Morton, China saw the United Kingdom “as a commercial partner”, with whom “economic interests ... are generally aligned”.¹⁸⁹ Professor Zhang told us that China historically thought the UK had a “lot to offer” in the areas of high-tech, financial services, education and tourism in particular.¹⁹⁰ Dr Yu said that one of the reasons why China was interested in a closer relationship with the UK was its intention to “turn itself into a service-oriented economy”,¹⁹¹ with the UK being a model “to replicate”.¹⁹²
118. Witnesses also mentioned several factors that could change this favourable view. Dr Yu and Professor Morton told us that Brexit was a key factor, with Professor Morton noting that in China's view the UK has been “driven much more by its domestic politics” since the referendum.¹⁹³

182 [Q 71](#) (Professor Shaun Breslin)

183 [Q 71](#) (Professor Katherine Morton)

184 [Q 62](#) (Dr Garima Mohan). See also [Q 71](#) (Professor Shaun Breslin).

185 [Q 16](#) (Professor Steve Tsang)

186 [Q 16](#) (Professor Kerry Brown)

187 [Q 40](#) (Lord McDonald of Salford)

188 [Q 106](#) (Sir Sherard Cowper-Coles)

189 [Q 71](#) (Professor Katherine Morton)

190 [Q 71](#) (Professor Yongjin Zhang)

191 [Q 10](#) (Dr Yu Jie)

192 *Ibid.*

193 [Q 71](#) (Professor Katherine Morton) and [Q 3](#) (Dr Yu Jie)

119. We also heard from Dr Summers that there has been a “growing frustration” since 2020, particularly over the UK’s response to the events in Hong Kong and Xinjiang.¹⁹⁴ In his opinion the relationship could deteriorate further.¹⁹⁵ Professor Zhang added that in China’s assessment, the UK “seems to have followed the United States very closely in abandoning decades of engagement with China”.¹⁹⁶
120. **Although China does not consider the UK as a high priority country, the UK remains important due to its membership of the UN Security Council. China also considers the UK an important economic partner in particular sectors.**
121. **China has a longstanding appreciation for the UK’s history, culture and universities, and these continue to have a positive impact on China’s perception of the UK. However, political events such as Brexit and the UK’s response to Beijing’s actions in Hong Kong and Xinjiang have led to cooling of the relationship, and a lowering of the UK’s importance in China’s view.**
122. **The UK-China relationship may also be improved by a greater degree of understanding of the Chinese culture and languages by the UK. We call on the Government to provide greater support for Chinese language teaching and cultural exchange with China.**

194 Written evidence from Dr Tim Summers ([TRC0007](#))

195 *Ibid.*

196 [Q 71](#) (Professor Yongjin Zhang)

CHAPTER 4: THE UK'S PARTNERS AND ALLIES

123. Dr Kuok told us that the United States is the UK's "most important ally" in the Indo-Pacific region, followed by the three other members of the Quadrilateral Security Dialogue ('Quad')¹⁹⁷, namely Japan, India and Australia. Other key allies are countries in the immediate region, such as Singapore, Brunei and Malaysia, and European countries with interests in the Indo-Pacific, such as France, Germany and the Netherlands.¹⁹⁸

The United States

124. Dr Oertel told us that the interests of the US (and the EU) on "broader strategic questions" are "very much aligned with those of the UK".¹⁹⁹
125. Witnesses did not believe the recent change of the US administration had led to a radical shift in the US's policy towards China. Dr Elizabeth Economy, Senior Fellow for China Studies at the Council on Foreign Relations and Senior Fellow at Stanford University's Hoover Institution, described "a fair amount of continuity" between the Trump and Biden administrations.²⁰⁰ Bonnie Glaser, Director of the German Marshall Fund of the United States' Asia Program, added that the idea of "strategic competition" will continue to dominate the US-China relationship.²⁰¹ We heard that there is strong bipartisan agreement on the US's China policy, with Bonnie Glaser noting that "there is greater convergence in the US Congress on China than on any other issue", and that majorities in both parties see China as a competitor to the US.²⁰²
126. But witnesses highlighted that Biden's administration has acknowledged that the US cannot deal with the challenge of China unilaterally, and that working with allies will be essential—something not acknowledged by the Trump administration.²⁰³
127. While there is continuity in overall US policy objectives, Dr Economy told us that the approach taken by the Biden administration to achieve them is quite different. She told us that the Biden administration is focusing on two areas: "bolstering the rules-based order", including the freedom of navigation, free and fair trade, human rights, the rule of law and co-operation with its allies; and "enhancing US resilience", including responding to "malign Chinese activities" such as intellectual property theft, influence operations and disinformation campaigns.²⁰⁴
128. Dr Economy also noted that while the Biden administration is "committed to co-operation with China", it is "along very narrow lanes": climate change, Iran, North Korea and global public health.²⁰⁵ She told us that China is "frustrated" by this approach, as they would prefer a "broad-based strategic dialogue", but that the US is "only interested in ... areas of co-operation where they can make real progress".²⁰⁶

197 The Quadrilateral Security Dialogue is discussed in Box 4.

198 [Q 57](#) (Dr Lynn Kuok)

199 [Q 18](#) (Dr Janka Oertel)

200 [Q 73](#) (Dr Elizabeth Economy)

201 [Q 73](#) (Bonnie Glaser)

202 [Q 76](#) (Bonnie Glaser)

203 See for example [Q 16](#) (Professor Kerry Brown) and [Q 18](#) (Dr Janka Oertel).

204 [Q 73](#) (Dr Elizabeth Economy)

205 *Ibid.*

206 [Q 73](#) (Dr Elizabeth Economy)

129. Bonnie Glaser noted the limits to how far the US is able to set the agenda of the relationship, as “Beijing’s consistent message is that the US is to blame for all the problems in the bilateral relationship”. The US’s China policy will therefore “depend in part on what Beijing’s policies are”. She identified the following areas of US focus:

“Developing and defending trusted, critical supply chains, protecting intellectual property, preventing China becoming dominant in key strategic technologies ... and preventing China shaping the world’s economic rules, technology standards and political institutions in ways that would be damaging to the United States and other Western countries.”²⁰⁷

A new Cold War?

130. The recent relationship between the US and China has been characterised by some as a ‘new Cold War’, but most witnesses thought the comparison misconceived. Sir Malcolm argued that China does not aspire to promote alternative ideology and become “the potential leader of a global empire”,²⁰⁸ though Bonnie Glaser told us this may change, and the “ideological element” will likely become more important in the future.²⁰⁹ Charles Parton noted that the West has extensive trade and investment links with China, which was not the case with the Soviet Union, including co-operation on science and technology.²¹⁰
131. Dr Economy described the current US-China relationship as “Cold War-lite”. Although the world is not divided into two competing camps and there are no proxy wars, she identified elements of ideological competition, noting that while “it may not be a purely socialist or communist competition with democracy, because China really is not a communist country ... it is certainly about authoritarian versus democratic norms”.²¹¹
132. Lord Patten of Barnes suggested that unlike in the case of the Soviet Union, it is more useful to consider how China can be constrained, rather than contained.²¹²

US-China trade war

133. The bilateral relationship is further influenced by the ongoing economic conflict between both countries, which started in January 2018 when then-US President Donald Trump imposed tariffs on goods shipped between the US and China.²¹³
134. Dr Economy said that the trade war has had a “significant impact”, although “unfortunately not the one President Trump desired”. It cost the US economy “about 0.7% of GDP and somewhere between 175,000 and 300,000 jobs”,

207 Q 73 (Bonnie Glaser)

208 Written evidence from Sir Malcolm Rifkind (TRC0020)

209 Q 74 (Bonnie Glaser)

210 Q 2 (Charles Parton)

211 Q 74 (Dr Elizabeth Economy)

212 Q 130 (Lord Patten of Barnes)

213 Richard Partington, ‘Why is Trump imposing tariffs on China and how could it affect global economy?’, *The Guardian* (2 August 2019): <https://www.theguardian.com/business/2019/aug/02/why-is-trump-imposing-tariffs-on-china-and-how-could-it-affect-global-economy> [accessed 2 September 2021]

and in 2019 the US economy contracted for three out of four quarters.²¹⁴ She told us that that the Biden administration is currently assessing the impact of trade war “sector by sector”, to “determine where it needs to be unwound and where some things might stay in place”.²¹⁵

135. In January 2020 both sides reached a tentative agreement on the first phase of a trade deal, which commits China to buying approximately \$200 billion more in goods from the US, in sectors including agriculture, services, manufacturing and energy.²¹⁶ However, Dr Economy told us that from the US's perspective, China has not fulfilled its part of the Phase One trade deal, as it is “about 40% short of its purchase agreements”.²¹⁷ Naina Gupta and Rahim Talibzade said that China did not meet its commitments on the enforcement of the intellectual property, failed to increase access to agriculture and financial services and fell below its purchasing commitments.²¹⁸

Co-operation with partners and allies

136. We heard that the Biden administration's re-assessment of the US's China policy will include working out how the US can work better with allies. In light of the trade war, Dr Economy told us that the US will want to work with allies in the World Trade Organization, to push China to “open its markets consistently”, to eliminate nonmarket barriers to entry, to “live up to its pledges on intellectual property”, and to “reduce and eliminate its subsidies”. She stressed that the Biden administration, “unlike the previous [administration], will be prepared to tackle this with partners and allies”.²¹⁹ Dr Oertel added that coalition-building will be “the key factor and key question for the next couple of years”.²²⁰
137. On security issues, witnesses noted the close alignment of security concerns among the US and its Asian allies, in particular Australia and India, which, along with the US, are members of the Quad (see Box 4).

214 Q 75 (Dr Elizabeth Economy)

215 *Ibid.*

216 ‘US and China sign deal to ease trade war’, *BBC News* (15 January 2021): <https://www.bbc.co.uk/news/business-51114425> [accessed 2 September 2021]; ‘China failing short of US trade deal targets’ *BBC News*, (22 January 2021): <https://www.bbc.co.uk/news/business-55760992> [accessed 2 September 2021]

217 Q 75 (Dr Elizabeth Economy)

218 Written evidence from Naina Gupta and Rahim Talibzade (TRC0009)

219 Q 75 (Dr Elizabeth Economy)

220 Q 18 (Dr Janka Oertel)

Box 4: Quadrilateral Security Dialogue

The Quadrilateral Security Dialogue, also known as the Quad, and sometimes as 'Asian NATO',²²¹ is an informal strategic forum between the US, Japan, Australia and India, established in August 2007 by Shinzo Abe (Japan), Manmohan Singh (India), Dick Cheney (the US) and John Howard (Australia). The foundations for the grouping were reportedly set by Shinzo Abe's 'Confluence of the Two Seas'²²² speech, and a shared ambition among the four states to address China's increasing influence.

The format fell apart in 2008, when Kevin Rudd (Australia), Yasuo Fukuda (Japan) and Manmohan Singh (India) decided to build closer relationships with China.

The Quad was re-launched in 2017 by US President Donald Trump, and Prime Ministers Malcolm Turnbull (Australia), Shinzo Abe (Japan) and Narendra Modi (India), and began convening on a bimonthly basis. In November 2020 all four countries held joint naval exercises (called 'Malabar') and war games to deter China's potential threat.²²³ Within the Quad, Japan in particular has pushed for a "Free and Open Indo-Pacific" concept, focusing on "free markets and free trade, freedom of navigation and the rule of law, offering an implicit defence against Chinese coercion without explicitly excluding Beijing".²²⁴

The first meeting of the Quad since the election of Joe Biden took place on 18 February 2021 and focused on Myanmar, the East and South China Seas, North Korea, COVID-19 and climate change.²²⁵

138. Although historically, the UK and the EU have not felt the same degree of security threat from China as the US, Dr Elizabeth Economy told us that there is a "very strong shared sense of the values-based challenge" between the US and European partners, including the UK.²²⁶ Bonnie Glaser said that human rights are "extremely important" to the Biden Administration's agenda.²²⁷ Both acknowledged the UK's actions on Hong Kong, and participation in

221 Although the label of an 'Asian NATO' often appears in the press (for example 'Boris Johnson considers joining 'Asian NATO' to resist China', *The Times* (29 July 2021): <https://www.thetimes.co.uk/article/boris-johnson-considers-joining-asian-nato-to-resist-china-78s90gr53> [accessed 2 September 2021]), turning the Quad into a NATO-like alliance remains unlikely. We heard that both Japan and India are wary of explicitly taking sides against China (partially due to their economic relationship with Beijing). Simon Denyer, 'Pompeo seeks unity against China's assertiveness but don't expect an Asian NATO', *The Washington Post* (6 October 2020): https://www.washingtonpost.com/world/asia_pacific/pompeo-japan-china-quad-alliance/2020/10/06/12ecc48a-079a-11eb-8719-0df159d14794_story.html [accessed 2 September 2021]

222 Ministry of Foreign Affairs of Japan, 'Confluence of the Two Seas: Speech by HE Mr. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India' (22 August 2007): <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html> [accessed 2 September 2021]

223 Vivek Raghuvanshi, 'Four Pacific powers conduct 'Malabar' naval war games to deter China', *Defense News* (18 November 2020): <https://www.defensenews.com/global/asia-pacific/2020/11/18/four-pacific-powers-conduct-malabar-naval-war-games-to-deter-china/> [accessed 2 September 2021]

224 Simon Denyer, 'Pompeo seeks unity against China's assertiveness but don't expect an Asian NATO', *The Washington Post* (6 October 2020): https://www.washingtonpost.com/world/asia_pacific/pompeo-japan-china-quad-alliance/2020/10/06/12ecc48a-079a-11eb-8719-0df159d14794_story.html [accessed 2 September 2021]

225 The meeting was a 90-minute conference call between the US Secretary of State Antony Blinken, Australian Foreign Minister Marise Payne, Indian External Affairs Minister Subrahmanyam Jaishankar and Japanese Foreign Minister Toshimitsu Motegi. Masaya Kato and Ken Moriyasu, 'Quad vows to work with ASEAN and Europe in first Biden-era meeting', *Nikkei Asia* (19 February 2021): <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/Quad-vows-to-work-with-ASEAN-and-Europe-in-first-Biden-era-meeting> [accessed 2 September 2021]

226 Q 77 (Dr Elizabeth Economy, Bonnie Glaser)

227 Q 77 (Bonnie Glaser)

common action over human rights abuses in Xinjiang, but believed that a “more focused, coherent and coordinated plan” will be needed, including, for example, an aligned policy on the 2022 Beijing Olympics.²²⁸

139. Bonnie Glaser also told us that the US hopes European states will do more to uphold the international law, especially in the South China Sea.²²⁹ She added that from the US's perspective, actions such as the deployment of the HMS Queen Elizabeth are “crucial” for signalling that “Europe has a stake in the preservation of peace, security and an international law-based approach in the region”.²³⁰
140. The US sees a place for an increased involvement of its European partners in capacity building. Dr Economy singled out the UK's expertise in this area,²³¹ and Bonnie Glaser “wholeheartedly” endorsed the proposal in the Integrated Review that the UK's Official Development Assistance should be used “more strategically in the Indo-Pacific”. She said that “this is an area where we all need to be far more effective than we have been so far”.²³²
141. The US will also want to co-operate with allies on non-traditional security issues like climate change and forced technology transfer.²³³ On the latter, Dr Economy said that the US's focus will be on “thinking through critical supply chains and developing technological standards with our allies through the United Nations and other standards setting bodies”.²³⁴
142. Dr Economy told us that one of the US's key concerns regarding its allies is the extent to which the “the lure of the Chinese market will take precedence over a common effort to push back against China's efforts to change the rules of the road”.²³⁵
143. **The current US Administration wants closer co-operation with its partners and allies, and unlike the previous administration, recognises that the challenge posed by China will require co-operation and collaboration.**
144. **The deployment of HMS Queen Elizabeth to the Indo-Pacific is seen in Washington as a sign of UK's interest in preservation of peace and support for the international rules-based order. The US also values the UK's historical use of soft power in the region, including via Official Development Assistance.**

Near neighbours of China

Taiwan

145. There was consensus that the future of Taiwan is a crucial issue in the region, and the most important issue in the US-China security relationship.²³⁶ Professor Tsang said that a Chinese takeover of Taiwan would lead to “pushing the Americans out of the western Pacific”.²³⁷ While the CCP

228 *Ibid.*

229 *Ibid.*

230 *Ibid.*

231 [Q 78](#) (Dr Elizabeth Economy)

232 [Q 78](#) (Bonnie Glaser)

233 [Q 77](#) (Bonnie Glaser)

234 [Q 79](#) (Dr Elizabeth Economy)

235 [Q 77](#) (Dr Elizabeth Economy)

236 [Q 5](#) (Charles Parton and Dr Yu Jie), [Q 15](#) (Professor Steve Tsang) and [Q 50](#) (Veerle Nouwens)

237 [Q 15](#) (Professor Steve Tsang)

considers Taiwan to be part of China that will be eventually 'reunited' with the mainland, Dr Yu told us that pro-independence voices in Taiwan are "growing ever stronger", and that China is increasingly recognising that "economic inducement" will not be sufficient to guarantee a reunification.²³⁸

146. Veerle Nouwens told us that "the situation in Taiwan is such that ... the Chinese Communist Party is at a bit of a loss as to what it can do", particularly as the situation in Hong Kong has highlighted the challenges of a two-state solution.²³⁹ She said that China will continue to conduct "grey zone activities", to "attempt to convince the Taiwanese government and population that reunification with the mainland is inevitable".²⁴⁰ But she and other witnesses agreed that a military attack on the island would be highly risky and not in China's interest.²⁴¹
147. Witnesses also warned that the issue of Taiwan will become even more acute and could result in conflict between China and the US.²⁴² Professor Tsang told us that to achieve President Xi's ambitions by 2049 (the centenary of the founding of the People's Republic of China), "China will have to take Taiwan, one way or the other".²⁴³ Dr Yu said that "by reunifying Taiwan, Xi Jinping can insert himself into the pantheon of the Chinese Communist Party".²⁴⁴
148. Bonnie Glaser said the US would expect its European partners to support Taiwan in areas that are "not necessarily related to military". She mentioned the Global Co-operation and Training Framework,²⁴⁵ and the fact that the UK has provided funding for one of its workshops. The Framework "is essentially highlighting and enabling Taiwan to showcase its expertise in areas like global health, women's empowerment and media literacy".²⁴⁶
149. **Taiwan will be a crucial issue for the US and its allies, including the UK. Even if a military confrontation would be risky for China and perhaps not in its interests, similar things have been said about many past wars that did occur; the prospect of miscalculation is always present. Should such a conflict draw in China and the United States, the consequences for the UK—and indeed the wider world—could be catastrophic.**
150. **An assessment of risk should take into account both the probability and likely consequences of conflict in Taiwan; in this case the UK's security relationship with the US, its global economic position and the Government's tilt to the Indo-Pacific region mean that its interests**

238 [Q 5](#) (Dr Yu Jie)

239 [Q 50](#) (Veerle Nouwens)

240 *Ibid.*

241 See for example [Q 50](#) (Veerle Nouwens).

242 [Q 5](#) (Dr Yu Jie)

243 [Q 15](#) (Professor Steve Tsang)

244 [Q 5](#) (Dr Yu Jie)

245 The Global Cooperation and Training Framework was established by the US and Taiwan in 2015, to provide "a platform to utilize Taiwan's strengths and expertise to address global issues of mutual concern". The Framework focuses on capacity building and has held international workshops "on such topics as public health, law enforcement, cooperation, women's empowerment, energy efficiency, e-commerce, cybersecurity, humanitarian assistance and disaster relief, and media literacy". See Taiwan-U.S.-Japan Global Cooperation & Training Framework, 'Mission': <https://www.gctf.tw/en/IdeaPurpose.htm> [accessed 2 September 2021].

246 [Q 77](#) (Bonnie Glaser)

would be directly threatened. The uncertainty over the future of Taiwan therefore represents a major risk to the UK.

India

151. Dr Madan said that China's rise was viewed by India as "both a challenge and an opportunity". India hoped that it could benefit from economic engagement with China, as well as from multilateral co-operation.²⁴⁷
152. While India has benefited from economic ties with China—trade grew from "almost nothing" 20 years ago to almost \$80 billion last year—Dr Madan told us that hopes of greater co-operation with China have "faded",²⁴⁸ and that "areas of co-operation have been overshadowed by the competitive side, particularly over the last year".²⁴⁹ India saw China becoming "more assertive" after the 2008 financial crisis, and "even more so" since Xi Jinping came to power.²⁵⁰
153. Dr Madan said that "India sees growing Chinese assertiveness as a consequence of its growing power, its regime's goals at home and its desire to exercise dominance in the region".²⁵¹ India's view was further influenced by China's response to COVID-19 and by "the actions of the Chinese government, military and businesses in India's neighbourhood and on the global stage".²⁵²
154. In recent years there have been "at least four serious border standoffs" between India and China.²⁵³ Dr Madan told us that while China thinks that "whatever has happened at the border should be set aside" and the two countries should "move on with the broader relationship and ... co-operation", India has "publicly said that the relationship cannot go back to normal ... as long as peace and tranquillity are not maintained at the boundary".²⁵⁴ As a result of these tensions, India has taken "a number of steps" to restrict Chinese activities "in the economic, technology, university, and more broadly, the civil society domains".²⁵⁵
155. Other areas of contention between China and India listed by Dr Madan include the presence of Dalai Lama in India, the issue of sharing Brahmaputra water resources, the close relationship between China and Pakistan, and "concerns about China's growing footprint in its territorial and maritime neighbourhood".²⁵⁶ She added that there is a feeling in India that China "is seeking to prevent India's rise and deny it a rightful voice" in various international organisations.²⁵⁷
156. Despite the tensions in the bilateral relationship, there are still some areas of co-operation between India and China, including "diplomatic engagement", "military confidence-building measures", and "attempts to improve civil society engagement, particularly between universities, think tanks and the

247 [Q 61](#) (Dr Tanvi Madan)

248 *Ibid.*

249 [Q 64](#) (Dr Tanvi Madan)

250 [Q 61](#) (Dr Tanvi Madan)

251 *Ibid.*

252 *Ibid.*

253 *Ibid.*

254 [Q 64](#) (Dr Tanvi Madan). See also [Q 64](#) (Dr Garima Mohan).

255 [Q 64](#) (Dr Tanvi Madan)

256 *Ibid.*

257 *Ibid.*

media". The countries work together within various formats, including as part of the BRICS,²⁵⁸ the Russia-India-China trilateral, the Shanghai Co-operation Organisation and the Asian Infrastructure Investment Bank, of which India is a founding member.²⁵⁹

Co-operation with partners and allies

157. Witnesses said that India shares the US's concerns over China in several areas. These include concerns that China could use force to change the status quo in the East China Sea, South China Sea, and on the border with India;²⁶⁰ issues such as intellectual property theft, technology transfers, activities of state-owned companies and the lack of distinction between the public and private sectors in China;²⁶¹ and concerns over China's economic policy in the Indo-Pacific, especially its use of economic leverage in its relations with countries in the region.²⁶²
158. Dr Madan told us that India's willingness to seek a closer relationship with the US regarding China is motivated by its willingness to balance China in the region, to offer an alternative to China's policy and to build up its own capacities, with US support.²⁶³
159. Both India and the US are members of the Quad. Dr Madan said that from India's perspective the Quad was a mechanism to promote a "free, open and inclusive vision of the Indo-Pacific",²⁶⁴ where countries are able to "make choices without coercion", where markets are transparent, and where other "like-minded partners", like Association of Southeast Asian Nations (ASEAN) members or European countries, "are welcome".²⁶⁵ Dr Madan told us that India's preferred agenda for the Quad includes maritime security, humanitarian assistance and disaster relief, critical technologies and cybersecurity, supply-chain resilience, climate change, and most recently, "co-operating in recovery and response to COVID".²⁶⁶
160. But while India sees its relationship with the US as a "critical part of the required response" to China, Dr Madan told us that unlike the US, India hopes that Russia will be "part of the solution".²⁶⁷ India also underplays both the ideological aspects of competition with China as well as issues related to human rights and democracy (for example around Hong Kong and Xinjiang).²⁶⁸
161. Dr Madan also noted that India would prefer to engage in alliances and initiatives which are not framed as 'anti-China':

"India has concerns about China, but because of the co-operative elements of the relationship, and the fact that China is a neighbour ... it

258 BRICS is an acronym for five major emerging economies: Brazil, Russia, India, China, and South Africa.

259 [Q 64](#) (Dr Tanvi Madan)

260 [Q 62](#) (Dr Tanvi Madan), [Q 61](#) (Garima Mohan) and [Q 12](#) (Charles Parton)

261 [Q 62](#) (Dr Tanvi Madan)

262 *Ibid.*. See also [Q 62](#) (Dr Garima Mohan).

263 [Q 62](#) (Dr Tanvi Madan)

264 [Q 65](#) (Dr Tanvi Madan)

265 *Ibid.*

266 *Ibid.*

267 [Q 62](#) (Dr Tanvi Madan)

268 *Ibid.*

is easy for India to join the US or other countries' initiatives if they are not explicitly framed as US-led or anti-China."²⁶⁹

162. Dr Madan told us that India also sees the United Kingdom as “an important part of its diversified portfolio of partners”, reducing its dependence on any one ally.²⁷⁰ India believes that the UK, using its strengths, particularly in the areas of development, soft power and information dissemination (such as via the BBC), can help it strengthen its military and economic capabilities and contribute to a “favourable balance of power” and “a rules-based order in the region”.²⁷¹
163. **India is largely aligned with the US's policy towards China, though there are some key differences in approach. Like other countries in the region, it would prefer to engage in initiatives that are not explicitly framed as anti-China.**
164. **India is interested in a pragmatic relationship with the United Kingdom, as part of a diverse range of partners including, among others, Russia. India values the UK's use of its soft power strengths, including the BBC.**

Japan

165. Dr Yu said that over the past five years, Japan has “surprisingly” had a “sound” relationship with China. The two countries share “a common interest when it comes to the Belt and Road Initiative and engaging with other Asia-Pacific countries”, and this “sets ... the mood” for economic negotiation and engagement.²⁷² Professor Takahara said that both sides have benefited from the relationship: Japan has benefited from the growth of the Chinese economy, while China has been helped by Japan through Official Development Assistance, private sector investment, and technology transfer.²⁷³
166. On the other hand, Professor Takahara told us that Japan “cannot agree” with China's use of economic power for political influence,²⁷⁴ and Dr Yu said that in terms of security interests and concerns, Japan was very much “in the same camp as the UK and the United States”.²⁷⁵ Dr Takahara added that Japan is “deeply concerned” about the rise of China's military power, especially in the maritime realm, which it sees as a “direct threat” to its territory.²⁷⁶

Co-operation with partners and allies

167. Professor Takahara said that Japan understands that it needs to have a pragmatic approach to its relationship with China, balancing co-operation and competition in a “two-pronged approach”.²⁷⁷ He told us that this need for balance will influence Japan's willingness to join US-led initiatives: Japan depends on the US for security, but if a US initiative affects Japan's business

²⁶⁹ *Ibid.*

²⁷⁰ [Q 63](#) (Dr Tanvi Madan)

²⁷¹ *Ibid.*

²⁷² [Q 6](#) (Dr Yu Jie)

²⁷³ [Q 61](#) (Professor Akio Takahara)

²⁷⁴ *Ibid.*

²⁷⁵ [Q 6](#) (Dr Yu Jie)

²⁷⁶ [Q 61](#) (Professor Akio Takahara)

²⁷⁷ *Ibid.*

interests in China or “alienates” potential partners in the Indo-Pacific, it will “need to talk to the US for a better solution”.²⁷⁸

168. Japan was a key founding member of the Quad (Box 4). Professor Takahara told us that Japan’s perspective on the Quad was also based around a vision of a “free and open” Indo-Pacific, focusing on upholding the rules-based order, free navigation and trade.²⁷⁹ In his assessment Japan’s goal, “on both the strategic and security side and the economic co-operation side”, is to “provide an alternative” to China’s approach and actions in the Indo-Pacific.²⁸⁰
169. On co-operation with the United Kingdom, we heard that Japan sees the UK as “the champion of democracy and universal values”, “full of soft power”, and as having an “important” legacy in the region on the rule of law.²⁸¹ Dr Catherine Jones, Lecturer at the University of St Andrews, saw “tremendous potential” for UK-Japan co-operation, particularly in defence.²⁸² Professor Takahara also noted that the UK’s ‘tilt’ to the Indo-Pacific and its willingness to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)²⁸³ have been welcomed by Japan.²⁸⁴ We discuss the CPTPP in detail in Chapter 7 (see paragraph 300 onwards).
170. **Like India, Japan sees the US as a key ally, but also recognises the importance of productive engagement with one of its closest neighbours.**
171. **Japan sees the United Kingdom as an important partner and ally, which could help to support the rules-based international order in the Indo-Pacific. Like other partners in the region, it values the UK’s soft power strengths in particular, including through the use of Official Development Assistance.**
172. **We call on the Government, in its response to this report, to set out its soft power strategy in the Indo-Pacific and the scale of the allocated resources, especially in the light of the Government’s ambitions outlined in the Integrated Review regarding the Indo-Pacific ‘tilt’.**

Australia

173. Professor Brown said that China has been Australia’s most important trading partner for almost a decade, as well as a major investor into the country.²⁸⁵ But recently, since Australia called for a “robust investigation” by the World Health Organization into the COVID-19 pandemic, it has faced “significant economic sanctions”,²⁸⁶ including “a series of trade bans and tariffs on Australian sugar, barley, beef, coal, wine, lobsters, and timber,

278 [Q 62](#) (Professor Akio Takahara)

279 [Q 65](#) (Professor Akio Takahara)

280 *Ibid.*

281 [Q 63](#) (Professor Akio Takahara)

282 Written evidence from Dr Catherine Jones ([TRC0016](#)). See also [Q 6](#) (Dr Yu Jie).

283 The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is a multilateral trade agreement among 11 countries—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. It was created in 2018. The House of Lords International Agreements Committee is currently conducting an inquiry into the UK’s potential accession to the CPTPP. International Agreements Committee, ‘Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)’: <https://committees.parliament.uk/work/975/comprehensive-and-progressive-agreement-for-transpacific-partnership-cptpp/>

284 [Q 63](#) (Professor Akio Takahara)

285 [Q 18](#) (Professor Kerry Brown)

286 [Q 41](#) (Lord Sedwill). See also [Q 61](#) (Dr Garima Mohan).

costing Australia billions in trade”.²⁸⁷ Dr Mohan said that Australia was experiencing “coercive economic diplomacy” from China, similar to that experienced by Norway²⁸⁸ and Japan in the past.²⁸⁹

174. The Oxford Programme on International Peace and Security have listed a range of “covert, coercive, or corrupting” Chinese activities in Australia. These include “campaign donations and monetary inducements to politicians; sinecures to former politicians; financial support for pro-China research institutes; threats to mobilise Chinese Australian voters to punish anti-China political parties; and other efforts to silence or side-line critics of China”.²⁹⁰ Lord Patten of Barnes added financial support for political parties to that list.²⁹¹
175. Dr Yueh highlighted Chinese policy towards Australia as an example of China’s use of economic tools for its foreign policy goals.

Regional and international organisations

The European Union

176. Dr Oertel said that the “broader strategic” interests of the EU in the Indo-Pacific are aligned with those of the US and the UK, and include “strengthening ... the rules-based international order”, “securing supply chains” and “safeguarding human rights and fundamental freedoms”.²⁹²
177. Naina Gupta and Rahim Talibzade noted that “even prior to Brexit, the European Union did not have a coherent policy towards China”, adding that post-Brexit, the EU has “maintained its passive foreign defence policy towards China”, with more focus on the economic relationship rather than security concerns.²⁹³ Dr Oertel told us that “for most EU policymakers China is not regarded as a security threat at this stage”, and while there is increasing discussion of the issues of China-Russia co-operation and China as a source of cyber threats, “this has not translated into the same kind of security assessment as the United States is having at the moment”.²⁹⁴ However, she noted that in terms of economic security, there are growing calls from European businesses for a “tougher EU stance” to “protect Europe’s industrial interests”.²⁹⁵
178. In April 2021 the EU published an Indo-Pacific strategy, calling for “co-operation with like-minded partners” which share the EU’s values, principles and mutual interests.²⁹⁶ The strategy included a goal to “take further steps towards the Comprehensive Agreement on Investment (CAI) with China”.²⁹⁷ Negotiations on the CAI concluded in December 2020, but ratification

287 Written evidence from the University of Oxford Programme on International Peace and Security (TRC0013)

288 See also Q 4 (Charles Parton) and Q 130 (Lord Patten of Barnes).

289 Q 61 (Dr Garima Mohan)

290 Written evidence from the University of Oxford Programme on International Peace and Security (TRC0013)

291 Q 134 (Lord Patten of Barnes)

292 Q 18 (Dr Janka Oertel)

293 Written evidence from Naina Gupta and Rahim Talibzade (TRC0009)

294 Q 18 (Janka Oertel)

295 *Ibid.*

296 Council of the European Union, ‘EU Strategy for cooperation in the Indo-Pacific: Council conclusions’ (16 April 2021): <https://data.consilium.europa.eu/doc/document/ST-7914-2021-INIT/en/pdf> [accessed 2 September 2021]

297 Written evidence from Theresa Fallon (TRC0027)

was delayed and is now at risk following China's imposition of sanctions against five Members of the European Parliament, an act that led to the European Parliament adopting a resolution to freeze any consideration of the agreement until sanctions on their members had been removed.²⁹⁸ The CAI is discussed in further detail in Chapter 7 (see paragraph 284 onwards).

179. **Not all EU states share the US's assessment of threats posed by China. This seems to have influenced the common EU approach towards China, where economic interests appear to take priority over security concerns. Nevertheless, recent tensions between the EU and China mean that at the time of writing this report it seems unlikely that the EU-China Comprehensive Agreement on Investment will be approved by the European Parliament. We note that the European Parliament has made progress on the Agreement conditional on lifting the sanctions on members of its Parliament.**

Multilateral formats of co-operation

180. The UK participates in a range of multilateral organisations which include China (such as the G20, United Nations, International Monetary Fund, World Bank and the World Trade Organization), as well as several which do not (such as the G7 and the Five Power Defence Arrangements). Lord Sedwill told us that it is important to participate in both: the former to ensure the UK is “engaging with China”, and the latter to ensure it has “mechanisms by which Western solidarity on the issues that matter to us can be advanced”.²⁹⁹ Although China may not like UK engagement in those fora, especially if they appear as “anti-China”, it “will have little choice but to at least recognise the authority of these groups”.³⁰⁰
181. We heard mixed views on the value of new forms of multilateral co-operation, such as the ‘Democratic 10’ (D10).³⁰¹ Veerle Nouwens thought it was unhelpful to “frame things as democracy versus authoritarianism”.³⁰² Dr Kuok noted that there are “differences in opinions on trade, human rights and other values” even with “close partners like Singapore or India”,³⁰³ while Lord Sedwill felt that it would be a mistake if such a group excluded important countries in the region, such as Indonesia or Malaysia, or big democracies like Brazil.³⁰⁴
182. Dr Mohan said that “the existing alliances and institutions we have are not quite up to the task of addressing all the challenges posed by China's rise”, and as a result there is beginning to be an “emergence of issue-based coalitions across the world”. These include the Quad, the Blue Dot Network, co-operation between Australia, India and Japan on supply-chain resilience, and co-operation between France, India, and Australia on issues in the Indian Ocean.³⁰⁵

298 *Ibid.*

299 [Q 42](#) (Lord Sedwill)

300 *Ibid.*

301 The D10 is a proposed grouping which would include the G7 member countries (Canada, France, Germany, Italy, the UK, the US and Japan) plus Australia, India and South Korea

302 [Q 60](#) (Veerle Nouwens). See also [Q 60](#) (Dr Lynn Kuok).

303 [Q 60](#) (Dr Lynn Kuok)

304 [Q 42](#) (Lord Sedwill)

305 [Q 66](#) (Garima Mohan)

183. Veerle Nouwens suggested that the UK should be considering alliances and partnerships using an “interest-based framework that has values ... in it”, allowing for a “greater mix of willing partners that are equally concerned about the same issue at hand”,³⁰⁶ rather than focusing only on values. Similarly, in Dr Kuok’s opinion, support for a rules-based international order would be a better organising framework than a democracy-focused group.³⁰⁷
184. As an example, the UK and its allies could work to offer an alternative to the Belt and Road Initiative that is more closely aligned with their values and interests. In June 2021, leaders of the G7 countries announced a “Build Back Better World” initiative as a potential alternative to the BRI.³⁰⁸
185. **The UK’s partners and allies in the Indo-Pacific have welcomed the UK’s tilt towards the Indo-Pacific, and are supportive of the UK joining existing formats of co-operation, or establishing new, bilateral ones.**
186. **Establishment of effective and reliable partnerships is critical if the UK and its allies are to respond to the challenges posed by China. These partnerships can take different forms, ranging from formal alliances to bilateral agreements, but they will need to represent sufficient aggregate political, economic and scientific power to be able to counter that of China, and to persuade uncommitted nations to align with these groupings.**
187. **Some potentially important partners may have systems and values that do not align with the UK’s, nor do they all wish to be drawn into an overtly US-China confrontation. If the necessary co-operation is to be achieved the UK will need to take a pragmatic approach to the basis on which they are built. Focusing on issues rather than on western values is likely to be more productive and to draw in a wider range of partners.**
188. **The UK’s expertise in capacity building, first through the Department for International Development and now through the Foreign, Commonwealth and Development Office, is seen as a key strength by the UK’s regional partners in the Indo-Pacific. Witnesses stressed the importance of the BBC in terms of the UK’s soft power and influence in the region.**
189. **We welcome the principle underlying the Build Back Better World Initiative, particularly given the detrimental impact of the cuts to UK Official Development Assistance and the opportunity this gives for China to expand its influence in Africa and elsewhere. We call on the Government to provide more detail about the UK’s intended contribution to the Initiative and how it will operate.**

306 [Q 59](#) (Veerle Nouwens)

307 [Q 59](#) (Lynn Kuok)

308 The Build Back Better World initiative is “a values-driven, high-standard, and transparent infrastructure partnership led by major democracies to help narrow the \$40+ trillion infrastructure need in the developing world”. The US will seek to mobilize the full potential of our development finance tools, including the Development Finance Corporation, USAID, EXIM, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency, and complementary bodies such as the Transaction Advisory Fund”. The White House, ‘Fact Sheet: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership’ (12 June 2021): <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership/> [accessed 2 September 2021]

CHAPTER 5: SECURITY

Traditional security challenges

190. Witnesses identified several security “flashpoints” in the Indo-Pacific region: the Korean Peninsula, Taiwan, the East China Sea, the South China Sea, the Indo-Chinese border. Other potential flashpoints include environmental and maritime challenges.³⁰⁹
191. Dr Heritage said that security challenges in the Indo-Pacific are not limited to military security, ranging between traditional and non-traditional.³¹⁰ Veerle Nouwens identified maritime security as “absolutely vital to this part of the world”, and noted that China is “attempting to create a domestic legal foundation for defending what it sees as its own maritime sovereign territory”.³¹¹
192. Witnesses also highlighted traditional security challenges related to Taiwan, including threats of invasion,³¹² military coercion,³¹³ and incursions into Taiwan’s air defence identification zone.³¹⁴

Maritime security

193. Dr Heritage told us that maritime security challenges in the region are a direct result of Chinese policy. They include Chinese maritime militia activities in the South China Sea, with the objective of “enhancing its long-term resource security by ensuring its control over hydrocarbon and fishing resources in the South China Sea”.³¹⁵ They also include Chinese activities in the East China Sea, where “China’s strategy [involves] normalising its presence and exercising control around the contested Senkaku/Diaoyu islands”, and in the Taiwan Strait, where China rejects the existence of the median line dividing China and Taiwan.³¹⁶ Among the specific maritime security challenges, Dr Heritage listed “piracy; trafficking of arms, narcotics and persons; and illegal, unreported and unregulated (IUU) fishing”.³¹⁷
194. The Defence Command Paper, published in March 2021, outlined the Government’s ambitions to increase the support for capacity building and training across the Indo-Pacific region, “delivered through longer and more consistent military deployments and by better leveraging our existing regional facilities”.³¹⁸ More specifically, the Government plans to “maximise regional engagement as part of the Carrier Strike Group deployment in 2021; and increase [the UK’s] maritime presence in the Indo-Pacific region through the deployment of Offshore Patrol Vessels from 2021, Littoral Response Group for 2023 and Type 31 frigates later in the decade, including to uphold freedom of navigation”.³¹⁹

309 [Q 50](#) (Veerle Nouwens), [Q 50](#) (Dr Lynn Kuok) and written evidence from Dr Alessio Patalano ([TRC0026](#))

310 Written evidence from Dr Anisa Heritage ([TRC0030](#))

311 [Q 50](#) (Veerle Nouwens)

312 Written evidence from Sir Malcolm Rifkind ([TRC0020](#))

313 Written evidence from Dr Alessio Patalano ([TRC0026](#))

314 [Q 50](#) (Veerle Nouwens)

315 Written evidence from Dr Anisa Heritage ([TRC0030](#)), see also [Q 50](#) (Veerle Nouwens) and [Q 50](#) (Dr Lynn Kuok).

316 Written evidence from Dr Anisa Heritage ([TRC0030](#))

317 *Ibid.*

318 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

319 *Ibid.*

195. Dr Heritage said that the UK's support should include "continuing engagement with multinational and bilateral maritime exercises and interoperability with key allies".³²⁰ Veerle Nouwens added that "from a military perspective" the UK "has an immense amount of assets in East Africa and ... the Gulf", which could be taken into consideration when planning operations in the Indo-Pacific.³²¹
196. Charles Parton underlined the importance of the deployment of HMS Queen Elizabeth to the South China Sea, as the UK needs to show that it upholds "respect for international law and the law of the sea".³²² Dr Summers disagreed, saying that "the argument about protecting shipping lanes is rather specious, as there is no state-based security threat to commercial shipping in the Indo-Pacific".³²³ He saw the deployments not as a "collaborative approach to security of commerce", but as "symbolic statements of disapproval towards Beijing".³²⁴
197. Reflecting on co-operation with other countries, Dr Heritage said that the UK and French strategies for the Indo-Pacific have developed independently of each other and often overlap, leading to situations where both the UK and French aircraft carriers are deployed to the region at the same time. She told us that both countries "could better co-ordinate deployments of naval and air assets to achieve a 'persistent' European regional presence" in the Indo-Pacific.³²⁵
198. **The UK's position as a maritime trading power means that it places great importance on the maintenance of international order and the law of the sea, including freedom of navigation. The UK's deployment of a Carrier Strike Group to the Indo-Pacific this year underlines its commitment in this regard, but it should work to ensure clear policy co-ordination with European partners and allies, particularly France through the Lancaster House Treaties. We would like to hear more about the Government's plans for a sustained presence in this region beyond the current Carrier Strike Group deployment.**

Formal alliances

199. The UK's security interests also lie in the fulfilment of its treaty commitments and formal obligations, including, the Five Powers Defence Arrangements (Box 5), and the Five Eyes network.³²⁶

320 Written evidence from Dr Anisa Heritage ([TRC0030](#))

321 [Q 57](#) (Veerle Nouwens)

322 [Q 7](#) (Charles Parton)

323 Written evidence from Dr Tim Summers ([TRC0007](#))

324 *Ibid.*

325 Written evidence from Dr Anisa Heritage ([TRC0030](#))

326 Written evidence from Dr Alessio Patalano ([TRC0026](#))

Box 5: The Five Power Defence Arrangements

The Five Power Defence Arrangements (FPDA) are a series of multilateral agreements between the UK, Australia, Malaysia, New Zealand and Singapore, signed in 1971.³²⁷ Initially the arrangements aimed at providing air defence to Singapore and Malaysia, but their scope has since expanded to include land and naval forces. The FPDA have a political and military structure, including the FPDA Consultative Council and the Integrated Area Defence System, based at the Royal Malaysian Air Force Butterworth.³²⁸

An annual Defence Chiefs' Conference is hosted either by Singapore or Malaysia. Ministers of Defence regularly meet within the format of the Five Powers Defence Arrangements Ministerial Meeting. The last meeting took place on 27 November 2020.³²⁹

200. The FCDO told us that the Five Power Defence Arrangements play “a significant role in promoting co-operative responses to an increasingly complex contemporary security environment”.³³⁰
201. The UK is also a member of the Five Eyes intelligence alliance between Australia, Canada, New Zealand, the UK and the US. Naina Gupta and Rahim Talibzade told us that the UK's membership of the Five Eyes alliance “had and will continue to have a significant impact on the UK's policies towards China”, and noted that the Defence Command Paper “placed the role of Five Eyes ‘at the heart’ of the tilt towards the Indo-Pacific region”.³³¹
202. Lord Sedwill told us that the Five Eyes relationship should be strengthened.³³² He wanted to see “a stronger political element to the relationship ... to deliver that sense of common purpose in dealing with a range of threats and issues in the world”.³³³ Charles Parton agreed, arguing for “broadening the nature” of the alliance, and for working more closely with “likeminded democracies”.³³⁴ “However, in April 2021 New Zealand expressed its opposition to expanding the remit of Five Eyes, with the Foreign Minister Nanaia Mahuta saying that: “We would much rather prefer to look for multilateral opportunities to express our interests.”³³⁵

Cybersecurity and technology

203. One of the areas of particular concern mentioned by our witnesses was the security of cyberspace. The Oxford Programme on International Peace and

327 As a consequence of a need to replace Britain's former defence guarantees to Malaysia and Singapore under the Anglo-Malayan Defence Agreement which also involved Australia and New Zealand. Damon Bristow, ‘The Five Power Defence Arrangements: Southeast Asia's Unknown Regional Security Organization’, *Contemporary Southeast Asia*, vol. 27 (2005): <https://www.jstor.org/stable/25798717?seq=1> [accessed 2 September 2021]

328 Li Jie Sheng, ‘The Future of the Five Power Defense Arrangements’, *The Diplomat* (1 November 2019): <https://thediplomat.com/2019/11/the-future-of-the-five-power-defense-arrangements/> [accessed 2 September 2021]

329 Ministry of Defence, ‘FPDA Defence Ministers’ joint statement’ (27 November 2020): <https://www.gov.uk/government/news/fpda-defence-ministers-joint-statement> [accessed 2 September 2021]

330 Written evidence from the Foreign, Commonwealth and Development Office (TRC0018)

331 Written evidence from Naina Gupta and Rahim Talibzade (TRC0009)

332 Q 46 (Lord Sedwill)

333 *Ibid.*

334 Q 6 (Charles Parton)

335 ‘New Zealand ‘uncomfortable’ with expanding Five Eyes’ remit, says foreign minister’, *The Guardian* (19 April 2021): <https://www.theguardian.com/world/2021/apr/19/new-zealand-uncomfortable-with-expanding-five-eyes-remit-says-foreign-minister> [accessed 2 September 2021]

Security told us that there are “growing concerns around China’s ability to gain access to critical and sensitive information through cyber-espionage, putting UK national security interests at risk”. They added that there is “substantial evidence of Chinese cyber-espionage, including commercial cyber-espionage, both within the Asia-Pacific region and the UK”, as well as “potential evidence of China’s willingness to employ malicious cyber-attacks as retaliation.”³³⁶ Dr Patalano told us that considerations of the rule of law—a key feature of the UK’s maritime security interests—“will progressively apply to emerging domains like cyber and space”, and should therefore be considered “core features of the UK security interests in the broader ‘rule-based international order’”.

204. The FCDO told us that it will continue to work with partners “to hold China to account” for “wide-ranging malicious cyber activity emanating from China”; to strengthen defence and security; and to publicly attribute cyber-attacks to China “where we have had compelling evidence to do so”.³³⁷
205. Dr Tylecote and Robert Clark highlighted the risk of “dual-use” technologies, which are developed for civilian use but could have military applications.³³⁸ The FCDO acknowledged this risk: “The UK, like many other countries, has concerns that Chinese investment in advanced technology and knowledge, and research by our firms and institutions may be used to assist Chinese military programmes.”³³⁹

Non-traditional security challenges

206. Dr Heritage noted a range of non-traditional security challenges in the Indo-Pacific region, including democratic regression in Southeast Asia (including Thailand, the Philippines, Myanmar, Cambodia); “illiberal democratic trends in South Asia”; Chinese policies in Hong Kong and Xinjiang;³⁴⁰ and security challenges stemming from climate change, including increased food and water insecurity, forced migration and displacement.³⁴¹ Dr Summers told us that the other “most immediate non-traditional security challenges are around global health”.³⁴²
207. The UK may be better placed to deal with non-traditional security challenges than with some traditional challenges. Veerle Nouwens said that while the UK is a “hard security contributor and has power projection capabilities, the sustainability of this is problematic and it is not quite at the level of regional powers themselves”.³⁴³ She suggested that the UK should instead focus on non-traditional security areas which are “below the military threshold”, such as training, joint exercises, institution building, and ensuring comprehensive responses to activities like illegal fishing.³⁴⁴

336 Written evidence from the University of Oxford Programme on International Peace and Security ([TRC0013](#))

337 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

338 Written evidence from Dr Radomir Tylecote ([TRC0002](#)) and written evidence from Robert Clark ([TRC0008](#))

339 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

340 Written evidence from Dr Anisa Heritage ([TRC0030](#))

341 Written evidence from Dr Anisa Heritage ([TRC0030](#))

342 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

343 [Q 58](#) (Veerle Nouwens)

344 *Ibid.*

208. The UK's role in addressing the non-traditional security challenge of climate change, and the areas of possible co-operation or competition with China, are discussed further below (see paragraph 223 onwards).
209. **A range of non-traditional security challenges in the Indo-Pacific region relate to the UK's key interests. The UK should aim to be a leader in addressing non-traditional security challenges, given its expertise and experience in these areas.**

The UK's threat assessment of China

210. Witnesses disagreed on how far China poses a threat to the UK. Dr Summers said that China is not a direct and conventional threat to the UK and that in terms of security interests, the UK's position should be closer to that of the EU (which does not generally regard China as a security threat at this stage),³⁴⁵ rather than that of the US.³⁴⁶
211. Charles Parton disagreed, arguing that China can pose a direct threat to the UK. He highlighted China's interference in British politics, media, academia, espionage, critical national infrastructure and data.³⁴⁷ The Oxford Programme on International Peace and Security agreed, highlighting evidence of hacking activity directed from China "targeting the Scottish parliament, UK-based think-tanks and major UK companies during the coronavirus pandemic".³⁴⁸
212. The FCDO told us that China's global role "has implications for the UK's global, regional and domestic security interests".³⁴⁹ The Integrated Review identified the Indo-Pacific as a region that is "critical" to the UK's economy, security and "global ambition to support open societies".³⁵⁰

China as a "systemic competitor"

213. In the Integrated Review, the Government refers to China as a "systemic competitor".³⁵¹ We asked both the Foreign Secretary and the Minister for Asia what this meant. The Foreign Secretary told us: "China is not just breaking the odd rule here and there. It wants to ransack, frankly, the international system."³⁵² He thought that the challenge posed by China is "systemic in the sense that it [acting] consistently and in a determined way", referring to Chinese activities in the South China Sea, the Belt and Road Initiative, and its overall approach to the existing multilateral system.³⁵³
214. The Minister for Asia told us that there are a "number of ways in which we see China as a systemic competitor", including "its attempts to shape the

345 [Q 18](#) (Janka Oertel)

346 Written evidence from Dr Tim Summers ([TRC0007](#))

347 [Q 5](#) (Charles Parton)

348 Written evidence from the University of Oxford Programme on International Peace and Security ([TRC0013](#))

349 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

350 *Ibid.*

351 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age- the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

352 Oral evidence taken before the International Relations and Defence Committee on 27 April 2021 (Session 2019–21), [Q 17](#) (Dominic Raab MP)

353 *Ibid.*

international order in line with its own values and world view, its attempt to undermine open societies and democracies, its aggressive approach to cyberspace and its approach to economic statecraft". He added that "China's military modernisation ... will pose an increasing challenge".³⁵⁴

215. The Government were reluctant to label China as a threat. When asked if China is a threat, the Minister for Asia merely reiterated the above.³⁵⁵
216. Witnesses had mixed views on the Government's designation of China as a 'systemic competitor'. Lord Sassoon said China agrees that competition is occurring, and thought that "the Integrated Review is realistic about what is going on and rightly acknowledges the nature of the challenge or the competition".³⁵⁶ However, Professor Zhang said that from China's perspective there is a disconnect between the Government's words and actions. He explained that by following the US's more hostile approach to China, the UK has "increasingly treated China as not just a systemic competitor but an adversary".³⁵⁷ Lord Patten of Barnes told us he was "not really sure what 'systemic competitor' means" and thought that it was a phrase used to "avoid the word 'threat'".³⁵⁸
217. The Integrated Review does on one occasion refer to China as a threat, stating that while "China and the UK benefit from bilateral trade and investment ... China also presents the biggest state-based threat to the UK's economic security."³⁵⁹ But for the most part, the Government focused on the ways in which the UK is indirectly threatened, or challenged, by China, such as its attempt to "reshape the international order in line with its own view of the world".³⁶⁰ We heard less evidence that the Government thinks China poses a direct security threat to the UK.
218. **There is disagreement over the extent to which China can be considered a threat to the UK, and it is clear that there are nuances which mean it could be considered more of a security threat in some areas than others. However, the Government's use of the ambiguous phrase "systemic competitor" does not help address these nuances and serves to create more uncertainty about the Government's strategy towards China. We invite the Government to provide more clarity on these points.**

Co-operation with allies

219. Charles Parton told us that that the US will be the UK's main ally when it comes to addressing the security challenges posed by China.³⁶¹ However, he noted that the UK should be cautious about being "led too far" by the US, because "we want a positive relationship with China as far as we can without prejudicing our security, our interests and our values".³⁶²

354 [Q 140](#) (Nigel Adams MP)

355 [Q 140](#) (Nigel Adams MP). The Government does however explicitly label Russia as a threat in the Integrated Review.

356 [Q 100](#) (Lord Sassoon)

357 [Q 71](#) (Professor Yongjin Zhang)

358 [Q 129](#) (Lord Patten of Barnes)

359 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

360 [Q 140](#) (Nigel Adams MP)

361 [Q 6](#) (Charles Parton)

362 *Ibid.*

220. Charles Parton expressed the hope that the UK will be able to work with the EU on policy toward China, but added that Brexit has made this more difficult.³⁶³ George Osborne added that a co-ordinated response on China would require developing a co-ordinated response with France and Germany.³⁶⁴ Dr Oertel said that “we have to be mindful” that not all of our allies, particularly in the EU, consider China to be a threat. She concluded that “the UK has to figure out ... who are the best partners to promote UK interests”.³⁶⁵
221. The FCDO said that it will continue to work “side by side with NATO allies to develop NATO’s approach” towards China. It highlighted the 2019 London Declaration, which stated that “we recognise that China’s growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance”.³⁶⁶
222. **The Government should consider whether its security assessment of China is aligned more with the US or the EU, recognising that individual EU countries have differing views about the threat that China represents to their security and that through bilateral engagement the FCDO needs to understand these variations. These alliances may influence the level of involvement the UK can have in other alliances and partnerships in the region.**

Areas of co-operation with China

223. While recognising China as a systemic competitor, the Foreign Secretary also saw “opportunities, elements and areas for constructive engagement”.³⁶⁷ The FCDO said that engagement with China on “a range of threats to international security” is in the UK’s interest.³⁶⁸ The fact that both countries are the permanent members of the UN Security Council, and both are Nuclear Weapons States under the Non-Proliferation Treaty, means that they “have particular responsibilities for global security issues” such as non-proliferation and the Joint Comprehensive Plan of Action.³⁶⁹
224. Dr Nicola Leveringhaus, Lecturer in War Studies at King’s College London’s School of Security Studies, told us that “nuclear diplomacy is an area of proven engagement between the United Kingdom and China”, and that the UK has played an influential role in “bringing China on board”.³⁷⁰ However, she noted that “further co-operation may be hampered by strains in the broader bilateral relationship”, including in the development of UK nuclear power projects, where Chinese involvement is being viewed “in an increasingly security light”.³⁷¹

363 *Ibid.*

364 Q 29 (George Osborne)

365 Q 18 (Dr Janka Oertel)

366 Written evidence from the Foreign, Commonwealth and Development Office (TRC0018)

367 Oral evidence taken before the International Relations and Defence Committee on 27 April 2021 (Session 2019–21), Q 17 (Dominic Raab MP)

368 Written evidence from the Foreign, Commonwealth and Development Office (TRC0018)

369 The Joint Comprehensive Plan of Action, also known as the Iran nuclear deal, is a document signed between Iran and the US, UK, China, France, Russia, Germany and the European Union. See Kali Robinson, ‘What is the Iran Nuclear Deal?’, *Council on Foreign Relations* (25 February 2021): <https://www.cfr.org/background/what-iran-nuclear-deal> [accessed 2 September 2021].

370 Written evidence from Dr Nicola Leveringhaus (TRC0029)

371 *Ibid.*

225. Other areas of potential co-operation include global health security, particularly in light of the coronavirus pandemic, and climate change.³⁷²

Climate change

226. Dr García-Herrero told us that climate change is “the most obvious area of co-operation” with China,³⁷³ while Professor Morton said that it is “a real stress test of the relationships between the UK and China, the UK and the US, and globally”.³⁷⁴
227. We heard from several witnesses that climate change cannot be tackled without co-operation with China.³⁷⁵ As Professor Liang noted, China is the largest emitter in the world, so “if we do not include China and do not bring it on board, it is meaningless to talk about addressing the global climate change issue”. This gives China a “unique importance”.³⁷⁶ But Professor Liang also warned of a risk that “other non-climate change issues”, such as economic sanctions against China, “may politicise this important global issue” and act as a barrier to progress.³⁷⁷
228. Some witnesses were concerned that China may have ulterior motives in agreeing to co-operate over climate change, such as accessing clean energy technologies in order to manufacture them themselves.³⁷⁸ Didi Kirsten Tatlow told us that the West should have a “competitive mindset” when it comes to climate change: “China will be obliged to compete because it is also very threatened by climate change”.³⁷⁹ Lord Patten of Barnes agreed, highlighting that China is “as badly affected ... by climate change than anyone else”, so “we should not [co-operate] on the basis that China is doing us any favours”.³⁸⁰
229. Professor Tsang argued that China would “will work to its own agenda” on climate change. However, he noted that there is a “huge amount of overlap” in objectives, so the UK should “take advantage of that”.³⁸¹
230. The FCDO told us that “co-operation with China will be necessary to tackle transnational challenges, particularly climate change and biodiversity loss,”³⁸² while the Foreign Secretary said: “We will not shift the dial on climate change unless we can have a sensible dialogue with China”.³⁸³
231. **The challenge of climate change cannot be addressed without engagement with China. We call on the Government to explain how it will include considered co-operation with China on climate change as part of its China strategy. This is particularly important given the UK’s leadership role at COP26.**

372 [Q 5](#) (Charles Parton). See also written evidence from Dr Tim Summers ([TRC0007](#)).

373 [Q 126](#) (Dr Alicia García-Herrero)

374 [Q 71](#) (Professor Katherine Morton)

375 See for example written evidence from Dr Tim Summers ([TRC0007](#)), [Q 100](#) (Lord Sassoon) and [Q 39](#) (Lord Sedwill).

376 [Q 118](#) (Professor Wei Liang)

377 *Ibid.*

378 [Q 126](#) (Didi Kirsten Tatlow)

379 *Ibid.*

380 [Q 132](#) (Lord Patten of Barnes)

381 [Q 21](#) (Professor Steve Tsang)

382 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

383 Oral evidence taken before the International Relations and Defence Committee on 27 April 2021 (Session 2019–21), [Q 17](#) (Dominic Raab MP)

232. **Since the publication of the Stern Review on the Economics of Climate Change in 2006, and the Climate Change Act 2008, the UK has become a leader in climate change and decarbonisation, formerly leading the EU in its climate aspirations, and now globally. The UK must use this leadership position to encourage China to engage with the global community in tackling the climate change challenge.**
233. **Nevertheless, the Government should remain aware that China's interests in tackling the climate crisis may not always be fully aligned with those of the UK. Co-operation must take into careful account China's actions, not just words.**

Scale of resources

234. We heard mixed evidence about whether the UK has committed sufficient resources to deal with the security challenges posed by China.
235. Dr Patalano said that the UK already has an “expanded diplomatic network”, highlighting the then-Foreign Secretary Jeremy Hunt’s decision in October 2018 to establish new High Commissions in Samoa, Tonga and Vanuatu, and a new British mission to the ASEAN headquarters in Jakarta. This was accompanied by the “restructuring of the defence network around a British Defence Staff for Southeast Asia based in Singapore”.³⁸⁴ These resources gave a “strong basis to deliver UK interests and influence”.³⁸⁵
236. In addition to the deployment of HMS Queen Elizabeth carrier strike group to the Indo-Pacific in 2021, Dr Patalano noted that the Defence Command Paper “confirmed an ambition to forward-deploy one Offshore Patrol Vessel and one Littoral Strike Group in the Indo-Pacific”, which in his view “should be sufficient for a persistent form of presence, albeit one optimised for non-combat missions”.³⁸⁶
237. However, other witnesses thought the UK’s ambitions did not match up with the resources—both hard- and soft-power resources—the Government has committed to the region. Witnesses highlighted the recent cuts to Official Development Assistance (ODA),³⁸⁷ which Lord Patten of Barnes described as “an important element in our soft power”.³⁸⁸ Robert Clark told us that the Government should recommit to returning to previous levels of ODA spending “as soon as possible”, to reduce the risk of Chinese “debt diplomacy”. and to offer poorer countries “an alternative to Chinese investment”.³⁸⁹
238. **The UK’s interests in the Indo-Pacific are not unique and distinct from the interests of its European partners, especially France. Both countries should coordinate deployments of military assets to assure a ‘persistent’ European presence.**

384 Written evidence from Dr Alessio Patalano (TRC0026)

385 *Ibid.*

386 *Ibid.*

387 Under the International Development (Official Development Assistance Target) Act 2015 the Government has a statutory duty to spend 0.7% of Gross National Income on Official Development Assistance (ODA). In the 2020 Spending Review, the Government announced they would cut the Official Development Assistance spend to 0.5%, due to the economic impact of the pandemic. HM Treasury, *Spending Review 2020*, CP 300, November 2020: <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020> [accessed 2 September 2021]

388 Written evidence from Lord Patten of Barnes (TRC0019). For clarity, the Committee is not suggesting the UK provides ODA to China itself, but to other countries in the region.

389 Written evidence from Robert Clark (TRC0008)

239. **We call on the Government to explain how the UK plans to support its regional partners and allies in both traditional and non-traditional security areas such as training, joint exercises, institution building and capacity building.**
240. **Official Development Assistance is a vital aspect of the UK's soft power, which can be used to address both traditional and non-traditional security challenges. As the UK seeks further engagement in the Indo-Pacific, Official Development Assistance cuts may create a void which may be exploited by China and the UK's other competitors. We urge the Government to restore Official Development Assistance to 0.7% GNI before significant damage is done to the UK's capabilities in this region and more widely.**
241. **China is a rapidly growing military power with an increasingly assertive policy towards its neighbours and adjacent waters. It has an agenda to secure the integration of Taiwan into its jurisdiction; to secure all waters, islands and reefs within the 'nine dash line' within its sovereign territory; and to challenge the Sino-Indian Actual Line of Control. Even if not planned, there is a strong risk that future rhetoric from China will at some point provoke a major conflict. The 'tilt' to the Indo-Pacific implies that the UK will be less able to isolate itself from such an event. It needs to carefully consider its contingency plans. With the future presence of the Royal Navy in the South and East China Seas, it is not impossible that a UK naval vessel (rather than the US fleet) could be used by China as the test of their sovereignty, and therefore the start of such a conflict.**

CHAPTER 6: CURRENT SCALE AND NATURE OF TRADE AND INVESTMENT

242. The scale and nature of trade and investment between the UK and China have changed in recent decades. In 1999, China was the UK's 15th largest export market and 7th largest import market for goods and services. By 2019, it was the 3rd largest export market and import market.³⁹⁰ Figure 3 shows UK trade with China as a percentage of total exports and imports over this period.

Figure 3: UK trade with China as a percentage of total trade (goods and services), 1999–2019



Source: Office for National Statistics, UK total trade: all countries, non-seasonally adjusted, October to December 2020 edition (2021): <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktotaltradeallcountriesnonseasonallyadjusted> [accessed 2 September 2021]

243. Sir Sherard told us that, if the EU is disaggregated into its 27 Member States and Mode 3 service exports are included, in the first quarter of 2021 China and Hong Kong together became the UK's single largest partner in trade in goods, and second largest overall economic partner after the US.³⁹¹ His counterpart on the China Chamber of Commerce in the UK, Fang Wenjian, said that the UK-China economic relationship is “the best it has been in history”.³⁹²
244. This trade relationship is imbalanced in China's favour.³⁹³ Dr Michael Plouffe, Lecturer in International Political Economy at University College London's School of Public Policy, told us that “the economic relationship between the UK and China is highly important to the British economy, and somewhat less so to the Chinese economy”. He explained that for products, the UK was only the ninth most-important export destination for China in 2019, and 14th most important importer.³⁹⁴ The UK imports around twice as much from China as it exports to China. Table 1 shows some comparisons between the two countries for flows of products.

³⁹⁰ These figures consider the EU as a single trading partner.

³⁹¹ Q 104 (Sir Sherard Cowper-Coles)

³⁹² Q 104 (Fang Wenjian)

³⁹³ Written evidence from Lord Patten of Barnes (TRC0019)

³⁹⁴ Written evidence from Dr Michael Plouffe (TRC0023)

Table 1: UK-China product trade comparisons 2019

Trade flow	Value	China's rank among UK partners	UK's rank among China's partners	Percent of UK flows	Percent of China's flows
UK product exports	\$30 billion	3	14	6.7%	1.9%
UK product imports	\$60 billion	2	9	9.6%	2.5%

Source: Written evidence from Dr Michael Plouffe ([TRC0023](#))

245. The relationship is not imbalanced on all fronts. Sir Sherard noted that while there is a deficit in goods trade, it is “narrowing”, and there is a surplus in the trade of services. There are over 120,000 Chinese students studying in British universities, contributing around £2.5 billion annually, and there were 880,000 Chinese tourist visits to the UK in the year before the pandemic, contributing around £1.7 billion to the UK economy.³⁹⁵ Both higher education and tourism are important not just to the British economy but also to promoting a positive relationship with the Chinese.

246. Other European countries have different relationships, including Germany, which is the largest export market to China within the EU.³⁹⁶ Dr Yu told us that this difference is because “each country is selling different things”: while the UK specialises in services, “France and Germany are selling ... aircraft and high-end machinery”.³⁹⁷ The relationship is reversed for investment: the China-Britain Business Council told us that between 2000 and 2019, the UK was the most attractive destination for Chinese investment in Europe, receiving nearly £43 billion, compared to £19 billion invested in Germany.³⁹⁸

Impact of Brexit

247. The decision to leave the EU necessitated a reassessment of the UK's trade and investment priorities. The Government's 2019 manifesto stated its goal was to cover “80% of UK trade with free trade agreements” by the end of 2022, prioritising agreements with the US, Australia and New Zealand. The manifesto also committed to “open up trade in services”, “promote British businesses and exports” and “dismantle barriers to trade”.³⁹⁹ At the time of writing, the UK had agreed the broad terms of a free trade agreement with Australia, agreed a number of trade continuity agreements (such as with South Korea and Japan), and has started negotiations to join to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In the wake of the coronavirus pandemic, the Department for

395 [Q 104](#) (Sir Sherard Cowper-Coles)

396 [Q 10](#) (Dr Yu Jie)

397 [Q 10](#) (Dr Yu Jie). See also [Q 128](#) (Lord Patten of Barnes) and [Q 20](#) (Professor Steve Tsang).

398 Written evidence from the China-Britain Business Council ([TRC0014](#)). See also [Q 20](#) (Professor Kerry Brown).

399 The Conservative and Unionist Party, ‘Get Brexit Done, Unleash Britain's Potential: The Conservative and Unionist Party Manifesto 2019’: https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf [accessed 2 September 2021]

International Trade has stated that “the UK should promote an export-led recovery” and “seek to internationalise the economy”.⁴⁰⁰

248. We heard mixed views about the impact of Brexit on the UK-China economic relationship. Sir Sherard told us that Brexit has had “surprisingly little direct effect” on the ability of China-Britain Business Council members to trade with China.⁴⁰¹ He added that companies were reporting “not only booming exports to China but also, because of the new frictions in the relationship with the European Union, the growing importance for them of their exports to China”.⁴⁰² Lord O'Neill of Gatley told us that Brexit gave the UK the opportunity to be “more of an honest broker” than during its EU membership.⁴⁰³
249. However, Fang Wenjian told us while Brexit has had thus far had “no negative impact” on many Chinese business, some businesses have seen increases in costs, because it is now “too complicated” to operate out of the UK, so they have had to “set up other operating entities in the EU”.⁴⁰⁴
250. Brexit has also had an impact on Chinese businesses' perceptions of the UK as a place to do business. Fang Wenjian told us that this is in part due to continued uncertainty around Brexit, including disagreements between the UK and EU in some sectors like finance, but that also many Chinese companies used to think of the UK as a “gateway to Europe”. Brexit has had and will continue to have an impact on the “strategic decision-making of Chinese companies”.⁴⁰⁵
251. On Chinese investment into the UK, Professor Brown told us that that the UK had been the “best performer in Europe over a number of years”. However, since 2016 overall Chinese investment into Europe “seems to have been falling”.⁴⁰⁶

Opportunities for increased trade and investment

252. The British Chamber of Commerce in China told us that the growth of China's middle class represents a significant opportunity for UK business, as improving the income of middle-class households and boosting consumption are “at the top of [China's] agenda”.⁴⁰⁷ The FCDO also noted this opportunity:

“China's rapidly growing urban middle class, which has been estimated to have grown from 44m to 374m people between 2010–2018, creates potential opportunities for UK exports in sectors such as: education; food and drink; creative, consumer and retail, as well as life sciences such as pharmaceuticals and medical technology.”⁴⁰⁸

400 UK Board of Trade, *Global Britain, Local Jobs* (March 2021): <https://www.gov.uk/government/publications/board-of-trade-report-global-britain-local-jobs/global-britain-local-jobs-html-version> [accessed 2 September 2021]

401 [Q 109](#) (Sir Sherard Cowper-Coles)

402 *Ibid.*

403 [Q 89](#) (Lord O'Neill of Gatley)

404 [Q 109](#) (Fang Wenjian)

405 *Ibid.*

406 [Q 20](#) (Professor Kerry Brown)

407 Written evidence from the British Chamber of Commerce in China ([TRC0006](#))

408 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

253. There are more opportunities in some sectors than others. Fang Wenjian told us that China's Five-Year Plan highlights sectors where there will be "huge demand in China", including "medical, educational [and] high-tech ... products and services". He added that "China will continue to open up sectors such as telecommunications, the internet, education, culture and medical care to foreign investors, so there is great potential there".⁴⁰⁹ We also heard that the greatest opportunity for the UK is in services.⁴¹⁰
254. The UK is already successful in trade and investment in services. Dr Plouffe told us that the "2017 figures for services trade add nearly \$5.5 billion in exports to the British account, concentrated in travel, business services, and transportation". He noted that "at the time, China recorded no service exports to the UK", and because "Chinese service providers face a wide range of legal and regulatory barriers to entering the British market ... the UK is likely to retain a net surplus in services trade with China".⁴¹¹
255. The Russell Group told us that "education exports are now the UK's single largest service export, totalling £23.28 billion in 2018".⁴¹² There are approximately 139,000 Chinese students in the UK, and Universities UK estimate that they contributed around 4.7% (£1.8 billion) of the total higher education sector income in 2017/18 (total income £38.4 billion).⁴¹³ The British Council told us that "in 2020, the UK overtook the USA as the preferred destination for Chinese students".⁴¹⁴
256. Witnesses also identified financial services as an area of opportunity for the UK.⁴¹⁵ The China-Britain Business Council told us: "China's own objective is to open its economy further, particularly in areas of traditional British strength such as financial and other services."⁴¹⁶ The FCDO said: "In 2019, the largest sector for China's FDI stock in the UK was financial services, accounting for 76.5% of the total."⁴¹⁷
257. We were also warned that in the longer-term China wishes to become a service-oriented market itself, and so demand for services imported from the UK may decline. Lord McDonald of Salford told us:
- "We thought that ... there would come a point when the Chinese economy would need the things that we are really good at. We thought that they would be especially interested in our services ... That, frankly, has not happened and is not happening ... They are not looking to a British or a Western way of organising their service sectors. They want, as far as possible, to generate it internally."⁴¹⁸
258. Dr Alicia García-Herrero, Senior Fellow at Bruegel, agreed, and noted that there are also signs of "structural change" occurring as a result of the

409 [Q 106](#) (Fang Wenjian). See also written evidence from Dr Michael Plouffe ([TRC0023](#)).

410 [Q 10](#) (Dr Yu Jie). See also [Q 20](#) (Professor Steve Tsang) and [Q 88](#) (Lord O'Neill of Gatley).

411 Written evidence from Dr Michael Plouffe ([TRC0023](#)).

412 Written evidence from the Russell Group ([TRC0028](#)).

413 Written evidence from Universities UK ([TRC0024](#)).

414 Written evidence from the British Council ([TRC0021](#)).

415 See for example [Q 20](#) (Professor Steve Tsang), [Q 110](#) (Sir Sherard Cowper Coles) and written evidence from the China-Britain Business Council ([TRC0014](#)).

416 Written evidence from the China-Britain Business Council ([TRC0014](#)).

417 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#)).

418 [Q 39](#) (Lord McDonald of Salford). See also [Q 10](#) (Dr Yu Jie).

pandemic, whereby China “will not allow so much importing of services, whether tourism or education overseas”.⁴¹⁹

259. On the other hand, Sir Sherard told us that in China there is “huge hunger for western financial expertise, particularly in the field of savings, pensions and wealth management, as China needs to put away money for its old age”, and that it “needs the expertise that only western banks can bring”. It was “frustrating” for those working in the financial services “to see American competitors rapidly growing market share in China”, and he blamed the UK Government’s “unwillingness or inability to push ahead with the economic and financial dialogue” for the lack of UK engagement in meeting this demand.⁴²⁰
260. **The Government should seek to maintain the role and popularity of British higher education among Chinese students. However, we are concerned about potential pressures put on Chinese students by the Chinese authorities. The Government and the higher education sector need to take steps to ensure that Chinese students (in particular graduate students) can maintain freedom of research.**

Barriers to increased trade and investment

Competition with state-owned enterprises

261. Chinese state-owned enterprises are often subsidised by the state and given preferential treatment.⁴²¹ The British Chamber of Commerce in China told us that competition with state-owned enterprises was one of the three biggest barriers for British businesses operating in China.⁴²² Didi Kirsten Tatlow told us that the lack of a level playing field is a “perennial issue”, because China is “not a free economy and it does not do free trade”.⁴²³ Professor Tsang said that for over forty years, the UK has accepted not having an economic level playing field with China, as “we were keen to help China develop and modernise”, but given that China is the “second most powerful economy in the world ... there is no reason now not to insist on a level playing field”.⁴²⁴
262. We also heard that there is increasingly a blurred boundary between private and state-owned enterprises in China, meaning that the issue of subsidisation is not only related to state-owned enterprises.⁴²⁵
263. Lord Sassoon, on the other hand, thought that China recognises “that they need to get to grips with this issue”, adding: “They no more want to be subsidising state-owned enterprises than we did 30 or 40 years ago.”⁴²⁶

Intellectual property and forced technology transfer

264. The China-Britain Business Council told us that intellectual property (IP) protection and technology transfer “remain a concern for UK businesses”,

419 [Q 123](#) (Dr Alicia García-Herrero)

420 [Q 110](#) (Sir Sherard Cowper-Coles)

421 See for example written evidence from the British Chamber of Commerce in China ([TRC0006](#)) and [Q 31](#) (George Osborne).

422 Written evidence from the British Chamber of Commerce in China ([TRC0006](#))

423 [Q 124](#) (Didi Kirsten Tatlow)

424 [Q 20](#) (Professor Steve Tsang)

425 See for example [Q 19](#) (Professor Kerry Brown), [Q 62](#) (Dr Tanvi Madan) and written evidence from the China-Britain Business Council ([TRC0014](#)).

426 [Q 101](#) (Lord Sassoon)

but also noted that “China’s IP protection landscape is ... changing”.⁴²⁷ Sir Sherard agreed, explaining that while historically intellectual property theft had been a “huge concern for British advanced manufacturers selling into China”, it is an area “of diminishing concern”.⁴²⁸

265. Lord Sassoon noted that work to combat intellectual property theft between the China-Britain Business Council, the Great Britain-China Centre, and the Government has been a “considerable success”. He told us that there are now “dedicated IP courts in China”, and cited the example of the British-created children’s character Peppa Pig, which was recently given the “highest level of [trademark] protection” by a Chinese court.⁴²⁹ The FCDO agreed: “UK business complaints on intellectual property have become relatively less prominent compared to other concerns, and the UK continues to share regulatory best practice to improve IP protection.”⁴³⁰
266. Concerns remain about forced technology transfer—a practice whereby a government requires foreign businesses to share their technology in exchange for market access. Didi Kirsten Tatlow told us that this is one of a number of ways “China is trying to build itself up technologically ... to strengthen its own economy”.⁴³¹

Deterioration of relationship

267. Fang Wenjian told us that “one of the potential barriers is a continuous deterioration in UK-China relations”. While the “total value of Chinese investment is still increasing”, the “number of deals has slowed dramatically”, although he noted it is “not clear yet to what extent that is because of the pandemic and to what extent it is because of geopolitical reasons”.⁴³² Lord O’Neill of Gatley agreed: “If we have an aggressive security-based approach ... it is quite conceivable that it would have a consequence for trade at some point.”⁴³³
268. Professor Zhang warned that if the UK were to follow the US’s hawkish approach to China it could have negative consequences for the economic relationship⁴³⁴—as Dr Economy told us it has had for the US.⁴³⁵ Professor Zhang told us that “China used to think that the United Kingdom had no direct strategic rivalry or conflict with it, and had a lot to offer in hightech, financial services, education and tourism terms”. However, the UK has increasingly “accepted Washington’s framing of US China strategic rivalry as a life and death struggle between democracy and autocracy”, treating China as “an adversary”. He said this will “affect the UK’s relationship with China”.⁴³⁶
269. Some witnesses told us that perceptions of “anti-China” sentiments in the UK are also acting as a barrier to increased trade and investment. Fang Wenjian said that his organisation is “quite concerned about the rising anti-

427 Written evidence from the China-Britain Business Council ([TRC0014](#))

428 [Q 109](#) (Sir Sherard Cowper-Coles). See also written evidence from the British Chamber of Commerce in China ([TRC0006](#)).

429 [Q 97](#) (Lord Sassoon)

430 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

431 [Q 125](#) (Didi Kirsten Tatlow). See also written evidence from Professor Kristen Hopewell ([TRC0022](#)).

432 [Q 106](#) (Fang Wenjian)

433 [Q 84](#) (Lord O’Neill of Gatley). See also written evidence from Dr Tim Summers ([TRC0007](#)).

434 [Q 71](#) (Professor Yongjin Zhang)

435 [Q 75](#) (Dr Elizabeth Economy)

436 [Q 71](#) (Professor Yongjin Zhang)

China sentiment” in the UK, and that businesses “look to where [they] feel welcome”.⁴³⁷ Sir Sherard agreed that “some of the rhetoric, particularly in the other House of Parliament, may unintentionally and indirectly have contributed to the anti-Chinese feeling”, which is “very damaging to both sides”.⁴³⁸ Fang Wenjian told us: “If we do not do anything about the deterioration in the relationship between the two countries, and the anti-China sentiment here, it will have a cooling effect on the economic relationship.”⁴³⁹

Lack of a China strategy

270. The UK’s lack of a China strategy, discussed in Chapter 2, is also a barrier to increased trade and investment. Dr Summers told us that the risk of further damage to the UK-China relationship could be managed by the UK “committing to a China policy which identifies a consistent balance between the range of British interests (rather than one that veers towards Trumpian hostility)”. He added that the Integrated Review contains a “reasonable framework” for this policy, and is similar to that adopted by the EU.⁴⁴⁰ The China-Britain Business Council concurred: “Formulating a coherent, robust and independent approach towards China should ... be a priority for the UK Government”, to reduce the “considerable risks” to our relationship with China.⁴⁴¹
271. **While there are opportunities for increased economic engagement with China, they can only be realised in the right economic and political conditions. At present, there are still considerable barriers to an economic engagement with China that supports the UK’s core interests and values.**
272. **Trade cannot be considered in isolation. If the UK pursues certain security policies which China sees as running counter to its own interests, there will almost certainly be consequences for trade and investment.**

437 [Q 106](#) (Fang Wenjian)

438 [Q 106](#) (Sir Sherard Cowper-Coles). See also [Q 98](#) (Lord Sassoon), written evidence from Dr Tim Summers ([TRC0007](#)).

439 [Q 104](#) (Fang Wenjian)

440 Written evidence from Dr Tim Summers ([TRC0007](#)). See also [Q 83](#) (Lord O’Neill of Gatley).

441 Written evidence from the China-Britain Business Council ([TRC0014](#))

CHAPTER 7: FUTURE OF TRADE AND INVESTMENT

273. In the Integrated Review, the Government stated:

“Open, trading economies like the UK will need to engage with China and remain open to Chinese trade and investment, but they must also protect themselves against practices that have an adverse effect on prosperity and security.”⁴⁴²

274. We heard arguments for and against increasing our economic engagement with China. Lord McDonald of Salford told us that China is “economically and commercially ... unignorable”,⁴⁴³ while Lord Sedwill said: “Unless there is a radical change of direction, China’s presence in the world economy remains an absolutely vital feature of global growth and global prosperity.”⁴⁴⁴

275. On the other hand, we also heard strong arguments about the security risks associated with increased economic engagement with China, as well as concerns over human rights and how these should be balanced with an economic relationship.⁴⁴⁵ These issues are discussed in this chapter.

A future trade or investment agreement

276. The UK has had a bilateral investment treaty with China since 1986. The FCDO told us that they “currently do not intend to renegotiate or remove the UK-China [bilateral investment treaty], which provides protection to investments of UK companies in China”.⁴⁴⁶

277. The Government also told us that it has “no plans to negotiate a free trade agreement with China”, and that its “trade policy focus is on reducing market access barriers for British businesses”.⁴⁴⁷

278. Nevertheless, some witnesses advocated negotiating new trade or investment agreements with China. The China-Britain Business Council argued that “a free trade agreement is an appropriate medium-term goal for the UK”, and that in the meantime, “We should look to secure sectoral agreements where possible.”⁴⁴⁸ Fang Wenjian told us that “from the point of view of the Chinese business community we hope that a trade agreement can be reached between the UK and China”, which would be “mutually beneficial”.⁴⁴⁹ Dr Plouffe advocated for “some form of a bilateral trade agreement”, which, in order to simplify negotiations, could “focus exclusively on product trade”.⁴⁵⁰

442 Cabinet Office, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age- the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf [accessed 2 September 2021]

443 Q 39 (Lord McDonald of Salford)

444 Q 39 (Lord Sedwill). See also written evidence from Dr Michael Plouffe (TRC0023)

445 See for example written evidence from Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford (TRC0013), written evidence from Lord Patten (TRC0019) and written evidence from Professor Steve Tsang (TRC0015).

446 Written evidence from the Foreign, Commonwealth and Development Office (TRC0018)

447 *Ibid.*

448 Written evidence from the China-Britain Business Council (TRC0014)

449 Q 107 (Fang Wenjian)

450 Written evidence from Dr Michael Plouffe (TRC0023)

279. But the balance of evidence received in this inquiry indicated that the UK should not be pursuing a free trade agreement with China at this time.
280. Naina Gupta and Rahim Talibzade told us that while the UK could in theory sign a trade agreement with China now it has left the EU, “diverging from EU policies on China may not be favourable for the UK”. The UK has an “economic incentive” to remain on good trade terms with the EU, given that it makes up a far greater share of the UK’s total trade than China.⁴⁵¹
281. China may also not be aiming to negotiate a free trade agreement with the UK. Instead, as Dr Yu told us, the latest Five-Year Plan proposes enhanced “internal circulation” and “self-reliance”, whereby resources that would usually be invested abroad will be diverted “back into China itself”. She saw it as “inevitable that Chinese investment in Europe and many other parts of the world will reduce gradually”.⁴⁵²
282. Witnesses also noted the costs that could be associated with increased economic engagement with China—in Dr Yu’s words, the economic opportunities “will not bring money out of a tree”.⁴⁵³ There has also been strong political opposition to negotiating a free trade agreement with China, prompted by concerns about human rights abuses and allegations of genocide in Xinjiang. Charles Parton told us that:

“Xinjiang and the genocide—and it is genocide under the UN convention’s description—have to be taken into account. This is not just about the sheer goodness and badness aspect but the reputation of companies of ours that are trading with those that are producing materials through forced labour and benefiting from what is going on in Xinjiang.”⁴⁵⁴

This ongoing debate is summarised in Box 6.

Box 6: Parliamentary opposition to a trade agreement with China

There has been a recent attempt in Parliament to legislate against trading with nations deemed to be committing genocide. This gave rise to an amendment to the Trade Bill (now the Trade Act 2021) in the House of Lords.⁴⁵⁵

The amendment stated that the Trade Bill “would require that the UK does not trade with genocidal regimes. Importantly, with the United Nations having shown itself incapable of making such decisions, the determination of whether genocide has taken place would be made by the High Court of England and Wales”. The amendment was approved by the House of Lords with a majority of 129 votes.

451 UK trade with its main EU partners made up over 36.8% of total trade in 2019, compared to 6.1% with China. See written evidence from Naina Gupta and Rahim Tailbzade ([TRC0009](#)).

452 [Q 8](#) (Dr Yu Jie)

453 *Ibid.*

454 [Q 8](#) (Charles Parton)

455 House of Lords, 23 February 2021, [Division 1](#)

The House of Commons rejected the Lords' amendment on 19 January 2021, but a compromise amendment, whereby designated committees in each House would consider whether there was credible evidence of genocide committed by a potential trading partner, was ultimately included as section 3 of the Trade Act 2021.

Following a resolution agreed by the House of Commons on 22 April 2021, to the effect that the actions of China in Xinjiang constitute genocide, the Foreign Secretary stated to us the Government's position that the determination of genocide is ultimately a criminal matter, on which a court (whether domestic or international) should make any judgment.⁴⁵⁶

The House of Commons Foreign Affairs Committee recently published a report on its inquiry into Xinjiang detention camps, entitled 'Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond'. It concluded that the Government "should respect the view of the House of Commons that crimes against humanity and genocide are taking place, and take a much stronger response".⁴⁵⁷

The UK has obligations under both domestic legislation and international agreements on genocide and forced labour. These include:

- The Convention on the Prevention and Punishment of the Crime of Genocide, initially approved in 1948, which the UK acceded to in 1970.⁴⁵⁸
- The Rome Statute of the International Criminal Court, establishing the International Criminal Court, ratified by the United Kingdom on 4 October 2001.⁴⁵⁹
- The principle of 'responsibility to protect',⁴⁶⁰ which was adopted by the UK at a UN World Summit meeting in 2005. The Government reaffirmed its commitment to the principle in its response to the House of Commons Foreign Affairs Committee report on 'Global Britain: Responsibility to Protect and Humanitarian Intervention'.⁴⁶¹

456 Oral evidence taken before the International Relations and Defence Committee on 27 April 2021 (Session 2019–21), [Q 20](#) (Dominic Raab MP)

457 Foreign Affairs Committee, *Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond* (Second Report, Session 2021–22, HC 198)

458 UN General Assembly, *Convention on the Prevention and Punishment of the Crime of Genocide*, 9 December 1948, United Nations, Treaty Series, vol. 78 (9 December 1948): https://www.un.org/en/genocideprevention/documents/atrocities-crimes/Doc.1_Convention%20on%20the%20Prevention%20and%20Punishment%20of%20the%20Crime%20of%20Genocide.pdf [accessed 2 September 2021]

459 International Criminal Court, *Rome Statute of the International Criminal Court*, 17 July 1998 (2011): <https://www.icc-cpi.int/resource-library/documents/rs-eng.pdf> [accessed 2 September 2021]

460 United Nations, 'Responsibility to Protect': <https://www.un.org/en/genocideprevention/about-responsibility-to-protect.shtml> [accessed 2 September 2021]

461 Foreign Affairs Committee, *Global Britain: The Responsibility to Protect and Humanitarian Intervention: Government response to the Committee's Twelfth Report* (Fifteenth Special Report, Session 2017–19, HC 1719)

- In 2015 the then UK Permanent Representative to the UN confirmed that the UK would sign up to the Accountability, Coherence and Transparency (Act) Group's Code of Conduct, requiring members of the UN Security Council not to vote against any credible resolution that aims to prevent or halt atrocity crimes such as genocide.⁴⁶²
- The Modern Slavery Act 2015, which includes measures to combat modern slavery, including forced labour.⁴⁶³

Lessons from the EU and US

283. While a new trade or investment agreement may not be likely in the short term, witnesses outlined some lessons could be learned from recent attempts by the UK's close partners to negotiate closer economic ties with China.

EU and China

284. The EU and China concluded the Comprehensive Agreement on Investment (CAI) in principle in December 2020. It has not yet been ratified. Theresa Fallon, Director at the Brussels-based Centre for Russia, Europe and Asia Studies told us that the CAI was designed to unify the “patchwork” of bilateral investment treaties agreed between individual members states and China, and that it “seeks to improve the level playing field for EU companies”.⁴⁶⁴
285. Some witnesses thought the CAI could serve as a basis for a renewed UK-China investment agreement. Dr Summers wrote that as EU countries' investment agreements have now been “upgraded” via the CAI, the UK's 1986 agreement “needs updating to deliver the same advantages as European companies will enjoy”. He said that the “CAI can serve as a good model”.⁴⁶⁵ Dr Yueh noted that an investment agreement along similar lines to the CAI would be “more feasible” than a trade agreement, as “lots of investments are already happening” and there is a “path” to what the agreement could look like.⁴⁶⁶
286. The British Chamber of Commerce in China told us that elements of the CAI that would benefit UK businesses (were a similar agreement to be made between the UK and China) include “guarantees of fair competition, state-owned enterprise reform and non-discrimination, guarantees against forced technology transfers and lifting of equity caps on certain types of financial institutions”.⁴⁶⁷ Dr García-Herrero said that there are “some valuable propositions in CAI, mainly on transparency, that are not yet embedded in our framework at the WTO with regard to China”.⁴⁶⁸
287. We also heard criticisms of the CAI. The British Chamber of Commerce in China noted that several of the commitments in the deal are “largely repeats of existing policy proposals in China”. For example, “eliminating forced

462 Ambassador Matthew Rycroft CBE, Statement to the UN at the ACT Group Event on the Code of Conduct, 1 October 2015: <https://www.gov.uk/government/speeches/im-proud-to-say-that-the-united-kingdom-is-signing-up-to-the-act-code-of-conduct> [accessed 2 September 2021]

463 [Modern Slavery Act 2015](#)

464 Written evidence from Theresa Fallon ([TRC0027](#))

465 Written evidence from Dr Tim Summers ([TRC0007](#))

466 [Q 117](#) (Dr Linda Yueh)

467 Written evidence from the British Chamber of Commerce in China ([TRC0006](#))

468 [Q 124](#) (Dr Alicia García-Herrero)

technology transfers ‘by administrative means’” was already proposed in China’s Foreign Investment Law.⁴⁶⁹

288. Both Theresa Fallon and Charles Parton described the CAI as a “win” for China.⁴⁷⁰ Theresa Fallon explained that for China, “the EU market is already open to investment with very few restrictions”, and that despite the improvements in market access provided in the CAI, “Chinese treatment of EU [investment] ... still falls short of the openness of the EU to Chinese investment.”⁴⁷¹
289. Witnesses also highlighted the challenges the EU has faced in attempting to align its security and economic objectives when negotiating the CAI. Theresa Fallon identified three facets to the EU’s policy to China: “China as a partner, China as a competitor, and China as a systemic rival, depending on the policy area in question.” But she added: “In practice, it seems difficult to de-link trade and investment, where China is considered as a partner, from security and values, where China is a systemic rival.”⁴⁷²
290. The British Chamber of Commerce in China told us that instead of seeking to replicate the CAI, the UK should focus on the regulatory challenges that British businesses report facing: navigating cybersecurity and IT restrictions, accessing and moving company finances, and competition with state-owned enterprises.⁴⁷³
291. The FCDO told us: “It is too early to determine the full implications of the agreement for European and Chinese businesses and the agreement will not come into effect until ratified by the European Parliament.”⁴⁷⁴

US and China

292. In late 2019, after almost two years in a trade war, the Trump Administration reached an agreement with China on the first phase of a trade deal. The US-China Phase One trade deal was signed by President Trump and China’s Vice Premier Lie He in January 2020.
293. Dr Yueh described the agreement as “not dissimilar” to the CAI, as both “introduce more transparency around subsidies and [have] some greater degree of opening of certain sectors in China”.⁴⁷⁵
294. But we also heard that the deal has not been particularly successful in reducing tensions. Professor Hopewell told us that most of the tariffs between the two countries remain in effect, and that the Biden administration “has not yet shown any intension of rescinding the tariffs”. She said that “this temporary trade truce is highly fragile”, and that it is “unlikely that China will be able to meet its stated commitment of increasing its imports from the US by \$200 billion”.⁴⁷⁶

469 Written evidence from the British Chamber of Commerce in China ([TRC0006](#))

470 Written evidence from Theresa Fallon ([TRC0027](#)) and [Q 10](#) (Charles Parton)

471 Written evidence from Theresa Fallon ([TRC0027](#)). See also [Q 124](#) (Dr Alicia García-Herrero).

472 Written evidence from Theresa Fallon ([TRC0027](#))

473 Written evidence from the British Chamber of Commerce in China ([TRC0006](#))

474 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

475 [Q 115](#) (Dr Linda Yueh)

476 Written evidence from Professor Kristen Hopewell ([TRC0022](#)). See also [Q 75](#) (Dr Elizabeth Economy).

295. Naina Gupta and Rahim Talibzade took two key lessons from the US-China trade war and trade negotiations. First, that “an extreme approach which polarises China may dampen the prospects of constructive trade relations with China”. Evidence from Dr Economy, which highlighted the cost of the trade war to the US economy, supports this.⁴⁷⁷ Naina Gupta and Rahim Talibzade noted that the UK is even less able to take an “overly demanding position with China”, because “unlike the US, the UK has not yet accomplished trade security” in the region post-Brexit.”⁴⁷⁸
296. Second, they saw it as “vital that the UK is able to separate its economic interests in trading with China from its geo-political concerns regarding China, in order to continue benefiting from the bilateral trade flows”. A deterioration in the UK-China trade relationship (if, for example, the UK were to impose trade barriers on China) would “not only hurt the UK’s economic interests given the volume of trade with China, but it might not succeed in pressuring China”. They highlighted that when the US enforced tariffs, instead of capitulating, China “retaliated by imposing tariffs on US’s agricultural products affecting USD 100 billion worth of products”.⁴⁷⁹
297. **Although there are aspects of the EU-China Comprehensive Agreement on Investment that the UK could replicate in a future investment deal with China, it is not clear that they will provide many additional benefits. The UK should instead focus on overcoming the barriers to investment that UK companies face. The Government should also take note of the political challenges facing ratification of the CAI.**
298. **The UK should avoid the extreme ‘trade war’ approach undertaken by the Trump administration in the US, which been shown to hurt the US’s interests more than China. The Government should carefully assess whether a more nuanced approach may be more effective when dealing with China.**

Multilateral engagement

299. Some witnesses argued that the UK could meet its economic objectives with China via better multilateral engagement, such as through the Comprehensive and Progressive Trans-Pacific Partnership and the World Trade Organization.

Comprehensive and Progressive Trans-Pacific Partnership

300. The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is a multilateral trade agreement among 11 countries—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. It was created in 2018 after the withdrawal of the US led to the precursor Trans-Pacific Partnership agreement not being ratified.
301. In February 2021 the UK submitted its notification of intent to begin the CPTPP accession process. The FCDO told us that “CPTPP membership is a key part of the government’s plan to position the UK at the centre of a network of modern free trade deals that support jobs and drive economic

477 **Q 75** (Dr Elizabeth Economy)

478 Written evidence from Naina Gupta and Rahim Talibzade ([TRC0009](#))

479 Written evidence from Naina Gupta and Rahim Talibzade ([TRC0009](#))

growth at home”.⁴⁸⁰ The department highlighted that the agreement “covers one of the most important free trade areas in the world, accounting for 13% of global GDP in 2019” and that it “removes tariffs on 95% of goods traded between members and reduces other barriers to trade across four continents”. In June 2021, CPTPP nations agreed to begin negotiations for the UK’s entry.⁴⁸¹

302. The progress of these negotiations, and the Government’s wider objectives in seeking UK accession, are the subject of an ongoing inquiry by the House of Lords International Agreements Committee:⁴⁸² the evidence we have heard focused more narrowly on the implications of CPTPP accession for UK-China relations.
303. Although China is not a member of CPTPP, we heard that membership could provide the UK with benefits and advantages in its relationship with China and the Indo-Pacific region more widely.⁴⁸³ Dr Patalano told us that membership would “enable the UK to develop economic policies, working with other key members, to enhance trade opportunities with China”. One way in which this could occur is through interactions with the Regional Comprehensive Economic Partnership (RCEP) free trade agreement, an ASEAN-based agreement, of which China is a member.⁴⁸⁴ He told us that other CPTPP members, such as Japan, consider CPTPP an “important forum to develop informal coalitions to influence trade processes in RCEP”.⁴⁸⁵
304. Membership of CPTPP could enable “more systematic” engagement in the Indo-Pacific region. Dr Patalano highlighted that in 2019, “seven of the UK’s top 25 export markets are in Asia”, and that “wider UK trade across the region is worth some £113.2 billion, excluding China”.⁴⁸⁶ Dr Plouffe added that CPTPP membership “should enable diversification of UK trade flows, particularly where imports from Chinese suppliers are concerned, shielding the British economy from China-specific economic or political shocks”.⁴⁸⁷
305. Some witnesses noted that joining the CPTPP is unlikely to have an impact on UK-China trade while China is not a member. Dr Summers told us: “[CPTPP’s] regional economic impact will be limited until it includes the major Asian economies (especially China, Indonesia and India).” The ability of China to join would depend on “Sino-Japanese ties” and “whether Washington puts pressure on Tokyo to prevent Chinese membership”.⁴⁸⁸ Dr Plouffe also noted that while China has expressed interest in joining, that

480 Written evidence from the Foreign, Commonwealth and Development Office (TRC0018)

481 Department for International Trade, ‘UK welcomes CPTPP nations’ invitation to begin accession’ (2 June 2021): <https://www.gov.uk/government/news/uk-welcomes-cptpp-nations-invitation-to-begin-accession> [accessed 2 September 2021]

482 International Agreements Committee, ‘Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)’: <https://committees.parliament.uk/work/975/comprehensive-and-progressive-agreement-for-transpacific-partnership-cptpp/>

483 See for example Q 43 (Lord Sedwill) and Q 96 (Lord Sassoon).

484 The Regional Comprehensive Economic Partnership is a free trade agreement between Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam. It was signed in November 2020 and will take effect 60 days after it has been ratified by at least six ASEAN partners and three of the “dialogue” partners (China, Japan, South Korea, Australia, and New Zealand). Kate Whiting. ‘An expert explains: What is RCEP, the world’s biggest trade deal?’, *World Economic Forum* (18 May 2021): <https://www.weforum.org/agenda/2021/05/rcep-world-biggest-trade-deal/> [accessed 2 September 2021]

485 Written evidence from Dr Alessio Patalano (TRC0026)

486 Written evidence from Dr Alessio Patalano (TRC0026). See also Q 58 (Dr Lynn Kuok).

487 Written evidence from Dr Michael Plouffe (TRC0023)

488 Written evidence from Dr Tim Summers (TRC0007)

is “unlikely to happen swiftly”, and therefore “the UK’s economic interests would be better served through direct engagement” with China.⁴⁸⁹

306. **We welcome the Government’s commitment to join the CPTPP. While the extent to which it will allow the UK greater operation with China is uncertain (particularly while China is not a member), it will provide other benefits for UK engagement in the Indo-Pacific, and will be welcomed by partners and allies in the region.**

World Trade Organization

307. China joined the World Trade Organization (WTO) in 2001, at the start of the Doha Round of trade negotiations. Professor Hopewell told us that WTO membership has been a “boon” to China’s economy: between 2000 and 2008 China’s exports grew by 25% per year, it became the world’s largest goods exporter in 2009, and its share of total global exports has more than tripled, from 4% to 14%.⁴⁹⁰
308. However, she also told us that China’s trade policies have come under “heightened scrutiny, particularly in the context of the ongoing US-China trade war”:
- “Many states have expressed concern about China’s trade policies, including its heavy subsidies, import and export restrictions, discrimination against foreign firms, forced technology transfer, and violations of intellectual property rules. Moreover, China has engaged in increasingly aggressive unilateral trade actions, weaponizing trade as an instrument of economic coercion against weaker states ... There is widespread concern that the WTO system has proven inadequate to address such trade practices.”⁴⁹¹
309. A key principle of the WTO is that developing countries are granted ‘special and differential treatment’, which includes certain exemptions from WTO rules, and allowances to use protectionist measures such as subsidies to foster economic development. Professor Hopewell told us that with a per capita income of \$10,000 (compared to \$65,000 in the US), China “insists it should be entitled to special and differential treatment”.⁴⁹²
310. Professor Hopewell told us there have been “growing calls—particularly from the US and EU—to establish a more restrictive criteria that would exclude China from [special and differential treatment]”, given the size of China’s economy and the impact its trade policies have on the global market.⁴⁹³
311. These ongoing tensions have had two major consequences. First, trade negotiations in the Doha Round have become deadlocked. Second, under the Trump administration the US began blocking appointments to the Appellate Body,⁴⁹⁴ which has jeopardised the WTO’s dispute settlement mechanism.⁴⁹⁵ Professor Hopewell told us that the WTO is as a result “in

489 Written evidence from Dr Michael Plouffe ([TRC0023](#))

490 Written evidence from Professor Kristen Hopewell ([TRC0022](#)). See also [Q 115](#) (Professor Wei Liang).

491 Written evidence from Professor Kristen Hopewell ([TRC0022](#))

492 Written evidence from Professor Kristen Hopewell ([TRC0022](#)). See also [Q 115](#) (Professor Wei Liang).

493 Written evidence from Professor Kristen Hopewell ([TRC0022](#))

494 Professor Hopewell explained that the Appellate Body “acts effectively like a supreme court for global trade”.

495 Written evidence from Professor Kristen Hopewell ([TRC0022](#))

crisis”, as its two core functions—multilateral trade negotiations and dispute settlement—have broken down.⁴⁹⁶

312. Nonetheless, witnesses argued that the UK can play a role in improving the function of the WTO to support its own interests, such as upholding the rules-based international order. Dr Yueh told us that strengthening the global rules-based system, in particular the WTO, would reduce the likelihood of China using its economic strength to assert its own foreign policy aims.⁴⁹⁷ Lord Patten of Barnes told us that strengthening WTO arbitration processes will be necessary to make progress in areas where China is “flouting the rules”.⁴⁹⁸
313. Dr Yu told us that engaging with WTO reform will be particularly important for the UK post-Brexit. As an example, she suggested that the UK could play a role in defining “the rules and regulations in the trade of services”, a sector where the UK is a major player.⁴⁹⁹
314. The UK’s and China’s interests are also aligned with regard to some elements of WTO reform. Professor Liang told us: “The UK and China share a similar position in terms of former President Trump’s blockage of the appointment of the WTO dispute settlement appellate body members.” Both countries viewed the US’s actions as damaging “the credibility and legitimacy of the WTO, because dispute settlement is one of the WTO’s important functions”.⁵⁰⁰ Lord Sassoon agreed that WTO reform will require “close engagement with China”.⁵⁰¹
315. The FCDO told us that market-distorting practices by China “undermine fair competition and efficiency in China and abroad, and have contributed to mistrust in the global trading system.” These issues are “bound within the UK’s WTO reform efforts, where work is ongoing to identify potential reforms to the WTO rulebook to tackle the challenges posed by trade distortive practices”.⁵⁰²
316. **The World Trade Organization, albeit with strong new leadership, faces challenges in its two core functions—multilateral trade negotiations and dispute settlement. As the world’s second largest economy, China will be active in any WTO reform discussions.**
317. **The UK can play an important role in reforming and strengthening the WTO, in particular in the rules and regulations covering sectors such as services, where the UK has extensive experience and influence.**
318. **We welcome the Government’s stated intention to play a role in reforming and strengthening the WTO, but regret that it has provided so little detail on how it intends to do so. We call on the Government to outline its specific areas of focus for WTO reform, and how these will help to support the UK’s economic and strategic objectives with China.**

496 *Ibid.*

497 [Q 112](#) (Dr Linda Yueh). See also written evidence from Professor Kristen Hopewell ([TRC0022](#)).

498 Written evidence from Lord Patten of Barnes ([TRC0019](#))

499 [Q 10](#) (Dr Yu Jie)

500 [Q 15](#) (Professor Wei Liang)

501 [Q 96](#) (Lord Sassoon)

502 Written evidence from the FCDO ([TRC0018](#))

Risks associated with economic engagement

Chinese investment in the UK

319. There have been widely reported concerns that increased investment from Chinese companies into the UK could pose additional risks to the UK's security, with Huawei's investment in the UK's 5G network often cited.⁵⁰³ The recently enacted National Security and Investment Act is one way the Government have attempted to address such risks. The FCDO told us that the Act⁵⁰⁴ will "upgrade the UK's powers to intervene in business transactions on national security grounds", and that it is "in line" with the policies of the UK's allies and partners.⁵⁰⁵
320. Witnesses generally supported the Act. Dr Yu told us that introducing the Bill was "absolutely right", and "any country engaged with another foreign entity should have such a Bill in place".⁵⁰⁶ Sir Sherard told us that the "principle" of the Act "should be beyond dispute": "Every country has a duty to protect its national security interests and it is only right that inward investment should be scrutinised."⁵⁰⁷
321. Charles Parton queried whether the structures were in place to implement the Act, whether they would be well resourced, and whether they would include an extension of the Centre for the Protection of National Infrastructure.⁵⁰⁸ He recommended a "SAGE-style body that gives very quick and definitive answers ... on the question of whether a particular investment goes ahead".⁵⁰⁹
322. On the other hand, Dr Yu warned that the Bill's introduction had created a "sense of confusion" in China, adding that "the UK does not want to give the impression that it is against foreign investment".⁵¹⁰ Other witnesses agreed that the National Security and Investment Act is perceived as being targeted at China. Fang Wenjian told us that while the Chinese business community recognise the "logic" behind the Act, it is "is perceived as being targeted at Chinese companies, especially given the context: it was introduced when the UK was banning Huawei from the 5G network and casting doubt on nuclear project co-operation".⁵¹¹ He added that the Act will probably "dampen, to some extent, the enthusiasm of Chinese companies for investing in the UK" if it is not explained clearly or "implemented in an appropriate way".⁵¹²
323. Lord Sassoon and Lord O'Neill of Gatley agreed that the timing of the Bill's introduction was "unfortunate",⁵¹³ and "makes it seem geared against

503 See for example written evidence from Robert Clark ([TRC008](#)). See also Defence Committee, *The Security of 5G* (Second Report, Session 2019–21, HC 201)

504 The [National Security and Investment Act 2021](#) received Royal Assent on 29 April 2021, during our inquiry. Witnesses heard from before this date therefore refer to it as the National Security and Investment Bill.

505 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

506 [Q 9](#) (Dr Yu Jie)

507 [Q 105](#) (Sir Sherard Cowper-Coles). See also written evidence from the Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford ([TRC0013](#))

508 [Q 9](#) (Charles Parton). See also [Q 105](#) (Sir Sherard Cowper-Coles).

509 [Q 9](#) (Charles Parton). SAGE is the Scientific Advisory Group for Emergencies: 'Scientific Advisory Group for Emergencies': <https://www.gov.uk/government/organisations/scientific-advisory-group-for-emergencies> [accessed 2 September 2021]

510 [Q 9](#) (Dr Yu Jie)

511 [Q 105](#) (Fang Wenjian)

512 [Q 105](#) (Fang Wenjian). See also [Q 105](#) (Sir Sherard Cowper-Coles).

513 [Q 98](#) (Lord Sassoon)

China”.⁵¹⁴ Lord Sassoon noted that while “the UK is taking a proportionate approach ... we should make clear at every stage that we treat all countries independent of their nationality”. The FCDO confirmed that “the Bill is nationality agnostic and there are no additional requirements for acquirers from specific countries—including China.” They also noted that China has established its own foreign investment screening regime, effective from January 2021.⁵¹⁵

324. Some witnesses indicated that the potential risk posed by Chinese investments in the UK has been overstated. Lord Sassoon saw “no significant risk ... that is not being managed properly in this country”, and cited Huawei as an example that was “properly managed”.⁵¹⁶ George Osborne agreed, telling us that assessments of the potential risk of Huawei’s technology to the UK all came to the same verdict: “that the risk can be managed”.⁵¹⁷
325. **We welcome the National Security and Investment Act 2021 as an important step in ensuring the security of investments into the UK. We note, however, that the timing of the Act may have led to the perception that it targets China in particular. On the other hand, the timing of the Act was driven as much by China’s own actions as by anything else, so the perception is perhaps unsurprising.**
326. **We call on the Government to publish a detailed plan for implementation of the National Security and Investment Act, to provide confidence to overseas investors. An explanation of the reversal of the Huawei decision would also provide greater confidence to overseas investors.**

Chinese involvement in British universities

327. Some witnesses warned of the risks posed by Chinese involvement in UK universities, in particular the risk of technology transfer. Dr Tylecote told us: “There is a pervasive presence of Chinese military-linked conglomerates and universities in the sponsorship of high-technology research centres in UK universities.” Many of these research projects “will have a civilian use”, and Dr Tylecote was concerned that UK-based researchers might be “unaware of a possible dual use that might lead to a contribution to China’s military industries”.⁵¹⁸
328. Lord Patten of Barnes told us that this issue is heightened by the fact that some universities have become “dependent” on Chinese students for income, and are also facing threats to research budgets, which may require cross-subsidisation of research from fee income.⁵¹⁹

514 [Q 86](#) (Lord O’Neill of Gatley)

515 Written evidence from the Foreign, Commonwealth and Development Office ([TRC0018](#))

516 [Q 98](#) (Lord Sassoon)

517 [Q 26](#) (George Osborne)

518 Written evidence from Dr Radomir Tylecote ([TRC0002](#)). See also written evidence from Hong Kong Watch ([TRC0011](#)), [Q 126](#) (Didi Kirsten Tatlow).

519 Written evidence from Lord Patten of Barnes ([TRC0019](#)). See also [Q 131](#) (Lord Patten of Barnes), [Q 125](#) (Didi Kirsten Tatlow). See also Jo Johnson *et al.*, ‘The China question: managing risks and maximising benefits from partnership in higher education and research’ (March 2021): <https://www.kcl.ac.uk/policy-institute/assets/china-question.pdf> [accessed 2 September 2021]. This recent report published by King’s College London’s Policy Institute concluded that reliance on tuition fee income from Chinese students to cross-subsidise research creates a “strategic dependency and potential vulnerability”.

329. The Russell Group told us that universities are aware that their research is a target for “corporate and technological espionage”. But they added that the UK has a “robust vetting process for the risk assessment of international research students applying to carry out research connected with sensitive technology areas”, and highlighted guidance produced by Universities UK in October 2020 to help mitigate risks posed by some international activities.⁵²⁰ The Minister for Exports told us that “the Government’s international education strategy and the recent update to it made clear that the internationalisation of our higher education sector cannot come at any cost”. The Minister continued: “Universities must ensure that they have appropriate processes in place to manage risks.”⁵²¹

Dependency and supply chain vulnerabilities

330. We also heard concerns about the risk posed by overdependency on China and its position in key supply chains. Didi Tatlow told us that Xi Jinping has “said very clearly that China’s goal is to increase the world’s dependency on Chinese goods”.⁵²²
331. The pandemic has highlighted vulnerabilities in supply chains.⁵²³ Didi Kirsten Tatlow noted that during the pandemic many countries in the West had to rely on supplies of personal protective equipment (PPE) from China, from which China “benefited enormously”.⁵²⁴ The UK has also been dependent on China for lateral flow tests. The Department for Health and Social Care have confirmed that more than one billion self-test kits and lateral flow devices manufactured in China have been purchased for use in the UK.⁵²⁵
332. The Minister for Exports told us that the Department for International Trade has “led work across government to ensure that our supply chains are as diverse and reliable as possible. That is not a measure taken against China, certainly, but it is about trying to build a more resilient economic system.”⁵²⁶
333. But other witnesses were less concerned about the vulnerability of supply chains. George Osborne suggested that the issue would be dealt with better by “the markets”, telling us that “companies have already started to diversify their supply chains because of the China risk”.⁵²⁷ Lord Sassoon highlighted that as of 2019, the UK was the “least dependent” on China out of the Five Eyes countries.⁵²⁸
334. **The current passage through Parliament of the Telecommunications (Security) Bill is a clear sign of the Government’s concerns over supply chain vulnerability in that area, but such vulnerabilities are widespread in the economy. The COVID-19 pandemic has served to highlight this weakness. With dependency comes risk, and China has on several occasions demonstrated its willingness to use economic and supply chain coercion in support of its international policy. In**

520 Written evidence from the Russell Group ([TRC0028](#)). See also written evidence from Universities UK ([TRC0024](#)).

521 [Q 148](#) (Graham Stuart MP)

522 [Q122](#) (Didi Kirsten Tatlow)

523 [Q 141](#) (Graham Stuart MP). See also written evidence from Dr Alessio Patalano ([TRC0026](#)).

524 [Q122](#) (Didi Kirsten Tatlow)

525 Written Answer [HL132](#), Session 2021–22

526 [Q 143](#) (Graham Stuart MP)

527 [Q 30](#) (George Osborne)

528 [Q 99](#) (Lord Sassoon)

order to retain its freedom of action towards China, the Government should conduct scenario planning on supply chain vulnerabilities and identify where action is needed to mitigate the risks.

335. **We are particularly concerned about the vulnerabilities exposed during the pandemic relating to the procurement of PPE and lateral flow tests. We ask that in their response to us the Government provides further information on the cost to the UK of lateral flow tests from China and the companies that were involved, and outlines the measures it is taking to ensure that products of this kind can be manufactured in the UK where there are vital national security interests at stake.**

Balancing economic relations with the UK's values

336. A prominent theme in our inquiry has been the challenge of balancing closer economic relations with China on the one hand, with upholding the UK's values (in particular on human rights and labour protection) on the other. These discussions have focused on continuing human rights abuses in Xinjiang and Hong Kong (see Box 6).
337. Some witnesses argued that the UK-China relationship is skewed more towards economic considerations than upholding values such as human rights, and that human rights concerns needed to be considered more explicitly. Dr Yu told us that the coalition and Cameron Governments "let economic opportunities ... dominate", and called for this balance to be addressed under the current Government.⁵²⁹ Stand with Hong Kong told us that the Government should not enter into a trade agreement with China "unless there is significant evidence to suggest human rights conditions are met", and that the UK should "not compromise on these values". They added that if a trade agreement was to be negotiated in future, it should include human rights protection clauses.⁵³⁰
338. The Oxford Programme on International Peace and Security concurred, telling us that "current atrocity prevention tools and strategies have failed to induce any real change of behaviour in Chinese government authorities", forcing the Government and international community to "re-think [their] approach".⁵³¹ The UK "should approach all commercial relations with China in a way that does not compromise human rights", so that human rights are not "diluted" in trade relations with China (or any country). They therefore recommended that the Government incorporate an "atrocity prevention strategy" in its trade agenda.⁵³²
339. Other witnesses advocated a pragmatic approach to balancing these concerns.⁵³³ Professor Liang told us: "Firm confrontation and economic sanctions against the second-largest economy in the world today seems to be unrealistic and it is difficult to be effective."⁵³⁴ George Osborne told us that if we only deal with countries that share our values, "we will, sadly, have a pretty limited range

529 [Q 8](#) (Dr Yu Jie)

530 Written evidence from Stand with Hong Kong ([TRC0012](#))

531 Written evidence from the Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford ([TRC0013](#))

532 *Ibid.*

533 See for example [Q 120](#) (Professor Wei Liang), [Q 110](#) (Fang Wenjian)

534 [Q 120](#) (Professor Wei Liang)

of countries that we engage with”.⁵³⁵ Both thought that UK is more likely to be able to affect change through engagement with China.⁵³⁶ Professor Liang told us that “consultation, negotiation and dialogue are much better diplomatic means” than confrontation and economic sanctions.⁵³⁷

340. We also heard that the UK does not have the leverage or resources to effect significant change through confrontation. George Osborne told us that the alternative strategy to engagement would be to “try to contain China in a cold war-type vice”, but that he did not think “the West is unified enough or has the resources even to begin to undertake that task”.⁵³⁸ Sir Malcolm urged us to “acknowledge that Britain, alone, does not have very much leverage with China on this issue”, though there “are areas where pressure can be applied”.⁵³⁹ The Oxford Programme on International Peace and Security highlighted that as “China’s dominant economic position makes it difficult for the UK to apply economic pressure unilaterally”, the UK must pursue “coalition-building and multilateral approaches”.⁵⁴⁰
341. The business community also supported a pragmatic approach. Fang Wenjian told us that the UK and China should be “seeking engagement instead of confrontation”, because confrontation “will not bring you any closer to the policy objectives you want to achieve”.⁵⁴¹ Sir Sherard agreed: we should “seek common ground while acknowledging differences”.⁵⁴²
342. A pragmatic approach must not mean the UK should sit on the fence. Professor Brown told us that “there has to be recognition that in areas such as ... climate change, there is a strong rationale to say that these are for common interests and common good, and we can defend that co-operation”. But for other areas such as artificial intelligence collaboration, “it is much more difficult”, because of the potential use of that technology for human rights abuses.⁵⁴³ The Oxford Programme on International Peace and Security advised a “flexible approach that allows for co-operation, competition, and confrontation (where needed to protect UK interests)”.⁵⁴⁴
343. Some witnesses thought that the Government was already taking this flexible approach. Dr Patalano told us:

“UK policy towards China has been aligned to support a form of engagement that does not weaken the existing international order and does not undermine human rights and civil liberties. Accordingly, the UK government has been vocal in condemning human right abuses against the Uighur Muslims in Xinjiang and politically active to object to the deterioration of democratic standards in regards to Hong Kong.”⁵⁴⁵

535 [Q 28](#) (George Osborne). See also [Q 33](#) (George Osborne).

536 [Q 34](#) (George Osborne). See also [Q 35](#) (George Osborne).

537 [Q 120](#) (Professor Wei Liang)

538 [Q 28](#) (George Osborne). See also written evidence from Dr Michael Plouffe ([TRC0023](#)).

539 Written evidence from Sir Malcolm Rifkind ([TRC0020](#))

540 Written evidence from the Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford ([TRC0013](#)). See also [Q 120](#) (Professor Wei Liang).

541 [Q 110](#) (Fang Wenjian)

542 [Q 104](#) (Sir Sherard Cowper-Coles)

543 [Q 19](#) (Professor Kerry Brown)

544 Written evidence from the Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford ([TRC0013](#))

545 Written evidence from Dr Alessio Patalano ([TRC0026](#))

344. But the general consensus was that the Government has been vague in how it plans to balance economic relations with China with upholding the UK's values, and is using this ambiguity to attempt to "have its cake and eat it too".⁵⁴⁶
345. We heard repeatedly that the Government needs to clarify its strategy on China and outline how it intends to balance these concerns. The Oxford Programme on International Peace and Security told us that human rights abuses in Xinjiang in particular require "the development of both a bilateral and multilateral strategy to confront the Chinese government and induce compliance with its human rights obligations in Xinjiang". The Government needs to be "proactive in articulating the rationale of this 'baseline' policy towards China to the UK public", and the approach "must have ... direct implications on UK trade and security policy in relation to China".⁵⁴⁷
346. Dr Yueh argued that the UK "must have a foreign policy that will uphold its values", alongside an "economic diplomacy framework that is transparent about how non-economic issues fit in with economic policy". It is crucial to let our partners know "where we stand, how we judge, how we trade and how we invest". She also highlighted the importance of focusing on "shared interests" in a strategy towards China.⁵⁴⁸
347. Graham Stuart MP, Minister for Exports at the Department for International Trade, told us:
- "We do not see it as a choice between securing growth and investment for the UK and supporting human rights. We have always been clear that the trade relationship should not come at the expense of our values and that, where we have concerns, we will continue to speak out and take action. For instance ... we have spoken out over Xinjiang. The UK Government led international efforts to hold China to account for its human rights violations in Xinjiang."
348. He told us that the Government has also "backed up our international action with robust domestic measures", including "strengthening the Government's overseas business risk guidance, export controls and financial penalties for organisations that fail to comply with the Modern Slavery Act". He added:
- "Trade can be and is a force for good in the world. Trade underpins stable, open and prosperous global economies and promotes property rights and the rule of law. We want a positive and constructive relationship with China, but our approach will remain rooted in our values and interests."
349. In a separate evidence session, the Foreign Secretary told us: "It cannot possibly be said that we are engaged in business as usual with China, given the Magnitsky sanctions⁵⁴⁹ and what we have done on supply chains."⁵⁵⁰

546 See for example [Q 129](#) (Lord Patten of Barnes) and written evidence from Professor Steve Tsang ([TRC0015](#)).

547 Written evidence from the Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford ([TRC0013](#))

548 [Q 120](#) (Dr Linda Yueh)

549 For an explanation of Magnitsky legislation and sanctions see the following briefing: House of Commons Library, Magnitsky legislation, Briefing Paper [CBP 834](#), July 2020

550 Oral evidence taken before the International Relations and Defence Committee on 27 April 2021 (Session 2019–21), [Q 20](#) (Dominic Raab MP)

350. **Balancing the desire for increased economic engagement with upholding values such as human rights will be a particular challenge in the UK's relationship with China. The Government needs to be pragmatic, but it also needs to show greater clarity and international leadership to ensure the balance does not tilt towards preserving economic relations at the cost of human rights. The Government cannot sit on the fence over this issue.**
351. **The Foreign Affairs Committee called for the Government to publish a strategy on China by the end of 2020, which it has not done. The Government claims to have set out its approach towards China in various speeches, but this does not offer the clarity required. It seems that the Government is using a policy of deliberate ambiguity to avoid making difficult decisions that uphold the UK's values but might negatively affect economic relations.**
352. **We again call for the Government to produce a clear and consistent written strategy on China. The issue of how the Government intends to balance economic relations trade concerns with upholding values such as human rights and labour protection should be front and centre of this strategy.**
353. **More generally, the Government should incorporate an atrocity prevention lens in its overall approach to trade. Current atrocity prevention tools and strategies have fallen short, so we ask that the Government outlines how it intends to strengthen these tools, including the effective use of sanctions and other consequences once an atrocity is determined to have occurred.**
354. **We also call on the Government to confirm whether it has conducted an impact assessment of the potential consequences of increased political tensions between the UK and China on British businesses operating in China, or Chinese investment into the UK. If such an assessment has not been carried out, we recommend that it is.**

CHAPTER 8: KEY STRATEGIC THEMES

355. This report raises a number of important issues that impact on the UK's security and trade relationship with China, but our witnesses frequently remarked on the Government's lack of a coherent strategy in this area—a shortcoming that has been noted by other parliamentary Committees but has not so far been addressed.
356. The Government's Integrated Review recognised China as both an important partner and a systemic competitor but gave no indication of how it intended to reconcile the tensions and conflicts that are inherent in such a dual characterisation. A promise to balance concerns around values or security with trade interests does not amount to a strategy, and nothing we have heard from the Government during the course of this inquiry convinces us that they have thought seriously about objectives and priorities.
357. Fundamental to such a consideration, and to the question that this inquiry set out to address, are the criteria we apply in judging how to balance our trade and security interests. In seeking an answer to this, we have to acknowledge that trade is, in the long run, itself dependent on security. Based upon this premise, and on the evidence that we have heard, we are able to draw some clear conclusions about what the UK's objectives and priorities ought to be, and in this section we set out some of the key themes that might form the basis of a coherent strategic approach towards China.
358. We acknowledge the importance of China: it is a permanent member of the United Nations Security Council, the UK's third largest export market, the second largest source of our product imports, and a significant partner in confronting challenges such as climate change and global public health.
359. We have, however, heard conclusive evidence that China also poses a significant threat to the UK's interests, particularly in light of the Government's announced tilt to the Indo-Pacific region. Tensions over Taiwan, China's desire to reshape the international rules-based order in its own interests, its attempts to restrict freedom of navigation, and its assaults on human rights extending even to genocide all pose serious challenges to our security and prosperity—including to our international trade and investments over the longer term.
360. We heard evidence that the uncertainty over the status of Taiwan could lead to conflict between China and the United States. Even if the probability of such an outcome is low—and that is by no means certain—the consequences could be catastrophic, including for the UK. Our close security relationship with the United States and our increasing involvement in the region as a consequence of the Government's tilt to the Indo-Pacific mean that our interests would be closely involved, and of course such a confrontation could have much wider ramifications.
361. We therefore believe that the possibility of conflict over Taiwan is the most dangerous risk that faces the UK in terms of its relationship with China, and that managing this risk should be the Government's top strategic priority. There may be little that the UK can do directly to affect the issue, but it should make maximum use of its diplomatic and other soft power in the region to minimise the risk of conflict, and it should think carefully about its position should such a conflict occur.

362. There was a consensus amongst our witnesses that China was dissatisfied with the current international rules-based system and sought one that was more accommodating to its own requirements. Whether it intends to achieve this by reversing or by overthrowing the current system of governance seems to us a distinction without a difference for all practical purposes; the outcome would almost certainly be an international environment that was, at least in part, detrimental to the UK's interests.
363. In its Integrated Review the Government acknowledged that parts of the international architecture were under threat, and that it wished to work with others to shape the international order of the future. Given the very serious consequences to the UK, including to our trade and wider economic interests, of a failure to maintain a satisfactory system of international governance, we believe that countering China's efforts in this regard should be the Government's second priority governing its relations with that country. This would in turn give rise to two subsidiary objectives.
364. First, and crucial to success in framing the future international order, is assembling a group of nations with sufficient aggregate political, economic and scientific power to counter that of China, and successfully to influence uncommitted nations. The US has already taken a number of steps in this regard, and the Government should support its efforts. It should also recognise that such a grouping would of necessity represent a wide range of views on a number of important issues, some of them in conflict with our own, and that in order to achieve strategic success in the long term it might need to accommodate some uncomfortable bedfellows in the short term.
365. Such an approach would, though, have consequences. China would probably retaliate against any actions on our part that it saw as running counter to its own interests; it might weaponise trade, investment and the supply of raw materials in pursuit of its aims. The second subsidiary objective would therefore be for the UK to maintain its freedom of action by ensuring sufficient resilience in its infrastructure, economic and supply chain arrangements to be able to weather such periods of stress. It has made a start in this regard with the National Security and Investment Act and with the Telecommunications Security Bill, but there is much further to go. A close relationship with allies will also be essential to prevent any one country being 'picked off' by China.
366. The UK should seek to trade with China, and to co-operate with it on important issues such as climate change and global public health, but not at the expense of the priority objectives outlined above. Questions of human rights are also likely to affect our wider relationship with China. The inevitable conclusion is that trade and co-operation will be subject to disruption, perhaps severe and extended disruption, and that both the Government and the private sector must be prepared to manage such periods of stress. This will require careful diplomacy, and a degree of understanding of China that our witnesses suggested is neither as deep nor as widespread as it needs to be, particularly across Government.
367. The degree to which our relationship with China is one of contest rather than co-operation depends upon the path that the CCP chooses to follow. Recent statements by the Chinese leadership and their actions in the international arena suggest that the belief they can be encouraged into co-operative behaviour simply by engagement is misplaced. This new realism

needs to be reflected in the UK's policy making, and we believe that the key themes we have outlined and the priorities we have suggested form a basis on which to build a coherent strategy for managing our important but difficult relationship with China. We urge the Government to clarify its thinking on these matters and to produce such a strategy.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The UK's approach since 2010

1. The UK's relationship with China during the coalition and Cameron Governments was largely focused on the economic benefits of closer ties. The UK played a key role in the founding of the Asian Infrastructure Investment Bank, but it is unclear whether it has retained its influence in the intervening years. (Paragraph 31)
2. While there appears to have been a shift in the mood of the UK towards China, there remains considerable uncertainty over the current Government's policy towards China. The Minister for Asia's comments did not offer clarity. (Paragraph 40)
3. A cornerstone of the recently published Integrated Review is the UK's "tilt" to the Indo-Pacific. While we welcome the attention being paid to this important region, the Government needs to provide greater detail on its objectives and how it plans to achieve them, particularly with regard to China. However, given the Royal Navy's home waters and North Atlantic obligations it is optimistic to believe the UK could contribute much. (Paragraph 53)
4. The attempt of the three most recent governments to navigate across the complexity of economic, sovereignty, security and human rights issues in relation to China has led to inconsistencies, created uncertainty and points to a lack of a central strategy. There is no clear sense of what the current Government's strategy towards China is, or what values and interests it is trying to uphold in the UK-China relationship. (Paragraph 67)
5. Current levels of China expertise within Government and the civil service are insufficient when compared to the ambitious agenda and the tilt to the Indo-Pacific outlined by the Government in the Integrated Review. (Paragraph 68)
6. The Government told us that it has made its approach to China clear in public statements and in the Integrated Review, but these statements, and those made to us during this inquiry, have been vague and do not constitute a strategy. (Paragraph 69)
7. We call on the Government to produce a single, coherent China strategy, as recommended by the Foreign Affairs Committee in April 2019, and a plan for how it will execute that strategy. The strategy should seek to resolve the ambiguities in the current Government's China policy. The recommendations made in this report will help highlight what the strategy should contain. (Paragraph 70)

China's position and outlook

8. Regime survival remains the key objective of the Chinese Communist Party delivered through continued strong economic growth and China's rising international standing. (Paragraph 78)
9. While China's overall objective of protecting its rise has remained consistent over presidencies, its foreign policy under Xi Jinping has been more outward looking and pro-active, and more aggressive. (Paragraph 79)

10. China is taking an expanded view of security into non-traditional areas such as food, the environment, its financial system, investment, aid and debt. At the same time, it is rapidly growing its military expenditure (including its navy and coastguard) and now has the second-highest national spend after the United States. (Paragraph 83)
11. China's perception of threats to its national security is influenced by insecurities about its rise, history (including perception of 'national humiliation' and memory of its semi-colonial past), domestic security concerns, anti-Chinese sentiment, and fears of external interference. (Paragraph 91)
12. There is insufficient understanding of whether China intends to take a more aggressive approach to the existing status of Taiwan and, if it does, how it might react to the consequences of those attempts. It is also unknown how China might respond to non-conventional, "grey zone" attacks. (Paragraph 92)
13. The 14th Five-Year Plan introduced in March 2021 has signalled modifications to the previous model of Chinese economic governance, with a greater focus on self-reliance and emphasising the importance of the domestic market. China will remain a key participant in the global economy, but is likely to focus increasingly on its domestic market. (Paragraph 98)
14. China's policy on the international stage is partially motivated by its dissatisfaction with the current international rules-based system, but we heard mixed evidence on whether China seeks to reverse or overthrow this system. This, though, seems a distinction without a practical difference from the UK's perspective. In either case the likely result would be an international environment that would, at least in part, be detrimental to the UK's interests and values. This would run directly counter to the strategic objective set out by the Government in the Integrated Review. Nevertheless, as the world's second largest economy it is inevitable that some international structures will need to adjust to reflect the modern reality of China's position. (Paragraph 104)
15. The Belt and Road Initiative, and the Digital Silk Road component, are key elements in China's drive to make the international order more 'China-compliant'. Some argue that the BRI allows China to apply political leverage through debt, though we also heard that China is increasingly recognising that this approach may not be sustainable. The subversion of international institutions and indebted nations' compliance with China's wishes should be given greater prominence and consideration. (Paragraph 111)
16. The United Kingdom has a strong and proud record in its development programmes and encouraging other nations to act similarly. While there are many questionable elements of the Belt and Road Initiative, and BRI projects will always reflect China's interests, some will equally benefit the receiving nation. Belt and Road investments may on such occasions be welcomed. (Paragraph 112)
17. Although China does not consider the UK as a high priority country, the UK remains important due to its membership of the UN Security Council. China also considers the UK an important economic partner in particular sectors. (Paragraph 120)

18. China has a longstanding appreciation for the UK's history, culture and universities, and these continue to have a positive impact on China's perception of the UK. However, political events such as Brexit and the UK's response to Beijing's actions in Hong Kong and Xinjiang have led to cooling of the relationship, and a lowering of the UK's importance in China's view. (Paragraph 121)
19. The UK-China relationship may also be improved by a greater degree of understanding of the Chinese culture and languages by the UK. We call on the Government to provide greater support for Chinese language teaching and cultural exchange with China. (Paragraph 122)

The UK's partners and allies

20. The current US Administration wants closer co-operation with its partners and allies, and unlike the previous administration, recognises that the challenge posed by China will require co-operation and collaboration. (Paragraph 143)
21. The deployment of HMS Queen Elizabeth to the Indo-Pacific is seen in Washington as a sign of UK's interest in preservation of peace and support for the international rules-based order. The US also values the UK's historical use of soft power in the region, including via Official Development Assistance. (Paragraph 144)
22. Taiwan will be a crucial issue for the US and its allies, including the UK. Even if a military confrontation would be risky for China and perhaps not in its interests, similar things have been said about many past wars that did occur; the prospect of miscalculation is always present. Should such a conflict draw in China and the United States, the consequences for the UK—and indeed the wider world—could be catastrophic. (Paragraph 149)
23. An assessment of risk should take into account both the probability and likely consequences of conflict in Taiwan; in this case the UK's security relationship with the US, its global economic position and the Government's tilt to the Indo-Pacific region mean that its interests would be directly threatened. The uncertainty over the future of Taiwan therefore represents a major risk to the UK. (Paragraph 150)
24. India is largely aligned with the US's policy towards China, though there are some key differences in approach. Like other countries in the region, it would prefer to engage in initiatives that are not explicitly framed as anti-China. (Paragraph 163)
25. India is interested in a pragmatic relationship with the United Kingdom, as part of a diverse range of partners including, among others, Russia. India values the UK's use of its soft power strengths, including the BBC. (Paragraph 164)
26. Like India, Japan sees the US as a key ally, but also recognises the importance of productive engagement with one of its closest neighbours. (Paragraph 170)
27. Japan sees the United Kingdom as an important partner and ally, which could help to support the rules-based international order in the Indo-Pacific. Like other partners in the region, it values the UK's soft power strengths in particular, including through the use of Official Development Assistance. (Paragraph 171)

28. We call on the Government, in its response to this report, to set out its soft power strategy in the Indo-Pacific and the scale of the allocated resources, especially in the light of the Government's ambitions outlined in the Integrated Review regarding the Indo-Pacific 'tilt'. (Paragraph 172)
29. Not all EU states share the US's assessment of threats posed by China. This seems to have influenced the common EU approach towards China, where economic interests appear to take priority over security concerns. Nevertheless, recent tensions between the EU and China mean that at the time of writing this report it seems unlikely that the EU-China Comprehensive Agreement on Investment will be approved by the European Parliament. We note that the European Parliament has made progress on the Agreement conditional on lifting the sanctions on members of its Parliament. (Paragraph 179)
30. The UK's partners and allies in the Indo-Pacific have welcomed the UK's tilt towards the Indo-Pacific, and are supportive of the UK joining existing formats of co-operation, or establishing new, bilateral ones. (Paragraph 185)
31. Establishment of effective and reliable partnerships is critical if the UK and its allies are to respond to the challenges posed by China. These partnerships can take different forms, ranging from formal alliances to bilateral agreements, but they will need to represent sufficient aggregate political, economic and scientific power to be able to counter that of China, and to persuade uncommitted nations to align with these groupings. (Paragraph 186)
32. Some potentially important partners may have systems and values that do not align with the UK's, nor do they all wish to be drawn into an overtly US-China confrontation. If the necessary co-operation is to be achieved the UK will need to take a pragmatic approach to the basis on which they are built. Focusing on issues rather than on western values is likely to be more productive and to draw in a wider range of partners. (Paragraph 187)
33. The UK's expertise in capacity building, first through the Department for International Development and now through the Foreign, Commonwealth and Development Office, is seen as a key strength by the UK's regional partners in the Indo-Pacific. Witnesses stressed the importance of the BBC in terms of the UK's soft power and influence in the region. (Paragraph 188)
34. We welcome the principle underlying the Build Back Better World Initiative, particularly given the detrimental impact of the cuts to UK Official Development Assistance and the opportunity this gives for China to expand its influence in Africa and elsewhere. We call on the Government to provide more detail about the UK's intended contribution to the Initiative and how it will operate. (Paragraph 189)

Security

35. The UK's position as a maritime trading power means that it places great importance on the maintenance of international order and the law of the sea, including freedom of navigation. The UK's deployment of a Carrier Strike Group to the Indo-Pacific this year underlines its commitment in this regard, but it should work to ensure clear policy co-ordination with European partners and allies, particularly France through the Lancaster House Treaties. We would like to hear more about the Government's plans for a sustained presence in this region beyond the current Carrier Strike Group deployment. (Paragraph 198)

36. A range of non-traditional security challenges in the Indo-Pacific region relate to the UK's key interests. The UK should aim to be a leader in addressing non-traditional security challenges, given its expertise and experience in these areas. (Paragraph 209)
37. There is disagreement over the extent to which China can be considered a threat to the UK, and it is clear that there are nuances which mean it could be considered more of a security threat in some areas than others. However, the Government's use of the ambiguous phrase "systemic competitor" does not help address these nuances and serves to create more uncertainty about the Government's strategy towards China. We invite the Government to provide more clarity on these points. (Paragraph 218)
38. The Government should consider whether its security assessment of China is aligned more with the US or the EU, recognising that individual EU countries have differing views about the threat that China represents to their security and that through bilateral engagement the FCDO needs to understand these variations. These alliances may influence the level of involvement the UK can have in other alliances and partnerships in the region. (Paragraph 222)
39. The challenge of climate change cannot be addressed without engagement with China. We call on the Government to explain how it will include considered co-operation with China on climate change as part of its China strategy. This is particularly important given the UK's leadership role at COP26. (Paragraph 231)
40. Since the publication of the Stern Review on the Economics of Climate Change in 2006, and the Climate Change Act 2008, the UK has become a leader in climate change and decarbonisation, formerly leading the EU in its climate aspirations, and now globally. The UK must use this leadership position to encourage China to engage with the global community in tackling the climate change challenge. (Paragraph 232)
41. Nevertheless, the Government should remain aware that China's interests in tackling the climate crisis may not always be fully aligned with those of the UK. Co-operation must take into careful account China's actions, not just words. (Paragraph 233)
42. The UK's interests in the Indo-Pacific are not unique and distinct from the interests of its European partners, especially France. Both countries should coordinate deployments of military assets to assure a 'persistent' European presence. (Paragraph 238)
43. We call on the Government to explain how the UK plans to support its regional partners and allies in both traditional and non-traditional security areas such as training, joint exercises, institution building and capacity building. (Paragraph 239)
44. Official Development Assistance is a vital aspect of the UK's soft power, which can be used to address both traditional and non-traditional security challenges. As the UK seeks further engagement in the Indo-Pacific, Official Development Assistance cuts may create a void which may be exploited by China and the UK's other competitors. We urge the Government to restore Official Development Assistance to 0.7% GNI before significant damage is done to the UK's capabilities in this region and more widely. (Paragraph 240)

45. China is a rapidly growing military power with an increasingly assertive policy towards its neighbours and adjacent waters. It has an agenda to secure the integration of Taiwan into its jurisdiction; to secure all waters, islands and reefs within the 'nine dash line' within its sovereign territory; and to challenge the Sino-Indian Actual Line of Control. Even if not planned, there is a strong risk that future rhetoric from China will at some point provoke a major conflict. The 'tilt' to the Indo-Pacific implies that the UK will be less able to isolate itself from such an event. It needs to carefully consider its contingency plans. With the future presence of the Royal Navy in the South and East China Seas, it is not impossible that a UK naval vessel (rather than the US fleet) could be used by China as the test of their sovereignty, and therefore the start of such a conflict. (Paragraph 241)

Current scale and nature of trade and investment

46. The Government should seek to maintain the role and popularity of British higher education among Chinese students. However, we are concerned about potential pressures put on Chinese students by the Chinese authorities. The Government and the higher education sector need to take steps to ensure that Chinese students (in particular graduate students) can maintain freedom of research. (Paragraph 260)
47. While there are opportunities for increased economic engagement with China, they can only be realised in the right economic and political conditions. At present, there are still considerable barriers to an economic engagement with China that supports the UK's core interests and values. (Paragraph 271)
48. Trade cannot be considered in isolation. If the UK pursues certain security policies which China sees as running counter to its own interests, there will almost certainly be consequences for trade and investment. (Paragraph 272)

Future of trade and investment

49. Although there are aspects of the EU-China Comprehensive Agreement on Investment that the UK could replicate in a future investment deal with China, it is not clear that they will provide many additional benefits. The UK should instead focus on overcoming the barriers to investment that UK companies face. The Government should also take note of the political challenges facing ratification of the CAI. (Paragraph 297)
50. The UK should avoid the extreme 'trade war' approach undertaken by the Trump administration in the US, which been shown to hurt the US's interests more than China. The Government should carefully assess whether a more nuanced approach may be more effective when dealing with China. (Paragraph 298)
51. We welcome the Government's commitment to join the CPTPP. While the extent to which it will allow the UK greater operation with China is uncertain (particularly while China is not a member), it will provide other benefits for UK engagement in the Indo-Pacific, and will be welcomed by partners and allies in the region. (Paragraph 306)
52. The World Trade Organization, albeit with strong new leadership, faces challenges in its two core functions—multilateral trade negotiations and dispute settlement. As the world's second largest economy, China will be active in any WTO reform discussions. (Paragraph 316)

53. The UK can play an important role in reforming and strengthening the WTO, in particular in the rules and regulations covering sectors such as services, where the UK has extensive experience and influence. (Paragraph 317)
54. We welcome the Government's stated intention to play a role in reforming and strengthening the WTO, but regret that it has provided so little detail on how it intends to do so. We call on the Government to outline its specific areas of focus for WTO reform, and how these will help to support the UK's economic and strategic objectives with China. (Paragraph 318)
55. We welcome the National Security and Investment Act 2021 as an important step in ensuring the security of investments into the UK. We note, however, that the timing of the Act may have led to the perception that it targets China in particular. On the other hand, the timing of the Act was driven as much by China's own actions as by anything else, so the perception is perhaps unsurprising. (Paragraph 325)
56. We call on the Government to publish a detailed plan for implementation of the National Security and Investment Act, to provide confidence to overseas investors. An explanation of the reversal of the Huawei decision would also provide greater confidence to overseas investors. (Paragraph 326)
57. The current passage through Parliament of the Telecommunications (Security) Bill is a clear sign of the Government's concerns over supply chain vulnerability in that area, but such vulnerabilities are widespread in the economy. The COVID-19 pandemic has served to highlight this weakness. With dependency comes risk, and China has on several occasions demonstrated its willingness to use economic and supply chain coercion in support of its international policy. In order to retain its freedom of action towards China, the Government should conduct scenario planning on supply chain vulnerabilities and identify where action is needed to mitigate the risks. (Paragraph 334)
58. We are particularly concerned about the vulnerabilities exposed during the pandemic relating to the procurement of PPE and lateral flow tests. We ask that in their response to us the Government provides further information on the cost to the UK of lateral flow tests from China and the companies that were involved, and outlines the measures it is taking to ensure that products of this kind can be manufactured in the UK where there are vital national security interests at stake. (Paragraph 335)
59. Balancing the desire for increased economic engagement with upholding values such as human rights will be a particular challenge in the UK's relationship with China. The Government needs to be pragmatic, but it also needs to show greater clarity and international leadership to ensure the balance does not tilt towards preserving economic relations at the cost of human rights. The Government cannot sit on the fence over this issue. (Paragraph 350)
60. The Foreign Affairs Committee called for the Government to publish a strategy on China by the end of 2020, which it has not done. The Government claims to have set out its approach towards China in various speeches, but this does not offer the clarity required. It seems that the Government is using a policy of deliberate ambiguity to avoid making difficult decisions that uphold the UK's values but might negatively affect economic relations. (Paragraph 351)

61. We again call for the Government to produce a clear and consistent written strategy on China. The issue of how the Government intends to balance economic relations trade concerns with upholding values such as human rights and labour protection should be front and centre of this strategy. (Paragraph 352)
62. More generally, the Government should incorporate an atrocity prevention lens in its overall approach to trade. Current atrocity prevention tools and strategies have fallen short, so we ask that the Government outlines how it intends to strengthen these tools, including the effective use of sanctions and other consequences once an atrocity is determined to have occurred. (Paragraph 353)
63. We also call on the Government to confirm whether it has conducted an impact assessment of the potential consequences of increased political tensions between the UK and China on British businesses operating in China, or Chinese investment into the UK. If such an assessment has not been carried out, we recommend that it is. (Paragraph 354)

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Lord Alton of Liverpool
 Lord Anderson of Swansea
 Baroness Anelay of St Johns (Chair)
 Baroness Blackstone
 Lord Boateng
 Lord Campbell of Pittenweem
 Baroness Fall
 Lord Mendelsohn
 Baroness Rawlings
 Lord Stirrup
 Baroness Sugg
 Lord Teverson

Declaration of interests

Lord Alton of Liverpool
Vice-Chair, All-Party Parliamentary Group on Uyghurs
Vice-Chair, All-Party Parliamentary Group on Hong Kong
Patron, Hong Kong Watch

Lord Anderson of Swansea
No relevant interests declared

Baroness Anelay of St Johns (Chair)
Trustee, Parliamentary Human Rights Trust
Member, British Taiwanese All-Party Parliamentary Group

Baroness Blackstone
No relevant interests declared

Lord Boateng
Member, Board, Syngenta Foundation for Sustainable Agriculture
Chancellor, University of Greenwich

Lord Campbell of Pittenweem
Ambassador, Halo Trust
Chancellor, University of St Andrews
Lunch on 15 July 2021 with Taipei Representative paid for by Taipei Representative Office in UK
Patron, Chinese Liberal Democrats (a group affiliated to the Liberal Democrat Party)

Baroness Fall
Senior Adviser, Brunswick Group LLP

Lord Mendelsohn
Senior Adviser, Value retail plc
Shareholding, Blackrock Emerging Markets Fund

Baroness Rawlings
No relevant interests declared

Lord Stirrup
No relevant interests declared

Baroness Sugg
No relevant interests declared

Lord Teverson

Member, Advisory Board, South West Business Council

A full list of Members interests can be found in the registrar of Lord's interests:
<https://members.parliament.uk/members/lords/interests/register-of-lords-interests/>

Specialist Adviser

Dr Yuka Kobayashi

Lecturer (China and International Politics), SOAS, University of London
Advisory board member, Stiftung Asianhaus, Germany (2020–present)

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/committee/360/international-relations-and-defence-committee/publications/> and available for inspection at the Parliamentary Archives (0207 219 3074).

Evidence received by the Committee is listed below in the chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

*	Charles Parton OBE (Senior Associate Fellow at Royal United Services Institute (RUSI))	QQ 1–13
*	Dr Yu Jie, Research Fellow on China, Chatham House	QQ 1–13
*	Professor Kerry Brown, Director, Lau China Institute, King's College London	QQ 14–21
*	Dr Janka Oertel, Director of the Asia Programme, European Council on Foreign Relations	QQ 14–21
*	Professor Steve Tsang, Director, China Institute, School of Oriental and African Studies, University of London	QQ 14–21
*	George Osborne, former Chancellor of the Exchequer	QQ 22–37
*	Lord McDonald of Salford	QQ 38–48
*	Lord Sedwill, G7 Envoy for Economic Resilience and former National Security Adviser at Cabinet Office	QQ 38–48
*	Dr Lynn Kuok, Shangri-La Dialogue Senior Fellow for Asia-Pacific Security, International Institute for Strategic Studies	QQ 49–60
*	Veerle Nouwens, Senior Research Fellow, Indo-Pacific Programme, Royal United Services Institute (RUSI)	QQ 49–60
*	Dr Tanvi Madan, Director of the India Project, Senior Fellow on Foreign Policy at Brookings Institution	QQ 61–66
*	Dr Garima Mohan, Fellow, Asia Program at The German Marshall Fund of the United States	QQ 61–66
*	Professor Akio Takahara, Professor of Contemporary Chinese Politics, University of Tokyo	QQ 61–66
*	Shaun Breslin, Professor of Politics and International Studies, University of Warwick	QQ 67–72
*	Professor Katherine Morton, Professor of Global Affairs, Schwarzman College, Tsinghua University and Associate, China Centre at University of Oxford)	QQ 67–72
	Professor Yongjin Zhang Professor of International Politics at University of Bristol	QQ 67–72

★	Dr Elizabeth C. Economy, Senior Fellow for China Studies, Council on Foreign Relations, and Senior Fellow, Hoover Institution, Stanford University	QQ 73–79
★	Bonnie Glaser, Director, Asia Program, German Marshall Fund of the United States	QQ 73–79
★	Lord O'Neill of Gatley	QQ 80–93
★	Lord Sassoon	QQ 94–103
★	Sir Sherard Cowper-Coles, Chair at British Business Council, and Group Head of Public Affairs, HSBC	QQ 104–111
★	Fang Wenjian, Chair, China Chamber of Commerce in the UK, and General Manager, Bank of China in London	QQ 104–111
★	Professor Wei Liang, Middlebury Institute of International Studies, University of Monterey	QQ 112–120
★	Dr Linda Yueh, Fellow in Economics, St Edmund Hall, University of Oxford and Adjunct Professor, London Business School	QQ 112–120
★	Dr Alicia García-Herrero, Senior Fellow, Bruegel	QQ 121–127
★	Didi Kirsten Tatlow, Senior Fellow, Asia Program, German Council of Foreign Relations (DGAP)	QQ 121–127
★★	Lord Patten of Barnes	QQ 128–135
★★	Nigel Adams MP, Minister for Asia at Foreign Commonwealth and Development Office	QQ 136–152
★	Rupert Ainley, Interim Director, North East Asia and China at Foreign, Commonwealth and Development Office	QQ 136–152
	Mohin Rahman, Deputy Director, North America, China and Asia Pacific, Department for International Trade	QQ 136–152
★	Graham Stuart MP, Minister for Exports, Department for International Trade	QQ 136–152

Alphabetical list of all witnesses

★★	Nigel Adams MP, Minister for Asia at Foreign Commonwealth and Development Office (QQ 136–152)	
★	Rupert Ainley, Interim Director, North East Asia and China, Foreign, Commonwealth and Development Office (QQ 136–152)	
	The Bar Council	TRC0017
	BBC World Service	TRC0025
	Michal Bogusz, Senior Research Fellow, The China Research Programme, The Centre for Eastern Studies	TRC0010

- ★ Professor Shaun Breslin, Professor of Politics and International Studies, University of Warwick ([QQ 67–72](#))
British Council [TRC0021](#)
The British Chamber of Commerce in China [TRC0006](#)
- ★ Professor Kerry Brown, Director, Lau China Institute, King's College London ([QQ 14–21](#))
China-Britain Business Council [TRC0014](#)
- ★ Sir Sherard Cowper-Coles Chair, British Business Council and Group Head of Public Affairs, HSBC ([QQ 104–111](#))
- ★ Elizabeth C. Economy, Senior Fellow for China Studies, Council on Foreign Relations and Senior Fellow, Hoover Institution, Stanford University ([QQ 73–79](#))
Theresa Fallon, Director at Centre for Russia, Europe, Asia Studies, Brussels [TRC0027](#)
Fight for Freedom. Stand with Hong Kong [TRC0012](#)
Foreign, Commonwealth and Development Office [TRC0018](#)
- ★ Dr Alicia García-Herrero, Senior Fellow at Bruegel ([QQ 121–127](#))
- ★ Bonnie Glaser, Director, Asia Program at German Marshall Fund of the United States ([QQ 73–79](#))
Naina Gupta [TRC0009](#)
Dr Anisa Heritage, Senior Lecturer, Department of Defence and International Affairs, Faculty for the Study of Leadership, Security and Warfare at Royal Military Academy Sandhurst [TRC0030](#)
Robert Clark, Research Fellow, Global Britain Programme, Henry Jackson Society [TRC0008](#)
Hong Kong Watch [TRC0011](#)
Professor Kristen Hopewell, Canada Research Chair in Global Policy at University of British Columbia [TRC0022](#)
- ★ Dr Yu Jie, Research Fellow on China, Chatham House ([QQ 1–13](#))
Dr Catherine Jones, Lecturer, International Relations, University of St Andrews [TRC0016](#)
- ★ Dr Lynn Kuok, Shangri-La Dialogue Senior Fellow for Asia-Pacific Security, International Institute for Strategic Studies ([QQ 49–60](#))
Dr Nicola Leveringhaus, Lecturer/Assistant Professor in War Studies, East Asian Security and International Relations, School of Security Studies at King's College London [TRC0029](#)

- ★ Professor Wei Liang, Middlebury Institute of International Studies, University of Monterey ([QQ 112–120](#))
- ★ Dr Tanvi Madan, Director of the India Project, Senior Fellow on Foreign Policy, Brookings Institution ([QQ 61–66](#))
- ★ Lord McDonald of Salford ([QQ 38–48](#))
- ★ Dr Garima Mohan, Fellow, Asia Program, The German Marshall Fund of the United States ([QQ 61–66](#))
- ★ Professor Katherine Morton, Professor of Global Affairs, Schwarzman College, Tsinghua University and Associate, China Centre, University of Oxford ([QQ 67–72](#))
- ★ Veerle Nouwens, Senior Research Fellow, Indo-Pacific Programme, Royal United Services Institute (RUSI) ([QQ 49–60](#))
- ★ Dr Janka Oertel, Director of the Asia Programme, European Council on Foreign Relations ([QQ 14–21](#))
- ★ Lord O'Neill of Gatley ([QQ 80–93](#))
- ★ George Osborne, former Chancellor of the Exchequer ([QQ 22–37](#))
- Oxford Programme on International Peace and Security, Institute for Ethics, Law and Armed Conflict, Blavatnik School of Government, University of Oxford [TRC0013](#)
- ★ Charles Parton OBE, Senior Associate Fellow, Royal United Services Institute (RUSI) ([QQ 1–13](#))
- Dr Alessio Patalano, Security Director, King's Japan Programme at King's College London [TRC0026](#)
- ★ Lord Patten of Barnes ([QQ 128–135](#)) [TRC0019](#)
- Dr Michael Plouffee, Department of Political Science at University College London [TRC0023](#)
- Mohin Rahman, Deputy Director, North America, China and Asia Pacific, Department for International Trade ([QQ 136–152](#))
- Sir Malcolm Rifkind [TRC0020](#)
- The Russell Group [TRC0028](#)
- ★ Lord Sassoon ([QQ 80–93](#))
- ★ Lord Sedwill, G7 Envoy for Economic Resilience and former National Security Adviser, Cabinet Office ([QQ 38–48](#))
- Colonel Symington W Smith [TRC0003](#)

- ★ Graham Stuart MP, Minister for Exports, Department for International Trade ([QQ 136–152](#))
Dr Tim Summers [TRC0007](#)
- ★ Professor Akio Takahara, Professor of Contemporary Chinese Politics, University of Tokyo ([QQ 61–66](#))
Rahim Talibzade [TRC0009](#)
- ★ Didi Kirsten Tatlow, Senior Fellow, Asia Program at German Council of Foreign Relations (DGAP) ([QQ 121–127](#))
- ★ Professor Steve Tsang, Director, China Institute, School of Oriental and African Studies, University of London ([QQ 14–21](#)) [TRC0015](#)
Dr Radomir Tylecote, Director of Defence and Security for Democracy (DSD) at Civitas [TRC0002](#)
Universities UK [TRC0024](#)
- ★ Fang Wenjian, Chair, China Chamber of Commerce in the UK and General Manager, Bank of China in London ([QQ 104–111](#))
- ★ Dr Linda Yueh, Fellow in Economics, St Edmund Hall, University of Oxford, and Adjunct Professor, London Business School ([QQ 112–120](#))
Professor Yongjin Zhang, Professor of International Politics, University of Bristol ([QQ 67–72](#))

APPENDIX 3: CALL FOR EVIDENCE

The International Relations and Defence Committee is undertaking an inquiry into the UK's security and trade relationship with China.

The inquiry will consider the Government's approach to China, and how this has evolved. It will examine the UK's security interests vis-à-vis China, the UK's partners and allies, including the Five Eyes partnership, and the UK's diplomatic, defence and security resourcing for further engagement in China's neighbourhood. It will also consider China's importance as a trade partner and source of investment.

The inquiry will consider the Government's Integrated Review in the context of China, once this document is published.

We welcome written submissions relating to the questions below. The deadline for submissions is 24 March 2021.

General

1. When was the National Security Council's strategic approach to China last updated, and what are its principal elements? The Government committed in its June 2019 response to the Foreign Affairs Committee to "find opportunities to set out more detail on the UK Government's approach to China over the next 18 months". What further information has been announced, and what changes have there been since 2019?⁵⁵¹
2. How is the work of different Government departments on China co-ordinated? How effective is this co-ordination?
3. In what ways has UK policy to China changed between the premierships of David Cameron, Theresa May and Boris Johnson? What were the drivers of these shifts (for example domestic opinion, the UK's relationships with international partners, or developments in China)?

Security

4. What are the UK's security interests vis-à-vis China, and what are the potential threats to these interests (for example freedom of navigation and upholding international maritime law)?
5. Does the UK have sufficient diplomatic, security and defence resources to engage further in China's neighbourhood? Is there a potential trade-off to be made with regard to other UK national security priorities? How can the UK best work with and leverage the resources of its allies and partners?
6. Which are the UK's principal partners and allies with regard to its engagement with China?
 - What are their principal interests, and to what extent do they align with the UK's interests?
 - To what extent does membership of the Five Eyes partnership influence UK policy on China?

⁵⁵¹ <https://publications.parliament.uk/pa/cm201719/cmselect/cmfaaff/2362/236202.htm>

Trade

7. How important is China as a current and future trade partner for the UK? Which sectors are of most significance (such as financial services, higher education et cetera)? How does UK trade with China compare to that of other comparable countries (such as France and Germany)?
8. Should the UK be seeking to increase trade with China? What considerations should underpin the Government's trade agenda with China (for example intellectual property protection, human rights et cetera)? Are these issues specific to China, or common to the UK's overall trade policy?
9. How important is Chinese investment to the UK? What are the principal sources of current and potential investment (for example private companies or sovereign wealth funds)? Which sectors receive the most investment?
10. What implications will the National Security and Investment Bill (when passed) have for Chinese investment in the UK?
11. How does the EU approach to Chinese investment, in particular the EU-China Comprehensive Agreement on Investment, differ to that of the UK? Are there elements of the agreement that should be replicated for the UK-China relationship? To what extent has leaving the EU altered the UK's approach to China in the areas of trade and investment?
12. What are the implications for the UK's relationship with China of the UK's planned membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)? What is the likelihood of China joining the CPTPP, and if it did, what would be the implications for the UK?

China's approach

13. What are the implications of China's pursuit of major international strategic initiatives (such as the Belt and Road Initiative) for the UK's foreign, development and security interests? Are these in conflict with, or compatible with, the UK's interests?

How and in what ways does China use its economic strength as a foreign policy tool? How should the UK respond to this approach?