



Select Committee on International Relations and Defence

Corrected oral evidence: The UK's security and trade relationship with China

Thursday 18 March 2021

10 am

Watch the meeting

Members present: Baroness Anelay of St Johns (The Chair); Lord Alton of Liverpool; Lord Anderson of Swansea; Baroness Blackstone; Lord Boateng; Lord Campbell of Pittenweem; Baroness Fall; Lord Mendelsohn; Baroness Rawlings; Lord Stirrup; Baroness Sugg; Lord Teverson.

Evidence Session No. 4

Virtual Proceeding

Questions 38 - 48

Witnesses

I: Lord Sedwill, G7 Envoy for Economic Resilience, and former National Security Adviser; Lord McDonald of Salford, former Permanent Under-Secretary, Foreign, and Commonwealth Office.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Lord Sedwill and Lord McDonald of Salford.

Q38 The Chair: Good morning. I welcome to this meeting of the International Relations and Defence Committee in the House of Lords Lord Sedwill, G7 Envoy for Economic Resilience and former National Security Adviser, and Lord McDonald of Salford, former Permanent Under-Secretary, Foreign and Commonwealth Office and Head of the Diplomatic Service. Welcome and thank you for coming here today to share your expertise with us as we progress through our inquiry on the UK's security and trade relations with China.

At this stage I always remind Members and witnesses that this session is on the record. It is transcribed and it is broadcast. I also remind Members to declare any relevant interests before asking their questions.

I shall begin by asking a question that is more general in scope, and I shall then turn to my colleagues to put more detailed questions. If there is time for supplementaries before our scheduled end time of 11 am, I will give priority at that stage to Members who have not already asked a question: Lord Anderson, Lord Campbell and Baroness Fall.

Questions on the Integrated Review will come later in our session, but I would like to start with a question that reflects on the past decade of policy. Some of our witnesses have said that the UK has not had an overall policy on China. What is your assessment of the UK's engagement with China since 2010, and how effectively was work on China co-ordinated across Whitehall? Lord Sedwill, may I start with you, please?

Lord Sedwill: Thank you, Madam Chair. I know that, speaking for my colleague and friend Simon McDonald, we are both pleased to be with you this morning and to have the opportunity to explore some of these issues with you.

To be honest, the co-ordination of policy towards China has improved over the last decade. China presents a complex series of challenges that have been discussed extensively in the media over the past few days with the publication of the Integrated Review, and I am sure we will explore some of that further in the committee.

To put it very crudely, over that decade we have essentially been trying to pursue our national security concerns and interests at the same time as pursuing our economic interests. 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, but we worked very hard, certainly when I became National Security Adviser, building on the work of my predecessors. I was also involved in this when I was Permanent Secretary in the Home Office; I was involved in one of the strategic dialogues with China that had arisen out of the State Visit.

When I became National Security Adviser, we tried to bring the national security community and the economic community together, and to give

Ministers on the National Security Council, which has economic ministries on it, a coherent approach. We have a complex national strategy in dealing with China, but I think we have managed to bring all those different considerations to bear.

I am sure Simon McDonald would agree with me that although the two of us were involved as members of the NSC, it was our colleagues who brought the whole community together. Those colleagues included one of my deputies, Christian Turner, who was the SRO for this; Deborah Bronnert, who was one of Simon's board colleagues at the time; the DG responsible for this set of relationships; and Barbara Woodward, the ambassador in Beijing. They welded—fused, if you like—a coherent approach that balanced off and reconciled those interests and allowed us to recalibrate them over time. The overall policy has moved, but we now have an approach that allows us to adjust according to circumstances as they change.

The Chair: Thank you. Turning to Lord McDonald, at this stage I will declare that I had the pleasure of being the Minister of State at the Foreign Office—I nearly said the Foreign Commonwealth and Development Office, the new title; I should keep to the old one—when Lord McDonald was the Permanent Under-Secretary there.

Lord McDonald of Salford: Good morning. I agree with everything that Mark has just said, but I would add a few thoughts.

I think you can divide the period since 2010 into two halves, and there was a border, not a very clear border, between the two halves. To start at the beginning, in 2010 China was seen nearly completely as an economic power and an economic possibility. I remember attending a meeting of the Senior Leadership Forum in the office in 2010/2011 when the responsible DG said that we might be looking at one of those rare cases in history where we have an emerging power that is all about economics but does not really have a developed political ambition or vision. That view that the economics dominated was very widespread.

I was Gordon Brown's foreign policy adviser for the whole time he was Prime Minister, and he absolutely looked at China through an economic lens. I remember that in his meeting with Chinese leaders he would praise and thank the Chinese for what their economy had done for the world after the Asian financial crisis of 1997. Basically it was Chinese growth that turned the world economy around in that decade. So 2010 was all about economics.

The coalition Government and Prime Minister Cameron and Chancellor Osborne had a very clear vision of China. Again, it was all about economics and being China's best friend, and they wanted to be first movers and the gateway into Europe. Some unflatteringly characterised this approach as Operation Kowtow. We were all in with Beijing, and the apotheosis of this policy was the state visit of President Xi to London in the autumn of 2015.

As I say, it was a decade of two halves. Although the boundary is a rolling boundary, a key point was the change of Prime Minister. When Theresa May became Prime Minister in July 2016, she was much more conscious of the security aspects of the relationship. Mark will recall that, having worked with her in the Home Office for four years. Things in the UK system began to change around that time.

In parallel, other bits of the international community were reappraising China. The Trump Administration is not the subject for today. I note that much of what President Trump and his Administration did is controversial around the United States, but one thing they changed, which I do not think is controversial around the United States and which President Biden and his Administration are continuing, is a much more sceptical, not to say harsher, line with Beijing. It was not just in the UK but elsewhere in the international community that people were re-examining the relationship with China and seeing China as politically much more aggressive than they had calculated previously. Over the last five years we have been recalibrating and we see the results of that recalibration in the Integrated Review published two days ago.

A couple of points on organisation. The system is still grappling with how to organise policy overall in relation to China. I believe there are two basic models. We still have not decisively come down in favour of one or the other. One is to have a unit in the National Security Secretariat in the Cabinet Office bringing everything in. The other—I declare my interest as a former Permanent Secretary of the Foreign and Commonwealth Office—is to have the department that has most of the expertise as the lead department and for that department to have a unit pulling in other necessary expertise from other parts of Whitehall.

The FCO advocated that, and I am pretty sure that Philip Barton and co continue to advocate that. The example that we cite is the policy towards Russia. In 2018, our policy towards Russia was strikingly successful, developed and quick, because everybody was in one place, as it happens working for Philip Barton, in the then FCO. I know that you are looking at organisational points, and that is still something to resolve.

The Chair: Thank you very much indeed for setting the scene so clearly. I am now going to turn to Lord Stirrup for the next question.

Q39 **Lord Stirrup:** Thank you very much. It is a great pleasure to see my two noble—and, dare I say, long-standing—friends here this morning.

Focusing on what Lord McDonald has just said about the decade of two halves, among the key issues that this committee is addressing are the tensions and balances between the focus of those two halves—between trade and security in our relations with China. Could each of you give us your views on the biggest opportunities and challenges that each of those areas present us here in the UK?

The Chair: Since there are only two witnesses, excellent though you are—saying “only two” sounds rather critical—perhaps it is easier if we keep to the same order and it is always Lord Sedwill who goes first.

Lord Sedwill: I will have to talk to Simon afterwards, then, about whether we have agreed or not.

On this question, clearly China, as Simon said, remains one of the engines of global growth. It is a huge repository of foreign direct investment. The numbers are roughly around \$3 trillion of FDI in China. About \$2 trillion comes out the other way, so the balance is very clearly continuing—including, by the way, from the United States, notwithstanding the much sharpening rivalry in that relationship.

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. We should also note that globalisation generally has lifted more people out of poverty than in any previous era, and China has been an important component of that.

There will remain an important economic relationship. You saw when the Prime Minister was speaking in the Commons earlier this week, notwithstanding pressure to the contrary his clear commitment—as under Theresa May and the previous Prime Ministers—to maintaining a strong economic with relationship with China. Most countries will do so; the United States certainly is, as are the Europeans. So it is important that the UK, and UK business—we have the most open economy in the G20—is able to operate successfully with China.

Of course, that competition, that economic access, needs to be fair. We need market access on fair terms to Chinese markets, we need to be confident of the protection of intellectual property, and we need to be sure that monopolistic practices and so on are not going to disadvantage our companies or others.

I am not so sure I would describe the other area—the big environmental questions, notably climate change—as an opportunity, but it is clearly an important area of co-operation with China. Unless the United States and China are fully engaged on that agenda, we simply will not be able to address that properly.

There are other issues, too. This year, the Chinese are chairing a major biodiversity conference, COP15, which is essentially the parallel conference to the UK's COP26. If you care, as we must all do, about food security and the intersection between environmental challenges, whether those are climate, AMR¹ or biodiversity challenges—challenges that are probably more likely to affect food security than human health directly; of course, they will affect that indirectly—ensuring that China is fully engaged in that set of issues is also critical, as in some of the classic national security issues. I went to China several times in my first 18 months as National Security Adviser. Actually, there was a brief period when I visited China more frequently than I visited even the United States, although obviously I spoke on the phone to my American colleagues all the time. That was partly because of North Korea. If we are

¹ Anti-microbial

to deal with nuclear security issues and other security issues of that kind, we have to find ways of engaging positively with China.

Of course, Simon is right that there was a shift in British policy partly because there was a shift in Chinese policy. Under this President, China is much more aggressive in its region. We have seen the crackdown in Hong Kong, and the appalling treatment of the Uighurs in Xinjiang, although some of that, I suspect, has been happening for much longer and we have just become more aware of it in recent years. We have also had the deliberate expansionist agenda of the Belt and Road—an area where we should be competing, by the way, in Africa and other countries.

While maintaining access to the economic opportunities and the imperative to co-operate with China on big environmental challenges and some security challenges, we must also be able to contest, contain, and where necessary confront, Chinese behaviour when it breaks international norms.

As Simon McDonald was suggesting, that is a trend in Western countries' policy generally. It is done very robustly in the United States, and here too in my view, and in Australia. It is less so among some of our other allies, but I hope they will bring themselves to the same appreciation of the need to stand in solidarity to contest, confront and contain China's unacceptable behaviour, because having a sense of a common purpose is our best opportunity for influencing it. China, like all countries, like all authoritarian regimes, respects strength and unity among the West, and we need to show more of that. At the same time, there are other areas in which we can work together where there are opportunities.

Lord McDonald of Salford: Again, I agree with Mark. I think this time he will have fewer problems with my reinforcing remarks.

China's economy is just vast. It is very difficult for non-economists to get their heads around just how big it already is and how rapidly it is expanding. My favourite stat is that, in 2019, China grew, in one year, by the size of a G20 economy. It grew by the size of Argentina in 12 months. Economically and commercially it is unignorable. There is no plausible plan without China.

A difficulty for us, again looking back 15 or 20 years ago to the first decade of the 21st century, is that we thought that, at the stage of economic growth that China was going through then, the machine tools and industrial products that the UK made really well in the second half of the 19th century were what China clearly wanted most. It is no longer the second half of the 19th century, and other countries were clearly better at servicing that Chinese need. Germany, and frankly all our main European neighbours, was way ahead.

As we looked ahead, we thought that there was a pathology to economic development: 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. We thought that there

would come a point when the things that the UK, particularly the City of London, is best at would mean that we would take a big leap forward.

That, frankly, has not happened and is not happening. In my conversations with Chinese opposite numbers, they say, "It's very straightforward, Simon. We see that that is the next necessary stage of our economic development and we are going to do these things ourselves". 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. Previous countries growing found in the end that they did need that Western and British expertise. So far, the Chinese not so much.

Looking ahead, yes, they are huge and we need them, but they look as if they may be particularly able to resist the bits of economic life that we are especially good at.

Q40 Baroness Sugg: Good morning, and thank you for joining us. We talked a bit about the UK's and the world's view of China and how that has changed, but I would like to ask you the reverse. What is the place of the UK within China's foreign and economic policy, and to what extent do you think that China understands our objectives for the relationship?

Lord Sedwill: We have to approach this with some humility, partly for the reason Simon McDonald just set out, which is the sheer scale of the Chinese economy. I remember meeting President Xi Jinping and asking him about his preoccupations when we were having a slightly more informal conversation over dinner when Theresa May visited. He set out the tens of millions of tonnes of grain and meat that he needs to import every year in order to meet the nutritional demands of a population that is gradually becoming wealthier. Those numbers were off the scale. I cannot remember what they were now, but they were off the scale.

We have to remember that scale and, long predating the communist period, the Chinese appreciation of their multi-thousand years of civilisation. They largely see the world through the prism of China. The UK does not see the world that way. We have been an open, trading, globally active country for several centuries. Some of those centuries were centuries when China had essentially turned completely inward, but the Chinese see the world very much through themselves. In a sense, if you were asking a Chinese colleague that question, they would almost question the premise of it.

Clearly, as Simon McDonald said in his first comment, the agenda, particularly after the state visit of 2015—you will recall this from your own time in government—was of the UK being a gateway not only into the EU at the time but more generally into Western markets; "partner of choice" and so on was the kind of language that was being used. The Chinese were clearly enthusiastic about that. We saw that in the subsequent economic, strategic, foreign policy and other dialogues that followed.

My sense is they still see the UK as a potentially important market, because our economy is open to foreign investment, we have a robust legal system and so on. Also, notwithstanding the changes in our trading relationships, clearly we see our position in the world as still being a champion of free trade and we are aiming to have open trading relationships beyond the EU with the CPTPP and so on. That element of it, although it has changed, probably remains an important component of the opportunities that China sees in its relationship with the UK.

There is an area that has not progressed perhaps as we hoped it might, partly because of the changes in the Chinese international agenda itself. I was never one of those, by the way, who thought that economic progress would lead to political reform any time soon. The Chinese had clearly taken the lesson from the Gorbachev era in the Soviet Union that you do not do it that way around. Actually, you do not even do it at all. You just do economic development. They were looking at Pinochet's Chile and places like that, and the early years of Singapore, much more than they were looking at the western models.

The area that has not progressed as effectively as it might have done is as fellow permanent members of the Security Council. There are some areas where we can work effectively and have worked effectively: I mentioned North Korea and that we had a very productive dialogue with China about managing that threat when it looked as though it was becoming acute several years ago. It clearly wants to work with us on the big environmental challenges, because it sees the UK as having a natural leadership role in the Western community on those. We are willing to maintain our engagement with China on those issues, so it sees the UK as helping to maintain that cohesion.

However, we have to accept fundamentally an authoritarian regime that is strengthening its relationship with Russia and trying to strengthen its relationship with other authoritarian regimes around the world, extending its influence into the South China Sea and so on, and we have to accept that our coincidence of interests will always be a severe constraint on our ability to work together and a significant constraint on China's view of the UK as a potential partner. That kind of co-operation will be effective only in limited areas, from our point of view as much as theirs.

Lord McDonald of Salford: I have a couple of supplementary points. First, the relationship between China and the UK is a very old one. It is among the oldest of China's with any Western country. A key early moment of this relationship was in 1793 when Lord Macartney went on a huge, elaborate mission to the Qianlong emperor. What everyone remembers of this mission is that he refused to kowtow. Of course, in Beijing kowtowing means something very specific: it means prostrating yourself in front of the emperor and hitting your forehead on the ground and doing this nine times. This was incompatible with Macartney's status as the legate of King George III. He proposed that he would bow before the emperor if an official of equivalent importance to himself would do

the same in front of a portrait of George III. Diplomats have good ideas; they do not always work.

My point in repeating the story is that right from the start there was resistance on the British part that was unusual to the Chinese. As Mark has said, China's view was that it was the Middle Kingdom, the centre of the world, and everybody around for thousands of year acquiesced in its view of itself. The Brits were early, if not the first, to take issue with that.

Two hundred-odd years later, we have had our ups and downs for sure, but as I look at what interests it about us now, a lot of it is to do with soft power. The British way, as well as Britain, is of a global interest in a way the Chinese way is frankly not. It is very interested in our cultural diplomacy, our universities, our press, the BBC and all that. A lot of its learning is to do it in a different way, but that is where it shows us most respect.

One example of this is the English language. Of course, the United States has been top nation for the last century, but the English language is ours first and we are very good at teaching it and getting others to speak it. I think the Chinese have similar plans for Mandarin. We are early days, but I am convinced that by the end of this century Beijing would like Mandarin to be the second language of the world.

The Chair: Thank you very much. I now turn to Baroness Blackstone. That will take us almost to half time through the questions but just beyond half time in our allotted time, so as we finish Baroness Blackstone's question I will go to you first, Lord McDonald. This time I will go to Lord Sedwill first.

Lord McDonald of Salford: Are you asking us kindly to pick up pace, Madam Chair?

The Chair: I am too obvious, am I not? You know me too well.

Q41 **Baroness Blackstone:** Thank you very much. I want to turn to the USA. At this year's Munich Security Conference, President Biden said that the US and its allies faced what he called long-term strategic competition with China and had to push back against Beijing's "economic abuses and coercion that undercut the foundations of the international economic system". Do you agree with that statement, and are the US and the UK's interests and perceived threats exactly the same?

Lord Sedwill: The key point of that statement is that if we are going to push back effectively against the parts of Chinese behaviour that are unacceptable, whether domestic or international, we need to do so with a sense of common purpose across the Western alliance. That has been sadly lacking over the past few years, and that is partly why China has been able to advance a more assertive agenda and indeed pick off or seek to bully individual nations. The Australians face significant economic sanctions as a result of calling for a robust investigation by the WHO into the origins of coronavirus. To be candid, it did not get much more than rhetorical support from elsewhere around the world.

Thinking back several years, we had to deal with the Dalai Lama and an argument with the Chinese essentially entirely on our own. Indeed, some other Western countries will seek opportunity if they see one of their friends and allies but nevertheless competitors having a setback in their relationship with China.

The absolute key to this is a sense of common purpose among the West. Not only has the United States remained a pre-eminent world power and still a much bigger economy in absolute terms than China—about 20% to 25% bigger—but if you take the G7, the US, the EU, which are the three big independent economies, Japan, the UK and Canada, that is still over half the world economy just in those groupings. Therefore, we have the opportunity to shape the economic and political behaviour of China if we show a sense of common purpose.

That is the key to this, I think. In the areas of China where we are going to contest, confront, contain—and there are significant elements of its behaviour, as have both described, that we must—we need to do it together. If we try to do it separately, China's sheer weight and ruthless use of its power will seek to divide and rule and play different countries off against each other.

That is the key to this, and I hope that with Brexit accomplished and the Biden Administration taking a different approach to its alliances, there is the opportunity to restore that sense of common purpose. I am pretty sure that that is one of the priorities for the UK G7 presidency.

Lord McDonald of Salford: This is the Thucydides trap: that China is the rising power. Clearly the United States is the pre-eminent power and the relationship between them is in flux. As Mark is describing, our interest is to make sure that, having identified that possibility, it does not develop in that classic way, and that the United States, and indeed the world system, is able to accommodate a more powerful China.

We have identified it, and we work very hard on our side to prevent this relationship deteriorating, but of course the Chinese have to play their part, too. Their behaviour in recent years has been pretty presumptuous—or, to use Mark's words, authoritarian—externally as well as internally.

However, I think that there are signs that things are not, even in its neighbourhood, all going China's way. The debt trap for countries that take enthusiastic part in Belt and Road is now more obvious, and other countries are seeing what has happened to Sri Lanka and the Port of Trincomalee, where what looked like a really good deal from Sri Lanka's point of view is turning out to be a really good deal from China's point of view. I think China too is having to calibrate. It is recognising that it cannot have it all its own way. It is recognising that others' legitimate interest is part of avoiding the Thucydides trap.

Q42 **Lord Teverson:** Good morning. I remember in my youth I followed an organisation called SEATO, the Southeast Asia Treaty Organization, which

I think was a creation of John Foster Dulles and was a failure pretty much, or seen as a failure, and stopped in the 1970s.

Within that context, what frameworks are there to facilitate co-operation between like-minded countries to address the challenges posed by China, and how effective are they? Taking SEATO as an example, is it possible for them to succeed?

Secondly, you mentioned the G7, which is being held in Cornwall where I live. That is turning into D10, with India, South Korea and Australia. What is your opinion of a future D10, and could that be effective?

The Chair: Lord McDonald, from now on we will start with you.

Lord McDonald of Salford: Thank you. One problem we have is groupings that look to Beijing as though they are all about our problems with Beijing. It will be very sensitive to that. Some of these groupings already exist. The most interesting to me is the Quad of India, Japan, Australia and the United States, and we seem interested in joining that group. My problem with that is that it really does look like a group getting together to discuss the problem of China.

As interesting as such groups are—and there is a role, perhaps not so high profile, for them—are the groups in which China is playing a full part. The problem with the G7, of course, is that it is not there. The problem with the G20, where it is, is that there are too many countries that are marginally relevant—I am sorry, I would not have said that in my previous job. It is too large a group. Having a group where China is fully participating and fully respected is part of the developing relationship.

The most promising existing forum is the P5 of the Security Council. That has not been strikingly active. Of course, it only deals with a slice of life, but, as Mark discovered in his last job, more or less all aspects of security involve economics too, so maybe that grouping could be used for more purposes.

Lord Sedwill: Building on what Simon said, and I agree with what he said, to be honest the answer is that we need both. We certainly need fora in which we are engaging with China and where China is at the table. We want to avoid the Thucydides trap—that is a dangerous place for the world to get to—but we do need to be able to create the institutions that give substance to the point I made in answer to Tessa Blackstone's question about the West achieving more of a sense of common purpose.

That does not mean that one has to create a whole alphabet soup of new organisations or a NATO in the Pacific or something of that kind, because that would risk the issue that Simon McDonald was just referring to. But we do need to have mechanisms by which Western solidarity on the issues that matter to us can be advanced. Even though it will not particularly like that—clearly, if we make these things anti-China or ostensibly anti-China groupings, that will cause a counterreaction—China will have little choice but to at least recognise the authority of those

groups if the agenda means that we can genuinely show solidarity with each other and make sure that we are not being played off against each other and so on.

So I think there is a role, but I do not think it is necessarily for lots of groupings with lots of capital letters on them. This year is the 50th anniversary of the Five Powers Defence Arrangements. For the aficionados here, the five powers are the UK, Australia, New Zealand, Malaysia and Singapore. That is the group that was very naturally formed of countries with a close association with the UK and which has a security angle to it. There are conversations in that group that could also be revived, as well as the UK acceding to the quad or, on the economic side, if we are able to accede to the CPTPP² as well, which I hope is an agenda we will pursue.

So, yes, absolutely we need as many fora of engagement as we can with China, such as the P5 on the various security issues, and on the big environment and other questions. We also need groups where like-minded democratic countries can get together and demonstrate that sense of common purpose on the issues where we have a stark difference of view.

You asked about the D10. I have indicated already that I am not a huge fan of more groups with capital letters in their name. The G7 is the really effective grouping, and I hope that one of the consequences of the COVID restrictions means that the Cornwall summit will be able to revert to being a more intimate and informal engagement between leaders rather than one of the massive summits with all sorts of side events that we have seen in the past. That was the original concept when it was the G5 in the 1970s, and it works better when leaders are able to have that kind of engagement with each other.

Adding guests like the other countries you have mentioned is clearly beneficial. These are like-minded countries. Australia and Korea are the next two big independent developed economies, beyond the three I mentioned, within the G7. India of course is the rising developing power and will have a bigger population than China's at some point in the next few decades. But there are others. One would not want to see that becoming an exclusive grouping which other important countries in that region—Indonesia, Malaysia or other important countries representing other regions, such as South Africa, Brazil and so on—felt excluded from. We need a mix of these things, is the answer, and different groups will serve different purposes.

Q43 Baroness Rawlings: Following from Lord Teverson's important question on D10, I am going to press you further now on the Quad, as the Prime Minister has reportedly expressed interest in the UK joining the Quadrilateral Security Dialogue and tilting our policy more towards the Indo-Pacific.

² The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

What is your assessment, further than what you have just mentioned in your answer, of the Quad and the potential role for the contribution by the UK? Now with the Royal Navy's supercarrier, HMS Queen Elizabeth, sent out to tour the Indo-Pacific, it is a big thing, with the full strike group joining many other foreign fleets. To what extent do you think its members' interests, vis-à-vis China, align with those of the UK? I wondered if we could not be a keen partner, if not making the Quad into a quin, as we could offer capability, knowledge and expertise.

Lord McDonald of Salford: The Quad is an informal group, so we have to feel our way forward. I think the group is quite gratified that there is interest in expanding it, but it is one for backchannels in the first place to see whether we can become more closely associated. I do not think that a full-frontal campaign would work.

On the tilt, my reading of the Integrated Review is this is one of the aspects that could be overinterpreted. "Tilt" is a good noun. It is incremental. It is not a massive shift, it is not ditching the Euro-Atlantic space, it is good for a headline and it is good for a little bit of emphasis, but I do not think it will be the core of our future foreign policy, which remains the Euro-Atlantic area.

Lord Sedwill: That is right. It is clearly right, given the rising importance of the Pacific economies generally. Not just China but other countries in that region—I have mentioned a few, such as Indonesia and Malaysia—are increasing in importance and together form the source of most global growth right now.

For the UK, particularly if we are to improve our trading relationships in that area—clearly, post-Brexit we should, and I hope we can accede to the CPTPP—it is clearly important that we accompany that with political commitment and defence and security commitment to that region. Indeed, for those countries that is one of the attractions in the UK potentially acceding to the CPTPP or other such agreements.

One of our comparative advantages in trading relationships is that we bring permanent membership of the Security Council, our soft power and our political and security clout worldwide to the relationship. As many of you know as politicians, those things are all in the balance even in negotiations for a trading relationship.

Most of the countries in the Quad, during at least some of its passage, will be deploying some of their capabilities into the carrier strike group as it goes to the Indo-Pacific. I was one of those responsible for this at the beginning of the shaping work of the Integrated Review. I am not one of the authors of it, of course—I have been out of government far too long for that—but some of the concepts, the architecture if you like, were being discussed while I was still there. It is allied by design; the carrier strike groups as they operate will be essentially allied entities. We will have in the carrier strike group, as we have already, US Marine Corps F35s flying from the carrier, Australian ships, Japanese ships and so on.

As Simon McDonald said, we can advance this agenda with the Quad, which is a conversation and a meeting rather than a Group with a capital G at this stage, partly through our practical commitment in that part of the world.

You are right, Baroness Rawlings, that the capabilities, particularly now that we have the carriers and everything that goes with those carriers—the intelligence capabilities, the command and control and all the rest of it—are an asset that our allies in the region are keen to see deployed there more often. That was part of our dialogue with Australia even when it was procuring its new frigates and so on. All of this helps to advance UK interests in that region, and we need to have a clear view of where we can bring assets to bear that will advance our interests and those of our allies.

The Chair: We now come to the part of the questions that directly address the issue of the Integrated Review. Given the time, I am going to ask my colleagues Lord Boateng and Lord Mendelsohn to ask their questions sequentially, and then I shall turn to Lord McDonald first and then Lord Sedwill to respond.

Q44 **Lord Boateng:** I declare my interest as chancellor of the University of Greenwich and a board member of the Syngenta Foundation. Following your lead, Chair, I confess to having worked with both our witnesses as a Minister and a civil servant, and I admire them greatly in that regard.

Having said that, what is your assessment of the Integrated Review? It has been criticised for not establishing any real priorities. For instance, there is no mention of Belt and Road in Africa. Does it in fact meet the objectives set out by the Prime Minister at the start of the exercise?

Q45 **Lord Mendelsohn:** I declare my interest as the senior adviser to Value Retail. I want to thank the witnesses for some excellent evidence.

Adding to Lord Boateng's question about the Integrated Review, I have a question about the tilt to the Indo-Pacific region. The review has a few concrete suggestions, and that section is one of the very few sections that has quite a range of them. In relation to the elements, how will that go down with China, how will it affect our relationship with China, and are we adequately resourcing those parts of the plan? If not, what should be done?

The Chair: I am going to turn to first to Lord McDonald and then to Lord Sedwill, and then I am hoping that we may just have time to bring in Lord Alton for his question on Five Eyes.

Lord McDonald of Salford: I think the Integrated Review was a good, solid, comprehensive document. I can imagine the process, and John Bew and others have wrestled it into a pretty good shape at the finish.

My two supplementary observations are first that prioritisation is a real issue. We are acquiring and acquiring without ditching anywhere. Real life tends to be our guide. Real life makes us choose, and I think it will be a perfectly workable document. Lord Ricketts and others who have pointed

out that we now have an extra five priorities to add to the 15 we already had have a point.

The second area that needs to be picked over a bit more is the nuclear side. It is intellectually coherent, but I worry how it fits with our NTP long-term obligations. I wonder what the practical importance is in five or 10 years' time. That is an aspect that will be examined more closely over time.

As for China's reaction to the specific things that we are going to do in the Indo-Pacific, it will be very leery. If it is explained that China is not a target, that China is not the enemy, and that this is a legitimate part of our vision of ourselves and of our role in the world with our partners and allies, that explanation, indeed de-dramatisation, is important in getting understanding from Beijing.

Lord Sedwill: I will be brief. The points Simon McDonald makes are right. Explicit prioritisation is always difficult in these documents, because of the obvious issues when you deprioritise somewhere and then it turns out to be the thing that suddenly comes right back up the agenda, given the uncertainties of international life.

The point he made about the tilt, in answer to an earlier question, is that it is at least giving an indication of an implicit reprioritisation to the Indo-Pacific. Following that up with the explicit commitment of the first major deployment of the carrier to the Indo-Pacific—it is not to any of our traditional areas—indicates implicitly where the balance will shift. That will probably mean, depending on events, deprioritising some other areas.

I think it is a good document. In a sense, I have to declare an interest as one of the architects, if not the author, at least of some of the early thinking of it, but I do think it is a good document and it has come out well.

I take a slightly different view to Lord McDonald on the nuclear question. The points he made about the NTP are absolutely valid, but in the end the overriding issue to be determined is that it is a credible if minimum deterrent. It still has to be a credible deterrent. Without going into all the detail as to why that judgment was made, and it is clearly a very delicate one, maintaining its credibility as a minimum deterrent had to be the overriding issue, and I endorse the position which the Integrated Review has reached on that.

The Chair: Thank you. I now turn to Lord Alton. Fortunately, we have time for his question. On this occasion, because of the nature of the question, Lord Sedwill, I am going to ask you to respond first.

Q46 **Lord Alton of Liverpool:** Thank you. I should declare that I am Vice-Chair of the All-Party Parliamentary Groups on Hong Kong and the Uighurs and that I am patron of Hong Kong Watch.

Both our witnesses have talked about the dangers of the Thucydides trap

and the importance of building alliances. How important in that context is the Five Eyes partnership? What lessons should we learn from China's economic treatment of Five Eyes and Commonwealth member and close ally Australia and its coercive strategies following Australia's outspokenness on COVID, which you have referred to, and its treatment of the Uighurs and Hong Kong? How should such treatment shape Britain's approach to trade and investment in China? Can you trade with a genocidal state, for instance? There has been speculation that Japan would like to join. What value would that bring, and how likely is it?

Lord Sedwill: Thank you, Lord Alton. That is a combination question with a lot of issues. I will try to be very brief, because I know time is short.

I think we should strengthen the Five Eyes relationship. It has essentially grown out of an intelligence-exchange relationship and has gradually extended into other areas. We now have similar meetings on broader co-operation, which we did not when I was at the Home Office, for example, and a range of other issues. I think your point about solidarity within the Five Eyes is an important one, and I would like to see a stronger political element to the relationship, even though it has grown out of defence, security, intelligence and so on, to deliver that sense of common purpose in dealing with a range of threats and issues in the world. Of course we could strengthen that if there was a trading element to the Five Eyes relationship as well.

Japan is clearly an important ally. It has a very delicate relationship, of course, not least because of its constitutional requirements with regard to defence and intelligence and so on. There are deep partnerships with Japan on security and intelligence, about which you will understand I cannot say more.

I would revert to Simon McDonald's earlier points. Whether it makes sense for Japan to become a formal member of the Five Eyes, and therefore for it to become a Six Eyes grouping, or whether the same effect without some of the political challenges—including, by the way, for Japanese domestic politics—would arise from a formal arrangement, I think we can achieve through practical co-operation.

Your question, Lord Alton, about an economic relationship with an authoritarian state behaving with many of the unacceptable behaviours of China is a much broader political question. There are many countries in the world with appalling human rights records with which we have had an economic relationship over many decades. That has been a traditional position of the UK, and it remains a matter of political controversy but it is one that is firmly for the political arena, if I may sidestep that slightly.

Lord McDonald of Salford: I agree with everything Mark has just said. I point out that not just Australia but Canada has had a really tough time with Beijing in the last couple of years. I agree strongly that the Five Eyes is vibrant and will be an even more important forum in the future.

As to trade, as Mark has said it is a deeply political issue, but we are a trading country and China is the second-largest economy in the world. I see no British prosperity without a trading relationship with China.

The Chair: Thank you very much indeed.

- Q47 **Lord Anderson of Swansea:** Clearly our universities are heavily dependent financially on China. How concerned are you about the laser-beam approach in science and technology and the unwillingness of universities themselves to curb this? Do you think there should be more government intervention? How do we curb it?

Lord McDonald of Salford: It is absolutely vital for our universities to preserve what distinguishes them, what makes them the best in the world, which is all about academic openness and rigour. A relationship that allows an external partner to compromise that is, for me, fundamentally wrong. That is the principle that our universities should be guided by. Frankly, they should be doing it for themselves rather than with government direction.

Lord Sedwill: I agree.

- Q48 **Lord Campbell of Pittenweem:** There used to be radio programme called "Twenty Questions". I have about 20 questions, but I know that I am only allowed one.

If both of you were asked to advise the Governments of the three Baltic states that are members of NATO on what consequence might arise in relation to the tilt, what would you say, bearing in mind that Hillary Clinton was the first person to use the expression and it caused a great deal of unrest in NATO at the time?

Lord Sedwill: Simon McDonald answered the question in a sense earlier by pointing out that our overwhelming commitment remains to the Euro-Atlantic area and to NATO. All our forces, including those that might be out of area at times, whether on expeditionary missions like Iraq or Afghanistan or the carrier in the Indo-Pacific this year, are forces allocated to NATO when necessary. We have troops in the Baltic states, as the tripwire, as part of the enhanced forward presence. It is important that we maintain that.

One of our most productive defence initiatives over the past few years was the Joint Expeditionary Force, which is a grouping of Nordic and Baltic nations, including, as we have mentioned, the UK as a framework nation, bringing them together to be able to operate more effectively as a coherent military unit and essentially allowing the military forces of those smaller nations to participate on an equal basis to those of the larger ones. So I do not think they need doubt our commitment.

Lord Campbell of Pittenweem: Would you be satisfied with that answer, Lord McDonald?

Lord McDonald of Salford: I agree.

The Chair: Thank you. Perhaps agreement is something that the committee will find even more testing when we come to consider the challenges that will face us when the report is finally drafted in this complex but fascinating inquiry on which we are engaged.

May I thank both our witnesses wholeheartedly today for their time and their expertise? It has certainly helped us further along our difficult road to the end of our inquiry.