



Select Committee on International Relations

Corrected oral evidence: UK Foreign Policy in Changed World Conditions

Wednesday 28 March 2018

10.45 am

[Watch the meeting](#)

Members present: Lord Howell of Guildford (The Chairman); Lord Balfe; Baroness Coussins; Lord Grocott; Lord Hannay of Chiswick; Baroness Hilton of Eggardon; Lord Jopling; Lord Purvis of Tweed; Lord Reid of Cardowan; Baroness Smith of Newnham.

Evidence Session No. 10

Heard in Public

Questions 89 - 100

Witnesses

I: Dr Monique Chu, Lecturer in Chinese Politics, University of Southampton; Raffaello Pantucci, Director of International Security Studies, Royal United Services Institute; Kathryn Rand, Assistant Director, Great Britain China Centre.

II: Professor Rosemary Foot, Emeritus Fellow, St Antony's College, University of Oxford; Professor Katherine Morton, Professor of Chinese International Relations, University of Sheffield.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Dr Monique Chu, Raffaello Pantucci and Kathryn Rand.

Q89 The Chairman: Dr Chu, Mr Pantucci and Ms Rand, thank you very much for being with us this morning. We are extremely grateful to you for attending. I apologise that we are starting a few minutes late. I am obliged to remind everybody that these are fully recorded public sessions. Transcripts are made of everything that is said, which can be seen afterwards if you wish and indeed edited and changed if there are things that you feel are wrong in them. I also have to remind my own colleagues of the Committee that, when questioning, we initially have to declare any relevant interest.

I think you are probably aware that this Committee is seeking to peer through the dense and massive changes that the digital world has imposed upon the international order and to see in particular what relevance all these huge changes have for the British foreign policy posture and the trends in foreign policy that we are dealing with, in a world totally different from the one that existed even 10 years ago, let alone 20 years ago. It is a new scene, and obviously there are fundamental challenges to the old assumptions about foreign policy. How big they are is a matter of debate.

I will start with a fairly general question about the area we are looking at today, namely the massive rise of China. An Australian statesman said to me yesterday that the rise of China was much the most important thing in the 21st century, overshadowing by far, he thought, smaller matters such as Brexit, Mr Trump and so on. Do we see the same thing here? What has happened to turn a weak and bullied—and indeed, in its view, humiliated—country like China into a giant power, increasingly assertive and talking about its bigger world role? Why is a weak China now so strong, and why is Xi Jinping speaking in such assertive and even nationalist terms? What has happened? Is it just Zhou Enlai's telling the Chinese to get rich, or has something else triggered this fantastic change? How do we react to it?

It is a rather general question, but your expert views will be very valuable.

Dr Monique Chu: Thank you. First, I am flattered by the invitation and I am very happy to be here today. To answer your question, I will start with a relatively abstract discussion about the rise of an aspiring power in the international system and its potential impact on the existing powers in question. In theory, when a state's capabilities grow, its leaders tend to define its interests in a more expansive fashion and to seek a greater degree of influence over what is going on around them. That is the theoretical elaboration of the idea of an aspiring power in the system and how that power is likely to define its interests in a very expansive fashion.

To go back to your question, I tend to agree with that Australian gentleman's comment about the rise of China. As to whether China

should be defined as a dominant power in the Asia-Pacific region, the short answer is yes. China has really increased its economic and military power compared with a lot of its Asian neighbours. In economic terms, China is now a leading player in establishing increasingly dense trade, investment, and financial co-operations in Asia.

In military terms, the Chinese defence budget has, for many years, outnumbered that of its Asian neighbours. At the same time, China has tried to introduce, since 2014, what Beijing terms as the Chinese 21st century security concept. The core of that concept is that Asians should manage their own security problems. According to this definition, the US implicitly is excluded.

Having said that, the Chinese aspiration to further advance its economic and military power in the region is creating some new challenges for the US, which remains the dominant power within the international system and for many of its neighbours.

The Chairman: Thank you very much for that opening remark. Mr Pantucci, would you like to tackle the same issue?

Raffaello Pantucci: First, let me also thank you, Lord Chairman and Committee members, for your kind invitation to talk to you today about China's rise.

I would answer your question directly by saying that we see China in such a dominant role and position internationally because of its economic rise. The fact that China has been able to muster all the strength and tools that it has domestically to create this economic beast which has benefited from the current economic global order is the foundation of the strength that we see.

To turn to your second question on why we see this nationalism expressing itself now, it is a reflection of the fact that China has always seen itself as restoring itself to its natural place at the centre of the world order. If you think back to the name of China in Chinese, *Zhongguo*—the middle kingdom—it is a bit of a cliché, but I think it signifies where they see themselves as sitting in the international order.

What we are seeing is the Chinese using the economic might that they have managed to build up as a result of the global order that we have to try to restore themselves to that place at the centre of the world order. This nationalism and the narrative that is increasingly coming out of Beijing is in many ways a reflection of that. It is about China saying, "We have built up this economic might. We are becoming a more consequential player". This is the key part where outside powers such as the UK need to think increasingly about how to engage. China's place and role in specific parts of the world have transformed as time has gone on.

I do a lot of work in central Asia, which is a good example of a part of the world that is clearly in the Russian sphere of influence. But on the ground now China is increasingly the more consequential actor. That is

happening in lots of other contexts as well. This is how this change is happening, and this is where powers such as the UK need to think about how to engage.

We have seen this change happen, this economic beast rise and the sense of importance and strength of this power rise. How is that having an impact in different parts of the world, and how to do we engage with that or engage with allies on, against or with that might as it rises?

The Chairman: That is very helpful. We want to come to precisely those questions. Kathryn Rand, would you like to give us your opening thoughts?

Kathryn Rand: Thank you, Lord Chairman and Committee members, for inviting me here today.

It is a real privilege to be here. Before I begin, I have to say that I am speaking in my personal capacity today and not on behalf of my employer, the Great Britain-China Centre, which is an arm's-length body of the Foreign Office. They are very much my personal views.

I echo what Raffaello has just said. To put it more simply, why are we seeing China's rise in its assertiveness on the global stage? It is simply because it can. To look at the economic order and the rules-based international system, China saw the way it was working in the 1990s and early 2000s and that it did not really benefit China. It has engaged very effectively with the WTO, but when we look at how China engages with other aspects of the international legal system, we can see that it has looked to water down and shift the discourse and traditional narratives.

We have seen this very explicitly in areas such as human rights. It is in China's interests to undermine the global order on human rights, but also in areas of security, where China perhaps does not see itself benefiting from the traditional systems of the UN Security Council and the P5. It will engage, but it will also set up its alternative systems. I think we will get to some of those questions.

Lord Hannay of Chiswick: Thematically, is China a regional power or a global power at this moment in time? Or is it a regional power on its way to becoming a global power, and, if so, in what kind of timeframe would that transformation take place?

Dr Monique Chu: It depends on how you define the making of power to start with. I would break it down into economic and military power.

In terms of economic power, China is now the world's second largest economy and the world's leading trading power. So by that standard I would argue that China has already become quite an important power at the global as well as the regional level, as far as its economic clout is concerned.

However, when we look at China's military capability, it is now the world's second largest military spender after only the US. But in terms of its

actual military capability, it still trails far behind its American counterpart. The Chinese policymakers are very aware that it would take the PLA a long time to catch up with its American counterpart. I hope I have answered your questions.

Baroness Coussins: Mr Pantucci, you described China as becoming more and more of a consequential player. Could you explain exactly what you meant by the phrase "consequential player"? Perhaps you could give a couple of examples of what you mean by that.

Raffaello Pantucci: Sure. In a way I will also turn to Lord Hannay's question. China is now a global power, but it has regional consequences in that we are seeing China's economic influence, or particular interests in any specific country, becoming such in that particular country or environment that it is changing the balance of power in that place.

Central Asia, again, is a very good example of this. The five countries there were very much in the Russian orbit, but increasingly their economic might and prosperity derive from their relationship with China rather than their relationship with Russia. China is increasingly playing a role in security, such as building up the Kyrgyz or Tajik security forces or border forces. China is also increasingly playing a role in Afghanistan, which is really cutting across a whole range of different areas. This was a domain in which previously you did not see China playing a role.

China's investment in Pakistan through the China-Pakistan economic corridor is talked about in hyperbolic terms of \$50 billion or \$60 billion. But the number does not really matter; this is the big economic story in Pakistan at the moment. That means that when Pakistan is thinking, "Who is our major ally at the moment? Who is the major power we have to deal with? Who is the one we can rely on?", it is no longer necessarily the West, Washington or even the United Kingdom, which is incredibly important for a country like Pakistan.

Those are some specific regional and neighbouring examples. Of course, because they are neighbours there is a different relationship. However, even in countries such as Sudan and South Sudan there is the Chinese oil company, CNPC, and its interests in the energy fields there, and Chinese peacekeeping missions are deployed on the ground there. One consequence of that is that when there have been breakdowns in negotiations between South Sudan and Sudan, they increasingly go to Beijing to try to resolve the question.

We are seeing a real transformation in China's role as a player in some of these specific regional environments. What I do not think it adds up to yet is this idea of China being G2 power that is a peer-to-peer competitor with the United States, which I agree 100% is still the pre-eminent power on the world stage.

Lord Reid of Cardowan: Yet, despite that, here we are discussing the massive growth of China in all aspects, relative to everyone else. If you had said 30 years ago that the growth, power, influence and so on of the

only major country left under communist party leadership would outstrip that of all the major capitalist countries, people might have questioned that. They certainly questioned it when Deng Xiaoping brought in his reforms.

All this is based, as you said, on the growth of economic power. Could you go a little further and tell us what you think are the most significant aspects that are allowing that growth of economic power? Is it demographics, land size, numbers or political leadership? What has given rise to such astounding pre-eminence in the world—and, some would predict, perhaps to being the pre-eminent power in 50 years?

The Chairman: That is the key question. Kathryn Rand, would you like to start on that?

Kathryn Rand: I will start by saying that I am not an economist.

Lord Reid of Cardowan: I am not asking for an economic analysis, because it obviously involves politics and demography and so on—a bigger picture. What are the distinguishing features that have allowed this growth?

Kathryn Rand: It is a very important question, and the key element is the politics. To take a slight step back before I address it more directly, I think it plays into the argument that we are now seeing around the world when we talk about historical determinism and the expectation that as China economically liberalised it would do so politically.

We have this idea of a China model whereby China has successfully demonstrated that there is another way of developing very rapidly and with major economic growth. Demographics are obviously a huge aspect of that. It has been able to capitalise on the mass movement of rural migrants into the cities, which have rapidly urbanised, and to draw on that power. And it has been able to do it under an authoritarian system in which it can use coercive measures to direct capital in a certain way. This has been a very effective strategy in the short term.

I think the leadership right now is very aware of the challenges that it faces and that this economic strategy cannot continue. That is why we have seen a huge government restructuring at the National People's Congress over the last couple of weeks. There is an expectation that we will see China recognise, as it very explicitly said at the 19th party congress in October, that it wants to be a global leader in innovation, moving forward from being the factory of the world to the technical leader of the world.

That is a big priority and something that the British and other Governments need to be very aware of. When we think about how we engage with China, we need to do away with the idea that we still come across repeatedly that China does not respect IP and can only copy, not innovate. We have very clearly moved rapidly beyond that stage. IP is

still a big issue, but the issue is separate from respecting IP; it is about using it as an engagement strategy from a Chinese perspective.

I have probably gone slightly beyond your question, so I will let my colleagues answer.

Dr Monique Chu: When we talk about the explanations of China's rise in the economic arena, we cannot really separate the discussion from Deng Xiaoping's important decision to open up the Chinese economy to the outside world back in 1978. That policy change resulted in a huge amount of trade and investment flow that targeted China as a great place to produce cheaper goods.

At the same time, human capital is a very important factor at play. China has a huge population, and the labour cost for a long time has been quite low. Some of these domestic magnets have naturally enticed foreign investors to set up factory operations there.

Hence when it comes to the general discussion about what has accounted for China's rise in the economic arena, we cannot really discuss this topic without referring to the opening up of the country to the outside global economy back in 1978.

Raffaello Pantucci: It is a really interesting and difficult question. I agree with my colleagues that demographics and infrastructure still play an important role. In a way, that is the joy of having a centralised system. If you have a centralised Government who can make authoritarian diktats—"This institution will do that. This city will create that. We will have this zone there and we will invest in these things"—and you can do it in a very co-ordinated and well thought through fashion, it can bring benefits.

This is the whole purpose of the NDRC—the National Development and Reform Commission—the central planning organiser that determines how the whole country will be constructed. If you can do that in a country of 1.4 billion people and do it in a liberal international order where, if you can manufacture more cheaply than others, you will have access to huge markets all over the place, you can really build up a massive economic machine. That is what has brought this all together: this ability to control things internally and this liberal international order, which very much favours an industrial machine that can produce a lot very cheaply.

However, that creates a whole series of economic actors that have a huge amount of money, are incredibly powerful and can then be incredibly significant, both within the country and outside.

Q90 **Baroness Hilton of Eggardon:** We have heard a great deal about the belt and road initiative and its consequences for the countries that end up with unpayable debts, do they not? Do you see it as a coherent overall strategy or as isolated infrastructure projects, and how should the UK respond to that?

Raffaello Pantucci: We do a lot of work in my RUSI think tank on the belt and road, which is why colleagues have flagged it up. Belt and road is an umbrella concept. This is Xi Jinping's big foreign policy idea. He announced it in a set of speeches in Astana and then in Jakarta, where he talked about the silk road economic belt and the 21st-century maritime silk road.

That becomes an overarching concept that you can see everything else starting to group itself under. Chinese activity in central Asia in developing infrastructure and opening markets has been going on for 20 years. It did not start in 2013. So, in a way, the announcement of this name put a name to something that was already going on.

The Bangladesh-China-India-Myanmar corridor has also been brought in under the belt and road auspices. It was first announced in 1999 and has been going on for a considerable period of time. A whole series of different things have been pulled together, so the best way to think about belt and road is that it is a central organising principle, a concept that has been advanced by the leadership.

So on the one hand you have within a bureaucracy the natural effect of wanting to make your project relevant, you want to get your thing attached, so you will use the nomenclature of belt and road, which helps to explain a little why there are frankly a preposterous number of different activities happening in China under the auspices of the belt and road, and there are a lot of different places where the belt and road apparently starts, but that is because it is an idea that has sat there and there are lots of things attached to it.

At the same time, we should not confuse that with the idea that nothing is actually happening. Some of these projects are happening. Outside powers such as the UK need to focus on which of these projects are moving ahead, which are rhetoric and where the money is hitting the road—where the road is actually being built, where the infrastructure is actually being developed. Then they need to think about the consequences in that particular country. What needs to be developed? Is there something we should be doing in that country and with that country to try to help it to manage the consequences of these sorts of things, or is there some way of working with China to make some of these things work better?

Kathryn Rand: I completely agree with Raff's comments, but we also need to look at this politically. I agree that we should look at what is happening on the ground, because ultimately that is how we get good information and good evidence, but we also need to look at where the rhetoric is coming from in China and what is driving it. Yes, it is an umbrella concept, but all roads lead to Beijing.

Going back to the question at the beginning about where China sees itself in the world and where it wants to be, pretty much every country out there, whether on the belt and road or not, has been told at some point that it is at the end of one of the many roads involved, and we will

probably see the concept behind the different roads expanding. It started off with two roads but with lots of different routes. Now, we also have the polar silk road.

We can look at China identifying where its major interests are and how it is articulating those. The driving force behind the maritime silk road is different from the one that we see through central Asia and, again, different from the one that we see behind the polar silk road. It is important to separate those out and to understand how China is deciding investment projects but also how it is working with those countries and developing strategic partnerships, as it describes them. What does it want to achieve? The intentions behind the maritime silk road are very different, I suspect, from building up security and economic integration in central Asia, because that will protect China's borders.

Lord Grocott: I am still slightly confused about the definition, I have to say. You described the belt and road initiative as a central organising principle. I am still not at all clear what the principle is. Put it another way: is there any infrastructure project anywhere on the planet in which China was in one way or another involved that was not part of the belt and road initiative?

Raffaello Pantucci: There are some that have not been incorporated within it, but it is increasingly hard to find them, frankly. I will explain what I mean by that.

In a way, the central driving thrust or idea behind the belt and road is that, "We want to open markets and build trade and infrastructure". That is quite an attractive concept from an international perspective. What country does not want the economic prosperity that is derived from that? That is the overarching idea: to open up, develop and bring markets, and everything else.

I agree 100% with what Kathryn said about having to look at the impact on the ground and in some way tracking that back to China. Ultimately, this is a foreign policy idea that ties back home. If you look at the history of Xi Jinping and his foreign policy statements, the belt and road was the big one in September and October 2013, but there was also a big foreign policy work conference in, I think, late 2013—I may be wrong—at which they talked about the importance of border diplomacy and the idea of relations with the immediate peripheral countries.

So I would argue that if you put those statements and the belt and road together as a concept, you start to get a feeling for it. The border countries, of course, are the most important ones, because they are the countries that are right next to China, so if something happens there it has the potential to have a direct impact back into China, which of course is then a huge central issue for the Government.

The idea is that you can start by developing all these and building up a network, strengthening all these powers and increasing your economic prosperity ultimately to increase economic prosperity back at home, but

then you can keep bringing that concept out. That is where the belt and road fits into it; it helps to continue that concept beyond China's immediate periphery and take it all the way over the Europe, for example,

Dr Monique Chu: So far, my colleagues have done a great job in emphasising some of the possible economic drivers behind the belt and road initiative. However, I want to emphasise two strategic motivations behind Xi's decision to launch this initiative.

The first is energy security motivation. China is now a net energy importer and it has faced two types of energy insecurity. One involves access to a sufficient and reliable supply of energy resources.

The second is a transportation security concern. I refer to the fact that the majority of the oil imports coming from the Middle East and Africa have to go through the Malacca Strait. This has created a Malacca dilemma for Chinese policymakers: the strait itself is not wide enough to be a reliable transfer route, and in times of war any hostile power can attempt to control the strait in order to jeopardise China's energy security. This energy security driver is something that we cannot overlook.

If you look at China's enhanced energy co-operation in central Asia and in other parts of the world that are energy producers as part of this big initiative, it makes a lot of sense to look at this specific strategic driver. It is something that we cannot really ignore.

Secondly, I want to highlight an argument of some Chinese scholars who interpret the initiative as a strategic necessity in response to Obama's 'pivot to Asia' strategy. In other words, when Obama made the announcement to try to shift the American strategic focus back to the Asia-Pacific region, some scholars in China argued that it would put enormous pressure on the shoulders of China as the US continued to strengthen its alliance relationships with its partners in east Asia. It was out of this strategic necessity that China would have to look elsewhere to increase its political and strategic influence in countries along the belt and road initiatives, which in general are away from the east Asia region.

Lord Hannay of Chiswick: We are still struggling to understand whether, when you say One Belt One Road is an "organising principle", you mean that there is a committee or a group in Beijing sitting down and designing this policy, or whether it is more of a branding operation, putting labels on aid projects that might otherwise exist anyway, and giving them a spin.

To what extent is the belt and road similar to the remark that the British Empire was acquired in a fit of absence of mind? Is China acquiring an empire in a fit of absence of mind and calling it the belt and road?

Raffaello Pantucci: I think that is the title of a book, right?

As to how it works, internally there is a leading small group that is headed by—it was Zhang Gaoli, but I have not quite figured out who the new person is who has taken it over. It is meant to be the central organising entity, the leading group that is meant to make the decisions about it. The actual organisation of what is meant to happen as part of the bigger concept is done by the NDRC, the National Development and Reform Commission. Each ministry has its part that it feeds in. The leading ones are the Ministry of Commerce and the Ministry of Foreign Affairs. That is the internal structure.

On my point about it being a central organising principle, I do not think that when Xi Jinping gave those speeches in Astana and Jakarta what flowed from them was a very specific plan of action for how to build this kind of road thing that goes out in every direction. It was more, “This is going to be our major idea in foreign policy”, and from that everything else flowed.

Some of that comes into specific projects that are being implemented on the ground. The China-Pakistan economic corridor is a good example of how it is being delivered in a specific way. It has been organised and delivered through this structure, and this particular project has a specific group, a joint co-ordinating committee, made up of Pakistan’s Ministry of Works and Planning and the NDRC as the lead. It determines what projects will happen as part of the CPEC.

Then we have all these other things, where people say, “This project that we are doing in Europe, which is about economics and trade, is also linked to the belt and road”. So that is the title that is used for the project, and it means that, within China, when they are trying to mobilise funding to deliver the project, it is easier to do because it is associated with the leader’s big idea and that that, within the bureaucracy, will help to shift and move things along.

Kathryn Rand: I would add that the belt and road has gone through as many names as the years it has existed for. It is important to look at the different names and why it has changed its names and acronym from “one belt, one road”, to the “belt and road initiative”, to “belt and road”. China is seeking soft power and its own identity on an international stage, but not under the current framework, which it views as benefiting western liberal democratic countries. It does not see itself as being able ultimately to thrive under that order.

It is also important to look at the alternative structures that China is now seeking to set up, which may create an alternative narrative. On things like standards, China’s approach to international standards when it comes to the belt and road is either Chinese standards or “each country to its own” level of standards, which will ultimately benefit the Chinese state-owned organisation that wants to go and set up somewhere. That makes it quicker to get the project off the ground, but it also means that they will face huge challenges on the environmental, community and social governance side of things. They are very aware of that.

It is about standards, but it is also about the legal system. China is aware of that. Under the international legal system, it prioritises funding international economic law, international environmental law and international law of the sea. Those are the areas in which China thinks it needs to win those arguments and to dominate the legal narrative.

We have also seen that China is contemplating setting up international commercial courts. Will they use Chinese law? There is a lot of concern out there about the way the Chinese legal system works and that it would benefit just Chinese companies. It is unlikely that you would shift most companies that use English law and that want a bit of neutrality to be involved, but that is the kind of thinking that we see now in relation to soft power and how China wants to bring in a Chinese way of doing things.

Lord Jopling: Can I ask you to speculate, as an example that I will give, on what the arguments might have been in favour of an investment the Chinese made in Jamaica when they built a 50-mile long dual carriageway toll road from Kingston, across the mountains and to the other side of the island? If you travel on it, you perhaps do not see more than four or five vehicles in either direction every mile. I cannot understand what the Chinese thoughts might have been in favour of doing it other than to sway the opinion of the Jamaican Government.

Raffaello Pantucci: I do not know about that specific project, and of course that every project has its own particular determinations.

I will offer some bigger ideas as to why we see some of these infrastructure projects happening in some countries. In some cases, we have to also remember that part of this, for all the reasons Kathryn mentioned, is about China identifying and defining itself on the world stage. Part of that is encouraging its companies to go out. There is an element of using this belt and road concept to keep big infrastructure companies—there are a lot in China—busy, so that they will go out. The company in question may have seen this particular project as one that it could deliver and persuaded the local government that it should take a loan from a Chinese policy bank ultimately to enable it to deliver something. That is a model for some of these projects.

These things sometimes happen because the Chinese Government want to curry particular favour, but that tends to be for more prestigious projects. The African Union centre in Addis Ababa was a gift from the Chinese, and in Tajikistan the presidential palace was built by the Chinese as a way to curry favour with the Government there.

In other places, it is a question of them going to the country to say, “We have the companies to do this kind of infrastructure. Our policy banks can offer you the loan to do it. Do you want to do it?” Then it is really up to the country to determine whether they would like that. Most Governments in developing countries will turn around and say yes, because having new roads may win you more votes at the next election and make you more

popular as a Government building up your country. But I do not know about that specific case, I must say.

Baroness Smith of Newnham: Just to elaborate on that, is there a sense in some of these developing countries that it is more attractive, not just because the Chinese say that they have the infrastructure capabilities and the money to lend, but because, unlike with the European Union or the United Kingdom, there is no sense of conditionality? Does that make a difference?

Dr Monique Chu: I totally agree with you. This can link to the general debate about the Chinese style of lending and whether there are any strings attached. I would assume that if I were a Head of State in one of these very poor south Asian countries, I would probably find the Chinese offer quite appealing if it did not come with any strings attached.

Raffaello Pantucci: The no-conditionality is attractive. The other one that we should also not forget is speed; the Chinese will deliver these things very quickly: "We can get this done in six months". The Government are immediately happier, whereas the West will come in say, "Well, we've got to do feasibility and then this and that". One questions whether they are cutting corners and whether safety has been totally factored in. That is also a reason why it is attractive.

The Chairman: Let me press you a shade further. There are the roads out of Nairobi; there are vast motorways out of Muscat into the middle of Oman with nobody on them, as Lord Jopling described. We have to be able to assess whether this is a sensible part of a sensible development, or whether somebody in China is driving it for political reasons. It is very hard to get a grip on this.

Can I press you a bit further on whether anybody is making money out of these projects? Are the Chinese going home commercially satisfied, or is somebody sitting in Beijing saying, "Well, never mind about the economics. Just carry on. It's good for China to be building and using our resources all over the world"? Give us a little more of a feel on that.

Raffaello Pantucci: Again, it varies from project to project. It is hard to make a universal statement about this, because so many projects are captured. In some countries, they have written off the debt where it has been clear that the Government have not been able to pay it back. That is not positive, because this is not intended to be a giant aid effort. These are not aid projects. China has now created an aid ministry, but this is investment. It sees this as its policy bank: lending money that it intends to try to get back. It has its companies delivering it. That is also beneficial to the system.

This is not just a giant Chinese give-away of money. There is a commercial imperative. In some cases, you question whether the economics of this have always been completely thought through. You wonder whether some of these countries have any capacity to pay back such debts and therefore what the calculus in Beijing is. In some cases, it

has turned around and demanded equity, or demanded mining rights in exchange when a country has been unable to meet its debt obligations. In other cases, it has written those debts off. It varies from project to project.

Q91 **Lord Jopling:** We have a growing flash point in the South China Sea and East China Sea with Chinese military developments in that area. To what extent do you recognise it as a future flashpoint in the short or medium term? How should the world community and UK in particular respond to these developments?

Kathryn Rand: I am probably more interested in answering the second part of that question. I am not a South China Sea expert, but I think that, when we look at the UK's and the world community's overall response to issues such as the South China Sea, including the DPRK, we see that it is less to do with thinking of it as a flashpoint and more with thinking whether we have a much more coherent strategy for dealing with some of the long-term issues that we face with China's rights.

There is a sense in the UK at the moment that we need to do something about the South China Sea and show that that we care, are engaged and are a global leader. We tend to start at what should probably be the end escalation point rather than going in at the very beginning and thinking, "What is our overall approach to China right now? How are we engaging across the gamut of issues from cybersecurity to standards? How are we strengthening our role as a global leader and asserting ourselves as what we want to be; that is, as global Britain?"

We have an important role to play working with our allies on matters such as the South China Sea, but it is more to with building that coherent narrative around there being value in a rules-based international system and having basic standards that we buy into and believe.

Dr Monique Chu: China and the other claimants of the South China Sea have tried to reach an agreement on how to mitigate conflicts in the South China Sea. Following the July 2016 ruling in The Hague, which essentially rejected the Chinese argument that it enjoys historical rights over most of the South China Sea, China basically ignored the ruling. It actually went further and militarised some artificial islands in the disputed waters.

Since then, tensions have in some ways persisted, and I can see them unfolding in the short term for the following reasons. On the one hand, I see no sign of the Chinese taking a step back from their newly gained assertiveness with regards to the South China Sea. On the other hand, the US is equally assertive in trying to hedge against the Chinese claims. Along with Britain, Australia and France, the US has conducted the Freedom of Navigation Operations. In fact, one of our frigates will pass through the South China Sea on its way back from Down Under. In the short term, I can see tensions escalating. Last Friday, a US navy destroyer came within 12 nautical miles of an artificial island that China has built in the South China Sea. Over the weekend, it was announced in

the Chinese state media that the Chinese air force and navy had just completed drills in the South China Sea to help develop their preparedness for war.

These are the short-term developments, but in the medium or long term I hope that there will be negotiations to find mutually acceptable conditions in which all the parties involved will try to reduce the prospect of conflict.

The Chairman: Is it a game with limits? Will they stop at what they call their own territory as defined by their 2,000 year-old rules, or will they go on provoking, needling Japan on things like the Senkaku Islands? Will it ever end? Is China going to be satisfied, or is it part of a general expansionism?

Dr Monique Chu: I wish I could conduct direct research interviews with President Xi Jinping, but I cannot, so my answer will be based on my educated guess. It is hard to imagine that China will back down from its new assertiveness in its foreign policy behaviours in almost every aspect that we have seen so far, both at the regional and global level. However, I assume that if Chinese leaders are rational actors, they would think carefully about the potential cost of launching a direct war with the US or its allies in the region, because both China and the US are strong nuclear powers.

In addition, Chinese economic integration at the regional and global level has deepened over time. Chinese leaders have to think carefully about whether they want to carry their point so far as to lead to an open, armed conflict with the US, which means mutually assured destruction in economic terms. That would not be very beneficial to the Chinese Communist Party, because it is obsessed with the idea of sustained economic growth, which, after all, is the major source of the party's legitimacy.

Q92 **Lord Purvis of Tweed:** As an aside, and coming back to Baroness Smith's and Lord Jopling's questions, in previous sessions with witnesses we have heard that conditionality often comes after Chinese support for infrastructure investment. I understand that the Jamaica highway is scheduled to be with hotels and state-owned casinos. I saw in Cape Verde last year the Chinese building a new parliament and the high-school estate, with planning permission for a state-owned casino and hotels and fishing concessions as conditionality. They were agreed about a year after their generously constructing a new parliament building.

I want to move back to Mr Pantucci's comments on central Asia and the Shanghai Cooperation Organisation. Its website states: "The SCO's main goals are ... mutual trust and neighbourliness ... cooperation in politics, trade, the economy, research, technology and culture ... education, energy, transport, tourism, environmental protection ... ensure peace, security and stability"—not much is left out—"and moving towards the establishment of a democratic, fair and rational new international political and economic order".

How does China see the SCO as an institution? Does it just pay lip service to something like this, so that it can carry on with its bilateral investments and partnerships, or is this, in China's view, an emerging competitor to other elements of the rules-based order?

Raffaello Pantucci: I was at a workshop last week in Beijing looking at Afghanistan in particular, and the question of the SCO came up. One thing that I found funny about it was that if you are sitting in a Chinese context and talking to Chinese experts about the SCO and what it could and should do, you get a very different perspective from the one you get if you are sitting either in central Asia or in Moscow, or now in Pakistan or India—the other additional members.

My sense in Beijing has always been that the SCO is an idea. It is nice to have a forum for engaging with everyone in this way, and everyone has a veto power over it, which is why it does not do a huge amount of anything. It has a secretariat in Beijing and a centre in Tashkent that focuses on counterterrorism. It holds meetings, regular engagements, at which it brings everyone together. It has created a scheme for SCO member states that is similar to the Erasmus scheme in universities here in Europe, and it has created other soft things like that, but it does not actually do a huge amount. It cannot do a huge amount, because the members do not all agree on what should be done.

The Chinese have for a long time been advancing the idea of creating an SCO development bank or some sort of SCO fund, which would basically be a way for China to funnel its money in a new, multilateral way into this part of the world. That has been blocked, initially by the Uzbeks, who were a bit concerned about it, but now is increasingly by Russia, which really does not like the fact that the SCO has allowed China to slowly dominate in a whole range of other places as well.

The point from Beijing's perspective is that China is being pushed on both at the same time. You do the multilaterals, which will show that you are engaging and doing everything together, but what has always struck me about SCO meetings is that the Heads of State all get together but then they all have the bilaterals, and my understanding is that it is at the bilaterals where everything gets done. It is where the Chinese will advance what their specific interests are in that country on whatever the particular issue is.

From their perspective, the SCO is an idea, another umbrella—I hate to overuse that analogy—a multilateral organisation that they can use, but ultimately they get their business done at a bilateral level. From my perspective, that has always been the case, and in some ways the SCO has been the indicator of that.

Now, China does not really see the SCO as the primary vehicle, for two reasons. One was the decision to allow India and Pakistan to join together, which was clearly a balance of power effort, because the Russians were pushing for the Indians to join, and if the Indians are going to join you have to let the Pakistanis in, who are China's friends, so

that was always a requirement. China would have liked it if neither of them had joined, frankly, because then it would have been able to control the organisation better. Now, it has become much more incoherent. Now they have come in, it is hard to see how this organisation will make any serious, difficult decisions going forward because of this fundamental clash.

The other reason was that, late last year, a quadrilateral group was created with Tajikistan, Afghanistan, China and Pakistan—the QCCM. It is a specific border effort. The chiefs of military staff of all those four countries will meet up to talk about border-control issues along the Wakhan Corridor with central Asia, Afghanistan, Pakistan and China. My understanding is that this was not done with Russian consent, which is interesting, because of course Tajikistan is a member of the Collective Security Treaty Organization, which is the NATO equivalent in that part of the world. It would be like a NATO member joining a completely different military alliance without bothering to tell anyone else that they were going to do that. That there are such potentially strategic consequences there is quite interesting.

The creation of that group shows how, from China's perspective, the SCO is clearly not the vehicle that will deliver any hard-power capability in central Asia, particularly in relation to its interests in Afghanistan. It is difficult to understand why, when one of the biggest hard-power issues that the SCO will face is Afghanistan and what is going on there. The fact that China felt that it had to create a different multilateral format to deal with this particular problem shows the degree to which it does not put a huge amount of faith in the other one.

Kathryn Rand: I absolutely agree with what Raff has been saying. I would frame it in the slightly bigger context of where organisations such as the SCO fit in.

China has a multipronged approach to foreign policy that is not coherent. It can have a system, because it has the capacity to do so right now, where it engages with the WTO and it tries to unwind the UN Human Rights Council—and human rights was one that was missing from the list. It has a system where it can develop as many bilateral investment treaties as possible; it has the second most in the world after Germany, I think. It can have a system where it engages in huge development projects. There are all these things, which are often in conflict when you try to bring them together.

The belt and road is a classic example. Is there a central organising principle behind it? There is a central organising political doctrine behind it, but the way it plays out is very different depending on the circumstances. China will measure success by what we are talking about in these kinds of meetings in 10 or 15 years' time. Are we still asking, "Is China going to expand further into these countries?" or do we just accept that these are now China's borders and that it has shifted the narrative on what the normal is.

That is what China is doing. It will see which one works and it will continue to do that until we come up with a more coherent way of engaging with it.

Lord Hannay of Chiswick: Are you saying that when the lip service that China pays to the rules-based international order bumps up against China's national interests—that was the case, of course, in the South China Sea, where, if you believed what China said about backing the rules-based international order, it ought to have accepted the ruling in The Hague, but it did not; and you say that, in central Asia Law of the sea, China's attachment to an organisation which it had a lot to do with setting up, the Shanghai Cooperation Organisation, is really pretty shallow, particularly since that organisation is fated to have a power dispute within it between Russia and China—China's view of its own national interests will always conquer the rules-based order?

Kathryn Rand: I would not necessarily think of it as always conquering the rules-based rules; rather, that when China weighs up its national interests and whether or not it is in conflict or can live within the rules-based international system, if it can live within the rules-based international system, that is China's preference, going back to what Monique said about the economic cost. China sees its long-term strength and stability deriving from its economic power, and that is the party's ultimate driving force: to stay in power, based on the legitimacy that it provides by economic growth.

If it can do so within the system, great. However, if it needs to reform the system based on its interests, why would it not do that? We can look at some very good examples. China looked to the IMF and thought that it was not fair towards China, and the IMF thought that China would not reform in a rapid enough fashion, so China set up an alternative. I think we will see those kinds of approaches continue.

The Hague ruling is one of the most overt examples of China disregarding. But we are now faced with new challenges and we need to look at creating international frameworks for dealing with things like cybersecurity. How cyber fits into the rules-based international system is really important and we need to think about how we engage with one of the most technologically advanced powers.

The Chairman: I am afraid we are running out of time, but we still have two big questions to put to you. Baroness Coussins has one of them.

Q93 **Baroness Coussins:** My question follows on very neatly from your last remarks and is about the impact of the dramatic expansion in China's technological capacity, and how significantly and in what ways you think this is affecting China's political and military power, whether we are talking about foreign imported technologies or the development of domestic technical capacity.

Dr Monique Chu: My short answer to your question is that the Chinese leadership is very much aware of the potential importance of China's

technological development and its contribution to the increase of China's military power. If you look back, countries throughout history have endeavoured to develop new and advanced technologies to achieve their military advantage, and China is of no exception.

I will highlight a few areas in which China's growth in these potential technological areas will contribute directly to the growth of China's military power.

The first is China's endeavours to develop a very strong semiconductor industry at home. Semiconductors are the basic building blocks of modern electronic systems today, and they are dual-use; they can appear in your iPhones and your tablets. But they also appear in missile systems and unmanned aviation vehicles. And Chinese officials are very much aware of the economic as well as the military importance of having a strong industrial base at home. So the government-led efforts in this regard can in turn really help the growth of the PLA's conventional and unconventional capabilities.

Another area I want to highlight is China's vast investment in quantum technologies in recent years. This has been identified by the Pentagon as one of the most important emerging technologies, and any country that wants to lead the next military race will have to try to enjoy first-mover advantage in this particular area. So China, with its pertinent state-driven heavy investment and the utilisation of its fast-growing resources from the civilian economy at home, has the potential to create golden opportunities in leading in quantum technologies that can benefit the Chinese military.

However, the US still leads in military terms, as well as in quantum technologies and artificial intelligence; it still has a very strong private sector, with very able firms able to lead in the pertinent fields. Nevertheless, there is potential out there for China to outperform its American counterparts. And if that day comes, we are likely to see a very important shift in the balance of power.

Q94 The Chairman: I am afraid that we have run out of time. I do apologise. This is the last and biggest question, and there is no time to answer it.

You have described how China's security interests are expanding and its trade interests are spreading. What are the headlines of how here, in the United Kingdom, we react to all this? Do we still have a toehold of influence in Hong Kong? Are there new arrangements that we should be setting up?

Raffaello Pantucci: The UK needs to focus its interest in some way and try to figure out where that interest lies and how China is having a changing impact in these places and engaging in them specifically. That question is different in different parts of the world, but there has to be that micro-targeted approach.

The UK clearly still has some kind of influence and an influential role in Hong Kong. A bank such as HSBC, which is still a British bank, has a

huge interest there. There is still some sort of foothold, and Britain's financial markets still make it a very important player internationally for China. But the UK has to think, "Okay, this Chinese expansion outwards is happening". Just saying, "We must shout about it", "Ignore it", "Stop it", "Push back on it", will not work because it is going to happen, because these countries are being approached by a very big power that is offering them quite reasonable loans to build the infrastructure that they want.

How do we engage with that? How do we make sure that we are shaping that in the correct way? That is about engaging in Beijing as these companies go out, but also about engaging on the ground in different countries.

The Chairman: Dr Chu and Kathryn Rand, would you like to say a last word on that? It is the main question for us.

Kathryn Rand: From my perspective, I would echo what Raff says about identifying our interests. I see quite a lot in the UK's policy towards China that is very responsive; it is very much about asking "What is a flashpoint issue?" "How are we going to deal with this particular situation?" I do not think that China experts really got China wrong. I just do not think they were particularly listened to. I do not think that the UK has given bandwidth to dealing with China comprehensively, which is what we need to do going forward.

We have a duty towards Hong Kong; it is a big part of our overall relationship with China. But it is not just about Hong Kong; it is about how all these issues fit together and whether we can clearly tell China what our interests and our red lines are. At the moment, the UK's policy seems to be driven by a responsiveness to China's rise as opposed to a sense of where the UK sees itself in the future and what our global leadership is.

Dr Monique Chu: China is viewed by Britain as a golden opportunity in a post-Brexit world. However, if Britain is serious about its embrace of its ideals and norms, such as human rights, respect for international law and the rules of law, diplomats and officials here should think carefully about the different facets of China today. China is not just a business opportunity. It is still an authoritarian state with a vast array of values and norms that are probably very different from ours. So how do we deal with this rising power in Asia?

Finally, where does Britain stand at a global level in a post-Brexit world? Does Britain remain relevant in the Asia-Pacific region? If the answer is yes, we have to do a lot of soul searching to come up with a wide range of toolkits with which we can really deal with China in a nuanced way.

The Chairman: We would like to go on questioning you. The Committee is longing to ask more questions, but we are completely out of time. We have another team to work with today, so all I can say at this stage is that you have, through your vast expertise, added to our understanding.

There is no total clarity on everything, but there are as many questions as there are answers. Thank you very much for your time. We are very appreciative of your efforts in answering our questions. Thank you very much.

Examination of witnesses

Professor Rosemary Foot and Professor Katherine Morton.

Q95 **The Chairman:** Good morning, Professor Morton and Professor Foot. We are extremely grateful to you for sparing time. Apologies for having kept you waiting. I am formally required to remind you that this session is completely on the record, so there will be a typescript afterwards that you can alter if it does not represent your views. Again, I remind my colleagues that if they have relevant interests in pursuing certain questions, they should declare them. I think you are familiar with what we are trying to do, which is to see how the UK, in this digitalised, information-sodden world, needs to adjust its foreign policy implementation, instruments and priorities.

To get to that question, we have to ask a preliminary question: what is actually happening to cause this revolutionary change in the international milieu? Of course, in the centre of that phenomenon is the amazing rise of China during the past 30, 40 or 50 years to a central role in economy, energy and, increasingly, security and diplomacy.

My first question is rather general. We now see China present everywhere, economically and to some extent in security terms, as well in cyber terms. It is popping up on every island in the south Pacific and the Caribbean. We see the Chinese in the Indian sub-continent. We see them all over Africa. We see their money and investment everywhere, right up to our own front door.

Is this a new global role for this gigantic country, and what are its characteristics going to be? Will we be presented with a challenge to our western model of liberal values, or will we settle down to an uneasy truce? I am sorry that the question is so general, but this is where we have to start.

Professor Katherine Morton: Thank you, Lord Chairman, for inviting me to provide evidence for you this morning. I declare that I am a specialist adviser to the Foreign Affairs Committee for the inquiry into China and the rules-based international system.

One way to start this is by referring to three fundamental points about China's relations with the international liberal-based order. The first is that there is a co-dependency. Yes, it is true that China's strategic, political and economic power is expanding. That is translating into more political leverage in international rule making. There is also a reverse dynamic at play in which the deepening of China into the global economy means that it also has a lot to gain from that order, too. On balance, it has been a net benefit for China. It has had many gains from this.

The second point refers to China's global ambition and how we understand it. It is important to say from the outset that China's political latitude to act unilaterally has its limits. It is important not to exaggerate China's rising power within the international order.

The third point goes to global governance. Until quite recently, China has been quite sceptical of the whole idea of global governance, because it essentially appears to be an expression of democratic values. Obviously, it has been very wary about that. Recently, under Xi Jinping, we have seen a changing mind set and a much greater willingness to accept the idea of global governance—I should say, on China's terms—to be a supplier of public goods and to become more involved in the United Nations, crossing an important threshold by sending combat troops out to peacekeeping missions. In one way, that is about China looking for a position commensurate with its global power. It is about promoting an image of a responsible power within the international system.

There is also an ideological undercurrent in the sense that political changes have been taking place inside China that mean that there is now more urgency in the historic mission for China to find its rightful place on the world stage. The question of how you navigate some of these tensions will be increasingly important for the UK.

The Chairman: Thank you. Professor Foot, would you like to give us your general assessment—in headline terms, because we will go into the details in a moment—in answer to my question?

Professor Rosemary Foot: There is much that I agree with in what Kathy has said. I pick up to some degree the co-dependency argument and China's concern about being seen as, if you like, a responsible great power in its own terms, and therefore desirous of projecting its policies. Its role in UN peace operations or its creation of the infrastructure investment bank and the belt and road initiative should be seen both in terms of China's interests and in its positioning of itself as a great power in a world that it sees as essentially being made up of great powers that have the primary governance role in the system.

The Chinese advance a very state-based view of the world, I would say. China's interest in certain kinds of organisations rather than others depends to some degree on the extent to which the state itself plays a central role within those institutions. Therefore, it is reluctant to see any weakening of the state role. In the Human Rights Council, for example, it will try to narrow the space for non-governmental organisations to present information about state violations of human rights and the like.

The overall view is to put forward a narrative the idea that development is key, that development is vital to strong state-society relations, and therefore vital to individual national security; but beyond that if you have developed states of a particular kind you will get a stable, state-based world order.

There is a narrative that provides coherence to Chinese behaviour, or central government behaviour, which is that the creation of the strong state is vital, both to individual state security and to creating a stable world order. It may not be a just world order and it may not be a world in which individual human security is particularly protected, but it is a world order that the Chinese would regard as preferable to one that they would describe—for example, as in the 1990s and 2000s—as involving more interventionist activity, on the part of western powers in particular.

Q96 Lord Jopling: We have seen a dramatic decline recently in United States and China relations. Do you see this as likely to get worse in future, and do you see any role for the United Kingdom in trying to soften the tension that has recently built up between the two?

Professor Rosemary Foot: It is the key relationship when it comes to interstate relations, and it is one that to some degree has been difficult to interpret with the advent of the Trump Administration, and President Trump in particular, in part because he has praised Xi Jinping with the idea that the relationship is a strong personal one; yet he has made a series of moves that indicate a willingness to challenge China. We heard in the previous session about the South China Sea and the freedom of navigation operations, and of course we have read about the economic relationship.

This is a key relationship, not only because they are both nuclear weapon states but because we are talking about the first and second largest economies in the world. So if this goes wrong it goes wrong for all of us, essentially. That does not mean that this relationship cannot be stabilised and managed; I am not of the opinion that there is an inevitable war between the United States and China in train.

We have read and heard extensively about the so-called 'Thucydides trap': that when you have a dissatisfied rising power challenging the hegemonic status quo power, conflict arises. In historical terms, we have often seen conflict resulting. That argument has been promoted very strongly in our media, in the academy and, I am sure, in venues in which you have participated. I am not of that view, because I think there are actions that Governments can take to ameliorate those kinds of conditions.

The economic interdependence between the United States and China has provided the glue and the stability that we have all benefited from, and the Chinese have themselves hugely benefited. This economic relationship is obviously under some kind of challenge at the moment, but one notices that there is not simply a tit for tat response in the US-China relationship.

We see evidence that they are seeking to find a way of managing the tensions that have arisen on the economic side, particularly with the trading deficit. That management strategy has been a very prominent part of the US-China relationship for decades. There are ups and downs. I am not trying to be a Pollyanna about this; there are serious elements in

this relationship that require constant negotiation and constant watchfulness.

That is the role that the UK can play. It is extremely important for the UK to remind both sides how consequential a good, strong and stable relationship between the two is for all of us and to remind the United States in particular that this is not a challenge across the board by China to the so-called rules-based order; it is a challenge in particular areas. There should be mechanisms in place for attempting to manage the relationship between the two most important states in the international system.

Professor Katherine Morton: I agree with a lot of what Rosemary has said.

I would add that you also see worrying trends in that relationship. It is very often described as a mix of competition and co-operation. The question is: where does the balance lie? It seems to me that there is more of a shift towards competition as it currently stands. Some of those worrying trends seem to lie at the level of perception. First, there are differing perceptions of what constitutes a level playing field in the economic arena. That is obvious to see. My sense is that these tensions are likely to become exacerbated over time as China lays more emphasis on its industrial policy and innovation, as tensions over intellectual property rights and so on are likely to arise, despite the changes taking place inside China.

Secondly, there are differing threat perceptions, particularly at the regional level. The US sees itself as a stabilising force in the region, and of course sees North Korea as the primary and immediate threat, whereas, for China, the primary threat is the Taiwan Strait and defending the maritime periphery.

The question is the extent to which these two powers will be able to arrive at some kind of accommodation and more equitable strategic relationship. My worry is that at the moment there seems to be no new policy agenda able to offset those rising tensions between Xi Jinping and President Trump.

Lord Grocott: You have moved on to North Korea, which is a pretty dramatic aspect of Chinese-US relations. The position has been frozen for a long time with respect to the US-South Korea and China-North Korea, and a frontier that does not seem to shift much. It is controlled hostility, or however you want to describe it.

The question now has to be whether you see any flexibility on China's part with regard to resolving this problem—if it sees it as a problem that it wants to resolve? Or are the boundaries between the two mega powers and North Korea and South Korea frozen, essentially, and not likely to change much?

Professor Katherine Morton: Yes, there is some flexibility. Chinese foreign policy tends to have an inbuilt flexible mechanism. That is one way in which it works.

On North Korea from the Chinese side, there is support for denuclearisation. The question is how you go about it. That is the difference. There is agreement on the problem. The question is what you do about it.

On the Chinese side, there has traditionally been much more focus on the economics. Of course, the Chinese approach is the setting-up of special economic zones et cetera in the hope that, over time, North Korea will become more normalised on the basis of the Chinese model. The Chinese experience has been really important in how China approaches the North Korean problem. More recently, we have seen willingness on the China side to support strong sanctions; we have seen positive developments on that score between China and the UN Security Council. The issue there, of course, is how far you take it. The lines are different when it comes to how far you move on the sanctions.

The Chairman: Professor Foot, what is the North Korean issue? Will it divide or unite America and China?

Professor Rosemary Foot: I think that both sides have recognised for a long time, not just this Administration but the Obama Administration before it, that North Korea is an area where they have to some degree worked together, even though their interests have not entirely aligned; one would not expect them to entirely align.

On the Chinese side, there have been three things underpinning the policy: they do not want the collapse of the north and instability in their own north-eastern region; they do not want South Korea to take over the north—a South Korea allied with the United States with troops on the Chinese border; and they do not want a nuclear North Korea either, although that is where we are at the moment.

Within that broad framework, they have sought various ways of trying to advance their goals and interests. This has meant that the sanctions policy for them has had to be calibrated: in other words, not so firm that the collapse of the north is almost inevitable, but nevertheless an indication that they are displeased with the policies that the north has been enacting.

Also, of course, over the years China's policy has included a good relationship with South Korea. It has been a difficult relationship at times, particularly over the ballistic missile defence systems and so on that the South Koreans have considered putting in place, but in general it has been quite a strong and developed relationship, particularly on the economic side. There is room for manoeuvre in particular aspects of China's policy.

One of the most striking developments, indicating flexibility to me, was a discussion in China last year about contingency planning, were the north to continue with its programme or were it to collapse. It was a discussion held at the academic level. Nevertheless, we believe that it would not have been allowed to flourish if the Government were not willing to think about these things and perhaps use them as another tool to impress on the north that China is serious in the interests it wishes to promote.

It was contingency planning: what would happen to North Korea's nuclear capacity were the north to collapse? What would happen were there to be an outbreak of civil hostilities on the peninsula? What would China do with South Korea? What would it do with the United States? So there is flexibility within that broad, three-point position that I laid out at the start.

Lord Hannay of Chiswick: Would you agree that one of the nightmares for China would be if Japan and South Korea acquired nuclear weapons? To what extent will that be a motivating factor in making the Chinese take a rather more robust line with North Korea than they would otherwise do if they were still dominated by the primary concern of avoiding North Korea collapsing?

Professor Rosemary Foot: That is part of a range of interests that they have. They certainly do not want a Japan that goes nuclear or a South Korea that acquires nuclear capacity. All these things have been talked about in Japan and South Korea. That might extend to Taiwan, too. That is the other fear of the Chinese.

It is on the list of topics that serve to strengthen the Chinese desire to constrain North Korea in its programme and activities, but the overriding one is, probably, the fear of collapse, because they realise that while there is a robust discussion inside Japan about nuclear weapons that includes whether Japan could ever accept its position as a nuclear weapons state given past history, and so on. It has been a contentious issue in South Korea as well. It is certainly part of the Chinese calculation, but perhaps not at the very top.

Professor Katherine Morton: Going back to my earlier point about perceptions, this question goes to the core issue of different perceptions of what stability in the region means. Very often, the Chinese contest the American point of view that having a strong American presence in the region will reduce the likelihood of Japan and other states having nuclear weapons.

The Chinese tend not to buy that argument, because they have a different idea of what stability should look like. It is the whole narrative of peaceful development et cetera and their willingness to support nuclear-free zones around the world, which is very different from the American position.

The Chairman: Let us move on to another challenge in the region: Russia.

Q97 **Lord Balfe:** I want to move on to the issue of the northern border, where Russia and China share a near abroad, much of it through the Shanghai Cooperation Organisation, although not, I note, Mongolia, which is a big country in between.

To what extent do strains come into this relationship, which has been pronounced as one of friendship, with increasing Chinese involvement in the former Soviet republics? Would you like to comment on the current balance and the possibility of strains with Russia becoming greater? Russia's relations with China have always been a little tense and not always as straightforward as we often pretended. They were two communist states, but in fact they were two different states with a common ideology but a very different way of interpreting it.

Professor Katherine Morton: I agree with you about the appearance of common ground and yet the differing perception and interpretation of what that constitutes.

Simply put, there is a stronger alignment at the geostrategic level on support for a multipolar world, although, again, that will be interpreted differently on either side. China tends to be less directly confrontational with the United States and less confrontational in its anti-western discourse, which is much more internally rather than externally orientated, to give just two examples.

Also, there is more alignment on national security, which goes back to the colour revolutions in Georgia and Ukraine in 2003 and 2004. This affected developments inside China, because it reinforced the concern about western states undermining the economic and political system within China. It of course led to crackdowns on civil society development as well, yet you can also see ways in which this is not at all a united front.

The Russian annexation of Crimea is a very good example. You can talk about sitting on the fence, but that put China in a really uncomfortable position, because it confronted China's two cherished principles in its foreign policy: territorial integrity and non-interference in other states.

You mentioned the SCO, which it is very important to look at closely, because it is representative of a different kind of regional multilateralism. Many of these shared, overlapping but also diverse interests are managed within that framework, which we can see now with the development through the belt and road initiative. The tension there, of course, is that the belt through Central Asia goes through traditional Russian spheres of influence.

Lord Balfe: Do you think it is tilting them more towards China?

Professor Katherine Morton: There is obviously an asymmetry economically, and it seems that there is wariness on the Russian side about not wanting China to have the upper hand. It is a really difficult relationship to manage, and we should not underestimate how difficult it

is. Both these countries are very good at image building, but what goes on below the radar, at the subterranean level, is very different.

Professor Rosemary Foot: I will reinforce a couple of things that Kathy said regarding this fear of an interventionist West. It developed very strongly from the 1990s with, for example, NATO intervention in Kosovo and then the Iraq intervention in 2003, which was outside the purview of the UN Security Council, and the colour revolutions that Kathy mentioned.

That era provided a very strong coincidence of interest and cemented to some degree this relationship and the central coincidence of interest that underpins it. I agree with Kathy about the asymmetrical aspects of this relationship; the former Soviet Union view of itself was as a great power, but as Russia it is in many respects in demographic and economic decline, whereas there is a resurgent, rejuvenated China that in many ways calls the shots in parts of Russia's border regions.

That is an uncomfortable dynamic and a very difficult one to handle. It is interesting to see how the Chinese were able to cement an energy deal with Russia at a time when Russia had come under extreme pressure from the West and sanctions as a result of intervention in Georgia and Crimea. China used that point in order to strike a better deal for itself. That kind of thing adds to the underlying unease that the Russians may feel in relation to the asymmetry in this relationship.

The Chairman: Is there a new great game emerging here? There is Xi Jinping saying that he wants a new partnership between China and India; there are Russia's interests in central Asia, which are just as strong as, and indeed colliding with, China's; and of course there is America trying to form a new Asian policy of some kind, which I suppose is to keep China at bay.

Is that the pattern that we will see emerging in security and in major alliances in the future, or will China and Russia cling together?

Professor Rosemary Foot: To look at this through Chinese eyes, I see a China that is conducting a policy that is perfectly understandable in many ways: it wishes to secure its peripheral relations. The key goals of China are to maintain national unity, territorial integrity, internal stability and productive, stable relationships on its borders.

India stands out as one country that is a problem for China. This is partly because it is a long-standing rivalry, with Pakistan at its centre, but it is a move on the part of China to see whether there is any possibility of developing if not a close relationship then some kind of stable and productive relationship with India. What would that mean? What would be the minimum that they would have to agree? The border dispute is of course the big issue that remains to be solved.

We also see India standing out against the belt and road initiative. It is very concerned about what that might mean for Chinese influence in

south Asia. We like to impose a grand strategic vision on this, but it is not easy. It is a set of relations that China wishes to solidify in order that it feels secure in its peripheral relationships.

Lord Balfe: May I follow up one small point very quickly? The recent change of government in Nepal appears to have worsened relations between China and India.

Professor Rosemary Foot: Yes, because India sees everything through this lens of Chinese influence.

Lord Balfe: They see the new Nepalese Government as leaning more towards China.

Professor Rosemary Foot: Yes. So there is a series of challenges that this relationship faces. On one hand, both see themselves as major states in the system, with civilizational status and with an important role in world politics that they have had for a very long time and which is growing in the current era. But there is also a series of points of conflict that make it very difficult to stabilise and move this relationship forward.

Professor Katherine Morton: I would like to add a point on the Chinese world view and how it acts upon it, because that is critical. China sees the chess board at play. It essentially has a traditional, realist world view, but it is increasingly confident that it can act in ways in which it can bring about changes on its own terms.

It has a very different approach to international relations, which it is now trying to promote. This goes back to what Rosemary was saying. There is the new major-power relationship with the United States, which has not really worked out well, but that does not mean that it cannot project a different way of doing international relations in other parts of the world, based on civilizational norms, rather than liberal norms, and on much higher levels of informality.

You mentioned Nepal, which is quite a good case in point because it is seen in Kathmandu as the "yam between two rocks". The Chinese have been very careful about how they deal with Nepal by not going in too hard, trying to negotiate carefully and being aware of the issues of sphere of influence and so on that it has to deal with.

Lord Jopling: It seems to me that both China and Russia are trying to create organisations to extend their regional influence—Russia with the Eurasian Economic Community and China with the SCO. Where there is an overlap—I am thinking particularly of Kazakhstan; I cannot remember whether Uzbekistan is in the EEC, but if it is not there is certainly a lot of Russian influence in the other -stans, including Tajikistan, where I have been—how does the competition in these overlap areas manifest itself where they are both competing against each other to enhance their regional domination?

Professor Rosemary Foot: I would go back to some of the points that Raffaello made in the previous session: these are not necessarily

demanding organisations; they are venues in which to explore a particular discourse about the way international relations are best promoted. They are organisations essentially that can do some minor moves, such as joint training of forces, exchanging environmental information or trying to rebuild stronger economic relationships. They have specific low-level goals that are not particularly demanding on the individual players within the system.

I do not see them as the source of the rivalries that may exist between China and Russia, or China and India and the like. They participate in these organisations; they are based very much on consensus. They are not binding organisations in any sense; there is no pooling of sovereignty of any kind. They do not demand the same level of commitment that we are used to in Europe and the West more broadly.

We live in an era of international organisations. That has come in part because we live in such an interdependent world; we live in this interdependent global space. One of the great features of the post-1945 order, and in Asia of the post-1990s order, has been the creation of regional organisations to examine particular functional areas. In some senses, it is a trend of the times, but I do not see such organisations as sites of major competition. I do not know whether Katherine would agree. Academics do not necessarily always agree

Professor Katherine Morton: It is fairly indicative that the declaration of the belt and road in 2013 was made in Kazakhstan. It is important to note that China began working with its central Asian neighbours by renegotiating borders after the fall of the Soviet Union. It is important to understand not only how these organisations overlap and compete but their evolution and trajectory, particularly in the case of the SCO: how it has evolved from being all about border security in the beginning to being about counterterrorism and now increasingly about economic development. That is very much the push coming from the China side.

As you trace these priorities, it gives you some sense of where the balance of power lies in who sets the agenda.

Q98 Lord Hannay of Chiswick: Could we look at what I would call the central international organisations, such as the United Nations, the World Trade Organization, the International Monetary Fund and the World Bank, and China's role in them?

To what extent can China be looked at in the medium and long term as a good partner in those organisations? The Chinese, after all, are nothing if they do not see things in the long term. Do they have a major investment in the success of these organisations that would make it worth while for countries such as the UK and the West in general to engage with them across the whole range of things that the UN, the WTO and the IMF do?

I think you have already answered the second part of the question that I was going to ask. The Shanghai Cooperation Organisation and even the Asian Infrastructure Investment Bank are not really central to China's place in global, multilateral organisations; they are much more a kind of

regional add-on. I think you answered—perhaps the word “disparagingly” is wrong—that China did not really think that the Shanghai Cooperation Organisation was the big game. Could you say something about China’s role in the major global institutions?

Professor Rosemary Foot: In very broad terms, China has been at times a difficult but often a reasonable partner in the central organisations of the post-1945 world. China states that the United Nations is the most authoritative, representative and important international organisation that we have and that it cherishes the UN charter.

China asked for a larger voice in the IMF and the World Bank, as was mentioned in the earlier session. If it had been granted that rather sooner, we may not have had the AIIB. The AIIB, in its early projects, is already working with well-established international organisations such as the World Bank and the Asian Development Bank and is therefore to some degree subject to the lending conditions of those banks. The AIIB as a Chinese-led effort becomes part of a much broader global consideration. If one looks inside these organisations, one will probably find a particular narrative and a set of policies that one might describe as something of a challenge to the liberal aspects of the international order.

I have been working on the United Nations recently and the idea of human protection. In the Human Rights Council, for example, the Chinese are using within the UN system the more powerful economic weight of their contributions both to UN peace operations and to the broader UN budget to try to restrict the Office of the High Commissioner for Human Rights and to prevent UN peace operations spending what the Chinese would regard as a significant part of their budget on the human rights aspects of those peace operations.

China would like to constrain those liberal aspects of the international order as much as possible. I do not think that those things receive enough attention. I am certain that the UK Foreign Office, particularly those who work on the UN, are very aware of what has been happening. It is difficult for the United Nations, because, on the one hand, China has emerged as the second-largest contributor to the UN peace operations’ budget, which is very valuable—it contributes more peacekeeping troops than the rest of the P5 put together—so it realises that it has a certain amount of leverage.

On the other hand, it wishes to shape those operations, particularly the human protection elements of the UN, and to return it in a sense to a 1970s version with a narrower definition of what represents a threat to international peace and security. Large-scale violations of human rights as contained within the idea of responsibility to protect is something that China would like to side-line to some degree.

So, broadly, it is a reasonable partner, but one goes into these things with eyes wide open and looks at the more specific, quieter aspects.

Lord Hannay of Chiswick: Is it a variation of having your cake and eating it?

Professor Rosemary Foot: Is it? As I say, it is a vision of the United Nations, which is a very positive one, and one that we would be familiar with from the 1970 and 1980s.

Baroness Coussins: You said earlier, Professor Foot, that one thing that China has tried to do, or has succeeded in doing, at the UN Human Rights Council is to squeeze out the role of the NGOs. What has been the response to those attempts by the UK or other member states?

Professor Rosemary Foot: There have been a number of presidential statements and resolutions in the Human Rights Council. There has been a resolution on human rights defenders, through which the UK and its regular partners plus various Latin American and African states have tried to protect the NGO role within the Human Rights Council.

The Chinese have used their economic leverage and political influence with other states to build coalitions of support. Sometimes they join and lead what is called a like-minded group to operate within the Council to try to promote certain ideas and constraints of the kind I outlined. But they do not always succeed. It is very interesting to look across a range of resolutions; sometimes they succeed and sometimes they do not.

There was a resolution on the right to development. China's argument inside the Human Rights Council is that development is the basis from which all other human rights will flow. Again, this is promoted much more under Xi Jinping than would have been true in the past. So the right to develop is absolutely crucial in China's view.

As a result of negotiation, that resolution went through, but it included language about the indivisibility of human rights and that one should not engage in development at the expense of the human rights of particular communities or individuals. There is pushback, but one has to be aware of this.

Q99 **Baroness Coussins:** Turning to the internet and cyberspace more generally, we have heard from previous witnesses to our inquiry that there are conflicting views as to whether the regulatory regime requires whole new international organisations and sets of rules or whether existing regulation can be easily adapted. Where does China stand on this? What is its position on this? And what are the implications for the prospects for regulating the internet and cyberspace, particularly in the context of increasing global security threats?

Professor Katherine Morton: I will take my cue from an earlier question. I see China as quite a transactional actor in multilateral institutions. It is therefore fairly selective, and if we really want to understand China's approach it is necessary to have the depth of vision that Rosemary has just provided on the human rights side. You can go across all different policy areas and see different behaviour. That is why it is so difficult to get our head around the whole picture.

The areas that relate to your specific question are those where the rules are not yet determined. There are a number of those spaces, and cyber is one of them. That relates directly to developments taking place in China today. A cybersecurity law came into effect last year that essentially demonstrates the degree of control in China over internet expression and the degree of surveillance that there is.

The issue is that some of that is legitimate defence against cyberattacks, but it is dual use for the purpose of control. As in many Chinese laws, the definition of cybersecurity is loose. The critical infrastructure includes finance and transport, as you would imagine, but it also includes the livelihoods of Chinese citizens and the localisation of data.

Bringing this up to the level of global governance, it means that it will be extremely difficult to reconcile these positions—the Chinese position of cyber sovereignty versus freedom of the internet. In terms of what is taking place in China today, that stance is hardening rather than becoming more moderate.

The Chairman: Are the Chinese ahead of us in this area? Are they better at their GCHQ-type intelligence and digital information operations or are they just following behind? Should we work with them or against them?

Professor Rosemary Foot: I am not a specialist on this, so I will be modest about it. I think the difference is that they put the emphasis very much on the security of the state. That is their key. The idea of individual privacy is not high on their list of interests.

They use these technologies, some of which they are developing themselves and some of which they have obviously acquired from elsewhere, in ways that we would not; we would perhaps have more checks and balances. I know that we live in a world where there are cameras everywhere, but the degree of individual surveillance in China far outstrips anything that we are familiar with here.

The argument is that this is necessary for the security of the state, so, as Kathy says, if you think of this with an international framing, their position is that the individual state will decide the level of control within its own cyber policy. They are not in the realm of supporting the idea of multiple private stakeholders creating a regulatory body to which we may or may not sign up. They are saying that the individual state will create the cyber security framework that is best for its own circumstances. In the Chinese case, that will be extensive.

The Chairman: Once again, we have run out of time. We have one final question. It is the big one: what is in it for us?

Q100 **Lord Grocott:** This is a horrible final question, I have to say. Let us try to confine it.

The evidence from you and other witnesses about the inexorable growth and significance of China in all respects is overwhelming. The question that arises for us as a parliamentary committee is what the implications

of that are for British foreign policy. I give you the wonderful opportunity to advise the Foreign Office through us as to what changes, if any, you think would be necessary/desirable in British foreign policy faced with a new situation in respect of China.

Professor Rosemary Foot: What would be the most useful way of dealing with it? Maybe the specifics will help, because I am sure your other witnesses have talked about the broad questions of devising a strategy and thinking of China as both an important global actor and an important actor within a region that is the most economically dynamic in the global system.

We want to be part of that region. We have economic interests with China. We are interested in Chinese investment. We want to increase our trade with China. To come down to the more specific, we therefore want better access to the Chinese market. We want them to really engage in the reforms that they have been promising, particularly during the past five years. We want access particularly for UK services; we have a small surplus, I understand, in trade in services but not in trade in goods.

To go back to an earlier question, we want China to play a productive role in the major international organisations that have provided shape for our post-1945 order. That means a narrative about how much China has benefited from this particular system but an awareness that that system needs to adjust to take account of China as the major emerging power—emerged power, I suppose we should call it.

Again going back to your earlier discussions, we also have concerns about specific issues in dispute in the South China Sea and the East China Sea. The Taiwan question seems a critical issue on which the UK Foreign Office needs to develop its position in the case of various scenarios.

Again, to go back to earlier questions and thinking about the United States' role, there is some possibility that the United States is in the process of enhancing its relationship with Taiwan. Will China sit back and not respond in some way to that? Therefore, the UK will be put into a particularly critical position. We need to think through what we would do were there to be a serious increase in tension over the Taiwan issue in the next five to 10 years. There are specific issues in the region that are crucial both to our economy and to our commitment to certain values to do with the legal order.

The Chairman: Professor Morton, the last comment from you, because I am afraid the time has gone.

Professor Katherine Morton: Of crucial importance is understanding China from a 360 degree perspective, which requires a much more comprehensive, co-ordinated policy across Whitehall, in government but also beyond government. There should be more focus on track II-type dialogue and non-state actors, working much more at that dialogue level.

Secondly, I agree with Rosemary about the regional orientation. The belt and road initiative will be an important inflection point where we see a

change in direction either towards or away from a more liberal, rules-based order. That needs to be a central focus of UK foreign policy in terms of promoting greater convergence. I shall leave it there in the interests of time.

The Chairman: Thank you very much. It is a huge subject. We could go on and on. There are some things that we have not touched at all, such as relations between China and Japan, which are pretty crucial. What you have told us is extremely illuminating and sets us on this rather difficult path in a very useful way. Thank you very much indeed for being with us and for your patience in answering our questions.