

International Trade Committee

Oral evidence: The Belt and Road Initiative, HC 2243

Wednesday 5 June 2019

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Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Sir Mark Hendrick; Julia Lopez; Faisal Rashid; Owen Smith; Gareth Thomas.

Questions 1 - 59

Witnesses

[I:](#) Dr Yu Jie, Research Fellow, Asia-Pacific programme, Chatham House; Peter Lu, Partner, Baker McKenzie LLP; and Henry Tillman, Chairman and Chief Executive Officer, Grisons Peak and Founder and Editor, China Outbound Investments.

Examination of witnesses

Witnesses: Dr Yu Jie, Peter Lu and Henry Tillman.

Q1 Chair: Good morning. I welcome our panel to the International Trade Committee. This is a session focused on China's Belt and Road Initiative. It was suggested by Faisal Rashid and it is something that the Committee feels that, in a trade space, we should take some cognisance of. As such, we have asked three witnesses to come and inform us further on what is a very interesting area and an area that is talked about a lot.

Can I ask the witnesses to introduce themselves—name, rank and serial number, please—starting on my left?

Henry Tillman: I am Henry Tillman. I am the Chairman of a merchant bank called Grisons Peak, but we also own a proprietary database that tracks all Chinese outbound investment called China Outbound Investments. It has been in existence since 2008. It is unique and that is why you see the data you see.

Dr Yu Jie: I am Dr Yu Jie. I am the China Research Fellow at Chatham House and also I am Associate Fellow at LSE Ideas, a foreign thinktank with the London School of Economics.

Peter Lu: My name is Peter Lu. I am a partner at Baker McKenzie, an international law firm in London. I am also the head of China practice for Baker McKenzie in the UK. I have been involved in a number of Belt and Road law projects.

Q2 Chair: Thank you. For people watching who are not familiar with the concept of the Belt and Road Initiative, could somebody give me a 30-second overview of what is happening here with the Belt and Road Initiative? What is it about?

Dr Yu Jie: The Belt and Road Initiative started in September 2013, introduced by President Xi. The whole idea is to use infrastructure building to connect central Asia, Europe, Africa and the Middle East all together. The intention for China is to somehow use its enormous financial resources to develop certain political connections with China's neighbouring countries. The emphasis is put on China's neighbouring countries, most likely in central Asia, south Asia and southeast Asia. Most of the projects we have seen so far are based in those areas, but, again, that is precisely because China has its own infrastructure advantages by building railways and building bridges. So, that is the first phase of the Belt and Road Initiative. More and more in the next five years, we probably will experience more on the digital silk road, which the Chinese Government also emphasises now.

Chair: While the UK is struggling to build 1.2 kilometres of tarmac around Heathrow, China has moved on.



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Mr Nigel Evans: It took us eight months to put a roundabout on the A59.

Q3 **Chair:** Since 2013 there have been major changes. How has China's foreign economic policy evolved in recent years and what would you say are its key characteristics?

Dr Yu Jie: There are three things in here. First, if we are talking about China's foreign economic policy, it all has to go back to domestic politics. Essentially, China is using its foreign affairs means and mechanisms to consolidate the Chinese Communist Party's power and the Chinese Communist Party's legitimacy, which is to drive the economy properly. That is reason number one for China's foreign economic policy.

Reason number two is that China realised, after 40 years of economic reform and China having accumulated this huge amount of financial resource and economic ability, that it wanted to extend its foreign affairs influence to other neighbouring countries. That is the second element: China pursuing so-called economic statecraft.

The last element has been quite recent since President Xi came to power in 2002. It is all about how to make sure China has its own voices in terms of international economic governance. As you have witnessed so far with the establishment of the Asian Infrastructure Investment Bank and China's proposed WTO reform, all these elements added together are a way to make sure that China has its own voices in the international system. There are three elements.

Q4 **Chair:** Thank you. Would the other witnesses like to add to that, or are you happy?

Henry Tillman: Can I add some numbers associated with this so that we are clear? I can send these materials to you later.

When it was first launched, it was a \$5 trillion project with 65 countries and \$900 billion coming from China. That is 19% of the funding coming from China out of 65 countries. Today there are 132 countries part of it. The number is \$8 trillion now and China still gives \$900 billion, which means China has only 11% of the funding of the \$8 trillion. Roughly \$1 trillion comes from China; \$7 trillion comes from other countries or other companies. That is what I spend my time doing: teaching investors how to invest to fill that gap. As you have seen from the materials you have in front of you, what has happened in the last few years is that once the infrastructure is built, as you have heard here, there is tremendous input from companies and/or countries.

Q5 **Chair:** It is a globally ambitious idea that has a lot of buy-in. A lot of people have thought, "Yes, we want to be part of this", then?

Henry Tillman: You have the numbers. Just to be clear, as you know, I am the banker and no one controls a company with an 11%



shareholding. Back to your point, the AIIB is 30% by China. It is Chinese-led but globally driven.

Chair: Thank you very much. I will bring in Faisal Rashid at this point.

Q6 Faisal Rashid: Thank you, Chair. How do you see current UK economic policy towards China?

Dr Yu Jie: China has always been very clear that, irrespective of Brexit or no Brexit, what China wants from the UK is, first, to provide a safe and secure home for Chinese investments. That will not change even after this country leaves the European Union.

Secondly, because the Chinese economy is now slowing down, China is looking to cultivate as many economic partners as possible and also not to jeopardise its own interests, both in the European Union and in the UK.

Lastly, there is this whole sense of endorsement. This is a relatively new country and, once it puts forward any economic initiative or political initiative, it will be hoping that it will have its own followers. Again, the UK has been a pioneer for that, given the example of AIIB, and China—especially Beijing—was very much hoping that the UK could endorse the Belt and Road Initiative. These are the three things that China has been wanting from the UK continuously.

Lastly, China is facing that phase of economic transformation. China is very much hoping to transfer its economy from a manufacturing-led to a service-oriented economy. The UK has been set as a perfect example of that.

Q7 Faisal Rashid: Have you seen over the last few years that the UK policy towards China has been changed, or is it the same?

Dr Yu Jie: If I may say so, the view seems to be—the words are “confusion” and “nebulous.” That is the perception that Chinese policymakers and the Chinese public have. On one hand, this country back in 2015 was hoping to cultivate the so-called golden era of the bilateral partnership. Then suddenly, after the Brexit vote, the policy towards Beijing went in a completely different direction. I am sure in this country we have the sense of intense debate between the economic reality of this country vis-à-vis the national security issue. Ultimately, the Government has to decide how to balance these two strands of the bilateral partnership.

Peter Lu: Despite the change of Government in the UK, the perception in China, especially among the ordinary people, is that the UK is a great country and people really like the UK. If you go to China, despite the fact that in terms of size the UK is not a huge country, its influence is huge. Despite the change of party, the popularity of the UK has increased in China over time.



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Henry Tillman: I would like to address the cultural issues, please. When I think of China, two things come to mind. One is family. Here today there are witnesses who have Chinese family members here supporting their children or their spouses.

Number two, and most importantly, is a sense of history. The silk road was the belt and the road. The road was established based upon the Chinese exploration in the 14th and 15th centuries. They were the first to land in Kenya and so the silk road was in Kenya. The Chinese had three ships land in Africa in the 15th century before Columbus founded America. The silk road started in Kenya because of that. These silk roads matter to them. History matters to them.

The UK was at the end of a silk road in the late 18th century, through Macclesfield—through Manchester, as you probably know. It was built in Macclesfield and Stockport, around Salford, with clearing in Macclesfield. That came from looms in France—the Jacquard family—which is also the end of a silk road. To this day, China is rebuilding Marseilles and all the area around Marseilles, because that silk road was historical. Land values in Marseilles have gone through the roof and Marseilles can be a very difficult place.

Finally, in 2015 you saw President Xi go to Manchester and the investments are in Manchester. You see the economy has changed in Manchester. We track all the ports. There are now 155 ports that China has invested in or constructed around the world and they are building those out into cities. This is based upon history.

Last but not least, their friends in Pakistan go back a long way. Yes, arguably the first loan China ever made was to Pakistan in 1967 to build the Karakoram Highway. The Government representative for that was President Xi's father, as our friend from Pakistan knows.

Q8 **Chair:** I did not know any of that except for the one fact about Macclesfield, because the MP for Macclesfield, David Rutley, is always going on about the silk road going to Macclesfield.

Henry Tillman: The embassy has done a three-minute film. They have been shooting this for the last two years. I have been trying to get a retired Chancellor involved in this to figure out how to develop it because Macclesfield is very keen to develop that relationship. President Xi has been working on this personally since 2012, but to date that has fallen on deaf ears so far, so China has built its own film about this history.

Chair: We should perhaps put you in touch with David Rutley. He might give things a bit of a move on—maybe a visit to Macclesfield, or something.

Q9 **Mr Nigel Evans:** There is something overriding all of this. We are focusing on the economics, but China is a different country. You have talked about culture, Henry. It is such an integration between economics



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and politics in China. For instance, I am wondering—looking at domestic UK policy, with a new Prime Minister coming in—what if we change our policy on Huawei? You may remember what happened with the nuclear power station when Theresa May first got elected, and we saw the flexing of the politics on that from China. Can anybody paint a little picture for us to better understand getting involved economically in China? You say that it is led by China, Henry, but driven globally, but nonetheless China clearly is integral to all of this. If we did change our policy on Huawei, for instance, what impact do you think that would have on our potential to have any sway at all on the Belt and Road Initiative? How would China react?

Dr Yu Jie: I will take this first, because I am the political scientist in here. I would say very little, because I am seeing here that China is now experiencing that economic slowdown. The last thing China wants to experience is to have a potential economic partner turning away from Beijing. Even if ultimately this country might change its decision on Huawei or might not, that economic partnership between the two countries will continue.

Another example I can give to you is back to 2012 when the Dalai Lama came to meet Prime Minister Cameron. However, the trade between the two countries and the investment between the two countries was still ongoing at that time. That means that the economic factor of China-UK relations did indeed get entangled with the political factor, but the Chinese leaders are clear enough in their own minds which partners and which strand of relations they would like to cultivate.

It is fair for this Government to have an honest discussion on Huawei, but nevertheless not letting Huawei itself prioritise the UK-China relations.

Q10 Mr Nigel Evans: Do you think it would divide the politics? I remember the cancellation of a delegation from China. The Speaker was going to come to see our Speaker and because of the Dalai Lama issue, they cancelled. It was well advanced, but they cancelled that visit. Do you think that the economics of it would be completely different?

Dr Yu Jie: The economic sphere is somehow secluded because the UK is a market economy. The investors here are as shrewd as many other investors in the world. If they see the benefit of cultivating Chinese companies or welcoming Chinese investments, why not do it? Most of the investments in here are very much led by private investors rather than by state-owned enterprises.

What you have pointed out on CGN is a very special case. Had this Government actually done a proper due diligence process regarding CGN? That perhaps is the question you needed to ask of the Prime Minister at that time. How has that been discussed?

Peter Lu: My feeling is that if the UK Government bans Huawei completely in the UK, many people in China will be, to be honest, quite



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upset because they have not seen the evidence in the past. When China started the AIIB, the UK joined the AIIB despite pressure from other countries. When other countries tried to ban Huawei, the UK gave quite a neutral and honest opinion about Huawei. There is a lot of debate, as you have seen, about Huawei.

What I learned is that Huawei is very keen to work with the US security experts or the UK security experts to go through all the concerns. If the UK Government bans Huawei without giving any evidence, saying that there is real concern, that will upset a lot of people because people are generally thinking that the UK is a country that can think independently and has strategic thinking as well, and can even sometimes to say no to its close friends. That is a reflection of the feeling when I talk to my friends in China. Quite a few people will get quite upset, to be honest.

Henry Tillman: Can I answer that more broadly, please? The locals can best speak for the country—I am pretty local as well, but not quite as local as these guys. I have been going for 23 years for two months a year.

Think of it more broadly. If you go back to your great merchant banks—Lazard, Warburg, Rothschild—they build relationships. They look at a holistic relationship. A Huawei decision needs to be part of an entire relationship.

I should tell you ahead of time that I am terrible at politics. I am horrible. I was married into a political family. My children's grandfather was a senior politician in Canada. I am rubbish at politics, but I am pretty good at looking at overall decision trees. If you look at this at a macro level, I would not look at Huawei as one point. Douglas Flint—I think, personally, because I worked with him—has done a very good job with Philip Hammond in moving him more towards understanding in the last two years, which I had not seen before. I have seen other parts of this legislative body be more understanding. I see this as a positive step, but it needs to be viewed in an overall context.

Chair: Julia Lopez, briefly, and then I will return to Faisal. Sorry, Faisal. We have taken some tangents on your point here.

Q11 **Julia Lopez:** I want to make the point that the Huawei discussion is part of a broader squeeze that the UK is experiencing between the US and China. I want to know how China is likely to react if the UK were to choose the US on this particular decision over communications. Would China's approach be to try to lure and keep a positive relationship with the UK in other areas, or would it be to punish the UK for taking a view on Huawei that moves it closer towards the United States?

Dr Yu Jie: It is not really wise for the Chinese Government to punish the UK on that front because these countries should run independent foreign policies, free from any foreign interference. If ultimately the British Government decided to go with the US—and that is the choice of the



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British Government—there is no point in the Chinese Government being upset about it. But clearly, the Chinese are looking for consistency and in the past, say, three years or so after the referendum, the Chinese have not seen the consistency that they wanted. Perhaps the credibility of the UK as a foreign power and as a foreign policy partner would have a heavy discount, but I would not think this would damage fundamental UK-China relations, which are very much economics-led and economics-based relations.

Chair: Thank you. Just before I return to Faisal, there is a view—I am only saying this because, if it is wrong, it will be contradicted by somebody watching—that Huawei is a world leader in 5G. Its competitors are, at best, two years behind. If you do not adopt Huawei, you will be waiting quite a while and will lose an advantage. For other countries that want to develop 5G, they might be using their political muscle to try to stop you so that their own technologies can catch up. There is a form of economic mercantilism starting here.

If anything I have said there is wrong, I am pretty sure people will be on Twitter or will be writing to the Committee or at least expressing different views on that, but that is certainly a view I have heard. It might not just be national security concerns. It may well be straightforward commercial concerns. However, we did hear also from a briefing group to this Committee to say that it was difficult to get telecoms into China for national security reasons, as a counterbalance to what I have just said.

Sorry, Faisal. We have taken three tangents on your point, sir; I apologise.

Q12 Faisal Rashid: No, that is fine. Just coming back to my colleague's point, the UK has a really good relationship with the US, and of course the UK has a good relationship with China. In the Belt and Road Initiative, the Prime Minister did say that we are a natural partner to China. Any good friend will not put their friend into a position where they have to choose one friend. That is the key point.

Just coming back on to the opportunities, of course Brexit is on the horizon and over the last three years we have been talking about Brexit. Will Brexit enable the UK to develop trade and investment opportunities with China, in your view?

Peter Lu: I can say something from my own experience. It is a fact that, Brexit or no Brexit, the English law will be still hugely popular among all of the companies in the world. I am involved in a lot of transactions and deals in London but the majority of those transactions have nothing to do with the UK. It is Chinese investment into other European countries, into Africa and into other Asian countries, but because the contract is governed by English law they are using an English law firm. It is a real advantage of this country to offer professional services on the Belt and Road Initiative project or other engagement with China.



Even if there is Brexit, as we mentioned before, the trade relationship will continue because China sees London as a world-class financial centre. It has an even broader remit than Hong Kong. A decision has been made. There will be the Shanghai-London stock connect in the future—as a firm, we worked on the first case—so that in the future Chinese companies on the Shanghai Stock Exchange can list in London and vice versa. Companies listed in London can go to China to list with reduced rules. This is like a high-speed connection between London and China in the capital market.

Q13 Faisal Rashid: Good. Thank you. In terms of financial services, what are the opportunities for the UK to get involved in the BRI?

Henry Tillman: They are significant, and it comes out of here. I am not sure if you know this—Standard Chartered should tell you this—but basically, the first securitisation of Belt and Road loan has happened. It happened in Singapore via Hong Kong. I know Carrie Lam and I highly respect Carrie Lam. Carrie Lam has used that export finance vehicle and insurance vehicle to become a hub for securitising initially \$40 billion of BRI loans. The first one was for only a few hundred million done privately in Singapore, and we do not have that capability.

You have it within your power to power up that export agency to wrap these securities. China, as you have heard from my fellow panellists, is currently experiencing a downturn and therefore cash flows are down. That is beyond this discussion today. I have worked here for 30 years through the LSE; I used to work for Donald Brydon, who used to run the LSE. Our capabilities in this country are enormous—through Standard Chartered, which they highly respect, and through HSBC, which they highly respect—but we lack the capital and that agency to wrap those loans and to securitise them. The longer we wait, the faster Hong Kong powers on.

Dr Yu Jie: If I may, I want to add in one point regarding the relations between the UK and the EU. As we all know, the trade deals between China and the European Union are the European Commission negotiating on behalf of 27 or 28. If the UK finally leaves the European Union, the UK will be able to pursue an independent trade and investment policy with China, particularly on the element of the investment side, because most of the UK economy is service-based and this is the area where China and the UK have no natural competition. That is one element that could potentially bring the two countries even closer, rather than further apart. The European Union is always considering setting up somehow a fortress against Chinese trade—the down-paying, and all the issues on regulations and investment in here. If the UK finally leaves the EU, this would give it a chance to negotiate a proper investment treaty on what the UK can do and, most importantly, between the two countries, what it cannot do.

Q14 Gareth Thomas: Can I follow up on that? I wondered if you could give a few more practical examples. It is a common claim in the Brexit discussions here in the UK that after Brexit there will be these wonderful



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trade deals that can be done. I am interested in you, as an expert, being a bit more specific as to whether there is any truth to that in terms of a Britain-China relationship after Brexit.

Dr Yu Jie: In terms of truth or not truth, nothing has happened, so we cannot predict things that have not happened. What I am offering here is a more theoretical scenario. If the Chinese companies are looking for investment in the UK in the fishery sector, for example, in the past the British Government would have had to go through Brussels to formulate some kind of fishery agreement between the Chinese companies and the European companies. If the UK leaves the EU, British companies will be able to negotiate a treaty with their Chinese counterparts independently. That is a concrete example in an ideal scenario.

Q15 **Gareth Thomas:** Forgive me. Just to finish the point, you are saying that you are not aware of anything in Britain's current relationship with China through the EU that is specifically holding back Chinese investment and further trade with China, but you think that it might somehow get better after Brexit?

Dr Yu Jie: If I understand it correctly here, if Chinese companies want to pursue a certain trade agreement with a British counterpart, they will not need to consult the EU regulations any more once the UK leaves the EU. That is what I mean.

Henry Tillman: Could I turn it around and answer your question the other way around?

Chair: I am always conscious of time and progress, but yes.

Henry Tillman: I will be very quick. I promise. Let's go back to the Huawei thing. I provide data to FCO on China inbound investments; the FCO gets it and Treasury gets it. The flows from China across sectors last year were across nine different sectors in the UK. Most were minority investments and most were under £24 million in investment, sprinkled around the economy—very positive flows. I have published with Cass Business School, and I have also published through *The Times*, post Brexit and pre Brexit. Chinese flows into the UK post Brexit are actually greater than pre Brexit, or the numbers are.

I would turn it the other way around to you and say that if you do upset them—if you do something and it gets much bigger—those could go in a different direction. I am not promising the future post Brexit, but I am saying that there is a risk that those go away. They are a lot stronger than you think. They are public.

Peter Lu: Just quickly on that one, I have a feeling that there is increasing investment from Chinese investors into the tech companies in the UK, which has not had any impact from Brexit because the UK clearly wants to build London as a tech centre. China has a growing tech industry and is very keen to collaborate with a company in London or a



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UK tech company. That is one area I can say for certain: if there is a Brexit, it will not have an impact and it probably will increase investment.

Dr Yu Jie: It really depends, sector by sector. If you are looking at a consumer-driven sector, such as retail, certain Chinese companies want to use the UK as a springboard towards the European market, and now that springboard is somehow destroyed. It is in those sectors that the Chinese investors are less keen and therefore they would turn their eyes to continental Europe.

As for what Peter said, those tech companies or those sectors have been impacted very little by the British relationship with the EU, and somehow it will thrive.

Q16 **Faisal Rashid:** I totally understand where my colleague is coming from. You did mention a couple of examples about dumping and some other issues, but of course it works on a sector-by-sector basis and an impact assessment needs to be done.

In your view, how significant is the BRI for China's foreign economic policy. Can all three of you comment on that very briefly?

Henry Tillman: The answer is that one third of global trade is already through BRI countries. One third of the \$4 trillion per year is not global—sorry, 30%, but it has gone up every year by about 3%. It is 5% growth per year on outbound-inbound trade for China. That is in the last five years 5% per year. Last year it was up 12% overall. That is just on trade flows.

In terms of investment, they are still running \$15 billion per year into BRI, but \$15 billion on a \$100 billion base outbound versus \$15 billion on a \$220 billion base outbound is a big number.

Q17 **Faisal Rashid:** It is very significant, in your view.

Henry Tillman: It is very significant.

Dr Yu Jie: It is not just on trade and numbers but also strategically and politically. If China ultimately wants to become a global power, then BRI is really the vehicle for Beijing to achieve that goal. Also, if I may add one element in here, China is considering securing its energy supply by looking for alternative trade routes. The success of Belt and Road is absolutely vital for the Chinese Government because at the moment 75% of China's oil import and export goes through the Strait of Malacca. As we know, the Strait of Malacca is controlled by the United States and its allies. If China is looking for a much more sustainable and secure trade route, it needs to look for alternatives. Both geopolitically and politically, it is vital for China to make sure it gets this right.

Q18 **Faisal Rashid:** Is that where the Gwadar port comes in as well?

Dr Yu Jie: Gwadar port is part of the story, but you also see the port in Djibouti and the port in Greece. These are all vital ports. China would like



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to have Italy endorse the Belt and Road Initiative. Again, that is another part of the reason. Those ports are strategically important for China's energy supply and trade supply, therefore.

Peter Lu: In order to understand current affairs, we need to understand the history as well. I do not think Belt and Road is a new project. It has been done in China internally in the past 40 years. When I was a little boy, when you went through different villages in China, you would see big slogans saying, "If you want to be rich, build a road". That is how China in the last 40 years lifted over a billion people out of poverty. Before any development, they build a road—connectivity—and that is something they have done successfully. Then they look around saying, "Okay, we have done that in China. Could we do something globally?"

Obviously, it is going to create a market for Chinese companies. Obviously, it is going to create a market for other companies in the rest of the world. Obviously, it will have influence in the future. But also the bottom line is that if they can do that, they will help people to connect with each other, and possibly develop economies as China did in the last 40 years. The Chinese Government sees that one stone can kill two birds. That will be quite an important and significant policy for them. I am sure that in the future that will be one of the top priorities for foreign policy.

Chair: Thank you very much. I am going to move now to Sir Mark Hendrick, who used to be the Chair of the APPG on China. My plea to Sir Mark will be not to use too much of his expertise and knowledge in this area.

Q19 **Sir Mark Hendrick:** One area where I do have a great deal of expertise is Manchester. I am very pleased that a Chinese media company has bought £300 million-worth of shares in Manchester City Football Club. Xi Jinping did visit Manchester City when he was up in Manchester. I also took David Rutley, the MP for Macclesfield, on his first visit to China 10 years ago. You were on the same visit.

Chair: I think I was, yes.

Sir Mark Hendrick: I am also a Fellow of the 48 Group Club and I know you, Mr Tillman, are a member of that. I would like to ask what the panel sees as the geostrategic and security considerations that are relevant to the BRI initiative.

Dr Yu Jie: As I said earlier, it is not just a geoeconomic initiative but also geopolitically important. If we are considering one of the key—

Sir Mark Hendrick: Geostrategic, I said.

Dr Yu Jie: Yes. If we are considering one of the key areas of the BRI, which is central Asia, China has an uneasy relationship with Russia. It seems that the two countries get very close diplomatically. However, Russia felt deeply uncomfortable about having Beijing quietly marching through the backyard of Moscow. Potentially, if the BRI is going to



become a success, Xi Jinping needs to find a way to deal with Vladimir Putin in a diplomatic way. By all means central Asia is the old territory that belongs to Moscow, and culturally it is linked. On the other hand, China's economic gravitation would be able to offer this so-called charm offensive to other central Asian economies and they will be turning to China.

Sir Mark Hendrick: The Mongols went through there before the Russians.

Dr Yu Jie: To give you an example, President Putin keeps saying that the Belt and Road should be connected together with the Eurasian Economic Union, but since the launch of the BRI we hardly see any substantial collaboration between those two countries on the two initiatives. Obviously, that shows quite heavy divisions on that. That is one element—central Asia and Russia—that is geostrategically problematic.

We come to the area of the Middle East and south Asia, which are another two potential flashpoints for China's Belt and Road Initiative. As we know, China's operation within the Middle East seems to be focusing only on economics, but it is impossible to have a full investment operation in the Middle East without considering the security conditions of the region. So far I have not seen Chinese companies being extremely active on that front. China relies on the United States continuously to provide a security umbrella with the Middle East. The Middle East is the only region where China and the United States do not really have fundamental geopolitical conflicts.

Q20 **Sir Mark Hendrick:** There is, though, the maritime silk route that runs through southeast Asia and so on. There are issues around the South China Sea and conflict there. There are countries there that could benefit from the BRI but they are probably reluctant to do so while there are disputes over the South China Sea. Do you see that as an issue?

Dr Yu Jie: I do see that as a potential flashpoint because the South China Sea issue is the great power confrontation between the two countries. All the medium powers within the region have to choose which side they would like to side with. I see it as a flashpoint.

Let's not connect the maritime silk road together with the South China Sea issue. I do not really see any potential for the countries to want to connect that, because the South China Sea issue is a longstanding issue that goes back to the 1970s and 1980s, whereas with the maritime silk road, one way is to deliberately avoid those flashpoints.

Q21 **Sir Mark Hendrick:** You mentioned the digital silk road. Clearly, there is trade tension with Trump's trade war between the US and China at the moment. The controversy regarding Huawei in the UK has already been raised. Obviously, there is the potential for Huawei to provide all of that digital infrastructure throughout the whole of the silk road. The issues in terms of business for Huawei in the UK pale into insignificance given the



likely volume of business that will happen as a result of the digital silk road.

Dr Yu Jie: Perhaps in this part of the world, when we come to talk about 5G, the debate has always been about politics and about security; whereas if you look at southeast Asia, the choice of having 5G is about economics, because the Huawei technology is significantly cheaper than the competitors within the market. No wonder you have Malaysian Prime Minister Mahathir openly saying that Malaysia would like to use Huawei. This also got sweetened by Huawei offering local employment in Malaysia and many other southeast Asian countries. The debate in other parts of the world has turned slightly different.

Peter Lu: Huawei is not going to be dominant or have a monopoly in the digital silk road. The example I can give is BT. It got the first full licence to operate as a telecoms company in China. Huawei will be super keen, or other telecoms companies in China will be super keen, to work with BT on many projects on the silk road.

Chair: Thank you. We might put a bar on mentioning Huawei for the rest of the morning.

Q22 **Owen Smith:** Henry, can I take you back to the numbers you gave us at the beginning of this conversation? I think you said that 11% of the total volume of investment now is actually Chinese.

Henry Tillman: Yes, \$8 trillion today with \$900 billion from China. That is 11%.

Q23 **Owen Smith:** Was the inference from that—this follows on from Mark's point, really—that people overegg the extent to which this is a Chinese-controlled project and that therefore it is of geopolitical strategic concern to other countries? Is that what you were trying to imply?

Henry Tillman: I have addressed a number of Governments just like this with data because the data seems to get muddled or there is a lot of noise on the data. I am going to answer your question as well, Sir Mark. I do not want to leave it alone, because you need to know. I speak with Stephen Perry on this point.

Sir Mark Hendrick: He lives on my road.

Henry Tillman: I do not speak for the group, but I speak with Stephen on this point. We are currently looking at a very different world going forward from what it is today and what it has been for the last few years. If you want some interesting reading, look at a Chinese website dated 27 February under the Chinese Minister of Foreign Affairs. It has three deliverables for the Foreign Ministers of Russia, China and India—27 deliverables—because, yes, we three countries want to lead the world. President Xi runs this like a business. It is very professionally done. At the Belt and Road Forum, every criticism people had was banged on the head. It was described by Sir Douglas as whack-a-mole globally.



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It is a lot more professional and so people underestimate this, but the world is moving quickly. I am a specialist on the polar silk road. With all due respect to my friends here, as we speak today President Putin is with President Xi in St Petersburg. The LNG alone from Russia will go from 11 million tonnes a year in 2016 to 140 million tonnes a year by 2035. The world's biggest producer of LNG today is 80 million tonnes a year from Australia and 25 million tonnes a year from the USA, but the Russian LNG is produced at \$4 a tonne. The western LNG is \$8 a tonne. They can sell that to China and both Koreas and Japan for \$6 a tonne and China alone saves \$70 billion every 20 years on that alone. There is no Malacca, Hormuz or South China Sea. It is all part of a friendly group, a cabal of easterners.

I just addressed the World Arctic Forum in the keynote in October, much to Pompeo's chagrin, on this point. Yes, the world is—

Q24 **Chair:** Was that the forum in Iceland?

Henry Tillman: In Iceland, yes.

Q25 **Owen Smith:** What are the implications for our country, Henry, given all you have said? You said it was very professional in the way it was managed, as it were, by Xi. Is this a political strategic set of decisions that are driving the inevitability of this being a successful, enormous, global, integrated river of money, or is it just the river of money that is driving this? Do we have to get in the river?

Henry Tillman: I left 37 years ago, although I still have this accent, so I apologise. My grandfather was German—I am not sure that is so good either—but I was born facing the sea in California. You learn that with waves, you do not go in front of the wave because you will get rolled up and hurt. If you are behind the wave, you can set out to sea with your feet on the board with sharks circling, or you could ride the wave. This wave is going.

Q26 **Owen Smith:** One other very brief question, if I may. You also said earlier on that there has been a big increase in investment in the UK since 2016. What has driven that?

Henry Tillman: Part of that is the decline in the pound. It is a good time to spend money. That is number one. Number two is to pick up what Peter said. I said there were nine different sectors but most of those were tech: ag-tech, med-tech, fin-tech. The flow has been across technology or gaming. I never knew Guildford had a gaming hub.

Q27 **Chair:** Is China increasing its investment in other countries to similar levels as well as the UK?

Peter Lu: No. There is a very significant decline with the US. We see that because, once the trust is lost, it is very hard to rebuild. If you have lost that angle and the Chinese company does not feel comfortable or safe to invest in the US, they will look for somewhere else to invest. They will



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come to Europe. The UK is probably, along with Germany, one of the favourite nations for investment.

Q28 **Chair:** So Donald John with the money is not cutting great deals for the USA; that is interesting. I am struck by the 11 million tonnes, I think you said, of LNG going up to 140 million tonnes.

Henry Tillman: That is President Putin's number.

Chair: So much for global warming and gas emissions.

Henry Tillman: Let's talk about that. You are spot on. If someone had told you 20 years ago that the world would go from oil to LNG led by China—by the way, India will be part of this with 43,000 megawatts of hydro. You take 140 million tonnes of LNG and 43,000 megawatts of hydro, and you then have a world where President Xi, President Putin and Prime Minister Modi are helping to green the world. I bet you never would have thought of that 20 years go.

Q29 **Chair:** Rather than putting out 11 million tonnes of LNG, you are putting out 120 million tonnes of LNG.

Henry Tillman: Sorry. It goes from 11 million in 2016 to 140 million in 2035 and then India would go from nil to—

Q30 **Chair:** What are the greenhouse effects of combusting that much more LNG?

Henry Tillman: I would say it is a lot less than oil.

Chair: I imagine you would.

Q31 **Mr Nigel Evans:** Let's have a look at the benefits now to British industry from the Belt and Road Initiative. What sectors in Britain are going to benefit most from BRI? Peter, your company said that in six years' time you expect to see substantial investments in certain sectors. What sort of sectors are you thinking about that will benefit British firms?

Peter Lu: The legal sector is a great example. My firm has done a rough estimate of the legal fees we earned from the Belt and Road Initiative globally. Since it started a few years ago, we have got about \$25 million in legal fees from Belt and Road Initiative projects.

In terms of banking, we will have a great role to play in the UK. For example, the Chinese banking regulator made it very clear that for Belt and Road projects outside of China, Chinese banks are not allowed to finance 100%. They can if they want to, but they are not allowed. It is only up to 60% or 70%. There is a manmade gap of 30%. The UK's financial industry can grab that. If the UK does not do that, another country will.

Dr Yu Jie: Judging by the recent second BRI summit that happened in April, President Xi has not pledged any fresh capital from the Chinese



state to add to this Belt and Road Initiative. Instead, he was very much encouraging private capital to come in to join the Belt and Road Initiative. That is a very clear sign. The BRI in the future would have to be co-financed by the state-owned bank together with fresh capital from private investors. Potentially, for the British banking sector, that is a big one.

Secondly, all these projects are most likely to be operated by Chinese state-owned enterprises, and most of those state-owned enterprises have very little experience in managing multinational projects, especially those infrastructure projects, and therefore it does require professional management teams and management consultants. Before my academic career I was a management consultant and dealt with state-owned enterprises. The skill is clearly lacking and therefore, again, there is a tertiary service industry for British companies.

Also, President Xi said that from now on, the Belt and Road should be led by enterprises with proper financial sustainability and due diligence processes followed. Again, that due diligence process is business for British companies.

Q32 **Mr Nigel Evans:** We are talking about £8 trillion or \$8 trillion?

Henry Tillman: Dollars.

Q33 **Mr Nigel Evans:** What is the cut for the United Kingdom industry? Is it possible to even say what sort of money we are talking about for the UK?

Henry Tillman: Let's talk about the companies we have here that are doing an okay job. Arup has done a really good job historically.

Q34 **Chair:** From a civil engineering perspective?

Henry Tillman: Yes. Let's keep going: Fluor, Costain, Mace. This country has a very long record in engineering and construction. They have done a great job and there is so much more to do. Fluor just won a mandate in Oman, I think. There are a number of engineering and construction companies that are part of it. President Xi, as you know from the 48 Group, invited a handful of companies to invest in China. He personally asked the Chairman of Prudential. He personally asked the Chairman of Standard Chartered and of British Jaguar, who did not attend, but he was personally inviting these companies to invest because China has switched. In the past year it has gone from Chinese outbound flows of plenty of capital to China inbound flows. The first quarter of this year was the first time that that has ever happened. China has opened up its capital structures to say, "Please invest".

Q35 **Mr Nigel Evans:** Can I do the reverse side? Now and again when we go to embassies, and there are projects abroad, the ambassador will say, "British companies are not putting bids in. We are missing opportunities"?

Henry Tillman: That is the issue. That is it. Spot on.



Q36 Mr Nigel Evans: Are there examples within BRI where you think we are missing a trick because companies are not being brave enough and are not being adventurous enough to put bids in?

Henry Tillman: I will answer the question in the same way I answered the one before. It is a package. Until they feel comfortable that you are going to deliver a package and that you want to work with them, good luck. I may be saying something different from my fellow panellists here, but if they do not trust you—you know, Five Eyes, Six Eyes; I do not want to name names from the past couple of days, or people who turned up here a couple of weeks ago celebrating our 70-year relationship—starts with a P, owned by the Koch brothers; you can figure out who that is—but that is not going to make them comfortable. It is no different from your own home. If your daughter does not trust you or your son does not trust you, they will not talk to you. Whatever you do has to be done as a package. If you look at Pakistan—a package. “We are brothers.” China’s description of the relationship with Pakistan is, “We are brothers”. They really feel that way. It is not nonsense. After two and a half hours with them one day, all this discussion and all the Q&A, some 90-year-old man from China finishes it with a one-liner. He does not speak English. He said, “We are with you because we will always be brothers”, end of story. Who could say that in this Government?

Peter Lu: I will add to that. As mentioned before, by joining the AIIB in the first group, Britain earned huge favour not only with the Chinese Government but with the people as well. You can see how people were delighted in China about this fact of the UK actually joining the AIIB first, which has huge support. In the past, while the UK was quite objective about Huawei and the people in China felt very delighted, that really influenced the Government to give BT the first licence to operate fully in China.

Chair: Thank you. As time marches on—no, races on—Julia Lopez.

Q37 Julia Lopez: As we are talking about personal connections, I am one 64th Chinese as a result of the silk road. My ancestor went to Coventry to weave silk. Anyway, you talked about trust. What are the realistic challenges for UK businesses getting involved in these sorts of projects? You discussed how the Chinese state-owned bank would be able to invest only up to 60% to 70% of any funding for a BRI project, but that means that they are majority-owned Chinese vehicles. Would it create concern among British companies wanting to get involved that ultimately, if the relationship soured between the two countries, it could also sour some of these investments and joint enterprises?

Peter Lu: Up to 60% to 70% is the maximum amount. That does not mean they will invest 60% to 70%, but in most cases they do at the moment. They really work on international collaboration. A lot of my Chinese clients told me, “Peter, we want to work with our counterparty in the UK. Can you introduce someone to us?” We did introduce our Western clients to them and they are now working together. A lot of the



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time it is mismatched. They do not know each other. If there is a lot of communication and a lot of introductions, I am sure that in the future, when the trust is built, they will work together. There is no rule saying that the Chinese have to own 60% or 70%. There is no rule about that.

Q38 Julia Lopez: Are you seeing a change in attitude in terms of China wanting to reassure international businesses with legal certainty? We talked to the Institute of Directors recently and they said there was an increasing appetite for UK corporate models and responsibilities to be mimicked within Chinese companies to create that sense of reassurance for international investors. Are you seeing more of that yourselves?

Peter Lu: Yes, exactly. I am actually a committee member of IoD City and I am very close to the association of Chinese listed companies. In the next few months there will be quite a number of delegations representing Chinese listed companies coming to the UK to learn corporate governance. That is one area where the UK and China can work together.

Henry Tillman: I have two quick points. Of the inbound flows last year from China into the UK, 50% were minority stakes. They were not controlling stakes. They were less-than-majority stakes. On the other side, going inbound to China, there is a new law that everyone here knows about. It takes effect in January of next year. You can buy 51% of institutions in China. They have opened that up to chemicals, automotive—the Germans have given \$40 billion to the country based on that—and financial services, as Peter said before. ING just bought control of the first Chinese bank. A Swiss company just bought control of the first Chinese insurance company. JPMorgan just bought in. They are opening up in certain industries pretty quickly, frankly because they need the funding. They must accelerate because, on cash flow, Trump has squeezed them. They have to do it.

Dr Yu Jie: If I may add in one more point, in here I am the one who would be qualified to speak from China's domestic perspective. Part of the reason why there is somehow a lack of trust building is precisely because of this confusion happening on Belt and Road when it first got initiated back in 2013. Every single province in China has its own interpretation of how the BRI should be run without having a central co-ordinated body to tell each province what it should do. That has given foreign investors the impression of confusion. Of course, if they have no clarity, foreign investors will not put their money in at all. Somehow, in the last six years or so, Belt and Road has become that soup. There are too many cooks for that soup, and somehow the taste will be different. Perhaps here we have to think about Henry Kissinger's question about European foreign policy: who do you call? I am sure the Chinese have to answer the same question: when it comes to BRI, what number can foreign investors dial in Beijing?

Q39 Sir Mark Hendrick: Connected to that, when we had the British and Chinese Chambers of Commerce here a week or two back, they were still critical of the idea that in order to effect decent-sized business, you need



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to be part of a joint venture and have less than 50%. Are you saying that this relaxation of the rules is due to the Belt and Road Initiative, or is it a general thing now in terms of investment in China?

Dr Yu Jie: It is a general trend for the next steps of China's economic reform. This reform has been discussed since 2014 or 2015 but nothing substantial has come out. Finally, I think it is also because of the external pressure from the United States.

Q40 **Sir Mark Hendrick:** I was going to ask that as a follow-up.

Dr Yu Jie: It is because of external pressure. Somehow China will have to show that it realises that what matters is not just words, but deeds. With the 150 products or 150 sectors of the so-called negative list—I believe that is what Henry was talking about—you will gradually see more and more sectors being opened. Again, as I said, this is a diverse country. You might have the executive order from the very top of the central Government, but when it comes down to the implementation by provincial Governments, it is quite heavily discounted.

Q41 **Sir Mark Hendrick:** In terms of the WTO, you want the designation to be a functioning market economy. In order to get there, these reforms need to take place, obviously.

Dr Yu Jie: Sure, and let's be frank: China is not a market economy. It is heavily state intervened and heavily state controlled.

Q42 **Chair:** Thank you. That was a good point. What role does the UK play in the Asian Infrastructure Investment Bank, and is that likely to increase?

Dr Yu Jie: Put it this way: the UK, as a founding member, has obviously been a major shareholder for the AIIB. The AIIB has been criticised quite heavily by the United States and by several other members that consider it to be a China-led bank. Indeed it is a China-led bank, but if you look carefully at the top 10 projects operated by AIIB in the last four years or so compared with America's partners—like ADB, the Asian Development Bank—you hardly find a difference between the nature and the funding structures of those projects. In a way, AIIB might be Chinese-led but somehow it is a combination between the Western countries together with other developing countries.

Q43 **Chair:** What about the banking returns? Are you seeing any difference there for investors?

Dr Yu Jie: No. I do not see return on investment having any differences at all. Also, the AIIB hired ADB and EBRD—the European Bank for Reconstruction and Development—to do the due diligence process. I think there is a multilateral collaboration here rather than them being competitive against each other.

Q44 **Chair:** How does it affect and impact on UK interests and involvement in the region more widely?



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Dr Yu Jie: It largely depends on how you are judging it. There is a benchmark in terms of return on investment on infrastructure, which I think—Henry, correct me if I am wrong—is between 3% to 5%.

Henry Tillman: For infrastructure, yes.

Dr Yu Jie: Yes, if they can reach that percentage, and then obviously that is a good project irrespective of what country it comes from. We are now asking who will be replacing Danny Alexander as the next deputy governor for the AIIB, so that will potentially add to the British voice within the bank.

Chair: Okay. Thank you for that.

Henry Tillman: It is a multilateral bank. They have done a fantastic job of building a multilateral bank, and the returns are slightly higher because infrastructure returns here are the same as infrastructure returns on your Green Investment Bank when you sold it.

Q45 **Chair:** I have no idea if Danny Alexander intends to return to the Liberal Democrats. I think the Committee would take a dim view of that, but that is because there are no Liberal Democrats on this Committee; we have to make sure we are clear on that.

Would a specific investment protection agreement between the UK and China be useful in realising the potential opportunities of the BRI, and do you think it is necessary?

Henry Tillman: They have already been asked, right?

Dr Yu Jie: Yes.

Henry Tillman: You have already been asked. President Xi had people call your chairmen of these companies in this country to say, "Please come and invest". It is unprecedented—ask Stephen.

Q46 **Chair:** He can ask to invest, but what about an agreement for investment protection?

Henry Tillman: That is the new law, right?

Dr Yu Jie: No. You mean the foreign investment law.

Henry Tillman: Yes, the foreign investment law.

Chair: Yes.

Dr Yu Jie: A foreign investment law at this very moment is just—I would not call it a window-dressing opportunity—what I would call the first initiative of China trying to show its willingness to have less government intervention in foreign investment inside China. It is nothing to do with BRI. It is more to do with the foreign investors, as well as the private investors; in general, if they are putting their hands out, the sectors are



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usually led by the state. Foreign investment law is nothing to do with the BRI. It is a more general condition.

- Q47 **Chair:** Let us just stay with that generality for a minute. You do not see any knock-on effects for BRI investment with that. I suppose a parallel thing is quite often in this country when we talk about investor-state disputes and resolutions, people can see threats. That is usually the side that is looked at, especially with TTIP. Is there any aspect of that being looked at in China or being feared in China—any threats and opportunities with that?

Dr Yu Jie: That is a legal question, so I will pass it on to the expert.

Peter Lu: Could you ask the question again, specifically? You mean the legal threat in China or—

- Q48 **Chair:** When we have investor-state protections in place, they can be seen from the investment point of view as a good thing, because there is some sort of legal protection. But sometimes, on the other side, citizens of a state fear that that gives the investor too many legal rights versus the state. Are any such fears being raised? It seems not, given the furrowed brows I see on the people in front of me. There does not seem to be any fear on the other side with that, does there?

Peter Lu: No. I do not think so.

- Q49 **Chair:** No feeling of risk at all?

Peter Lu: No, I do not think so. If you are talking about investment from the UK into China and protection, I think you have to see this in a historical context and compare it with what happened 10 or 20 years ago. Today I think there are greater protections for foreign companies to invest in China.

- Q50 **Chair:** That is good for the foreign companies.

Peter Lu: For the foreign companies, yes.

- Q51 **Chair:** On the other side, is anyone worried about risks within that?

Peter Lu: In China?

Chair: Yes.

Peter Lu: I do not think so. I think there is general consensus. China at this point has opened up. As Yu Jie mentioned, the reform has been discussed for many years but in order to carry out the reform you need to have political power. I think President Xi at this point in time can do it. That is why for the last five or six months the inbound investment from outside China has been much greater than Chinese outbound investment. For example, our offices in Beijing, Shanghai and Hong Kong are flat out for inbound investment.

- Q52 **Owen Smith:** Dr Yu, you said earlier on that you thought that Britain



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relationship with or attitude towards China has been perceived as inconsistent over recent years. Is that the case across the board, or is it changing? Obviously, the Secretary of State for the Department we shadow has made a great effort to engage, and went to China I think five times last year, but are we still viewed as inconsistent?

Dr Yu Jie: That is the perception from the Chinese political elite as well as the Chinese public. If we look back to 2015 with a sense of a golden era, you have George Osborne and David Cameron enthusiastically embracing the Chinese investment. But since Theresa May became Prime Minister, she made her first ever formal state visit only in January 2018 and the first trip she made was to India, not China. The Chinese began to question: do they have much sincerity, and would they like to work with us and become an economic partner?

We hear the Secretary of State for International Trade saying, "We should wholeheartedly embrace the Chinese investment in here," but then on the other hand you have different Ministers talking about, "China is the challenge this country has to manage", or "China may be potentially posing a threat for national security". You have all these different views from various departments, and it is about whether this Government are able to speak with one voice. I think that is what is needed.

Q53 **Owen Smith:** Is there an impression that Britain is different from other countries in expressing its view without clarity and with multiple voices? Do they feel that France speaks with one voice when speaking to China, or Germany?

Dr Yu Jie: The impression I have comparing France and Germany—somehow, France is different, because the French businesses always rely on the state to pursue business deals for the big industrial groups. For Germany, the Germans—the small to medium enterprises—are pursuing the initiatives themselves so the Government role becomes very minimal. With France and Germany it is not as diverse as, for example, in the UK. You do not have two or four different departments making completely different sounds on China, whereas in this country you do.

Chair: That is interesting, given the size of China.

Q54 **Owen Smith:** I turn specifically to the Department for International Trade. Clearly, Dr Fox, as Secretary of State, has made a significant personal investment in trying to have positive relations with China. Do you have some sense of how effective the new department has been in supporting British companies to get involved in Chinese business, and could they be doing other things better?

Dr Yu Jie: I had a discussion with the CBI when I was at LSE; we hosted the breakfast meeting with the CBI together with several other British business leaders. All I heard was complaints that either CBI or DIT had not done sufficient work to introduce the Chinese partners, and also that the Chinese state-owned enterprises in Beijing and various other places



wonder what is going on in this country regarding the Brexit process. Who do we need to look up regarding a briefing? For example, the Silk Road Fund—this is the fund that operates the Belt and Road Initiative—is very interested in investing in this country, but when they looked for somebody to get a briefing on the Brexit process from, they could not find anyone. That is the confusion on the ground, I think, on both sides.

The confusion would also apply for British businesses in Beijing, because every single country has its own policy cycles. Chinese policy has also changed quite rapidly in the past.

- Q55 **Owen Smith:** Does anybody else want to comment on the specific role that DIT is playing? No. So are Chinese companies—as has traditionally been the case—also seeking to pursue connections with No. 10 or with Treasury if DIT is not perceived to be doing a good job?

Henry Tillman: I would not say that at all. As you probably know, there is a mandate with FCO to co-invest with China on three different projects across the next three years. As I told you in my interim remarks, I am also a merchant banker, so I have been actively advising some Chinese companies investing in this country. I think they look at this across the entire spectrum. They might talk to all these different parties, but I agree very much that it is not unified; it is sort of catch-as-catch-can.

Peter Lu: When Chinese investors and Chinese companies come to the UK, I always tell them that the UK is a country of rule of law. The good thing about rule of law is that you do not need to always talk to the Government in order to make the investment; you need to talk to lawyers, like us.

- Q56 **Owen Smith:** In particular you.

Peter Lu: Exactly. But from time to time—

Owen Smith: Nothing about Henry, I take it.

Chair: That is a shameless but brilliant pitch—well done.

Peter Lu: But from time to time we do need to facilitate talks. For example, this morning I have been instructed by a big Chinese company looking to buy British steel. In that case I am sure I will be discussing with the relevant Department.

Chair: Breaking news at the International Trade Committee; thank you very much.

- Q57 **Faisal Rashid:** To what extent do BRI projects take sustainable development into account?

Henry Tillman: I can answer that because I have just had to do it. For the first time ever, I think, I was asked by the United Nations and MOFCOM and NDRC—I have not told you this yet—to overlay UN SDGs on top of BRI projects, ex post. It has never happened before. I just presented that at the UN—



Q58 Sir Mark Hendrick: There was an All Party China Group meeting that Dr Yu was at where that was discussed as well.

Henry Tillman: I presented at the UN on 8 May. I took six projects. The UN chose the projects and they are all positive for China. Some are positive, some are very positive, some are not very positive at all. I then took our rating—our financial returns rating—over the number of years and then overlaid the UN SDG criteria and scored it. You can find the scoring on our website, just the macro. It is a 30-page document. I released it to the UN and now I am talking to NDRC about doing this for a much larger population of those projects and the UN.

Dr Yu Jie: Judging from the discussion in Beijing for the second BRI forum—this is the response from the Silk Road Fund, which said that some of us were not operating BRI—from now on every single project related to BRI that that fund is operating needs to add one element of the so-called environmental evaluation. Obviously, this has offered much policy clarity. President Xi would definitely like to add his so-called environmental protection initiative, not just for his own domestic political agenda, but for BRI, because environmental degradation is one of the major concerns for both the Chinese public and the Chinese political elite.

Q59 Faisal Rashid: That is very good and positive to hear. Very briefly, what about labour rights concerns? Are there any particular concerns around labour rights in BRI?

Dr Yu Jie: There are concerns because Chinese companies always bring their own labour forces. Nevertheless, they have realised that the risks of bringing Chinese labour forces seems to be much greater than hiring the local workforce. I think it is a gradual realisation of what the Chinese labour can do, and what local labour forces can do. The Chinese Government ultimately does not want to run into that classic upstairs and downstairs scenario where the major political elite of those countries involved in the BRI benefit, but the local population are largely ignored. I think ultimately the Government realise that, but the ship is very slow to turn, so I think it needs more time to bed in.

Chair: Thanks for that final question on a very important area. Our time is coming to an end. What started off as the Belt and Road Initiative is, I think, becoming a case of belts and roads—it is growing arms and legs, and hugely increasing our understanding. One thing we certainly learned was that Julia Lopez is one 64th Chinese. One of her four great, great, great, great, great, great grandparents was Chinese, meaning that Julia probably has fifth cousins in China. Who knows, one of them might be the president himself, Julia. That would be political influence par excellence.

I thank you all for your expertise and for the extra documentation that you have provided—it is much appreciated—and for the fantastic evidence that you all gave this morning. It was a huge eye-opener, and people watching will have learned a lot. I have certainly learned a lot this morning, and I think the rest of the Committee, given their nods, feel the



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same. Thank you very much.