

House of Lords Select Committee on International Relations and Defence

The UK's Security and Trade Relationship with China

Government Response

This Government thanks the House of Lords Select Committee on International Relations and Defence for its report, which draws on a range of expert opinions and recognises the broad range of opportunities and challenges in the UK's Security and Trade Relationship with China.

The Government's response has been structured to address the key themes from the Committee's report. Each of the Committee's conclusions will be considered through this response, although where appropriate, the Government has grouped responses. The Committee's text is in bold and the Government's response is in plain text. Paragraph numbers refer to the Committee's report.

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UK China Relations and HMG Strategy

2. While there appears to have been a shift in the mood of the UK towards China, there remains considerable uncertainty over the current Government's policy towards China. The Minister for Asia's comments did not offer clarity. (Paragraph 40)

4. The attempt of the three most recent governments to navigate across the complexity of economic, sovereignty, security and human rights issues in relation to China has led to inconsistencies, created uncertainty and points to a lack of a central strategy. There is no clear sense of what the current Government's strategy towards China is, or what values and interests it is trying to uphold in the UK-China relationship. (Paragraph 67)

6. The Government told us that it has made its approach to China clear in public statements and in the Integrated Review, but these statements, and those made to us during this inquiry, have been vague and do not constitute a strategy. (Paragraph 69)

7. We call on the Government to produce a single, coherent China strategy, as recommended by the Foreign Affairs Committee in April 2019, and a plan for how it will execute that strategy. The strategy should seek to resolve the ambiguities in the current Government's China policy. The recommendations made in this report will help highlight what the strategy should contain. (Paragraph 70)

37. There is disagreement over the extent to which China can be considered a threat to the UK, and it is clear that there are nuances which mean it could be considered more of a security threat in some areas than others. However, the Government's use of the ambiguous phrase "systemic competitor" does not help address these nuances and serves to create more uncertainty about the Government's strategy towards China. We invite the Government to provide more clarity on these points. (Paragraph 218)

The 2021 Integrated Review of Security, Defence, Foreign Policy and Development recognises the profound impact China has and will continue to have worldwide, and sets the core elements of our strategy towards China. It highlights the scale of China's economy, population, technological advancement and ambition to project influence. And it emphasises China's increasing international assertiveness and scale as potentially the most significant geopolitical shift in the 2020s.

The Government considers China to be a systemic competitor. It is an authoritarian state, with a different set of values to the UK. The Integrated Review sets out the importance of continuing to defend our values and interests, and provides examples of where we have done so recently in response to China's actions in Hong Kong and human rights violations in Xinjiang. We will continue to protect and promote UK interests, working in unison with our democratic partners. The Government is also clear that in areas of shared interest the UK will preserve space for cooperation, and continue to engage with China, which, like the UK, is a G20 member with a permanent seat on the UN Security Council. Engagement with China, and other countries, is vital in tackling the most important international challenges of this generation, including climate change, biodiversity and preventing future pandemics.

The Integrated Review sets out that through a robust diplomatic framework, guided by our national interest, we can manage disagreements, defend our values, and preserve space for such discussions.

The size of China's economy and population means it will continue to contribute significantly to global growth. It is in the UK's national interest to continue to trade with China. However, it is important we avoid strategic dependency on China. There are opportunities for UK exports in sectors such as: education; food and drink; creative, consumer and retail, as well as life sciences such as pharmaceuticals and medical technology. We will also ensure our economic security, including through increasing protection of our Critical National Infrastructure, institutions and sensitive technology, and strengthening the resilience of our critical supply chains. This will allow us to engage in trade and welcome Chinese investment, whilst avoiding becoming strategically dependent.

The National Security Council continues to provide clear direction for the Government's China policy. It is supported by the work of the Integrated Review Implementation Group on China, which is chaired by the Deputy National Security Adviser. We will not publish information that could be used to the detriment of the UK's own national security and there are some aspects of our approach to China that it would not be appropriate to place in the public domain.

5. Current levels of China expertise within Government and the civil service are insufficient when compared to the ambitious agenda and the tilt to the Indo-Pacific outlined by the Government in the Integrated Review. (Paragraph 68)

The Integrated Review commits the Government to investing in "enhanced China-facing capabilities, through which we will develop a better understanding of China and its people".

In practical terms this work has been underway for a number of years. In 2011 the then FCO invested in Network Shift, prioritising more resource for the BRICS (Brazil, Russia, India, China, and South Africa), including a cohort of new Mandarin speakers. Through Global Britain investment in 2018 the then FCO created new slots around the Global Network to focus on China.

In 2020/21 the FCDO dedicated an additional £3million to increase our capability on China. This included allocating additional staffing for key strategic areas such as trade and investment, protecting the UK's national interest from potential threats, engaging proactively with the international community to address human rights violations in China and increasing our engagement on Hong Kong.

The Government will continue to invest in China capability in line with the Integrated Review.

China's Position and Outlook

China's Policy Outlook

8. Regime survival remains the key objective of the Chinese Communist Party delivered through continued strong economic growth and China's rising international standing. (Paragraph 78)

9. While China's overall objective of protecting its rise has remained consistent over presidencies, its foreign policy under Xi Jinping has been more outward looking and pro-active, and more aggressive. (Paragraph 79)

10. China is taking an expanded view of security into non-traditional areas such as food, the environment, its financial system, investment, aid and debt. At the same time, it is rapidly growing its military expenditure (including its navy and coastguard) and now has the second-highest national spend after the United States. (Paragraph 83)

11. China's perception of threats to its national security is influenced by insecurities about its rise, history (including perception of 'national humiliation' and memory of its semi-colonial past), domestic security concerns, anti-Chinese sentiment, and fears of external interference. (Paragraph 91)

13. The 14th Five-Year Plan introduced in March 2021 has signalled modifications to the previous model of Chinese economic governance, with a greater focus on self-reliance and emphasising the importance of the domestic market. China will remain a key participant in the global economy, but is likely to focus increasingly on its domestic market. (Paragraph 98)

Over the past decade, there has been increased repression within China, gross human rights violations in Xinjiang, and the erosion of Hong Kong's high degree of autonomy, and rights and freedoms. More broadly, we have seen China take a more assertive posture towards Taiwan and on the South China Sea. It has also engaged in commercial cyber espionage, adopted more assertive foreign policy positions, including with key UK allies, and had a more adversarial relationship with others including the United States. Further, China's military modernisation within the Indo-Pacific poses an increasing challenge and risk to UK interests. We must also recognise that China's remarkable economic growth continues, putting it on course to become the largest economy in the world by 2028 measured by nominal GDP. It has also had considerable success in alleviating poverty.

The Committee is right to acknowledge the 14th Five Year Plan as an important statement of China's economic governance. This Plan puts a greater emphasis on self-reliance and does not contain a growth target. It prioritises tech innovation and modern manufacturing to support self-sufficiency, with peak carbon dioxide emissions by 2030. The plan sets out what Premier Li has described as a "holistic" approach to national security. It presents innovation and technological self-reliance as the only ways to manage overlapping external challenges of technology disruption, climate change and geopolitical uncertainty. It also reiterates support for reform and opening. The Government will continue to advocate reductions in market

barriers, as set later in this response, and the benefit of free and fair trade according to following the proper rules for both global growth and for our respective economies as we build back better following the pandemic.

China in the multilateral system

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

China is seeking to raise its voice and influence in the international system, increasing its representation and campaigning for leadership roles. Its positions on many issues, such as non-interference in domestic affairs, and the primacy of economic development over individual human rights, are shared to varying degrees by some other UN Member States.

Aspects of China's approach to the multilateral system run counter to UK interests and values and the effective functioning of that system. China's selective approach to multilateralism often includes narrow interpretations of the UN Charter's principles, and seeks to use UN bodies and processes to take forward national initiatives or to incorporate the ideology and language of the Chinese Communist Party. We will continue to take targeted action with international partners to defend universal human rights, free and fair trade, and ensure that in areas, such as emerging technology or space, that new rules, norms and standards enable freedom and democracy to survive and thrive.

While our and China's views may not always align, it is still necessary to engage with China to achieve our global objectives including in areas such as global health, biodiversity, climate change and realising the Sustainable Development Goals. As fellow Permanent Members of the Security Council, we engage frequently on issues of international security and, as contributors of troops to peacekeeping missions and finance to UN operations, we share an interest in the security of our people and efficient management of resources. The Government will continue to work with partners and allies to promote our vision for a reformed UN centred international system that is better value for money, more integrated and accountable, and responds more effectively to global challenges.

China's view of the UK

17. Although China does not consider the UK as a high priority country, the UK remains important due to its membership of the UN Security Council. China

also considers the UK an important economic partner in particular sectors. (Paragraph 120)

18. China has a longstanding appreciation for the UK's history, culture and universities, and these continue to have a positive impact on China's perception of the UK. However, political events such as Brexit and the UK's response to Beijing's actions in Hong Kong and Xinjiang have led to cooling of the relationship, and a lowering of the UK's importance in China's view. (Paragraph 121)

19. The UK-China relationship may also be improved by a greater degree of understanding of the Chinese culture and languages by the UK. We call on the Government to provide greater support for Chinese language teaching and cultural exchange with China. (Paragraph 122)

The UK is the 5th largest economy in the world and like China, is a G20 member with a permanent seat on the UN Security Council. As such, both countries recognise the importance of our bilateral relationship.

China and the UK are economic partners, and both countries benefit from bilateral trade and investment. Beyond economic ties, the people in our two countries provide a strong anchor for our relationship with bonds through community, education and culture. Partly because of these ties, the UK retains significant soft power in China. People-to-people relationships and engagement through the UK's influential cultural and sporting assets can offer the UK a valuable channel to build relationships and understanding with China.

We will continue to work to strengthen these people-to-people links and support Chinese language teaching and cultural exchange with China. One way we are already doing this is through the Department for Education's Mandarin Excellence Programme based in state-funded secondary schools in England, which aims to provide an increased pipeline of fluent Mandarin speakers to meet the future business and economic needs of the country. There are now approximately 7,000 pupils from 75 schools on track to achieve fluency in Mandarin as a result of the programme. Pupils on the programme also take part in a study trip to China.

Climate Change

39. The challenge of climate change cannot be addressed without engagement with China. We call on the Government to explain how it will include considered co-operation with China on climate change as part of its China strategy. This is particularly important given the UK's leadership role at COP26. (Paragraph 231)

40. Since the publication of the Stern Review on the Economics of Climate Change in 2006, and the Climate Change Act 2008, the UK has become a leader in climate change and decarbonisation, formerly leading the EU in its climate aspirations, and now globally. The UK must use this leadership position to encourage China to engage with the global community in tackling the climate change challenge. (Paragraph 232)

41. Nevertheless, the Government should remain aware that China's interests in tackling the climate crisis may not always be fully aligned with those of the UK. Co-operation must take into careful account China's actions, not just words. (Paragraph 233)

The Government engaged regularly with China on climate change ahead of the COP26 summit, including contact between the Prime Minister and President Xi. No single government can address the transnational challenges of climate change and biodiversity loss alone and it is fundamentally in the interests of the UK to engage closely with China to address these challenges. China's vulnerability to sea level rise is especially acute, with more than 550 million people living in China's coastal provinces. Without adaptation measures, economic damage from river flooding in China could increase 80% in the next 20 years.

The UK and China engage with the shared interest of tackling climate change, through partnerships on green finance, climate risk and clean energy.

On green finance, the UK and China have had a partnership since 2015, which has been supported by the Vice-Premier level UK China Economic and Financial Dialogue. UK engagement has: supported the updating of China's green bond guidelines to exclude fossil fuels; garnered official support for disclosures in line with the recommendations of the Taskforce on Climate-related Disclosures and for the newly-established International Sustainability Standards Board; and secured agreement from Bank of China – one of the world's largest commercial banks – to collaborate on green finance.

Our engagement increased in the run-up to COP26, with regular calls and an in-person visit to China from COP President Alok Sharma and China's Special Representative for Climate Change Xie Zhenhua. The Glasgow Climate Pact, agreed at COP26, is a big step forwards and means that we have the first ever commitment to phase down coal and inefficient fossil fuel subsidies, and a roadmap to limit global warming to 1.5 degrees. It is regrettable that China and India were not able to accept stronger language on coal and fossil fuels but it does not dent the integrity of the Agreement. At COP26, China also endorsed both the Glasgow Leaders Declaration on Forests and Land Use and the Glasgow Breakthroughs

statement and committed alongside the US to step up climate action this decade and keep 1.5 degrees in reach. The UK will continue to work throughout our Presidency year with all countries, including China, to drive down emissions and further action to tackle climate change.

We have also worked with China on its Presidency of the UN Convention on Biodiversity, promoting the links between climate change and biodiversity loss. We look forward to further negotiations on a post-2020 biodiversity framework in Spring 2022.

In the last 18 months, China has committed to achieving carbon neutrality before 2060, announced an end to overseas coal projects, introduced a range of other policies and measures including a new action plan to peak emissions before 2030, to accelerate the reductions of its coal consumption this decade, and submitted a revised NDC. China has also established a new leading group on carbon peaking and neutrality, overseen by Vice Premier Han Zheng, with responsibility for ensuring an economy-wide transition to a cleaner economy.

Whilst China has made significant commitments to tackling these problems, it is clear that all countries must do more to accelerate action in the next decade to avoid the worst impacts of climate change. We look forward to working with them in the coming year and beyond.

Development Finance

1. The UK's relationship with China during the coalition and Cameron Governments was largely focused on the economic benefits of closer ties. The UK played a key role in the founding of the Asian Infrastructure Investment Bank, but it is unclear whether it has retained its influence in the intervening years. (Paragraph 31)

15. The Belt and Road Initiative, and the Digital Silk Road component, are key elements in China's drive to make the international order more 'China compliant'. Some argue that the BRI allows China to apply political leverage through debt, though we also heard that China is increasingly recognising that this approach may not be sustainable. The subversion of international institutions and indebted nations' compliance with China's wishes should be given greater prominence and consideration. (Paragraph 111)

16. The United Kingdom has a strong and proud record in its development programmes and encouraging other nations to act similarly. While there are many questionable elements of the Belt and Road Initiative, and BRI projects will always reflect China's interests, some will equally benefit the receiving nation. Belt and Road investments may on such occasions be welcomed. (Paragraph 112)

34. We welcome the principle underlying the Build Back Better World Initiative, particularly given the detrimental impact of the cuts to UK Official Development Assistance and the opportunity this gives for China to expand its influence in Africa and elsewhere. We call on the Government to provide more detail about the UK's intended contribution to the Initiative and how it will operate. (Paragraph 189)

44. Official Development Assistance is a vital aspect of the UK's soft power, which can be used to address both traditional and non-traditional security challenges. As the UK seeks further engagement in the Indo-Pacific, Official Development Assistance cuts may create a void which may be exploited by China and the UK's other competitors. We urge the Government to restore Official Development Assistance to 0.7% GN I before significant damage is done to the UK's capabilities in this region and more widely. (Paragraph 240)

The UK will deliver honest and responsible investment for cleaner and more reliable infrastructure in developing countries, including through building closer ties on infrastructure investment with friends and partners. Our attractive, alternative financing model will be characterised by high standards, transparency and reliability. It will also deliver for people here in the UK – investments abroad will generate export opportunities in the UK, creating jobs across the country.

At COP26, the Prime Minister launched the Clean Green Initiative (CGI) to support the rollout of sustainable infrastructure and revolutionary green technology in developing countries, helping to tackle climate change and boost economic growth. To support the Clean Green Initiative, the UK will deliver over £3 billion in climate financing for green growth in developing countries over the next five years including

£200m for a new Climate Innovation Facility. The Climate Innovation Facility will support the scale-up of technologies to help communities deal with the impacts of climate change, such as drought-resistant agriculture and sustainable forestry, in markets where private investors have been reluctant to take on the risk alone.

In addition, the UK aid-backed Private Infrastructure Development Group (PIDG) will commit more than £210m in new investment to back transformational green projects in developing countries. The Foreign Secretary also used the COP26 summit to announce £110m of support to the ASEAN Catalytic Green Finance Facility. This will increase access to finance for critical infrastructure for ASEAN countries and will support the development of sustainable infrastructure projects such as renewable energy, clean transportation or urban infrastructure in developing countries across the region.

This is part of the work that the UK is taking forward on the G7 Development Finance Partnership that was agreed at the G7 Leaders' Summit in Carbis Bay in June. This new partnership will modernise development finance to build back better for the world, delivering a step change in the G7's approach to investment for infrastructure in the developing world.

The UK continues to have significant shareholdings in Multilateral Development Banks (MDBs), which deliver finance and policy support at scale supporting the UK's development objectives. The UK's membership of the Asian Infrastructure Investment Bank (AIIB) is one example of this. The AIIB has 103 members and is focused on improving infrastructure and fostering sustainable growth in the region. Since commencing operations in 2016, the AIIB has rapidly established itself as a core part of the MDB system, co-financing projects with other MDBs and actively participating in cross-MDB coordination to support global public goods, including climate change. The UK is represented on the AIIB's Board of Governors by the Chancellor of the Exchequer and on its Board of Directors. We work closely with the AIIB and other shareholders to ensure the bank implements high standards and delivers on UK and G20 priorities.

We advocate close strong alignment between Chinese investments and international standards. We recognise the potential risks associated with China's global economic and political influence and take an approach that distinguishes between the threats and opportunities that BRI projects may pose to UK foreign policy interests. Therefore, we only engage where there is demonstrable and transparent benefit to the UK, where it is consistent with the national interest and supports the Government's security and prosperity objectives.

Regional Security and the Indo-Pacific

3. A cornerstone of the recently published Integrated Review is the UK's "tilt" to the Indo-Pacific. While we welcome the attention being paid to this important region, the Government needs to provide greater detail on its objectives and how it plans to achieve them, particularly with regard to China. However, given the Royal Navy's home waters and North Atlantic obligations it is optimistic to believe the UK could contribute much. (Paragraph 53)

The Prime Minister made clear through the Integrated Review that the Indo-Pacific tilt is a key priority for the UK, making our country safer and more competitive and standing up for our values. The region is home to half the world's people, and some of the world's largest and fastest growing economies, accounting for 40% of global GDP and around 10% of foreign direct investment into the UK.

We are strengthening our economic, diplomatic and security partnerships, delivering for British businesses and British people, working together on regional issues as well as global challenges such as climate change, and promoting freedom and democracy across the world. The Foreign Secretary's recent week-long visit to Malaysia, Thailand and Indonesia underscores this and our intention to deepen economic and security links with these fast-growing and increasingly influential countries.

The UK has taken important steps in delivering our objectives during 2021: achieving ASEAN Dialogue Partner status in August, the first new ASEAN Dialogue Partner in 25 years; being the first country to open negotiations to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a market with a combined GDP of around £9 trillion; agreeing an enhanced UK-India partnership and a UK-India Roadmap to 2030; reaching agreement in principle on new bilateral Free Trade Agreements with Australia and New Zealand; launching the new Australia-UK-US (AUKUS) Partnership, tightening our security and technology relationship with two key Indo-Pacific partners; and making a highly visible demonstration of our commitment to regional partnership and stability through the deployment of HMS Queen Elizabeth and her Carrier Strike Group.

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

45. China is a rapidly growing military power with an increasingly assertive policy towards its neighbours and adjacent waters. It has an agenda to secure the integration of Taiwan into its jurisdiction; to secure all waters, islands and reefs within the 'nine dash line' within its sovereign territory; and to challenge

the Sino-Indian Actual Line of Control. Even if not planned, there is a strong risk that future rhetoric from China will at some point provoke a major conflict. The ‘tilt’ to the Indo-Pacific implies that the UK will be less able to isolate itself from such an event. It needs to carefully consider its contingency plans. With the future presence of the Royal Navy in the South and East China Seas, it is not impossible that a UK naval vessel (rather than the US fleet) could be used by China as the test of their sovereignty, and therefore the start of such a conflict. (Paragraph 241)

Defence and security partnerships with the region are integral to the Indo-Pacific tilt and were supported strongly by the deployment to the region this year of HMS Queen Elizabeth and the Carrier Strike Group. This deployment was welcomed warmly by our regional partners. The FCDO and MOD are working closely to strengthen the UK’s regional defence and security cooperation in order to mitigate growing security threats.

The Government recognises that China’s military modernisation and assertiveness within the Indo-Pacific poses an increasing challenge and risk to UK interests. In the East China Sea, the Government is aware of longer and more assertive patrols by the Chinese Coastguard into Japanese claimed territorial waters. In the South China Sea (SCS) we remain disturbed by militarisation and reports of coercion and intimidation. The Government’s longstanding position is that we take no sides in the sovereignty disputes.

We have expressed our serious concern about the situation in the East and South China Seas with G7 Foreign Ministers in May 2021, and we will continue to raise specific concerns where we have them directly with the Chinese authorities. The UK also remains closely engaged on the issue with Indo-Pacific partners, such as Japan, including via Ministerial discussions. On 3 September 2020, the then Minister for Asia put our legal analysis on the South China Sea on public record for the first time, objecting to Chinese claims we consider inconsistent with UNCLOS. We have reiterated this subsequently: in an E3 Note Verbale to the UN’s Commission on the Limits of the Continental Shelf (16 September 2020); at the UNGA Law of the Sea debate (8 December 2020); and during a Defence Secretary speech in Vietnam (23 July 2021).

The deployment of the Carrier Strike Group underlines the UK’s commitment to support our partners and safeguard our interests in the Indo-Pacific region. The Defence Command Paper sets out clearly the UK’s approach to maintaining a persistent regional presence through the forward-deployment of two warships. HMS TAMAR and HMS SPEY arrived in the Pacific in October 2021. They will remain permanently stationed in the region to safeguard British Overseas Territories and provide more consistent defence engagement with our principal partners including the members of the Five Power Defence Arrangements (FPDA) (Australia, Malaysia, New Zealand and Singapore), the United States, Japan and the Republic of Korea.

These vessels will be joined by a Littoral Response Group from 2023 and Type 31 frigates by the end of the decade. We also intend to increase our broader Defence Engagement including through capacity building and training, delivered by longer

and more consistent military deployments and by better leveraging our existing regional facilities.

AUKUS is the most recent concrete demonstration of our commitment to security and stability in the Indo-Pacific region, and our interest in using new as well as existing arrangements to achieve our aims. It is about the long-standing and deepening defence and security relationship between the UK, Australia and the United States. Both are trusted allies who share our vision of the world and an international order in which free societies can flourish. AUKUS is not aimed at any specific country. It is about supporting our allies and promoting stability in the Indo-Pacific region.

The first step in the AUKUS partnership is an 18 month study to investigate the optimal way to deliver a nuclear-powered submarine capability for the Royal Australian Navy. Through AUKUS, the UK, US and Australia are fostering deeper integration of security and defence-related science, technology, industrial bases and supply chains. We will also strengthen other areas of defence collaboration, with an initial focus on cyber capabilities, artificial intelligence, quantum computing and additional undersea capabilities. As the Prime Minister set out, AUKUS also offers opportunities for generating jobs across the United Kingdom, and could sustain and create hundreds of additional highly-skilled scientific and engineering roles across the country, and secure additional investment in some of our most high-tech sectors.

Capacity building and soft power

28. We call on the Government, in its response to this report, to set out its soft power strategy in the Indo-Pacific and the scale of the allocated resources, especially in the light of the Government's ambitions outlined in the Integrated Review regarding the Indo-Pacific 'tilt'. (Paragraph 172)

33. The UK's expertise in capacity building, first through the Department for International Development and now through the Foreign, Commonwealth and Development Office, is seen as a key strength by the UK's regional partners in the Indo-Pacific. Witnesses stressed the importance of the BBC in terms of the UK's soft power and influence in the region. (Paragraph 188)

36. A range of non-traditional security challenges in the Indo-Pacific region relate to the UK's key interests. The UK should aim to be a leader in addressing non-traditional security challenges, given its expertise and experience in these areas. (Paragraph 209)

43. We call on the Government to explain how the UK plans to support its regional partners and allies in both traditional and non-traditional security areas such as training, joint exercises, institution building and capacity building. (Paragraph 239)

As we implement our tilt to the Indo-Pacific, we will harness the UK's strength as an outward-looking nation, confident in its ability to innovate, compete, lead and deliver for British businesses and the British people. The strength of the UK's education, culture and sports sectors boosts our influence globally and we have been

recognised internationally as a leading soft power nation, ranking 2nd on the Soft Power Index¹. As the Committee notes, the BBC is arguably one of the most recognisable British assets in the Indo-Pacific region, both for its English language programmes and information in a variety of regional languages, including Indonesian, Korean and Thai. It is valued in large part because of its editorial independence, and the Government will continue to resist Chinese attempts to mis-characterise it as a Government-controlled channel for UK propaganda.

The British Council is critical to strengthening people-to-people links in the arts, culture and education. Its work in the region ranges from training English language teachers in South East Asia and developing transnational educational programmes in the Philippines and Thailand, to delivering cultural seasons in Australia, India and Japan, and building research and innovation partnerships, including via the Newton Fund. In China, the British Council focuses on work enhancing UK cultural relations with the Chinese people, English language teaching, and establishing and maintaining people-to-people links.

The Government remains committed to development in a region that is home to one-third of the world's poorest people. In the Financial Year 2021, one third of FCDO bilateral ODA will be spent in the Indo-Pacific and South Asia in support of the UK's deeper engagement and enhanced focus in the region.

Capacity building is a UK strength. The UK is leading globally as a 'responsible cyber power' and our cyber programmes in the Indo-Pacific demonstrate this. Across the Indo-Pacific region, we are working to strengthen cooperation and build relationships on deterrence, cyber governance, digital standards, cyber enabled crimes and online harms. The UK continues to strengthen cyber security in the Indo-Pacific through programming and wider engagement, promoting capacity building (at both a policy and operational level) and increasing awareness of cyber threats, notably to Critical National Infrastructure. For example, the UK-India Enhanced Cyber Security Partnership, as agreed in the 2030 Roadmap, is strengthening cooperation by exchanging expertise on cyber governance (including the international frameworks and norms of state behaviour that manage international peace and security in cyberspace), capacity building, supply chain security and Critical National Infrastructure.

Taiwan

12. There is insufficient understanding of whether China intends to take a more aggressive approach to the existing status of Taiwan and, if it does, how it might react to the consequences of those attempts. It is also unknown how China might respond to non-conventional, "grey zone" attacks. (Paragraph 92)

22. Taiwan will be a crucial issue for the US and its allies, including the UK. Even if a military confrontation would be risky for China and perhaps not in its interests, similar things have been said about many past wars that did occur; the prospect of miscalculation is always present. Should such a conflict draw

¹ <https://softpower30.com/country/united-kingdom/>

in China and the United States, the consequences for the UK—and indeed the wider world—could be catastrophic. (Paragraph 149)

23. An assessment of risk should take into account both the probability and likely consequences of conflict in Taiwan; in this case the UK’s security relationship with the US, its global economic position and the Government’s tilt to the Indo-Pacific region mean that its interests would be directly threatened. The uncertainty over the future of Taiwan therefore represents a major risk to the UK. (Paragraph 150)

As set out in the Integrated Review, we have seen a significant impact of China’s military modernisation and growing international assertiveness within the wider Indo-Pacific region. We support a peaceful resolution through constructive dialogue by the people on both sides of the Taiwan Strait. We are clear that the numerous Chinese military flights at the beginning of October near Taiwan were not conducive to peace and stability in the region. In this context, the UK will continue to work to grow our relationship with Taiwan, within the parameters of our longstanding policy, and based on dynamic commercial, educational and cultural ties. We will continue to work closely with likeminded partners on this issue. The recent G7 Foreign and Development Ministers’ Communiqué in May underscored “the importance of peace and stability across the Taiwan Strait” and reiterated that Ministers “encourage the peaceful resolution of cross-Strait issues”. This message was underscored by G7 Leaders in their June statement.

The UK's Partners

30. The UK's partners and allies in the Indo-Pacific have welcomed the UK's tilt towards the Indo-Pacific, and are supportive of the UK joining existing formats of co-operation, or establishing new, bilateral ones. (Paragraph 185)

31. Establishment of effective and reliable partnerships is critical if the UK and its allies are to respond to the challenges posed by China. These partnerships can take different forms, ranging from formal alliances to bilateral agreements, but they will need to represent sufficient aggregate political, economic and scientific power to be able to counter that of China, and to persuade uncommitted nations to align with these groupings. (Paragraph 186)

32. Some potentially important partners may have systems and values that do not align with the UK's, nor do they all wish to be drawn into an overtly US-China confrontation. If the necessary co-operation is to be achieved the UK will need to take a pragmatic approach to the basis on which they are built. Focusing on issues rather than on western values is likely to be more productive and to draw in a wider range of partners. (Paragraph 187)

38. The Government should consider whether its security assessment of China is aligned more with the US or the EU, recognising that individual EU countries have differing views about the threat that China represents to their security and that through bilateral engagement the FCDO needs to understand these variations. These alliances may influence the level of involvement the UK can have in other alliances and partnerships in the region. (Paragraph 222)

42. The UK's interests in the Indo-Pacific are not unique and distinct from the interests of its European partners, especially France. Both countries should coordinate deployments of military assets to assure a 'persistent' European presence. (Paragraph 238)

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

The Foreign Secretary has been clear of her ambition for the UK to be the beating heart of a global network of liberty, advancing our values, such as free enterprise, opportunity and democracy. We will work to strengthen our economic, diplomatic, security and development ties with friends and partners worldwide. We recognise the importance of deepening our partnerships in the Indo-Pacific bilaterally and multilaterally to address both regional and global issues, including with China itself. Our approach to the Indo-Pacific region will of course take account of regional dynamics including China's role and our partners and allies' investment in the region. We engage actively with partners to understand respective approaches to their relationships with China, as a major regional actor, trade and investment partner. The position of others is one of the factors we take into consideration, including to

identify issues on which we want to persuade partners to align with us, but ultimately the Government takes decisions based on the UK national interest.

The UK is demonstrating our commitment to, and investment in, the Indo-Pacific as we deepen relations through existing frameworks such as ASEAN and the CPTPP. As an ASEAN Dialogue Partner, the UK continues to formalise cooperation with ASEAN, and we have made clear our full support for the ASEAN Outlook on the Indo-Pacific. By acceding to CPTPP, the UK will join a network of countries committed to the international rules and norms that underpin free trade. This will send a powerful signal to the rest of the world that the UK as an independent trading nation will continue to champion free and fair trade, fight protectionism and remove barriers to trade at every opportunity.

UK exports to current CPTPP countries are already set to increase by 65% by 2030, equating to £37 billion. Joining CPTPP is expected to boost this growth even further, which means supporting more UK jobs. Accession could see 99.9% of UK exports being eligible for tariff-free trade with CPTPP members.

We have welcomed CPTPP members' willingness to expand the group, but only to economies which are willing to meet the high standards of the agreement. CPTPP is a group of economies which promote free and fair trade and requires members to meet high standards, particularly against unfair trading practices. Once the UK has joined CPTPP it will have the same rights as other parties in respect of future applicants.

We are using our G7 Presidency to revitalise cooperation between democratic open societies and to strengthen partnerships beyond the G7, particularly in the Indo-Pacific. We invited Australia, India, the Republic of Korea and South Africa to join this year's Leaders' Summit as guest countries to deepen the expertise and experience around the table. The G7 Foreign and Development Ministers' Communiqué set out the most expansive common G7 position on China to date.

The UK continues to work closely on international priorities with Five Eyes countries: the US, Australia, Canada and New Zealand. Our shared values underpin the Five Eyes relationship and we discuss and consider where to join our diplomatic efforts. The UK has also worked with NATO allies to develop NATO's approach on China, and to ensure this approach is aligned with the UK's position. In June, NATO Leaders agreed a communiqué that said China's stated ambitions and assertive behaviour present systemic challenges to the rules-based international order and to areas relevant to Alliance security. NATO called on China to uphold its international commitments and to act responsibly in the international system, including in the space, cyber and maritime domains, in keeping with its role as a major power. We will continue to liaise closely with NATO allies, ensuring NATO has a coherent and coordinated approach to the full spectrum of challenges posed by China.

The Committee has also rightly noted several bilateral partners that are relevant to our approach on China or our interests and ambitions in the region and we engage regularly with those partners. The Foreign Secretary has been clear of her ambition

to strengthen the UK's economic, technology and security links with fast-growing economies and like-minded partners to build a "network of liberty" around the globe.

United States

20. The current US Administration wants closer co-operation with its partners and allies, and unlike the previous administration, recognises that the challenge posed by China will require co-operation and collaboration. (Paragraph 143)

21. The deployment of HMS Queen Elizabeth to the Indo-Pacific is seen in Washington as a sign of UK's interest in preservation of peace and support for the international rules-based order. The US also values the UK's historical use of soft power in the region, including via Official Development Assistance. (Paragraph 144)

The United States remains the UK's most important strategic ally and partner. We do more together than any other two countries – in joint military operations, nuclear cooperation and in unparalleled intelligence sharing which undoubtedly saves British lives.

Working closely with the US has helped us to deliver strong coordinated action. Earlier this year, the UK announced sanctions alongside the US, EU and Canada against Chinese actors responsible for human rights violations in Xinjiang; we have welcomed US support for joint statements on China's actions in Hong Kong, and the UK has joined the US and other partners in calling China out for its malicious cyber activity.

India

24. India is largely aligned with the US's policy towards China, though there are some key differences in approach. Like other countries in the region, it would prefer to engage in initiatives that are not explicitly framed as anti-China. (Paragraph 163)

25. India is interested in a pragmatic relationship with the United Kingdom, as part of a diverse range of partners including, among others, Russia. India values the UK's use of its soft power strengths, including the BBC. (Paragraph 164)

We have noted already the UK's close working relationship with India, but we are clear that a stronger, more ambitious relationship with India, and other countries in the region, is essential for delivering a successful Indo-Pacific tilt. The UK has become the first European nation to achieve a Comprehensive Strategic Partnership with India. We also have a 2030 Roadmap, agreed between the Prime Minister and Prime Minister Modi. This undertakes to strengthen the bonds between our two modern, open and democratic societies, setting out a decade's worth of ambitious collaboration on health, climate, trade, security and defence and connecting our people. It is an opportune moment for the UK and India to redefine the contours of our relationship as both countries are at the forefront of high-profile international leadership: the UK is hosting G7 and COP26, and India is chairing BRICS, and

sitting on the UNSC in 2021-2. India and the UK are committed to a partnership that delivers for both countries. Our 2030 vision is for revitalised and dynamic connections between our people; re-energised trade, investment and technological collaboration that improves the lives and livelihoods of our citizens; enhanced defence and security cooperation that brings a more secure Indian Ocean Region and Indo-Pacific; and India-UK leadership in climate, clean energy and health that acts as a global force for good.

The Foreign Secretary visited India on 22-23 October and was clear of her ambition to step-up the partnership between the UK and India in critical areas like technology, investment, security and defence, and that closer ties will deliver jobs and growth in both countries, and help us promote our values on the global stage. Starting the visit in New Delhi, the Foreign Secretary met with Indian government Ministers, including holding a review of the UK-India 2030 Roadmap with External Affairs Minister Jaishankar. In addition, the Prime Minister met Prime Minister Modi at COP26 in Glasgow. They discussed recent talks on a potential UK-India free trade deal, and the Prime Minister reiterated the UK's commitment to deepening trade, investment and business ties between our two countries.

Japan

26. Like India, Japan sees the US as a key ally, but also recognises the importance of productive engagement with one of its closest neighbours. (Paragraph 170)

27. Japan sees the United Kingdom as an important partner and ally, which could help to support the rules-based international order in the Indo-Pacific. Like other partners in the region, it values the UK's soft power strengths in particular, including through the use of Official Development Assistance. (Paragraph 171)

Japan is our closest security partner in Asia as the UK tilts to the Indo-Pacific. The UK's strategic partnership with Japan is based on trade, security cooperation and shared values as a force for good in the Indo-Pacific region and the world. We and Japan are committed to provide regional stability and security. The UK has a strong defence partnership with Japan and, in line with the Integrated Review, we will increase our engagement with Japan on security, including maritime and cyber.

The UK and Japan have also signed a Maritime Security Arrangement to further security cooperation between the Royal Navy and Japan Maritime Self-Defense Force (JSDF) and supported progress in other domains, including ground, air, cyber and space. We are currently in discussions with Japan to agree a legal framework which will allow for greater defence collaboration. The UK and Japan also collaborated during the deployment of HMS Queen Elizabeth to the Indo-Pacific.

We also work with Japan on shared interests, including our response to China, through the G7 and G20. Former Prime Minister Suga visited the UK in June for the G7 Carbis Bay Summit and we were delighted to welcome Prime Minister Kishida to COP26 on his first overseas visit. We look forward to Japan's attendance at the G7 Foreign and Development Ministers' Meeting in December.

EU

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

42. The UK's interests in the Indo-Pacific are not unique and distinct from the interests of its European partners, especially France. Both countries should coordinate deployments of military assets to assure a 'persistent' European presence. (Paragraph 238)

We continue to work closely with our European partners, and the EU on aspects of our respective approaches towards China.

The EU's own recent Indo-Pacific strategy is aligned broadly with the UK's approach to the Indo-Pacific. Both of our strategies recognise that geopolitical dynamics in the Indo-Pacific have given rise to intense competition, including tensions around contested territories and maritime zones. The EU's strategy recognises China's military spending and display of force and increasing tensions in regional hotspots such as in the South and East China Sea, and in the Taiwan Strait which may have a direct impact on European security and prosperity.

We continue to work closely with our European colleagues. We deployed our global diplomatic network to build support for joint statements on China's human rights record led by Germany and France at the UN General Assembly's Third Committee in 2020 and 2021 respectively. We also worked closely with European partners to achieve a record 44 co-signatories for a similar joint statement at the Human Rights Council in June 2021, of which 31 were European countries.

In March, the UK announced sanctions in parallel with the EU, US and Canada against the perpetrators of human rights violations in Xinjiang. We also welcomed the Council of the European Union's Conclusions on Hong Kong in July 2020.

In July, the EU joined the UK, Australia, Canada, New Zealand, the US, Japan and NATO in attributing the Microsoft Exchange cyber-attack to the territory of China.

We continue to value our long-standing security and defence relationship with France that is underpinned by the Lancaster House treaties and exemplified by our Combined Joint Expeditionary Force. We are close NATO Allies and have a long history of operational cooperation. We are committed to building on the achievements of the first 10 years of the Lancaster House accords in the decade to come. We will continue to consult each other frequently and at all levels on key international defence and security matters.

Trade and Investment

Overall approach trade with China

48. Trade cannot be considered in isolation. If the UK pursues certain security policies which China sees as running counter to its own interests, there will almost certainly be consequences for trade and investment. (Paragraph 272)

50. The UK should avoid the extreme ‘trade war’ approach undertaken by the Trump administration in the US, which been shown to hurt the US’s interests more than China. The Government should carefully assess whether a more nuanced approach may be more effective when dealing with China. (Paragraph 298)

The Foreign Secretary has made clear that while it is important we trade with China, we will not do so at the expense of either our national security or our values. We must ensure it is reliable trade, it avoids strategic dependency, and does not involve the violation of intellectual property rights or forced technology transfer. While Chinese investment in the UK remains small, it has played an important role in regional regeneration and the green transition. Bilateral trade, which was worth £93.0bn in the four quarters to the end of Q2 2021, helps to support jobs and sustain livelihoods across the UK. In the four quarters to the end of Q1 2021, China was the UK’s 3rd largest trading partner, 7th largest export market and 2nd largest import market accounting for 7.5% of total UK trade.

Supply Chain Resilience

57. The current passage through Parliament of the Telecommunications (Security) Bill is a clear sign of the Government’s concerns over supply chain vulnerability in that area, but such vulnerabilities are widespread in the economy. The COVID-19 pandemic has served to highlight this weakness. With dependency comes risk, and China has on several occasions demonstrated its willingness to use economic and supply chain coercion in support of its international policy. In order to retain its freedom of action towards China, the Government should conduct scenario planning on supply chain vulnerabilities and identify where action is needed to mitigate the risks. (Paragraph 334)

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

Since the UK’s first COVID-19 lockdown in March 2020, China has generally avoided imposing export restrictions on the UK including in the procurement of critical medical supplies. Nonetheless, the COVID-19 pandemic has underlined the importance of diverse, resilient and sustainable supply chains, ensuring the continued flow of goods and services, especially in essential goods such as medical

supplies, critical minerals and telecommunications. The UK takes a market-first approach, which is about embracing a diverse range of sources to critical supply chain resilience and is committed to championing free trade in a rules-based system. Supply chain resilience is not achieved by pivoting away from any one country or region, but rather by developing a more diverse range of sources. This includes diversification to keep supply chains open and promoting international collaboration to discourage trade restrictions and coercive measures.

We recognise that China's economic strength, state-orientated economic governance, and importance as both a major market and producer, mean that it has scope to deploy trade levers to pursue its own foreign policy objectives. We monitor closely China's use of trade measures and are working to strengthen the UK's wider critical supply chain resilience.

The Integrated Review's ambition for "a resilient UK able to withstand and proactively tackle the challenges of today and the future" includes specific focus on supply chain resilience, committing to "using all our economic tools and our independent trade policy to create economic growth that is distributed more equitably across the UK and to diversify our supply chains in critical goods". The Foreign Secretary has been clear that it is important that the UK does not become strategically dependent, and that, particularly in areas of Critical National Infrastructure, we work with reliable partners.

With regard to the Committee's specific question on the supply chain of lateral flow tests, the Department for Health and Social Care (DHSC) has managed the process of ensuring due diligence requirements were met for PPE and lateral flow tests throughout the pandemic. The Department does not comment on the individual commercial relationships that it has with suppliers in any jurisdiction for reasons of commercial sensitivity. However, public notices, which include more information on who the government has contracts with, are published on gov.uk.

At the start of the pandemic, lateral flow tests were procured from China but the products met the requirements of the Medicines and Healthcare products Regulatory Agency (MHRA) as well as those of the Test and Trace Programme, as well as procurement process requirements with regards to quantity, quality, speed and product design. In parallel, the Government worked with UK manufacturers to enable the ramp up of capability and capacity of UK diagnostics and COVID-19 antigen Lateral Flow Devices in particular. This work has helped to ensure a robust UK manufacturing base is put in place and can provide additional testing capacity and capability.

National Security and Investment Act (paragraphs 55 and 56)

55. We welcome the National Security and Investment Act 2021 as an important step in ensuring the security of investments into the UK. We note, however, that the timing of the Act may have led to the perception that it targets China in particular. On the other hand, the timing of the Act was driven as much by China's own actions as by anything else, so the perception is perhaps unsurprising. (Paragraph 325)

56. We call on the Government to publish a detailed plan for implementation of the National Security and Investment Act, to provide confidence to overseas investors. An explanation of the reversal of the Huawei decision would also provide greater confidence to overseas investors. (Paragraph 326)

The National Security and Investment Act 2021 reflects the importance we attach to protecting the UK's national security in the modern economic and investment landscape. It modernises the Government's powers to investigate and intervene in mergers, acquisitions and other deals that could threaten the UK's national security. Some of the UK's partners have introduced similar legislation.

The introduction of this Act represents the culmination of long-term work undertaken by the Government in this area, including through the 2017 Green Paper on national security and investment and the White Paper the following year. It was not introduced in response to any one deal or concerns about any single country.

The Act is country agnostic and there are no additional requirements for acquirers from specific countries – including China. The UK is one of the most open economies in the world and the Government is determined that this must remain the case. We will continue to champion the clear benefits that FDI has brought to the UK, including in relation to jobs and growth. Each case will be considered on a case-by-case basis and the legal tests in the Act are explicit in their references to national security, which will help keep the UK firmly open to investment. The Government will not be able to use NSI powers to intervene in transactions for broader economic reasons, and we would never seek to interfere in deals on political grounds.

The NSI Act will come into full force on 4 January 2022, with core secondary legislation being laid during the remainder of this year. This includes the notifiable acquisition regulations, which specify when acquisitions of entities undertaking activities within sensitive sectors must be notified to the Secretary of State. The Government also published extensive guidance on 20 July 2020 to enable parties to understand how to comply with the Act and further guidance was published on 15 November. Alongside this, the Government has launched a communication campaign aimed at ensuring that the Act is well understood by businesses in the UK and those looking to invest here.

Huawei

Regarding the UK's announcement on Huawei and 5G networks, the US introduced additional sanctions on Huawei on 15 May 2020. We have been clear that the UK's change in approach to Huawei was a result of technical consequences due to these additional US sanctions. Given the uncertainty that the sanctions created around Huawei's supply chain, the NCSC advised that it could no longer be confident that it would be able to guarantee the security of future Huawei 5G equipment affected by the sanctions. The Government accordingly revised its position on Huawei and 5G.

Market Access Barriers

47. While there are opportunities for increased economic engagement with China, they can only be realised in the right economic and political conditions.

At present, there are still considerable barriers to an economic engagement with China that supports the UK's core interests and values. (Paragraph 271)

49. Although there are aspects of the EU-China Comprehensive Agreement on Investment that the UK could replicate in a future investment deal with China, it is not clear that they will provide many additional benefits. The UK should instead focus on overcoming the barriers to investment that UK companies face. The Government should also take note of the political challenges facing ratification of the CAI. (Paragraph 297)

We are aware that UK businesses that want to trade in China face a range of market access barriers. A survey by the British Chamber of Commerce (December 2020) highlighted that 45% of British businesses in China find that their operations are impeded by market access barriers. China has made improvements in some areas recently, particularly in financial services, reductions in the negative list and better Intellectual Property (IP) protection. However, we continue to press for further market access improvements. DIT works to ensure that UK businesses are able to take advantage of opportunities, leveraging and promoting opportunities through direct government-to-government engagement, facilitating business-to-government access and supporting business-to-business events.

We will continue to build trade with China by reducing barriers to accessing the Chinese market, including barriers to investment, and promoting UK businesses and exports. For example, following the removal of foreign ownership restrictions for a range of financial services firms, we have engaged with the relevant Chinese regulatory authorities and have supported UK companies on their strategies for taking advantage of these reforms.

Impact of areas of disagreement on UK/China Trade

63. We also call on the Government to confirm whether it has conducted an impact assessment of the potential consequences of increased political tensions between the UK and China on British businesses operating in China, or Chinese investment into the UK. If such an assessment has not been carried out, we recommend that it is.

The UK's relationship with China is multifaceted. This is precisely why the Integrated Review is a cross-government strategy, considering all factors – economic, security, political – holistically. As set out in the Integrated Review, we will implement a more robust framework for our relationship with China which allows us to manage disagreements and defend our values while preserving space for cooperation in tackling transnational challenges such as climate change, and our continued pursuit of a positive trade and investment relationship in line with our national security and values.

The Government believes that a constructive and mutually beneficial trade and investment relationship can work in support of a better bilateral environment overall, which delivers for British businesses and British people.

Trade and Human rights

59. Balancing the desire for increased economic engagement with upholding values such as human rights will be a particular challenge in the UK's relationship with China. The Government needs to be pragmatic, but it also needs to show greater clarity and international leadership to ensure the balance does not tilt towards preserving economic relations at the cost of human rights. The Government cannot sit on the fence over this issue. (Paragraph 350)

60. The Foreign Affairs Committee called for the Government to publish a strategy on China by the end of 2020, which it has not done. The Government claims to have set out its approach towards China in various speeches, but this does not offer the clarity required. It seems that the Government is using a policy of deliberate ambiguity to avoid making difficult decisions that uphold the UK's values but might negatively affect economic relations. (Paragraph 351)

61. We again call for the Government to produce a clear and consistent written strategy on China. The issue of how the Government intends to balance economic relations trade concerns with upholding values such as human rights and labour protection should be front and centre of this strategy. (Paragraph 352)

62. More generally, the Government should incorporate an atrocity prevention lens in its overall approach to trade. Current atrocity prevention tools and strategies have fallen short, so we ask that the Government outlines how it intends to strengthen these tools, including the effective use of sanctions and other consequences once an atrocity is determined to have occurred. (Paragraph 353)

The UK has a strong history of promoting our values globally. We continue to stand up for our values and our interests where they are threatened, as we have done in response to the human rights violations occurring in Xinjiang. We have led international efforts to hold China to account at the UN; used our Global Human Rights sanctions regime to impose asset bans and travel freezes on Chinese actors responsible for enforcing China's repressive policies in Xinjiang; announced robust measures to help ensure that no UK organisation is complicit in the human rights violations in Xinjiang; and consistently raised our concerns with the Chinese authorities at the highest levels.

As part of this, in January 2021, the Government announced a series of measures to help ensure UK businesses and the public sector are not complicit in human rights violations or abuses in Xinjiang. These measures, which are being implemented by Government, include a review of export controls as they apply to Xinjiang; strengthening our Overseas Business Risk (OBR) guidance on Xinjiang; the introduction of financial penalties for organisations that do not comply with their transparency obligations under the Modern Slavery Act; and increasing support for UK Government bodies to exclude suppliers complicit in human rights violations.

The Government is clear that more trade will not come at the expense of human rights and believes that by having stronger economic relationships with partners, we can have more open discussions on a range of issues, including human rights. The UK will continue to show global leadership in encouraging all States to uphold international human rights obligations and hold those who violate human rights to account. For example, under the UK's Presidency of the G7, Trade Ministers have agreed a Statement on Forced Labour – the first time the G7 has considered forced labour in a trade context. The statement included a commitment to continue working together including through our own available domestic means and multilateral institutions to protect individuals, ensure that global supply chains are free from the use of forced labour and that those who perpetrate it are held accountable.

The FCDO is committed to doing all it can on atrocity prevention in all settings. We deploy a variety of tools, including early warning mechanisms, diplomacy, development and programmatic support, and defence tools – including the armed forces – to strengthen the international system's prevention and response mechanisms. Our work in this area is long-standing, both in terms of preventing atrocities and securing accountability and justice for atrocities committed. We judge that individual FCDO geographical departments, working with other government departments, including the Department for International Trade, are best placed to decide how to tackle atrocity risks in their regions. Geographic departments work closely with our overseas network and are able to draw on expertise from thematic leads and consult the new FCDO conflict centre and other government departments. This allows agility and flexibility to respond to the particular risks and environments in each country.

We are proud that the UK is a world-leading destination for international students, including those from China. International students bring fresh ideas and new perspectives and in doing so help challenge thinking, which contributes to an enriching learning environment for all students, stimulates demand for courses and adds to the UK's impressive research capacity.

46. The Government should seek to maintain the role and popularity of British higher education among Chinese students. However, we are concerned about potential pressures put on Chinese students by the Chinese authorities. The Government and the higher education sector need to take steps to ensure that Chinese students (in particular graduate students) can maintain freedom of research. (Paragraph 260)

We will continue to welcome Chinese students to the UK. We will also ensure that Chinese students are treated equally to all British and international students, including protecting them from any undue pressure on political issues. Freedom of speech and thought are vital to our universities and will always be defended.

WTO Reform

52. The World Trade Organization, albeit with strong new leadership, faces challenges in its two core functions—multilateral trade negotiations and

dispute settlement. As the world's second largest economy, China will be active in any WTO reform discussions. (Paragraph 316)

53. The UK can play an important role in reforming and strengthening the WTO, in particular in the rules and regulations covering sectors such as services, where the UK has extensive experience and influence. (Paragraph 317)

54. We welcome the Government's stated intention to play a role in reforming and strengthening the WTO, but regret that it has provided so little detail on how it intends to do so. We call on the Government to outline its specific areas of focus for WTO reform, and how these will help to support the UK's economic and strategic objectives with China. (Paragraph 318)

The UK continues to believe that our fundamental interests of peace, security, economic stability and prosperity continue to be well-served by a healthy and functioning international system. However, we are aware that the WTO faces challenges. Its negotiation, dispute settlement and trade monitoring arms are all under strain and require revitalisation and reform. Tackling such issues will be important for addressing the current imbalances in the global trading system, by improving transparency and agreeing new rules where they are required.

We will continue to work with partners and allies to promote our vision for a reformed WTO. Key focuses for the UK are ensuring WTO rules can effectively tackle trading practices that are market-distorting, particularly unfair industrial subsidies; ensuring access to Special and Differential Treatment (SDT) is granted in a more balanced and targeted way; addressing the dispute settlement impasse through meaningful reform; and improving member compliance with WTO transparency requirements.

These topics have formed a key focus of our G7 Presidency, where we have discussed the challenges we face and sought to build momentum ahead of the 12th WTO Ministerial Conference (MC12). We have also made the case for these reforms at the G20. At the WTO itself, we are working with the membership to improve the system's transparency and monitoring function through a reform proposal. With respect to SDT, we continue to encourage all members to take up commitments that are commensurate with their level of development and economic capability.

We want to see progress on reforms that are in the interests of all WTO members but note that this will be a long-term effort requiring political will from all involved. As a prominent global economy, it is important China is engaged in these modernising efforts and the consensus-based nature of the WTO means buy-in from China will also be critical to achieve any kind of meaningful reform. We acknowledge that China has its own priorities for WTO reform and while it is positive that China is engaging in the reform debate, we share some differences of opinion on the substance.

There are important areas where we share mutual interest with China, including on the wider WTO modernisation agenda. We are participating in all live WTO negotiations and Joint Initiatives, including the initiative on domestic regulation of services. Agreeing new rules on this issue is a concern for both the UK and China.

The ongoing Services Domestic Regulation Joint Initiative is projected to deliver an agreement at MC12, and the OECD estimates that the agreement will result in a 6-7% reduction in the costs of global services trade and support global economic recovery from the pandemic. China and the UK have been active participants in negotiations, pushing for formal participation by members and ambition in the text.

The UK also continues to work collaboratively with China on the health and environment agendas, for example through our shared co-sponsorship of the Trade and Health Initiative (TAHI) and common involvement in the WTO informal dialogue on plastics. We will continue to work closely with China on areas of mutual interest at the WTO, whilst also challenging China on its practices where appropriate.