Written evidence submitted by Professor Reza Hasmath (CAU0031)

Re: Foreign Affairs Committee – The UK Government's China Audit

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Executive Summary

- Balancing Economic Engagement with Security Risks: The UK's trade with China offers economic benefits, but also exposes vulnerabilities in critical industries, necessitating diversification and stronger domestic production.
- Safeguarding Intellectual Property and Technology: UK firms face risks such as intellectual property theft and forced technology transfers, requiring stricter regulations on high-risk sectors like artificial intelligence and telecommunications.
- Ethical Considerations in Trade Agreements: Engagement with China must be carefully managed to ensure compliance with ethical trade practices, particularly regarding human rights concerns in Xinjiang and Hong Kong.
- Strengthening Strategic Expertise on China: The UK government lacks sufficient expertise on present-day China, impacting policy effectiveness. Increased investment in academic research, diplomatic training and specialist hiring is essential.
- Selective Engagement in Competitive Sectors: The UK should leverage its strengths in finance, media, shipping and green technology to maintain economic benefits while minimizing risks tied to Chinese dependencies.
- Aligning with Key Alliances and Security Commitments: The UK must balance economic cooperation with China while maintaining strong alliances with the U.S., E.U., and Indo-Pacific partners to ensure geopolitical stability.
- Refining the 'Challenge, Compete, Cooperate' Framework: To improve strategic engagement, sector-specific policies and clearer security protocols are needed to define acceptable trade collaborations and competitive boundaries.

About the Author

Reza Hasmath (Ph.D., Cambridge) is a Full Professor of Political Science at the University of Alberta who specializes in Chinese politics, society and foreign affairs. He has previously held faculty positions at the Universities of Toronto, Melbourne and Oxford, and is the 2025 Fulbright Research Chair in Public Diplomacy at the University of Southern California. He has also worked for and advised think tanks, consultancies, development agencies and social organizations in the UK and China. His award-winning, world-leading research on contemporary China has been published in 9 books, 44 journal articles and 39 reports to date. He is the Editor-in-Chief of the *Journal of Civil Society*, and is the Foundation Editor of the *Routledge Research on the Politics and Sociology of China* book series.

This submission draws upon insights from the LSE-Fudan Roundtable on the Future of UK-China Relations and the Chinese Citizens' Global Perception Survey, both led by the author. The submission aims to provide evidence-based recommendations that will enable the UK to strategically engage with China while preserving and strengthening its key global partnerships.

A. Trade Offs in the UK-China Relationship

1. The UK's economic engagement with China presents significant opportunities, but simultaneously exposes vulnerabilities that require careful management. While complete disengagement is unrealistic, efforts should focus on minimizing risks in critical industries while maintaining beneficial trade links. In 2023, data suggests bilateral trade between the two nations surpassed £111 billion, underscoring China's role as a major destination for UK exports. However, this interdependence heightens concerns over supply chain fragility, intellectual property security and ethical trade practices.

2. The COVID-19 pandemic exposed weaknesses in the UK's reliance on Chinese imports for essential goods, including pharmaceuticals, electronics and raw materials. To mitigate future disruptions, diversification strategies must emphasize strengthening domestic production and expanding partnerships with reliable global suppliers.

3. In the technology sector, British firms operating in China face ongoing risks such as intellectual property theft and forced technology transfers. Safeguarding high-tech industries requires stringent regulatory measures and restrictions on Chinese firms in sensitive sectors like artificial intelligence and telecommunications.

4. Beyond economic considerations, ethical governance remains a pressing issue. Scrutiny should be maintained regarding trade agreements with Chinese entities linked to human rights violations in Xinjiang and Hong Kong. Balancing economic ambitions with ethical responsibilities demands a cautious, well-defined approach to engagement.

5. Diversification should target industries where China has relative weaknesses, such as finance, media and shipping. The UK's strength in financial services offers opportunities for strategic expansion, while credibility in global media differentiates UK outlets from Chinese state-controlled networks. Furthermore, China's growing influence in global shipping necessitates UK leadership in shaping trade governance frameworks.

Recommendation

6. To ensure a sustainable UK-China trade relationship while safeguarding national interests, the government should:
    a. Assess critical dependencies and strengthen alternative supply chains.
    b. Enhance UK expertise in China-focused policy-making to support informed negotiations.

    c. Define security protocols for high-risk sectors while enabling secure trade collaborations.
    d. Implement ethical trade guidelines to ensure regulatory compliance and accountability.

B. Government Objectives for the UK-China Relationship

1. A coherent strategy toward China is vital for the UK to effectively balance economic engagement, security concerns and diplomatic relations. The absence of a unified policy framework has led to inconsistencies across government, business and academia, complicating efforts to manage trade dependencies, technological cooperation, and geopolitical alignment. Addressing these challenges requires short-term and long-term objectives that promote strategic resilience while ensuring productive engagement.

2. Trade dependencies should be carefully assessed, as China remains the UK's fifth-largest trading partner. Rather than pursuing complete disengagement, the UK must focus on sectors where it holds a competitive advantage, such as finance, insurance and media. Diversifying investments and strengthening trade ties with alternative partners will reduce vulnerabilities while maintaining economic stability.

3. Technological collaboration presents both opportunities and risks. While Chinese firms express interest in joint research projects, concerns regarding cybersecurity and intellectual property protection remain significant. UK businesses operating in China face regulatory uncertainties and the potential for intellectual property theft. Engagement in high-tech sectors must follow clear security protocols to prevent undue exposure to Chinese regulatory influence.

4. A major obstacle to effective China policy-making is the decline in UK-based expertise on present-day Chinese economic and political affairs. For instance, the recent Roundtable on the Future of UK-China Relations highlights a shortage of specialists within key government institutions, including Whitehall and the FCDO. Investment in education, research and diplomatic training focused on China will be essential for informed long-term decision-making.

Recommendation

5. To enhance policy coherence and engagement effectiveness, the UK should:
    a. Establish a cross-department China Task Force to ensure consistency in trade, security and diplomatic strategies.
    b. Implement cybersecurity and data protection policies for high-tech collaborations.
    c. Invest in China-focused expertise within UK policymaking institutions, ensuring informed strategic decision-making.

C. Strategic Areas for Engagement and Red Lines

1. The UK must pursue a selective engagement strategy with China, focusing on industries where mutual economic benefits exist while maintaining strict security controls. Finance, shipping, green technology and select research initiatives present

viable opportunities, but comprehensive regulatory frameworks must be implemented to prevent undue reliance or exposure to risks.

2. Finance remains a sector where the UK holds a strong competitive advantage. China has struggled with integrating its financial system into global markets, creating opportunities for UK firms in banking, insurance and financial governance. However, UK engagement in this sector must be accompanied by robust oversight mechanisms to protect data security and prevent overexposure to Chinese capital structures.

3. Similarly, shipping presents a valuable opportunity for diplomatic and economic collaboration. Despite China's growing maritime dominance, its partial disengagement from multilateral trade institutions hinders regulatory progress. The UK can leverage its expertise in trade governance to facilitate China's integration into global shipping frameworks, ensuring fair competition and compliance.

4. Green technology is another critical area for cooperation, given China's substantial investments in renewable energy solutions. Joint initiatives in solar, wind and battery development can accelerate sustainability efforts for both nations. However, safeguards must be in place to prevent technological dependencies and ensure intellectual property protections remain intact.

5. Additionally, select research initiatives in biomedical sciences and climate studies offer avenues for collaboration, given the UK's internationally recognized research institutions. These partnerships must be carefully managed to prevent unauthorized access to critical UK research data and maintain national innovation independence

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Recommendation

6. To ensure secure economic collaboration while mitigating risks, the UK should:
    a. Implement financial regulations preventing excessive reliance on Chinese banking infrastructure.
    b. Strengthen maritime trade governance collaborations to integrate China into international regulatory frameworks.
    c. Develop structured green energy partnerships, ensuring technology independence and data security.
    d. Establish strict research guidelines to protect intellectual property while maintaining select academic collaborations.

D. Evaluating the 'Challenge, Compete, Cooperate' Strategy

1. The UK's "Challenge, Compete, Cooperate" framework aims to balance economic and diplomatic engagement with China while safeguarding national security. However, its execution has been inconsistent across government departments and business sectors, leading to uncertainty in strategic planning. Without clear distinctions between areas of competition, cooperation and necessary confrontation, policymakers struggle to implement a unified approach to China relations.

2. Despite Chinese citizens reporting moderate trust in the UK, engagement remains less favourable compared to the E.U. and Germany. Strengthening diplomatic efforts will

be critical to ensuring predictable relations, particularly in trade and investment policy.

3. A key challenge lies in balancing economic collaboration with security concerns, particularly regarding Chinese technology firms. The UK has imposed restrictions on Chinese technology firms due to surveillance and data security risks, yet there is no sector-specific framework to evaluate engagement risks in areas like artificial intelligence and telecommunications.

4. Trade competition requires refinement. China's dominance in global shipping continues to expand, yet it remains disengaged from multilateral trade governance structures. Instead of viewing competition as purely adversarial, the UK could work diplomatically to integrate China into global trade frameworks, ensuring structured competition rather than reactive responses.

Recommendation

5. To improve engagement efficiency, the UK government should:
    a. Develop sector-specific policies defining cooperation in trade governance and green technology while reinforcing competition in artificial intelligence and telecommunications.
    b. Enhance cross-department coordination for a consistent stance on China engagement.
    c. Establish clear security protocols differentiating acceptable collaborations and restricted sectors.

E. Impact of UK-China Engagement on Alliances

1. The UK must carefully manage its relationship with China to ensure stability within its traditional alliances, particularly with the U.S. and the E.U. While economic ties with China remain significant, deeper engagement may introduce strategic friction, requiring a diplomatic approach that balances cooperation with Beijing while preserving key security commitments.

2. The Chinese Citizens' Global Perception Survey suggests that China prioritizes its relationship with the E.U. over the UK, reinforcing the need for Britain to strengthen its partnerships elsewhere to maintain geopolitical influence.

3. One critical challenge is the UK's alignment with the U.S. on security-related concerns. Washington has adopted a firm stance on issues such as Chinese technology companies, data security risks and geopolitical competition in the South China Sea, areas where UK policy must remain consistent to avoid misalignment with key defense agreements

4. In addition, tensions in UK-China trade relations – particularly concerning supply chain dependencies, human rights concerns, and technology governance – require thorough assessment to prevent unintended consequences for British foreign policy.

5. To maintain strategic balance, the UK must expand partnerships in the Indo-Pacific. Strengthening relations with Japan, India and Australia will help counter excessive reliance on China while ensuring stability in global trade and security networks.

6. Furthermore, China's growing presence in multilateral trade governance structures poses challenges for regulatory oversight. The UK should work with its allies to ensure that China's integration into global governance does not undermine existing trade norms.

Recommendation

7. To sustain strategic stability, the UK should:
    a. Strengthen Indo-Pacific alliances with Japan, India and Australia to maintain geopolitical influence.
    b. Ensure policy coordination with the U.S., especially in defense and technology security.
    c. Work with the E.U. and international trade institutions to uphold regulatory standards.
    d. Develop a unified diplomatic framework that aligns UK foreign policy objectives across multiple alliances.

F. Expertise Within UK Government

1. One of the significant challenges the UK faces is the declining number of specialists with relatively recent, first-hand experience in China. Cuts in university funding and restrictions on China-focused research have contributed to a shrinking talent pipeline. This decline affects government departments such as the FCDO, which appears to struggle to maintain personnel with up-to-date, deep knowledge of Chinese economic, political and security affairs. Without experienced specialists, the UK risks developing reactionary policies rather than proactive strategies that anticipate China's evolving geopolitical stance.

2. As mentioned, Chinese citizens perceive the UK as moderately important for China's long-term future, but less critical than the E.U. and the U.S. This suggests that the UK must refine its diplomatic engagement by developing a stronger knowledge base on China's governance, trade strategies and foreign policy priorities. A lack of expertise could result in misinterpretations of China's domestic and international objectives, weakening the UK's ability to negotiate beneficial agreements.

3. In addition to expertise within government institutions, academic funding for China studies has declined, affecting the number of trained professionals entering diplomatic and policy roles. The Roundtable discussions have consistently highlighted that many UK-based China scholars lack access to field research opportunities due to restrictive policies and funding shortages. The decline in research collaborations between UK and Chinese universities has further limited the ability of academics to provide nuanced analysis that can inform government decision-making.

Recommendation

4. The UK must strengthen its talent pipeline by funding specialized China-focused training programs for diplomats and policymakers. This should include:
   a. Expanding university funding for China studies to rebuild academic expertise in Chinese economic, political and security research.
   b. Enhancing diplomatic training initiatives that provide structured language immersion and cross-cultural programs for government officials.
   c. Increasing research collaborations between UK and Chinese institutions to foster better-informed policy decisions.
   d. Establishing fellowship and scholarship programs that encourage graduates to pursue careers in government specializing in China relations.

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