

## **Foreign Commonwealth and Development Office - Written evidence (TRC0018)**

### **The UK Government's approach to China**

This written evidence from the Foreign, Commonwealth and Development Office and the Department for International Trade seeks to respond to the topics and questions raised by the House of Lords International Relations and Development Committee in their inquiry into the UK's security and trade relationship with China.

#### **The Integrated Review of Security, Defence, Foreign Policy and Development**

1. The 2021 Integrated Review of Security, Defence, Foreign Policy and Development published on 16 March advocates an integrated, whole-of-government approach to seizing opportunities for British citizens in the decade ahead, whilst tackling the challenges we face. It aims to ensure that the UK is ready to deal with the threats of the future head on and that our country is match-fit for a more competitive world.
2. The Review identifies the growing power of China as the most significant geopolitical and geoeconomic factor in the world today, with major implications for British values and interests and for the structure and shape of the international order. This fact shapes much of the thinking behind the Review. The fact that China is an authoritarian state, with different values to ours, presents challenges for the UK and our allies. China will contribute more to global growth than any other country in the next decade, with benefits to the global economy. China and the UK benefit from bilateral trade and investment, but China also presents the biggest state-based threat to the UK's economic security.
3. The Integrated Review sets out how we will adapt to China's growing impact on all aspects of our lives and globally. We will require a robust diplomatic framework that allows us to manage disagreements, defend our values and preserve space for cooperation where our interests intersect. We will not hesitate to stand up for our values and our interests where they are threatened, or when China acts in breach of existing agreements. We will continue to pursue a positive trade and investment relationship with China, while ensuring our national security and values are protected.

4. We will continue to invest in enhanced China facing capabilities. Through this investment we will develop a better understanding of China and its people, while improving our ability to respond to the systemic challenge that it poses to our security, prosperity and values - and those of our allies and partners. Together, we will stand up for our values and interests, including when China acts in violation of its existing agreements, such as the Sino-British Joint Declaration on Hong Kong. To protect our open society and economy security, we will increase protection of our Critical National Infrastructure (CNI), institutions and sensitive technology, and strengthen the resilience of our critical supply chains.
5. As a result of these actions to improve our resilience we will be able to engage China with confidence. We will pursue a constructive dialogue where that proves possible and a positive economic relationship whilst protecting our national security and values. We will also seek cooperation with China because of its increasing importance in tackling global challenges, including climate change, biodiversity and pandemic preparedness. Only by working together, and with others, can we harness shared expertise and commitment to address these intertwined global threats. We will also work with our international partners through our 2021 G7 and COP26 Presidency on the most significant global priorities. This will include furthering our shared values and interests, and standing up for them where they are threatened.

#### Coordination of UK policy on China

6. UK policy on China is coordinated across Government. The FCDO is at the heart of the cross-Whitehall strategic approach to China. Implementation of the Integrated Review is led by National Security Adviser, who is reviewing how the National Security Council (NSC) provides oversight. To date our policy towards China has been agreed by the National Security Council and is reviewed regularly. The NSC sets the UK's strategic objectives on China which cover the depth and breadth of UK-China engagement, and the implications of China's growing geopolitical and global role. For reasons of national security, we do not publish correspondence or decisions relating to the NSC.
7. The China National Strategy Implementation Group, a cross-Whitehall group of senior officials, prepares NSC discussions and takes forward our detailed approach to China. As China's impact on our international and domestic policy grows we continue to build increased China capability within government.

8. Ministers are accountable to Parliament for the policies, decisions and actions of their departments and agencies. As such, information on our approach to China is regularly shared by Ministers through responses to questions in the House. Recent examples of HMG action announced in parliament include the bespoke immigration route for BN(O)s and their dependents launched on 31 January 2021 and the series of targeted measures announced on 12 January 2021 to help ensure that British organisations are neither complicit in nor profiting from human rights violations in Xinjiang.
9. The Foreign Secretary has frequently updated the Foreign Affairs Committee, via correspondence which they have published, on a range of China issues. For example in 2020, there were six exchanges of correspondence which covered a range of topics including the UK's approach to China, and the situation in Hong Kong, Xinjiang, and Tibet. The Foreign Secretary also frequently makes public statements on topical developments in China which are available on [gov.uk](https://www.gov.uk).
10. The British government regularly reviews our position on many aspects of China policy with the emphasis of ensuring that it is delivering in the UK national interest.

## **Security**

### **Integrated Review and Indo-Pacific tilt**

11. At the heart of the Integrated Review is an increased commitment to security and resilience, so that the British people are protected against threats. This starts at home, by defending our people, territory, critical national infrastructure, democratic institutions and way of life – and by reducing our vulnerability to the threat from states, terrorism and serious organised crime.
12. China's global role has implications for the UK's global, regional and domestic security interests. The Integrated Review confirmed the increasing importance of the Indo-Pacific for the UK. The Indo-Pacific region matters to the UK: it is critical to our economy, our security and our global ambition to support open societies.
13. The UK's Indo-Pacific approach is distinct, broad and positive, with the UK being the European partner with the broadest, most integrated presence in this dynamic region. We have already

signalled our intention to develop closer partnerships through our bid to achieve Association of South East Asian Nations (ASEAN) Dialogue Partnership status. We will also build on our existing partnerships in the region, including Australia, India, Japan and the Republic of Korea. 2021 will mark the 50<sup>th</sup> anniversary of the Five Power Defence Arrangements (Australia, Malaysia, New Zealand, Singapore and United Kingdom), which plays a significant role in promoting cooperative responses to an increasingly complex contemporary security environment.

14. Defence is an essential part of the UK's integrated offer to the region and, as such, MOD will be strengthening their regional defence cooperation in the Indo-Pacific, in support of HMG's efforts to build wider security partnerships. As set out in the Defence Command Paper, we will increase our capacity building and training across the Indo-Pacific, delivered through longer and more consistent military deployments and by better leveraging our existing regional facilities; maximise regional engagement as part of the Carrier Strike Group deployment in 2021; and increase our maritime presence in the Indo-Pacific region through the deployment of Offshore Patrol Vessels from 2021, Littoral Response Group for 2023 and Type 31 frigates later in the decade, including to uphold freedom of navigation.
15. As part of the UK's persistent presence in the region, five Royal Navy ships have transited the South China Sea since April 2018, most recently HMS Enterprise. These deployments serve to reinforce our commitment to regional security and to upholding UNCLOS. Wherever the Royal Navy operates, it does so in full compliance with international laws, norms and rights to freedom of navigation provided by UNCLOS.

#### UK Security Interests

16. As the Integrated Review sets out, we will defend our values and our security, including that of our allies and partners.
17. One example is cyber. The Integrated Review describes how the UK will be a responsible, democratic cyber power, adopting a comprehensive strategy to maintain our competitive edge in this rapidly evolving domain. We will build a resilient and prosperous digital UK, making use of the full spectrum of levers to detect, disrupt and deter adversaries. We will also take a more active approach to building and sustaining strategic advantage through

science and technology, using it in support of our national goals that are central to geopolitical competition.

18. The UK continues to work alongside international partners to hold China to account for the wide-ranging malicious cyber activity emanating from China. In strengthening our defence and security, with our allies, we have publicly attributed cyber-attacks to China, where we have had compelling evidence to do so. In December 2018, the UK alongside 14 international partners called out the Ministry of State Security for breaching the UK-China bilateral agreement which sets out acceptable behaviour in cyberspace. In 2020, working in solidarity with international partners, we imposed travel bans and froze the assets of the Tianjin Huaying Haitai Science and Technology Development Co Ltd and two of their operatives for carrying out malicious cyber activity. We frequently raise evidence of cyber violations with the Chinese authorities.
19. Another example is technology. Collaboration in science and technology between companies and academic institutions in the UK and China can drive innovation and contribute to solving pressing global and societal challenges. The UK-China science and innovation relationship spans over 40 years and, working together, our scientists have pioneered ways to simulate the effects of climate change, created data tools to make food production more sustainable, and introduced digital techniques for training doctors in remote areas. Concurrently, the ability to advance and exploit science and technology will be an increasingly important metric of global power, conferring economic, political and military advantages.
20. The Integrated Review sets out how the UK must take an active approach to building and sustaining a durable competitive edge in science and technology. The UK, like many other countries, has concerns that Chinese investment in advanced technology and knowledge, and research by our firms and institutions may be used to assist Chinese military programmes. The significant impact of China's military modernisation and growing international assertiveness will pose an increasing risk to UK interests. The UK will incorporate science and technology as an integral element of our national security and international policy, fortifying the position of the UK as a global science and technology power. Collective action with our allies and partners will be vitally important.

21. The Government has also taken steps to guide academic institutions and businesses about key considerations and risks linked to digital and technology opportunities in China or when working with Chinese businesses. China's business environment and practices present UK digital and technology SMEs with legal, commercial and ethnical risks of which they may be unaware or unsure how to manage and mitigate. In November 2020, the Department for Culture, Media and Sport launched a public information campaign to provide clear, up-to-date information and specialist support which take account of national security concerns.

### Regional security

22. Much of the UK's trade with Asia depends on shipping that goes through the Indo-Pacific. Preserving freedom of navigation is therefore essential to the UK's national security interests, and that of our allies and partners. Chinese actions in its near neighbourhood have become increasingly assertive in recent years, and it is party to a number of disputes with partners in the region. In particular, the UK remains disturbed by reports of militarisation, coercion and intimidation in the South China Sea and is opposed to any action that raises tensions, increases the risk of miscalculation or hinders the chances of peaceful settlement of the disputes. We continue to raise concerns with the Chinese authorities about their actions which contravene the UN Convention on the Law of the Sea (UNCLOS).
23. The UK has recently taken steps to reinforce the primacy of UNCLOS in the South China Sea. The Minister for Asia set out to Parliament in full our legal analysis on the South China Sea for the first time on 3 September 2020. On 16 September, we issued a joint Note Verbale with France and Germany to the UN's Commission on the Limits of the Continental Shelf in response to assertions in Chinese Notes Verbale that we consider inconsistent with UNCLOS. On 8 December, the UK made a national statement at the annual UN General Assembly debate on the Law of the Sea, reiterating our legal position on the South China Sea. The UK is also working closely with allies and ASEAN partners to build capacity amongst claimant states on maritime law and security. This includes dialogues, training courses and conferences.
24. On Taiwan, we remain concerned by any action that raises tensions in the region and risks destabilising the status quo. We consider the Taiwan issue one to be settled peacefully by the people on both sides of the Taiwan Strait through constructive dialogue.

## Global Security

25. It is also strongly in the UK's interests to engage China frequently and extensively on a range of threats to international security and UK priorities. Proactive engagement to shape and inform the Chinese approach is an important pillar of our bilateral relationship and is essential for tackling immediate threats to UK interests and supporting global stability. As permanent members of the UN Security Council and Nuclear Weapon States under the Non-Proliferation Treaty (NPT) the UK and China have particular responsibilities for global security issues.
26. An example of cooperation is on international non-proliferation. China is key to international non-proliferation, as a P5 member, Non-Proliferation Treaty (NPT) signatory, supplier of a range of weapons and technology, and as a member of the Iran deal Joint Commission. Senior officials discuss these priorities through a bilateral counter-proliferation dialogue, most recently in November 2020. China has signed the Comprehensive Test Ban Treaty (CTBT), but not ratified it; we continue to encourage them to do so.
27. The Joint Comprehensive Plan of Action (JCPOA), agreed in 2015 between the P5+1 and Iran, is a key achievement of multilateral diplomacy and an element of the global non-proliferation architecture. The UK is working with all the parties of the JCPOA, including China, and the new US administration, to find a diplomatic way forward which brings Iran back into compliance with its JCPOA commitments and realises the benefits of the deal.
28. The UK and China also share longstanding concerns about DPRK's nuclear programme and capabilities, on which we continue to engage and cooperate. The DPRK has conducted ballistic missile testing in violation of UNSC resolutions and continues to advance its nuclear programme. As China remains DPRK's largest trading partner and has a close political relationship, Beijing plays a central role and the UK continues to engage China in support of implementing sanctions against DPRK and urging DPRK to take steps on denuclearisation.

29. As highlighted in the Integrated Review, cooperation with China will be necessary to tackle transnational challenges, particularly climate change and biodiversity loss. As the world's largest emitter of greenhouse gases and biggest financier of international coal, but also the world's largest renewables investor and manufacturer, China presents huge challenges as well as opportunities in the fight against climate change. President Xi's commitment to carbon neutrality by 2060 was a significant step but China's short-term plans are not ambitious enough and insufficient to meet the Paris Agreement goals. As the UK hosts COP26 and China hosts the Convention on Biological Diversity (CBD) COP15 this year, the UK will continue to push for cooperation from China to increase ambition on climate change and reduce biodiversity loss.

#### Working with International Partners

30. The Integrated Review highlighted the importance of cooperation, including working multilaterally, and collective action to advance UK priorities, establish common approaches and demonstrate the benefits of cooperation in influencing multilateral debates. This year, our G7 and COP26 Presidencies enable us to lead internationally, including on global priorities where we need to cooperate with China on transnational challenges, such as climate change and global health. Ministers and senior officials regularly consult international partners on our respective approaches to China.

31. In the G20, we will continue to engage with China and other large economies to support the global recovery from COVID-19, and a fair and mutually beneficial global economic system for all people. The Prime Minister has said that we must work with all G20 members to "chart a path out of the pandemic and build a better, greener future".

32. We will continue to work with our European partners, and the EU, on areas of shared interest. In October 2020, we liaised with Germany to build support for the joint statement it led on Hong Kong and Xinjiang at the UN General Assembly's Third Committee supported by a total of 39 countries. We have engaged closely with Germany and France on the South China Sea, where in addition to the joint Note Verbale in September, we released a statement in August 2019 stating our concern about potential insecurity and instability.



33. We are also working side by side with NATO allies to develop NATO's approach on China. As Heads of State and Government stated in the 2019 London Declaration, "we recognise that China's growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance". China was discussed at the NATO Foreign Minister's meetings in December 2020 and March 2021. 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 and as part of the NATO 2030 agenda.
34. The United States remains the UK's most important strategic ally and partner and we continue to invest deeply in our partnerships with Australia, Canada and New Zealand. We have particularly close ties on international priorities with these partners and work together through our unique and valued group referred to as the Five Eyes. These relationships are the result of over sixty years of successful collaboration and proven trust. China's global role is one of many topics we discuss in this grouping. We also work with these countries individually.
35. The UK's announcement on 22 March of Global Human Rights sanctions against the perpetrators of gross human rights violations taking place against Uyghurs and other minorities in Xinjiang, was made alongside the US, Canada and the European Union. By acting with partners, we sent the clearest possible signal of the international community's serious concern and our collective willingness to act.

### **Trade with China**

36. As an independent trading nation, Global Britain will champion free and fair trade under rules fit for the 21<sup>st</sup> century. We will position the UK as a global service, digital and data hub to seize international opportunities to drive domestic growth. We will strengthen the rules-based international trading system and open markets through reforming the WTO to protect jobs and livelihoods. We will build relationships with our trading partners to break down barriers to trade, supporting growth across the UK. We will continue to pursue a positive trade and investment relationship with China, while ensuring our national security and values are protected.
37. China is the world's largest trading nation in goods.<sup>1</sup> It is also an engine for global growth and forecast to grow at above 5% each

year to 2025.<sup>2</sup> China was the only major economy to experience positive GDP growth in 2020<sup>3</sup> and its relatively quick economic recovery could play a role in supporting the UK's own recovery. Economic links between the UK and China continue to create UK jobs and export markets for British businesses. China is our third largest trading partner, sixth largest export market, and third largest import market (data from the four quarters to the end of Q3 2020).<sup>4</sup>

38. The Integrated Review set out how we will use 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. Our new Investment Security Unit will safeguard British intellectual property and companies against national security risks, intervening in inward investment where necessary and proportionate. The UK is committed to a transparent and predictable regulatory environment in response to a more complex set of threats. This will provide the secure foundation through which we can build positive economic links with international partners, including China.

### UK trade policy on China

39. China's rapidly growing urban middle class, which has been estimated to have grown from 44m to 374m people between 2010-2018,<sup>5</sup> creates potential 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. For example, UK food and drink exports to China increased at an average annual growth rate of 21% between 2016-19, and were worth £0.8bn in 2019.<sup>6</sup> Trade promotion and market access work are important ways for the UK to increase exports to China in these sectors. Capturing the benefits from these opportunities will help to support job creation,<sup>7</sup> wage growth, and levelling up the economy across the regions and nations of the UK.

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<sup>1</sup> UNCTAD Stats, 2019, available at: <https://unctadstat.unctad.org/>

<sup>2</sup> IMF World Economic Outlook, October 2020, available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

<sup>3</sup> IMF World Economic Outlook Update, January 2021

<sup>4</sup> Source: ONS, UK total trade: all countries, non-seasonally adjusted

<sup>5</sup> McKinsey & Company - China Consumer Report 2020. McKinsey define middle class as mass affluent (annual disposable income of 197-297,000 in 2018 real RBM), plus upper aspirant households (annual disposable income of 138-197,000 in 2018 real RBM).

<sup>6</sup> Source: Overseas trade in goods statistics, January 2021, the food and drink classification is consistent with Defra's definition of foods and drinks.

<sup>7</sup> In 2016, China supported 190,000 direct and indirect jobs which are reliant on exports (2.9% of total UK FTE jobs supported by exports). In comparison, the US supported 1,254,000 FTE jobs (roughly a fifth of the direct and indirect jobs which are reliant on exports). Source: <https://www.gov.uk/government/publications/evaluating-the-impact-of-exports-on-uk-jobs-and-incomes>

40. We have no plans to negotiate a free trade agreement with China; our trade policy focus is on reducing market access barriers for British businesses. The Department for International Trade is working to resolve market access barriers faced by UK businesses in China and push for greater opening of Chinese markets through liberalisation of specific and cross-cutting regulations. We pursue greater market access across a range of sectors.
41. Following sustained HMG and UK industry engagement through a range of channels, openings for UK exports of goods and services have been achieved in recent years. In the agri-food sector, for example, we obtained market access for live langoustines and products with dairy ingredients sourced from outside the UK (the latter through the 2018 UK-China JETCO). In the energy sector, China lifted restrictions on foreign investment in petrol stations, allowing UK companies to expand their operations in China. In financial services, 2019 saw the establishment the London-Shanghai Stock Connect, and in 2020 China removed ownership equity caps for a range of financial services companies. In 2021, China made regulatory changes that will allow for imports of certain cosmetics without requiring animal testing. This is a high-value market opening, and DIT is currently conducting detailed policy work to ensure the right procedural arrangements are in place such that UK exporters can take advantage.
42. DIT also works to support companies by engaging with businesses to build awareness of opportunities and support them to navigate new regulatory and licensing procedures. Improving market access is technical, official-led work, but ministerial-level dialogues are often required for achieving significant milestones toward opening of markets.

#### Chinese investment in the UK

43. As an open economy, we welcome foreign trade and investment, including from China, but only where it adheres to our laws and supports UK growth and jobs. All investment must meet stringent legal and regulatory requirements to protect the UK's national interest and security. Where this is not the case, HMG will investigate and apply appropriate mitigations.
44. In 2019, the US was the largest investor in the UK, while China ranked 22<sup>nd</sup>, and Chinese investment accounted for 0.2% of the total UK inward FDI stock. China's FDI stock in the UK has increased from £369m to £3.2bn between 2010 and 2019. In 2019, the largest sector for China's FDI stock in the UK was financial

services, accounting for 76.5% of the total. The second largest sector was transport equipment which constituted 7.8% of China's FDI stock in the UK.<sup>8,9,10</sup>

45. The Department for International Trade uses investment data recorded by the Office for National Statistics (ONS) or international sources such as the International Monetary Fund (IMF) to analyse investment flows between the UK and other countries. These data sources capture bilateral investment flows between countries but not at individual business or investor level. These sources do not capture the proportions of investment from different sources such as private companies and sovereign wealth funds.

### Challenges and Considerations

46. The business environment in China has consistently presented challenges for UK and foreign firms. A recent survey conducted by the British Chamber of Commerce in China found that the top concerns reported by UK businesses operating in China include cybersecurity and IT restrictions, repatriating capital, and competition with Chinese State-Owned Enterprises.<sup>11</sup> UK business complaints on intellectual property (IP) have become relatively less prominent compared to other concerns, and the UK continues to share regulatory best practice to improve IP protection. Despite these concerns, UK companies continue to see long-term opportunity in China, and the Chamber's December 2020 survey found that 49% of UK businesses were optimistic over the businesses outlook for the next year, with 44% neutral, and 7% pessimistic.<sup>12</sup>

47. Given its scale and particular economic model, China presents trade and investment challenges. Some market-distorting economic practises by China such as forced technology transfer, subsidies given to or provided by state-owned enterprises, and intellectual property infringements undermine fair competition and efficiency in China and abroad, and have contributed to mistrust in the global trading system. These issues are also bound within the UK's WTO reform efforts, where work is ongoing to identify potential reforms to the WTO rulebook to tackle the challenges posed by trade

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<sup>8</sup> Source: ONS, Foreign direct investment involving UK companies (directional): inward

<sup>9</sup> External estimates of investment flows and breakdown by sector may vary due to use of different methodologies.

<sup>10</sup> ONS estimates of inward FDI stock may not capture flows routed through offshore or third-party locations, and since Chinese investment into the UK often comes via Hong Kong and offshore jurisdictions, ONS figures are likely to be lower than some other external sources on that basis.

<sup>11</sup> British Chamber of Commerce in China's annual Sentiment Survey, December 2020

<sup>12</sup> British Chamber of Commerce in China's annual Sentiment Survey, December 2020

distortive practices. As the Secretary of State for International Trade said in February 2021 at the virtual Davos forum, it is in everyone's interests, including China's, to see the system strengthened.

#### National Security and Investment Bill

48. The National Security and Investment Bill will upgrade the UK's powers to intervene in business transactions on national security grounds. Our current powers in this area derive from the Enterprise Act 2002, which limits the types of deals that the government can scrutinise. The proposed regime is in line with many of those administered by our Five Eyes allies (US, Canada, Australia, New Zealand) and other security partners. And like the UK's proposed regime, the United States, France, Italy, and Japan also have mandatory notification requirements for certain sectors. China has also established a new foreign investment screening regime, effective from January 2021.
49. Bringing in a new investment screening regime is not a signal that we are reducing our appetite for foreign investment; it is an upgrade that reflects the demands of a modern economy. The fundamentals of the UK as an international investment destination – our open, liberal economy, world-class talent and business-friendly environment – remain as strong as ever. The UK will remain one of the best places to do business and we have a number of incentives for investors to invest in the UK, including the new Office for Investment.
50. The Bill is nationality agnostic and there are no additional requirements for acquirers from specific countries – including China. The overwhelming majority of acquisitions pose no risks to our national security so most transactions will proceed unaffected. We have a proud and hard-won reputation as one of the most open economies in the world and this Bill will do nothing to change that. No part of the UK economy is automatically off-limits to investment and we will continue to champion the overwhelming 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 Bill are explicit in their references to national security, which will help keep the UK firmly open to investment.

#### EU-China Comprehensive Investment Agreement

51. The EU and China reached an in-principle Comprehensive Investment Agreement (CAI) in December 2020. The UK is not party to this agreement as we have left the EU. It is too early to determine the full implications of the agreement for European and Chinese businesses and the agreement will not come into effect until ratified by the European Parliament.
52. In January 2021, the European Commission published sections of the agreement, mainly covering 'level playing field' issues. A preliminary version of the annex covering details of new market access provisions in China was published on 12 March 2021. DIT is analysing the recently published annexes to assess how they affect opportunities for UK companies, and monitoring wider developments.
53. The UK has had a Bilateral Investment Treaty (BIT) with China since 1986. This is one of over 90 BITs that the UK has in place with other countries. UK BITs provide British investors with protections under international law against wrongful behaviour. We currently do not intend to renegotiate or remove the UK-China BIT, which provides protection to investments of UK companies in China.

#### The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

54. On 1 February 2021, we submitted our notification of intent to begin the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) accession process. This is the first formal step towards accession before formal negotiations start later in the year.
55. CPTPP covers one of the most important free trade areas in the world, accounting for 13% of global GDP in 2019. CPTPP GDP would rise to 16% if the UK were to join. CPTPP removes tariffs on 95% of goods traded between members and reduces other barriers to trade across four continents. CPTPP membership is a key part of the government's plan to position the UK at the centre of a network of modern free trade deals that support jobs and drive economic growth at home.
56. The UK shares the CPTPP's commitment to free trade and particularly welcomes the high standards of this ambitious agreement, in areas including state-owned enterprises, intellectual property and labour rights. Accession of new members after the UK has joined would entail a change in rights and obligations of existing

members and so would be subject to Parliamentary scrutiny under the terms of the Constitutional Reform and Governance Act 2010.

### China's Global Economic Approach

57. The UK recognises China as a source of aid, trade and investment for many countries. The scale and reach of China's economy, size of its population, technological advancement and increasing ambition to project its influence on the global stage, for example through the Belt and Road Initiative (BRI), has profound implications worldwide.
58. The UK's engagement with China on the BRI is focused on practical steps to help ensure that projects are delivered in line with these international standards in order to deliver sustainable development outcomes. However, we also recognise the potential risks associated with China's global economic and political influence and take a nuanced approach that distinguishes carefully between the threats and opportunities that the BRI poses to UK foreign policy interests.
59. We also want to work with partners to ensure that African governments have access to diverse, transparent and sustainable sources of finance that are appropriate to their needs. The economic impact of COVID-19 in Africa has only increased the need for continued international financial flows to support jobs and growth. It is in the UK's interests to ensure that this happens in a manner that is rules-based, transparent, and provides value for money in the long run. Our offer will be more liberal on free trade than the EU, do business with greater integrity than the Chinese or Russians, and we are committed to serve as a force for good in the communities in which we invest.
60. China has used its economic strength, state-orientated economic governance, and importance as both a major market and producer, to deploy trade levers to pursue foreign policy objectives. With international partners, we closely monitor China's use of trade measures both on a multilateral basis, and against individual countries.

### China as a Global Lender

61. China's status as the largest bilateral lender to developing countries (holding 60% of the bilateral official debt of Sub-Saharan Africa), may also be used to support its foreign policy objectives. There is evidence that political considerations are taken into account when China is considering requests from developing

countries for debt relief, including debt caused by the current COVID-19 crisis. China's commitment to G20 initiatives on debt – the Debt Service Suspension Initiative (DSSI) and the Common Framework for Future Debt Treatments beyond the DSSI, are to be welcomed to ensure that its debt negotiations are conducted in a multilateral framework. We are working closely with the G20 to support this.

### Conclusion

62. As the Foreign Secretary said in Parliament on 20 July 2020, the UK wants a positive relationship with China. There is scope for positive, constructive, engagement. There are opportunities, from increasing trade to cooperation in tackling climate change. But, as we strive for that positive relationship, the UK will be clear-sighted about the challenges that lie ahead. We will always protect our vital interests, including sensitive infrastructure, and we will not accept any investment that compromises our domestic or national security.
63. We will always be clear where we disagree. We recognise China's role in the world, as a fellow member of the G20 and a fellow permanent member of the United Nations Security Council, and we expect China to live up to the international obligations, and the international responsibilities, that come with that stature. The UK will seek a positive, constructive, and reciprocal relationship with China.

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