

Following the Political Conversation on China in the United Kingdom

By Joseph Cash, China Policy Analyst

-  The House of Lords International Relations & Defence Committee inquiry into the UK's Security & Trade Relationship with China provides an opportunity to see how the political conversation on China in the UK is shaping up outside party politics;
-  Reading the testimonies given to date, a consensus view emerges among those involved with China across Whitehall that the UK cannot afford to self-isolate from China, even if Beijing asks London difficult questions at times;
-  The UK needs a consistent, long-term strategy for China: Future British jobs and prosperity demand it.

Summary

The political conversation on China in Parliament and across Whitehall has changed in recent years, and for a number of reasons. But that was always likely to happen following the UK's departure from the European Union (EU) because the repatriation of responsibilities concerning China was bound to make the UK's relationship with the market more visible to the British electorate and more controversial. Whereas trade was previously an exclusive competence of the European Union, the question of whether the UK trades more or less with China is now up to the politicians in Westminster. As a result, the Government is under more pressure than before to ensure that it balances how it articulates its normative principles and political interests with the economic case for continued engagement with China. This has seen the political conversation on China become more heated, and MPs from across the political spectrum are increasingly keen to convince the Government of the importance – or lack thereof – of China to their constituents and hold its actions to account.

But come out of the Commons, and along the corridors of the Palace of Westminster, and the nature of the China debate changes again, for while MPs watch the Government, the House of Lords scrutinises the motions passed by MPs. This briefing will explain why the House of Lords International Relations and Defence Committee has opened an inquiry into the UK's security and trade relationship with China, how it is progressing, and what observers can take away concerning the political conversation on China taking place in the United Kingdom.

Background

In February, the House of Lords International Relations & Defence Committee launched an inquiry into the UK's security and trade relationship with China.¹ Considering a range of issues, including its importance as a trade partner, the Committee will publish a report considering China in this regard and whether the Government's position on China in its recently published Integrated Review is appropriate.²

This inquiry is the second Parliamentary investigation considering the UK's economic relationship with China to take place since the UK triggered Article 50 – the clause enabling its withdrawal from the European Union

¹ <https://committees.parliament.uk/committee/360/international-relations-and-defence-committee/news/145355/the-uks-security-and-trade-relationship-with-china-inquiry-launched/>.

² <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>.

– and follows the House of Commons International Trade Select Committee inquiry into UK trade and investment with China in 2019.³

These Committees play an important role in the parliamentary process by ensuring that bills and laws under consideration – including trade deals – are examined in detail by figures considered to be experts in the policy area under consideration.⁴

In the case of the House of Commons, Select Committee Members are voted onto committees by other MPs, and while Party politics can disrupt the process ([last year Conservative MP, Julian Lewis had the whip removed for voting against party lines to see Chris Grayling, also of the Conservative Party, installed as Chair of the Defence Committee](#)), usually MPs are elected onto committees based on any prior experience they might have in that policy area.

In the case of the House of Lords, this expectation is even more pronounced, with peers being appointed to the Lords – and subsequently onto committees – because they showed distinction in a certain policy area during their career.

What have people been saying?

Academia		Business	MPs/Political
Akio Takahara: University of Tokyo	Linda Yueh: London Business School; University of Oxford	Sir Sherard Cowper-Coles: CBBC	George Osborne: Former Chancellor of the Exchequer at HM Treasury
Alicia Garcia-Herrero: Bruegel	Lynn Kuok: IISS	Lord Sassoon: CBBC	Graham Stuart, MP: Minister for Exports, DIT
Bonnie Glaser: German Marshall Fund	Shaun Breslin: University of Warwick	FANG Wenjian: CCCUK; Bank of China, London	Nigel Adams, MP: Minister for Asia, FCDO
Charles Parton: RUSI	Steve Tsang: SOAS		Lord O'Neill of Gatley: Former Commercial Secretary to the Treasury
Elizabeth Economy: Stanford University	Tanvi Madan: Brookings Institution		Lord McDonald of Salford: Former Permanent Under Secretary, FCDO
Garima Mohan: German Marshall Fund	Veerle Nouwens: RUSI		Lord Patten of Barnes: Last Governor of Hong Kong
Janka Oertel: European Council on Foreign Relations	Wei LIANG: University of Monterey		Lord Sedwill: Former Cabinet Secretary
Katharine Morton: Tsinghua University	Yongjin ZHANG: University of Bristol		Rupert Ainley: FCDO
Kerry Brown: King's College London	YU Jie: Chatham House		Mohib Rahman: DIT
Didi Kirsten Tatlow: German Council of Foreign Relations			

³ <https://committees.parliament.uk/committee/367/international-trade-committee/news/104358/committee-launches-inquiry-examining-ukchina-trade/>.

⁴ <https://www.instituteforgovernment.org.uk/explainers/select-committees>.

There have been fifteen sessions of the International Relations & Defence Committee to date, involving thirty witnesses. These have included the CBBC's Chair, Sir Sherard Cowper-Coles and President, Lord Sassoon.

The predominant view expressed at these sessions so far has been that the UK needs to develop a China strategy and continue engaging with the country, irrespective of whether the witness comes from academia, business or political circles. There has been the consensus view that, while the UK was part of the EU, the British Government and Civil Service didn't have a comprehensive China strategy and that there is an urgent need for the country to develop an independent one, now. The notion that China can be a force for good in addressing global challenges, including environmental protection, has also emerged strongly during the proceedings. The same is true for the suggestion that the UK should abandon a strategy based around trying to change China and the Communist Party's policy agenda for one that accepts that the UK and China might end up collaborating on projects but with very different ends in mind.

Roving into the debate around the role China should play in the British economy, the idea that British jobs and national prosperity is at risk should the UK decide to turn its back on China has also been a popular one; a sentiment that the question is not *whether* the UK trades with China but *how*.

The Academic Perspective

Kerry Brown (Director of the Lau China Institute, Professor of Chinese Studies, King's College London), **Yu Jie** (Senior Research Fellow on China, Chatham House), **Steve Tsang** (Director, SOAS China Institute) and **Charles Parton** (Senior Associate Fellow, RUSI) all offered up a similar set of opening remarks when giving evidence: That consistency is vital when engaging the Chinese Government. Tsang made the point that "*the 'Golden Era' wasn't perfect, but it was clear to China what the UK's intentions were.*"⁵ A sentiment echoed by Yu, who suggested that "*consistency is important to Chinese people*" and that the UK has not found a way of working with China that is neither mercantilist nor biased towards liberal issues, often resulting in the British Government oscillating between the two.⁶ Meanwhile, Parton posited that "*The UK doesn't fully understand where it wants to cooperate with China and where it wants to resist an authoritarian regime with great economic and technological power.*"⁷

Another idea well represented in the evidence of academics was that China is difficult to understand and that a lack of funding and/or the reluctance of British students to pursue language courses at university had resulted in China knowing more about the UK than vice versa. When giving evidence, Kerry Brown and **Didi Kirsten Tatlow** (Senior Fellow, Asia Program at German Council of Foreign Relations (DGAP)) both took this line of argument further.

⁵ S. Tsang, <https://committees.parliament.uk/oralevidence/1868/pdf/>.

⁶ J. Yu, <https://committees.parliament.uk/oralevidence/1809/pdf/>.

⁷ C. Parton, *ibid*.

They pointed out that not only does the UK understand China insufficiently as it is now, but because Chinese policymakers use different ideological and cultural reference points when formulating policy, British policymakers are struggling to grasp the “novel theories” which China develops and applies to problems – such as the Dual Circulation Strategy.⁸ Brown suggested that “*the bespoke capitalist model that China has established has really tested our vocabulary,*” and that one of the issues holding the UK back when pushing for greater market access in China has been a fundamental lack of understanding of how China’s economic structure works.⁹

Wading into business and trade policy, the academic community giving evidence to this inquiry presented a China that is reluctant to open its markets further than it needs to, while accepting that there are areas in which China needs to integrate further with the global economy. Linda Yueh (Fellow in Economics, University of Oxford, and Adjunct Professor at London Business School) pointed out that China made a lot of concessions in the Europe-China Comprehensive Agreement on Investment (CAI), before suggesting that China might not be a trustworthy trade partner when it comes to implementation – “[The CAI] *begins to level some of the playing field issues vis-à-vis China... but, as with all [Free Trade Agreements] the proof of the pudding is in the eating.*”¹⁰ Meanwhile, Alicia Garcia-Herrero (Senior Fellow, Bruegel), speaking to the inquiry a week after Yueh, suggested that the UK should abandon the idea of pursuing reciprocity with China in terms of market access in the same way that the EU (apparently) did prior to the political conclusion of the CAI, because “*It would only mean that the EU became more closed rather than more open in order to bring [Europe] to the same level of operations with China.*”¹¹

Other Interesting Lines of Argument:

- 英中 “Divergence is a better word than ‘decoupling,’ not least because it makes clear the need to confine any distancing to what is necessary” – Charles Parton
- 英中 “The economic allure of China for this country goes all the way back to Queen Victoria. It has never materialised. That does not mean it cannot, but we have to bear in mind that up to this point it has never materialised as it was promised” – Steve Tsang
- 英中 “People often suggest that because China purchases so much US treasuries, it has some leverage over the United States. This is actually a myth. These are some of the safest investments in the world” – Bonnie Glaser¹²

⁸ D. Tatlow, <https://committees.parliament.uk/oralevidence/2299/pdf/>.

⁹ K. Brown, <https://committees.parliament.uk/oralevidence/1868/pdf/>.

¹⁰ L. Yueh, <https://committees.parliament.uk/oralevidence/2209/pdf/>.

¹¹ A. Garcia-Herrero, <https://committees.parliament.uk/oralevidence/2299/pdf/>.

¹² B. Glaser, <https://committees.parliament.uk/oralevidence/2097/pdf/>.

The Business Perspective

To date, the business community has been represented at this forum by the China-Britain Business Council and the China Chamber of Commerce in the UK.

Speaking in his capacity as chair of the CBBC, **Sir Sherard Cowper-Coles** made the argument that trade links with China are essential to British economic prosperity and pointed to research commissioned by CBBC which shows *“that between 114,000 and 129,000 jobs across the UK... are directly attributable to [the UK’s] economic relationship with China.”*¹³ As with the academics, Sir Sherard brought to the panel’s attention the fact that growing trade with China had been central to the Brexit debate by referencing remarks made by the Minister for Asia, Nigel Adams, who recently told the Foreign Affairs Committee: *“It is inconceivable that a country like the United Kingdom, particularly post-Covid, post-Brexit, would not do business with an economy of the size and importance of China.”*¹⁴

Speaking in a personal capacity, **Lord Sassoon** told the inquiry that his opinion of the opportunity for UK companies and domestic prosperity arising from China had not changed since 2010, a time when Lord Sassoon was – as described by Baroness Anelay of St Johns – *“one of the main advocates of closer economic ties with China.”*¹⁵ Speaking to the growth rate of the China market, Lord Sassoon reminded the committee that *“In 2002... the UK economy was larger than China’s, but by 2010 China’s economy was more than twice the size of the UK... there was a huge opportunity.”*¹⁶ Lord Sassoon concluded his opening remarks by leaning on a theme that emerged across all the sessions: *“For post-Brexit global Britain, there is no opportunity in the world for greater growth in trade, and therefore jobs in the UK than I see from China.”*¹⁷ While not present in this forum, that is a line of argument that has also been adopted by other prominent business groups, including the CBI, whose former director-general took to the Financial Times last year to present an “eyes wide open approach” to China in the interests of “future jobs and prosperity.”¹⁸

FANG Wenjian represented Chinese industry in the UK in his capacity as chairman of the Chinese Chamber of Commerce in the UK (CCCUK) and general manager of Bank of China, London branch. FANG sought to present the UK as a *“strategic partner [to China] in doing business [for]... the total value of Chinese investment [in the UK] is still increasing.”*¹⁹ However, he alluded to the fact that *“the number of deals has slowed dramatically”* and mentioned the National Security & Investment Act as a causal factor.²⁰ FANG was by no means alone in this regard; Kerry Brown also urged the panel to consider whether the investment screening mechanism the British Government is planning on implementing is sufficiently nuanced, his point being that that risk management will be vital to ensuring a balanced economic relationship with China.²¹

¹³ S. Cowper-Coles, <https://committees.parliament.uk/oralevidence/2208/pdf/>.

¹⁴ Ibid.

¹⁵ Lord Sassoon, <https://committees.parliament.uk/oralevidence/2165/pdf/>.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ <https://www.ft.com/content/11e46189-2bf7-423c-8fb8-7c1fcb79462f>.

¹⁹ W. Fang, <https://committees.parliament.uk/oralevidence/2208/pdf/>.

²⁰ Ibid.

²¹ K. Brown, <https://committees.parliament.uk/oralevidence/1868/pdf/>.

Speaking at the same session, both Mr FANG and Sir Sherard endorsed the role bilateral meetings, such as the Economic & Financial Dialogue (EFD) and the Joint Economic Trade Commission (JETCo), play in addressing market access barriers and other trade disputes in the bilateral trade relationship. FANG continued by expressing his wish that the UK and China could secure a mutually beneficial trade agreement.

Other Interesting Lines of Argument:

-  “Yes, there may be turbulence [in the UK-China relationship]. From a business point of view, it is down to the Government to make sure that this turbulence is as little as possible so that we can navigate in calm water” – FANG Wenjian
-  “British business takes its lead from government when it comes to matters of national security. Companies also understand wider political concerns about China’s actions. But alongside a security and diplomatic strategy for China, there also needs to be a thoughtful economic strategy” – CBI
-  “Forging the right relationship with China is vital for the UK’s global competitiveness and wider interests. In short, a litmus test for Prime Minister Boris Johnson’s aims of a Global Britain... our global peers will take advantage of opportunities in China if the UK does not” – CBI

The Political Perspective

With individuals from both sides of an increasingly polarised political debate on China, the sessions featuring those giving evidence with a political background were always likely to fail to help build a consensus view; but that is not the intention of these sessions.

That said, even **Lord Patten of Barnes** (Governor of Hong Kong, 1992-1997) – arguably the most well-known critic of China of those invited to give evidence with a political background – acknowledged that the UK had prospered from its economic relationship with China. However, this statement came in the context that the UK Government has “*largely failed to relate what we achieve in our economic relationship to what the facts are telling us about that [broader] relationship.*”²² Following that statement with a series of facts, Lord Patten commented that considering between 1980-2109 “[UK] exports to China have increased per annum by 3.7% and [UK] imports from China have increased by over 9%, you cannot help but look at the relationship and think that it represents a charitable donation for China,” calling the idea that the UK-China relationship has been ‘win-win’ to date a “*delusion.*”²³

Lord McDonald of Salford (Permanent Under Secretary to the Foreign & Commonwealth Office from 2010-2015) reiterated what the academics had previously said about the need to be consistent with China. Alluding to a conversation he had with one of his opposite numbers in Beijing on how China saw the UK-

²² Lord Barnes, <https://committees.parliament.uk/oralevidence/2300/pdf/>.

²³ Ibid.

China relationship as “*very straightforward*,” Lord McDonald even referred to Sino-British interactions during the Opium Wars to demonstrate how the two countries had a long history of failing to be consistent or sufficiently predictable to one another.²⁴ That said, Lord McDonald indicated that the UK and China had, nonetheless, always managed to return to a state of consistency with one another, when considering the mutual realisation that China was a significant global growth market that wanted to rise, and British firms possessed the expertise and technology to help China to do just that.

Widely considered an architect of the – as Lord Sassoon referred to it – “unhelpful tag of Golden Era” to UK-China relations, **George Osborne** (Chancellor of the Exchequer, 2010-2016), was also invited to give evidence to the Committee. Alluding to his time in office, Osborne stated that the Integrated Review contained “*a lot of continuity*” from his time as a member of the Cameron/Clegg Government, claiming that at the time, the Government saw China through a similar lens to the Johnson Government of today: “*That there was a way for Britain to have something more than a transactional relationship with China, and to have something on a deeper level... while at the same time, understanding the cyber threat, the potential military threat, the human rights abuse and so on.*”²⁵ However, like so many of the other witnesses, Osborne's main message to the panel was that the UK cannot choose to ignore China's economic might or its “*re-rise*.”²⁶

Finally, two sitting MPs, briefed with carrying out the Government's China policy, **Graham Stuart** (Minister for Exports at the Department for International Trade) and **Nigel Adams** (Minister for Asia at the FCDO), were invited to give evidence to the Committee; two senior civil servants working on China affairs at DIT and FCDO joined the session. Minister Adams told the Committee that the Johnson Government would “*continue to pursue a positive economic relationship with China.*”²⁷ Meanwhile, Minister Stuart stated that “*China is an important trading partner for the UK and probably the biggest single economic global opportunity for this country in the coming years.*”²⁸ Both mentioned the need for the UK to devise a robust framework for engaging China which would allow the UK to pursue areas of mutual interest while simultaneously challenging China on areas where there is disagreement. Finally, Minister Adams sought to address the claim made by the academic contingent that the Civil Service lacked China expertise by stating that “*Every Government department has China experts in it.*”²⁹

Other Interesting Lines of Argument:

 “China is an important trading partner for the UK and there is considerable scope for mutually beneficial trade and investment... China is forecast to grow at above 5% each year through to 2025, so it will be an engine of global growth and could play a role in supporting the UK's recovering economy” – Graham Stuart, MP

²⁴ Lord McDonald, <https://committees.parliament.uk/oralevidence/1930/pdf/>.



²⁵ G. Osborne, <https://committees.parliament.uk/oralevidence/1928/pdf/>.

²⁶ Ibid.

²⁷ N. Adams, <https://committees.parliament.uk/oralevidence/2329/pdf/>.

²⁸ G. Stuart, *ibid.*

²⁹ N. Adams, <https://committees.parliament.uk/oralevidence/2329/pdf/>.

-  “China is more important than it was, but it is not as important as it might be in ideal circumstances. One might imagine that, post-Brexit, you would want it to be more” – Lord O’Neill
-  “Unless there is a radical change of direction, China’s presence in the world economy remains an absolutely vital feature of global growth and global prosperity... there will be an important economic relationship [between China and the UK.] – Lord Sedwill

CBBC View

The House of Lords inquiry provides an opportunity to gauge the feelings of different groups feeding into the political debate around China. Reading through the testimonies given to date, what becomes clear is that there is a consensus view that the UK cannot afford to self-isolate from China, primarily because China is too big a market for British business to ignore. Future British jobs and prosperity hang in the balance and are dependent on the UK managing to establish a thoughtful economic strategy for China alongside a national security and diplomatic one; establishing such a strategy will allow UK companies to continue engaging with China safely and in a way that doesn’t run counter to the country’s national interest. Business can be a force for good in this regard. Many UK companies have Chinese businesses as their clients and are already working with their Chinese counterparts on projects designed to extend British best practice in areas including workers’ rights and environmental protections. Business also has a key role to play in supporting the British Government in developing a consistent and long-term approach to China. That role is to bring evidence of the benefits of the relationship to the table so that the Government can evaluate the difficult trade-offs which engaging with China might entail. 

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