

29 July 2021

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NEW  
DIPLOMACY  
PROJECT

# China's rise: UK policy responses at home and abroad

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## TOP LINES

- China's geopolitical, economic and military ascendancy is undeniable. Its competition with the United States for global supremacy could be the defining geopolitical issue of our time.
- Labour's response to China's rise has so far focused on foreign policy, particularly in relation to human rights, national security and diplomacy. However, China's rise also has important implications for Labour's domestic policy.
- Labour's shadow teams must work in tandem. Responding to China will require looking beyond foreign policy to Labour's industrial strategy, as well as fiscal, environmental, immigration, education and technology policy.
- Labour should call for a new industrial strategy to reduce reliance on China, including a state-led approach to boost R&D and technological competitiveness.
- Labour should show leadership on climate change, cooperating with China on ambition but competing in green technology, working closely with Biden's US Administration.
- Labour must protect core digital technologies while working towards shared standards on Artificial Intelligence, and invest in UK and European semiconductor capacity.
- Labour should call for the City of London to clean up its ties to companies complicit in human rights abuses, the Government to leave the UK-China Bilateral Investment Treaty, and for a review of the UK's membership of the Asian Infrastructure Investment Bank.
- Labour should support diversification of international students in universities and protect the most sensitive courses from the Beijing Government's influence.
- Labour should push for an open immigration system which makes it easier for Chinese asylum seekers and Hong Kong nationals, particularly young residents without BNO status, to move to Britain. Labour should support retention of talent so that students who study in the UK can apply for visas more easily.

## BACKGROUND

In the midst of a global pandemic, various geopolitical developments have led to China - and its relationship with the West - rising up the political agenda in the UK.

Labour, along with MPs across the political spectrum, has rightly responded to events in Hong Kong and Xinjiang, where the Beijing government has shown blatant disregard for human rights and political freedoms.

However, while Beijing's behaviour in Hong Kong and Xinjiang raises red flags about the Chinese Communist Party's values and regional ambitions, the challenge posed by China's rise to the UK is

different, and more varied, ranging from technology and industrial strategy to defence and soft power.

Labour's approach to China must move beyond its focus on foreign policy and human rights and particularly address domestic policy, with an emphasis on supply chains, resilient infrastructure and technological autonomy. The reality and enormity of China's challenge means that significant domestic policy changes are also needed in the UK. These will particularly affect the following policy areas:

- Energy and industrial strategy (BEIS)
- Fiscal policy (HM Treasury)
- Environmental policy and climate change (DEFRA / BEIS / Cabinet Office)
- Digital and technology policy (DCMS)
- Immigration (Home Office)
- Education and universities (DfE)

These challenges, as well as policy recommendations, are explored in more detail below.

## Energy and industrial strategy

### *The challenge*

China matters to UK industry in two main ways:

- (1) **China is a major investor in the UK.** Since the Cameron and Osborne Government's 'golden era', Chinese firms (including state-owned enterprises) have invested in UK energy, transport, telecommunications, technology and property developments.
- (2) **UK industry relies heavily on Chinese supply chains.** China is the world's largest exporter, and dominates technological supply chains, including machinery, metals, nuclear reactors, telecommunications and lithium-ion batteries (which are essential for electric cars and other green technologies).

Chinese investment in the UK is sometimes welcome and does not always pose a security threat. Investment can create jobs and sustain a balanced economy, while cheap imports of raw materials, intermediary technologies and consumer goods have helped to keep prices low and in turn benefited some British exporters.

However, these benefits must be balanced against the **risk of over-dependence on China**. This is important for a number of reasons:

- **Economic coercion:** a UK economy which relies heavily on one country is more beholden to that country's diplomatic demands. This is especially concerning if China has positioned itself as a rival to the UK, US and other allies, and is abusing human rights.
- **Reliance on Chinese debt:** Chinese financing of UK industry is often through debt. This increases the risk of debt being used as a diplomatic tool, and can also lead to current account imbalances.
- **Technology transfer:** while investment can lead to technology transfer to the UK, such as Japanese car manufacturing techniques, it can also lead to transfer away from the UK, if techniques and R&D (which is often state-funded) is copied or taken by foreign investors.
- **Espionage:** some technology, particularly telecommunications and digital technology, could be used to spy on the UK Government. A report by Dutch provider KPN recently revealed that the Chinese telecommunications company Huawei had the ability to monitor

the calls of 6.5 million users without their knowledge.<sup>1</sup> It is especially important that this technology is ring-fenced.

### ***Recommendations***

Rather than complete decoupling from China, Labour's goal should be to pursue **diversification**, for both investment and supply chains.

This is especially important for critical sectors such as **energy, telecommunications, utilities and transport**. The impact of China 'turning off the tap' for London property developments would be minimal, whereas the impact of Chinese enterprises, under pressure from the Beijing Government, controlling the UK's 5G network, could be catastrophic.

Working with the Foreign, Commonwealth and Development Office (FCDO) team, Labour's Business, Energy and Industrial Strategy (BEIS) team should **identify key industries** for diversification, critical infrastructure that investment from authoritarian states should be excluded from, and set **maximum limits** on Chinese investment and supply chain dependence. For instance, Labour could pursue a rule that no more than 15% of PPE used in the NHS should come from supply chains located in China.

Labour should consider the current approach being taken by the Biden Administration that recently included a number of Chinese companies involved in human rights violations and with links to the People's Liberation Army on an entities list banning them from investing in the country.

Maximum limits paired with a UK entities list would ensure that key infrastructure is not overly dependent on Chinese investment or supply chains.

In order to achieve this, it is essential that the UK leaves the **UK-China Bilateral Investment Treaty** (BIT), which protects established Chinese investors in the UK. Under the BIT, Chinese investors could claim discrimination if their investments were barred or regulated more heavily than those of other countries. Labour already has a position against Investor-State Dispute Settlement (ISDS), which is included in the BIT.

In pursuing diversification, Labour should prioritise **developing domestic industry** and technological alternatives. Where this is unfeasible, Labour should prioritise cooperation with **the UK's allies** and seek joint technological development. For example, UK firms could work with Scandinavian telecommunications firms to develop alternative 5G technology.

In order to achieve this, protecting supply chains and investment arrangements with **the EU** are essential. A Labour government should seek **equivalence and mutual recognition of standards** with the EU, particularly in technology and manufacturing, and make it easier for European firms to invest in UK industry.

### ***Messaging and narrative***

Labour can highlight **under-investment** in UK domestic infrastructure under the Conservative Government, which dates back to Thatcher's policies in the 1980s. UK R&D expenditure is 1.7% of GDP, well below the OECD average of 2.4%. R&D expenditure in Germany is the equivalent of 3.1% of GDP, in the US it is 2.8% and in France it is 2.2%.<sup>2</sup>

While other European countries developed state-backed, technologically advanced industries (including nuclear energy, rail infrastructure and hi-tech manufacturing), the UK has lagged behind

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<sup>1</sup> Guardian, [Huawei 'may have eavesdropped on Dutch mobile network's calls'](#), 19 April 2021

<sup>2</sup> House of Commons Library, [Research & Development Spending](#), 16 March 2021

and been **overly reliant on services**. This has led to **regional imbalances** between north and south, rural and urban, which in part could explain the political divisions leading to the Brexit referendum.

As a party which believes in the **power of the state** to support industry and balance the economy, there is a gaping opportunity for Labour to highlight the need to develop domestic industries as part of the UK's China policy.

An emphasis on supply chains could also be a good way of Labour holding the Government to account for its **Brexit deal**, without revisiting well-worn debates about EU membership.

Highlighting that the rising red tape as a result of the deal will lead to some UK businesses becoming more reliant on China in the medium to short term.

## **Environmental policy and climate change**

### *The challenge*

As the world's most populous country, **China is the largest emitter of carbon emissions**, though its per capita emissions are far below that of the US, and only a little higher than the UK's.<sup>3</sup>

However, unlike many European countries, China has also **experienced some of the negative effects of climate change**, including severe river flooding and pollution. Its leaders are therefore well aware of the threat climate change poses to China's long run prospects, and the Beijing Government has made climate change a key priority in its latest development plan.

Engaging China in the global fight against climate change will be essential to humanity's success in mitigating the challenge. A number of Western politicians have rightly called for cooperation with China on climate. The challenge, however, is pursuing cooperation with China on climate without capitulating to China's demands in other areas that affect **national security and human rights**. This tension has led to wider disagreement about engagement with China, as shown by divergent approaches between different EU countries.

A further complication is that **China is the world's largest producer of green technology**, and has a near-monopoly on crucial technologies such as lithium-ion batteries, which are used in electric cars, and solar panels. China and Taiwan collectively produce nearly half the world's semiconductors, which are essential for green digital technologies. There is also little doubt that the Beijing Government sees climate mitigation as working hand-in-hand with its wider industrial strategy, summed up in President Xi's 'Made in China 2025' slogan. Beijing hopes that China can maintain its supremacy in green technology and benefit from structural changes to the global economy in response to climate change.

### *Recommendations*

**Labour must tread carefully when developing its climate policy in relation to China.** Labour should not avoid talking about China, given the country's all-important role in fighting climate change. At the same time, Labour must not call for engagement at all costs, or talk down legitimate concerns about national security and supply chain independence.

Labour would do well to take its cue from **President Biden**, who has successfully engaged China in multilateral climate talks without compromising on US criticism of China's challenge to human rights and national security. Crucially, the US has positioned itself in the driving seat in these talks, and demonstrated moral leadership on climate which was severely lacking in the previous Trump Administration.

Biden's initiative demonstrates that it is possible to engage China on climate policy while also taking a principled stance on other issues. At the heart of this strategy is a recognition that China

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<sup>3</sup> World Bank, cited in EconomicsHelp.org, [Top CO2 polluters and highest per capita](#), October 2019

has as much, if not more, interest in tackling climate change as other countries. There is also an element of **competition with China** on climate response, particularly in relation to technological development.

Labour should strongly support the **UK developing its own green technologies**, including electric vehicles, renewable energy production, and more energy efficient digital and consumer technology, in order to tackle climate change without increasing dependence on China. Where domestic production is not possible, the UK should diversify supply chains so that it is not overly reliant on any single country, and in particular should remain integrated in EU markets.

Labour should **assess new climate policy proposals in relation to their foreign policy implications**. For instance, a carbon border tax might help reduce global emissions, but could also hit developing countries which lack the technology to reduce production emissions.

Similarly, Labour should **assess the UK's China policy in relation to its climate implications**. For example, the UK-Hong Kong Bilateral Investment Treaty protects British firms' operations in Southeast Asia, which include energy and mining firms. On the other hand, UK-China academic collaboration on lab-grown meats could be hugely beneficial for climate change.

### ***Messaging and narrative***

Labour can highlight an inconsistency between the UK Government's rhetoric on climate change and its actual policies. While the UK claims to be a world-leader in the fight against climate change, and has set ambitious targets to cut 78% of emissions by 2035, the US and EU are currently leading the way on multilateral climate discussions. Although the UK is hosting COP26 - and has recently hosted the G7 - President Biden has already begun meaningful negotiations with China, the EU and other countries. **The UK must catch up and show diplomatic leadership in this area.**

Labour can also reiterate points from the 'industrial strategy' section of this paper. The Conservative Government has underinvested in R&D and our domestic infrastructure. This means that the **UK now lags behind the US and China when it comes to digital and green technologies.**

Labour is the party of state-led industrial strategy, and will lead the way on a real '**green industrial revolution**'. Labour should be willing to invest far larger sums of money than the Conservatives.

Lastly, Labour can make the case for **cooperation with the EU and cooperation with the US** and China on climate. The Conservative Government has damaged EU relations at a time when we need to be working with our allies to tackle climate change. A close relationship with the EU is not only diplomatically important, but will also help to mitigate cross-border emissions and shared environmental standards, including in the UK-EU Trade and Cooperation Agreement.

### **Digital and technology policy**

#### ***The challenge***

China is a world leader in digital technology, and poses a growing and significant challenge to US supremacy, particularly in certain areas such as Artificial Intelligence (AI) and green technology. This affects the UK and its allies in a number of ways:

- China is a key **technological investor**, and many of its companies have established bases and invested in the UK, including TikTok's new UK HQ in London and Huawei's investment in the UK's 5G network.
- China's digital technology, while advanced, is relatively opaque and firms are ultimately **accountable to the Beijing Government**. This makes it harder to establish shared ethical norms, such as on Artificial Intelligence and privacy.

- Chinese **cyber attacks** pose a significant security threat to the UK; ranging from interference in democratic processes and fake news to deliberate attacks on key infrastructure.
- China's digital technology could be harnessed towards more competitive geopolitical ends. A breakthrough in **Artificial Intelligence** could lead to a step-change in economic productivity, giving it an advantage over rivals. Similarly, emerging technologies could be harnessed for military uses.
- Uncontrolled AI has the potential to harm humanity, in ways that are difficult to predict. Equally, the harnessing of AI could lead to a major imbalance in geopolitical power. For these reasons, the UK should encourage **shared standards** between the West and China on the development of AI, working with researchers and academics. An arms race between the US and China increases the risk of AI being developed too quickly and without good norms.
- Digital technology could be a key frontier in any potential conflict with **Taiwan**, which produces 50% of the world's **semiconductors**.<sup>4</sup> Semiconductors are indispensable components of modern technology ranging from electric cars to computers. If China were to seize control of Taiwan, this could shift the global balance of technological power.

Compared to the US and China, the UK lags far behind in digital technology. However, the UK is a technological leader in Europe, and London is a regional hub for global technology companies as well as an increasing number of local startups. The UK has a particular advantage when it comes to financial technology, professional services and health technology, drawing on its pre-existing strengths in services, pharmaceuticals and life sciences.

### **Recommendations**

- Labour must **recognise the geopolitical dimensions of digital technology investment**. For instance, while Chinese financing of UK startups might have some immediate benefits, this must not come at the cost of technological independence or unwanted transfer of talent and technology away from the UK.
- **Core digital technologies must be safeguarded**. In the 21st Century, digital technology must be treated as a core industry, whose protection is essential for national security.
- Labour should **encourage the development of shared standards on Artificial Intelligence**. This does not require sharing technological secrets, but rather a shared code of best practice, to mitigate the negative effects of an AI arms race.
- Labour should seek **supply chain security for semiconductors**. While it may be unrealistic to develop domestic production overnight, diversifying supply chains to avoid excessive reliance on China or Taiwan is important.

### **Messaging and narrative**

As mentioned in the industrial strategy section, Labour can highlight decades of **underspending on R&D**, and a lack of prioritisation of digital technology. This ties into existing lines on broadband provision, IT education and computer literacy.

Labour can additionally highlight the **role of the state in technological development**. As demonstrated by vaccine development during the pandemic, public-private partnerships can be essential in developing new technologies for the common good.

Labour can emphasise the all-important **role of education** in developing world-leading digital technology. In the US, universities have played a critical role in encouraging innovation and

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<sup>4</sup> Taiwan News, [Output value of Taiwan's semiconductor sector logged US\\$115 billion in 2020](#), 22 February 2021

research. Lack of funding for universities, particularly in STEM subjects, as well as high university fees, may contribute to the UK's relatively poor performance in this area.

## Economic and fiscal policy

### *The challenge*

Despite the trade war between the US and China, Western investment in China has grown rapidly in the last few years. In 2020, foreign investors snapped up more than one trillion worth of RMB (\$192.6 billion) worth of Chinese stocks and bonds.<sup>5</sup> Meanwhile, China has cemented its place in global supply chains, and is now the UK's main source of imports.

China's economic allure will remain a challenge when it comes to the behaviour of **British-based businesses**, who have demonstrated that they are willing to submit to the demands of the Chinese Communist Party to maintain access to China's market.

The early endorsement of the **National Security Law** in Hong Kong by HSBC and Standard Chartered in the face of opposition by the UK Government, is just one example of British-based businesses choosing to hedge their bets with Beijing over the West. The British-based conglomerate, the Swire Group, was previously forced to support Beijing and denounce the 2019 anti-Extradition Bill protests following the participation of Cathay Pacific staff in the protests.

**HM Treasury** remains one of the primary drivers shaping UK-China policy, which, from the perspective of some officials, remains largely unchanged from the 'Golden Era' of relations and the pursuit of deepening economic and financial ties between the two countries.<sup>6</sup>

**The City of London** is one of the top trading hubs for Renminbi outside of China<sup>7</sup> and there are ongoing discussions about linking the Shanghai-London stock exchanges through joint-listings.

Since Brexit and amid tensions between China and the US, the China-Britain Business Council, the 48 Group Club, China Chamber of Commerce in the UK, the British Chamber of Commerce in China, and the City of London Corporation<sup>8</sup> have pushed for a closer economic partnership with China to ensure that Chinese companies list in London over New York and to maintain the steady flow of Chinese investment into the UK.

While China is an important source of imports, its benefit to the UK as an **export market** is far less clear. China accounts for just 3.5% of UK exports of goods and services, while China's share of FDI is less than 3% and its share of the total capital stock of the UK is about 1%. The UK trades more with the rest of Asia than with China.<sup>9</sup>

Chinese investors in the UK include Huawei, Hikvision, and Bytedance - large Chinese technology companies which have been accused of **complicity in the Uyghur internment camps** in Xinjiang. These companies are protected under the terms of the UK-China Bilateral Investment Treaty.

The Government's recent **Integrated Review** called for 'a positive trade and investment relationship with China'.<sup>10</sup> While Boris Johnson recently signalled that he wanted a resumption of

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<sup>5</sup> Financial Times, [Global investors place Rmb1tn bet on China breakthrough](#), 14 December 2020

<sup>6</sup> Politico, [UK works to open doors for financial services in China](#), 10 February 2021. Also see Select Committee on International Relations and Defence, George Osborne's oral evidence on [the UK's security and trade relationship with China](#), 17 March 2021.

<sup>7</sup> Cross-border RMB transactions between China and the UK surged to RMB633.6 billion between March to July 2020, up 169% year-on-year; City of London, [London RMB Business Quarterly](#), 27 November 2020

<sup>8</sup> Select Committee on International Relations and Defence, Sir Sherard Cowper-Coles, Chair of the China-Britain Business Council, & Fang Wenjian, Chairman of the China Chamber of Commerce in the UK, oral evidence on [the UK's security and trade relationship with China](#).

<sup>9</sup> The Critic, [Downsizing China?](#), 18 June 2020

<sup>10</sup> HM Government, [Global Britain in a competitive age](#), March 2021

formal trade discussions between the UK and China by reactivating two forums – the Economic and Financial Dialogue, an annual discussion between the two countries, and the China-UK Joint Trade and Economic Commission.<sup>11</sup>

The Government's 'cakeism' which claims to stand up for human rights while pushing for deeper economic relations with China undermines the credibility of its commitment to human rights and policy position in response to the crises in Hong Kong, Taiwan and the persecution of the Uyghurs.

The challenge is ensuring that the UK-China policy is coherent and that concerns about human rights and national security are married up to economic policy. Otherwise, there is a risk that narrow financial interests championed by the City of London trump a foreign policy built on values and which preserves the security of the nation.

### *China's economic 'freezer'*

Western countries are often warned that upsetting the Chinese Communist Party runs the risk of being put in the 'freezer' whereby China will cut trade and investment and economically ruin those who offend it. However, the impact of this approach and the likelihood of its long-term nature are often overstated.

For example, after the Nobel committee in Oslo awarded the Peace Prize to Liu Xiaobo, a jailed Chinese intellectual and human-rights activist, Beijing placed a six-year diplomatic freeze on Norway and cut off salmon exports. Norway suffered an estimated decline of as much as \$1.3 billion in its exports to China between 2011 and 2013. This only amounted to an annual drop of 0.3 per cent in its total annual exports and Norway's trade with China recovered in 2015 to meet new highs.<sup>12</sup>

Similarly, in response to the arrest of Huawei executive Meng Wanzhou on an American extradition warrant in 2018, Beijing detained two Canadian citizens and imposed trade curbs on Canadian canola, soy, peas and pork exports. Canada's exports to China fell by \$3.5 billion in 2019, but this loss only represented a tiny fraction of Canada's \$447 billion total exports that year.

<sup>13</sup>

It is too early to tell the full extent of China's trade war with Australia, which flowed as a result of the Australian Government's call for an international inquiry into the causes of the outbreak of COVID-19. That being said, the trade measures currently in place only appear to impact 4 per cent of Australia's exports to China and amount to 2 percent of its overall exports.<sup>14</sup>

These case studies show that the Chinese Government's bite is far less serious than its bark. Trade policy is not as interlinked with countries tacitly supporting the political ideology of the Chinese Communist Party as some politicians fear.

Like all governments, the Chinese Government trades and invests in countries that have the materials and goods it needs and where its investments will do well. This may explain why trade between China and the US and Australia grew in April 2021,<sup>15</sup> and why threats by China to economically punish the UK for the introduction of its **British National Overseas (BNO)** visa scheme have not come to fruition.

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<sup>11</sup> HM Government, [Global Britain in a competitive age](#), March 2021; the Guardian, [Boris Johnson declares he is 'fervently Sinophile' as UK woos China](#), 21 February 2021

<sup>12</sup> Foreign Policy, [China Is an Economic Bully—and Weaker Than It Looks](#), 4 January 2021

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> CNBC, [China's trade with the U.S. and Australia grew in April despite tensions](#), 7 May 2021

## ***UK membership of the Asian Infrastructure Investment Bank***

In March 2015, the UK became the first western country to join China's Asian Infrastructure Investment Bank (AIIB), breaking with the Obama Administration at the time which opposed the creation of the development bank largely seen as a rival to the World Bank.<sup>16</sup>

The UK has provided £50 million to Beijing from 2017-2021 as part of its membership fee.<sup>17</sup> In exchange for early support, the former Chief Secretary to the Treasury Danny Alexander, was appointed as a vice-president of the development bank, bypassing the usual two-year lobbying ban ministers face.<sup>18</sup>

The AIIB is considered to be a separate institute supportive and complementary of China's One Belt One Road Initiative, through funding Chinese-led development of infrastructure in the Asia-Pacific region.<sup>19</sup> China's One Belt One Road Initiative has been criticised as using 'debt diplomacy'<sup>20</sup> and exporting the Chinese Communist Party's authoritarian model abroad.<sup>21</sup>

At the recent G7 summit in Cornwall, leaders agreed to create the Build Back Better World Initiative, an alternative to China's One Belt One Road Initiative.<sup>22</sup>

## ***Recommendations***

Labour must reject the current dogma that the UK is already too economically dependent on China for investment and trade to diversify and diverge, or to criticise China on its human rights record. Nor should it allow UK-China policy to be primarily driven by the Treasury and the narrow interests of the City of London.

Instead, Labour should propose that the National Security Secretariat takes a **cross-departmental approach** to UK-China policy.

Labour should commit in government to reviewing the economic links between the City of London and Beijing, particularly assessing the vulnerability of China using economic leverage to co-opt UK business elites and coerce the Government of the day.

Labour should work with the **Financial Conduct Authority** to draft rules which look at the role of UK investment in Chinese companies complicit in human rights abuse, particularly against the Uyghurs in Xinjiang.

Labour should push the Government to introduce **supply chain guarantees** for consumers, in relation to forced labour.

Labour should push the Government to leave the **UK-China Bilateral Investment Treaty**, which protects established Chinese investors in the UK by giving them the right to sue the Government for loss of profit. Evidence shows that similar arrangements have been exploited by Huawei to challenge the Government of Sweden, after it decided to exclude Huawei from its 5G network. The

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<sup>16</sup>The Guardian, [US anger at Britain joining Chinese-led investment bank AIIB | US news | The Guardian](#), 12 March 2015

<sup>17</sup>Rt.Hon Philip Hammond MP, written statement: [Written statements - Written questions, answers and statements - UK Parliament](#), 21 March 2018

<sup>18</sup>ACOBA, [From the Chair OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS G/08 Ground Floor, 1 Horse Guards Ro](#), February 2016

<sup>19</sup>Green BRI, [BRI Cooperation: Functions and Selected Projects of Multilateral Development Banks – Green Belt and Road Initiative Center](#), May 2019

<sup>20</sup>CSIS, [It's a \(Debt\) Trap! Managing China-IMF Cooperation Across the Belt and Road | Center for Strategic and International Studies \(csis.org\)](#)

<sup>21</sup> Carnegie Endowment for International Peace, [Will China Control the Global Internet Via its Digital Silk Road?](#), 8 May 2020

<sup>22</sup>Whitehouse, [FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World \(B3W\) Partnership](#), 12 June 2021

UK could face similar cases arising from decisions made in the interests of national security or human rights.

Given the agreement by G7 leaders to support the creation of an alternative to China's One Belt One Road Initiative, Labour should encourage the Government to review the **UK's membership of the AIIB**. This should include exploring redirecting funds from the AIIB to development projects through the IMF and World Bank, as well as actively exploring funding the creation of shared multilateral institutions for the Build Back Better World Initiative.

The UK should explore wider trading relationships in order to diversify its supply chains. Labour should hold the Government to account for its failure to secure friction-free trade with the EU, which is already damaging British exporters, and encourage closer ties with liberal democracies around the world, including those in the Asia-Pacific region.

### ***Messaging and narrative***

The size of China's economic market makes it impossible to ignore, but Labour should not allow this to trump building an ethical foreign policy and challenging China on human rights.

It is true that the UK in the past has been the recipient of a disproportionately large amount of investment from China and is heavily reliant on China's supply-chain for critical constituents of everyday life, but the UK has not seen the promised fruits of the 'Golden Era' of relations with Chinese FDI accounting for only 2% of the total UK investment spending annually.<sup>23</sup>

Labour should emphasise an economic policy towards China that puts the whole UK economy first and not the narrow interests of the City of London. It should maintain that when Labour is back in government, UK companies who operate and invest in China will be held to a higher standard, as will Chinese companies investing in the UK.

### **Education and universities**

#### ***The challenge***

UK universities have become heavily reliant on Chinese students for their income. The number of first year students in the UK from China has increased from 25,000 in 2006/7 to 86,500 in 2018/19.<sup>24</sup>

A recent report by King College London, co-authored by the former Universities Minister Jo Johnson, found that the net value of UK HE exports from the hosting of full-time Chinese students was approximately £3.7 billion in 2019.<sup>25</sup>

While Chinese students studying in the UK are welcome, the Chinese Communist Party has demonstrated a willingness to weaponize Western universities' reliance on Chinese students, recently calling on Chinese students to avoid studying in Australia as an economic sanction following growing tensions between the two countries.<sup>26</sup>

In response to the UK's criticism of Beijing's decision to introduce the National Security Law in Hong Kong, the Chinese Ambassador to the UK called on Chinese students studying at UK universities to "leverage their strength" and "serve your motherland".<sup>27</sup>

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<sup>23</sup> Andrew Cainey and Veerle Nouwens, [Assessing the UK-China Commercial Relationship](#), RUSI, June 2020; House of Commons Library, [Statistics on UK trade with China](#), July 2020

<sup>24</sup> King's College London, [The China Question](#), March 2021

<sup>25</sup> Ibid.

<sup>26</sup> Global Times, [China issues fresh warnings on studying in Australia](#), 5 February 2021

<sup>27</sup> The Times, [Chinese students in Britain told to serve motherland](#), 4 July 2020

Alongside the growing number of Chinese students at UK universities, there has also been a rise in the number of research collaborations between UK and Chinese academic institutions. The number of co-authored papers has risen from around 750% in 2000 (about 1% of UK output), and then to 16,267 papers in 2019 (about 11% of UK output).<sup>28</sup>

The nature of these research partnerships has been a source of great controversy. A recent report by Civitas found that over half of Russell Group universities had research relationships with Chinese **military-linked manufacturers and universities**.<sup>29</sup>

In some cases this research inadvertently had dual-uses and links to the production of Weapons of Mass Destruction (WMDs), including intercontinental ballistic missiles (ICBMs) as well as hypersonic missiles.

The role of **Confucius Institutes** in UK universities which are supported by the Chinese Ministry of Education and teach a strict curriculum including Chinese Communist Party propaganda has led to growing questions about the extent of Chinese influence in UK academic institutions.<sup>30</sup>

These concerns have been exacerbated by the overseas nature of the National Security Law, with UK universities having to edit teaching materials and re-examine how they teach subjects that relate to China to ensure that academics and students do not fall foul of the draconian law.<sup>31</sup>

### ***Recommendations***

Labour should continue to support UK academic institutions being a top destination for Chinese students to study overseas, while also calling on universities to diversify the international students they attract. This would ensure that UK universities are not financially dependent on any one country for international students.

Labour should encourage the **retention of talent**, so that skilled foreign students can continue to work in the UK and contribute to the economy. Evidence shows that British universities are worse than US counterparts at retaining talent, particularly when it comes to supporting start-ups, research and innovation.<sup>32</sup>

Labour should call for an urgent inquiry into **research partnerships** between UK universities and Chinese military-linked manufacturers and universities. Shadow Ministers should also call for the Government to create a list of institutions and companies with which UK universities are barred from undertaking research.

Labour should ensure that international students in sensitive course areas, such as science, technology, and engineering do not pose a security risk to the UK. This particularly applies to students with links to the People's Liberation Army.

Labour should call for a review of the operation of Confucius Institutes in UK universities and the influence of the Chinese Communist Party on UK campuses.

### ***Messaging and narrative***

Labour should make it clear that the UK will remain a welcoming place to international students irrespective of their country of origin, while also highlighting the risks of being overdependent on international students from one country.

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<sup>28</sup> King's College London, [The China Question](#), March 2021

<sup>29</sup> Civitas, [Institute for the Study of Civil Society Inadvertently Arming China?](#), February 2021

<sup>30</sup> BBC News, [Confucius Institutes: The growth of China's controversial cultural branch](#), 7 September 2019

<sup>31</sup> The Times, [Wipe references to China to protect students, Soas lecturers told](#), 7 May 2021

<sup>32</sup> Financial Times, [Universities in the UK and Europe have a start-up problem](#), 10 May 2021

Shadow Ministers should push for universities to diversify the international students they attract and accept. This could be achieved by universities increasing their recruitment programs in countries that currently have a low representation of students at UK universities. Labour should encourage the Government to increase grant funding to universities for these efforts which could be incorporated into the Government's 'Global Britain' agenda.

This should be presented not just as a financially sound policy but also as an opportunity to offer greater access to UK universities to students from developing countries.

Labour must champion itself as the party of national security. That includes supporting calls for better oversight of academic research partnerships to ensure that they do not inadvertently undermine the UK's national security or its foreign policy interests.

Labour should present the protection of academic freedom from foreign interference as paramount. Making a clear distinction that foreign interference, which seeks to censor and surveil students and academics is the antithesis to the UK's long history of protecting free expression on university campuses.

Labour can highlight the failures of a private sector-led approach to education, which prioritises profit and inward investment over academic freedom and innovation in the public interest. The increased privatisation of universities has increased reliance on foreign investment.

## Immigration

### *The challenge*

The growing crackdown by the Chinese Communist Party on human rights and ethnic minorities within its borders has led to an increasing number of Hong Kongers, Uyghurs, Tibetans and Chinese dissidents seeking asylum in the UK.

In the specific case of Hong Kong, the UK Government opened a bespoke visa scheme on humanitarian grounds for Hong Kongers with **British National Overseas passports** following the introduction of the National Security Law.

The Home Office estimates that 2.9 million Hong Kongers with BNO status and a further 2.3 million dependents will be eligible for the five year work visa which will create a pathway for Hong Kongers to become UK citizens.

The Government's impact assessment estimates that between 123,000 and 153,700 BNO status-holders and their dependents will move to the UK in the first year and between 258,000 and 322,400 over the next five years. This would constitute the largest migration of a specific group to the UK in a generation.<sup>33</sup>

Despite the large number of people covered under the Government's BNO visa scheme, young Hong Kongers born after 1997 do not qualify for this scheme. This is particularly problematic given their overwhelming participation in the pro-democracy protest movement in the city means that they are vulnerable to arrest under the National Security Law.

In the last year, hundreds of young Hong Kongers have moved to the UK and are in the asylum system as they do not qualify for the BNO visa scheme. It remains unclear what will happen to individuals who have their asylum claims rejected.<sup>34</sup>

Similarly, the Government's integration strategy for Hong Kongers remains heavily weighted towards the assumption that with high levels of education and a large middle class, Hong

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<sup>33</sup> Home Office, [Media factsheet: Hong Kong BN\(O\) Visa route](#), 29 January 2021

<sup>34</sup> Financial Times, [The Hong Kong dilemma: 'Either you shut up or you leave'](#), 30 May 2021

Kongers will be 'model citizens'. The reality is far more complex, some Hong Kongers will need **intensive language courses and financial support**. While there remains a strong possibility of inter-communal tensions between Hong Kongers and mainland Chinese citizens supportive of the Government in Beijing.

**More broadly, Labour should make the case for using the asylum system to assist Uyghurs, Tibetans and Chinese dissidents who also are suffering at the hands of the Chinese Communist Party.** If UK parliamentarians (including in the Labour Party) are willing to determine that the treatment of the Uyghurs amounts to genocide, then they must also support the UK assisting Uyghurs who are in need of safe haven.

### ***Recommendations***

Labour should push the Government to offer a **pathway to citizenship for young Hong Kongers** who do not qualify for the BNO visa scheme and come to the UK, this could include widening the BNO visa scheme or introducing a more targeted lifeboat scheme similar to the ones introduced by Canada and Australia.

Labour should encourage the Government to do more to **financially support metro mayors and councils** who will be the front-line in ensuring Hong Kongers are able to fully integrate into the UK, including calling for the creation of community liaison police officers in areas where a large number of Hong Kongers settle.

Labour should call for the Government to reform the **asylum rules** to make it easier for those fleeing authoritarian persecution by the Chinese Communist Party to settle in the UK.

Labour should call on the Government to make it easier for all students, including the large contingent of Chinese students, who wish to remain in the UK to **apply for work visas**. This would help the UK to retain talented graduates who have benefited from the UK's leading universities, particularly in industries with high economic potential, such as science and technology.

### ***Messaging and narrative***

Labour should ensure that its messaging places the human rights crisis in Hong Kong at the heart of its messaging around the migration of Hong Kongers, particularly when advocating the need for the UK to support young vulnerable protestors.

Labour should reiterate the significant cultural and economic benefit Chinese migrants including Hong Kongers will bring to the UK and be willing to oppose rising levels of anti-Asian hate crime.

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