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Opinion – Ongoing Misunderstandings in China-UK Relations

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KUN WANG, AUG 9 2023

On July 13, 2023, the Intelligence and Security Committee (ISC) of the UK Parliament published a 207-page China report which showed China to constitute a “whole of state threat”. The report argues that Beijing’s ambition of becoming a technological and economic superpower, represents a significant risk to the UK’s national interest. The ISC urged the HMG to rebrand China as a threat whilst, at the same time, criticizing the government’s “completely inadequate” response to this threat. Reacting to this report, Prime Minister Rishi Sunak defined China as an “epoch-defining challenge”, and insisted that the government was “not complacent” and would “continue adapting ... to meet the challenge that China presents” but added that the government would “continue to engage with China to preserve and create space for open, constructive, predictable and stable relations”. This report exposes divisions and incoherence within the government, civil service and one might add, media academic and business elites on China policy since Brexit. So how should China-UK relations develop in the future?

The UK and China are currently experiencing a new low in relations since Brexit and more particularly since the election that gave the Conservative Party a clear parliamentary majority in 2019. The hard-line stance on China adopted by a faction of the Conservative Party has rendered British China policy both ambiguous and inconsistent. Currently, this Sinophobe tendency exaggerates China’s influence and its threat to the UK’s national security, and extends that threat to cyber security, economic security, and supply chain security. This overreaction ignores the fact that since 2020 the UK government has already strengthened its policy on these issues: In July 2020, the UK terminated all cooperation with Huawei and sought to remove Huawei from the UK’s 5G public networks by the end of 2027. In March 2023 the social media app TikTok was banned on government devices due to the security implications and potential access to sensitive government information.

Meanwhile, the *National Security Investment Bill* that came into effect on Jan 4, 2022, blocked 8 of 14 Final Orders which were connected with China, and bilateral investment (which peaked in 2022) showed clear signs of decreasing as the UK sought to decouple from its China exposure. This notwithstanding, bilateral trade volume has increased since 2019 excluding 2020 which only saw a slight decrease from £86.7 billion to £84.6 billion, and reached a new height after the COVID pandemic.

The UK-China total trade increased to £111.0 billion in 2022, an 18.34% increase compared with 2021. The value of exports to China increased by 37.73% to £37.6 billion which is higher than £35.9 billion in 2019; and the import also increased by 10.37% to £73.4 billion which also hit a new record in bilateral trade. The double-digit increases in trade were even higher than the rates during the so-called ‘golden years’ Cameron and Osborne proclaimed in 2012. The UK now is China’s third largest trading partner after the US and Germany, and China is the UK’s leading source of imports.

At the same time, the involvement of other countries in complex trade and supply chains further complicates the UK-China bilateral relationship. In this context, the US’s even more contradictory stance on trade with China is a further source of complication and ambiguity for the UK-China relationship. The escalating competition between the US and China made Britain’s foreign policy more restrictive especially after Donald Trump took office and launched a trade war between the two leading industrial powers.

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America, like Britain but on a larger scale, finds its policy of containing China increasingly complex – economic interdependence with China makes it impossible to “decouple” as the recent Janet Yellen visit (6-9 July 2023) to China indicated. July and August 2023 witnessed leading tech entrepreneurs Elon Musk, and Bill Gates visit China, whilst key government officials Secretary of State Antony J. Blinken, Treasury Secretary Janet Yellen and former National Security Adviser Henry Kissinger also visited China, which clearly indicated a diplomatic attempt to ease tensions in the US-China bilateral relationship especially the trading relationship. At the same time, Washington still maintains a critical stance towards Beijing especially on issues like Taiwan, imposing sanctions on Chinese companies, encouraging its allies to restrict semiconductor exports to China, rallying other advanced economies to counter Beijing’s “economic coercion” and “de-risk” supply chains, and, at the same time, signing a new US trade deal with Taiwan.

As the US’s most dependable ally, especially since its break with the European Union, the UK faces increasing difficulty in attempting to balance its security and trade ties with the US whilst at the same time sustaining its important trading relationship with China. Before 2019, the UK exercised far greater “independence” from Washington, and the Huawei rollout was a typical example of this independent stance, as was the UK’s membership of the AIIB after 2008, against US advice.

After finalising its divorce from the EU, however, the UK became even more dependent on the US despite its conspicuous failure to achieve a trade deal despite repeated efforts by the Johnson, Truss and Sunak governments. Nevertheless, despite this rebuff, successive Tory prime ministers continued to trumpet their purported “special relationship” with the US. The fact that the UK has lost its European partners, and London is rapidly relinquishing its role as a global financial centre, the US now represents its only viable chance of achieving the illusory goal of a Global Britain. Therefore, the US’s stance on China has become the main external factor that determines the UK-China relationship, especially as they claim to have a “rock solid” relationship.

At the same time, Europe’s continuing engagement with China has also negatively affected the UK’s rethinking of its China policy. The two leading European powers Germany and France, as well as minor ones like Hungary, unlike the UK and the US, have expressed their commitment to maintaining a dialogue and trade ties with China, regardless of U.S.-China tensions and despite the reinforcement of the transatlantic alliance, mostly in response to the Ukraine Crisis. German Chancellor Olaf Scholz visited Beijing as early as November 2022, and was the first European leader to visit China since the pandemic. In April 2023 German Foreign Minister Annalena Baerbock also visited China and held a Strategic Dialogue on Diplomacy and Security. French President Emmanuel Macron also visited China this spring, signing a series of agreements to boost bilateral trade and investment.

Both Germany and France know too well engaging with China will maintain their economic growth and promote their economic access to the Indo-Pacific. With the growing potential and significance of the Indo-Pacific region, both Germany and France have recently released Indo-Pacific strategies, aiming to improve their presence in this region where China is the key regional power that they must engage. Therefore, Europe is advancing a policy of “strategic autonomy” in the Indo-Pacific against the background of US-China competition. Significantly Macron stated that France, unlike Britain, should advance its own China policy instead of blindly following the US agenda. From this perspective, Paris and Berlin are far more pragmatic middle powers compared with London’s incoherent attitude towards China trade and its increasingly servile dependence on a US administration that treats its requests for a trade deal with contempt.

Clearly, the UK and China share many areas of research and development as well as trade where they can cooperate. These range from WTO reform, nuclear proliferation, climate change, global health, and tech cooperation and innovation. Nevertheless, the future of bilateral relations is uncertain and based on the pressures from domestic critics of China, and from its “closest ally”. The Sinophobe tendency will never abandon labelling China a “threat” despite the fact that Britain could secure its national interests more effectively by cooperating with China and balancing it against the US.

However, the delusion of the special relationship leads the UK to align with the US against both its security and economic interests. Therefore, London now follows wherever America leads. Thus, it is only after American

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Secretary of State Antony Blinken (18-19 June), Treasury Secretary Janet Yellen (6-9 July) and Special Presidential Envoy for Climate John Kerry, and former Security Advisor Henry Kissenger (18-20 July), have all visited Beijing, that the British foreign minister James Cleverly may decide to visit China later this year. Whilst the European Union carves its own relationship with China, the UK looks increasingly economically weak and politically irrelevant. Current incoherence reflects what happened in the 1960s when the US and the UK were closely allied, while France extended its diplomatic relations with China and reaped economic rewards.

To sum up, London knows the importance of UK-China trade and investment and the need to “tilt to the Indo-Pacific”, but still struggles to engage with China in a prudent manner.

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