

A British Perspective on China in the New World Order



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In common with most liberal democracies, the United Kingdom finds itself torn between the desire of economic ministries to develop the best possible trading relationship with China and the arguments of security ministries in favour of a more cautious approach focusing on potential Chinese threats. In the case of the UK the situation is further complicated by its complex history with China: the UK's traditionally close relationship with the United States whose approach to China has become characterised by increasing levels of distrust and antagonism; the aftermath of Brexit; and a large and vociferous human rights lobby that seeks to make human rights the centrepiece of the UK-China relationship. The UK's relationship with China arguably represents an extreme example of the challenges faced by liberal democracies in steering a course in a world where established power structures are undergoing a dramatic shift, characterised by the Chinese Communist Party as "a period of change unprecedented in the past century".

UK's Unique History with China

British imperial history is in large measure a case of the flag following trade. After British merchants had secured footholds in foreign markets the British state would find itself being drawn into establishing colonial administrations to ensure continued privileged access to those markets. By the early 19th century an increasingly wealthy and prosperous Britain, already on the way to becoming a global superpower, experienced a growing demand for luxury Chinese products, notably tea and what was termed *chinoiserie*: silks, porcelain and *objets d'art*. Trade with China was strictly controlled with British merchants confined to a small enclave on China's southern coast and required to operate through Chinese intermediaries.

The China trade had to be paid for in silver at an increasing cost to the British exchequer, so British merchants began instead to pay for goods with opium brought in from the British India Company's opium monopoly in Bengal. Opium was one of the few medications available in the 19th century that actually worked to alleviate the symptoms of many common ailments, and Britain, with a population many times smaller than that of China, imported more opium from India than China did (it was consumed in liquid form as laudanum rather than, as in China, smoked). But the large-scale importation of opium proved socially and economically disruptive and China sought to stem the trade. The result was a series of Opium Wars in the

course of which China was forced to open up to foreign trade, with the establishment of some 42 foreign concessions in which Chinese law did not apply and Chinese people were in effect second-class citizens. Eleven of these were British, though by 1945 all bar the colony of Hong Kong had reverted to Chinese control. China has neither forgotten nor forgiven the UK's role in forcing China to open to the West and subjecting it to humiliation.

Despite its imperial past, the UK was one of the first Western governments to recognise the People's Republic of China in 1950. This was in marked contrast to the US which continued to recognise Chiang Kai-shek's Taiwan-based Nationalist government and to support its aspirations to retake the Chinese mainland. In 1972 relations were upgraded to ambassadorial level. The fact that Hong Kong remained a British colony was less of an irritant in the relationship than might have been supposed, as it suited China to allow the territory to remain as a trading *entrepot* and window on the world. It was in fact the British who first raised the question of Hong Kong's future, due to concerns about the validity of leases that would lapse after 1997, the date on which, in the absence of any negotiation, Hong Kong would by default revert to Chinese sovereignty. Diplomatic negotiations led to the 1984 Sino-British Joint Declaration which laid the way for China to recover sovereignty over Hong Kong on the basis of Deng Xiaoping's "One Country, Two Systems" formula.

A Relationship Focused on Trade

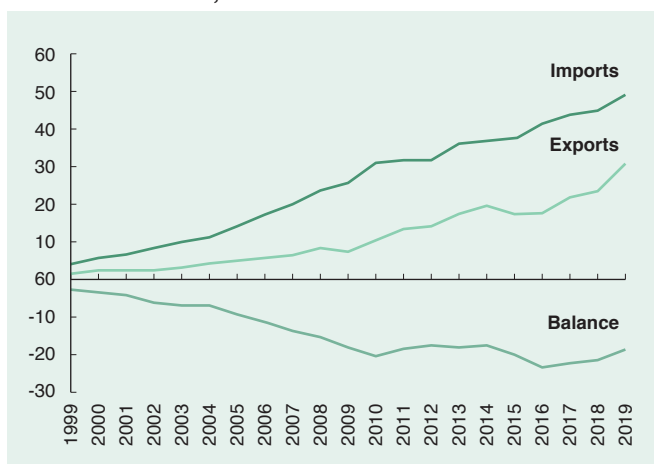
The signing of the Declaration removed a major source of tension from UK-China relations and an improving relationship went hand-in-hand with a period of relative openness in China as economic reform gathered pace. Even the violent suppression of the Democracy Movement in June 1989 had only a limited impact on relations. The UK joined the US and European countries in imposing an embargo on military sales to China but also took its lead from the administration of President George H. W. Bush which emphasised the importance of maintaining contact. The focus thereafter was very much about improving economic relations. There were periodic bumps in the road but bilateral trade grew steadily and the UK increasingly became a destination for Chinese students and Chinese tourists. Following the September 2001 attack by Al Qaeda on the Twin Towers, the UK, in common with the US, focused its foreign policy and intelligence capabilities on a counter-terrorism agenda

that was bound up with two major conflicts in Afghanistan and Iraq. This led to a diminution of focus on China as an intelligence priority (at that point the UK was the only European country that was able to collect intelligence on China on a serious and systematic basis) on the grounds that broadly speaking China was behaving as a status quo power and appeared to present no threat.

In 2015 Chancellor of the Exchequer George Osborne took the decision to “make a bet on China” thereby supposedly ushering in a “Golden Era of Cooperation”: in effect prioritising the interests of the economic ministries while largely ignoring the concerns of the security ministries. The City of London became the premier offshore centre for trading in the renminbi, by 2019 accounting for 37% of all such offshore trade with daily average trading volumes of £76 billion. China, meanwhile, was allowed to invest in UK infrastructure projects including building nuclear power plants. Although UK-China trade had been steadily increasing, and had survived unscathed an 18-month period during which China had consigned the UK to the deep freeze because of a meeting by Prime Minister David Cameron with the Dalai Lama, the UK has always, and continues, to run a substantial trade deficit with China. A July 14, 2020 House of Commons Briefing Paper on UK-China trade, citing figures from the Office of National Statistics for the years 1999 to 2019, shows imports from China increased from £5 billion to £46.9 billion and in exports from £2 billion to £25.1 billion. The 2019 figures represent 4.4% of UK exports and 6.8% of imports ([Chart](#)).

The UK and China also saw substantial increases in people-to-people relations. Education has become a major UK “export” and the number of Chinese students studying in UK universities has risen

CHART
UK trade with China, 1999-2019
Goods & Services, £ billions



Source: Office for National Statistics (ONS)

progressively to a high of 120,000 by the beginning of 2020. As a result, UK universities have come to be reliant on such students for a significant proportion of their revenues. But as China under President Xi Jinping has become more authoritarian and has sought to suppress critical commentary about China around the world, this has become an issue of concern as Chinese students have increasingly objected to teachers espousing “incorrect” ideas about China and to the presence on campuses of speakers perceived to be “anti-Chinese”. Meanwhile, collaborations by university departments, especially in areas of advanced technology, have come increasingly under government scrutiny amid growing fears that this may lead to the loss of sensitive technologies with national security implications. A joint report by the Harvard Kennedy School and King’s College published in early March 2021 has concluded that “the UK’s dependence on a neo-totalitarian technology power for the financial health and research output of its universities is now regarded as a particular point of vulnerability.”

Huawei & 5G

In 2005, BT (formerly British Telecom) chose the Chinese national telecommunications company Huawei to provide the equipment for a £10 billion upgrade of its core mobile network. By then Huawei, founded in 1987 and awarded the status of national champion in 1996, had already established an international reputation for providing reliable equipment at much lower prices than its Western competitor due largely to generous state subsidies. This was a purely commercial decision and there was at the time no serious consideration of the national security implications, a reflection of the then widespread perception of China as a benign status quo power. It was not until 2010 that the UK government, increasingly concerned about the potential security risks of reliance on Huawei equipment in its 3G and 4G networks, established a Cyber Security Evaluation Centre in the Oxfordshire town of Banbury, partially staffed by experts from the UK signals intelligence agency GCHQ, to evaluate all Huawei components and software going into the UK’s mobile networks.

Neither Huawei nor the Chinese government was happy about this evidence of a lack of trust but it was accepted as the price of doing business in one of Europe’s most advanced digital markets. The Centre has never found any evidence of malign exploits – so-called backdoors – engineered by Huawei nor did they expect to do so, since the discovery of any such exploits would have been fatal for Huawei’s business prospects not just in the UK but throughout the Western world. But it did find what a 2019 report described as “significant technical issues” in Huawei’s engineering processes and could hence “only provide limited assurance that all risks to UK

national security from Huawei's involvement in the UK's critical networks can be sufficiently mitigated long-term".

The issue of Huawei involvement in the UK's telecommunications infrastructure became much more contentious in the light of UK plans to allow Huawei to participate in the country's 5G network. In this context Huawei came to be seen as a key component in China's strategy to become globally dominant in the provision of a technology that, by providing greatly increased transmission speeds and reduced latency, would be critical for the development of the Internet of Things, an industrial Internet that would enable autonomous systems, and the generation of massive data sets that serve as the "feedstock" for Artificial Intelligence and machine learning. The US, which had no company able to manufacture a complete 5G network, saw China's efforts to establish dominance in 5G as a strategic challenge and began to orchestrate a global pushback.

The UK was well aware of the risks posed by reliance on Huawei for its 5G network, but was faced with the reality that the 4G networks on which 5G would be built were already reliant on Huawei. A decision to exclude Huawei from 5G would involve removing existing Huawei equipment and replacing it at a cost of several billion pounds and would significantly delay implementation of a 5G network. Moreover, none of the Western alternatives to Huawei – Nokia, Ericsson and Samsung – could scale production to the requisite levels quickly enough. And in any case, their products contained many Chinese-manufactured components which, unlike those provided by Huawei, could not be examined to determine whether they contained backdoors or other malware.

After careful deliberation, the UK concluded that it would be feasible to adopt a hybrid approach whereby Huawei equipment would be allowed to comprise a maximum of 35% of components at the "edge" of the 5G network but would be excluded from the "core", the intelligent central systems that controlled the networks. Huawei equipment would be used in conjunction with equipment from other suppliers in the expectation that over time a greater range of suppliers could be developed so as to minimise over-reliance on any one source of supply. Though it could not be ruled out that a Huawei 5G network might be used for espionage purposes, the reality was that China was already conducting successful cyber operations against the UK by exploiting existing technical vulnerabilities and would likely continue on this path rather than compromise their own equipment. Nor was it likely that China would be able to close down the network which would be designed and built with resilience as a priority.

The US government's technology experts agreed that the British approach, based on risk management rather than risk avoidance, would be feasible. But from a political perspective it was not seen as

acceptable and the US government orchestrated a pushback, threatening to restrict intelligence sharing with the UK (intelligence sharing takes place on dedicated and highly encrypted networks entirely separate from the public Internet) and lobbying Conservative politicians who understood nothing of the technology but who were reliably hawkish on China. In January 2020 the UK government announced that Huawei would be allowed limited participation in the UK's 5G networks. In July of that year the UK government backtracked on this decision, stating that all Huawei equipment would have to be removed from UK networks by 2027. A decision by the administration of President Donald Trump to deny Huawei access to the advanced microchips it needed to build the network but could not produce for itself, represented a face-saving get-out clause for the UK since it called into question Huawei's ability to deliver on its commitments. But it was clear that the outcome was the result of political pressure. The *volte-face* elicited a predictably sharp reaction from China's "wolf warrior" ambassador to the UK, Liu Xiaoming, who stated that in reaching its decision the UK had acted as a junior partner to the US in a way that called into question the Golden Era and would raise doubts in other Chinese companies about the UK's credibility. Liu, however, stopped short of making specific threats of Chinese retaliation.

The Defence Dilemma

For many years following the end of the Cold War successive UK national defence and security strategies have assumed that any military action undertaken by the UK would be taken in conjunction with allies. And the UK military's own key benchmark of fitness for purpose has been its ability to fight with US armed forces. The government of Prime Minister Harold Wilson in the 1960s declared a military withdrawal from "East of Suez" in 1968 and although this did not betoken a total UK disengagement from the Asia-Pacific region – the UK is still part of the Five Powers arrangement with Australia, New Zealand, Malaysia and Singapore, and still has treaty commitments to come to South Korea's aid in the event of an invasion from North Korea – it did result in a loss of a permanent military presence.

But in a reversal of the Wilson policy, the UK is now looking to re-engage militarily with the Asia-Pacific region in recognition of its importance for its principal ally the US and to promote the post-Brexit concept of a Global Britain. This move is already generating friction with China. In 2018 the British naval vessel *HMS Albion* incurred China's wrath by undertaking a Freedom of Navigation Operation in the South China Sea. And later in 2021 the new British aircraft carrier *HMS Queen Elizabeth* will conduct another such operation which will be equally unwelcome to China. An

uncomfortable question that no UK government wants to address is how to respond to a possible US request for assistance in the event of a military conflict breaking out in the Taiwan Strait. Much then would depend on what form that request took but if it was for a commitment of resources in the theatre that would pose a serious dilemma.

The Five-Eyes: a Source of Dissension

The UK is a founder member of the Five-Eyes intelligence alliance, a grouping based on a strong shared history and Anglo-Saxon cultural ties that involves not just systematic sharing of intelligence but also operational co-operation. The Chinese government and China's nationalist media have now begun to take aim at what they perceive to be a full-blown alliance directed against them, overlooking the reality that the Five-Eyes is simply an exercise in intelligence collaboration against a wide range of targets including international terrorist and other non-state groups that in principle are at least as important preoccupations for China. It has become clear that China has a strategic intention to weaken and if possible break up this arrangement which is critical for the UK's national security, thereby ensuring that this issue will continue to generate animus between the two countries.

Hong Kong: a Continuing Source of Tension

From 1997 until 2014 China broadly adhered to the terms of the Joint Declaration on Hong Kong. But as China's own economy grew, its dependence on Hong Kong diminished and as China took a more authoritarian turn under Xi, tolerance for Hong Kong's separate status diminished. In 2019 a long-brewing situation came to a head when the Hong Kong government sought to introduce a measure that would allow it to extradite criminal suspects to jurisdictions with which it had no extradition agreements, one of which was China. Fears that this could lead to Hong Kong residents being extradited to China for political crimes gave rise to widespread demonstrations, some of which turned violent. In response China demanded that the Hong Kong government introduce a National Security Law, something they were committed to do in accordance with the Basic Law but had refrained from doing due to popular opposition. Faced with delaying tactics by pro-democracy legislators in Hong Kong's own legislature, China enacted a National Security Law through the National People's Congress.

China's action was seen by the UK government as a *prima facie* breach of the Joint Declaration, an international treaty deposited at the United Nations which guaranteed that Hong Kong's separate status would remain unchanged for 50 years. In practice there was

little the UK could do in response to China's action. But one action it did take was to offer holders of British National (Overseas) – BN(O) – passports the right to settle in the UK. The BN(O) passport was originally designed by the UK as a means of encouraging Hong Kong residents to remain in Hong Kong after the 1997 transfer of sovereignty. The passports allowed overseas travel including to the UK but did not confer residence rights. China had always had reservations about these passports which are available to all Hong Kong residents who had been British Overseas Territories residents prior to 1997. China responded angrily to this move and it is likely that henceforth Hong Kong residents will not be allowed to exit the territory on these passports.

Conclusion

A consensus is slowly starting to emerge within the UK that China's increasingly assertive and authoritarian behaviour is a cause for concern. And the implications of China's bid to become a global leader in advanced technologies is now seen as a threat to the UK's long-term prosperity.

This has now been formally recognised in the Integrated Review of Security, Defence, Development and Foreign Policy released on 16 March 2021 which characterises China as a systemic competitor. The Review goes on to say that "China's increasing power and international assertiveness is likely to be the most significant geopolitical factor of the 2020s... Open, trading economies like the UK will need to engage with China and remain open to Chinese trade and investment, but they must also protect themselves against practices that have an adverse effect on prosperity and security."

Further pressure is building on the UK government to define a comprehensive strategy that takes account of a more assertive and revisionist China. The reality of UK ambivalence is epitomised by the fact that in February 2021 Prime Minister Boris Johnson, at a Downing Street meeting with Chinese business interests, declared himself to be "fervently Sinophile" whilst in the House of Lords efforts were in train to establish a legal obligation for human rights to be taken into account in any future trade deal the UK might negotiate with China. It is likely that the UK will try to continue to carry out a balancing act where China is concerned. However, it may not be able to put off some hard choices. **JS**

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