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I absolutely agree with Lady Coussins, but will express it differently. That difference is contained in the title of the report, which refers to a “void”. We are far short of understanding how to deal with China—and rather worryingly, that pertains to the US as well.

Continuous review is fundamental in today’s fast-moving world. I suggest that a rolling update should become the norm. She also referred to supply chain issues. Having returned from India and the Gulf last week, I believe that there is merit in encouraging countries such as India, and including countries such as Turkey and Brazil, to assist in the diversification of supply chain issues—not just for the UK but globally. This can also help the economies of developing nations.

The Government have become increasingly hawkish towards China and formally designated it a threat to Britain, with the redesignation bringing the UK’s official position towards China closer to its stance on Russia. I reaffirm at the outset that the Uighur situation is an abomination, the Taiwan threat real and regrettable, and the Hong Kong circumstance sad and unbecoming for a state of the importance of China. My overall assessment is that China is becoming more inward-looking and protectionist, which is not helped by constant hostile rhetoric, with the deterioration of relations transitioning from hesitation to deep freeze and China signalling alignment away from being a rule-taker to a rule-maker in the international community.

China is a major trading, investment and supply chain partner, but its economy is at a crossroads, with slowing growth and increased debt and facing a property crash crisis. However, it is currently the world’s second-largest economy and the world’s second-largest public capital market, with the third-largest stock exchange and an IPO market of importance. It is responsible for one-third of global emissions, but is also the world’s largest producer of renewable energy and committed to reaching peak carbon emissions by 2030 and net zero by 2060.

Its strategy is, on the one hand, to make its economy more resilient against external shocks and to fulfil self-sufficiency to counter the hostile geopolitical environment by being more reliant on the economies of scale of its large domestic market and increasing control over supply chains where import dependencies exist, most particularly for food, energy and high-tech inputs. The dual-circulation strategy, the interplay between domestic circulation of production, distribution and consumption by insulating the domestic market, whether in terms of natural resources or technology, is to vertically integrate its production. Chinese decoupling from the US is advancing, with China’s master-plan to enhance its position through third-market engagement available through the belt and road initiative.

It should be remembered that the UK became the first western country to join the Asian Infrastructure Investment Bank, with a previous US Administration accusing the UK of “constant accommodation” with China. London’s stance towards Beijing has now shifted from the so-called, perceived “golden era” to a complex phase of diplomatic and military tensions and scrutinised economic relations, compounded by US pressure. US national security strategy since the integrated review reflects a world order where great power competition is back in town, representing a profound move away from a not-distant past advocating for a deeper relationship.

The integrated review made an economic and military case when it stated that the PRC is

“the biggest state-based threat to the UK’s economic security”

and that its military modernisation and assertiveness threaten British interests in the Indo-Pacific. To China, a Cold War mentality of encirclement exists. It believes that London, with its Pacific tilt, is advocating an anti-China diplomatic and military coalition in the Indo-Pacific, with the Government’s U-turn on Huawei, combined with the first deployment of HMS “Queen Elizabeth II” aircraft carrier to the Pacific, and the trilateral AUKUS security pact between Australia, the UK and the US, escalating the relationship to a new hostile era.

How comfortable is the UK, in reality, in attempting to organise a unified anti-China front behind the Build Back Better World label? The G7 Cornwall meet suggested a differing narrative in the making, but now increasingly there appears acceptance of the US narrative and Washington’s framing of the US-China strategic rivalry as a life or death struggle between democracy and autocracy, treating China as an adversary. There is no question but that the urgent need is to conduct an overall review and analysis of our relationship. We cannot afford to ignore China and must seek to balance the relationship in a manner which draws together shared interests and aligns on underlying challenges, or we will face a steady drumbeat.

All this is a far cry from the economic mantra of a global Britain, with a view held by some that if we deal only with countries that share our values, we will have a limited range of countries with which to engage. Constant barking, confrontation and economic sanctions, including diplomatic restrictions and isolation, can have their place, but I wonder how effective and sustainable they are and whether they are likely to achieve positive outcomes. We should be wide-eyed when taking a tough policy line on China without clearly understanding what the impact, including economic, will be. I have already mentioned that, for me, the key takeaway from the report before us was the use of the word “void”, which encapsulates our lack of understanding of the techniques required to engage in a manner that advances or contains a relationship.

So, how to engage with the Chinese state? Engage we must, but we must certainly lead by example. I fear that, if we fail to do so, it will have consequences for the longer term, including a clash of ideals that would include the likes of Russia and Iran, which are anxious to drive a wedge between our immovable principles. An accommodation must be sought, otherwise I see no alternative other than a slow drumbeat emerging over the horizon. The outcomes of the current party congress, which will set the tone on domestic policies and international trade relations for the next five years, should be analysed with care and taken as a renewed engagement starting point.

I ended a recent contribution with the conclusion that

“a window still exists to pour oil on troubled waters”.

However, I went on to say:

“Western policymakers and diplomats need to up the game and face the gravity of the situation with a supercharged, innovative carrot-and-stick strategy.”—[*Official Report*, 14/7/22; col. 1629.]

I remain of that view.