



Implementing the UK's 'China audit'

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Introduction

The UK Labour Party's 2024 election manifesto promised that, if elected, the new government would seek to **"improve the UK's capability to understand and respond to the challenges and opportunities China poses through an audit of our bilateral relationship"**.

The need for a comprehensive re-evaluation of the UK's relationship with the People's Republic of China (PRC) comes after a decade of dramatic change. Under successive Conservative governments, the UK's relationship with the PRC veered from the optimism of a 'Golden Era' to deep-seated concerns about increasing authoritarianism of the Chinese Communist Party (CCP) at home and greater assertiveness abroad. This period of flux was marked by numerous policy u-turns and backbench rebellions, on issues as diverse as Huawei's involvement in the UK's 5G infrastructure to forced labour in the Xinjiang Uyghur Autonomous Region. The new government hopes that a clear-eyed assessment of the risks and opportunities presented by the rise of the PRC can help avoid the previous government's mistakes and underpin a more coherent approach.

The audit presents a unique opportunity to lay the groundwork for a clearer and more effective whole-of-government approach to the PRC. This paper makes the case for an audit which is focused on the risks that the PRC poses to the UK's economic security. While the PRC has already been described by previous governments as the "greatest state-based threat" to the UK's economic security, insufficient action has been taken to understand these risks.¹ Chinese state-linked legacy investments continue to hold significant stakes in the UK's critical infrastructure, while the increasing integration of Chinese technology into energy and transport networks raises new risks around dependency, supply chain resilience and cybersecurity. In contrast, a narrow focus of the audit on the UK government's internal 'China capabilities', while valuable, would be a major missed opportunity and would add little to existing government reviews.²

In order to maximise its impact, the audit cannot be confined to the internal structures of the Foreign, Commonwealth and Development Office (FCDO). The main value of the audit lies in evaluating a series of risks that cut across the responsibilities of any single department, particularly for government departments which may have previously invested less resources into assessing their China risks. For this reason this paper recommends that the audit be conducted by a temporary joint policy unit sitting within the Cabinet Office, reporting to the

¹ John Curtis and Nigel Walker, 'UK Government Policy on China' (UK Parliament, May 2024), <https://commonslibrary.parliament.uk/research-briefings/cdp-2024-0096/>.

² The previous government conducted internal reviews of the UK's 'China capabilities' within government prior to the announcement of a doubling of funding for the China Capabilities Programme in March 2023, with a pilot scheme having offered language immersion training and courses on culture, government structures and policymaking.

See Prime Minister's Office, 'UK Announces Increased Funding for China Capabilities Programme', GOV.UK, March 2023, <https://www.gov.uk/government/news/uk-announces-increased-funding-for-china-capabilities-programme>.

Foreign Secretary. This unit should include representatives on loan from the Ministry of Defence, Department for Business and Trade, Home Office and other relevant departments who can act as the key point of contact for implementing the audit across their departments. The audit must also recognise that much of the UK's China expertise lies outside of government, and should engage the views of experts and civil society groups, including diaspora groups, through a series of private roundtable discussions and consultations.

While many aspects of the audit should remain out of the public eye, it is incumbent upon the government to publish the key findings for accountability. The UK's lack of a publicly available China strategy document, and the limited circulation of a classified version within the civil service, has been the subject of much scrutiny. This paper argues that the expense of resources on an audit is best justified if it can feed into a revised China strategy document. Having a public version of this document is necessary to ensure wide dissemination across all levels of government, enabling a unified approach, as well as communicating the government's vision to parliament and the broader public.

This paper sets out a proposal for defining and implementing the audit. This paper begins by discussing the urgent questions that the audit should address within the broad framework of economic security. The second part of this paper considers how the audit can be most effectively implemented across government, before concluding by considering how the results of the audit can feed into a broader China strategy.

Part one: What questions should the audit address?

The new government has promised a multi-faceted approach to the PRC that will “co-operate where we can, compete where we need to, and challenge where we must.”³ While the framing is similar to the “align, protect, engage” approach outlined in the Integrated Review Refresh published by the previous government, the crucial difference appears to be in the omission of “protect”. It is not clear where addressing national security concerns fits within this new framework.

It is crucial that the audit pro-actively evaluates the full range of security risks that the PRC’s growing military, economic and political power poses to the UK and its interests. While defence issues are already being addressed in the *Strategic Defence Review*, there is no equivalent for economic security. With the PRC already described in previous government reviews as the “greatest state-based threat” to the UK’s economic security, there is a strong case for placing the concept of economic security at the centre of the audit. While some work on this has taken place in government, notably the Critical Imports and Supply Chains Strategy, such work has been piecemeal and has not focussed specifically on the unique challenges that the PRC presents. This section outlines some of the key economic security concerns in relation to the PRC that the audit should assess further.

Defining Economic Security

Definitions of economic security vary, but tend to centre around the ability of a country to protect and advance its economic interests while maintaining its autonomy and minimising vulnerabilities to external threats, such as economic coercion, resource competition, or economic warfare. Our broad use of the term encompasses the national security risks posed by threats to critical infrastructure, supply chain disruption and cyber-attack.⁴

How the CSRI uses the definition of “Economic Security”.

³ The Labour Party, ‘Britain Reconnected - Labour Party Manifesto 2024’, The Labour Party, 2024, <https://labour.org.uk/change/britain-reconnected/>.

⁴ This definition combines elements from Stephen E. Flynn, who emphasises the protection and advancement of a nation’s economic interests and the safeguarding of critical industries, and Keith B. Payne, who highlights the importance of maintaining and enhancing national wealth and autonomy while minimising vulnerabilities to external threats, such as economic warfare and resource competition. See Stephen E. Flynn, *The Edge of Disaster: Rebuilding a Resilient Nation* (Random House, 2007); Keith B. Payne, *Deterrence in the Second Nuclear Age* (The University Press of Kentucky, 1996).

The PRC's investments in the UK's Critical National Infrastructure

KEY QUESTIONS FOR THE AUDIT:

1. What security risks do the PRC's investments in the UK's Critical National Infrastructure (CNI) pose? Could information gained by investors enhance the PRC's capabilities to conduct surveillance, espionage or cyberattacks on UK CNI?
2. What impact does the undermining of Hong Kong's autonomy have on the risks associated with Hong Kong investors owning large stakes of UK CNI?
3. What impact would a sudden withdrawal of PRC investors from UK CNI have on the UK's infrastructure development and broader economy? What leverage does this allow the PRC government to hold?

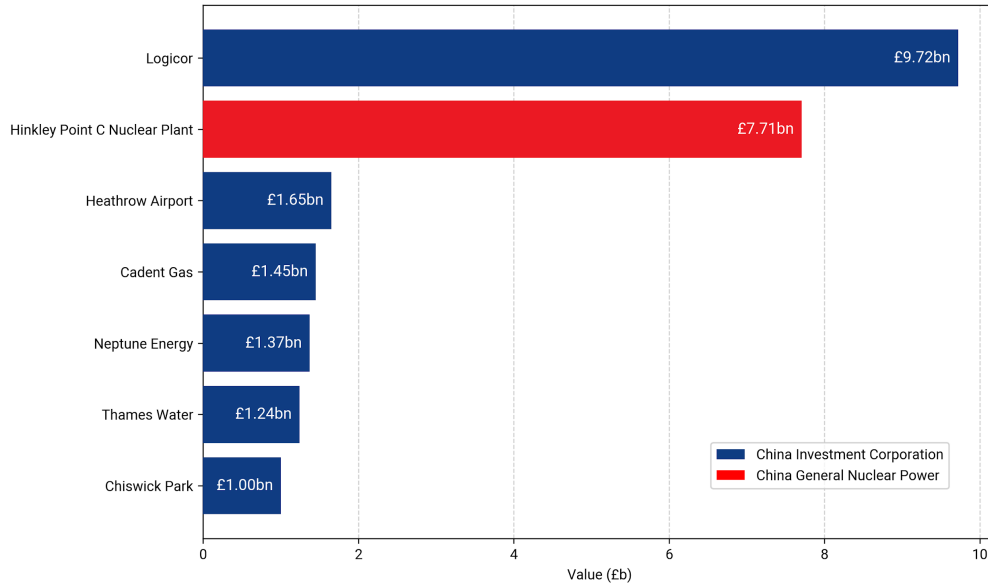
Despite increasingly strained bilateral relations, the PRC has been allowed to continue playing a significant role in the UK's **Critical National Infrastructure (CNI)**. Although the National Security and Investment Act 2021 has since created new powers to screen and block purchases of or investments in firms in the UK's strategic industries, its powers only extend to transactions completing after 12 November 2020. With the majority of PRC investment in the UK's CNI having taken place in the 'Golden Era' period, they are not covered by the scope of this law. The audit must assess whether these legacy investments pose a risk to the UK's security interests.

Notably, the PRC's sovereign wealth fund holds over £17bn of assets in the UK, with significant stakes in Heathrow Airport, Thames Water and Logisor distribution.⁵ Despite being removed from the construction of the new Sizewell C nuclear power station, state-owned China General Nuclear still owns a 33.5% stake in the Hinkley Point C nuclear power station. Even for businesses and investors which are not directly linked to the Chinese state, it is noticeable that the Chinese Communist Party (CCP) retains significant influence over private firms, with CCP branches within private companies responsible for ensuring alignment with the CCP's objectives.

⁵ Taz Ali, 'The Key Infrastructure Owned by China, from Thames Water to European Ports', June 2023, <https://inews.co.uk/news/world/key-infrastructure-owned-china-thames-water-european-ports-2442052>.

PRC state-controlled UK investment over £1bn

CSRI Graphics; Data Source: 2021 The Sunday Times

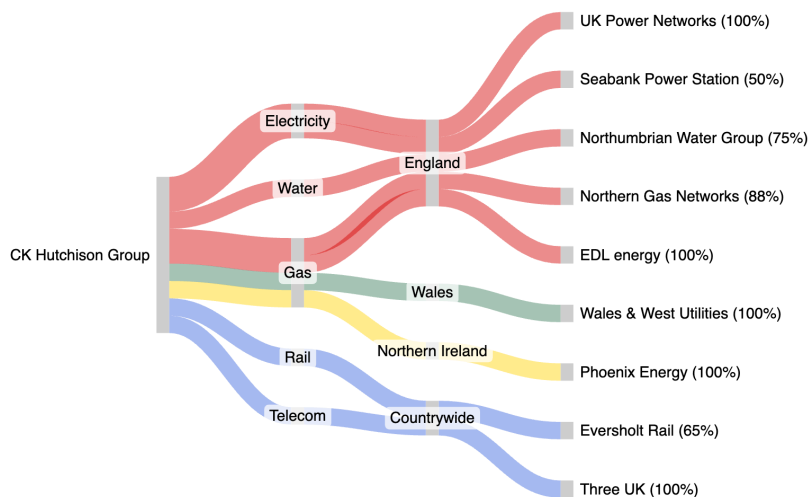


[Investments](#) by PRC state-owned funds and companies in the UK that exceed £1 billion.

At the same time, The PRC's National Intelligence Law and Data Security Law require Chinese companies to provide information and other assistance to state intelligence agencies when requested, even when involving activities outside of the PRC. The undermining of Hong Kong's autonomy and previously-independent legal system also poses new questions over the risks of Hong Kong investments in the UK's CNI and the previous distinctive treatment of capital from Hong Kong compared to the PRC. Notably, Hong Kong conglomerate CK Hutchison Holdings owns stakes across the UK's energy, water, telecommunications and railways infrastructure.

CK Hutchison Group controlled companies in UK critical infrastructure (% stake)

Created with SankeyMATIC.com. Data sources: Company annual reports and website information.



UK companies that provide critical infrastructure are majority-owned by the CK Hutchison Group.

The PRC's dominance of critical supply chains

KEY QUESTIONS FOR THE AUDIT:

1. How dependent are different sectors of the CNI supply chain on the PRC?
2. How resilient is the UK's CNI supply chain to disruption risks from the PRC? What leverage would this give the PRC in an escalating geopolitical crisis?
3. What measures has the UK Government taken in the last four years to diversify different sectors of the CNI supply chain away from the PRC?

The PRC dominates global production in many of the supply chains which are vital to maintaining the UK's CNI. This is particularly true for green technologies, with the PRC producing 97% of the world's solar wafers, critical to the production of solar panels, and holding 75% of global lithium battery production capacity. The PRC extracts 60% and processes 85% of the world's critical minerals supply chain, which are vital components for a range of advanced technologies in fields such as energy, electronics and defence, and controls around 40% of the global Active Pharmaceutical Ingredients (API) market, with an EU report noting that almost all European API producers depend on the PRC for intermediate inputs.^{6 7}

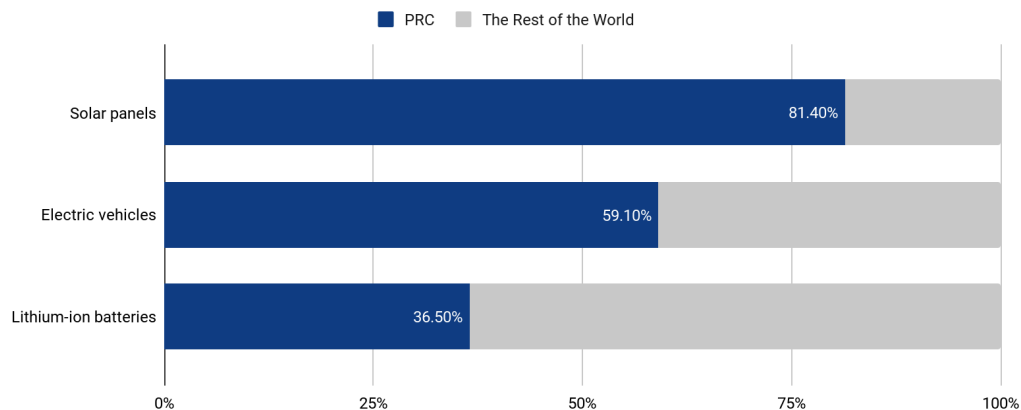
(Figure continues on the next page)

⁶ Aaron Dudley, 'The Chinese API Market', Mantell Associates, July 2021, <https://www.mantellassociates.com/the-chinese-api-market/>.

⁷ European Commission, 'Improving the Security of Medicines Supply in Europe', May 2023, <https://vandenbroucke.belgium.be/nl/non-paper-improving-security-medicines-supply-europe>.

PRC's proportion of global production capacity in green technologies, 2023 (%)

CSRI Graphics; Data Source: 2023 Wood MacKenzie; 2024 IEA; 2024 Bloomberg.



The PRC dominates the global green technologies supply chain. Data sources: [2023 Wood MacKenzie](#); [2024 IEA](#); [2024 Bloomberg](#).

While the UK's Critical Imports and Supply Chains Strategy identifies the PRC as the largest originator of vulnerable goods imports, it does not conduct a risk assessment of the specific challenges arising from this dependence on the PRC at a time of growing geo-political hostilities. The PRC has recently banned the export of technologies used to manufacture high-performance magnets and other products that use rare earth metals, while also imposing import export controls on germanium and gallium, used in the semiconductor industry, and graphite.⁸ In addition to the possibility of further restrictions on exports of critical goods, growing tensions across the Taiwan Strait and South China Sea could lead to supply chain disruption across a range of escalating grey-zone conflict scenarios.⁹

The audit should build on the Critical Imports and Supply Chains Strategy by conducting risk assessments for different sectors of CNI in relation to their dependence on the PRC for key supply chains, including by analysing a range of scenarios in which disruption could occur.

⁸ Shunsuke Tabeta, 'China Says Rare Earths Belong to State in New Regulation', Nikkei Asia, June 2024, <https://asia.nikkei.com/Business/Markets/Commodities/China-says-rare-earths-belong-to-state-in-new-regulation>.

⁹ Andrew Yeh, 'Mapping out the UK's Response to Grey Zone Escalations against Taiwan' (China Strategic Risks Institute, May 2024), <https://www.csri.global/research/mapping-response-greyzone-taiwan>.

Cybersecurity risks posed by the integration of Chinese technology

KEY QUESTIONS FOR THE AUDIT:

1. How integrated are Chinese-made technologies in the UK's energy grid, transport systems and other elements of CNI? What cyber and data security risks do these pose?
2. As the UK transitions to greener energy and transportation systems, what new risks might emerge from further integration of Chinese-made technologies?

The PRC leads the world in developing the majority of green technologies that the UK plans to integrate into its CNI as part of its drive to meet its environmental targets, including zero-carbon power generation and electric vehicle (EV) deployment. As such, the UK is set for a rapid increase in the amount of Chinese-made technology being integrated into the UK's energy and transport infrastructure.¹⁰ This integration is despite warnings from GCHQ, the UK's signals intelligence agency, that the PRC poses a genuine and increasing cyber risk to the UK's critical infrastructure.¹¹

While there have been efforts to address these risks, such efforts have been piecemeal. The National Grid has already started removing components supplied by the PRC's state-backed Nari Technology from the UK's electricity transmission network over cyber security fears.¹² However, Chinese-made technologies continue to play a key role in the energy network, with the PRC state-owned firm KaifaTechnologyUK reportedly supplying up to 250,000 smart meters for UK homes in 2022.¹³ Plans to quintuple the UK's solar PV power generation are also highly reliant on technology from the PRC, which dominates the global supply chain.¹⁴

¹⁰ Sam Goodman, 'Collision Course: Under-Pricing Chinese EV Risks in the UK' (China Strategic Risks Institute, September 2024), <https://www.csri.global/research/underpricing-chinese-ev-risks-uk>.

¹¹ Mickey Carroll, 'GCHQ Boss Says China's "genuine" Cyber Threat "Weakens Security of Internet for All"', Sky News, May 2024, <https://news.sky.com/story/gchq-boss-says-chinas-genuine-cyber-threat-weakens-security-of-internet-for-all-13135724>.

¹² Lucy Fisher, Attracta Mooney, and Rachel Millard, 'National Grid Drops Beijing-Backed Supplier over UK Power Network Fears', December 2023, <https://www.ft.com/content/0a9887be-87df-4dcc-bdf5-38ee31cfe6b8>.

¹³ Brendan Carlin, 'Rishi Sunak Urged to Get Tough on China by Ripping out Smart Meters', Mail Online, 12 November 2022, <https://www.dailymail.co.uk/news/article-11421399/Rishi-Sunak-urged-tough-China-ripping-hundreds-thousands-smart-meters.html>.

¹⁴ Andrew Yeh and Michael Woods, 'Building a Green, Fair and Resilient Solar Supply Chain (EU & UK)' (China Strategic Risks Institute, November 2023), <https://www.csri.global/research/solar-supply-chain>.

The audit should consult with the National Cyber Security Centre to assess the risks posed by the increasing integration of Chinese technologies into the UK's energy networks, and identify any areas of vulnerability.

The UK's refusal to join the US, EU and other countries in imposing tariffs on Chinese-made EVs means that Chinese manufacturers are likely to gain considerable market share in the UK in the coming years. Given Chinese firms' historically low cybersecurity standards, as well as the access to data that the Chinese government can demand from private firms through mechanisms such as the National Intelligence Law, this presents a significant data security risk. Some EVs collect up to 32 terabytes of data per day, including audio-visual recordings and real-time geolocation data.¹⁵ A particular risk is posed by the integration of Chinese made cellular internet modules, which allow EVs to communicate with the EV manufacturer and offer integration with local traffic control systems.

Outbound investment into the PRC's advanced technology sectors

KEY QUESTIONS FOR THE AUDIT:

1. What are the key technological advances in the PRC's military and intelligence that could undermine the economic, security and strategic interests of the UK and its allies?
2. To what extent do UK investments risk supporting the technological advances in the PRC's military, intelligence, surveillance and cyber-enabled capabilities?
3. How can the UK align its export controls on the PRC with key allies to ensure a consistent approach?

Just weeks before Prime Minister Rishi Sunak called the surprise 2024 General Election, Deputy Prime Minister Oliver Dowden had announced a review into the "small proportion" of the UK's outbound investments that are at risk of fuelling technological advances in military and intelligence capabilities in countries of concern.¹⁶ This move followed extensive lobbying from the US, with the Biden administration having issued an Executive Order to

¹⁵ Ilaria Mazzocco, 'The New Data Challenge for Electric Vehicles', MacroPolo, 27 May 2021, <https://macropolo.org/electric-vehicles-computers-the-new-data-challenge/>.

¹⁶ 'Britain to Examine Whether Some Outward Investment Undermines National Security', *Reuters*, 18 April 2024, <https://www.reuters.com/world/uk/britain-examine-whether-some-outward-investment-undermines-national-security-2024-04-18/>.

regulate US investments in the PRC's military, intelligence and surveillance capabilities in key technologies.

While the new government has not confirmed the status or announced a timeline for the results of the previously announced review, its findings are very much of relevance to the audit of the UK-China relationship. All three of the sectors singled out by Biden's Executive Order – semiconductors, quantum technologies and artificial intelligence – will play a critical role in next-generation warfare and espionage. The PRC ability to catch up with Taiwan's advanced semiconductor production could play a major part in its calculations in considering a range of coercive actions against Taiwan, which in turn threatens the UK's economic and strategic interests.

Outbound investment screening is the obvious gap in the UK's economic security toolkit. Through the National Security and Investment Act, the UK now has a mechanism to prevent hostile takeovers and other risky investments in the UK's critical national infrastructure and strategic sectors, but has no means to regulate the outward investments made by UK companies in the strategic capabilities of other countries. While export controls regulate the export of military and dual-use goods to the PRC, no similar restrictions apply on investments. As part of evaluating the need for an investment screening regime, the audit should assess the risks of UK investments supporting the PRC's development of advanced military and intelligence technologies.

The UK's resilience to geopolitical shocks

KEY QUESTIONS FOR THE AUDIT:

1. What impact would escalating tensions in the Taiwan Strait and South China Sea have on the UK economy, across a range of conflict and grey zone scenarios?
2. How resilient are different sectors of the UK CNI and broader economy to geopolitical shocks in the region?

The prospect of escalating conflict in the Taiwan Strait and South China Sea constitute a major risk factor for the UK's economic prosperity. Aside from potentially catastrophic humanitarian consequences, the importance of Taiwan and the broader region to the global economy means that conflict would have a detrimental impact on global trade and capital flows. Analysts predict that conflict between the US and the PRC over Taiwan could cause

US \$2.5 trillion in annual losses to the global economy even before including the impact of any economic sanctions and counter-sanctions.¹⁷

The audit should consider the resilience of the UK economy to a range of geopolitical shocks that could arise from the PRC's increasingly aggressive approach to asserting its territorial and political claims in the region. A review should not only take into account the worst-case scenarios of open conflict in the region, but also the impact of a range of 'grey zone' conflict scenarios in the region. The PRC is already undertaking a range of military, economic and political actions to undermine Taiwan's autonomy and change the status quo in both the Taiwan Strait and the South China Sea. Coercive actions such as a 'quarantine' of ships passing through the Taiwan Strait or a major cyber attack against Taiwanese infrastructure could cause large scale disruption to, for example, global semiconductor supply chains, which are heavily dependent on Taiwan. The audit should consider what the impact of different scenarios would be on sectors of the UK economy, including manufacturing industries, CNI supply chains and financial services.

¹⁷ Charlie Vest, Agatha Kratz, and Reva Goujon, 'The Global Economic Disruptions from a Taiwan Conflict' (Rhodium Group, December 2022), <https://rhg.com/research/taiwan-economic-disruptions/>.

Part two: How should the audit be implemented?

Supporting work across government

The Labour Party's ambition to run an audit of the UK-China relationship was formally announced by the then Shadow Foreign Secretary, David Lammy, in May 2024.¹⁸ Although leadership of the audit by the Foreign Secretary appears to be a given, there is a strong case for structuring the audit to ensure that the review extends beyond the domain of the FCDO.

Firstly, the audit will touch upon strategic risks that extend far beyond traditional foreign policy. Relevant policy areas for the audit to cover include defence, business, trade and education, which exist within dedicated departmental briefs outside of the FCDO, as well as cross-cutting issues such as economic resilience and national security, which are the subject of existing cross-departmental work coordinated by the Cabinet Office. Limiting the audit to an internal FCDO exercise would thus miss the most pressing questions that the audit should be considering, and could risk incoherence with existing work in other departments.

Secondly, the need for the audit is much greater outside of the FCDO. While the FCDO has considerable resources dedicated to issues related to the PRC, the same cannot be said of other government departments. It is notable that many of the recent policy delays and U-turns on the PRC were issues that had initially been held under the responsibility of departments other than the FCDO, with examples including the eventual ban on Huawei's 5G technology, and the block on the takeover of the Newport Wafer Fab's semiconductor manufacturing plant. If the aim of the audit is to improve the government's understanding of the challenges and opportunities presented by the bilateral relationship with the PRC, then the most urgent need is to help government departments that have historically lacked expertise on the PRC re-assess their risks.

Establishing a temporary joint policy unit

To support this work across government, this paper recommends that the audit be conducted by a temporary joint policy unit between the FCDO and Cabinet Office. This should sit in the Cabinet Office but report to the Foreign Secretary. In effect this means that the Foreign Secretary will be the Cabinet Minister with responsibility for the audit, with support from the Cabinet Office for coordination across government. In addition to civil servants from the FCDO and Cabinet Office, the unit should include representatives from other government departments with relevance to the audit. At a minimum, this should

¹⁸ Chatham House, 'Securonomics in the World: In Conversation with David Lammy and Rachel Reeves.', May 2024, <https://www.chathamhouse.org/events/all/open-event/securonomics-world>.

include the Ministry of Defence, Department for Business and Trade, Department for Education, Home Office and Department for Science, Innovation and Technology. These representatives should be responsible for leading the work of the audit across their own departments.

External engagement

The UK has a small but growing community of China policy experts across universities, think tanks and civil society. Engaging with this expertise outside of government is essential for the audit to succeed. The temporary joint policy unit should recruit 10 external China policy experts to work as part-time consultants within the policy unit, and be placed on temporary contracts for the duration of the audit. These individuals should reflect a spread of expertise across the cross-cutting areas covered by the audit, and should prioritise those with subject specific expertise in areas across economic security, as well as those with knowledge of the PRC. The work of the policy unit could initially be compartmentalised into the analysis of classified and non-classified materials until external consultants have received relevant security clearance.

The audit is also an important opportunity for the UK government to listen to the views of policy experts, civil society groups and diaspora communities, many of whom have expressed concerns with the UK's China policy in recent years. As modelled by the Strategic Defence Review, there should be opportunities for external stakeholders to provide evidence to the audit. To ensure that these consultations are tailored towards the key parameters of the audit, the unit running the audit could set out an open call inviting stakeholders to make submissions within clear frames of reference.

This open call for evidence should be complemented by a series of private roundtable discussions, hosted by the Parliamentary Under-Secretary of State for the Indo-Pacific (or another suitable person), where representatives from civil society and diaspora organisations can share their concerns, particularly around links between the topics addressed in the audit and issues such as surveillance and other forms of transnational repression.

Part three: Concluding the audit

1. Publishing the results of the audit

There is a strong case for publishing the key findings of the audit in a form that is easily accessible across both government and the broader public. While some areas of the audit may cover areas which are national security sensitive and should remain classified, this does not preclude the possibility of an unclassified summary of the audit's key findings. Doing so will ensure public accountability and will provide best value for taxpayer money, by enabling a broader public policy debate about how to respond to its findings. The unclassified findings of the audit should also be presented by the Foreign Secretary in a statement to Parliament, with the opportunity for MPs to offer further scrutiny through questions and debate. The government should also provide the Parliamentary Joint Committee on Intelligence and Security with a classified version of the audit for further parliamentary scrutiny.

2. Informing a public China Strategy

The conclusion of the audit should be followed immediately by an effort to write a new strategy document to set out the UK's whole-of-government approach to the PRC. Like the audit, this work should not be limited to the FCDO in scope or responsibility. The strategy should set out a coherent approach to how all government departments should approach the PRC, with relevance across issues such as business and trade, defence, science and technology and other issues. As such, it would make sense for the person appointed to lead the audit to also lead the drafting of the China strategy. This should be supported by regular consultations with the former members of the temporary joint policy unit established for the purposes of the audit.

As with the audit, a version of the China strategy should be made available to the general public. This is important not just for democratic oversight and public accountability, but also to ensure the broadest dissemination possible across all government departments and all levels of the civil service. As demonstrated in questions to then Foreign Minister Liz Truss by the Foreign Affairs Committee in the last Parliament, there is significant confusion as to the status and availability of a China strategy document even at the highest levels of government. This suggests that circulation of this document is highly limited, casting doubt on its ability to provide a coherent and unified approach to the PRC even within the FCDO, let alone across the whole of government. In contrast, a published China strategy could provide clarity and guidance to all sectors of government as they interact with issues related to the PRC.

Notably, the UK would not be alone in publishing its strategy on the PRC. The German government published its China strategy in July 2023, and has not experienced any

significant protest or pushback from the Chinese government as a result.^{19 20} Similarly, the US State Department has set out its position on the PRC in the October 2022 U.S. National Security Strategy.²¹ Importantly, publishing a China strategy document would also provide clarity to Beijing, in marked contrast to the u-turns and mixed messages sent by recent UK governments.

¹⁹ Bernhard Bartsch and Claudia Wessling, 'Germany's New China Strategy: Ambitious Language, Ambiguous Course | Merics', 27 July 2023, <https://merics.org/en/report/germanys-new-china-strategy-ambitious-language-ambiguous-course>.

²⁰ Sophie Reiß, 'Chinese Responses to Germany's China Strategy: Attack Abroad, Assuage at Home | Merics', 18 August 2023, <https://merics.org/en/comment/chinese-responses-germanys-china-strategy-attack-abroad-assuage-home>.

²¹ U.S. Department of State, 'Integrated Country Strategy: People's Republic of China', February 2023, https://www.state.gov/wp-content/uploads/2023/03/ICS_EAP_China_02FEB2023_PUBLIC.pdf.

Recommendations

Attention on economic security threats. The audit should address the key question of the challenge that the People's Republic of China (PRC) poses to the UK's economic security, with a review of the risks posed by the PRC's role in the UK's critical national infrastructure, key supply chains and investment flows. Addressing the UK's economic security risks at home will ultimately allow the UK to engage in a consistent manner with the PRC, akin to the US Biden Administration's 'small yard, high fence' strategy.

Working across the government. The audit should work across government departments and should not be limited to an internal review within the FCDO. This should be achieved by establishing a temporary joint policy unit within the Cabinet Office.

Engaging external expertise. The audit should engage with policy experts, civil society groups and diaspora communities. This would expand the capacity and bandwidth of the government to think about the UK-China relationship.

Publishing the audit. An unclassified summary of the key findings of the audit should be presented before parliament and the broader public, as is the case with Germany's China Strategy. Classified versions should be made available to the Parliamentary Joint Committee on Intelligence and Security.

Informing a China strategy. The audit's recommendations should be implemented across Whitehall and should inform a revised China strategy document, aimed at bringing coherence and clarity to the UK's approach to the PRC. A version of the strategy document should be made publicly available to maximise dissemination across government.

Checklist to understand the ambition of the UK-China Audit

Question	Background	Why it matters
Which department is responsible for running the audit?	The department running the audit will determine the scope and ambition of the audit.	<p>A joint FCDO-Cabinet Office temporary policy unit could lead a comprehensive review across government on cross-cutting themes such as economic security.</p> <p>An FCDO run audit may signal a narrower focus on the UK's China capabilities.</p>
Who leads the audit?	The individual in charge of the audit will determine the time and focus it will receive across Whitehall.	<p>A dedicated auditor, if provided with the right staff resources, could lead an ambitious and comprehensive audit with fresh insights.</p> <p>Relying on the Foreign Secretary or a Junior Minister who have limited bandwidth to run the audit may risk a delayed review that does not meet the aspiration of a more "consistent" UK-China strategy as other commitments take priority.</p>

What is the length of the audit?	The deadline set for the completion of the audit will indicate its ambition.	<p>Limiting the audit to a short period of several months could point to a re-working of existing government reviews, rather than a holistic re-assessment.</p> <p>A longer audit gives time for a review that covers new ground, including broader themes such as economic security.</p>
Does the audit involve external stakeholders?	The UK has a growing community of policy experts and civil society organisations with China expertise, as well as diaspora communities impacted by these issues.	Engaging external stakeholders is critical to bringing fresh ideas and new perspectives into government, as well as listening to the concerns of diaspora communities.
Will the audit be published, and will it lead to a public China strategy?	The UK's current China strategy document has limited circulation across government. Other countries, such as the US and Germany, have published a China strategy document.	<p>A published China strategy would enable a clear and coherent whole-of-government approach to the PRC.</p> <p>If an unclassified version of the audit is not published, and if it does not lead to a public strategy document, then the benefits of the review will be limited to a small section of the civil service, hampering work across government. The government may also face criticism over the lack of transparency regarding its China strategy.</p>

Cover image from the Environment Agency, UK Government.²²



²²

<https://environmentagency.blog.gov.uk/2023/03/28/permitting-a-new-nuclear-power-station-sizewell-c/>