

UK-CHINA BILATERAL RELATIONSHIP AUDIT 2026

Framing UK-China Engagement



Inter-Parliamentary Alliance on China

ENDORSEMENTS



This IPAC audit is a must read for citizens, consumers, businesses and politicians, laying out how the Chinese government views and seeks to influence and interfere in UK business and politics. It provides welcome clarity on the evolving risks to the UK posed by China in key areas of UK-China engagement. It makes recommendations that the Government should consider if the UK is to have a coherent, stable and effective relationship particularly on climate change. International climate targets cannot be met without China's buy in and components supplied from China.

To be competitive, the UK must engage with China, but it must do so with its eyes open and with a clear understanding of where it can engage safely and with whom it is engaging. With cutbacks at FCDO the Government must be mindful of the need to invest in development of China experts in Whitehall.

Dame Meg Hillier, Labour Party
Chair of the Treasury Select Committee

British governments have laboured under misapprehensions about the identity of the Communist Party of China for too long. We have ignored what Beijing really wants and allowed our resilience to be eroded, weakening our ability to defend our own values and interests. This document is a clear-eyed and realistic take on the defining foreign policy problem of this century, filling a gap left by years of policy neglect. I urge everyone to read it, but, more importantly: to take on its recommendations which are considered and now urgent.



Rt. Hon. Tom Tugendhat MP, Conservative Party
Shadow Foreign Secretary and
Former Security Minister



Liberal Democrats have consistently called on the Government to publish its China audit and to take a clearer and more consistent approach in relations with the Chinese government. Regrettably, the Government has done neither of those things.

I welcome the recommendations in this timely audit from IPAC. There are challenges to engaging with China but we cannot wish those away. It is time for the Government to spell out a clear strategy that takes China as it is, not as we would wish it to be, and is robust in identifying and defending the UK's critical national interests.

Calum Miller MP, Liberal Democrat
Foreign Affairs Spokesperson

China is both an implacable opponent of the UK and a necessary economic partner. This tension cannot be resolved simply. To remain competitive we need to engage with China; to remain safe and free, we need to enhance our defences against the predatory and hostile practices of the CCP. IPAC should be commended for producing a document that balances the risks and necessity of engagement with China, anchored by clarity on the nature of the Chinese regime.



Danny Kruger MP, Reform UK
Head of Preparations for Government



China is deeply embedded in Scotland, and this document provides a welcome overview of the risks and complexity of our most significant and challenging foreign relationship. Too many people have for too long failed to grasp the nature of the Chinese regime, which is evident not only in its actions but also in its policy and political ideology. If we are serious about engaging with China, as we must, in a way that aligns with our values, we should be reading this and taking on its recommendations.

Chris Law MP, Scottish National Party
Spokesperson for Business, Trade and Development



I welcome the work that IPAC has done to complete this UK-China Audit. As the Audit notes, there are significant differences between the UK and China when it comes to our approaches to human rights, corruption, fair competition and the rule of law, and we shouldn't be blind to these differences. This is why this Audit, and IPAC's work generally, is so important in warning parliamentarians and arming them with tools to consider how best to engage the Chinese government. Disengagement is not an option but good and smart engagement is, and I hope that this UK-China Audit will contribute towards making UK foreign policy towards China more robust and coherent.

James Naish MP, Labour Party

FOREWORD

The UK's relationship with China is one of the most consequential and difficult questions facing our country. China is a major economic power wielding great influence across the world, yet engagement carries serious risks for our national security, economic resilience and strategic interests. We must neither underestimate those risks nor retreat from engagement where it is in Britain's interests. The challenge is to find a responsible balance between upholding our values and protecting our national interests, while maintaining the relationships necessary to secure UK prosperity.

That balance will be particularly important in critical sectors such as energy, renewables, technology and trade. Britain must strengthen its resilience and avoid unacceptable dependencies, while recognising that many of the challenges we face cannot be addressed by any country acting alone. Where our security or sovereignty is at risk, we must be equally prepared to act decisively. Effective engagement is dependent on a clear-eyed China policy and appropriate safeguards founded on an understanding of the nature of Chinese authoritarianism, the totalitarian nature of its system, and China's global aspirations and the distinct threat this poses to the UK.

Engagement must be cognisant of the role of the Chinese Communist Party in all aspects of the Chinese state, and how enterprise, trade and cultural exchange are used as strategic tools to further geopolitical interests. China's threats towards Taiwan and its people should matter and should not go unchallenged. Pragmatism must be anchored on clear red lines. Values matter.

Above all, China is an issue on which the country must rise above party politics. The elected government should work with other parties in Parliament to determine the UK's long-term relationship with China. We need sustained cross-party dialogue, and a shared commitment to putting the UK's long-term interests first. Whatever our political differences, we should recognise that the opportunities and risks presented by China demand a united and considered national response.

For many years UK China policy has been beset by incoherence, with different departments pursuing mutually contradictory approaches. The UK's long-term interests have been routinely subordinated to short-term wins, or obscured by naivety about what China under Xi Jinping wants from the UK. This document is an attempt to address these issues, and accelerate a much-needed debate about this pre-eminent foreign policy issue.

Rt Hon Sir Iain Duncan Smith MP and Baroness Kennedy of the Shaws LT KC
Co-Chairs of IPAC UK

INTRODUCTION

The UK-China relationship is critically important to the UK, but it is also its most complex bilateral relationship. The UK government has described China as an “epoch-defining and systemic challenge” to national security, prosperity, and the international order.

China is the world’s second largest economy and the largest trading nation with global influence and interests. It is a leader in an increasing number of critical technologies that are driving productivity and innovation. It dominates Asia, a key region for global growth. As a global economic, security and development power, it is in the UK’s interests to have a coherent and consistent approach to the relationship.

Successive UK Governments have acknowledged the need to engage with China, while seeking to articulate the current and potential threat Beijing poses to UK interests, and divergent value systems. Yet this is a relationship that remains poorly understood, both in government and the wider UK public.

Within the government and in the private sector, China expertise is often siloed, and accessed through a framework that is heavily influenced to interpret China in a particular light. Successive UK governments have failed to address this lack of capability. The UK does not have a good track record of managing the relationship more generally, with past engagement too often increasing the UK’s risk exposure without delivering on the hoped-for opportunities.

Strategic ambiguity, once proposed as a means to provide more diplomatic flexibility, also ceded the framing of the relationship to Beijing, and blinded many to the scale of the risks and challenges.

The UK’s relationship with China must be understood bilaterally as well as in a wider global context, as well as both a foreign and domestic issue. A comprehensive UK-China audit should also be broadly defined if it is to achieve cross-departmental alignment. This should include:

- How bilateral relations shape the UK's interests globally/multilaterally. that is, having a good bilateral relationship for the benefits it brings more broadly.
- What does the UK want from China, and how does this fit into the UK’s border strategic goals?

¹ Bloomberg. “UK Calls China an ‘Epoch-Defining Challenge to Global Security.’” Bloomberg, March 13, 2023.

- What does China mean for the UK? China has an important role in the UK's other bilateral relations and through multilateral engagement. These would include: UK's role in AIIB; China's application to CPTPP; impact of China ODA and BRI-type investments in Africa vis-a-vis UK Overseas Development Aid.
- The opportunities and risks arising from China's perception of the UK's relationship with the U.S.
- An evaluation of the government's financial and operational activities to ensure they are conducted efficiently, effectively, and in compliance with relevant laws and regulations.
- Mapping exposure – attempt to and develop means to effectively map exposure and dependencies. This may entail the need to develop specific legislation to aid this. Accept the limitations of bilateral trade data as a basis of mapping exposure. Acknowledge the risk of interconnectedness, not just with China, has changed.

Such an audit is beyond the scope of this exercise. Rather, in the absence of a published UK Government China Audit, this UK-China Audit has been compiled to provide a public document that scopes out the key areas and considerations defining the UK-China bilateral relationship. It is not meant to be comprehensive, but rather to provide a framework for thinking about what a realistic and pragmatic relationship with China might look like.

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SUMMARY

Successful UK engagement with China must always be framed by an understanding that the PRC is an inherently hostile authoritarian state that does not share our values.

The PRC is not China, nor the custodian of Chinese history, culture or values. What it promotes, whether on UK universities campuses through Confucius Institutes, through “art and cultural” engagement, through social media and through personal exchange, is political narrative.

When the UK engages with China, it must be understood that our interlocutors are not free to engage with the honesty and sincerity we take for granted, and that relationships we build will always be subordinate to the interests of the Party.

There are fundamental differences in values, in understanding and respect for human dignity and rights, in fair competition, in what constitutes corruption, and in the role and nature of the law and civil institutions. These differences reflect an authoritarian regime, and are core to the way the PRC operates. Convergence is highly unlikely, and should not be expected.

The PRC’s attempts to embed its own understandings of human rights within international structures pose a threat to UK interests and must be resisted. The UK must find a way to both secure and advocate for human rights and fundamental freedoms, and protect UK nationals from transnational repression. In specific areas of engagement covered, this document notes:

1. **Strategic Relationship**

- Given divergent values and strategic interests, the PRC will remain an adversary to UK interests.
- This threat is not only economic and in soft power, but in the ability to apply sharp power against UK allies and partners.
- The transition to multipolarity is making allies and partners more important for the UK to remain relevant.

2. **Trade, Investment and Technology**

- China presents limited opportunities and risks creating strategic vulnerabilities.
- The exposure of the City and UK academic sector pose compliance, reputational, and security risks requiring clear government guidance.
- Resilience can be built into this relationship, through working with international partners to diversify supply chains, invest in domestic and

alternative international R&D, and by developing domestic expertise and production.

3. **Climate and Sustainability**

- Climate targets as set will not be met without cooperation with China, and accepting medium term dependence. This means accepting supply chains tainted by forced labour and unfair trade practices.
- This should not preclude the UK from working with partners to build resilience into green supply chains, and in pioneering new technologies.

4. **Political and Institutional Engagement**

- Given China's growing influence, existing channels for engagement should be maintained but subject to security review, and new channels developed where needs arise.
- However the UK lacks a clear system to develop and maintain China capability, and to effectively harness what expertise is available, especially across the various public and private stakeholders.

In each of these areas China presents a significant and often unique challenge. However disengagement is not an option, given China's current centrality to critical UK interests, like emerging technology, diplomacy and climate leadership - interests which increasingly underpins UK relevance in an evolving geopolitical landscape. There are however serious shortcomings **in the way the UK currently approaches engagement.**

- A lack of a broader appreciation of the nature of the PRC, what is possible from engagement, the risks, and what constitutes success.
- A lack of clarity around the scope of engagement, and how interests and risks overlap.
- A coherent and clearly articulated national strategy, with clear red lines.
- The siloing and failure to develop and deploy China expertise.

RECOMMENDATIONS

A comprehensive UK strategy toward China must combine coherence, resilience, and capability. Policy priorities should include:

- **Strategic Coherence:** The need for a strategy anchored in enduring national interests, with regular independent audits, broad political buy-in, and alignment across departments and the private-sector. Establish clear and sector-specific red lines, and be open about these with the Chinese. Clarity is viewed as decisiveness and strength in Beijing, and would facilitate alignment with key partners, especially in the U.S. and E.U.
- **Defensive Tools:** Strengthen use of the National Security and Investment Act, foreign interference reporting systems (FIRS), and audit mechanisms for academia and business.
- **Capability Development:** Improve diffusion of China expertise across government and society. Support think tanks, universities, NGOs, and businesses in building China literacy. Invest in practical fluency in Chinese systems, not just in Chinese language.² Foster greater public awareness of China, and its role in the UK, and not let public understanding of China be framed by Beijing.
- **Institutional Coordination:** Create a UK version of the US State Department's China House to align, coordinate and drive cross-departmental action.
- **Resilience Building:** Adopt a strategic policy to de-risk, prioritising sectors of acute and critical dependency. Diversify supply chains, strengthen alliances, and invest in domestic alternatives in critical sectors.
- **Values:** Identify the values of special importance to the UK as a liberal actor on the world stage, and develop a consistent approach to advancing these in our engagement with China, but also other global institutions and in other international relationships.
- **Selective Engagement:** Deepening selective engagement with China where UK interests are served, while defending liberal values and human rights consistently across international fora. Clarity and commitment around where to engage and where to draw red lines.

² Tony Blair Institute for Global Change. "Reimagining the UK's China Capabilities: A Joined-Up Approach to an Epoch-Defining Challenge." TBI, 2025. <https://institute.global/insights/geopolitics-and-security/reimagining-the-uks-china-capabilities-a-joined-up-approach-to-an-epoch-defining-challenge>. See also: <https://www.hepi.ac.uk/reports/understanding-china-the-study-of-china-and-mandarin-in-uk-schools-and-universities/>

Areas of Engagement:

- Low-risk cooperation in non-sensitive sectors (e.g., tourism, cultural exchange, elements of education, climate, and global health).
- Academic collaboration in most disciplines, with robust safeguards to preserve academic freedom and research integrity.
- Continued student mobility and people-to-people links, especially promoting UK understanding of China.

Red Lines:

- National security risks: critical infrastructure, dual-use or frontier technologies, and data/surveillance systems supplied by China.
- Human rights violations, particularly relating to Tibet, Xinjiang, and Hong Kong: economic and diplomatic measures advocated for clear breaches.
- Transnational repression: firm resistance to overseas Chinese government interference targeting diaspora or academic communities.
- Intellectual property theft and technology leakage: independent, transparent protocols for foreign funding and research partnership due diligence.

WHY IS A UK-CHINA AUDIT NEEDED?

China is a country of growing influence and importance both in the world and to the UK. It is a global economic, security and development power, and a leader and innovator in an increasing number of technologies. It is also the world's most powerful authoritarian state, with an increasingly totalitarian system which reverberates far beyond its borders. It is hostile towards liberal values and institutions that underpin the UK way of life, and is increasingly seeking to - and able to - remake the international order in a way that would benefit repressive authoritarian regimes, and challenge UK values and interests.

Together with the United States (US) and the European Union (EU), the UK's relationship with China is one that will define UK prosperity, standing and global relevance.

The UK has tended to take a pragmatic view of relations with China, defined by its historic economic and strategic interests in the Asia-Pacific region. A more assertive and authoritarian China has, however, forced the UK towards reluctant criticism, especially regarding national security and human rights. This poses new challenges in what is an increasingly complex and dynamic relationship. Any assessment of the UK-China bilateral must begin with clarity around what the People's Republic of China is, and the threat it poses to the UK, as well as what successful engagement might look like.

The Government China Audit - A Missed Opportunity

The UK's China Audit was meant to provide this clarity. A cross-government strategic review, it was pitched as the core document to orientate UK-China policy.

The UK government began working on a China Audit in late 2024. The audit was carried out as a cross-government initiative, led by the Foreign, Commonwealth and Development Office (FCDO). Initially modelled after Germany's year-long, multi-stakeholder approach, it was anticipated to provide a long-term strategic framework for engagement and deterrence; a whole-of-government assessment of dependencies and influence; and policy recommendations spanning national security, trade, foreign influence and human rights.

The China Audit was scaled back to an accelerated, official-led process, spearheaded by the FCDO, with limited external input.³ Despite calls from the

³ MacAskill, Andrew, and Elizabeth Piper. "Exclusive: Britain Pares Back Secretive China Strategy Review, Seeking Closer Ties." Reuters, December 16, 2024. <https://www.reuters.com/world/uk/britain-pares-back-secretive-china-strategy-review-seeking-closer-ties-2024-12-16/>.

commercial sector, expert community, and Parliament for a public release, the Audit was not published, and eventually rolled into three paragraphs in the National Security Strategy published in June. The Audit's findings, methodology, and recommendations remain classified, and little is known about it beyond vague statements.⁴

⁴ UK Parliament, Foreign Affairs Committee. "China Audit: We Are Operating in the Dark." Press release, July 8, 2025.

SECTION 1: THE PEOPLE'S REPUBLIC OF CHINA (PRC)

1.1 Authoritarian State, Totalitarian System

Central to any relationship must be an understanding that the People's Republic of China (PRC) is an authoritarian state that does not share (and in some cases is inherently hostile towards) UK values. It is not historic China, but a new state born from suffering and civil war that continues to be in the process of nation-building. It consistently ranks among the worst globally in press freedom, human rights and rule of law. Whilst it has taken strides in professionalising its institutions, most notably the judiciary, and financial and economic institutions, this has been driven by a desire for more effective institutional praxis. The fundamentals have not changed, and all continue to be viewed as tools of the state, and must operate within the political narratives determined by the Chinese Communist Party (CCP).

The overriding objective of the PRC is to ensure the continued power of the Chinese Communist Party.⁵ Xi Jinping's comprehensive national security concept centralises regime preservation, linking national development with security as interdependent goals. The concept of China's development is explicitly conflated with regime security, and more broadly, China and the Chinese people with the regime. This extends to Beijing's claims over the Chinese diaspora and "Chinese" associations abroad.

Prestige is central. The Party must not only be seen to be unchallengeable and in control, but also essential for the dignity and security of Chinese everywhere. The CCP promotes a narrative of historic wrongs against China and Chinese people at the hands of foreign powers, with the UK playing a leading role in their former oppression. The narrative of "a century of humiliation" is the basis for the Party's claims that only "New China" (meaning the PRC) can bring about the "great rejuvenation of the Chinese nation" and restore China to its rightful preeminence. Central to this "rejuvenation" is asserting sovereignty over Taiwan. After the violent crackdown in 1989, when the Chinese people were made keenly aware of the nature of the regime, and that even moderate calls for political reform within the Party were met with the most brutal repression, the "historic wrongs" narrative came to even greater prominence as a means to stymie future political dissent.⁶

Whilst the system provides limited room for dissent, this is a privilege afforded only to trusted persons (usually loyal academics and party officials), within

⁵ Mathieu Duchatel, Institute Montaigne, quoted in Times of India: http://timesofindia.indiatimes.com/articleshow/121331981.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

⁶ See Zheng Wang, "Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations", 2012, Columbia University Press. <https://cup.columbia.edu/book/never-forget-national-humiliation/9780231520164/>

approved channels that the Party controls, and on the strict understanding that they do not touch on issues Beijing deems to be core. Relative freedom to question economic policy should not be read as a sign of relaxed control. Even the presence of what may be perceived as discourse is tightly controlled.

The Party survives not because of popular support or economic performance, but because of systematic, pervasive surveillance and coercion. This has intensified under Chairman Xi Jinping, who has embraced a more ideological, controlling, and repressive model of control that has been described as neo-totalitarian.⁷ This model combines human infrastructure with high-tech tools to create a highly effective, deeply embedded surveillance system.

1.2 An All-Pervasive Party

When engaging with Chinese interlocutors, the UK must be mindful that non-political entities are few in number and insignificant. The same applies to corporate entities – there are no truly private companies in China, in the Western understanding of the term. Any company in China can be co-opted to serve the Party's interests, and is legally compelled to assist the state. A suite of national security laws, including the Counter-Espionage Law (2014), Cybersecurity Law (2017), National Intelligence Law (2017), Data Security Law (2021), and Vulnerability Disclosure Regulations (2021), subordinates private interests to state security imperatives. For example, China's Cybersecurity Law compels network operators to provide technical support and assistance to public security and national security organs for investigations and national security matters, whilst the National Intelligence Law and the Data Security Law grant the government broad authority to demand data access and cooperation from all businesses operating in China for state security purposes.⁸

The lack of separation between private and public sector is further compounded by a national strategy of civil-military fusion that aims at integrating the country's civilian economy, research sector, and technology industry with its military and defence goals.⁹ The idea is to ensure that advances made in commercial sectors, especially in areas like artificial intelligence, semiconductors, aerospace, telecommunications, biotechnology, and quantum computing, will seamlessly support China's military modernisation.

⁷ Minxin Pei, "The Sentinel State: Surveillance and the Survival of Dictatorship in China." Harvard University Press, 2024. See: <https://chinamediaproject.org/2024/10/07/chinas-sentinel-state/>
See also Council on Foreign Relations. "Totalism and State-Society Relations in China." CFR Blog, 2024. <https://www.cfr.org/blog/totalism-and-state-society-relations-china>

⁸ Nazak Nikakhtar, "U.S. Businesses Must Navigate Significant Risk of Chinese Government Access to Their Data". Wiley, 2021. <https://www.wiley.law/newsletter-Mar-2021-PIF-US-Businesses-Must-Navigate-Significant-Risk-of-Chinese-Government-Access-to-Their-Data>

⁹ Charles Parton, "China's Military-Civil Fusion policy." Observing China, Council on Geostrategy, October 2026. <https://www.observingchina.org.uk/p/chinas-military-civil-fusion-policy>

China's Leninist organisational model penetrates all sectors of society. It coordinates surveillance across institutions, and enables mobilisation of resources to serve the Party's political aims in a way that is not replicable in any other state. There is a dense party presence in everyday institutions, and the expectation should always be that all Chinese institutions will be expected to both advocate the Party line and narratives, but also to be a tool of monitoring and coercion, posing a threat to UK interests abroad, to the safety of UK residents and nationals, and to the proper functioning of UK institutions.

1.3 Engineers of the Soul

The CCP doesn't just govern actions; it both controls and tries to shape the inner lives of its members and the Chinese elite – those with whom the UK is likely to be engaging.¹⁰ The system seeks not just compliance, but deep internal alignment, using a mix of ideology, discipline, and fear to engineer the beliefs and identities of those within it. People are shaped to prioritise the party above all else, even if it means betraying close relationships.

An element of this all-of-society approach is the CCP's relationship with, and use of, organised criminal groups. A "red-black nexus" is sustained by state authority providing commercial opportunities or a "protective umbrella" to criminal actors, who in turn act as non-official and extra-legal enforcers. This alliance involves triads and other syndicates acting as agents of the party-state to intimidate critics, quell protests, and facilitate transnational repression while the government maintains plausible deniability for these activities.¹¹ The scope of state-linked criminal networks is growing with China's global footprint.

1.4 Party Language

Similarly, the adoption of modern Western political and legal terminology in China often involves a process of semantic transformation. Within the Chinese cognitive framework, Western terms are frequently repurposed to serve statist priorities.¹² In China, terms such as "democracy", "human rights" and "pragmatism" have different meanings to what is commonly understood in the UK. For example, Beijing's use of "pragmatism" in bilateral relations assumes that the lesser power should accept a degree of subordination.

Facts must serve the larger state narrative to "tell China's story well". Party-state media and seemingly private actors must work internationally to strengthen and innovate external propaganda, thereby enhancing China's "international

¹⁰ John Garnaut, "Engineers of the Soul: Ideology in Xi Jinping's China". Speech, 2017. <https://sinocism.com/p/engineers-of-the-soul-ideology-in>

¹¹ Ko-Lin Chin, Roy Godson, "Organized crime and the political-criminal nexus in China". Trends in Organised Crime, volume 9, March 2006.

¹² Jin Guantao, Liu Qingfeng, "Research on the History of Ideas: The Formation of Important Modern Chinese Political Terminology", 2008.

discourse power” as a key aspect of its “comprehensive national power”.¹³

1.5 China's Economy

China is the second largest economy in the world, and has been the fastest growing major economy over the past 25 year period. China's accession to the WTO in 2001 fundamentally transformed its economy, which is more than ten times larger than it was in 2001. From 1990 to 2018, the share of the Chinese population living in extreme poverty (defined as living on less than \$3.00 a day) declined from 83% to under 1%. As early as 2009, China had surpassed Germany to become the world's largest exporter. The Chinese economy has in this period been the principal driver of global economic growth.¹⁴

However, whilst China's economy may have grown impressively, getting an accurate picture of the performance and true size of the economy is not a simple task. Official economic data is open to significant political manipulation, given the overriding priority is regime survival. China's GDP growth in 2024 is more likely to be between 2.4% and 2.8% - well below official claims of nearly 5%.¹⁵ Similarly, the true size of the economy may be up to 20% smaller than official figures would suggest.¹⁶

1.6 What's Behind China's Economic Growth?

China's economic growth and competitiveness is in part due to legitimate means, including through some successful industrial policy, significant foreign investment and the market access that came with World Trade Organisation accession. It is also in part due to unfair practices, including industrial scale intellectual property theft, forced technology transfer, currency manipulation, illegal subsidies and the denial of workers rights, including widespread forced labour.¹⁷

Despite benefiting greatly from WTO membership, China has taken advantage of the provisions that suit its interests while skirting less convenient restrictions. China has incurred criticism for carrying out certain market-distorting practices, and has been accused of cheating the system. Sometimes it violates the letter of the law, sometimes the spirit. By 2019, 43 cases had been lodged at the WTO, targeting a broad range of practices such as export duties and quotas, subsidies, and restrictions on market access to service sectors. 23 of these cases were

¹³ “Telling China's Story Well”, China Media Project, April 2021.
https://chinamediaproject.org/the_ccp_dictionary/telling-chinas-story-well/

¹⁴ Council on Foreign Relations, “What Happened When China Joined the WTO?” February 2025.

¹⁵ Daniel H. Rosen, Logan Wright, Jeremy Smith, Matthew Mingey and Rogan Quinn, “After the Fall: China's Economy in 2025.” Rhodium, December 2024.

¹⁶ Salvatore Babones, “Surprise: China's Economy Is Smaller Than You Think”, The National Interest, February 2020.
<https://nationalinterest.org/blog/buzz/surprise-chinas-economy-smaller-you-think-127042>

¹⁷ Michael W. Klein, “What you may not know about China and currency manipulation”. Brookings Institute, May 2015.

brought by the US, with none finding in China's favour.¹⁸

Whilst intellectual property protections in China have advanced, there are deeper questions around how embedded such protections are in the Chinese economic model, and the depth of Beijing's commitments to them. Messaging from the authorities is often mixed. For example, many smaller Chinese companies report that they are unaware of local IP laws and regulations, and it is common for Chinese companies to deny any wrongdoing. Similarly it is not uncommon for companies to implicitly justify such behaviour as compensation for historical Western theft of Chinese innovations, such as gunpowder, silk production, the umbrella, the printing press, paper, and fiat currency.¹⁹

1.7 A Faltering Economy

Over the past decade, China has seen a steady decline in its real GDP growth rate. While the country maintained, according to official figures, an average annual GDP growth rate of roughly 10% between 1980 and 2012, this rate gradually decelerated to approximately 7% in the years immediately preceding the pandemic (2013–2019) and has since fallen to less than 5%. The actual slowdown is likely more severe, with actual growth in 2024 believed to be closer to 2.4%.

Deflation has become a significant issue for the Chinese economy, and is similarly more pronounced than official data show, with prices of everyday goods plunging and the share of loss-making companies at a 25-year high.²⁰ This is exacerbating a real-estate crisis, with property prices down 27% between 2023-2025. It is also pushing down domestic and foreign direct investment and leaving Chinese firms with few options but to export their goods to foreign consumers, depressing prices abroad.

The question now is whether China's economy is facing long-term stagnation, as has happened in Japan. China faces severe structural challenges from a fast aging and shrinking population, a collapsing real-estate market, industrial overcapacity, high government debts and moribund consumption.²¹ At the same time, structural exhaustion - the slowdown was driven by the exhaustion of demographic dividends, diminishing returns on infrastructure investment,

¹⁸ Jeffrey J. Schott, Euijin Jung, "In US-China Trade Disputes, the WTO Usually Sides with the United States", Peterson Institute for International Economics (PIIE), March 2019.

¹⁹ Glen Chavtz, "How China's Political System Discourages Innovation and Encourages IP Theft", SAIS Review, July 2023.

²⁰ Bloomberg Analysis, "The True Cost of China's Falling Prices", November 2025.
<https://www.bloomberg.com/graphics/2025-china-deflation-cost/>

²¹ Alicia García-Herrero, Jianwei Xu, "Will China's economy follow the same path as Japan's?" Bruegel, February 2025.
<https://www.bruegel.org/policy-brief/will-chinas-economy-follow-same-path-japans>

and a shift toward state-led policies – has crowded out private sector efficiency.²²

1.8 China's World Order

Under Chairman Xi, China is pursuing a more ambitious and expansive international posture that aims to reshape the global order around its own values and priorities. Rather than dismantle international institutions, Beijing sees them as crucial to establishing a new order and therefore seeks to evolve or co-opt these structures to serve China and the CCP's interests. This co-option seeks, at minimum, to secure and legitimize CCP rule by creating an international order more receptive to authoritarian governance, where domestic repression is normalised. More ambitiously, it seeks to shape an international order that recognises China's international leadership, and which will give Beijing the means to shape the future development of other countries, much in the same way it believes the liberal world order has done for the West.

China wields considerable influence, both directly and through the voting alignment of China-friendly states. China-aligned states have secured a greater share of UN leadership positions and have been shown to align diplomatic discourse with PRC discourse.²³ This is already having significant real-world consequences, severely impacting the work of the UN Human Rights Council and the World Health Organisation, with devastating human consequences. It was the perceived need to placate China, and frame the Covid-19 pandemic within the PRC's political narratives, that prevented critical early information from being accessed and shared.

China perceives democratic and liberal values, and the existence of free, open and civil societies as a threat to its ruling model. It is unique now in its ability to act against these threats globally, including within the UK and against UK nationals abroad. It is intolerant of criticism, and in seeking to shape the global narrative on China will target those it deems to be critical or dissenting voices, challenging notions of free expression, freedom of conscience and of an open society.

1.9 How Beijing Sees the UK

Whilst the UK remains an important market for Chinese exports and investment, its economic importance to China is secondary to its diplomatic, symbolic and strategic considerations, particularly regarding China's relations with the US.

²² Arthur R. Kroeber, "China's Slowing Economic Growth", NBR Special Report 118, June 2025. <https://www.nbr.org/publication/chinas-slowng-economic-growth-causes-and-impacts/>

²³ Shing-hon Lam, Courtney Fung, "Mapping China's influence at the United Nations". The Review of International Organizations, 2024. <https://link.springer.com/article/10.1007/s11558-024-09571-2>

Beijing views the relationship with the US as by far its most important, and a relationship between equals. Relations with the UK are seen as ranking just below this, with the UK's importance to China linked to the perception of UK influence on the US, within international bodies, and to wider Europe. Framing the UK in the context of Sino-US relations also means Beijing does not see the UK as a neutral nor benign actor.

The UK is also important symbolically, given the UK's role in the CCP's official historic narrative, where the UK's imperial past continues to be drawn upon to legitimise Party rule. Surveys show the UK consistently ranking as either the second or third most important foreign power in the perceptions of the Chinese public, behind the US and Russia. Whilst this perception likely does not extend to the Chinese elite, with which the UK will mostly engage, there remains a tendency to see the UK as being more influential than is often appreciated.

The relationship between the UK and China is further complicated by its power imbalance, and by a lack of reciprocity. With its growing economic and political power, China can, and increasingly does, take advantage of the political and economic openness of the UK, while not providing the UK reciprocal engagement opportunities within China. It has increasingly constrained the avenues and opportunities by which foreign ideas, culture, and, in some cases, capital can enter the country whilst enhancing the flow of state-approved "Chinese" ideas and influences to the UK.

The UK's relative weakness is further compounded by muddled policy and weak engagement. The UK does possess significant China expertise and experience, but this is too often not translated into capability. This has not gone unnoticed in Beijing. It was recently noted by a visiting Chinese delegation from the Chinese Academy of Social Sciences (CASS) that none of those with whom China engages at a senior level in the UK government are Chinese speakers, or have any significant experience of living or working in China.²⁴ The inability of the UK to be clear with Beijing as to the relationship we want, to set out the UK's red lines, and to project strength through a common line, is a weakness the CCP seeks to exploit through narratives designed to play to our differences.

²⁴ Comment made during the official CASS visit to the UK, June 2025.

SECTION 2: HOW DOES THE PRC MANIFEST IN THE UK?

2.1 The Party Speaks for All Chinese

The Chinese Communist Party considers itself to be the only legitimate representative of “China” and the Chinese people, including those of Chinese descent. It runs a systematic, long-term global influence campaign that utilises covert, semi-covert, and legal channels that seeks to control the global narrative on China. The UK is considered to be the prime target in Europe, given the UK diplomatic and soft power, and the influence of the English language in shaping global discourse.

To control the narrative, the CCP both promotes official narratives, and also seeks to silence critical voices. This has traditionally involved two official entities: the Ministry of State Security (MSS), China’s spy agency; and the United Front Work Department, that coordinates efforts to ensure all Chinese people are of the “correct” alignment, and to promote this alignment among people of influence. For Beijing, influence and espionage are intertwined.

As China has grown stronger, so has its ability to influence, surveil and coerce. This includes within the UK and against UK nationals. Analysts are increasingly of the opinion that the nature, scope and penetration of CCP influence in free and open societies, including the UK, was in the past underestimated.²⁵ The conceptual and legislative tools needed to address the problem are often lacking, particularly as much of what constitutes Chinese influence does not meet the threshold for traditional espionage.

A further complication is the role of Chinese diaspora communities, who are both targeted and also vectors for influence operations. Within these communities United Front work, which must be stressed comprises **undeclared work on behalf of a foreign authoritarian government**, has been normalised. The distinction between victim and perpetrator is often imperceptible.

China’s “whole-of-state” approach means Chinese state-owned and non-state-owned companies, academic and cultural institutions, and even private individuals, including students, may be co-opted into both overt and covert criminal activities that benefit the state, including money laundering, espionage and interference operations. They cannot refuse. Further, the CCP has a low threshold for resorting to coercion. Particularly at risk in the UK are Chinese students, the ethnically Chinese community, business leaders, and those with strong links to diaspora organisations.

²⁵ Alex Joske, “Spies and Lies: How China's Greatest Covert Operations Fooled the World”, published by Hardie Grant, October 2022.

2.2 The United Front

The “United Front” usually refers to the influence and relationship-building system of the CCP. It operates both domestically and overseas, and overlaps with Chinese state bodies in conducting political interference, crime, coercion and espionage. It targets key non-Party sectors, groups and individuals, in particular diaspora communities, Chinese students studying abroad, ethnic minorities, religious figures, intellectuals (including scientists), private sector individuals and staff in multinational bodies and enterprises. It also monitors sensitive constituencies and selects representatives from them who they can then incorporate into the political system. It has been described by leading experts as “the source of greatest harm to societies around the world.”²⁶

It is coordinated by the Party through the United Front Work Department (UFWD), and works through other state entities including the Chinese People’s Political Consultative Conferences, the Ethnic and Religious Affairs Commissions, the Federations of Industry and Commerce, and the Foreign and Overseas Chinese Affairs Offices (FOCAOs). Priorities are outlined in leadership speeches and Party regulations. Whilst Beijing does not publish its budget, total spending in 2019 was estimated to be at least US\$2.6 billion.²⁷

The United Front targets the Chinese diaspora, portraying them simultaneously as stakeholders in China’s national rejuvenation and as potential adversaries who may challenge the official narrative. This duality allows the CCP to exert pressure on individuals and organisations abroad, while also mobilising them to advance Beijing’s agenda. The Party-state’s ethno-nationalist worldview prioritises “blood” and ancestry over legal nationality, extending informal claims of authority over ethnic Han, Tibetans, Uyghurs, and even Taiwanese communities abroad.

These activities create risks both for diaspora communities—who may face harassment, surveillance, or coercion—and for host societies, where UFWD-linked organisations can serve as vehicles for influence operations.

In the UK, the United Front work comprises a loosely coordinated ecosystem of relationships, organisations, and influence efforts tied directly or indirectly back to the CCP’s strategic goals. There is no single visible organisation. Its aim is to shape opinions, build alliances, and advance Beijing’s interests, which it does through the following channels:

²⁶ Alex Joske, “Testimony before the U.S.-China Economic and Security Review Commission China’s Global Influence and Interference Activities”, March 2023. https://www.uscc.gov/sites/default/files/2023-03/Alex_Joske_Testimony.pdf

²⁷ Comment made during the official CASS visit to the UK, June 2025.

2.2.1. Elite Capture

United Front activity often focuses on cultivating ties with people of influence, particularly in politics, business and academia. This happens through business forums, cultural exchanges, or friendship associations. The goal is usually not overt influence, but creating more subtle alignment with Beijing's narrative and talking points, as well as long-term goodwill and access. The CCP International Liaison Department (ILD), the Chinese Association for Friendship with Foreign Countries (CPAFFC), the China Council for the Promotion of International Trade (CCPIT), as well as units in the party's propaganda and united front systems and fronts linked to intelligence agencies have a long record of facilitating this. This has often been facilitated by UK business, environmental, cultural and educational entities, often unknowingly.

2.2.2. Community and Cultural Groups

Most diaspora organisations, student groups, and cultural associations maintain formal or informal links to United Front structures. These groups align with or amplify positions favoured by Beijing, especially on sensitive topics like Taiwan, Hong Kong, or Xinjiang, and may be called upon to monitor and collect information on dissidents, activists, journalists or academics considered "unfriendly" towards the PRC.

2.2.3. Academic and Educational Links

Universities are a key area of interference. Universities and research partnerships are key targets as well as channels of CCP influence, as they provide access to knowledge, influence over discourse, and reputational legitimacy.

Within universities, Chinese Student and Scholar Associations (CSSAs) are key vectors for United Front work, as are Confucius Institutes, which promote Chinese language and culture but have also drawn scrutiny over academic freedom and influence.

2.2.4. Business and Investment Channels

The UK's openness to global finance makes it attractive. Strategic investments and joint ventures, as well as sponsorships and donations, are all vectors for influence. Chinese firms gain influence via partnerships and investments, whilst UK companies with China exposure may self-censor to protect access.

A key role is played by business councils linking UK and Chinese firms, many of whom maintain access to their Chinese networks by adopting Chinese talking points which, even if not believed, to shape a wider misunderstanding of China. Business relationships can create mutual dependence, which sometimes translates into political caution on issues Beijing considers sensitive.

2.2.5. Media and Narrative Shaping

The Chinese Communist Party (CCP) invests heavily in shaping narratives abroad to align with its geopolitical objectives.²⁸ It seeks to influence or, when possible, co-opt media narratives. Traditional Chinese language media in the UK is highly compliant, and has been so for some time. Newer independent platforms, mostly established by recent Hong Kong immigrants who have been able to draw on their own sources in Hong Kong and China, provide an alternative but they are financially vulnerable.

Journalists or influential media figures are courted, and often offered subsidised trips to China and lucrative commercial opportunities usually through consulting agreements or possible joint-ventures in government supported China joint ventures. Concerns have also been raised of the China connections to the acquisition of established media platforms.²⁹

The use of paid Chinese state media inserts being published by traditional media has, following a public outcry, shifted towards more subtle means, including through flooding wires or shaping narratives in other countries, especially in emerging economies, that, in turn, are picked up by papers in the UK.

Online, China deploys a combination of platform-based influence (e.g., WeChat and TikTok) and bot networks to shape public opinion, amplify favourable narratives, and suppress criticism.³⁰ It also engages UK influencers to promote state talking points, and to sow doubt regarding mainstream reporting on China.³¹

Emerging technologies pose new challenges. Advances in artificial intelligence allow for the mass production of synthetic content and the automation of disinformation campaigns. Policymakers and regulators in the UK have expressed concern that existing legislation may not keep pace with

²⁸ Lim, Louisa, and Julia Bergin. "Inside China's Audacious Global Propaganda Campaign." *The Guardian*, December 7, 2018.

²⁹ Gov.uk, 2025. <https://www.gov.uk/government/publications/2025-uk-china-economic-and-financial-dialogue-policy-outcomes/2025-uk-china-economic-and-financial-dialogue-fact-sheet>. UK Government. "2025 UK-China Economic and Financial Dialogue Fact Sheet."

³⁰ BBC News. "China Eases Covid Rules as Xi Targets Greater Control." *BBC News*, August 30, 2021.

³¹ Australian Strategic Policy Institute. *Frontier Influencers*. ASPI, 2023.

these digital threats, particularly given AI's role in enhancing surveillance and deception capabilities.

2.2.6. Political Engagement and Lobbying

There have been several high-profile concerns in the UK about individuals allegedly acting in line with United Front priorities.

MI5 issued an Interference Alert in January 2022 alleging that Christine Lee was involved in "political interference activities" on behalf of the United Front Work Department (UFWD) of the Chinese Communist Party. The alert claimed she had facilitated financial donations to UK politicians and political entities on behalf of foreign nationals from Hong Kong and mainland China. Also named in the alert was her son, Daniel Wilkes. Another prominent case is that of Yang Tengbo, an alleged Chinese agent linked to Prince Andrew through his investment enterprise: Pitch at Palace.³² Beijing has also sought to engage with UK figures to isolate China-critical voices, mirroring a common playbook found elsewhere.

2.2.7. Organised Crime

The CCP, which arose as a criminal organisation as much defined by violence as political idealism, has a long history of engaging with and using Chinese organised crime gangs as a means to extend its power. The scope of Chinese organized crime includes money laundering; poaching, illegal fishing and wildlife trafficking; drug and people trafficking, including for sexual exploitation; cybercrime; and elaborate fraud and scams.³³

Chinese organised crime groups are a core component of the United Front network in the UK, as they are elsewhere, with leading criminal figures also playing central roles within the United Front. The scale of Chinese illicit financing, in part a result of Beijing's strict capital controls, is such that it not only finances crime, but also undermines markets. Despite this, no inquiry has yet to be initiated. In 2025, the National Crime Agency identified Chinese organised crime as the foremost non-British organised crime threat to the UK.³⁴

Chinese officials and politicians have publicly called upon "patriotic" organised crime gangs, including Hong Kong and Fujianese triad groups, to work within the Party's United Front framework. These groups have a

³² Guardian, "How did Yang Tengbo become close confidant of Prince Andrew?" December 2024.

³³ Vanda Felbab-Brown, Diana Paz García, and Vibha Bajji, "Chinese crime and geopolitics in 2024" Brookings, January 2024. <https://www.brookings.edu/articles/chinese-crime-and-geopolitics-in-2024/>

³⁴ UK-China Transparency, "Chinese organised crime has become the UK's leading foreign criminal threat". Spring 2026.

significant presence in the UK.

2.3 Transnational Repression

China is the most prolific, sophisticated, far-reaching, and comprehensive perpetrator of transnational repression in the world, according to several reports.³⁵ Between 2014 and 2024, China committed 272 physical incidents - 22% of all recorded cases, making it the biggest abuser of transnational repression, with ongoing operations in at least 23 countries and within international institutions like the UN.

Transnational repression refers to the government's systematic efforts to silence dissent and control critics beyond its borders. It targets many groups, including multiple ethnic and religious minorities, political dissidents, human rights activists, journalists, and former insiders accused of corruption. This includes widespread targeting of the Uyghurs, Tibetans and Hong Konger communities, as well as Taiwanese and Chinese pro-democracy and human rights activists. Also targeted are people of perceived influence who are critical of China, including legislators, academics and researchers, and lawyers; and China-critical organisations, including the Inter-Parliamentary Alliance on China.

In an effort to silence these groups, Chinese state security agents working through the United Front and their proxies, including locally recruited persons, have physically attacked protesters, threatened the family members of activists, and forcibly returned or kidnapped dissidents or members of persecuted ethnic communities, often with the support of allied authoritarian governments.

A full spectrum of tactics are used, from direct attacks like rendition, to co-opting other countries to detain and render exiles, to imposing mobility controls, to issuing threats from a distance, and coercion by proxy. There is also the systematic coercion of family members in China, who may be subjected to job loss, detention, or interrogation.

Overt transnational repression activities are embedded in a broader framework of influence that encompasses cultural associations, diaspora groups, and in some cases, organised crime networks, often as part of United Front activity. Lawfare is another tool, involving the misuse of Interpol Red Notices and strategic lawsuits (SLAPPs).

China's attempts to intimidate and control UK residents and nationals in response to their peaceful advocacy activities, and in the exercise of their lawful rights, have included the full spectrum of tactics described.

³⁵ Freedom House, "China: Transnational Repression Origin Country Case Study". <https://freedomhouse.org/report/transnational-repression/china>

Additionally, China has infiltrated international institutions like the United Nations, deploying government-linked NGOs (GONGOs) to surveil and block human rights advocates at events such as the Human Rights Council. It is also an enabler of transnational repression by other states, both through direct facilitation, such as the sharing of information, and by normalising the practice. This has led to a sharp escalation in the number and scope of acts of transnational repression, and for it to be seen as a growing global problem.³⁶

2.4 UK Vulnerability

The UK's openness, internationalism, liberal values, and a tradition of inclusiveness and moderation, is both a strength and a weakness. Whilst it is a major reason many Chinese people, including dissidents, are attracted to the UK, it can also leave UK society less resilient to malign influence.

Shifts in UK domestic politics, including deepening polarisation, a move towards decentralising engagement with China to regional authorities that are less able to draw on China expertise and are less accountable to Westminster, and the rise of populist parties that have yet to define their positioning on China, present an opportunity for further Chinese influence in our political system and public discourse. There is evidence to suggest that these are opportunities Beijing is keenly exploring, and is consistent with what has been observed elsewhere.³⁷

³⁶ Joshua Kurlantzick, "Transnational Repression Grew in 2025—and It Will Only Get Worse", Council on Foreign Relations, December 2025.

³⁷ Palmer, James. "China Finds Friends in Europe's Far Right: A German Politician's Ties to a Chinese Influence Network Are Part of a Pattern across Central and Eastern Europe." *Foreign Policy*, October 3, 2023. <https://foreignpolicy.com/2023/10/03/china-influence-europe-far-right-germany-afd-maximilian-krah/>.

SECTION 3: WHERE DO WE ENGAGE, AND WHAT ARE THE OPPORTUNITIES AND RISKS?

This section scopes out the key areas of current UK-China engagement, and provides a summary of the issues, opportunities and known risks. It divides engagement into 4 areas, these being:

- 1.Strategic Relationship
- 2.Trade, Investment and Technology
- 3.Climate and Sustainability
- 4.Political and Institutional

The section ends (5) with a summary of the engagement risks ordered into 9 key areas.

3.1 Strategic Relationship

The PRC is a strategic adversary of the UK. It seeks to undermine the core pillars of UK security: Cross Atlantic relations, European Solidarity, and Western alliances. It provides military, diplomatic and intelligence support to Russia and Iran, and other authoritarian regimes aligned to anti-Western narratives, and actively seeks to undermine our values and institutions through co-ordinated disinformation.³⁸ It facilitates the tools of authoritarianism, undermines open and free societies, and works towards a future whereby authoritarianism and repression are harder to challenge.

3.1.1 China's Global Initiatives

Belt and Road Initiative (BRI) is China's flagship infrastructure and connectivity programme, aimed at expanding trade routes, investment links, and geopolitical influence across Asia, Africa, Europe, and beyond.

Global Development Initiative (GDI) focuses on economic development, poverty reduction, and UN Sustainable Development Goals, positioning China as a leader in development financing and South-South cooperation.

Global Security Initiative (GSI) promotes China's alternative vision of international security, emphasising state sovereignty, non-interference, and opposition to Western-led alliances and sanctions.

Global Civilization Initiative (GCI) seeks to expand China's soft power by promoting cultural exchange, "civilizational diversity," and governance

³⁸ MERICS, China-Russia Dashboard: Facts and Figures on the Special Relationship, 2024.
See also Can Kasapoglu, Hudson Institute, "How Chinese Satellites Support Iran | MENA Defense Intelligence Digest Special Report", May 2026.

models not centred on liberal Western values.

Global Governance Initiative (GGI) seeks to increase the voice of the Global South in international affairs, particularly through reform of the UN, IMF and WTO, and establish a new system of international relations based on Chinese concepts of and understandings of sovereign rights, international law and multilateralism.

Together, these initiatives form a broad strategy through which China aims to increase its economic, diplomatic, security, and ideological influence within what Beijing frames as a “multipolar” international order. This is dressage for a return to imperial spheres of influence.³⁹

3.1.2 Chinese military build-up

China is rapidly modernising its armed forces, with the objective of securing regional dominance in the Asia-Pacific while also developing global military reach. It is expanding its nuclear and conventional capabilities, and investing in long-range capabilities, including 320 new intercontinental ballistic missile silos, fractional orbital bombardment systems, and hypersonic glide vehicles. China's navy is now the largest in the world, with 370 ships and submarines, and is projected to increase to at least 435 vessels by 2030. Whilst China only operates a single overseas military base in Djibouti, it is actively pursuing additional facilities in Asia, Africa, the Middle East, the Caribbean, and the Pacific.⁴⁰ It has also acquired a network of ports, infrastructure projects, and potential military access points stretching from the South China Sea across the Indian Ocean toward the Middle East and Africa.

3.1.3 Indo-Pacific Tilt

The UK's “Indo-Pacific tilt,” announced in the 2021 Integrated Review, reflects a recognition that the region is critical to the economy, security, and the UK's broader ambition to support open societies.⁴¹

A key pillar is the AUKUS partnership between the UK, the United States, and Australia. This was designed to counter the perceived threat from China to regional stability.⁴² Through AUKUS, Australia will acquire UK designed nuclear-powered submarines allowing for inter-operability with the UK's next

³⁹ Charles Parton, “China's four ‘global initiatives’: Attempting to change the global order”, Council on Geostrategy, October 2026. <https://www.geostrategy.org.uk/all-research/chinas-four-new-global-initiatives/>

⁴⁰ Council on Foreign Relations, “Six Takeaways from the Pentagon's Report on China's Military,” CFR Blog, 2024, <https://www.cfr.org/blog/six-takeaways-pentagons-report-chinas-military>.

⁴¹ House of Commons Library, The Integrated Review of Security, Defence, Development and Foreign Policy: The UK's Tilt to the Indo-Pacific, Research Briefing, 2021, <https://commonslibrary.parliament.uk/research-briefings/cbp-9183/>.

⁴² House of Commons Library, AUKUS Agreement and UK Defence Policy, Debate Pack CDP-2021-0158, 2021, <https://commonslibrary.parliament.uk/research-briefings/cdp-2021-0158/>.

generation fleet. It will also deepen collaboration between the three countries on advanced defence technologies. For London, this enhances its strategic role in the Indo-Pacific. Beijing has condemned the arrangement as destabilising regional peace.⁴³

Also core to the tilt has been deeper engagement with Japan, through the UK-Japan Comprehensive Economic Partnership Agreement (CEPA), entered into in December 2020, and accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which given the US withdrawal, provides a platform for de facto joint UK-Japanese regional leadership. The UK is also, alongside Italy, partnering with Japan in the Global Combat Air Programme (GCAP) to develop a 'sixth generation' fighter jet by 2035, and there are ongoing discussions around Japan's possible inclusion in the "Five Eyes" Intelligence-sharing alliance.⁴⁴

The Royal Navy has also committed to basing two River-class off-shore patrol vessels in the region, and has increased naval exercises in the South China Sea, signalling both commitment to freedom of navigation and support for regional allies.

3.1.4 Brunei

Brunei hosts one of the UK's key forward bases in Asia, but Chinese influence poses growing risks. Brunei's reliance on Chinese investment, its use of Huawei technology for 5G, and partnerships in digital infrastructure highlight strategic dependencies.⁴⁵ A change in leadership in Brunei could jeopardise the British military presence, with significant consequences for UK (and allied) strategies in the region.

3.1.5 NATO and the Indo-Pacific

NATO has progressively recognised the implications of China's rise for Euro-Atlantic security. At the 2019 London Summit, Allies for the first time acknowledged that China's growing influence presented both opportunities and challenges. Subsequent NATO consultations and summits have identified China as a systemic challenge to the rules-based international order, citing nuclear expansion, military cooperation with Russia, and its civil-military fusion model.⁴⁶

⁴³ Amy Hawkins and Helen Davidson, "Outrage and Confusion: China Reacts to AUKUS Deal," The Guardian, March 16, 2023, <https://www.theguardian.com/world/2023/mar/16/outrage-confusion-china-reaction-aukus-deal>.

⁴⁴ J. Hemmings, "How might Japan join Five Eyes", CSIS, January 2023. <https://www.csis.org/analysis/how-might-japan-join-five-eyes>

⁴⁵ Tony Blair Institute and Adarga, Geopolitical Vulnerabilities of the UK's International Military Partnerships: A Case Study on Brunei, February 2025, https://www.samolsen.org/_files/ugd/b46891_0eb8e7dad15b43a489d340129e2a6a0f.pdf.

⁴⁶ NATO, "NATO's China and Indo-Pacific Conundrum," NATO Review, November 22, 2023, <https://www.nato.int/docu/review/articles/2023/11/22/natos-china-and-indo-pacific-conundrum/index.html>.

The 2022 Madrid Strategic Concept and the 2023 Vilnius Summit underscored concerns over Chinese disinformation, economic leverage, and refusal to condemn Russia's aggression in Ukraine. NATO has also deepened cooperation with Indo-Pacific partners (Australia, Japan, New Zealand, and South Korea), linking transatlantic security with developments in Asia.⁴⁷

3.1.6 Taiwan

Although a near-term Chinese military offensive against Taiwan remains difficult to predict, Beijing's sustained grey-zone activity around the Island is escalating. These activities could expand beyond the application of pressure on Taipei to include actions which would destabilise global commerce.⁴⁸ A miscalculation could lead to major conflict, with severe implications for the global economy and UK interests. In the event of an invasion across the Taiwan Strait, economic modeling estimates losses of up to \$10 trillion, equivalent to 10% of the global economy,⁴⁹ with the UK particularly hard hit. The wider repercussions to regional stability longer term would up-end security in this most important of economic regions. Deterrence remains in the UK's interest. The UK can contribute through AUKUS, NATO, and diplomatically, including engagement with Taipei short of formal recognition.

3.1.7 Overseas Territories

The UK maintains responsibility for the defence and security of its 14 Overseas Territories. Beijing does not recognise British sovereignty in contested territories such as the Falklands and Gibraltar and has sought to expand its influence in others through investment and joint ventures. China-linked firms have been active in the Caribbean and Atlantic territories, where Chinese foreign direct investment is significant.⁵⁰ China's deepening economic and strategic relationship with Mauritius, expanded military facilities and access agreements around the Indian Ocean, and operational deployments, pose a challenge to UK interests in the British Indian Ocean Territories (BIOT), and to the security of the strategically important joint UK-US military facility on Diego Garcia.

⁴⁷ Atlantic Council, Implementing NATO's Strategic Concept on China, 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/report/implementing-natos-strategic-concept-on-china/>.

⁴⁸ Sobolik, Michael. "A Strategy to Protect Taiwan from China." Hudson Institute, April 9, 2025. <https://www.hudson.org/defense-strategy/strategy-protect-taiwan-china-michael-sobolik>.

⁴⁹ Rhodium Group, "The Economic Disruptions of a Taiwan Crisis", 2024, <https://rhg.com/research/taiwan-economic-disruptions/>; see also Bloomberg, "If China Invades Taiwan, It Would Cost World Economy \$10 Trillion," Bloomberg News, January 9, 2024, <https://www.bloomberg.com/news/features/2024-01-09/if-china-invades-taiwan-it-would-cost-world-economy-10-trillion>.

⁵⁰ Doublethink Lab, Near Abroad: The PRC's State-Firm Fusion in Selected British Territories, 2023, <https://medium.com/doublethinklab/near-abroad-the-prcs-state-firm-fusion-in-selected-british-territories-651746ecd2cb>.

⁵¹ Zack Cooper, "Security Implications of China's Military Presence in the Indian Ocean", Center for Strategic and International Studies (CSIS), April 2018.

3.1.8 The Commonwealth

China has pursued long-term influence across the Commonwealth, a bloc of 56 nations with substantial demographic and economic weight. Through trade, investment, and diplomacy, Beijing has deepened its role, raising concerns around aligned strategic interests, deteriorating institutional standards and common values.⁵² The majority of Commonwealth members have deepened ties with China, with many having signed strategic and security agreements with Beijing, and increasingly aligning with Beijing at international fora. Deepening engagement has come with a rise in both Chinese influence and dependence, for example through media partnerships, but also in interference in politics and diplomacy, prompting calls for greater UK engagement.⁵³ Deepening security and policing agreements, and increasing legal co-operation, means Commonwealth nations are increasingly viewed as unsafe for those critical of Beijing, including Taiwanese nationals who face extradition to China, and creates a climate of fear among the Chinese diaspora that is incompatible with the values of the Commonwealth and human rights obligations.

3.2 Trade, Investment and Technology

3.2.1 Trade Imbalance and Supply Chain Vulnerabilities

China is a top-tier trade partner to the UK and has developed a vital stake in fields like higher education, tourism, and throughout critical supply chains, in particular for green technology, rare earths, and pharmaceuticals.

China is the UK's third largest trading partner, after the U.S. and Germany. Q3 2024 total trade (4 quarters) stood at £89.0 billion (-13%). Key imports are electrical & electronic equipment, machinery, vehicles, and furniture. The UK runs an overall trade deficit of ~£25 billion, however a £9 billion surplus in services (+6.3%).

The persistent trade imbalance with China is compounded by structural vulnerabilities in pharmaceuticals, rare earths, and critical minerals, where China has created dependencies through its dominant position in upstream supply chains. Intellectual property and personal data risks are heightened by China's expansive national security legislation, which grants authorities sweeping extraterritorial powers to access sensitive information from

⁵² Commonwealth Enterprise and Investment Council, "Britain Must Stand with the Commonwealth Against China," 2024, <https://www.cweic.org/insights/britain-must-stand-with-the-commonwealth-against-china/>.

⁵³ Sam Goodman, "The Price of Dependency: Unpicking the People's Republic of China's influence and coercion across the Commonwealth", Coalition for Global Prosperity, June 2026.
See also Civitas, China's Increasing Influence in the Commonwealth of Nations, 2024, <https://www.civitasonline.org.uk/product/chinas-increasing-influence-in-the-commonwealth-of-nations/>.

foreign-owned enterprises.⁵⁴

Subsidies have been shown in the European Union (E.U.) to have minimal impact on Chinese competition. The strategic use of concrete policies that have a material impact on Chinese trade, such as tariffs, have proven most effective.

3.2.2 Subsidies, Dumping, and Protectionism

China's state-led subsidies and industrial overcapacity create distortions in global markets, including steel, EVs, and renewables. The E.U.'s experience demonstrates that appeals to fair competition alone are ineffective; concrete policies with material impact are required. Protectionism and subsidies are likely to remain features of the global economic order. The impact to local industrial capacity has been significant, with many home-grown companies unable to compete.

3.2.3 De Minimis Imports

Under current rules, imports worth less than £135 are exempt from customs duties. This has allowed companies, predominantly in China, and including Shein and Temu, to undercut UK manufacturers with state support. These companies have also been found to sell goods made with forced labour, including but not limited to products made as a part of a state-imposed forced labour programme.⁵⁵

In 2024–25, de minimis imports into the UK reached £5.9 billion, a 53 percent increase from the previous year.⁵⁶ The UK government is now considering reforms, following similar actions in the U.S. and E.U.

3.2.4 Investment

The UK's investment position in China has generally been larger than China's official foreign direct investment (FDI) position in the UK in recent years. UK FDI in China was £8.9 billion at the end of 2023, down from £10.7 billion in 2021. Chinese investment stock in the UK stood at £3.7 billion, down from £5.1 billion.⁵⁷

⁵⁴ Ernst & Young. "How China's Data Privacy and Security Rules Could Impact Your Business." EY, 2024. https://www.ey.com/en_gl/insights/forensic-integrity-services/how-chinas-data-privacy-and-security-rules-could-impact-your-business.

⁵⁵ The Chicago Council on Global Affairs. "The Cost of Shein and Temu's Low Prices." Blogs, October 19, 2023. <https://globalaffairs.org/commentary-and-analysis/blogs/how-shein-and-temu-get-around-us-labor-laws-ban-products-made-forced-labor>. See also <https://www.bbc.co.uk/news/articles/cdrylgvr77jo>

⁵⁶ Australian Strategic Policy Institute. Australia Can Break China's Stranglehold on Graphite Supply. 2024. <https://www.aspistrategist.org.au/australia-can-break-chinas-stranglehold-on-graphite-supply/>.

⁵⁷ UK Trade and Investment Factsheet 2025, UK Government, Department of Business and Trade. <https://www.gov.uk/government/collections/trade-and-investment-factsheets>

These figures refer specifically to FDI stock — the accumulated value of direct ownership stakes and investments by companies — not total trade, portfolio holdings, or all Chinese-owned assets.

However, a significant amount of Chinese capital is routed through places like Hong Kong, Luxembourg, or the Cayman Islands, so the “true” economic exposure is likely higher than the headline figures.⁵⁸ Chinese-linked entities are estimated to control roughly £190 billion of UK assets, including infrastructure, property, listed shares, utilities, and other holdings.⁵⁹ This has included investments by Chinese companies and state-linked entities in UK critical infrastructure that have not been unwound.

In energy, water, and transport infrastructure, there remains significant Chinese investment in the UK’s gas distribution networks, water utilities, airports, and renewable energy, including in energy grid technology.

The UK government has sought to address national security concerns, particularly around critical infrastructure, through the National Security and Investment Act 2021.⁶⁰ This act provides the government with powers to review and block high-risk investments across 17 sensitive sectors, including AI, communications, energy, data infrastructure, semiconductors, defence, quantum technologies, and advanced materials. It also grants the government powers to “call in” transactions for review after they happen, in some cases up to five years later if the deal was not notified.

3.2.5 City of London

China holds significant value to the City of London, and financial ties are an area both sides seem keen to deepen, especially in green finance, fin-tech and through the stock-bond connect. London's prestige and regulatory environment lend credibility to Chinese firms listing or operating there.

The City facilitates mergers and acquisitions, legal services, and financing for China-UK and China-EU trade flows, whilst Chinese FDI in UK infrastructure (e.g. real estate, energy, tech) is often structured or brokered through City institutions. Chinese companies and investors use the City of London for global fundraising, asset management, and diversification, whilst London's deep capital markets, legal infrastructure, and global connections make it attractive for Chinese state-owned and private firms.

London also serves as the leading offshore RMB hub outside Asia, facilitating

⁵⁸ Foreign direct investment involving UK companies: 2024, Office for National Statistics (ONS).

⁵⁹ “How China makes millions from UK asylum hotels”, The Sunday Times, October 2025.

⁶⁰ National Security and Investment Act 2021. <https://www.gov.uk/government/collections/national-security-and-investment-act>

RMB-denominated bond issuance ("dim sum bonds") and trade finance. For Beijing, London plays a significant role in the internationalisation of China's currency, which the Chinese government has openly stated is one of its top priorities.⁶¹

Major Chinese banks, including Bank of China and ICBC, have a strong presence in the City, using it as a gateway for European and global operations. British banks HSBC and Standard Chartered have long-standing and highly profitable operations in China and Hong Kong, for which the City acts as their strategic headquarters.

3.2.6 UK Regional Engagement

Outside of London, Chinese economic engagement is diverse and has been growing significantly in areas the UK is keen to level-up. The fastest growth in exports to China came from the North East of England (45.9%) and Scotland (32.6%), with the North West an example of what Chinese investment can positively bring to the local economy. However these ties present both opportunities and risks, especially given the more limited China-expertise available to regional decision makers, and the lower level of awareness around security and risk.

3.2.7 UK Education Sector

The UK education sector is one of the most exposed, due to its reliance on international students for both income and research collaboration. In 2021, Chinese students contributed £2.1 billion (7% of all revenue) to the UK's education sector. There is a high reliance on high-calibre PhD students, either through partnership arrangements with university partners in China or funded, typically by the highly selective China Scholarship Council. Self-funded PhDs from China accounted for 68% of the overall growth in non-UK self-funded entrants to UK doctoral programmes.⁶² An increasing proportion of academic staff are Chinese nationals, a trend most pronounced in science, technology, engineering and maths (STEM) subject areas. China is one of the UK's top research partners, co-authoring 11% of the UK research output in 2019. In niche STEM areas like telecommunications and materials science, collaborations with China account for more than 30% of UK research output.⁶³

UK higher education institutions are also highly engaged in China through

⁶¹ Pacheco Pardo, Ramon, Jan Knoerich, and Yuanfang Li. "The Role of London and Frankfurt in Supporting the Internationalisation of the Chinese Renminbi." *New Political Economy* 24, no. 4 (2019): 530–545. <https://doi.org/10.1080/13563467.2018.1472561>.

⁶² Universities U.K. International. *Global Demand for UK Universities Postgraduate Research Degrees*. 2022. https://www.universitiesuk.ac.uk/sites/default/files/field/downloads/2022-06/Global%20demand%20for%20UK%20postgraduate%20research%20degrees_0.pdf

⁶³ Kings College London Policy Institute. *The China question: Managing risks and maximising benefits from partnership in higher education and research*. 2021. <https://www.kcl.ac.uk/policy-institute/assets/china-question.pdf>

transnational education (TNE) initiatives via joint educational programmes and institutions (JEPs and JEIs). These are predominantly structured through China-foreign joint ventures. However, TNE arrangements significantly increase opportunities for state coercion. A noteworthy example is the case of Professor Laura Murphy, whose team at Sheffield Hallam had produced influential government cited reports tracing links between Uyghur forced labour and global supply chains in sectors such as cotton, solar panels, automotive manufacturing, and critical minerals. Following pressure from the Chinese government, which included the university websites and communications being blocked in China, staff in China threatened or questioned by Chinese state security, and a defamation lawsuit against one of the reports, the university stopped publishing this critical research and removed existing reports.⁶⁴

China however continues to be an attractive market, with UK universities encouraged to deepen engagement. This is despite significant differences in regulatory, cultural and educational systems, and growing concerns around standards, censorship, and risks around dependence, technology transfer and ties with entities sanctioned for supporting Russia's invasion of Ukraine and assisting China's military modernisation and human rights violations.⁶⁵

In 2022 Universities UK urged universities to "scenario-plan for a catastrophe in relations with China", while pushing back against "a mindset that resists international engagement".⁶⁶ New national security legislation has been used to block technology transfers, including the sale of defence related technologies by the University of Manchester to a Chinese company.⁶⁷

3.2.8 Technology

China has become a global leader in patents across electric vehicles (EVs), robotics, and new materials. Its leading share of patents in these areas reflects its growing ambition to dominate high-tech sectors.⁶⁸ It is a lead that has in recent years widened. Biotechnology and artificial intelligence (AI) are especially important, given the strategic importance of both, and that they both represent areas of comparative UK strength.

Chinese rise has been underpinned by state interventions, with investment

⁶⁴ Financial Times, "Chinese intimidation stopped UK university from publishing human rights report", November 2025.

⁶⁵ Australian Strategic Policy Institute, "A British university's technology entanglements with Russia and China", June, 2025. <https://www.aspistrategist.org.au/a-british-universitys-technology-entanglements-with-russia-and-china/>

⁶⁶ Times Higher Education Supplement. Plan for 'catastrophic' break with China, new UUK head urges. 2022. <https://www.timeshighereducation.com/news/plan-catastrophic-break-china-new-uuk-head-urges>.

⁶⁷ Financial Times, "First use of UK law to ban foreign deal marks 'stark' trend, warns ex-minister", July 2022.

⁶⁸ International Energy Agency. Global EV Outlook 2024. IEA, 2024. <https://www.iea.org/reports/global-ev-outlook-2024/trends-in-electric-cars>.

in science and technology having increased more than five-fold between 2015 and 2020, and discriminatory policies compelling foreign firms to localise production.⁶⁹ However, despite these barriers, the UK retains advantages in biotechnology, AI, and data-driven innovation.

3.2.9 Artificial Intelligence

China has declared its aim to become a world leader in Artificial Intelligence (AI) by 2030, regarding it as central to a fourth industrial revolution.⁷⁰ Export of Chinese AI systems also spreads Chinese governance norms internationally, strengthening Beijing's influence in global regulatory debates.

China's emphasis on political control means its approach is fundamentally different. As in other areas of statecraft, Beijing's approach to AI prioritises regime security.⁷¹ The Cyberspace Administration of China, which oversees AI safety, reports directly to the Party's Propaganda Department, underscoring the political character of regulation.

China has also launched a whole-of-nation robotics strategy since 2015, underpinned by massive state subsidies and local experimentation.⁷² This effort is likely to create future supply chain vulnerabilities for Western economies. It might also serve as a model for UK investment in technology, learning from China's successes and failures, not only to achieve better commercial and strategic returns.

The UK is a world leader in some areas of AI, meaning engagement can to an extent be framed by the UK side. However, the UK's lead and competitiveness is dependent on UK engagement in a cross-national research ecosystem including China. The technologies driving AI are advancing rapidly, and one of the issues is ensuring that necessary security does not impede on the UK's ability to continue to remain competitive.

3.2.10 Electric Vehicles (EVs)

According to the Society of Motor Manufacturers and Traders (SMMT), Chinese-made electric vehicles (EVs) have rapidly gained ground in the last four years, with their market share in the UK jumping from 2% in 2019 to

⁶⁹ Jamestown Foundation, "Smart Device Empire: Beijing's Expansion through Everyday Digital Infrastructure," China Brief, 2024. <https://jamestown.org/program/smart-device-empire-beijings-expansion-through-everyday-digital-infrastructure/>.

⁷⁰ Carnegie Endowment for International Peace, China's AI Safety Regulation and Global Implications, 2024, <https://carnegieendowment.org/research/2024/08/china-artificial-intelligence-ai-safety-regulation>.

⁷¹ Jamestown Foundation, "Embodied Intelligence: The PRC's Whole-of-Nation Push into Robotics," China Brief, 2024, <https://jamestown.org/program/embodied-intelligence-the-prcs-whole-of-nation-push-into-robotics/>.

⁷² Arms Trade Treaty Secretariat, "China's Ratification of the Arms Trade Treaty," 2023, <https://thearmstradetreaty.org/>.

33.4% of new EV registrations in the first half of 2023. This rapid growth challenges the UK automotive sector, which directly and indirectly supports 198,000 British manufacturing jobs and contributes 2.5% of GDP to the UK economy.

Brands such as BYD, SAIC Motor, and Geely benefit from strong domestic supply chains, especially in batteries, giving them pricing advantages in export markets like the UK. Lower-priced Chinese EV imports could pressure UK-based producers and suppliers, potentially threatening manufacturing jobs and investment in regions dependent on the automotive sector. Chinese firms could undercut competitors long enough to dominate the market, reducing long-term industrial resilience and consumer choice.⁷³

There is substantial evidence that the UK is vulnerable to becoming, or in some sectors already functions as, a destination for excess Chinese industrial output and a backdoor into the European market.⁷⁴ Key sectors include steel, and solar panels, batteries and EVs. This could impact the UK's current tariff-free access for UK EV exports to the European Single Market, and prove an obstacle to any green technology trade deal with the US. It also risks deepening reliance on Chinese battery technology, creating strategic vulnerabilities in future transport infrastructure.

There is also substantial evidence that Chinese state-sponsored forced labour is present in parts of the EV and renewable energy supply chains, particularly involving the Xinjiang region, which present both an ethical and legal risk to UK companies.⁷⁵

Cybersecurity and data privacy risks have also been raised because modern EVs collect large amounts of driving and location data through connected software systems.⁷⁶

3.2.11 Defence and Technology

Chinese technology exports and participation in open-source projects raise security issues around Chinese involvement in dual-use technology. PLA-linked universities and military conglomerates sponsor research in UK

⁷² Arms Trade Treaty Secretariat, "China's Ratification of the Arms Trade Treaty," 2023, <https://thearmstradetreaty.org/>.

⁷³ Sam Goodman, "Collision Course: Under-pricing Chinese EV risks in the UK", China Strategic Risks Institute, 2024. <https://www.csri.global/research/underpricing-chinese-ev-risks-uk>

⁷⁴ As evidenced in anti-dumping investigations, UK Trade Remedies Authority (TRA) determinations, parliamentary reports, and industry analyses. See: https://www.gov.uk/government/organisations/trade-remedies-authority?utm_source=chatgpt.com

⁷⁵ See Forced Labour Reports, Sheffield Hallam University – note: removed from publication following Chinese coercion. See Amy Hawkins, "UK university halted human rights research after pressure from China", Guardian, November 2025.

⁷⁶ Justin Bassi and Tilla Hoje, "Chinese electric vehicles are a rolling security threat", ASPI, November 2024. <https://www.aspistrategist.org.au/chinese-electric-vehicles-are-a-rolling-security-threat/>

vulnerabilities, providing Beijing opportunities for espionage and data theft institutions, often resulting in technology with potential military applications.⁷⁷ Investigations have also shown that contributors with affiliations to high-risk states have inserted malicious code into widely used software packages.⁷⁸

China's dominance of low-tier technologies, also creates structural and sabotage. This has been highlighted in regard to cellular IoT modules (CIMs), which are integrated into essential systems such as energy grids, transport networks, medical devices, and electric vehicles. Whilst these threats are hypothetical, their widespread use would make the cumulative effects of their weaponisation catastrophic.⁷⁹

The UK faces the dual challenge of protecting sensitive technologies while maintaining access to Chinese innovations. Reciprocity in access and stricter export controls will be central to future policy.

3.2.12 Cyber-Espionage

Chinese cyber-espionage operations surged by 150 percent in 2024, targeting sectors such as finance, media, manufacturing, and infrastructure.⁸⁰ China is regarded by the National Cyber Security Centre (NCSC) as the most persistent cyber threat to the UK.⁸¹

Chinese state-affiliated entities are known to have compromise of UK Electoral Commission systems between 2021 and 2022,⁸² conducted reconnaissance of Members of Parliament,⁸³ and to be actively targeting critical national infrastructure such as energy grids and communications networks.⁸⁴ There are fears malware may already be embedded in UK systems to be activated in the event of conflict.⁸⁵ Transparency research has catalogued repeated intrusions into UK systems.⁸⁶

⁷⁷ Sam Olsen, China's Artificial Intelligence Strategy and Global Governance, 2024, https://www.samolsen.org/_files/ugd/b46891_717fe361dbcf4b1ladee99279f53c3cc.pdf.

⁷⁸ Strider Technologies, Lying in Wait: Malicious Open Source Contributions from High-Risk States, 2024, <https://www.striderintel.com/lying-in-wait-report/>.

⁷⁹ Charles Parton, "The Infrastructure Threat from Chinese Cellular (IoT) Modules (CIMs)", Coalition on Secure Technology. <https://cim-coalition.co.uk/report/the-infrastructure-threat-from-chinese-cellular-iot-modules-cims-2/> See also Mark Montgomery, Jack Burnham, "The Risks of Chinese-Produced Cellular Modules",

⁸⁰ Center for Strategic and International Studies, Significant Cyber Incidents Since 2006, 2024, <https://www.csis.org/programs/strategic-technologies-program/significant-cyber-incidents>.

⁸¹ GCHQ, "CyberUK 2024: Director GCHQ Speech," 2024, <https://www.gchq.gov.uk/news/cyberuk-2024>.

⁸² UK Government, "UK Holds China State-Affiliated Organisations and Individuals Responsible for Malicious Cyber Activity," Press Release, 2024, <https://www.gov.uk/government/news/uk-holds-china-state-affiliated-organisations-and-individuals-responsible-for-malicious-cyber-activity>.

⁸³ UK China Transparency, PRC Cyber Attacks on the UK: Case List, 2024, <https://ukctransparency.org/prc-cyber-attacks-on-uk/>.

⁸⁴ Security Brief, "UK Warned of Cyber Threats from China-Backed Volt Typhoon," Security Brief UK, May 2024, <https://securitybrief.co.uk/story/uk-warned-of-cyber-threats-from-china-backed-volt-typhoon>.

⁸⁵ Dan Sabbagh, "UK Issues Warning Over Chinese Cybersecurity Threats to Critical Infrastructure," The Guardian, May 22, 2024, <https://www.theguardian.com/uk-news/article/2024/may/22/uk-warning-china-threat-cybersecurity-infrastructure>.

⁸⁶ Civitas, Inadvertently Arming China: One Year On, 2023, <https://www.civitas.org.uk/publications/inadvertently-arming-china-one-year-on/>.

3.2 Trade, Investment and Technology

3.3.1 UK Climate Leadership

The UK's strategic positioning as a leader in climate action, and the effectiveness of UK climate action is limited without global cooperation. This is particularly so with China, the largest contributor to global emissions (30%). Whilst China has taken significant steps to transition towards renewables, it will continue to be the largest emitter for some time.⁸⁷

The UK's ability to reach its sustainability and climate targets are dependent on China, at least in the medium term. While the UK is pursuing domestic initiatives, like net-zero by 2050, renewable energy expansion, and green finance, its success is also tied to global supply chains, international diplomacy, and technological cooperation, where China plays a central role.

3.3.2 Point of Alignment and Bargaining Power

Climate is an important point of alignment between the two countries. The UK and China have a history of collaboration on climate issues, including in joint research on carbon capture, green finance and urban sustainability. It is also worth noting Chinese cooperation with the UK during the UK's COP26 presidency in 2021, when overall relations were strained.

Both the UK and China are key members of global forums like the UNFCCC and G20. Diplomatic and technical cooperation with China enhances the UK's influence in shaping global climate policy and leveraging international finance and technology transfer. And many UK firms are already heavily invested in low-carbon projects that involve Chinese partners or markets.

However the narrative on climate co-operation is also used by Beijing to advance its own domestic and geopolitical objectives, which may not align with wider UK interests. For Beijing, the goal is to portray the CCP as a responsible global stakeholder, even as the regime uses climate change cooperation as a geopolitical bargaining chip in a bid to extract concessions on other issues.⁸⁸

3.3.3 China's Dominance of Supply Chains

China dominates the global supply chain for green technologies. It is especially dominant in the most mature and cost-efficient technologies,

⁸⁷ Hawkins, Amy. "China's CO₂ Emissions Have Peaked or Will in 2025, Say 44% of Experts in Survey." The Guardian, November 27, 2024. <https://www.theguardian.com/world/2024/nov/27/chinas-co2-emissions-have-peaked-or-will-in-2025-say-44-of-experts-in-survey>.

⁸⁸ Zheng Zeguang, "China will honour its climate pledges – look at the changes we have already made", The Guardian, October, 2021. See also Stuart Lau, "China suspends climate talks with US," Politico, August, 2022.

in solar and wind, which form the basis of current UK plans to decarbonise.⁸⁹ It has a near monopoly over polysilicon, silicon wafer supply, and silicon cells, produces three-fifths of all wind nacelles and blades, and builds most specialised offshore wind vessels.⁹⁰

It also dominates in the manufacture of critical components for green infrastructure, in particular in electric batteries, and controls the rare earth supply chains that underpin these technologies, especially mineral processing.⁹¹ It controls 92% of global NdFeB magnet production – approximately 2.7 tonnes of NdFeB magnets are required for every megawatt of offshore wind.⁹²

In batteries, arguably the most important component in electrification, there are severe upstream bottlenecks in supply chains.⁹³ Anode active material capacity outside China is projected to meet only 18% of 2035 demand excluding China. Similarly, capacity for only 33% of required cathode active materials and 34% of electrolyte materials can be met. Cell production is more promising, projected to cover 49% of ex-China demand by 2035.

The scale of China's industrial complex, industrial innovation, but also lax environmental and labour standards, and the presence of forced labour within these supply chains, allow Chinese products to significantly undercut market competition, raising competition issues. Chinese wind turbines are 20–40 percent cheaper than European alternatives.⁹⁴

Vulnerabilities in Chinese-supplied renewables, specifically regarding unpatched software flaws, have been uncovered in solar inverters,⁹⁵ and are believed to be present in Chinese wind turbine technology, and beyond. These present risks to UK energy security, and may also undermine the UK's ability to meet its Net Zero goals.⁹⁶

⁸⁹ See MERICS China Tech Observatory - Green Technology <https://merics.org/en/china-tech-observatory/green-technology>

⁹⁰ Reuters. "Ghost Machine: Rogue Communication Devices Found in Chinese Inverters." Reuters, May 14, 2025. <https://www.reuters.com/sustainability/climate-energy/ghost-machine-rogue-communication-devices-found-chinese-inverters-2025-05-14/>.

⁹¹ Heynes, George. "UK Risks Becoming Too Reliant on China for Solar Supply Chains, Says RUSI." Solar Power Portal, November 17, 2023. <https://www.solarpowerportal.co.uk/uk-risks-becoming-too-reliant-on-china-for-solar-supply-chains-says-rusi/>.

⁹² Carnegie Endowment for International Peace. Building Clean Energy Supply Chains. February 2025. <https://carnegieendowment.org/research/2025/02/building-clean-energy-supply-chains?lang=e>

⁹³ Carnegie Endowment for International Peace. Building Clean Energy Supply Chains. February 2025. <https://carnegieendowment.org/research/2025/02/building-clean-energy-supply-chains?lang=e>

⁹⁴ China–Britain Business Council. "Powering the UK's Green Transition with China's Industrial Might." CBBC Focus, 2025. <https://focus.cbcc.org/powering-the-uks-green-transition-with-chinas-industrial-might/>.

⁹⁵ Centre for Strategic and Regional Insight. Securing Solar Supply Chains. CSRI, 2024. <https://www.csri.global/research/solar-supply-chain>.

⁹⁶ International Labour Organization. Application of International Labour Standards 2025: Report III(A). ILO, February 2025. <https://www.ilo.org/sites/default/files/2025-02/Report%20III%28A%29-2025-%5BNORMES-241219-002%5D-EN.pdf>.

3.3.4 Resilience Assessment

Existing defensive tools provide limited resilience. The National Security and Investment Act has not prevented Chinese participation in critical projects such as North Sea wind farms. The UK has no systematic stockpiling of critical renewable components. Supply chain visibility remains incomplete, to say nothing of the absence of comprehensive mapping.

Industry insiders warned that “by about 2026/27 every region of the world except China has a shortage of critical components.”⁹⁷ Specific vulnerabilities include immediate disruption risk from the loss of Chinese magnet supply, which would halt offshore wind development within months; limited alternatives, with ex-China nacelle capacity accounting for less than 30% of 2035 demand;⁹⁸ and higher costs, with alternative supplies typically 20–40% more expensive.

Whilst renewable infrastructure provides some resilience once installed, since it requires no imported fuels, there are serious risks around deployment.⁹⁹ Gradual decoupling could raise costs by 20–40% and delay projects by two to three years. Sudden disruption could halt new projects for 12–18 months. Targeted pressure by China is also plausible, as demonstrated by China’s coal ban on Australia.¹⁰⁰

The Aberdeen Energy Transition Zone is the UK’s main attempt to build a manufacturing cluster, with a 17 GW floating offshore wind pipeline and high skills transfer from oil and gas. However, it remains reliant on Chinese partnerships without credible alternatives.¹⁰¹

3.3.5 Existing UK–China Mechanisms

Several bilateral mechanisms remain in place:

- Green Finance Taskforce (since 2016).¹⁰²
- Green Investment Principles, with 39 signatories.¹⁰³

⁹⁷ Royal United Services Institute. New Energy Supply Chains: UK Risk of Chinese Dominance. RUSI Occasional Papers, 2024. <https://www.rusi.org/explore-our-research/publications/occasional-papers/new-energy-supply-chains-uk-risk-chinese-dominance>.

⁹⁸ Carnegie Endowment for International Peace. Building Clean Energy Supply Chains. February 2025. <https://carnegieendowment.org/research/2025/02/building-clean-energy-supply-chains?lang=en>

⁹⁹ Ibid.

¹⁰⁰ Royal United Services Institute. “Pick Your Poison: China–UK Energy System.” RUSI Commentary, 2024. <https://www.rusi.org/explore-our-research/publications/commentary/pick-your-poison-china-uk-energy-system>.

¹⁰¹ China–Britain Business Council. “Powering the UK’s Green Transition with China’s Industrial Might.” CBBC Focus, 2025. <https://focus.cbcc.org/powering-the-uks-green-transition-with-chinas-industrial-might/>.

¹⁰² UK–China Green Finance Centre. “Green Belt and Road.” UKChinaGreen, 2025. <https://www.ukchinagreen.org/green-finance/green-belt-and-road/>.

¹⁰³ UK–China Green Finance Centre. “Green Belt and Road.” UKChinaGreen, 2025. <https://www.ukchinagreen.org/green-finance/green-belt-and-road/>.

- Academic partnerships, including the Oxford Green BRI Platform.¹⁰⁴

However, UK government assessments note that these frameworks have achieved limited technology transfer in the UK's favour.¹⁰⁵

3.3.6 Profitability of Chinese Green Technology

Economic data indicates that Chinese green technology firms are facing financial pressures. Profit margins and operating income have declined compared with global peers, while capital expenditure is below international averages. In the green technology sector specifically, profitability has turned negative since December 2023.¹⁰⁶ These trends suggest declining efficiency and a growing risk that China's green technology model may be unsustainable.

3.3.7 Security or Climate? - A False Dichotomy

Security concerns around Chinese technology in the UK are increasingly being seen by many in the industry as holding the UK back from making the transition necessary, and to navigating new technology that will define both future prosperity and the climate.¹⁰⁷ Whilst acknowledging concerns around human rights abuses in supply chains, there is a growing sense within the sector that the UK risks significant delays or increased costs in decarbonising its energy and transport sectors, whilst a stable UK-China relationship can help attract investment, scale clean innovation, and reduce the cost of sustainable infrastructure.

However, concerns around dependencies on China are global. Just as global cooperation is key to the effectiveness of UK climate action, so too is building a more resilient supply chain, through initiatives such as the European Commission's Wind Power Package. International comparisons also highlight potential pathways. For example, Japan has reduced its dependence on Chinese rare earths from 90 to 59 percent through targeted investment strategies.¹⁰⁸

Medium term dependence should not mean that the UK should accept long

¹⁰⁴ UK-China Green Finance Centre. "Green Belt and Road." UKChinaGreen, 2025. <https://www.ukchinagreen.org/green-finance/green-belt-and-road/>.

¹⁰⁵ HM Treasury. 2025 UK-China Economic and Financial Dialogue: Policy Outcomes. UK Government, 2025. <https://www.gov.uk/government/publications/2025-uk-china-economic-and-financial-dialogue-policy-outcomes/2025-uk-china-economic-and-financial-dialogue-policy-outcomes>.

¹⁰⁶ Bruegel. China Economic Database. 2024. <https://www.bruegel.org/dataset/china-economic-database>.

¹⁰⁷ RUSI. "UK Risks Becoming Too Reliant on China for Solar Supply Chains, Says RUSI." Solar Power Portal, (date not specified). <https://www.solarpowerportal.co.uk/uk-risks-becoming-too-reliant-on-china-for-solar-supply-chains-says-rusi/>.

¹⁰⁸ Danish Institute for International Studies (DIIS). "The European Union Can Go Green and Lower Dependencies on China." DIIS, 2024. <https://www.diis.dk/en/research/the-european-union-can-go-green-and-lower-dependencies-on-china>.

term dependence. If the UK needs access to Chinese technology and industrial capacity to remain globally competitive and to meet climate targets, this should go hand in hand with a long-term strategy that prioritises resilience, security, and core values.

3.4 Political and Institutional

The UK maintains many political and institutional channels for engagement with China, and is developing new channels where needs arise. This should be expected given China's increasing importance globally and to the UK.

There are however widespread concerns both within and outside of government that the UK currently lacks the capability and expertise to engage with the Chinese effectively in a way that secures UK interests. What expertise exists, whilst often world-class, is too often siloed both within and between departments, and not always deployed effectively.

Budget cuts have also meant that what expertise there was is being lost or redeployed. This is especially the case within the Foreign, Commonwealth and Development Office, and the Ministry of Defence, where much of the UK's China expertise resides. Whilst language and Chinese literacy training programmes have been expanded, this has been at the expense of more senior personnel with China experience.

3.4.1 Track I Diplomacy

The UK and China maintain a number of official dialogue mechanisms. Most recently, the Chancellor of the Exchequer Rachel Reeves and Chinese Vice Premier He Lifeng concluded the 2025 UK–China Economic and Financial Dialogue (EFD) in Beijing.¹⁰⁹ The Dialogue remains the principal bilateral forum for coordinating economic and financial cooperation.

Precedent exists for security cooperation: the China–UK High Level Security Dialogue, formally convened in June 2016, where the two governments agreed to cooperate in counter-terrorism, cyber crime, organised crime, and broader international security issues.¹¹⁰ Although this format has not been renewed, it reflects an earlier phase of trust-building.

Other bilateral mechanisms include joint committees and working groups, such as the Joint Trade and Investment Review, which provide platforms for

¹⁰⁹ HM Treasury. 2025 UK–China Economic and Financial Dialogue: Policy Outcomes. UK Government, 2025. <https://www.gov.uk/government/publications/2025-uk-china-economic-and-financial-dialogue-policy-outcomes/2025-uk-china-economic-and-financial-dialogue-policy-outcomes>.

¹¹⁰ Foreign, Commonwealth and Development Office. China–UK High Level Security Dialogue: Communiqué. UK Government, June 2016. <https://www.gov.uk/government/publications/china-uk-high-level-security-dialogue-official-statement/china-uk-high-level-security-dialogue-communique>.

sector-specific engagement.

3.4.2 Track 1.5 Engagement

Track 1.5 initiatives, which blend official and non-official participation, have also been established. For example, the UK–China Track 1.5 Cyber Dialogue, organised by Chatham House and the China Institutes of Contemporary International Relations (CICIR) since 2022, seeks to foster discussion on cyber norms and emerging technologies.¹¹¹

Currently the Great Britain China Centre (GBCC) and the British Council provide an avenue for much UK engagement. However this engagement is often not aligned, and poorly resourced.

3.4.3 Subnational-Level Engagement

China has systematically used sister-city diplomacy to expand its influence, often bypassing national-level scrutiny.¹¹² These partnerships, while framed as mutually beneficial exchanges, can create risks when local governments lack the expertise or resources to assess strategic implications. Vulnerabilities include:

- Technology transfers and infrastructure partnerships that circumvent national regulations.
- Local prioritisation of economic incentives over national security considerations.
- Exploitation of legal grey-zones that undermine foreign interference safeguards.

There remains a lack of understanding regarding the scope and effect of these activities, and local officials receive no training to recognise malign influence.

3.4.4 Legal Cooperation

Legal cooperation frameworks are constrained by fundamental differences in both legal concepts and systems. These differences will remain. UK courts remain cautious given concerns about growing political interference and due process in China, particularly under laws such as the National Security Law and Data Security Law. The UK has refused to sign a full extradition treaty with China due to concerns over human rights and fair trial standards.

¹¹¹ Chatham House. UK–China Track 1.5 Cyber Dialogue. Global Governance and Security Centre, 2022. <https://www.chathamhouse.org/about-us/our-departments-and-programmes/global-governance-and-security-centre/international-0>.

¹¹² Doublethink Lab. “Sister-City Diplomacy and Great Power Competition.” Medium, 2023. <https://medium.com/doublethinklab/sister-city-diplomacy-great-power-competition-ashdod-6c6bb60d7b75>.

Despite this both countries seek to maintain a level of cooperation necessary to facilitate engagement. In criminal matters this is through a series of mutual legal assistance treaties. A Bilateral Investment Treaty, signed in 1986, continues to provide mutual protection for investors and ensures fair treatment, protection from expropriation, and free transfer of funds. The UK-China Double Taxation Treaty prevents individuals and businesses from being taxed twice on the same income in both countries. In Hong Kong, the UK government has taken steps to de-designate Hong Kong as a 'Part 2 territory', enabling ad-hoc extradition cooperation on a case-by-case basis.¹¹³

While there is no direct jurisdictional overlap, there is increasing dialogue between legal institutions in the UK and China, including judge exchanges and participation in international legal forums. The UK has provided training and expertise to Chinese legal institutions, particularly in commercial and arbitration law, whilst the UK remains a popular study destination for aspiring and practicing Chinese lawyers.

3.4.5 Hong Kong

Hong Kong continues to serve as an entry point for much UK engagement with China. Many UK businesses choose Hong Kong for the comparative ease of settlement, attractive tax regime and as a legal base for operations into mainland China. The territory's separate common law system and developed legal sector provide greater surety, even whilst accepting greater political interference and the risks this brings.

The extradition agreement with Hong Kong remains suspended following concerns over Hong Kong's National Security Law. High profile British judges have chosen to resign from serving on Hong Kong Court of Final Appeal citing the political situation and interference in the rule of law. The two British judges who continue to serve do so whilst publicly recognising these concerns, arguing that their presence may serve as a bulwark to further erosion.

In Hong Kong, Beijing is in serious and continuing breach of the terms of the Sino-British Joint Declaration, and a UN-registered treaty that provides the legal basis for Chinese sovereignty over the former British colony. It is not a city with the rights and freedoms agreed, nor to honestly engage with its past nor shape its future. The city's role as a bridge between the UK and Beijing, in understanding and as a channel for track 2 diplomacy, has been heavily curtailed. The securitisation of Hong Kong has had a chilling effect not only on critical voices, but also on those who might serve as bridge-builders.

¹¹³ "Labour 'risking Hongkongers' lives' by reintroducing extradition." The Times, 24 July 2025.

3.5 Engagement Risks

Trade and investment between the UK and China must no longer be regarded as a neutral or purely commercial space. Instead, it increasingly reflects strategic competition, national security concerns, and contested norms around governance and technology.

While bilateral economic initiatives are often presented with optimism, their benefits have often proven to be modest.¹¹⁴ Furthermore, China's attempts to court British businesses are unlikely to mitigate wider concerns about China's restrictive business environment, barriers to capital flows, or licensing regimes that favour domestic firms. China has never sought to play on an open playing field, and is unlikely to now.

The risks to the UK of economic engagement with China are:

3.5.1 Dependency and exposure to economic coercion

Developing leverage through dependencies is a state objective and key tool of Chinese statecraft. Beijing has used dependencies to coerce both states and private companies.

China dominates global supply chains in many sectors, most significantly for the UK in critical minerals, pharmaceuticals, industrial components, and clean energy technologies. China controls over 90% of the global supply of rare earth elements (REE), upon which the production of new technologies rely. Beijing has established dominance in both mining and processing, and has demonstrated a willingness to leverage this dependence through export controls, end-use monitoring and quotas,¹¹⁵ including through export restrictions on rare-earth magnets.¹¹⁶

3.5.2 Technology transfer and intellectual property risks

UK companies operating in China have consistently complained of intellectual property theft, forced technology transfer, cyber espionage, lawfare and weak protection of proprietary technologies. These concerns are most pronounced in semiconductors, aerospace, AI, telecommunications, pharmaceuticals, and advanced manufacturing.

¹¹⁴ Economist Intelligence Unit. UK–China Relations Are Set for a Pragmatic Restart. 2024. <https://www.eiu.com/n/uk-china-relations-are-set-for-a-pragmatic-restart/>.

¹¹⁵ Center for Strategic and International Studies, Asia Maritime Transparency Initiative. Pulling Back the Curtain on China's Maritime Militia. Washington, DC: Center for Strategic and International Studies, November 2021. <https://amti.csis.org/pulling-back-the-curtain-on-chinas-maritime-militia/>.

¹¹⁶ Sky News. "Revealed: The Scale of Cheap Chinese Imports Flown into UK without Paying Any Tariffs." Sky News, July 2025. <https://news.sky.com/story/revealed-the-scale-of-cheap-chinese-imports-flown-into-uk-without-paying-any-tariffs-13403101>.

Access to the Chinese market is usually dependent on joint ventures, local partnerships, or the disclosure of sensitive technologies. China's Foreign Investment Law (2019) grants flexibility on joint ventures but requires foreign-invested enterprises to establish Chinese Communist Party (CCP) units within operations. This facilitates CCP access to data and influence over corporate governance.

China's suite of national security laws—including the Counter-Espionage Law (2014), National Security Law (2015), Counter-Terrorism Law (2015), Cybersecurity Law (2016), National Intelligence Law (2017), Encryption Law (2019), and Data Security Law (2021)—impose broad obligations on firms.¹¹⁷ These laws allow Chinese authorities to demand data access, conduct invasive audits, and seize intellectual property. They also underpin the “Corporate Social Credit System,” which rates firms' compliance and can result in sanctions or blacklisting.

3.5.3 National security risks

Economic engagement raises national security issues when Chinese firms gain involvement in critical infrastructure, including communication networks, power grids, cloud infrastructure, data systems, or defence-adjacent industries. Access provides opportunities for strategic leverage, espionage and sabotage.

3.5.4 Geopolitical risk

Businesses heavily exposed to China face risks from worsening geopolitical tensions, in particular around US-China strategic rivalry and Beijing's own geopolitical ambitions. A crisis across the Taiwan Strait, for example, could severely disrupt global semiconductor production, shipping routes and financial markets, exposing UK companies to stranded investments, sudden regulatory barriers, forced decoupling and possible sanctions.

3.5.5 Regulatory and political unpredictability

China's political system allows the state to intervene rapidly in markets and industries. Foreign investors face the prospect of sudden regulatory crackdowns, opaque legal processes, selective enforcement, and limited judicial independence. Undefined legal concepts such as “national security” expand government discretion, while China's opaque judicial system makes legal recourse difficult. Compliance is also costly, requiring data localisation and duplication of IT infrastructure.

¹¹⁷ Peter Dohr, “China's weaponization of global supply chains”, CSIS, December 2025. [chainshttps://www.csis.org/blogs/strategic-technologies-blog/chinas-weaponization-global-cyber-supply-chains](https://www.csis.org/blogs/strategic-technologies-blog/chinas-weaponization-global-cyber-supply-chains)

3.5.6 Human rights and ethical concerns

Exposure to the ethical and political controversies associated with a repressive regime. Foreign investment may indirectly support authoritarian practices. Supply chains may involve forced labour risks, and companies may self-censor to preserve market access. These present a reputational risk to both companies and the UK, and leaves companies exposed to possible import restrictions, ESG controversies, and sanctions.

The UK also risks becoming a “dumping ground” for goods produced with forced labour. Calls have been made to update the *Modern Slavery Act 2015* to align with E.U. plans for a forced-labour screening mechanism.

3.5.7 Data and cyber-security concerns

UK companies operating in China face risks from broad Chinese data-security and national-security laws that can require companies to store data locally and provide information to authorities under certain conditions. China’s Personal Information Protection Law (PIPL) and Data Security Law (DSL) apply to all businesses operating in China, and prioritise state access to data and are contrary to international privacy norms.

Businesses also face cyber-espionage and intellectual-property risks, particularly in sensitive sectors such as technology, finance, pharmaceuticals, and advanced manufacturing. Regulatory rules around cross-border data transfers, encryption, and compliance can change quickly, creating legal uncertainty and operational risks for foreign firms.

3.5.8 Market access asymmetry

Deepening engagement may further increase market access asymmetry with China. This risks allowing Chinese firms broad access to UK markets while UK companies continue to face barriers, restrictions and unequal treatment in China. This will disadvantage UK industries, increase dependence on Chinese suppliers and investment, and contribute to trade imbalances in strategically important sectors. Over time, asymmetric access may also weaken the UK’s technological competitiveness and reduce leverage in future economic or diplomatic negotiations with China.

3.5.9 Financial exposure risks

Greater UK investment exposure to China could leave British firms and

investors vulnerable to economic slowdowns, property-sector instability, or financial stress within China's economy. UK businesses may also face losses from sudden regulatory changes, capital controls, sanctions, or geopolitical tensions affecting market access and operations. A sharp deterioration in UK–China relations or a wider global crisis involving China could therefore expose UK pensions, financial institutions, and multinational companies to significant financial and supply-chain disruption.

