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What the UK must get right in its China strategy

Resilience, flexibility and autonomy as core principles for engagement

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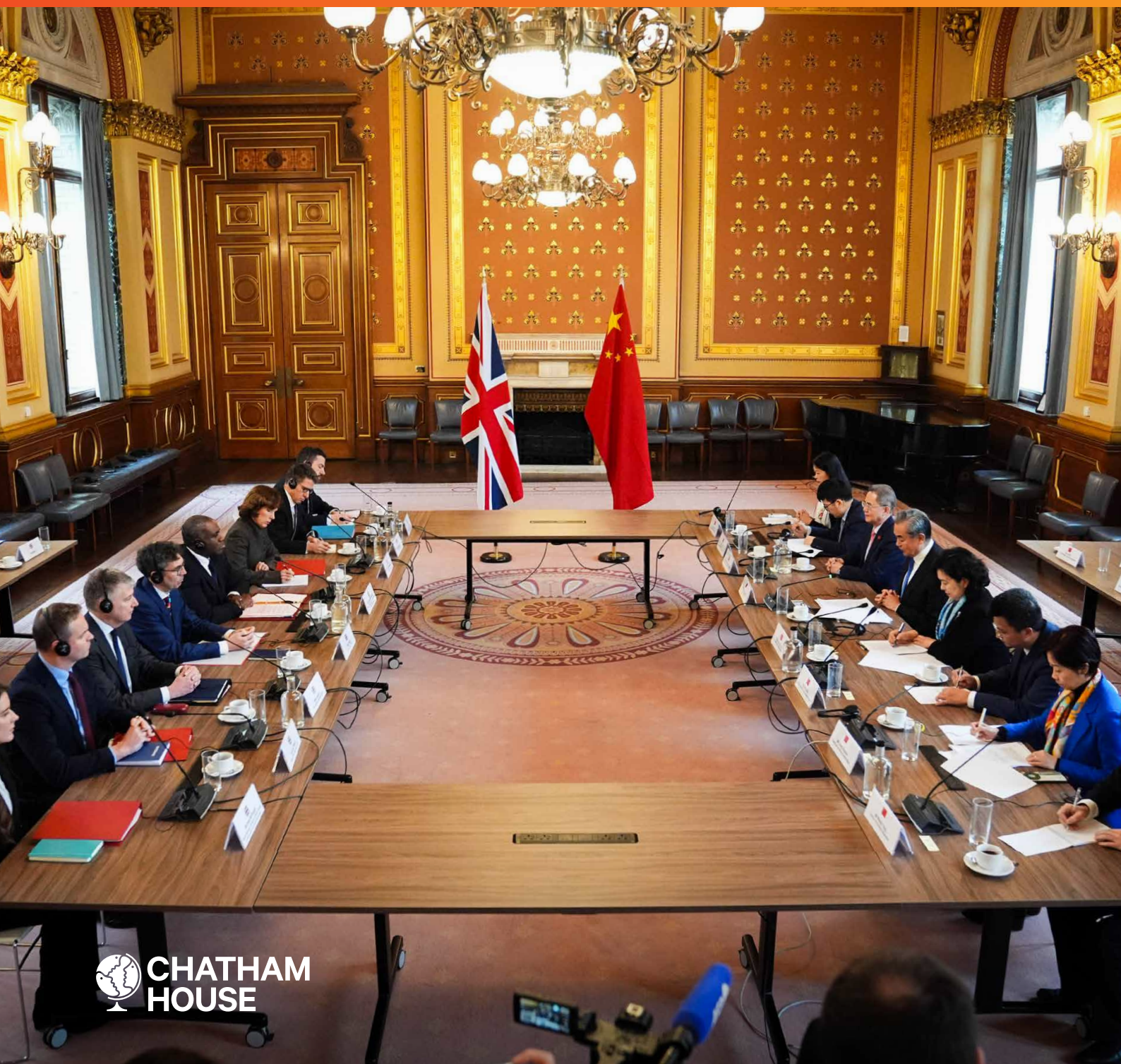

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- The UK government needs a more systematic, clear-eyed and long-term strategy if it is to deal effectively with the economic, technological, security and foreign policy challenges presented by China. This imperative will only increase as China's global influence continues to rise in the coming years. The UK's potential responses are complicated by the ongoing erosion of the rules-based international order (a trend evident, among other factors, in the US's retreat from internationalism under the second Trump administration). This paper – the first in a two-part series on the UK's relationships in Asia – identifies areas where the UK government can build on its existing approach to China, and where new approaches are needed.
- Policymakers must develop a broader China agenda to ensure political and economic resilience in a world no longer characterized by the values and international cooperation to which the UK has become accustomed. This agenda will need to cover three priority areas: national security and civil liberties; investment and technology; and the UK's strategic alliances in the context of intensifying China–US competition.
- On the first of these priorities, China is becoming bolder in asserting what it regards as its 'core interests' even when this violates democratic norms and civil liberties in the UK. The British government has been slow to deal effectively with alleged Chinese attempts at transnational repression and malign influence operations. The legal, security and foreign policy dilemmas this raises are illustrated by recent cases implicating China in alleged espionage and intimidation in the UK.
- China has become increasingly assertive in its near abroad. It has stepped up coercive pressure on Taiwan and against countries with rival territorial claims in the South China Sea. China is rapidly expanding its nuclear arsenal. As China's capacity to secure its global interests increases – including via possession of the world's largest navy, and via diplomatic efforts to change the stances of other countries on Taiwan – this could threaten the interests of countries outside China's immediate region. In the absence of effective deterrence, this includes the risk that China could expand its coercive tactics in ways which damage the UK's interests closer to home.
- On investment and technology, China's outsized role in global manufacturing, its dominance of supply chains for critical raw materials, and its leadership in a growing number of technologies – including electric vehicles (EVs) and renewable energy – mean that the UK cannot avoid economic engagement.

At the same time, Chinese investment potentially presents risks to UK national security and prosperity. These include: reduced competitiveness of UK companies; long-term dependencies on Chinese technology; and exposure to coercive leverage and espionage via Chinese digital systems. Recent problems, such as the threatened closure of the UK's last major steel plant by its Chinese owner, have brought home the need for a more systematic approach to economic security given China's extensive commercial and political footprint in the UK.

- Deteriorating relations between China and the US present a further challenge. Alignment with the US on China could become increasingly costly for the UK as Washington and London's interests diverge. Supporting US economic policies, potentially under pressure from the Trump administration, could result in the UK's exclusion from critical supply chains dominated by China, and in the denial of access to Chinese technology that the UK cannot produce domestically. Conversely, maintaining economic links with China could create tensions with the US.
- The UK also needs to be better equipped institutionally to assess its China-related challenges. While the Foreign, Commonwealth and Development Office (FCDO) has considerable China expertise, there remains a lack of similar capability across the whole of government. Coordination on China between UK government departments – and, crucially, between government, business, academia and civil society in the UK – is weak. This makes understanding the nature and extent of China's presence in the UK difficult. The risk is that the UK fails to anticipate and mitigate threats from Chinese political influence operations, transnational repression and involvement in critical economic sectors.
- One way to remedy the knowledge deficit would be to establish a cross-department 'China coordination centre' responsible for sharing expertise between government, business, academia and civil society. A true audit of China's economic and political footprint in the UK, more comprehensive than the exercise recently undertaken by the UK government and with a published methodology and findings, would also help.
- In light of the above challenges, this paper proposes that the UK government make the following changes to its China strategy:
  - **Embed a zero-tolerance approach to malign influence operations and transnational repression.** This includes linking Chinese entities' permission to operate in the UK to their adherence to Britain's system of democratic norms and civil liberties. It means framing protection of the human rights of the UK's inhabitants as a core sovereign interest in UK diplomatic engagements with China. (By extension, such preconditions also imply preventing entry into the UK of goods produced through forced labour.) An emphasis on the UK's sovereign interests and unique political culture could help circumvent China's habitual opposition to any policies perceived as seeking to impose universal values or dictate its position on human rights.

- **Encourage Chinese investment where this enhances UK manufacturing and access to technology, but restrict such investment in defined sectors critical to national security.** Specific measures should include: restoring cybersecurity evaluations of the type used in the past to assess Huawei; attracting Chinese investment in EV manufacturing within the UK, subject to technology transfer, local job creation and cybersecurity screening; restricting investment and ownership in strategic sectors such as civil nuclear and steel production to UK allies (other than the US); and fostering sovereign capability while working with selected allies to develop alternative artificial intelligence (AI) and digital platforms, rather than banning Chinese platforms such as DeepSeek and TikTok outright.
- **Work with selected allies to deter Chinese aggression.** Specific measures should include: establishing red lines on – and responses to – violation of maritime norms; facilitating Taiwan's participation in international forums and enhancing UK–Taiwan cooperation; and leveraging the UK's status as a P5 nuclear power to mediate between Beijing and Washington on issues of nuclear proliferation. The UK should adopt a more explicitly autonomous position with respect to broader US–China strategic competition; this potentially means being prepared to diverge significantly from the US on China policy where it is in the UK's interests to do so.

01 Introduction: the need for security and resilience

A changing global balance of power, the erosion of the rules-based international order and the US's declining reliability as an ally will require the UK to rethink its relationship with China. Closer ties with Beijing are unavoidable, and in many ways desirable, but the UK must be better prepared for the risks this entails.

The challenge of the UK's China strategy goes far beyond diplomatic engagement. China's growing influence affects all areas of UK policy, and is having an impact on 21st-century international politics, economics and technology comparable to that of the United States in the 20th century. This is occurring in a world in which the US-led rules-based order, long a pillar of UK foreign policy, is being rapidly eroded.

As the US's relative power and willingness to lead decline, international relations look likely to be characterized increasingly by great power competition, pragmatic and shifting international alignments, and geopolitical volatility. Historically, such shifts in international politics have involved an increasing focus on national self-interest on the part of great powers; it should be anticipated that this will increasingly feature in the behaviour of both China and the US, regardless of who is in power in Beijing or Washington. In this context, the British government must take further steps now to secure the UK's long-term resilience as China's global influence grows. This means pursuing a broad strategy of avoiding becoming caught up in great power competition between China and the US. Such an approach necessarily has implications for the UK's relations with both powers. Not engaging China is unrealistic; equally, failure to base engagement on systematic understanding of the risks and opportunities China presents could compromise UK national security and long-term prosperity.

The current UK approach to China

As the current UK government and its immediate predecessors have recognized, engagement with the People's Republic of China (PRC) raises difficult questions about the closeness of the relationship that is appropriate for any particular situation given the UK's needs and vulnerabilities.[1] In recent years the UK government has used the rubric of 'three Cs' – compete, cooperate and challenge – to navigate these issues. In some areas, such as holding China to account on human rights, UK policy has been relatively consistent (if lacking in impact), although government criticisms of China's record in Xinjiang have been arguably more muted since Labour entered power in mid-2024.[2] In other areas, UK policy has shifted substantially. During the so-called 'golden era' of bilateral cooperation under the Cameron government in the mid-2010s, the UK sought and received Chinese inward investment in areas of strategic sensitivity such as civil nuclear energy. UK political tolerance for such investment abated under subsequent Conservative governments: an initial decision to welcome Huawei-provided telecoms infrastructure was abandoned, under apparent US pressure, in 2020. Under Labour, the UK has once again sought closer engagement, including in support of a renewable energy agenda that relies heavily on Chinese technology and supply chains for equipment such as wind turbines and solar cells.

Box 1. About this paper – aligning the UK's approaches to China and the wider Indo-Pacific

This paper is the first of a two-part series that seeks to establish an ambitious and realistic UK approach to the Indo-Pacific. Given the scale of the challenges presented by Beijing, the Asia-Pacific team at Chatham House decided to address China-specific issues in a dedicated paper. Complementing this will be a companion paper on Britain's other relationships in the Indo-Pacific – including those with Australia, New Zealand, Japan, South Korea, and countries in South Asia and Southeast Asia.[3]

In addition to assessing these regional relationships in their own right, the second paper will explore how they affect the UK's foreign policy options in relation to China, as the challenges of dealing with Beijing and with other Indo-Pacific governments are inherently linked. Ultimately, the UK needs a strong overall Indo-Pacific strategy to buttress its China strategy and vice-versa. When read together, the two papers are intended to underpin a much more engaged and effective UK approach to the world's most dynamic region – so that policymakers might identify trade-offs and make tough choices with their eyes open, as it were, rather than wishing such choices away.

1 This and subsequent sections are informed by the author's engagements with policymakers, diplomats, analysts and other relevant stakeholders.
2 Hilton, I. (2024), 'Britain is rethinking its approach to China', *Prospect*, 8 November 2024, https://www.prospectmagazine.co.uk/politics/68458/britain-is-rethinking-its-approach-to-china.
3 Provisionally entitled as follows: Bland, B., O'Sullivan, O. and Bajpaee, C. (2025), *Why the Indo-Pacific should be a higher priority for the UK: Using Britain's alliances and networks for greater impact,* Research Paper, London: Royal Institute of International Affairs.

Running through these decisions is the dilemma of balancing access to economic opportunities and technology against the need to protect national security, align with allies, and avoid dependence on Chinese supply chains and goodwill. It has taken time for UK government thinking to adapt to the speed and scale of China's global rise, to China's growing footprint in the UK, and to the opportunities and risks that this presents. This has resulted in inconsistent bilateral engagement. However, there have been signs of change. The Labour government has made consistency a priority for the UK–China relationship. The UK has resumed high-level bilateral dialogues such as the Economic and Financial Dialogue and the Energy Dialogue. The government has also conducted an 'audit' of Britain's relationship with China – although this much-publicized exercise has resulted in only limited and general commentary being made publicly available as part of the government's Strategic Defence Review[4] and national security,[5] trade[6] and industrial strategies.[7] This makes it very difficult to judge the methodology, recommendations and evidence considered. However, what has been published does not amount to a systematic and detailed stocktake of China's commercial and cultural presence in the UK, and makes few specific judgments on where and where not to engage with China or how and to what extent to do so.

It has taken time for UK government thinking to adapt to the speed and scale of China's global rise, to China's growing footprint in the UK, and to the opportunities and risks that this presents.

So far, UK government priorities and media and parliamentary debate on China have focused on short- to medium-term questions of boosting economic growth and securing the equipment required to meet net zero emissions goals. Where debate has addressed other challenges, such as the implications of the bilateral relationship for UK resilience, technological security and national security, it has typically been reactive in nature. This has occurred, for example, when specific events or news-making issues – from plans for a new Chinese embassy[8] to the threatened closure of British Steel furnaces by the company's Chinese owner, Jingye Group[9] – have briefly captured public attention. What remains lacking is evidence that the

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4 Ministry of Defence (2025), *Strategic Defence Review: Making Britain Safer: secure at home, strong abroad*, https://assets.publishing.service.gov.uk/media/683d89f181deb72cce2680a5/The_Strategic_Defence_Review_2025_-_Making_Britain_Safer_-_secure_at_home__strong_abroad.pdf.
5 HM Government (2025), *National Security Strategy 2025: Security for the British people in a dangerous world*, June 2025, https://assets.publishing.service.gov.uk/media/685ab0da72588f418862075c/E03360428_National_Security_Strategy_Accessible.pdf.
6 UK Government (2025), *The UK's Trade Strategy*, June 2025, https://assets.publishing.service.gov.uk/media/685c17d24cd6b0316870984b/uk_trade_strategy_print.pdf.
7 UK Government (2025), *The UK's Modern Industrial Strategy*, June 2025, https://assets.publishing.service.gov.uk/media/68595e56db8e139f95652dc6/industrial_strategy_policy_paper.pdf.
8 Vickers, N. (2024), 'Council opposes Chinese embassy by Tower of London', BBC News, 10 December 2024, https://www.bbc.co.uk/news/articles/cdd6yydmd03o.
9 Associated Press (2025), 'British government takes over running of UK's last major steel plant from Chinese owner Jingye', CNN, 12 April 2025, https://edition.cnn.com/2025/04/12/europe/uk-takeover-british-steel-chinese-jingye-intl-latam/index.html.

UK has a clear idea of what it fundamentally seeks from a relationship with China in the long term, particularly in a world in which the post-1945 rules-based order no longer carries as much force.

That is not to say the government is blind to these issues. The UK is building the China expertise and capacity in Whitehall required to pursue a systematic, long-term strategy. The China capabilities of the Foreign, Commonwealth and Development Office (FCDO) are already substantial, and include a China network distributed across UK embassies which draws praise from European partners. There is also a clear recognition across Whitehall of the need to better coordinate China policy and analysis between departments, and to improve awareness beyond government, including in academia and industry. Presently, however, UK capabilities remain disproportionately concentrated in the FCDO. They are also focused on understanding China in and of itself, as opposed to understanding how the nature of the bilateral relationship affects UK interests, what the UK can hope to get out of its relationship with China, and how the UK can ensure its approach strikes the right balance between openness and security. This is especially true when it comes to understanding the long-term trajectories of both countries' economies and technological capabilities, and how these factors are likely to interact (see Section 3, 'Selectively encouraging Chinese investment').

How can this approach be improved?

This paper argues that the UK government's current approach to engagement, as sketched out above, is insufficient to address the economic, technological, security and foreign policy challenges presented by China's continuing rise as a global power. The UK needs a more systematic, clear-eyed and long-term strategy for dealing with the magnitude of these challenges.

Coordination as a prerequisite

The first task, underpinning other policy changes, is to improve coordination on China: between government departments; between civil servants working on different policy areas; and between government, business, academia and civil society. To this end, the paper endorses a recommendation made repeatedly by other observers: that the UK government establish a cross-departmental 'China coordination centre' to gather and share expertise across government, garner input from business, academia and civil society, and develop understanding of China's footprint in the UK.[10]

This paper recommends that such a coordination centre should have the following responsibilities:

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10 Osman, R. and Knight, E. (2024), *Reimagining the UK's China Capabilities: A Joined-Up Approach to an "Epoch-Defining Challenge"*, Tony Blair Institute for Global Change, 15 November 2024, https://institute.global/insights/geopolitics-and-security/reimagining-the-uks-china-capabilities-a-joined-up-approach-to-an-epoch-defining-challenge; Singer, S. (2023), 'Evidence on 'boosting UK-China capabilities' published by UK Foreign Affairs Committee', Department of Politics and International Relations, University of Oxford, 14 February 2023, https://www.politics.ox.ac.uk/news/evidence-boosting-uk-china-capabilities-published-uk-foreign-affairs-committee; O'Sullivan, O. and Maddox, B. (2024), *Three foreign policy priorities for the next UK government: A case for realistic ambition*, Research Paper, London: Royal Institute of International Affairs, https://doi.org/10.55317/9781784136062.

- Hosting regular cross-departmental meetings attended by policymakers and analysts to share approaches to China-related issues;
- Establishing and maintaining a fund for open-source China research, allowing bids from individuals, think-tanks, academia and the private sector;
- Conducting a regular, thorough audit of China's political and economic footprint in the UK (see, in particular, Sections 2 and 3); and
- Developing government-certified training modules for use across central and local government, academia, business and civil society to develop baseline knowledge of China's political system, strategic goals and influence operations.

To accompany this work, the government should once again establish a dedicated body for assessing the safety of Chinese digital components and software used in UK products and systems. Such a body could usefully be modelled on the Huawei Cyber Security Evaluation Centre (HCSEC), which operated from 2010 but was reported as inactive in 2024 (having not published annual reports since 2021).[11] HCSEC provided analysis to the UK government on the risks associated with the involvement of Huawei, a Chinese telecoms firm, in parts of the UK's critical national infrastructure.

Proposing three specific aims of a long-term China strategy

In Sections 2, 3 and 4, this paper recommends embedding three core aims into the UK's China policy. Effective strategy is about anticipating future challenges, taking steps to avoid problems before they occur, and mitigating them when they are unavoidable. An effective China strategy should prioritize the long-term security and resilience of the UK's economy and way of life over short-term economic and diplomatic gains, to ensure flexibility in the context of protracted great power competition between China and the US. The three proposed core aims are as follows:

- Protecting the UK's democratic norms and civil liberties from malign political influence, making clear that human rights issues affecting the UK are matters of UK sovereign interest;
- Ensuring the UK's relevance in emerging technology supply chains, while securing access to Chinese technology where this is beneficial; and
- Maximizing the UK's strategic autonomy, in terms of both insulating the UK from Chinese economic and political influence and pursuing a China strategy fully independent of the US.

Why are these aims necessary?

The ongoing decline of the post-1945 rules-based liberal international order is likely to be irreversible. Alongside China's continued dominance of global manufacturing and critical supply chains, its growing leadership in emerging technology, and its rising military power, this trend will increase China's capacity to project power,

11 Doran, N. (2024), 'UK Government Shutters Huawei Oversight Committee Despite Continued Presence', TelcoTitans, 18 June 2024, https://www.telcotitans.com/btwatch/uk-government-shutters-huawei-oversight-committee-despite-continued-presence/8196.article.

leverage dependencies to advance its interests, and entrench its influence on global issues where Beijing and London have divergent priorities. Such issues include digital governance, maritime norms (including freedom of navigation and respect for exclusive economic zones) and human rights. China will not necessarily displace the US as a global hegemon, but China's influence will continue to grow as a function both of its own development and of the US's relative decline and retreat from internationalism.

This means the UK finds itself in a geopolitical position for which no obvious analogue exists in its modern history. It is a middle power whose own relative power is declining, with an open economy geared to operating in a global order that is rapidly receding in relevance. The UK faces often-competing demands: navigating relations with an increasingly inward-looking US; protecting and developing economic ties and common defensive interests with Europe and other US allies, even as those allies now fear abandonment by their key security partner; and responding to a rising superpower, in the form of China, whose political system and strategic thinking come from an entirely different tradition and are based on very different values.

Dealing effectively with both China and the US in this context represents an entirely new challenge. The UK's strategic thinking can no longer rely on the assumptions and worldview that served UK governments during the post-Cold War period of US hegemony. Today, in the absence of a single hegemon, the international system is again characterized by the presence of great power competition (between the US and China, rather than between the US and the Soviet Union as previously; unlike the Soviet Union, China is a serious economic competitor to the US with far closer ties to the rest of the world). The ongoing US–China trade war demonstrates how rapidly great power relations can deteriorate, and how far-reaching the effects can be. The UK must be prepared for an increased likelihood of geopolitical shocks, including: protracted China–US trade tensions; the potential eruption of conflict over Taiwan, and the associated risks of catastrophic escalation; and domestic issues in China that could affect global trade and supply chains.

The ongoing US–China trade war demonstrates how rapidly great power relations can deteriorate, and how far-reaching the effects can be. The UK must be prepared for an increased likelihood of geopolitical shocks.

The UK must also be willing to rethink its diplomatic relationships, particularly the degree to which it aligns with the US. The close UK–US alignment that has been the norm for the past eight decades is now less consistently in the UK's interests in a world of heightened US–China competition. At the same time, UK policymakers will find common interests with other like-minded partners in Europe and the Indo-Pacific, and should be open to flexible and pragmatic engagement with countries across the Global South. It would be a mistake to allow a justifiable focus on European security to lead to the neglect of the UK's relationships in the

Indo-Pacific, especially when it comes to dealing with China. This is discussed further in Section 4; priorities for the UK's other relationships in the Indo-Pacific will be explored in more detail in the upcoming companion publication to this paper.[12]

A key challenge in developing effective countermeasures to the risks posed by China is the likelihood that singling China out on a particular issue will provoke a backlash from Beijing, potentially to the detriment of a productive relationship. But the UK need not adopt such an approach in most cases. There are very few areas where protective measures are relevant *only* to the relationship with China. On questions of resilience and avoiding economic and technological dependency, similar measures make sense in relation to the US and indeed many other countries. Making clear that the UK's China policies are part of a wider strategy of adaptation to a world of great power competition, and combining this messaging with a triaging of priorities on conflicts of values, will help to avoid antagonizing China and could also mitigate the UK's dependencies on the US.

12 Provisionally entitled, at the time of this writing: Bland, O'Sullivan and Bajpaee (2025), *Why the Indo-Pacific should be a higher priority for the UK*. (See also Box 1.)

02 Addressing Chinese transnational repression and malign influence operations

The UK should take a zero-tolerance approach to Chinese transnational repression and malign influence operations. Beijing's vigorous defence of what it sees as 'core interests' often directly conflicts with the UK's democratic values. The UK should reframe the debate around the need for reciprocal respect for the UK's own sovereignty and distinct political culture.

The UK and China have all but irreconcilable disagreements on fundamental values, including human rights and the separation of government-linked political goals from academia, business and civil society. The UK faces two distinct but related domestic challenges from China in this area, alongside the diplomatic impacts of bilateral disagreement on human rights. The first is that China pursues the transnational repression of individuals it perceives as acting against its 'core interests' – this repression extends to targets in the UK, such as dissidents and activists. The second is that China conducts extensive influence operations

designed to gain political or economic leverage and access to information – such operations may threaten the UK's national security, conflict with the UK's democratic culture or violate UK laws.

Beijing is likely to persist in these practices for as long as the Communist Party of China (CPC) remains in power. Transnational repression, malign influence operations and opposition to the universality of human rights are baked into China's governance model. As the UK has no practical influence over that model, the UK government's priority should be sustainable mitigation and deterrence – particularly because China's willingness and capability to pursue its interests extraterritorially are likely to increase along with its power and the extent of its economic and security interests abroad.

China's pursuit of transnational repression

Beijing has a very low tolerance for any actions it sees as disruptive, directly or indirectly, to China's territorial and political integrity. The political leadership actively seeks to counter these actions extraterritorially. In practice, this leads to Beijing targeting dissidents and activists abroad, especially those from Hong Kong, Taiwan, Tibet and Xinjiang.

In recent years Beijing has engaged in numerous attempts to enforce its interests by violating UK civil liberties. These efforts have ranged from the intimidation and harassment of Hong Kong British Nationals Overseas (BNOs) and Hong Kong, Uyghur and other activists in the UK to the surveillance and censorship of Chinese students in the UK.[13] In a notable 2022 case, such intimidation involved the apparent manhandling of a Hong Kong pro-democracy protester by the staff of the Chinese consulate in Manchester.[14]

The principal trade-off for the UK in dealing with Chinese transnational repression is between, on the one hand, maintaining the integrity of the UK's system of civil liberties and protecting the rights of UK inhabitants and, on the other, reducing the risk of retaliation from the Chinese government. Beijing would ultimately like other countries to cooperate with it in resolving what it sees as matters of internal politics – for example, through the return of dissidents, activists and refugees to China for punishment, as in cases of forced repatriation of Uyghurs from Thailand.[15] Complying with China on such matters would compromise both the human rights of the individuals concerned and the integrity of the UK's social contract. The UK must continue to make clear that such compliance is not an option.

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13 Lau, J. (2024), 'Threats, fear and surveillance: how Beijing targets students in the UK who criticise regime', *Guardian*, 25 March 2024, https://www.theguardian.com/global-development/2024/mar/25/china-students-uk-beijing-transnational-repression-surveillance; Chubb, A. (2024), 'Tackling transnational repression in the UK', in Seely, R. and Clark, R. (eds) (2024), *Living with the Dragon: What Does a Coherent UK Policy towards China Look Like?*, Civitas, pp. 62–69.
14 Bowden, G. and Landale, J. (2022), 'China diplomats leave UK over Manchester protester attack', BBC News, 14 December 2022, https://www.bbc.co.uk/news/uk-63972640.
15 Bicker, L. and Armstrong, K. (2025), 'Thailand deports dozens of Uyghurs to China', BBC News, 27 February 2025, https://www.bbc.co.uk/news/articles/c14jjxz8re6o.

China's influence operations

China's political system presents a unique challenge for UK policymakers due to the pervasive presence of the CPC in Chinese businesses, universities and other organizations. This presents significant risks to the UK's interests – risks that include intellectual property theft, the use of primary research in science and technology to boost China's military and surveillance capabilities, and the leveraging of relationships in pursuit of political and economic influence.

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This entrenchment of the CPC in Chinese public life, and the consequent blurring of distinctions between the political and public spheres, makes it very difficult for policymakers in other countries to separate malign influence operations from legitimate activity. This is especially the case in a democracy such as the UK, which values freedom of association. A recent string of alleged Chinese 'spy' cases illustrated the nature and extent of this problem[16] – including the often limited awareness of the nature of CPC influence activities among targets in academia and business. Increasing such awareness should be a priority for the UK government; this is one area where a country-agnostic approach will not work, due to the uniqueness of China's political system.

Mitigating the risks of Chinese political interference in the UK requires an informed and nuanced approach. Banning collaboration with PRC-connected entities based on the involvement of the CPC, for instance, is a recipe for no collaboration with China at all, including in areas where the UK could benefit. Moreover, any response motivated solely by traditional national security considerations could present an inherent risk to vital UK liberties such as freedom of association, freedom of assembly and freedom of speech. This includes the risk of conflating the activity of the CPC with the behaviour of Chinese nationals or people of Chinese ethnicity, as appears to have occurred in the US through the now-abandoned 'China Initiative' designed to counter economic espionage.[17]

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16 Casciani, D. and Pike, J. (2024), 'MI5 alert on alleged China agent upheld by judges', 17 December 2024, https://www.bbc.co.uk/news/articles/cp9n4211zn3o; Eardley, N. and Corera, G. (2023), 'China spy claims as Parliament researcher arrested', BBC News, 10 September 2023, https://www.bbc.co.uk/news/uk-66765759; Boycott-Owen, M., Inge, S. and Bloom, D. (2024), 'Prince Andrew spy scandal rocks British establishment', *Politico*, 17 December 2024, https://www.politico.eu/article/uk-british-establishment-got-sucked-into-china-spy-scandal-prince-andrew.

17 Associated Press (2022), "China Initiative': US rebadges Trump-era scheme seen as persecuting Chinese academics', *Guardian*, 24 February 2022, https://www.theguardian.com/us-news/2022/feb/24/china-initiative-us-rebadges-trump-era-scheme-seen-as-persecuting-chinese-academics.

The issue is particularly salient in the case of PRC students in the UK. Surveillance of Chinese students is reportedly ubiquitous on UK campuses.[18] According to research[19] and anecdotal evidence from students and academics, such activities are often allegedly conducted by other students and have sometimes been linked to organizations such as the Chinese Students and Scholars Association (CSSA), China's official body for PRC students overseas. Typically, each CSSA branch – also commonly referred to as a CSSA – will be attached to a university or college. The situation is complicated by the fact that these CSSAs often provide vital social and support networks for PRC students in the UK even while facilitating surveillance and censorship. Influence and censorship operations conducted via students pose risks to academic freedom and free expression, and can also give risk to conflicts between PRC students and their counterparts from Taiwan, Hong Kong and elsewhere.[20] On such issues, the UK government should work closely with universities to improve understanding of the nature of the challenge. The government should develop tailored measures for countering censorship and surveillance, and for preserving academic freedom while maintaining support for students from the PRC.

An approach to human rights focused on what the UK can influence

Disagreement over China's human rights record is a consistent point of tension in the bilateral diplomatic relationship. Changing Beijing's basic position on human rights is fundamentally unrealistic. Instead, the UK government should recognize that securing the UK's interests on these issues is best done pragmatically rather than via appeals to universal principles, which Beijing rejects out of hand and sees as an obstacle to cooperation.

The trade-off is between upholding a point of principle on the one hand and securing pragmatic gains on human rights as part of a wider diplomatic and economic relationship on the other. In a geopolitically uncertain world in which China continues to increase its global influence, a realistic approach must be favoured.

Therefore, the UK should prioritize questions of values over which it can have practical influence and which directly concern the integrity of the UK's political system and civil liberties. Such issues could usefully be framed in terms of the UK's own sovereign national interest and cultural distinctiveness, and with reference to the values of the UN Charter, values which China claims to uphold and will have difficulty countering rhetorically. This logic extends to issues such as Uyghur and other minority forced labour occurring within China – rather than framing this in terms of the applicability of universal human rights to China, the case should be made that any involvement of forced labour in UK supply chains would be antithetical to the UK's own distinct values and political system.

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18 In addition to references cited here, this observation is based on the author's own conversations with students and academics over a number of years.
19 UK-China Transparency (2024), 'CCP Interference on Campus', 1 March 2024, https://ukctransparency.org/projects-2/ccp-on-campus.
20 Ibid.

The idea here is that if China is serious about its claims to respect the diversity of different countries' civilizational perspectives, then it should be willing to accommodate the values of the UK in bilateral relations; it should likewise be willing to adopt a more reciprocal attitude to its long-standing policy of championing non-interference in other countries' internal affairs. Framing the issue in this way is also critical to presenting UK sovereign interests as a red line in the bilateral relationship. Ultimately the UK should make clear its terms of engagement, and what it will and will not tolerate as a baseline for cooperation in other areas.

Recommendations

In light of the above challenges and dynamics, this paper recommends that the UK government take the following steps to tackle PRC transnational repression and political interference in the UK:

- Formally make permission for CPC-linked entities to operate in the UK conditional on their adherence to the UK's democratic norms and system of civil liberties, taking a zero-tolerance approach; any CPC-linked entity found in violation should be forced to cease operation in the UK.
- Improve UK government understanding of the nature and extent of Chinese transnational repression in the UK, building on the 2025 inquiry by the UK parliament's Joint Committee on Human Rights.[21]
- Ensure that China is included on the enhanced tier of the Foreign Influence Registration Scheme (FIRS), which would allow the UK home secretary to label China as a specific actor and legally require the registration of all activities conducted by Chinese state-linked entities.[22] This should be done as part of a wider move to build UK resilience against great power influence, and should also include the addition of the US to the enhanced tier of FIRS.
- As a progression from FIRS, begin mapping the presence and activities of Chinese state-linked entities operating in the UK, and consider developing a public register of such entities.
- Develop government-certified training modules for use across central and local government, academia, business and civil society to develop baseline knowledge of China's political system, strategic goals and influence operations, as mentioned above.
- Introduce legislation prohibiting the flow into the UK of goods produced via forced labour, regardless of origin.
- Establish a 'dialogue on sovereign interests' with China for addressing core issues of sovereignty, including human rights issues affecting the UK. Ensure that all known incidents of Chinese transnational repression in the UK are logged and raised with Beijing as a matter of the UK's sovereign interests.

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21 UK Parliament (2025), 'New inquiry: Transnational repression in the UK', Human Rights (Joint Committee), 24 January 2025, https://committees.parliament.uk/committee/93/human-rights-joint-committee/news/204914/new-inquiry-transnational-repression-in-the-uk.
22 Home Office (2025), 'Foreign Influence Registration Scheme factsheet', policy paper, updated 1 April 2025, https://www.gov.uk/government/publications/national-security-bill-factsheets/foreign-influence-registration-scheme-factsheet.

03 Selectively encouraging Chinese investment

The UK should seek inward Chinese investment where this enhances UK manufacturing and technology, but restrict access in sectors critical to national security. To stay competitive, the UK will need to rethink its existing economic model and intervene more heavily in selected sectors.

The most profound long-term challenge China poses for other countries is the combination of its technological leadership and economic power; the latter reflects in particular the country's vast manufacturing capacity (accounting for almost a third of global manufacturing value added, double the share of the US)[23] and its control of supply chains – such as for rare-earth processing – that are critical for emerging technologies. Adapting to this new reality must be a priority for the UK.

At minimum, as the reach and sophistication of the Chinese economy grow, China is likely to achieve general technological parity with the US while surpassing the US and other advanced economies in a number of areas. For example, China is already a leading player in civilian fields such as electric vehicles (EVs) and military fields such as hypersonic missile technology.

23 Baldwin, R. (2024), 'China is the world's sole manufacturing superpower: A line sketch of the rise', VoxEU, Centre for Economic Policy Research, 17 January 2024, https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise.

It is therefore plausible that China could ultimately combine its existing supply-chain and manufacturing dominance with its rapidly improving technological capabilities – aided by the use of robotics, artificial intelligence (AI) and efficient new energy technologies[24] – to secure a position of global economic and technological leadership comparable to that of the UK in the 19th century or the US in the 20th century.[25]

The UK does not have the resources to keep pace with China technologically across the board. Adoption of at least some Chinese technology will become necessary if the UK is to remain internationally competitive.

The UK does not have the resources to keep pace with China technologically across the board. Adoption of at least some Chinese technology will become necessary if the UK is to remain internationally competitive, particularly in sectors where China overtakes the US as the dominant player. The biggest risk for the UK is that it finds itself unprepared for Chinese technological leadership and consequently fails to take appropriate steps to increase national resilience and adaptability. In particular, the UK faces the following challenges:

- Mitigating risk from China's involvement in strategic sectors, particularly those listed in the UK's National Security and Investment Act (NSIA, see below);
- Mitigating national security risks and malign influence directly introduced by, or arising from exposure to, Chinese digital systems;
- Mitigating vulnerabilities from continued reliance on China-dominated supply chains and Chinese producers in relation to critical technologies; and
- Maintaining the competitiveness of UK firms in the face of China's technological leadership, overwhelming manufacturing capacity and supply-chain dominance.

All four challenges are compounded by the strategic rivalry between China and the US. As explored in more detail later in this paper (see Section 4), the UK needs to be wary of taking sides, or being seen to take sides, in this great power rivalry. For example, general alignment with the US against China on economic and technological questions is not only impractical, but would be detrimental to the UK's interests and capacity to adapt its economy in the long term. Some level of economic and technological engagement with China will be unavoidable for the UK, even if this prompts US retaliation.

24 Including civil nuclear and renewables.
25 Matthews, W. (2025), 'The world should take the prospect of Chinese tech dominance seriously, and start preparing now', Chatham House Expert Comment, 29 January 2025, https://www.chathamhouse.org/2025/01/world-should-take-prospect-chinese-tech-dominance-seriously-and-start-preparing-now.

Mitigating dependencies and securing access to advanced technology

1. China's footprint in strategic UK sectors

Recent UK governments have been open to Chinese investment in core areas of national infrastructure, including civil nuclear energy and 5G telecoms. Chinese investment in the former has included China General Nuclear Power Corp (CGN)'s original 33.5 per cent stake in the Hinkley Point C power station, for which CGN has now ceased additional funding, and CGN's 66.5 per cent stake in the proposed Bradwell B site.[26] In telecoms, the political controversy around the use – subsequently banned, under apparent pressure from the US – of Huawei telecoms technology for the UK's 5G network is a prominent illustration of the contentiousness of a potentially growing Chinese economic and technological presence in the UK.[27]

Under the current Labour government, this presence has come under renewed scrutiny, including through government intervention in April 2025 to prevent the closure of the UK's last remaining steel blast furnaces.[28] At the same time, the government's continued pursuit of a net zero energy policy has the effect of encouraging British companies to buy solar and wind energy equipment from China; no credible alternative sources of such equipment exist at the scale required. However, this means dependence on Chinese supply chains, including potentially those linked to the alleged use of forced labour in Xinjiang.[29] In such cases, the UK will need to focus on maintaining or regaining sovereign control of production and supply chains as far as possible.

These examples highlight a broader problem, which is that the UK's approach to Chinese investment in the UK is too often reactive, driven by the immediate political optics of a specific situation, when development of a systematic strategy would serve long-term UK interests much better. A systematic approach is all the more necessary considering the range of risks that Chinese investment poses in core areas such as energy and digital infrastructure. These risks include:

- Long-term UK reliance on Chinese supply chains;
- Exposure of the UK market and consumers to products produced via forced labour;
- Becoming beholden to foreign state-linked entities for the UK's capacity to produce key resources (such as steel);

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26 Ruddick, G. (2016), 'China plans central role in UK nuclear industry after Hinkley Point approval', *Guardian*, 15 September 2016, https://www.theguardian.com/business/2016/sep/15/hinkley-point-chinese-firm-to-submit-essex-nuclear-plant-plans; Chu, B. and Gilder, L. (2025), 'How much vital UK infrastructure does China own?', BBC News, 15 April 2025, https://www.bbc.co.uk/news/articles/cn4w3y4pdkzo.
27 Bowler, T. (2020), 'Huawei: Why is it being banned from the UK's 5G network?', BBC News, 14 July 2020, https://www.bbc.co.uk/news/newsbeat-47041341.
28 Brown, F. (2025), "Likely' British Steel will be nationalised, says business secretary Jonathan Reynolds', Sky News, 16 April 2025, https://news.sky.com/story/likely-british-steel-will-be-nationalised-says-business-secretary-13349186.
29 Reuters (2025), 'UK Bans State Investment in Solar Panels Linked to Forced Labour', 23 April 2025, https://www.reuters.com/sustainability/boards-policy-regulation/uk-considers-changes-stop-gb-energy-using-forced-labour-solar-panels-2025-04-23.

— Increased capacity for Chinese surveillance and data collection via the provision of digital components; and

— Capacity for China to leverage the above vulnerabilities coercively.

In a world of heightened geopolitical tensions, particularly between China and the US, these risks are likely to grow. However, none is unique to Chinese involvement. Any foreign investment in a critical sector presents risks, especially if the investment comes from a major power willing to act coercively to achieve its aims. For the purposes of this analysis, 'critical sectors' can be defined as the 17 listed in the NSIA.[30] These sectors are as follows: advanced materials; advanced robotics; AI; civil nuclear power; communications; computing hardware; critical suppliers to government; cryptographic authentication; data infrastructure; defence; energy; military and dual-use technologies; quantum technologies; satellite and space technologies; suppliers to the emergency services; synthetic biology; and transport.

Restrictions on foreign investment in critical sectors need to be accompanied by greater government support for UK sovereign capability.

The UK's best approach to mitigating risks to critical national infrastructure is likely to be to continue in the direction enabled by the NSIA by restricting China's involvement in these areas, while not doing so in a way that singles China out from other potential foreign investors. In practice, what this means is favouring UK providers and those from allies other than the US. While China's involvement in such sectors potentially presents a serious risk to UK interests, so too does collaborating with a more transactional US. This is especially the case given that the UK is far more economically and technologically dependent on the US than on China. In addition, as elaborated below, restrictions on foreign investment in critical sectors need to be accompanied by greater government support for UK sovereign capability; otherwise, problems like those caused by the recent threat of closure of British Steel's furnaces will be repeated.[31]

2. Risks posed by Chinese digital systems

Legitimate concerns exist about the potential for Chinese digital systems to be used for espionage and hostile cyber operations. Permission to use such systems in critical sectors in the UK should therefore be subject to assessment by technical experts and national security professionals. However, a process for conducting such reviews will need to be re-established. Following the UK government's decision in 2020 (under alleged pressure from the first Trump administration)[32] not to allow Huawei 5G technology in UK networks from 2027, the Huawei Cyber Security Evaluation

30 Cabinet Office (2024), 'National Security and Investment Act: details of the 17 types of notifiable acquisitions', Guidance, updated 6 February 2024, https://www.gov.uk/government/publications/national-security-and-investment-act-guidance-on-notifiable-acquisitions/national-security-and-investment-act-guidance-on-notifiable-acquisitions.
31 O'Sullivan, O. (2025), 'The UK's last-minute takeover of British Steel exposes its reactive approach to economic security', Chatham House Expert Comment, 30 April 2025, https://www.chathamhouse.org/2025/04/uks-last-minute-takeover-british-steel-exposes-its-reactive-approach-economic-security.
32 Helm. T. (2020), 'Pressure from Trump led to 5G ban, Britain tells Huawei', *Guardian*, 18 July 2020, https://www.theguardian.com/technology/2020/jul/18/pressure-from-trump-led-to-5g-ban-britain-tells-huawei.

Centre (HCSEC) has ceased operations. This dedicated body was set up in 2010 to assess, and identify mitigations for, potential national security risks posed by Huawei's involvement in the UK's digital networks.

The establishment of a similar body with a more general remit, potentially covering digital components from multiple suppliers and countries, would be valuable in navigating the many trade-offs between access and security – not only in digital infrastructure *per se* but also in areas such as transport (e.g. on-board digital systems in EVs) and energy (e.g. wind turbines).

While the government's exclusion of Huawei from UK systems addressed some digital security issues, it also resulted in the UK continuing to lack cutting-edge 5G network provision. The UK lags behind other advanced economies in terms of 5G availability.[33] As China's technological lead over the UK increases, similar decisions in the future – whether in telecoms or other sectors – could risk cutting the UK off from beneficial technologies.

As such, this paper argues that decisions on allowing or prohibiting foreign investment in critical infrastructure should be informed by technical assessment based on a strict determination of the UK's national interests, regardless of whether such decisions put the UK in alignment with the US. In the long term, aligning with US interests that are increasingly divergent from those of the UK could compromise the UK's ability to secure the technology it needs for its own economic prosperity.

Chinese technology investments – whether in telecoms or other sectors – should be considered where the risks from digital components and systems can be mitigated, and ideally where the terms of any transaction provide for the transfer of technology to the UK. Just to take EVs as an example:

- Risks including access to user data or remote control should be expertly assessed prior to investment. Such risks could be mitigated via measures such as the replacement of Chinese digital components.
- Preference should be given to investment in UK-based manufacturing to reduce supply-chain dependence on China, and to ensure any increase in competitive pressures occurs on a level playing field between UK-based manufacturers rather than pitting them against a flood of cheap imported final products.
- Investments should be conditional on technology transfer or collaborative research and development, including the transfer of skills to UK workers.
- Investment should not be permitted in projects involving government procurement and critical national infrastructure (such as public transport), unless the EVs involved are UK-manufactured and meet acceptable digital security standards.

However, there remain areas in which it will be in the UK's interests to avoid Chinese involvement. Digital information technologies such as AI large language models (LLMs) are one example. Ideally, the UK needs to develop fully sovereign capabilities in this field; in practice, developing systems in partnership with European and Indo-Pacific allies looks more feasible. Such an approach could

33 O'Halloran, J. (2024), 'UK ranks last in major economy 5G connectivity league', ComputerWeekly.com, 8 October 2024, https://www.computerweekly.com/news/366612919/UK-ranks-last-in-major-economy-5G-connectivity-league.

help to spread costs and pool expertise while avoiding dangerous dependencies on either China or the US. The creator of an AI system has significant influence over the flow of information. This influence is massively amplified if a system – say, a foreign-developed LLM – comes to underpin parts of the basic digital infrastructure of the economy and government.

Regulation of social media platforms presents UK policymakers with notable enforcement dilemmas. While a case can be made for prohibiting UK government employees who work with classified information from using Chinese apps and platforms such as TikTok, WeChat and DeepSeek, banning the use of such platforms by the general population would risk compromising the UK's civil liberties. Moreover, such a ban could enable China justifiably to accuse the UK of hypocrisy given that the US social media platform X (formerly Twitter) continues to be freely accessible in the UK, despite being owned by a former member of the US government who has actively used the platform to seek to influence domestic political debate in the UK.

Put another way, the UK government should arguably be as cautious about the role of US technology companies in the UK as it is about the presence of Chinese firms – not only to avoid foreign political interference but also because questions of media power carry extra weight in light of the emerging risk of a global bifurcation of digital platforms between Chinese- and US-operated firms. This risk, if realized, could leave the UK in the unenviable position of having to choose one side to the exclusion of the other. To prevent such an eventuality, the UK government must actively foster the creation of domestic digital platforms and capabilities where possible, and develop these in partnership with allies other than the US.

3. Critical technology supply chains

China's share of global manufacturing and its dominance of crucial supply chains, such as those for rare earths and other critical minerals, give the country huge influence over technologies that are vital to the UK's prosperity. Sectors in which China plays a growing or dominant role include semiconductors,[34] robotics,[35] solar panels and EVs.

The UK is vulnerable not only to deliberate economic statecraft on Beijing's part, but also more broadly to fluctuations in China's relations with the US. For example, Chinese retaliation in response to US tariffs could not only involve directly restricting exports of rare earths to the US, but extend to putting pressure on third countries seeking to re-export minerals to the US or aligning themselves in some other way with Washington against Beijing.[36] The knock-on effects of a US–China trade war could also include a reduction in both countries' exports to the UK. While the

34 Berg, R. C., Ziemer. H. and Anaya, E. P. (2024), *Mineral Demands for Resilient Semiconductor Supply Chains: The Role of the Western Hemisphere*, Center for Strategic and International Studies, 15 May 2024, https://www.csis.org/analysis/mineral-demands-resilient-semiconductor-supply-chains.
35 Patel, D. et al. (2025), 'America Is Missing The New Labor Economy – Robotics Part 1', SemiAnalysis, 11 March 2025, https://semianalysis.com/2025/03/11/america-is-missing-the-new-labor-economy-robotics-part-1.
36 McCartney, M. (2025), 'China Pressures US Ally to Block Rare Earths to US', *Newsweek*, 24 April 2025, https://www.newsweek.com/china-south-korea-us-trade-rare-earths-trump-tariffs-2063134.

UK trades much less with China than with the EU and the US,[37] the data obscure significant upstream supply-chain dependencies on China. The headline data on China's share of UK trade also do not fully capture the growing role of Chinese companies operating in the UK.

China's upstream supply-chain role also presents a critical obstacle to efforts to 'reshore' technology production to alternative countries – although this is not only a problem for the UK. (Attempts by US companies, for instance, to shift production to Vietnam are hindered by the fact that Vietnamese manufacturers themselves often rely on Chinese-produced and -processed raw materials and components.) At the same time, China's growing success in rolling out AI and robotics across its manufacturing base,[38] with a view to increasing automation, could restrict reshoring options further. Such technologies could enable China to continue low- and mid-level manufacturing at home while its human workforce shifts to high-end manufacturing, reducing or preventing the migration of low- and mid-level manufacturing to other countries.

Meanwhile, extraction and processing facilities for raw materials such as rare earths are often highly environmentally destructive, as well as costly and time-consuming to establish. While it might be possible in principle for the UK to establish alternative sources to China for many raw materials, in practice such a shift could not be made quickly enough to offset continued dependence in the medium term.

Taken together, these factors mean that wholesale reshoring is not a credible economic solution for the UK. Instead, when it comes to countering China's capacity for economic coercion, the UK's approach should be one of cultivating reciprocal dependencies by establishing what can be termed 'strategic indispensability':[39] this means balancing China's leverage by ensuring that the UK, in turn, occupies supply-chain niches vital to China. A good approach to emulate could be that of ASML, a Dutch company, which has successfully leveraged its hold on the market for semiconductor lithography machines.[40]

The UK is also vulnerable to accidental supply-chain shocks or disruptions from domestic events in China (the COVID-19 lockdowns were one such example). As such shocks are likely to be temporary, even if they are prolonged, the UK's focus should be on stockpiling resources vital for domestic manufacturing and on mapping alternative or interim supply chains. This combination – strategic indispensability, stockpiling and supply-chain mapping – would be most effective if pursued in coordination with allies other than the US. The UK's European partners, as well as countries such as Australia, Canada, Japan, New Zealand and South Korea,

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37 The EU is the UK's single largest trading partner, accounting for 46.5 per cent of bilateral goods and services flows in 2023, followed by the US at 17 per cent and China at 5.4 per cent. (If trade is ranked by individual country, China is fifth, following the US, Germany, the Netherlands and France.) Source: Department for Business and Trade (2025), 'Official Statistics: Trade and investment core statistics book', updated 23 May 2025, https://www.gov.uk/government/statistics/trade-and-investment-core-statistics-book/trade-and-investment-core-statistics-book#top-and-emerging-partner-countries.
38 Sgueglia, G. (2025), 'China Robotics Industry: What Are the Opportunities for Foreign Stakeholders', *China Briefing*, Dezan Shira & Associates, 30 January 2025, https://www.china-briefing.com/news/china-robotics-industry-what-are-the-opportunities-for-foreign-stakeholders.
39 Ghiretti, F. (2024), 'The United Kingdom Is Late to Economic Security Planning–but Not Too Late', RAND, 6 September 2024, https://www.rand.org/pubs/commentary/2024/09/the-united-kingdom-is-late-to-economic-security-planning.html.
40 Busch, G. (2024), 'Powering the Future: ASML's Indispensable Role in Chip Manufacturing', American Money Management LLC, 8 March 2024, https://www.amminvest.com/asml-indispensable-role-in-chip-manufacturing.

face similar economic and technological challenges. Collective action may enable partners to reduce their dependencies on China and more effectively divide labour across critical supply chains where individual countries lack the capacity to develop full sovereign capability.

4. Intellectual property and competitiveness

China's combination of technological leadership and manufacturing capacity is likely to result in Chinese companies achieving market dominance at the expense of British and other Western competitors across more and more sectors of the global economy. This could result in negative impacts similar to those that the success of Chinese EVs has had on European car manufacturers.

China's combination of technological leadership and manufacturing capacity is likely to result in Chinese companies achieving market dominance at the expense of British and other Western competitors across more and more sectors of the global economy.

The UK should not hope for a return to norms of international free trade, particularly given the rapid turn of the US towards protectionism and the long-term damage this is likely to inflict on trust in the US-led multilateral trading system. China's mercantilist approach will continue, and the country's dominance of manufacturing and critical supply chains will make it increasingly difficult for other countries to compete if they do not adopt similar practices of favouring their own companies.

Moreover, China's increasing global technological influence – especially in the Global South – in sectors such as EVs, renewable energy, telecoms and AI will add to the strategic, operational and compliance challenges for UK companies. In many cases, these firms will increasingly need to ensure their products or services are compatible with Chinese-led norms and standards as a precondition for maintaining market access in many countries. As China's technological lead increases over the UK and its allies, this will also present the prospect of UK firms relying more on technology transfer from Chinese companies in order to stay competitive. This, in turn, could reduce the UK's capacity to exert reciprocal supply-chain leverage over China.

To maintain competitiveness in critical sectors and, by extension, ensure the UK's economic resilience, policymakers will need to move away from the prevailing economic orthodoxy of the post-Cold War era. Long-held assumptions on global free trade and market deregulation, and the de-emphasis of national sovereign capability (and hence economic security) in favour of market efficiency regardless of where commodities originate, will need re-evaluation. Among other measures, the UK must be prepared to massively increase government support for domestic firms in critical sectors. An emphasis will need to be placed on promoting scalability. Policymakers should also consider the following: restricting or prohibiting Chinese

and US investments and acquisitions; offering preferential treatment for domestic firms and those of UK allies other than the US; and subsidizing UK technology companies in critical sectors.

Recommendations

In light of the above factors, this paper recommends that the UK government take the following steps to boost British economic and technological competitiveness in the face of China's rising global reach and capabilities, and to mitigate the risks of including China in critical supply chains:

- Adopt a 'UK first, allies (other than the US) second' policy for majority investments, for investments granting decision-making rights, and for company acquisitions in the 17 critical sectors identified in the NSIA. Foreign investment approvals in these sectors should give preference to companies from allied countries other than the US.
- Develop a system of state support and cooperation with allies (again, other than the US) in the 17 critical sectors, by:
  - Expanding government investment, providing subsidies to help UK technology firms scale up, and preferring UK firms in government procurement. Such support should be focused on potentially transformative areas in which the UK is already competitive, such as AI, chip design and nuclear fusion.
  - Intervening to prevent the loss of strategic capabilities (such as steelmaking) previously acquired by Chinese companies. Intervention could entail either the outright nationalization of such facilities or their transfer to UK sovereign ownership as UK-registered companies.
  - Working with allies to develop 'strategic indispensability' in areas such as AI, civil nuclear energy and other transformative sectors. Cooperation should be based on careful division of labour according to each country's strengths.
- Actively pursue digital sovereignty, working with allies other than the US where necessary. Social media and AI models linked to foreign governments should be registered as vectors of foreign influence, regardless of whether the platforms and services in question are Chinese (registration should thus be required not only of Chinese entities such as TikTok and DeepSeek, but also of US and other platforms).
- Audit and publish findings on China's economic footprint in the UK on an annual basis. The audit, which should include information on upstream and indirect supply-chain dependencies, could be managed by the proposed 'China coordination centre'.
- Encourage Chinese investment that creates UK jobs, boosts domestic manufacturing and provides access to advanced technologies, including in critical sectors where expertise and capacity in the UK and among its allies are lacking. This includes in sectors such as robotics, renewable energy technology and EVs, subject to the following provisos:

  - Approvals should be conditional on expert evaluation of any risks associated with the use of digital components, and on implementation of appropriate mitigations. Risk assessments could be run by a new body modelled on the former Huawei Cyber Security Evaluation Centre.
  - Onshoring of manufacturing into the UK should be encouraged where it offers the potential to mitigate supply-chain dependency on China, subject to the evaluation of specific investments as set out in the NSIA.
  - Supply chains in which forced labour is present or suspected must be avoided.
  - Transfer of technology from China to the UK should be encouraged – including via joint ventures – where this offers the potential to enable UK-based manufacturing by UK workers.
  - Investments should employ local workers.
- Share best practices with allies and partners (including Taiwan) for evaluating the risks from digital systems and for mitigating cyberthreats.
- Work with allies and partners to engage China in shaping international governance norms relating to technology, including for AI and renewable energy. This should include working to ensure that as China becomes more influential, regulatory development should not be allowed to follow PRC agendas and priorities without challenge.

04 Managing impacts on the UK's other external relationships

The UK should work with selected allies and partners to deter Chinese aggression, but it cannot escape the need to engage with China in many areas. At times this will necessitate diverging significantly from US positions on China – even at considerable political cost – when it is in the UK's interests to do so.

In a geopolitical landscape in which the post-1945 international rules-based order is rapidly decaying, and in which China has increasing influence due to both its own power and the relative decline of the US, several challenges stand out as priorities for the UK:

— **Managing China–US competition.** A severe deterioration in relations between China and the US could put unwelcome pressure on the UK to choose a side. Where the UK relies on critical Chinese supply chains, for instance, their continued use could raise tensions with the Trump administration or a future US administration, or even prompt US retaliation.

- **Improving resilience to China shocks.** Disruption to the UK economy and to diplomatic relations with China could occur in the event of a China–Taiwan conflict, a protracted US–China trade war, unforeseen domestic events in China, or other shocks. In some instances, the UK will need stronger contingency arrangements to cope with such eventualities.
- **Deterring Chinese 'grey zone' activities.** These operations are designed to coerce other actors while falling short of outright war. China's continuing use of grey-zone operations in the East and South China Seas threatens established maritime conventions, and could create wider geopolitical disruption and escalatory risks if Beijing's growing economic interests prompt the expansion of grey-zone activities into other regions.
- **Managing a rising nuclear threat.** China's expansion of its nuclear arsenal is contributing to an increasingly uncertain global security environment, amid a worsening outlook for non-proliferation. This is at a geopolitical moment when nuclear coercion has resurfaced in the context of the Russia–Ukraine war, and when the US is planning for possible conflict with a peer-level competitor (China) for the first time since the Cold War.
- **Responding to Chinese coercion or military threats** against UK allies and partners, including Taiwan. Various factors would likely increase such threats: Beijing's perception of any provocations by Taipei; US efforts to contain China's military development; US military commitments elsewhere presenting perceived opportunities for Chinese action or reducing the credibility of US deterrence; and continued volatility in the international environment, given that countries are more frequently resorting to armed conflict.

The UK's relationship with China could become much more difficult as a result of rising China–US competition, or if Chinese threats against Taiwan intensify. These potential geopolitical shocks, up to and including PRC forces invading Taiwan, would bring global economic and security consequences. There is little the UK can do, especially on its own, to make such eventualities less likely. However, it can work with other countries to shape the wider environment of China–US competition and develop responses to Chinese aggression. It can do more to model shock scenarios and anticipate their likely impacts so that the UK's society, economy and institutions can build resilience accordingly. Working with Taiwan is an important part of such contingency planning, as is continued engagement with Indo-Pacific partners (including those with rival territorial claims to those of China in the South China Sea).

How China–US competition affects the UK

The US is unique in its strategic goal of containing China's rise in order to preserve its own globally dominant position. This means US interests often inherently diverge from those of even Washington's closest allies, including the UK. This uncomfortable dynamic is exacerbated by the fact that the second Trump administration has taken a significantly more transactional approach in relations with US allies, and that its attempts at economic coercion and threats to withdraw security support have likely

irrevocably damaged trust. Meanwhile, the US administration – notwithstanding a range of internally divergent views on China – has singled out China as the primary target in an aggressive trade war.

The long-term decline of US power in relative terms makes the current situation unlike previous US retreats from internationalism. Indeed, even before Trump, US strategy was shifting away from global leadership and towards more narrowly defined US interests: Barack Obama's 'pivot to Asia' was just one example. The current shift in US foreign policy outlook is not only a matter of political choice. It is a function of the limits of US economic power, and of the limits of the US's ability to keep committing to a global military presence. The UK should expect this trend of a less globally engaged US to continue. UK policymakers should also allow for the probability that China – though unlikely to have the willingness or resources to assume a US-style dominant role – will take advantage of this trend to expand its own global influence and pursue a reputation as the more multilaterally minded global power.

The UK cannot afford to lock in dependence on the US at the expense of access to supply chains and technologies essential for economic prosperity.

The obvious dilemma for the UK is where its loyalties should lie in future, given that the 'special relationship' with the US appears much diminished. The solution, this paper argues, is not to abandon the US for China but to recognize and act on the fact that US and UK interests on China will increasingly diverge. As mentioned, China is rapidly catching up with, and in some cases overtaking, the US in certain areas of technology (see Section 3). At the same time, China is maintaining a dominant role in global manufacturing. The UK cannot afford to lock in dependence on the US at the expense of access to supply chains and technologies essential for economic prosperity; this requires that the UK keep economic channels with China open, even at the risk of provoking US attempts at coercion.

Nor is economic security the only issue at stake for the UK. The miliary dimension of rising China–US tensions is just as difficult to navigate. The UK will increasingly need to work with European partners on defence. Militarily, the UK and the US do not share immediate common interests in relation to China. A direct conflict between the UK and China, for instance, is foreseeable only in the event of an active choice on the part of the UK to become involved in a distant conflict (such as over Taiwan). That said, China's expansion of its nuclear arsenal raises global security risks, including risks around nuclear coercion as well as escalation in the Indo-Pacific. In the event of heightened nuclear tensions or armed confrontation between China and the US, the real or perceived link between the UK's nuclear weapons capabilities and those of the US could place the UK at risk from China. Although the UK has the opportunity to leverage its role as a P5 nuclear power to help mediate between China and the US on arms control, this would require convincing Beijing that London's position – and by extension the UK's nuclear deterrent – is genuinely independent.

Given the risks inherent in rising China–US competition, including the risk of the UK being coerced from both sides, it is in the interests of the UK to move towards an explicitly autonomous foreign policy position. This would include ensuring that UK policies on the limits of economic and technological engagement with China are similar to those on engagement with the US, and vice versa. This does not mean remaining neutral on all matters involving China (or indeed the US), or refraining from alignment when national interests converge, but the UK has little to gain in the long run from taking sides across the board, including in the current China–US trade war.

Many UK allies and partners face a similar challenge. In working with them to balance China and the US, the UK can draw on a long tradition of foreign policy designed to maintain stability through a balance of power in and beyond Europe. In a world in which China and the US are global actors with their own interests, and Russia presents an ongoing threat to European security, a pragmatic and flexible approach to cooperation with China and the US will be necessary to mitigate the risk of any two (or even all three) powers aligning against the UK and its other allies. Such pragmatic flexibility should be favoured over broad-brush designation of China as an 'adversary' or 'strategic competitor'. While UK cooperation with China on some issues may seem unpalatable, it may sometimes be necessary – for example, to counter the risk of Russia and the US aligning on the future of Ukraine, to the detriment of European (and Ukrainian) interests.[41]

Countering Chinese aggression

The UK and its European allies share a common interest with Indo-Pacific partners when it comes to upholding norms such as freedom of navigation in the South China Sea. The UK should continue to work with partners to uphold these norms, including through freedom-of-navigation operations (FONOPS) and joint exercises such as those conducted under the Five Powers Defence Arrangements.[42]

China's actions in the South China Sea and around Taiwan are characterized by the gradual intensification of 'grey zone' tactics – operations such as air and naval patrols, land reclamation, activities of the China Coast Guard and Maritime Militia, cyber operations and undersea cable-cutting – which intimidate rivals and assert China's dominance while falling short of warranting a military response. The advantage of such tactics for China is that they are difficult to deter (and in some cases, such as with undersea cable-cutting and cyber operations, allow plausible deniability); moreover, the longer they go on, the more escalatory it would be to attempt to stop them. One result is that preventing the South China Sea from becoming a *de facto* area of Chinese territorial waters in the long term is increasingly unlikely.

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41 Matthews, W. (2025), 'Europe must take the gamble and engage with China on Ukraine', Chatham House Expert Comment, 6 March 2025, https://www.chathamhouse.org/2025/03/europe-must-take-gamble-and-engage-china-ukraine.
42 Ministry of Defence Strategic Command (2024), 'Exercise BERSAMA LIMA 24: Strengthening Security in the Indo-Pacific', news story, 1 November 2024, https://www.gov.uk/government/news/exercise-bersama-lima-24-strengthening-security-in-the-indo-pacific.

This should be of serious concern to the UK and its partners, including in Europe, due to the precedent this sets. China already has the world's largest navy, which over the coming decades will develop an enhanced capacity to conduct operations further and further from China's own waters. As China's global economic interests continue to widen, Beijing is likely to perceive an increased need for such operations to protect maritime trade routes and combat piracy. Moreover, China's fishing fleet, also the world's largest, is active across the globe.[43] If Beijing believes that other countries will not respond decisively to grey-zone coercion, it is possible that it will extend such operations with the aim of reaching fisheries and other maritime resources in the exclusive economic zones of countries further afield, including in Europe. The UK should work with partners now to establish credible deterrence, including clear red lines on Chinese grey-zone activities, and to articulate the costs that would be imposed on China as soon as those red lines are crossed.

Working with Taiwan

Taiwan is the most notable victim of Chinese grey-zone aggression. As Chinese military operations around the island become routine, there is a growing risk that credible deterrence of eventual Chinese conquest becomes impossible. Given Taiwan's status as a valued partner of the UK, the dangerous precedent that allowing Chinese aggression sets, and the dire consequences of an outright China–Taiwan war, it is in the UK's interests to help deter Chinese aggression towards Taiwan as far as possible.

While the UK is not able to do so militarily, it can do so to some degree diplomatically. China ultimately seeks to conquer Taiwan, but would prefer not to resort to war. Beijing cares about international opinion, especially given its ongoing attempts to present itself as a more reliable global leader than the US. China has also successfully used diplomatic means to persuade other countries across the Global South to shift their official stance on Taiwan.[44] The UK should work with its allies to push back against these efforts, for example by engaging Beijing's partners across the Global South.

The UK should continue to treat Taiwan as a valued partner and *de facto* country in its own right, while maintaining the pragmatic official line on the 'One China' policy and resisting any attempt by Beijing to undermine UK engagement with Taiwanese entities. Taiwan plays a global economic and technological role, and the UK should seek to assist Taiwan in participating in international forums and initiatives wherever possible in line with the above considerations.

The UK should actively seek deeper cooperation with Taiwan, through unofficial channels, on areas of shared interest and concern. This could include sharing best practice on cybersecurity threats. There is also an opportunity for both sides to benefit from each other's experience on strengthening civil liberties

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43 Oceana (undated), 'China's Global Fishing Footprint', factsheet, https://usa.oceana.org/wp-content/uploads/sites/4/Oceana_ChinaFishing_FactSheet_PRINT.pdf.
44 Herscovitch, B. (2025), 'How much of the world really backs Beijing's claim to Taiwan?', *The Interpreter*, Lowy Institute, 29 January 2025, https://www.lowyinstitute.org/the-interpreter/how-much-world-really-backs-beijing-s-claim-taiwan.

and democratic norms in the face of technological challenges, including cyber and disinformation threats. Additionally, the UK and Taiwan should cultivate people-to-people ties, such as through academic exchange and tourism.

Recommendations

In light of the above challenges, this paper recommends that the UK government take the following steps to respond to the risks to UK interests presented by rising China–US rivalry, China's claims to Taiwan, and internationally disruptive Chinese maritime activities:

- Adopt an explicitly autonomous position in response to China–US strategic competition. This should include being willing to align with either side pragmatically where necessary to balance the great powers against each other, based on what best serves UK interests. The UK should encourage a similar approach on the part of European allies. This does not automatically entail adopting a *neutral* position: for example, it remains in the UK's interests to work with the US to deter Chinese aggression in the East and South China Seas.
- Act as a mediator between Beijing and Washington, using the UK's status as a P5 nuclear power, to de-escalate tensions and help manage risks of nuclear expansion.
- Work with allies and partners to establish and coordinate clear deterrence and follow-through on any expansion of Chinese grey-zone actions threatening maritime norms. Credible deterrence methods should be carefully explored and may range from coordinating targeted sanctions to interdiction of Chinese vessels violating the sovereign rights of other countries' exclusive economic zones. Given the scale of China's maritime activity and the precedent this has set in the East and South China Seas, a strong collective response to any expansion of Chinese grey-zone actions will be necessary in the first instance. China's success in asserting its claims in the South China Sea is partly attributable to a failure to coordinate action among ASEAN member states and the reluctance of other powers such as the US and Japan to offer a more robust response. The result is that current efforts to push back against China at best slow, rather than prevent, the growth of its grey-zone operations in the region.
- Coordinate with allies and partners on the UK's contribution to deterrence and countermeasures in the event of Chinese aggression against Taiwan and/or China's rival claimants in the South China Sea, with a focus on non-military involvement where possible.
- Work with Taiwan to better understand and respond to the economic, security and military threats posed by China now and as China's global influence grows. This could include sharing best practices in areas such as cybersecurity.
- Encourage Taiwan's participation in international forums as far as possible. This should include working with third countries to enhance Taiwan's international standing and increase diplomatic costs for actions against Taiwan by China.

05 Conclusion

The UK is not well prepared to thrive in a world increasingly shaped by non-Western powers. Policymakers must act urgently to ensure the country's long-term resilience and to avoid the UK getting left behind.

The UK needs a China strategy which goes beyond the 'three Cs' approach – compete, cooperate and challenge – favoured by recent governments. The UK's China policy also needs to become less reactive than in the past. The magnitude of the political, security, economic, technological and foreign policy challenges posed by China requires a systematic strategy informed by clear goals focused on the long-term prosperity of the UK. For the first time in centuries, the UK faces the prospect of a world largely shaped by non-Western powers, China by far foremost among them. This is not a world to which the UK is currently well suited, but steps can be taken now to ensure the UK is resilient in the decades to come.

The historical record demonstrates how economically, socially, politically and militarily challenging such shifts in the global balance of power can be for countries that do not adjust adequately. Indeed, the history of China's own encounters with Britain and other industrial powers in the 19th century demonstrates that failure to appreciate the magnitude of such changes and adapt accordingly can lead to decades of economic exploitation, coercion and domestic political instability. Today's UK needs to avoid a similar fate.

The best way to do so is for the government to anticipate how it can secure UK interests in a world in which China's influence increases and perhaps dominates. Among other steps, the UK should take precautions now to safeguard core social and political values at home. The government should plan for how the UK can secure access to advanced technology from China on favourable terms while maintaining a resilient economy. And it should seek to maintain autonomy amid China–US competition.

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William completed his PhD in anthropology at University College London (UCL), focusing on the relationship between worldviews and reasoning in Chinese popular religion. He studied advanced Mandarin and classical Chinese at Beijing Language and Culture University, and holds an undergraduate degree in anthropology from UCL. William is the author of a book, *Cosmic Coherence* (Berghahn, 2022), which explores Chinese belief systems and social theory, as well as numerous research reports and articles on China's geopolitics, culture and history.

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Cover image: The UK's foreign secretary, David Lammy, and China's foreign affairs minister, Wang Yi, attend a meeting in London, February 2025.
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