

Rising to the China challenge

The need for an enhanced all-government China strategy group

Summary

The arrival of China as a great power affecting all aspects of our national life presents new opportunities and challenges that government can best, perhaps only, meet by establishing a strong central body to provide strategic direction and tactical oversight. Without one, we shall find ourselves in the same awkward position we face today over 5G, trapped in the headlights of conflicting demands that a central group could have anticipated and evaded.

Over a year ago the Cabinet Secretary, Sir Mark Sedwill, launched the Fusion Doctrine, a “National Security Council initiative to fuse capabilities, across ‘economic, security, social and the rest’, to deliver strategy-led design of policy and planning”.¹ The proposal set out in this paper for an enhanced all-government China strategy group would be a further step in the Fusion Doctrine’s implementation.

The problem

Two points need grasping at the start. “China” today means the Chinese Communist Party (CCP). There was a time after the death of Mao when party and state were separating, but under Xi Jinping the CCP has asserted its complete dominance over the government, military, media and academia, and its preponderant influence over the economy, business, religion and society. Secondly, China is almost unique in touching virtually every aspect of British life. Only the US is as universally relevant, but with the US we share values, many interests, a long-standing security alliance and several national characteristics – and so the relationship is well worn, comfortable and open.

China’s new prominence requires the UK to achieve a stable, co-operative, rethought and re-engineered relationship with Beijing. That can only be built on the basis of a proper understanding of each other’s needs and respect for them - both where our interests coincide and where they conflict. The Skripal atrocity sparked a rethinking

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¹ See McKeran: <https://rusi.org/commentary/fusion-doctrine-one-year>

and reorganisation of government's approach to Russia. China is more complicated, as the threat is more subtle and the opportunity much greater.



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With the Chinese we need to stake out our boundaries: good fences make good neighbours. Amongst ourselves, we need to awaken from widespread naivete and purge any venality that has exploited it. We should also look for an explanation for the difference between the extraordinary number of US prosecutions following discovery of very many instances of Chinese espionage and theft of proprietary information, and the complete absence of such cases in this country. It is not credible to suppose that this is evidence that the Chinese are innocent of such behaviour here, and that we are therefore suffering no damage as a result. Meanwhile, the fact that Jesus College Cambridge has felt it necessary to announce that applicants for the post of Professor of Chinese studies “will be free to research and scrutinise any area of Chinese politics and development they choose”² shows how far self-censorship and an erosion of our sovereign freedom of thought and expression has already reached.

We also need to gear ourselves up to seize the potential benefits that China offers. To achieve that, we need to know more and to spread our knowledge more effectively. The farcical experience of the Wirral Water project's associated joint venture for a world trade centre³ demonstrates how far we are from understanding how to get the best from Chinese inward investment.

At present, the government's access to China expertise is insufficient and so is its ability to identify and resolve differing interests within and outside government. Put crudely, the problem is that *the government needs to get a stronger grip on the China relationship*. Two Parliamentary bodies have produced perceptive reports that pointed to this issue and recommended changes to ameliorate it.⁴ The government has gone some way to respond, through the formation of the China National Strategy Implementation Group (NSIG).⁵ Progress has been made. But evidence from outside observation and internal experience suggests that the problem has not fundamentally changed. It needs further attention.

A solution

Nineteenth century reform of the UK's civil service was not ashamed to draw on Chinese governance, in particular in the introduction of competitive entry examinations. Under General Secretary Xi Jinping, the CCP has given particular impetus to a long-standing institution of central control: the Leading Small Group (LSG). A modified British version of an LSG could answer our problem.

In China, LSGs are formed to answer a temporary but important need that crosses Party or government boundaries, such as the Beijing Olympics. They also cover long

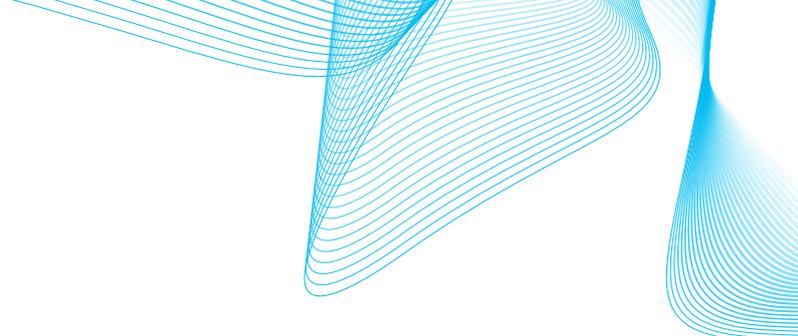
2 Sian Griffiths, 'Cambridge college seeks prof to stand up to Beijing', *Sunday Times*, 3 November 2019

3 'Liverpool goes after Chinese investment', *Financial Times*, 17 November 2015. <https://www.ft.com/content/d964702c-84a5-11e5-8095-ed1a37d1e096>

4 <https://publications.parliament.uk/pa/cm201719/cmselect/cmfaff/2362/2362.pdf>
<http://bit.ly/2turPc8>

<https://publications.parliament.uk/pa/cm201920/cmselect/cmfaff/109/109.pdf>

5 <https://publications.parliament.uk/pa/cm201719/cmselect/cmfaff/2362/2362.pdf>



term or permanent requirements for example, the Taiwan Work LSG, the LSG on Civil-Military Fusion, and the Central Financial and Economic Affairs Commission (the most important LSGs are now entitled Commissions). Xi Jinping himself chairs a number of LSGs and their membership includes very senior leaders from right across the Party and government. LSGs are well staffed and carry overriding authority. They can meet frequently (it would be surprising if Xi did not attend the Taiwan LSG at least quarterly). They set the broad strategic direction for the CCP and government – and in China that can cover every aspect of life. LSGs also provide oversight of policy implementation – increasingly closely.

The advantages of an LSG over our NSIG are the former’s attendance by the ruler himself; its broader membership; its resources; and its crucial role in overseeing policy *implementation*. An “enhanced NSIG” could gather these advantages to itself.

An enhanced NSIG

Duties

Drafting and dissemination throughout government, and after any necessary redactions to the public, of *the comprehensive strategy document* proposed by the Foreign Affairs Committee.⁶ This would provide the framework for policy formulation and act as a point of reference for those in any field affected by China – in education, business, think tanks, wherever. It would also offer very beneficial navigational guidance for the Chinese and so do much to avoid friction. This would be the first duty of an enhanced NSIG.

- ♦ *Formulation and dissemination of policy* on particular issues.
- ♦ *Oversight of the implementation of policy*. Without it, strategic guidance would amount to little more than a limp wave of government’s arm.
- ♦ In the course of policy formulation and policing, *prior identification and resolution of potential conflicts of interest*. It is not hard to foresee another 5G dilemma looming over nuclear energy, for example.
- ♦ Acting as impresario to identify and promote opportunities for mutually beneficial *co-operation with China* in all fields.
- ♦ Finding ways to improve government’s role in *supporting business* in commercial ventures with China.
- ♦ Commissioning and conducting *research and analysis* of issues underlying policy. The relevant resources are thin (the FCO has 1.5 research officials on China). They may need to be centralised to avoid dissipation through duplication. A great deal that is said about China turns out on examination to be inaccurate, overstated or just wrong. The NSIG should, for instance, commission research to establish the extent to which the UK has benefitted from Chinese investment. It is assumed that we have. A recent paper by a respected (foreign) academic based in China suggests

⁶ <https://publications.parliament.uk/pa/cm201719/cmselect/cmfaaff/2362/2362.pdf>

that the UK has not.⁷ Similarly, it is assumed and frequently asserted that China will punish the economy of a country that fails to act as China demands. Yet the statistics for exports to China from countries held to have offended the CCP suggest that they have risen in each year of the period in which political relations have been frozen. The NSIG might thus improve policymaking by “Seeking Truth from Facts” and testing assumptions.

- ♦ Planning and mentoring the acquisition of adequate China expertise in government and encouraging it in the public sphere. It is understandable but unfortunate that this hard-to-acquire resource appears to have declined as China’s importance has risen. It is also apparent that China pays active attention to the development of Chinese language and other forms of expertise in this country. We need to be more active participants ourselves. Within the government there is a need to shape careers in such a way as to produce a cadre of knowledgeable officials. The Chinese do and the contrast puts us at a disadvantage. We used to do it. We need to do it again.
- ♦ As part of the process mentioned in the previous bullet point, *winning full access to non-government China expertise*. The FAC recommendation to set up an advisory committee of outside Sinologists should prove a suitable way to achieve this.
- ♦ *Bringing together technical expertise* and making it better available within government. The challenges of the bulk data age are new and hard to grasp. The Chinese drive to dominance in emerging technologies requires an informed policy response. Our government possesses sufficient technical expertise, but it is disparately spread between departments. This means that the implications of Chinese technologies are not always sufficiently well understood by those attempting to grapple with them at the policy level. A sufficiently expert common understanding of technological issues is necessary to ensure the purity of technical findings put up to ministers. The NSIG could ensure that technical expertise is appropriately gathered and deployed in decision-making.
- ♦ *Spreading best practice* and lessons learnt between departments. This was a recommendation made by the FAC report to the Foreign and Commonwealth Office, which replied that the NSIG acts in this role.



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Organisation

- ♦ The Prime Minister should chair the NSIG at quarterly meetings. Only then would it have the authority necessary to achieve conflict avoidance and ensure effective policy implementation. The former Australian Prime Minister Kevin Rudd set an instructive example in this respect. Attendance at the quarterly meetings should include a wide range of ministers, not only those with national security responsibilities but also, for example, the Chancellor of the Exchequer, the Minister for Climate Change and the Secretaries of State for Education; Business, Energy and Industrial Strategy; and Digital, Culture, Media and Sport (digital, cultural, media, and sporting issues all being affected).

⁷ Michael Pettis, ‘Does the UK benefit from Chinese investment?’ <https://carnegieendowment.org/chinafinancialmarkets/79261>



We have not kept pace with the rising risk from the CCP's constricting embrace

- Preparatory meetings at Director General level should precede the quarterly Ministerial sessions. Monthly meetings at the current NSIG official level could prepare policy and monitor and drive implementation.
- The enhanced NSIG would best be subordinated as it is now: to the National Security Council; and headed as it is now, by the Deputy National Security Adviser, who is the Senior Responsible Officer for China. It should have a small permanent staff including at least one Chinese speaker.

Conclusion

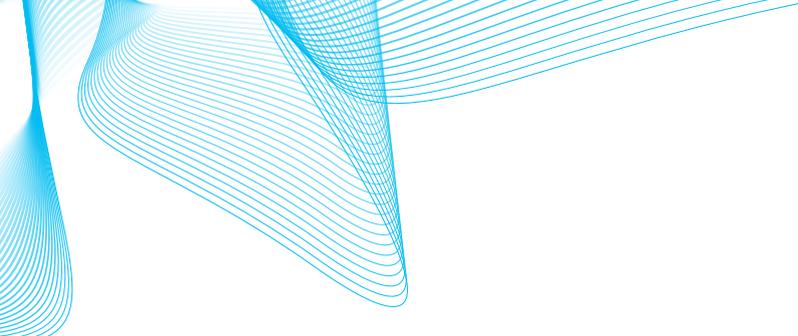
We have not kept pace with the rising risk from the CCP's constricting embrace. Parliament and the press have been sounding the alarm. But waking up to the threat requires a reaction which does not prejudice potential benefits from our relations with China. To avoid either of these damaging outcomes requires the government to reinforce and redesign its capacity for managing Sino-British relations. Forming a UK equivalent of a Leading Small Group, with a suitably anglicised name, would offer a way to achieve that.

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