



Seventh Report
of the
Foreign Affairs Committee

Session 2005–06

East Asia

Response of the Secretary of State for
Foreign and Commonwealth Affairs

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
October 2006*

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SEVENTH REPORT FROM THE FOREIGN AFFAIRS COMMITTEE

SESSION 2005-6

EAST ASIA

RESPONSE OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

1. The Government welcomes the scrutiny by the Committee of its work to engage with, and promote UK interests in, East Asia.
2. East Asia is one of the most dynamic regions in the world, and its future success and stability will have a significant impact on UK interests. This is especially true of China, whose re-emergence economically and politically on the world stage is dramatically changing the nature of international economic and political relations. The Government endorses the particular attention the Committee paid to China in its report.
3. The UK's relationship with China is increasingly broad. China's impact on our economy is growing, and with it the opportunities and competitive challenges for UK business. China is becoming a global player whose decisions and actions will, increasingly, be instrumental in determining the United Kingdom's ability to achieve our international aims. China also faces important policy and developmental challenges, where the United Kingdom can make a positive contribution.
4. As the Committee recognises, there are also a number of serious potential threats to regional stability in East Asia, not least on the Korean Peninsula and across the Taiwan Strait. The Government seeks through its bilateral relations with countries in the region, and with the European Union and United States, to work for reduction in tensions, and the peaceful resolution of disputes.
5. These considerations are fully recognised in the Committee's report, and the Government welcomes the detailed work which the Committee has undertaken. This Command Paper sets out the Government's response to the Committee's 13 August 2006 Report into East Asia. The Committee's recommendations are set out in bold. Unless otherwise indicated, references are to paragraphs in the Foreign Affairs Committee's Report (HC 860).

Economics

We conclude that the growth of China's trade will continue to have an enormous impact on the world economy, both by providing consumers with cheap goods and by presenting manufacturers with a serious challenge, although China's dependence on foreign direct investment could increase the potential for economic shocks. We further conclude that Chinese companies will strive to increase the technological content of their products and so the challenge for companies competing in this sector will be very likely to intensify. However,

foreign investors and traders can profit greatly from these transformations, provided China adheres to its World Trade Organisation commitments. We recommend that the Government work both bilaterally and with its EU partners to engage its counterparts in Beijing to ensure that China works within the spirit, and not just the letter, of its World Trade Organisation obligations. (Paragraph 19)

6. The Government agrees that the growth of China's trade will continue to have a significant impact on the global economy. On balance, we believe that this will present more opportunities than challenges: China can be a major motor of global growth in the decades ahead, from which the UK stands to benefit as an open and flexible economy. We want to work together with China as responsible leading members of the international community and support its closer integration into the international system, including through multilateral institutions such as the World Trade Organisation (WTO). A strong, rules-based multilateral trading system is central to the fight against poverty. WTO members therefore have a responsibility to work within that system. The UK – building on the comprehensive strategic partnership agreed between the Prime Minister and Premier Wen in 2004 – raises these issues in our regular dialogue with the Chinese Government, including at the annual UK-China Summits. We also discuss them with our EU partners, including within the framework of the EU-China Summits.

We conclude that the world must take account of the economic changes occurring in China and cannot simply close the door on Chinese goods; any attempts at protectionism would damage attempts to bind Beijing effectively into the existing international order. We further conclude that the preservation of the global multilateral trading structures has become more important than ever with the emergence of the Chinese economy. We recommend that the United Kingdom maintain its championship of free trade between the European Union and China, by working with other advocates of free trade within the EU to support trade with China. We conclude that China must not resort to unfair trade practices such as dumping and must work within the existing rules in order to strengthen support for free and fair trade within the EU. (Paragraph 24)

7. The Government agrees that the UK's interests are best served by free trade between Europe and China. Unjustified protectionist measures not only damage our own economies, but also undermine our efforts to work together with China as responsible leading members of the international community. Moreover, such measures undermine the rules-based multilateral trading system. We also agree that China should not resort to unfair trading practices. We will continue to work with our EU partners, the European Commission and other World Trade Organisation members to work towards our vision of a world trading system which is fair as well as free, as set out in the Government's 2004 White Paper on Trade and Investment.

We conclude that the Government must urge its counterparts in Washington and in the EU not to succumb to the temptations of protectionism, even in the face of growing trade frictions such as those over the value of the Chinese currency. We

further conclude that the protection of intellectual property rights is essential for the effective functioning of a creative, innovative economy. Unless the Chinese government takes greater steps to establish secure intellectual property rights, tensions between China and its trading partners will grow and domestic innovation will suffer. We recommend that the Government work with the Chinese government to establish a legal framework in which intellectual property rights can be enforced, and we recommend that it set out in its response to this Report how it is doing so. (Paragraph 32)

8. The Government believes that China has established a generally robust legal framework providing for the protection of intellectual property (IP); our work with China is focussed on more effective enforcement including through the sharing and exchange of best practice.
9. The Chinese authorities have developed significant expertise in IP enforcement and we appreciate the recent prominence that has been placed upon the Chinese National IP Strategy; this includes new legislation and a commitment to create a sound competitive market environment by tackling counterfeiting and piracy. However, the Government agrees with the message of the EU Trade Commissioner that China should be encouraged to continue to raise its standards of IP enforcement; in doing so we believe the Chinese authorities should keep in mind the whole range of IP rights.
10. In this regard, the Government is continuing to develop a strong and close working relationship with the Chinese authorities. In February 2006, as a symbol of our co-operation, the United Kingdom Patent Office and the State Intellectual Property Office of China signed an IP memorandum of understanding. Under the memorandum, UK officials are providing detailed technical support to, and sharing best practice with, Chinese enforcement officials. We will continue to send a clear message that IP enforcement is in our common interest and that IP crime is damaging not only to rights holders but also to China's reputation as a leading member of the international community and its ability to attract foreign investors. However, we also recognise that counterfeiting and piracy is an international issue and most countries are affected.

We conclude that China's growing income inequality is a matter of concern. We commend the Chinese government's initiatives to close the income gap. We further conclude that China's appetite for economic reform provides a great opportunity for the United Kingdom to work with Chinese policymakers. We recommend that the Government set out in its response to this Report how the United Kingdom is engaging its Chinese counterparts on economic and social reforms and that it identify in which areas of British expertise, such as welfare provision, might best help the Chinese government to straddle the divide. (Paragraph 41)

11. The UK Government welcomes the fact that dealing with income and other social inequality is a high political priority for the Chinese Government. This is an area where we can, and do, work closely with China to support its objectives. The Department for International Development (DFID) has a substantial programme in China, where it primarily works with the Chinese Government to support poverty

reduction programmes. In particular, DFID activity focuses on basic education, health (particularly health policy, and in programmes to control TB and HIV/AIDS), economic reform and water and sustainable livelihoods. Through the Economic Governance Programme of the Foreign and Commonwealth Office's Global Opportunities Fund, we are also supporting the Chinese authorities with the planning and implementation of economic reforms and are helping to facilitate the exchange of UK expertise in a number of areas, ranging from the Comprehensive Spending Review process to labour market issues.

12. In addition, there is wide-ranging engagement with China on economic reform through a range of other fora and dialogues. The UK China Taskforce and UK-China Joint Economic and Trade Commission have identified five areas – energy, construction, water, healthcare and financial services – as key sectors where there is both UK expertise and Chinese demand for engagement. Working Groups comprised of business and government have been established under the Taskforce to take forward specific programmes under each theme.
13. The UK-China Financial Dialogue held every 18 months allows HM Treasury (HMT) and the Chinese Ministry of Finance to share policy ideas, and learn from each other's experience. The group last met in May 2006 when the Chief Secretary to the Treasury, Stephen Timms, met Vice Minister Lou Jiwei. The main areas of knowledge sharing during these talks were: appropriate policies for handling the long term fiscal challenge of providing social services for ageing populations; and our respective approaches to the energy regulation and taxation, particularly with respect to the goals of improving energy efficiency and security. In April, the first official talks between HMT and the Chinese National Development and Reform Commission (NDRC) took place in London, covering similar topics to those of the Financial Dialogue.
14. On social policy, we have wide-ranging contacts with Chinese counterparts. Last month, for example, officials from the Department for Work and Pensions (DWP) met their counterparts in the Ministry of Labour and Social Security (MoLSS) to discuss pensions reform. The Government is also discussing the formation of a UK-China Health Partnership.

We conclude that until the banking system undergoes successful reforms, its weakness could undermine China's economic progress. We further conclude that the United Kingdom has much to offer, in terms of expertise in corporate governance and transition issues. We recommend that the Government set out in its response to this Report how it is helping the Chinese authorities to tackle the problem of reforming China's banking system. (Paragraph 44)

15. Financial sector development and regulation is a core area of the UK-China engagement on economic reform. The Chinese authorities are aware of the vital role a stable and well-functioning financial system plays in the economy and see the UK as a major source of expertise and experience in this area.
16. Our response to the previous recommendation refers to the UK-China Financial Dialogue. As part of this, HM Treasury and the Chinese Ministry of Finance discuss banking and broader financial sector reform. The UK Government

continues to stress the importance of strengthening co-ordinated financial regulatory frameworks and improving relevant legislation, to maintain financial stability and develop healthy and competitive financial services sectors. The Financial Services Authority has a close relationship with Chinese regulators and routinely offers up its expertise on a wider variety of issues, including banking, financial markets and securities markets.

We conclude that energy supplies present a constraint on China's economic growth, and that China's need for raw materials and imported energy sources has an impact on the interests of the United Kingdom by driving up demand for oil and other resources. We recommend that the Government explore measures to co-operate on a European level with the Chinese authorities to establish a common framework within which the development of renewable energy and energy efficiency technologies can take place at a greater pace and that it set out in its response to this Report what steps it is taking to do so. (Paragraph 52)

17. We agree that there are mutual interdependencies between Chinese and EU energy needs and our climate security objectives. We agree that co-operation between the EU and China on these issues is essential to achieving mutual objectives. We welcome the fact that energy and climate change were addressed at the EU-China summit on 9 September this year. In addition, the Prime Minister and Chinese Premier Wen discussed energy and climate change when they met in London on 13 September, when bilateral working groups were established on both issues. We will explore with China and our EU partners how to build upon existing collaboration to leverage a faster transition to low carbon trajectories in both our economies, harnessing the economic weight of the world's largest single market and its fastest growing economy. The UK Government is already working to persuade other Member States and China to accelerate the near-zero emission coal demonstration power plant (NSEC) in China, which was agreed during the EU-China Summit under the UK Presidency of the EU last year. In addition, the UK will be supporting a seminar in Chatham House this autumn, which will bring together EU and Chinese experts to begin a policy-focussed assessment of EU and Chinese mutual interdependency in the areas of energy and climate security, and of opportunities to meet our respective energy and climate goals more effectively through closer cooperation.

We conclude that environmental degradation is a major impediment to the sustainability of the growth of the Chinese economy, and that the United Kingdom has a strong interest in helping the Chinese overcome internal stresses since they easily translate into external stresses. We further conclude that the United Kingdom and its European partners have a large stake in encouraging the reduction of carbon emissions in China to counter global warming, since any reduction of emissions by the United Kingdom will have a negligible effect if China does not take similar steps. We recommend that the Government increase its support for environmental projects in China, particularly in areas such as water supplies and carbon emissions. We further recommend that the Government provide support to British companies with expertise in areas such as environmental management seeking opportunities in China. (Paragraph 61)

18. We agree that the UK has a strong interest in helping China to move towards a more sustainable economy, manage its natural resources sustainably and protect the environment. We also agree that engagement with China is crucial for meeting our international energy and climate security objectives as part of our wider objectives on sustainable development. To support this, the Deputy Prime Minister and State Councillor Tang Jiaxuan launched the UK-China High-level Sustainable Development Dialogue (SDD) on 8 November 2005. The SDD recognises that in an interdependent world, nations need to work together to address the global challenge of achieving economic growth without putting a strain on our natural resources, such as forests, fish, wildlife, minerals, fossil fuels, land and water. The initiative is led by the Department for the Environment, Food and Rural Affairs (DEFRA) and supported by projects funded through its World Summit on Sustainable Development Implementation Fund (WIF). The Foreign and Commonwealth Office also funds projects in China through its Global Opportunities Fund (GOF) which includes programmes on climate change and energy, economic governance, sustainable development and human rights, and the Department for International Development also provides financial and policy support to the dialogue.
19. In terms of assisting British companies with environmental expertise to find opportunities in China, support was provided for twelve UK companies and speakers to attend the 2nd Intelligent Building Exhibition held in Beijing in March 2006. These were successful in promoting the UK's capability in sustainable urban planning and building.
20. UK Trade & Investment (UKTI) participated in the recent International Water Association (IWA) World Water Congress and Exhibition held in Beijing, which introduced water and wastewater capabilities. In China's 11th five year plan, water and wastewater treatment are priorities for sustainable development.
21. For the future UKTI will continue to support the Intelligent Building Group, who will be holding seminars in Chongqing and Shenzhen later this year, as well as the British Water Mission visiting Guangzhou, Beijing and Shenyang in November 2006.

We conclude that the United Kingdom's market share in China is lagging behind its competitors, and that the Government must do more to support British business in China. (Paragraph 68)

22. Although the UK is currently only the 4th largest EU exporter of goods to China, our exports are growing fast. According to Chinese National Statistics Bureau figures (the UK does not provide figures comparing competitors), in 2005 UK exports to China grew by 16% - faster than any of our EU competitors excluding France (18%). Figures from HM Revenue and Customs, and the Office of National Statistics, show that in the first six months of 2006, UK exports of goods to China increased 24% against the same period last year, whilst UK exports of services increased 54% between 2003 and 2005. UK-China bilateral trade exhibited the highest rate of growth for any major market between 2001 and 2005. Overall trade in goods and services reached \$33 billion in 2005, well on track to reach the target of \$40 billion by 2010 agreed by the Prime Minister and Premier Wen in 2004.

23. This pattern of growth fits with our expectations that, as the Chinese economy matures and develops, opportunities for UK business will increase as demand grows in sectors where the UK has particular strengths, such as services. At present, the balance of trade in services is already 2 to 1 in the UK's favour.
24. In addition, there are a number of other factors to bear in mind when comparing the UK's performance against competitors:
- Chinese Ministry of Commerce statistics show that the UK is the largest cumulative EU investor in China, with over 5000 investment projects worth US\$13.5 billion at today's exchange rates. So investment – rather than trade – is the preferred route into China for many UK companies.
 - Significant re-exports via Hong Kong are not included in the headline data.
 - In some cases, sales made by UK companies are not recorded as exports to China despite the end-user being Chinese. For example, sales of Airbus aircraft to China – part manufactured in the UK – are credited as French sales to China as final assembly and shipment is from Toulouse. Similarly, Rolls Royce engines on aircraft sold to Chinese airlines are not recorded as UK exports to China, but rather as exports to France or the US (depending on whether the plane sold is Airbus or Boeing). This highlights the difficulty in interpreting bilateral trade statistics in an ever more globalised world.
25. The Government is already doing a lot to assist UK business in China. UK Trade and Investment (UKTI) works closely with the China-Britain Business Council (CBBC) and both organisations provide businesses with on the ground assistance, as well as tailor-made advice, and support for missions and trade shows. In the UK, UKTI and CBBC run China-focused events across the country to raise business awareness of opportunities in China and to provide practical information, advice, research and support to enable businesses to successfully engage with China.
26. At a strategic level, the Government undertakes high level lobbying on issues of key concern to UK business, such as the enforcement of Intellectual Property Rights (IPRs), where we also have an active programme of bilateral co-operation through our Patent Office. We also have senior official level working groups and other co-operation programmes with a wide range of Chinese government ministries – for example in construction, ICT, energy, and healthcare, which facilitate British business contacts with key Chinese government ministries and companies.
27. However, we recognise that there is more that can be done. The recently published UKTI five year strategy has a particular focus on China (as well as other emerging markets), recognising the enormous opportunities that its growth presents for UK business. It sets out a road map for increasing UK exporters' presence in key sectors such as financial services. A strategy for promoting the City of London and the UK financial sector in China is currently being developed by government and industry, and will be published by the end of the year.

28. Over the next two years there are plans for a significant increase in our resource in China to achieve a step-change in our profile. CBBC is also planning to increase its team of China business advisers, both in the UK and China, who can provide practical advice and support based upon first-hand knowledge and experience of doing business in China. This combined resource will concentrate on marketing the UK's strengths more rigorously; increased engagement with the Chinese government to improve the business environment for UK companies; assisting UK companies already established in the China market to fulfil their objectives; and attracting more Chinese companies, particularly knowledge intensive businesses, to the UK.

We conclude that Expo 2010 presents a key opportunity for the Government to support British business in China, and we recommend that the Government sign up to Expo 2010 forthwith. We further recommend that the Government undertake a review of Whitehall structures dealing with China to ensure that they operate together in an co-ordinated fashion, so as to avoid leaving the United Kingdom and its businesses at a disadvantage when dealing with China. (Paragraph 75)

29. The United Kingdom has now accepted the invitation from the Government of the Peoples' Republic of China to participate in the Shanghai Expo 2010. This was reconfirmed to Premier Wen Jiabao by the Prime Minister when he visited London on 13 September. The Government considers that the Shanghai Expo presents a major opportunity to broaden and deepen the United Kingdom's relations with China. The theme of the Expo - 'Better City Better Life' - is one where the UK has much expertise and experience. The Expo will provide a major opportunity to highlight British creativity, diversity and innovation and our contribution to dealing with global challenges such as sustainable development, including climate change. These are challenges that the UK and China have already agreed we need to tackle together. The Foreign and Commonwealth Office is now co-ordinating the Government's preparations for the United Kingdom's involvement with other departments and with potential sponsors and stakeholders from the private sector.

30. China impacts increasingly on the work of many Government Departments. There is regular coordination and consultation on day to day business and on longer term strategy so as to ensure a coherent approach to the rise of China. The China Task Force, created in 2003 and chaired by the Deputy Prime Minister, provides advice on furthering UK-China relations, creates links across Government, business and academia and provides a basis for Government Departments to consult with a range of external stakeholders. The Asia Task Force provides a useful focus for business engagement with government structures. We will continue to keep structures under close review to ensure coordination on China keeps pace with the growth of the relationship.

We conclude that the Government must seek to ensure that lines of responsibility between UK Trade and Investment, the China-Britain Business Council, the British Chambers of Commerce and Regional Development Agencies are clear and that there is no duplication of work, so that smaller businesses seeking to 'take the China challenge' do not face duplication of costs and services provided

by the range of organisations. We recommend that the Government increase the number of high level ministerial visits to China in support of British business. (Paragraph 81)

31. UK Trade and Investment (UKTI) works closely with the China-Britain Business Council (CBBC), the British Chambers of Commerce in China (BCCC) and the Regional Development Agencies (RDAs) in promoting trade and investment with China. Each organisation has a distinct and well-established role to play which complements that of UKTI.
32. UKTI and the CBBC work in partnership both in the UK and in China to provide a range of business promotion activities for UK companies. These activities are divided between UKTI and CBBC by way of a Service Level Agreement between the two parties. This arrangement enables UKTI to draw on the CBBC's expertise and resource in both the UK and China to deliver a wider China service in a cost-effective manner. The CBBC also provides a range of independent services for UK business. Consideration is currently being given to how the lines of responsibility between UKTI and CBBC may be delineated still further.
33. The BCCC is primarily a knowledge accumulation and sharing organisation through its provision of connectivity and networking opportunities for its membership. The Chamber has a small paid staff and no desire or facility to replicate the work of the CBBC and UKTI. UKTI and CBBC staff are ex-officio members of the executive committees of the Chambers which maximises cooperation and minimises duplication. CBBC and BCCC are also co-located in Beijing, Shanghai and Chengdu.
34. The Regional Development Agencies (RDAs) focus on attracting Chinese investment to their region, working closely with UKTI's business group in the market. They do not provide advice and assistance to individual UK companies seeking to do business in China but work in close partnership with UKTI's regional teams. This ensures that any RDA activity aimed at helping regional companies trade internationally is co-ordinated with UKTI's activities.
35. UKTI have recently published a 'China Business Guide', with contributions from CBBC. This free booklet, which is being widely distributed in the UK, clearly sets out the differential roles of these organisations. Many of the services they provide are free, and some can be accessed without being a member.
36. There are already frequent high level Ministerial visits to China in support of UK business. There have already been 7 high-level visits with a trade focus this calendar year. Many more are planned in the autumn. UK Ministers also regularly meet Chinese counterparts in the UK. However we recognise that more can be done to maximise the value of these visits to UK business. Under the new UKTI strategy a group chaired by the Minister for Trade, and including representatives from other government departments and business, will be set up. This will establish mechanisms to plan and co-ordinate high level visits more effectively.

We conclude that the United Kingdom must attain greater proficiency in East Asian languages and cultures or face a diminution of influence in a very dynamic

region. We recommend that the Government redouble its efforts to support the teaching of Chinese and other East Asian languages in schools and universities in the United Kingdom. (Paragraph 85)

37. The Government supports the study of a wide range of languages including global and community languages like Chinese. The National Languages Strategy recognises that competence and cultural understanding are increasingly important in the global society. The strategy aims to address our society's attitudes towards language skills, and increase the value that people attach to learning and teaching languages. There is already significant activity to raise the profile of Chinese and build school links through the Educational Cooperation Programme, funded by the Department for Education and Skills (DfES) and HSBC bank and delivered through the British Council. In July 2006, DfES signed a Memorandum of Understanding with the Office of Chinese Language Council International (Hanban) to promote Chinese learning and teaching in UK schools and educational cooperation and exchanges between the two countries. The programme of activities proposed under this MoU will, in 2007, see 600 UK pupils participating in summer schools in China, 80 Chinese Language Assistants placed in UK schools to assist in the teaching of Mandarin, and 100 UK headteachers and education officials undertaking focused visits to China with a view to developing sustainable links and introducing Chinese studies into their schools. In addition, DfES and other key partners are looking into a number of suggested initiatives, which would enhance existing support for Chinese studies in schools. In terms of provision for Mandarin teaching at universities, there has been an increase in the number of students applying to study Asian languages choosing to study Chinese at undergraduate level. The latest information from the Universities and Colleges Admissions Service (UCAS) shows that the number of students in 2006/07 has increased by nearly 60% to 788.

China's Rise and its Impact on Foreign Policy and Security

We conclude that China's policy towards resources threatens the market-based mechanisms on which Western states rely for supply, and that Beijing's attitude to business with states which the international community has condemned for their behaviour damages efforts to uphold international standards in human rights and good governance. We recommend that the Government increase its efforts to persuade the Chinese authorities that they have a strong interest in the maintenance of international standards and that working with or supporting outcast regimes will damage China's reputation and could set Beijing on a course in opposition to other major members of the international community. (Paragraph 95)

38. China has legitimate requirements for energy and other natural resources. The scale and rate of growth of these requirements underlines our interest in working with China to trigger a shift towards greater resource efficiency, both in China and Europe. In common with many major economies China is unable to meet demand from domestic resources, and is now the world's second largest net importer of oil. We agree that it is important that China should satisfy its requirements in ways that do not undermine international market mechanisms, and we believe that China has more to gain than lose from working through international markets. The

UK Government actively seeks to engage with China in a way that encourages China to take a position as a responsible and leading member of the international community, strengthening the international norms and systems which protect our common vital interests. We note that Premier Wen Jiabao has himself made clear that China's direct interests in particular regions or countries will not stop it contributing to international activity to resolve problems. We regularly remind China of the level of international concern about specific regional issues, not least Burma, and encourage it to work constructively to solve these, both in concert with the international community, and by exerting its own influence with the relevant authorities.

We conclude that Beijing's support for regimes in Africa which flout existing norms, such as Sudan and Zimbabwe, damages both the interests of Western states like the United Kingdom, and also China's own long term interests, since corrupt, brutal and incompetent regimes make unreliable partners. We recommend that the Government urge the Chinese to support the referral of the Darfur and Zimbabwe situations to the UN Security Council. We further recommend that the Government increase the resources of the Foreign and Commonwealth Office dedicated to monitoring Chinese activity in Africa. (Paragraph 99)

39. China has a growing and important role in Africa. The Government is engaging China on a range of Africa related issues, working closely with EU partners. The EU-China Summit on 9 September agreed to develop a structured dialogue on Africa and to look for practical ways of co-operating on the ground. The Chinese Government has agreed to a similar bilateral dialogue with the UK. All of Africa's partners need to work in ways that reinforce the principles outlined in Africa's own New Partnership for Africa's Development - improved peace and security, democracy, good governance, human rights and sound economic management. This is essential for Africa's sustainable development and in the interests of all Africa's partners.
40. The issue of Darfur is at the top of the UN Security Council's agenda. We have a sustained process of engagement with China on securing international action to address the situation on the ground: the Security Council recently passed UNSCR 1706 mandating a UN mission in Darfur. The Prime Minister discussed the situation with Prime Minister Wen on 13 September and the Foreign Secretary raised Darfur with the Chinese Foreign Minister during the UN General Assembly Ministerial week in mid-September. We believe China has an important role to play in helping to bring peace and security to Darfur, and Sudan as a whole, and we will continue to engage them on this subject. We also hope China can use her influence and take a more proactive role in support of UN and international action on Zimbabwe. DFID is also devoting increased resources to the impact on poverty reduction of China's fast growing role in Africa. This topic was the main item on the agenda for the visit to Beijing on 19 September of Suma Chakrabarti, DFID's Permanent Secretary.
41. The Foreign and Commonwealth Office has recently carried out internal restructuring to give greater attention to China's external relations, including its growing role in Africa. We will continue to keep this under review.

We recommend that the Government urge its counterparts in Beijing to use their influence in regions such as the Middle East and Latin America to work in concert with the international community to settle controversial issues in an equitable manner and to play a positive role in the resolution of the Iran crisis. (Paragraph 103)

42. We agree. We have worked closely with China to encourage Iran to address international concerns over its nuclear programme. Foreign and Commonwealth Office Ministers and officials are in frequent contact with their Chinese counterparts. The far-reaching and imaginative proposals presented to Iran by Javier Solana on 6 June were drawn up jointly by the UK, France, Germany, Russia, China and the US (the E3+3). We also worked closely with China in drafting Security Council Resolution 1696, which was adopted on 31 July. We are now discussing with China and other partners the next steps in the Security Council.
43. On the broader question of Beijing's influence in the Middle East and Latin America, we do encourage China to play a full role as a responsible and leading member of the international community and to use its influence positively. The Prime Minister and Premier Wen Jiabao discussed a wide range of foreign policy issues at their meeting on 13 September, where both countries have a shared interest in settling difficult issues. China's recently announced intention to increase the number of its peacekeeping forces in Lebanon is very welcome.

We recommend that the Government maintain its support for China's growing prominence at the United Nations and encourage the Chinese authorities to view their permanent membership of the Security Council as a means to influence the international community, rather than simply as a useful tool with which to defend narrow national interests. (Paragraph 109)

44. We will continue to encourage China to use its growing influence to ensure that the United Nations can respond appropriately to the challenges and threats to peace and security, development, and human rights. We look to China to play a constructive role in the Security Council, as well as across the UN system including the General Assembly, the new Human Rights Council and Peacebuilding Commission.

We conclude that the USA continues to play a huge role in the maintenance of stability in East Asia. We further conclude that the maintenance of peace and security in East Asia is profoundly in the United Kingdom's interests. We recommend that the Government draw on the UK's involvement with and knowledge of NATO and of regional organisations in Europe, such as the Council of Europe, the Organisation for Security and Co-operation in Europe and the European Union, to encourage debate about the institutionalisation of security issues in East Asia. These organisations provide useful models for any indigenous security structures which might broaden the security system from one based on alliances into one of mutual interdependence. (Paragraph 120)

45. We agree with the conclusions made by the Committee regarding the USA's role in the maintenance of stability in East Asia, and that the maintenance of peace and

security in East Asia is profoundly in the UK's interests. The UK, through its involvement in the EU, is encouraging a cohesive and coherent policy approach to emerging security challenges in East Asia. The EU uses its experience of NATO and other European regional organisations to inform its dialogue with East Asia.

46. The ASEAN Regional Forum (ARF) is the only region-wide security organisation. It was established to discuss regional security issues. The EU is a member of the ARF, and uses it as a forum to encourage debate on institutionalisation of security issues in East Asia. The UK, by focussing on areas of priority, and on capacity building, is working with Asian and EU partners to make the ARF more effective as a preventative diplomacy tool.

We recommend that the Government continue to work with its EU partners to expand the resources dedicated to strategic issues in East Asia, so that policy makers take a range of other matters into account in addition to economic relations. We conclude that the new Partnership and Co-operation Agreement might be an effective venue for tackling strategic issues, as well as other important concerns such as human rights and the environment. (Paragraph 125)

47. We welcome the agreement expressed within the Joint Statement of the 9th EU-China Summit to take forward negotiations on the new Partnership and Cooperation Agreement (PCA):

“In order to reflect the full breadth and depth of today's comprehensive strategic partnership between the EU and China, the two sides agreed to launch negotiations on a new Partnership and Co-operation Agreement which will encompass the full scope of their bilateral relationship, including enhanced co-operation in political matters.”

48. The PCA presents an opportunity to build upon a process already underway within the EU to enhance its analysis of strategic issues in East Asia, and to deepen and broaden dialogue and engagement between the EU and China.
49. Following an initiative strongly supported by the UK last year, the EU began a number of strategic dialogues with key regional players to discuss regional issues. The EU is developing a co-ordinated and coherent approach to emerging security challenges in East Asia. The UK continues to work closely with EU partners to progress this agenda further.

We recommend that the Government work within the EU to maintain the arms embargo on the People's Republic of China. We further recommend that the Government stay in close contact with its US counterparts on this issue and explain US sensitivities to its EU partners, as part of its broader efforts to strengthen transatlantic ties and to ensure the embargo stays effective. (Paragraph 134)

50. The European Council in June 2005 recalled the conclusions of Council in December 2004, which underlined that “the result of any decision should not be an increase of arms exports from EU Member States to China, neither in quantitative nor in qualitative terms”. EU leaders also recalled the importance of

the criteria of the Code of Conduct on arms exports, in particular criteria regarding human rights, stability and security in the region and the national security of friendly and allied countries.

51. We agree with the Committee's assessment that the value of the embargo is now mainly symbolic. The Code of Conduct remains a more effective means of controlling arms to China, and work continues within the EU on strengthening this Code. The overarching objective of the UK Government is to maintain stability in the region. Any future decision on embargo lift would take full consideration of the potential impact on human rights and regional stability.
52. The Government holds regular high-level dialogue with the US on this issue, as does the EU through the EU-US Strategic Dialogue on East Asia. We take US concerns seriously and continue to urge EU partners to address these concerns. We recognise the crucial role played by the US in maintaining security in the region, and would not want to add to their burden or undermine the US role.

We conclude that an effective and constructive Sino–American relationship is a fundamental condition for the maintenance of peace and security in East Asia. The growing strength of the relationship is therefore welcome. We recommend that the United Kingdom support both the USA and China in their efforts to entrench a process of ‘managed interdependence’ in Sino–US ties, perhaps by drawing on British expertise in working within frameworks such as the Organisation of Security and Co-operation in Europe (OSCE). We also recommend that the Government work to support the US vision of China as a global stakeholder and to assuage any misgivings in Beijing about US motives. (Paragraph 144)

53. We agree with the Committee's view on the significance of the US-China relationship to peace and security in East Asia. The UK Government actively seeks to engage with China in a way that encourages China to act as a responsible and leading member of the international community, strengthening the international norms and systems which protect our vital interests. This approach is consistent with that advocated by the US.

We conclude that Taiwan's exclusion from bodies addressing concerns in areas including health and environment is unsatisfactory, particularly with the spread of avian influenza. We recommend that the Government set out in its response to this Report what measures it is taking to ensure that Taiwan takes a fuller part in organisations tackling such matters, and its attitude towards full membership of the World Health Organisation (WHO) for Taiwan. (Paragraph 156)

54. The Government sets out its policy on World Health Organisation (WHO) membership for Taiwan regularly in both Houses; for example, in response to a question by Lord Steel on 30 January this year. The Government strongly supports the principle enshrined in the WHO constitution that the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being. However, there are difficulties over Taiwan's involvement in a United Nations forum where statehood is a prerequisite for full membership.

Additionally, observer status, of and by itself, does not automatically confer any rights or benefits on the holder.

55. Consequently, the Government's approach has been to press for practical solutions. The Government, both bilaterally and through the EU, has sought to strengthen and deepen the relationship between the WHO and Taiwan. The EU has urged the WHO Secretariat to find mechanisms to allow medical and public health officials from Taiwan to participate in relevant activities of the WHO. Through the Secretariat's efforts, Taiwan is more involved now than before. We continue to monitor the situation closely.

We conclude that the Chinese military build-up across the Taiwan Straits threatens peace and stability in East Asia. We recommend that the Government support US efforts to preserve peace and stability in the Taiwan Straits. We further conclude that the growth and development of democracy in Taiwan is of the greatest importance, both for the island itself and for the population of greater China, since it demonstrates incontrovertibly that Chinese people can develop democratic institutions and thrive under them. We further recommend that the Government and its partners in the EU make clear to the Taiwanese government that it should not provoke a crisis by acting in an impetuous manner and continue to urge all parties in the Taiwan dispute to seek a peaceful resolution of the problem. (Paragraph 173)

56. The Government takes every appropriate opportunity to convey to the Chinese Government and, through informal channels, to the authorities in Taiwan, our strong opposition to the use of force and to any action that raises cross-Strait tensions. We encourage our EU partners, individually and collectively, to do the same. We support the efforts of other partners including the US to achieve the same objective. Our view remains that the Taiwan issue is one to be settled peacefully by the people on both sides of the Strait.

57. Through an initiative begun under the UK's Presidency, the EU is developing a co-ordinated and coherent approach to emerging security challenges in East Asia. Changes will enable the EU to use its weight more effectively and surely in concert with others. As part of this initiative, the EU has begun a number of strategic dialogues with key regional players, including the US, China and Japan, to discuss regional issues. It is also continuing dialogues on regional issues with many others, including South Korea, Australia and regional organisations.

We recommend that the Government should increase contacts with Taiwan at a political level, especially between elected representatives of Taiwan's vibrant, young democracy and of elected members of the United Kingdom's democratic system. It should be made clear, however, that such contacts do not constitute recognition of Taiwan as a state and that the policy of the Government is not to recognise Taiwan as a state. We further recommend that the Government increase the number of informal ministerial visits to Taiwan so as to strengthen economic links between Taiwan and the United Kingdom in a manner commensurate with the size of its economy. (Paragraph 179)

58. Taiwan is a major Asian economy and an important trade and investment partner for the UK. There are flourishing links in a wide range of areas including business, education and culture etc. The Government wishes to see these links continue to develop and provides appropriate support, including to business through UK Trade and Investment (UKTI). Such support is provided within the framework of our long-established position on relations with Taiwan. The UK does not recognise Taiwan as a country and does not recognise the authorities there as a Government. We do not engage in activity which would imply recognition. We do however pursue legitimate economic and people-to-people links and, within the framework of our policy, exchange views on issues of mutual interest, including on multilateral trade issues such as the Doha Development Agenda. Unofficial visits to Taiwan by Ministers or senior officials are considered on their own merits, on a case-by-case basis.

We conclude that the launch by North Korea of a series of missiles on 4 July 2006 was calculatedly provocative and unacceptable. We recommend that the Government and the UN continue to urge North Korea to return to the Six Party Talks forthwith, and to call on the DPRK to adhere to its commitment to a moratorium on missile testing. (Paragraph 193)

59. Following the multiple missile launches on 4 July, we, along with Members of the UN Security Council, expressed unanimous concern, and subsequently agreed UNSCR 1695 on 15 July 2006. We have strongly urged the Government of DPRK to refrain from any further provocation and adhere to its commitments under the 1999 moratorium and the 2002 Pyongyang Declaration. We have also called upon the Government of the DPRK to rejoin the Six Party Talks immediately to demonstrate their commitment to resolve these issues.

We conclude that, lack of verification notwithstanding, it would be irresponsible for the Government to assume that North Korea had not developed a nuclear weapon or weapons. We further conclude that the risk of a nuclear accident occurring in North Korea is significant, and recommend that the Government set out, in its response to this Report, its assessment of the likelihood of this scenario, possible effects, and the UK's strategic planning to react to such an event. (Paragraph 196)

60. Despite international pressure, the DPRK announced on 3 October that it intended to conduct a nuclear test in the future. Despite widespread international condemnation of this statement, the Government of the DPRK subsequently announced that it had conducted an underground nuclear test on 9 October. The Prime Minister immediately issued a statement condemning the test, as did the EU Presidency and other members of the international community. I also gave a statement to the House on 10 October. Prior to the tests, the UN Security Council had issued a Presidential statement on 6 October expressing its concern at the DPRK's stated intention to conduct a nuclear test. The statement made clear that the Security Council would act consistent with its responsibility under the Charter of the United Nations should the DPRK ignore calls of the international community not to conduct a test. We will now work within the Security Council to ensure a robust response.

61. In the event of a nuclear accident overseas, the responsibilities of the Foreign and Commonwealth Office and our Embassies will be no different from those in the case of natural and other disasters. The prime responsibility is to support British nationals.
62. In May 2000, the Foreign and Commonwealth Office issued general guidance to all Posts on Nuclear Accident Contingency Planning. The level of detail contained in Embassies' individual plans based on this guidance depends on the level of risk involved. When drawing up the plan for North Korea, it was not considered to be at sufficient risk to draw up an extensive plan. However, in light of recent events we are reviewing the status of North Korea and may update the plan accordingly.
63. This plan forms part of a wider emergency contingency plan drawn up by our Embassy in Pyongyang, based on various risk factors.

We conclude that, although it is not possible to verify North Korea's possible stocks of biological and chemical weapons, the risk of an ongoing programme remains real. We therefore conclude that the Government is right to regard North Korea as a potential proliferation risk, and to act accordingly. We further conclude that North Korea's exports of missile technology pose a threat to peace and security. We recommend that the Government sets out in its response to this Report, what measures it believes can be taken to restrain or stop these sales. (Paragraph 202)

64. The Government agrees that it is important to curtail as far as possible North Korea's missile sales. The United Kingdom voted in favour of UNSCR 1695, adopted following North Korea's multiple missile tests on 5 July 2006. This resolution includes the provision that:

"4. Requires all Member States, in accordance with their national legal authorities and legislation and consistent with international law, to exercise vigilance and prevent the procurement of missiles or missile related-items, materials, goods and technology from the DPRK, and the transfer of any financial resources in relation to DPRK's missile or WMD programmes;"
65. Under the terms of this provision, no UN member state should procure missiles from North Korea. However, the language "in accordance with their national legal authorities and legislation and consistent with international law" means it will not currently be possible to use this resolution as a basis for interception of missile and missile-related shipments without the consent of the vessel's flag state. North Korea has a large merchant fleet, and frequently uses its own vessels for shipments of missiles and related equipment and materials.
66. The United Kingdom is a participant in the Proliferation Security Initiative, which aims to counter the development of weapons of mass destruction (WMD) by all states of concern, together with those who supply such programmes through trafficking in sensitive materials, equipment and technology. Under the Initiative we encourage others to exercise particular vigilance over shipments of potential concern passing through their territory. There is currently no legal base for intercepting shipments on the high seas containing ballistic missiles or

components, materials or technology for them, which makes direct action against such shipments extremely difficult. However, recent changes to the Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation will make it possible to interdict shipments of WMD and related equipment and materials intended for their production and delivery, including missiles. The amended Convention will only apply to those States which adhere to the revision.

67. The United Kingdom has participated in several exercises to encourage states not to purchase missile-related or conventional weapons-related equipment and services from North Korea. Many of its former customers have agreed not to purchase further equipment or services from North Korea, including Egypt, Libya and Yemen. We have also been working in recent years to develop our relationship with China on counter-proliferation issues, through which we would aim to help prevent the import by North Korea of sensitive materials required by their missile programme.

We conclude that it is not clear how the Six Party Talks will be carried forward, and that the US policy of increasing pressure on the North Korean regime may be entrenching the divisions between the parties. We recommend that the Government use its relationship with the US to suggest a more flexible and pragmatic approach, in the interests of reconvening the Six Party Talks as soon as possible. We further recommend that the UK maintain its strong relationship with the Republic of Korea. (Paragraph 228)

68. We continue to urge the DPRK to return to the Talks and make progress on implementing the commitments made in the 19 September 2005 joint statement. We are also in continuous discussion with the US and other partners on a multilateral approach. The UK has had a strong relationship with the Republic of Korea, a country which increasingly shares our core values. We continue to work to maximise the relationship. Minister for Trade Ian McCartney and Margaret Hodge visited South Korea in July and September respectively, and Deputy Prime Minister John Prescott and Lord Sainsbury will be visiting in the autumn. The Deputy Prime Minister also met the South Korean President in Helsinki in September.

We conclude that productive links between China and Japan are essential for peace and stability in East Asia, and we regret the deterioration of those ties to the ‘verge of dysfunctional’. We also conclude that the dispute over the Senkaku/Diaoyu Islands in the East China Sea is most worrying. We recommend that the Government set out in its response to this Report what it is doing to improve dialogue between Beijing and Tokyo. (Paragraph 246)

69. We share the Committee’s view on the importance of good relations between China and Japan. We and the EU stress to both parties our strong interest in a peaceful resolution to any disputes in the region and encourage their resolution through dialogue. We welcome Japanese Prime Minister Abe’s recent visit to Beijing as a positive step. We have a regular dialogue with Japan, a G8 partner and close friend which shares UK values: this includes a range of East Asian regional issues. As well as bilateral contacts between senior officials and Ministers, the UK launched during its Presidency of the EU in 2005 an EU-Japan strategic dialogue, which has now met on two occasions at senior official level. A similar EU-China dialogue has also met twice, the last time in Beijing in June 2006, during which East Asian regional security was discussed, including relations between China and Japan.

We welcome the development of institutions in East Asia which strengthen links between the regional states. However, we recommend that the Government monitor developments closely to ensure that a group does not develop which might discriminate against EU trade. (Paragraph 252)

70. The UK via the EU maintains an active interest in the East Asian region and its developing architecture and will continue to do so. The EU is keen to be associated as closely as possible with the evolving East Asia Summit and the ASEAN countries have welcomed EU involvement.
71. There is no evidence that the emergence of particular groupings or Free Trade Agreements (FTA) in the region are having any negative impacts upon EU or UK business interests. An EU-ASEAN Vision Group, launched in 2005 to study the potential for an EU-ASEAN FTA, published the results of its study in May 2006. It sets out a range of strategies for developing EU-ASEAN trade, including the possibility of an FTA. Commissioner Mandelson has expressed support for an EU-ASEAN FTA to fill a “policy gap” in EU strategy on trade with Asia.

We conclude that the growing links between Russia and China present a particular concern for the United Kingdom and other advocates of human rights as well as democratic and pluralistic values, since their new ties may signal the emergence of an authoritarian bloc opposed to democracy and Western values in Eurasia. We further conclude that the Shanghai Co-operation Organisation has the potential to evolve into an alliance of authoritarian powers opposed to the West, and may aid China’s efforts to establish control over Central Asian energy reserves. We recommend that the Government set out in its response to this Report how it is expanding its presence in Central Asia, and how it is monitoring Chinese activity in the region, so as to nurture democracy and Western values in Central Asia. (Paragraph 261)

72. We have Embassies in Kazakhstan, Uzbekistan, Turkmenistan and Tajikistan. Our Embassy in Kazakhstan covers Kyrgyzstan. This network of Posts, together with Posts in the wider region (including in China, Russia and Mongolia), provides a key tool in monitoring developments in Central Asia. The appointment by the Foreign and Commonwealth Office of a Regional Energy Adviser also reflects the growing importance attached to the region. There has also been recent internal restructuring within the Foreign and Commonwealth Office in London to enhance resources dedicated to monitoring China’s growing regional and international role.
73. All of our Embassies in the region work closely with key interlocutors in government and across all sectors to ensure the continuity of our messages on democratic reform, good governance and stability. This work is enhanced through co-operation with international partners. In Kyrgyzstan, for instance, on-going projects cover voter education, parliamentary accountability, dialogue between citizens and parliamentarians, and promoting abolition of the death penalty. The Department for International Development has programmes in Kyrgyzstan and Tajikistan which include modernisation of public administration and promotion of transparent management of revenues by government, which support democracy building.

74. There is a growing regional interest in the Shanghai Co-operation Organisation (SCO) and its activities. The SCO has established itself as a multilateral body with a long-term role to play. But the extent to which it can develop is unclear. In recent years, the SCO's focus has moved beyond its original task of promoting cross-border security and confidence building to encompass an ambitious, if loosely-defined, agenda for economic and security co-operation. We are aware of the perception by some observers that the SCO's core unstated goal is to resist western political influence in Central Asia. However, we do not believe this should preclude us from exploring opportunities to engage co-operatively with the SCO and its members.

We conclude that the confidence-building measures which have taken place are playing a positive role in reducing tensions in the South China Sea and encouraging dialogue. However, we further conclude that the potential for conflict remains. We recommend that the Government set out in its response to this Report its assessment of this complex dispute. (Paragraph 266)

75. The Government agrees broadly with the assessment given by the Committee of some of the complex issues surrounding territorial claims in the South China Seas. We note, however, that individual parties to the dispute have very different perceptions, in many cases based on historical or philosophical approaches that are difficult to reconcile. We do not ultimately take a view on the legitimacy of the individual claims.

76. The Government has no direct involvement in these disputes and believes that the status of these islands should be resolved peacefully by those parties disputing sovereignty over them. Nevertheless, it remains concerned about the potential for these disputes to become the cause of conflict between states, as has happened before in this region. It also recognises the risk to regional and global energy security, trade and the environment whilst these disputes remain unresolved. For these reasons, the Government continues to welcome regional confidence building measures, such as those mentioned by the Committee in its report, and commitments to find peaceful resolutions to the disputes.

Politics

We recommend that the Government continue to make the case to their Chinese counterparts that a vibrant civil society can offer benefits to both government and people, and should be encouraged, in the interests of involving more of the population in systems of governance and advocacy. We further recommend that British Council resources for projects in this area be enhanced. (Paragraph 291)

77. Promoting civil society in China is a UK priority. We work to do this through political engagement and practical co-operation. Examples include the Global Opportunities Fund, which contributes to capacity building in civil society organisations; the Small Grants Scheme which supports grassroots Chinese organisations; and running a Corporate Social Responsibility good practice group founded by the British Consulate-General in Guangzhou. We provide support to enable Chinese civil society organisations, academics and government officials to attend Wilton Park Conferences. Where possible, we seek to involve civil society

directly in our political engagement with the Chinese government: for instance, the 13th round of the UK-China human rights dialogue, in June 2005, brought together academics and experts to discuss the role of civil society. The Government's development policy also seeks to build civil society capacity and develop participation in decision-making.

78. The British Council has over many years developed a distinctive programme for encouraging the development of civil society in China, working in constructive partnerships with Chinese official and non-government organisations. A major new programme commencing with a conference in October 2006 will be focused on social innovation. This will share experience from the UK on how practical, grassroots innovation in areas from education to care for the elderly can improve urban quality of life, a topic of increasing concern in China's rapidly expanding cities.

We conclude that the development of China's independent media is crucial to the evolution of a more pluralistic society in the PRC. We recommend that the Government continue to sponsor projects improving the skills of journalists in China. We further conclude that the Regulations Concerning Foreign Journalists and Permanent Offices of Foreign News Agencies are not acceptable in a modern state, particularly in a state that will be hosting the Olympic Games in 2008. We recommend that the Government ask the Chinese Government to revoke the Regulations before the Games take place. (Paragraph 297)

79. The Government regularly raises the issue of media freedom with the Chinese Government. During their visits to China in March and July 2006 respectively, Foreign Office Ministers Ian Pearson MP and Ian McCartney MP urged China to remove Articles 14 and 15 of the Regulations Concerning Foreign Journalists and Permanent Offices of Foreign News Agencies (i.e. those that restrict foreign correspondents' freedom of movement and freedom to report). We also raised this issue at the UK-China Human Rights Dialogue on 3 July 2006. Secretary of State for Culture, Media and Sport, Tessa Jowell urged the Chinese authorities to honour their International Olympic Committee commitments during her visit to China in September and received a commitment to media freedom during the Games from the President of the Beijing Organising Committee of the Olympic Games.

80. On 10 September Xinhua (China's state news agency) announced new regulations under which all news originating from foreign agencies must be cleared by and distributed through Xinhua. The Prime Minister raised our concerns immediately with Chinese Premier Wen when they met in London on 13 September. Premier Wen said publicly at his press conference with the Prime Minister that "The open policy adopted by the Chinese government regarding foreign news media and financial information agencies remains unchanged. Information in the areas of commerce, finance and the economy will flow freely without any obstructions." During her visit on 20 September, Minister of State for Industry and the Regions Margaret Hodge also sought and received assurances from the Chinese government that these regulations would not obstruct foreign media agencies working in China. We are working to ensure that this remains the case.

81. Through the Global Opportunities Fund (GOF) and the Public Diplomacy Challenge Fund we have supported projects to promote freedom of expression by developing the professional skills of journalists and advocating a self-regulatory approach to media. Freedom of expression remains a priority area for GOF support and we will continue to sponsor projects in this field.
82. We also actively pursue this agenda with our EU partners. On the UK's initiative, the Austrian Presidency carried out a demarche urging China to lift the restrictions on foreign correspondents' movement and access. We continue to support demarches on cases where individuals have faced harassment, detention or imprisonment for the peaceful exercise of their right to freedom of expression. We are working closely with the Finnish Presidency on freedom of expression, one of the main topics of the EU-China human rights dialogue on 19 October.

Human Rights

We recommend that the Government set out, in its response to this Report, what progress has been made since it gave a pledge to our predecessor Committee, over five years ago, towards ratification by China of the International Covenant on Civil and Political Rights. (Paragraph 321)

83. We continue to urge the Chinese Government to ratify the International Covenant on Civil and Political Rights (ICCPR), signed in 1998, as soon as possible. We believe this would be strongly to China's benefit, by ensuring a more plural and stable society and by improving human rights in China. But ratification of the Covenant continues to pose significant challenges for China. Progress remains slow and China has resisted calls by the Government and International partners to commit to a timetable for ratifying the Covenant.
84. Under its Presidency of the EU, the UK organised an EU-China seminar on ICCPR ratification in London in December 2005. This focussed on articles of the Covenant which present significant challenges for China, namely Article 9 (arbitrary arrest and detention), Article 14 (fair trial) and Article 6 (2) (most serious crimes punishable by the death penalty). We particularly welcomed the participation of key members of China's inter-ministerial task force on ICCPR ratification in the talks.

Rule of Law (Articles 9 and 14)

85. In 1999, the Supreme People's Court (SPC) presented its five year court reform programme which included proposals on giving greater responsibility to collegiate judging panels, tighter regulations on conflicts of interest and raising the bar for high court judicial appointments. This was an encouraging early response on the necessary steps towards fair trials.
86. The 2004 five year programme, released in October 2005, sets out 50 objectives for reform. These include the return of the power of review over all death penalty sentences to the Supreme People's Court (SPC). The SPC has already taken steps to increase the number of personnel assigned to handle the increased caseload. Another objective was for Chinese courts to conduct hearings on appeals of the

death penalty cases from 2006 onward. This was implemented nationally on 1 July 2006. We regularly urge China to release death penalty statistics. Greater transparency would allow the positive impact of these reforms to be measured.

87. The UN Working Group on Arbitrary Detention visited China in September 2004 and the UN Special Rapporteur on Torture, Manfred Nowak, visited in November 2005. They published reports which included a number of recommendations for reforms, including the abolition of the Re-education through Labour (RTL) system and the use of a judicial rather than an administrative authority for all decisions on detention. The Chinese authorities gave assurances in 2004 and 2005 that necessary reforms would be implemented but these have since stalled. We continue to urge the Chinese government to abolish RTL and all forms of administrative detention.
88. The Chinese delegation to the EU-China Human Rights Dialogue in October 2005 announced pilot projects to combat torture by tape-recording interrogations by procurators in three provinces. They reported this would be cascaded nationwide by the end of 2006. In May 2006 the Ministry for Public Security announced another pilot scheme to video police interrogations of suspects in murder and gang crimes.
- 89 However, we are concerned that there has been no progress on Freedom of Religion or Freedom of Information and that restrictions on media freedom in particular have increased since 2003.
90. The Foreign Secretary raised ICCPR ratification most recently with Chinese Foreign Minister Li Zhaoxing in London in September. We continue to urge China to ratify ICCPR.

We recommend that the Government encourage the Chinese government to introduce legislation prohibiting courts from accepting evidence procured through torture, and that it offer to advise the Chinese government on UK best practice in eliminating abuse in prisons and police facilities. (Paragraph 331)

91. Combating torture is a UK priority. We have consistently lobbied the Chinese government to unambiguously prohibit the use of evidence obtained through torture. We agree with the Committee's recommendation and, going forward, will encourage China to introduce legislation to enforce requirements on the receipt of evidence.
92. Through the Global Opportunities Fund Sustainable Development strand, we have supported programmes offering training to police, prison staff and prison inspectors. The programmes aim to strengthen the judicial process and improve policing practice and detention conditions. We also funded the first international seminar to take place in China on the UN Convention Against Torture in August 2006. We will continue to offer access to UK best practice in this field with the aim of reducing the incidence of torture in China.

We conclude that Re-education Through Labour is, in many cases, tantamount to torture, and recommend that the Government upgrade the urgency with which it addresses this issue with the Chinese government. (Paragraph 334)

93. We are concerned that China is stalling on its commitment to reform the Re-education through Labour (RTL) system and regularly lobby the Chinese Government to abolish RTL. Foreign Office Minister Ian McCartney wrote to the Chinese Ambassador in August urging China to give fresh impetus to reforming all forms of administrative detention. We also pushed China for details on their plans for reform at the UK-China Human Rights dialogue in July 2006. We continue to push the Chinese to implement the recommendations of the UN Special Rapporteur on Torture, which include abolishing RTL, along with all other forms of administrative detention.

We recommend that the Government consider funding a project through the Global Opportunities Fund to promote religious freedom in China. We further recommend that the Government communicate to the Chinese authorities the positive influence which religious groups can have on social stability, in the interests of encouraging progress to be made on this issue. (Paragraph 339)

94. The Global Opportunities Fund's guiding principle is to identify key areas in priority countries where funding can have a positive impact, including on related governance structures. China is a priority country for the GOF Sustainable Development programme, which covers work on human rights. However, freedom of religion is not one of the themes for the programme and we do not plan to fund work on this subject through the GOF. (Information on the GOF SD strategy can be found on the Foreign and Commonwealth Office website at <http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1070989565527>). Nonetheless the Government regularly raises this issue with the Chinese authorities, urging China to broaden the definition of officially approved religions and to drop the requirement for registration of religious groups and official approval of religious practices.

We conclude that the collaboration of Western internet companies in the censorship and policing of the internet for political purposes is morally unacceptable. We further conclude, however, that it is in the interests of Chinese internet users that as much information be available for browsing as possible. We recommend that the Government put pressure on the Chinese government to relax its censorship of the internet and its requirement for foreign companies to restrict the political content of their pages. We further recommend that the Government represent to the Chinese authorities the damage which is done to economic growth by continued restriction of the free flow of information. (Paragraph 343)

95. It is for the companies concerned to answer questions about their decision to cooperate with the Chinese Government on restrictions on the internet. The Government believes that freedom of information is essential to the development of a modern, stable and sustainable society. We are very concerned about the apparent hardening of Chinese policy on freedom of expression, including in relation to the Internet. During his visit to China in July 2006, Foreign Office

Minister Ian McCartney raised the blocking of websites and the financial and business implications of media restrictions with the Chinese Government. The issue was also raised at the UK-China Human Rights Dialogue in Beijing in July 2006. Margaret Hodge, Minister of State for Industry and the Regions made the business case for Freedom of Information during her visit to China in September.

We recommend that the Government continue to raise human rights at the highest levels with Chinese counterparts, and do not flinch from making public statements where appropriate. (Paragraph 349)

96. We will continue to raise human rights at the highest levels with Chinese counterparts and make public statements where appropriate. The Prime Minister discussed human rights with Premier Wen Jiabao in September and an announcement was made publicly during a joint press conference directly after their meeting. The Foreign Secretary also raised Human Rights issues with Foreign Minister Li, both during his visit to London and subsequently during the United Nations General Assembly in New York. We have previously made public statements following other political meetings, the UK-China human rights dialogue rounds, and in response to developments of concern, and will continue to do so.

We recommend that the Government, which clearly believes that the UK–China Human Rights Dialogue achieves results, make greater efforts to ensure that this is obvious to others, such as ourselves and NGOs. We further recommend that NGOs be invited to have observer status at the dialogue. We recommend that, in its response to this Report, the Government set out what steps are taken to follow up issues raised in each round of the dialogue. We recommend that the Government publish a summary of objectives before, and outcomes after, each round. We further recommend that the Government seek the agreement of its EU partners to the adoption of these same procedures in relation to the EU–China Human Rights Dialogue discussed in paragraphs 357–359 below. We recommend that the Government set out, in its response to this Report, in what other meetings human rights are raised, at official level, with the Chinese authorities, apart from during the human rights dialogue. (Paragraph 352)

97. We publish the objectives and results of the UK-China Human Rights Dialogue in the Foreign and Commonwealth Office Annual Human Rights Report. We are currently devising a human rights strategy and assessing how to take forward the dialogue, including how to better publicise its objectives and results. Increased non-governmental organisation (NGO) participation is an area we are already working on with the Chinese. We currently meet with NGOs before and after each dialogue to get their input on objectives.

98. We regularly exchange ideas with EU partners on the EU-China human rights dialogue and will raise the Committee's recommendations at the next opportunity.

99. We take every opportunity to raise human rights at Ministerial and official level, including through visits to the region and incoming Chinese visitors to the UK. Exchanges can be Senior or Junior Ministerial, Ambassadorial and various official levels, including Director General, Director or through working level contacts at

the Ministry of Foreign Affairs or Chinese Embassy. We also raise human rights concerns through joint or parallel demarche. We facilitate meetings between Chinese officials and civil society where possible.

We recommend that the Government conducts a rigorous analysis of the long-term impact of each of its Global Opportunities Fund projects in China, and publish the results. (Paragraph 354)

100. We agree that evaluation and monitoring of the impact of Global Opportunities Fund projects is important. Each GOF project already includes a requirement for a project level evaluation. In addition, Posts can apply for programme funding to conduct a larger-scale impact assessment examining the combined impact of a range of projects. The Foreign and Commonwealth Office is planning to move towards programme-level reporting from Post, which will bring together information on the full portfolio of a Post's project work both on-going and completed.

We recommend that the Government set out, in its response to this Report, what can be done to improve the transparency of the Berne group process. (Paragraph 359)

101. The Berne Process is the informal interaction of like-minded States and institutions engaged in dialogues, consultations and technical co-operation on human rights with China. Participants have the shared aim of increasing the effectiveness of all activities that seek to protect and promote human rights in China. All participants have agreed on the confidential nature of the process. The Government is not therefore able to respond to the Committee's request for suggestions on how to improve transparency.

We conclude that the Chinese assertion that the Dalai Lama advocates Tibetan independence flies in the face of public statements made by the Dalai Lama. We recommend that the Government continue to press the Chinese to allow the Dalai Lama to return to Tibet in his capacity as spiritual leader. (Paragraph 369)

102. We regularly urge the Chinese Government to engage in serious negotiations with the Dalai Lama's representatives, without pre-conditions, to build a peaceful, sustainable and legitimate solution for Tibet. (We raised this most recently at the UK-China Human Rights Dialogue in Beijing in July 2006). Talks between the two sides took place most recently in China in February 2006.

We conclude that Beijing's insistence on controlling the appointment of the next Panchen Lama is a serious abuse of the right of freedom of religion. We recommend that the Government press for the recognition by the Chinese of the right of Tibetan religious leaders to choose the next Panchen Lama according to their religious beliefs and practices. (Paragraph 372)

103. We share the Committee's concern that Tibetan religious leaders do not fully enjoy their right to manage succession according to their own traditions. We regularly raise our concerns over restrictions on religious practice in Tibet with

the Chinese Government (most recently at the UK-China Human Rights Dialogue in Beijing in July 2006) and will continue to do so.

We conclude that the economic development of Tibet is to be welcomed, if it brings improvements to the living standards of ordinary Tibetans, and if Tibetan people have ownership over the process. We recommend that the Government urge its Chinese counterparts to improve the degree of Tibetan involvement in development decisions and emphasise to the Chinese the beneficial effect of such involvement on social stability. (Paragraph 375)

104. Like the Committee, we welcome Tibet's economic development but are concerned that it should take into account the wishes of the local Tibetan population, and that they should benefit from it. We raised this point at the last round of the UK-China human rights dialogue in July.

We conclude that freedom of religious belief and worship in Tibet remains significantly restricted. We recommend that the Government continue to press this issue with its Chinese counterparts, emphasising the beneficial influence which religious freedom can have on social cohesion. (Paragraph 380)

105. We agree with the Committee's assessment and will continue to raise freedom of religion in Tibet with the Chinese Government. We have raised our concerns on Tibet at the highest political level, including most recently between the Prime Minister and Chinese Premier Wen in September.

We conclude that the Tibetan people have a right to conduct their economic and social lives in the Tibetan language; that Tibetan culture should be preserved; and that Tibetan secular and religious buildings of architectural, historic and religious significance should be protected. We recommend that the Government urge the government of the Peoples Republic of China to strengthen the use of Tibetan in the education system in the Tibetan Autonomous Region and other ethnic Tibetan areas. (Paragraph 386)

106. We regularly raise the need to respect Tibetan culture, including language, in meetings with the Chinese authorities. The Small Grants Scheme has previously supported a project to produce a Tibetan newspaper, and details for Chevening (education) scholarships have recently been translated into Tibetan.

We conclude that repressive Chinese policies in Xinjiang are reprehensible. We recommend that the Government continue to monitor developments in Xinjiang closely. (Paragraph 391)

107. Like the Committee, we are concerned that the Chinese Government is using the war on terror to further limit and abuse the legitimate rights of the Uighur community and other ethnic groups in Xinjiang. We are particularly concerned that the expression of peaceful political, cultural and religious rights is suppressed. We continue to urge the Chinese Government to recognise the distinction between those who express peaceful views and others who advocate violence. We will continue to monitor the situation closely.

We conclude that the package of constitutional changes presented by the Chief Executive in December 2005 was a very limited measure which did not go far enough towards the introduction of representative democracy and universal suffrage. (Paragraph 400)

108. We do not share the Committee's conclusion. We believe the December package of reforms, though limited, represented an incremental step in the right direction and in the short term represent the best way of making progress. However, it is now important that the debate on constitutional reform moves on and that Hong Kong advances to a system of universal suffrage as soon as possible.

We recommend that the Government urge the Hong Kong Special Administrative Region to make significant, major steps towards representative democracy and to agree with Beijing a timetable by which direct election of the Chief Executive and LegCo by universal suffrage will be achieved. (Paragraph 402)

109. We believe Hong Kong should advance to a system of universal suffrage, as envisaged by the Basic Law, as soon as possible. We encourage the Hong Kong Special Administrative Region (SAR) Chief Executive and the Legislature to find common ground on constitutional reform, and ensure substantial proposals to this end emerge from Hong Kong's Commission on Strategic Development. We recognise that the Basic Law, as interpreted by the National People's Congress Standing Committee (NPCSC), also requires that the NPCSC agree for progress to be made towards a system of universal suffrage in Hong Kong. Reaching agreement will require dialogue, and we believe the inability of some Legislators to travel to the mainland is a barrier to open dialogue between the three parties.

We conclude that, despite some concerns, overall Hong Kong remains a vibrant, dynamic, open and liberal society with a generally free press and an independent judiciary, subject to the rule of law. (Paragraph 404)

110. We share the Committee's conclusion. Hong Kong's continuing prosperity and the upholding of the human rights of its people matter a great deal to us. We take very seriously our commitments under the Sino-British Joint Declaration, and the Foreign Secretary's Six Monthly Reports to Parliament demonstrate that we are continuing to watch Hong Kong's development closely. There is a great deal to be satisfied with in respect of Hong Kong's economic and social development since the handover of sovereignty, and great potential to further develop relations between the UK and Hong Kong. At the same time, we believe that there is still a need to make progress towards full universal suffrage, as envisaged in the Basic Law.

We recommend that the Government ensure that its strategy on China recognises the continuing economic importance of Hong Kong in its own right, and its role as a gateway to China. We recommend that the Government work with business organisations to identify priority sectors which could benefit from opportunities in Hong Kong, and to offer assistance in delivering market research and trade promotion. (Paragraph 413)

111. Hong Kong continues to be a major business partner for the UK. We recognise its importance both as a very significant market in its own right and also as a principal gateway into, and increasingly out of, the mainland, particularly the Pearl River Delta. We are working closely with the Hong Kong Trade Development Council (HKTDC) on a number of practical business links aimed at creating real opportunities for UK companies in the Hong Kong market. These include working jointly to ease the customer journey for UK companies into Hong Kong and China. This is being done primarily through the Hong Kong-UK Business Partnership between UKTI and HKTDC, which was launched in October 2004.

112. More broadly, the new UK Trade & Investment strategy "Prosperity in a Changing World" published in July 2006 underlines the increasing importance attached to developing opportunities for UK companies in wider China markets and securing high-value inward investments into the UK from that region. This also fits with the work of the Asia Task Force and the China Task Force. The resources applied to wider China markets are being reinforced in order to reflect these new priorities.

We recommend that the Government set out, in its response to this Report, what progress has been made on the issue of visa-free travel worldwide, by holders of British National (Overseas) passports resident in Hong Kong, and what efforts the Government has made to improve this position. We further recommend that the Government build support within the Council of Ministers for the European Commission proposal to allow visa-free travel to the Schengen area by British National (Overseas) passport holders, to ensure that the proposal is agreed by the Council as soon as possible. We further recommend that the Government set out, in its response to this Report, what potential obstacles, if any, there may be to the successful adoption of the proposal. (Paragraph 418)

113. 102 countries, most recently Brazil, now offer visa free access to British National (Overseas) passport holders. We are continuing to work hard with the EU Commission to secure early and positive progress on visa free access to the Schengen area.

The UK in China

We conclude that the Government's decision to increase the numbers of its personnel in China is welcome, but we recommend that the Government consider establishing smaller posts or nodes for diplomatic activity in other parts of China, owing to the size and variety of the country, as part of an overall review of the deployment of FCO resources. We further recommend that the Government increase the numbers of personnel in the FCO dedicated to strategic work in posts in China alongside its planned expansion of the economic, energy and environment sections. (Paragraph 423)

114. We will continue to review our representation in China and elsewhere to ensure resources are allocated to achieve our strategic priorities. Our ability to maintain or increase resources deployed to achieve these priorities in future will be determined in large part by the outcome of the Comprehensive Spending Review.

We conclude that the Government should continue to strengthen its East Asian expertise. We further conclude that all UK diplomatic duties should be concentrated under one roof in Beijing and recommend that the Government consider establishing a new Embassy with adequate space. (Paragraph 426)

115. We keep the extent of our representation in China under review in order to match resources with our strategic priorities. The growth of the relationship between China and the UK means that our present Embassy offices no longer fulfil our needs and do not represent the dynamic reality of the modern UK. Our long-term aim is to build new facilities.

We conclude that the work of the British Council plays a valuable role in efforts to broaden understanding of the United Kingdom in China, which could have a beneficial impact on British business links in China and also on the world class status of the United Kingdom's educational institutions. We recommend that the Government consider the British Council's school links programme in China as a model for school links with other countries. (Paragraph 429)

116. The British Council runs one of its largest and most effective operations in China, with offices in Beijing, Chongqing, Guangzhou and Shanghai. While all the British Council's work in China contributes to a better understanding of the UK, each programme it undertakes directly addresses specific UK interests. For example, the British Council has pursued a long-term strategy of building market share for UK education and UK qualifications in China's growing market, and can demonstrate substantial achievement in these areas. It is now seeking similar success for the UK in seizing the growing opportunities for partnerships in the cultural sector in China.

117. The British Council works closely with British business in China. Many of our leading companies have joined the British Council as project partners, for example UK banks and airlines have supported programmes to attract Chinese students to the UK, and have gained new customers as a result; consumer product companies have worked with the British Council to support cultural events which have helped them build their brands in China; others use the British Council's English testing services to help select and develop their Chinese staff. The British Council is committed to expanding its partnerships with UK companies in China.

118. The British Council manages a Department for Education and Skills (DFES) school links programme in China, which also receives substantial support from UK corporate sponsors. The programme has supported a growing number of UK schools in introducing Chinese language and Chinese studies to the curriculum, with the long-term objective of enabling British people to engage more effectively with China. The British Council encourages knowledge sharing between staff involved in this programme and colleagues managing similar DFES programmes in other countries, and stands ready to develop new programmes as required by the Government.

We conclude that ties between the United Kingdom and China's higher education institutions are welcome both because they strengthen ties and because of the business opportunities in China. We recommend that the Government

continue to offer support for British universities seeking to engage with China. (Paragraph 432)

119. Both UK and Chinese Governments recognise the political, social and economic importance of developing strong and vibrant links between our universities. There is already extensive collaboration and progress is reviewed on an annual basis at a Joint Ministerial Education summit. Higher education links between UK and Chinese institutions are thriving with over 160 separate partnerships in place including the setting up of a joint campus by the University of Nottingham in Ningbo and the University of Liverpool campus in Suzhou. No other country has been granted such access to the Chinese educational market. The Prime Minister's Initiative (PMI) has contributed to a record number of Chinese students choosing to study in UK institutions (over 60,000 in 2005/06). The second stage of PMI will be more ambitious with a much broader international agenda, focusing on building sustainable partnerships between UK institutions and those in other countries, including China. The Government also supports a number of other schemes to encourage higher education links between the UK and China, including: the Scholarships for Excellence scheme; Scotland's Fresh Talent scheme; and the forthcoming Graduate Work Placement Scheme.

We conclude that strengthening understanding of China is most important and we recommend that the Government continue its support for the Great Britain China Centre. (Paragraph 435)

120. Following a review of the Great Britain-China Centre (GBCC) in mid-2005, Foreign Office Minister Ian McCartney announced in a Written Ministerial Statement on 25 May 2006 the Government's continued support for the GBCC through a Foreign and Commonwealth Office grant-in-aid. Follow-up work to the review has ensured that the GBCC's work is now better aligned with Government policy on China, and that the Centre has stronger financial controls, and improved management oversight.

121. While the Government recognises the importance of strengthening understanding between the UK and China, this is not an aim in itself of the Foreign and Commonwealth Office's continued support for the GBCC. As Ian McCartney noted, the Government values the project work that the GBCC carries out on the ground in China on human rights, labour and legal reform, and its support for parliamentary and other exchanges with China. The GBCC brings extensive experience and a wide network of Chinese and UK contacts to the task of fulfilling these important functions. Its work contributes directly towards the Foreign and Commonwealth Office's Strategic Priorities in these areas.

We conclude that the Government must continue to make strong representations on behalf of the BBC to the Chinese government about the continuance of jamming of BBC World Service broadcasting. (Paragraph 438)

122. We continue to urge the Chinese Government to lift restrictions on media in China. Secretary of State for Culture, Media and Sport, Tessa Jowell and Minister of State for Trade and Industry, Margaret Hodge, both visited China in September and encouraged Chinese Ministers to work to resolve problems faced by UK

media operating in China. In consultation with the BBC and other UK media organisations, we continue to encourage China to improve access for the whole range of media.

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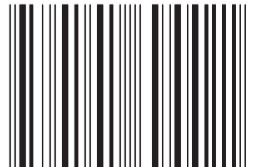
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