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Britain's China policy from 1949 to 2005: From an Idealistic Approach to Return to a Focus on the Economic Factor



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Abstract¹:

The legal structure of the European Union (EU) is characterised by diversification in both the China policy of the member states as well as in the institutionalisation process between the Peoples Republic of China (PRC)¹ and the single EU members. Indeed, with its China policy, the EU sets a common framework for the member states' national China policies. Nevertheless, the EU Member States have to continuously make the decision whether the EU targets are in line with the nation states' interests and whether co-operation or competition is preferred in foreign relations areas within the EU. Britain, being among the "big three" of the EU undoubtedly, plays a major role in the definition and application of the China policy of the EU.

This article will illustrate the current British China policy and derive their present "pillars" historically. Furthermore, the governmental and non-governmental main-players of this relationship will be identified. Britain is China's biggest European investor and among one of the country's main trading partners. The relationship between both countries has been emotional and eventful and both the PRC and Britain are interested in intensifying bilateral relations. In comparing policy rhetoric with facts and figures, it will be illustrated that, when Britain's China policy began, it was highly economic and defence oriented and during the Cold War become increasingly ideological and idealistic. With the end of the East-West conflict, however, Whitehall began ever more to pursue economic-centred and pragmatic relations with China, following afterwards to some extent the China policy defined by France and Germany, London's main European competitors on the Chinese market and political alliance.

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Content:

1. Development of first British post-war China policy..... 4

2. Security-political or economic: contradictory factors..... 5

3. British China policy focus on economic improvement..... 7

4. Interruption and return to an economic focus policy..... 9

5. The Hong Kong factor becomes dominant 11

6. A more comprehensive China policy..... 13

7. Effects of Tiananmen and return of the Hong Kong issue..... 14

8. British China Policy versus Germany’s and France’s 18

9. British China policy under New Labour 22

10. Conclusion..... 27

Notes/References.....30

1. Development of first British post-war China policy

More than any other European nation state Britain has been politically, economically and militarily active in China before the foundation of the PRC. The substantial and ideological support for the Kuomintang (KMT), during and to a lesser extent after the Chinese battle against Japan, involved London more than any other European state directly in the Chinese civil war.² Britain's attitude towards the civil war in China becomes, therefore, complicated. Whitehall's initial predisposition in favour of the Nationalists as a legal and recognised government of the country was quickly counterbalanced by increasing disillusionment with the ineffectiveness of the National Government, leading to a gradual acceptance of the Communist movement. By "accepting" the communist regime in China instead of the KMT, the British government proceeded from three main assumptions: firstly, Britain accepted the Chinese revolution as an accomplished fact, an irreversible decision – a decision arrived in China by the Chinese people themselves.³

Secondly, it supposed that there were certain significant differences between the Chinese Communists and the Soviet Communists, not only in the circumstances of their growth but also in their ideological orientation. London assumed that the PRC was "something quite different from an ordinary Soviet satellite".⁴ London was well aware of the fact that Soviet control and domination of Eastern Europe threatened the security of Western Europe. Thus, Whitehall was anxious to maintain reasonable relations with China and eager to prevent Communist China from becoming a whole-hearted satellite of the USSR. A British-friendly oriented China would improve the British cards in the forthcoming "game over global influence" with the Soviet Union.

The third assumption behind the British move to recognise the PRC was that Britain expected better bilateral trade relations with a communist China than under KMT rule. Together with the general British trade focused China policy,⁵ in London's perspective, the Mao regime was much more liberally framed and, therefore, more business oriented than the Nationalist regime.⁶ Starting from these three assumptions, Whitehall came to the conclusion that it was both possible and necessary to cultivate normal diplomatic and friendly relations with China. The British government believed that the Chinese Communists' foreign policy would be based more on pragmatism than on ideology. The first post-war policy which British made for reconciliation and recognition, therefore, was primarily trade and defence driven.

Consequently, on January 5, 1950, the British Government decided to recognise the new Chinese government under the leadership of Mao Zedong, formal notifying the ending

of British diplomatic relations with the Nationalist Government in Taiwan. In several meetings London and Beijing agreed to exchange charge d'affaires ad interim,⁷ however, only Whitehall sent a representative to Beijing. The nomination of the Chinese representative was interrupted by the outbreak of the Korean War in June the same year.

The Korea conflict exemplified that London had to subordinate the economic determinants to the political requirements of the East-West conflict. As a result, Sino-British political and economic relations were put under heavy strains. After the Chinese intervention in the Korean War, Britain openly supported the Western camp, led by Washington, in condemning Beijing for its aggression in Korea.⁸ Beijing, in turn, imposed restrictions on British companies in China. In the following years, London maintained only the façade of normal relations with Beijing, while the reality was that relations were negligible. By agreeing to the American introduced UN China-embargo memorandum, British policymakers had virtually abandoned their policy of seeking to establish full diplomatic relations with China for the time being. The maintenance of a close politically dominated Anglo-American alliance continued to be the leadership's foreign policy priority and the economic oriented China-wingers lost influence.

2. Security-political or economic: contradictory factors

In China itself the British enterprises, which were operating there directly felt the effects of the cooling down in the British-Chinese relationship. Due to the historically close trade links with China, British enterprises especially were affected by the trade restrictions towards foreign industrial and trading companies and the imposition of large fines to drive out foreigners. Although companies from all "Western Camp states" were treated unfair that in particular British companies were the main target of the discrimination campaigns organised in the PRC become obvious by the statement of China's Vice-Minister of Foreign Affairs, Chin Han-fu, on the 19 May 1952. He declared that the "serious but unnecessary difficulties" ⁹ which of British enterprises were suffering, were caused by the "discriminatory [...] policy against China pursued by the [British] government."¹⁰ From the pre-war figure of 8,000 to 10,000 British commercial employees and dependents in Shanghai, only 300-500 were left in May 1952.

Since most British firms with commercial interests in China had decided to leave in May 1952 and requested assistance for their withdrawal, the British charge d'affaires in China, Humphrey Trevelyan, concluded that the British companies might have to give their trade into the "hands of their European competitors or the few British firms, which

were in the hands of the fellow-travellers.”¹¹ With this statement, for the first time, a factor was applied which was to influence British (and those of other European states) China policy in the future: The competition among the Western European states for access of their domestic industry to the promising Chinese market. Nevertheless, not only China’s government but also the embargo limited Western European and American enterprises heavily. Pressure on the British China policy increased as British merchants in Shanghai started to press their government to negotiate an accord with the Chinese government, and to make a public statement to improve Anglo-Chinese economic relations. Also the influential *The China Association* acted as a channel of communication between the traders and British government and did “everything possible to impress upon the British government the seriousness of the situation”¹² and to convince the responsible officials to support the British companies in China.

Against the growing domestic pressure on its China policy was China’s engagement in the Korea War and Indochina conflict. Both involvements were watched by Whitehall with great concern. Similarly to the Soviet Union, Beijing was proved able and willing to intervene, directly or indirectly, on behalf of Communist movements in neighbouring Asian states; in a region where – due to its colonial heritage – London had a security interest. Based on its Chinese experience over the last years and supported by U.S., Britain initiated and co-founded the South East Asian Treaty Organisation (SEATO) in September 1955. In order not to anger China more, London tried to avoid any direct anti-Chinese notion in the body of the Treaty.¹³ Nevertheless, for China it was obvious that the SEATO was “an aggressive organisation directed against the Chinese people”.¹⁴ Britain’s argumentation did not convince Chinese leaders that the organisation was not directed against them.

The British government took the revolutionary Chinese foreign policy and the combined events of 1954 – the foundation of the SEATO and the Geneva Conference – into consideration when it introduced the two factors in the British China policy, which were to some extent contradictory: firstly, the domestic pressure for normalisation of the bilateral relations to improve economic relations and to release the British companies from the hostage situation in China. Secondly, establishment of a security alliance in South and South East Asia to contain possible Chinese direct military action or subversion and infiltration in Commonwealth countries of the region.

To meet both economic and security-political demands, London was able to persuade Beijing to establish semi-official relations. Diplomatic relations were not to be established at ambassador level, but rather at the level of charge d’affaires equipped

with diplomatic privileges during the Geneva Conference. Thus, partial diplomatic relations were established between the two countries. Although it seemed only a partial solution, British business was not disappointed of what had been bilaterally achieved so far. With the establishment of semi-diplomatic relations at charge d'affaires level, the handicap which British businessmen had hitherto suffered, mostly on account of the absence of a Chinese Government representative in any British territory with authority to issue visa, was removed.¹⁵ Furthermore, the situation of the remaining British branches in China began to improve and some companies even thought about returning to the PRC.

This political warm-up served to improve the economic relations rapidly within the next twelve months. In April 1954, 48 British companies participated in a Chinese trade mission recently opened in East Berlin. This "48-Group" became the bedrock of the Sino-British Trade Committee and a staunch advocate of Whitehall pursuing a China policy independent of Washington's Cold War containment. An unofficial "icebreaker" mission of selected British firms followed with participation in the German Democratic Republic exhibition in Beijing in June and July 1954, signing contracts worth £30 million. Two other British trade delegations visited China a year later. The first visited China in February 1955 and signed 130 contracts totalling about £4 million. The second delegation visited Beijing in March and April of the same year, signing contracts worth over £1 million and receiving many enquiries. To meet ongoing requests from British merchants to add commercial attachés to the diplomatic missions of the two countries, a high-powered Labour Party delegation visited Beijing in August 1954, much to Washington's consternation.

3. British China policy focus on economic improvement

On the issue of the embargo on the PRC after its direct involvement in the Korean War, British policy indicated the dilemma from the outset. On the one side, it imposed even more severe controls on the exported items to the PRC. In addition to the lists of normal embargoed commodities, the British government added 48 items of commodities prohibited to be exported to China. The Chinese controls were much wider than the Soviet bloc controls and a large number of goods could be sent to Eastern Europe but were prohibited for export to China. On the other side, against some opposition in the Western camp, the British government was eager to deepen the still sensitive political relations with China in order to achieve improvement in the economic sphere. In this "project", Whitehall and the British trade associations worked closely together. Both concluded that relations would significantly improve if relations with China could be

established at ambassador level. In the years that followed, Britain endeavoured to rectify some of the Chinese complaints to achieve this aim. On the initiative of the Sino-British-Trade Council, in May 1957, London took the unilateral initiative and “adapt[ed] the same embargo list for China and the Soviet bloc.”¹⁶ As a result of this decision, some 270 items were released from the China embargo list. Therewith, trade restrictions brought China on a par with other Communist countries in Europe. This step made China more acceptable as a negotiation partner in the Western camp and eased later Sino-British conciliations.

The British shift – initiated by the industry and implemented by the politicians – removed the principle obstacle on the British side to the development of Sino-British trade. The Chinese answer to the embargo relaxation was as London had hoped for. China ordered some aeroplanes from government-owned British companies. To further improve relations, the UK was successfully able to relax the UN embargo on China in August 1958, which it had supported for about five years. How greatly the British government had awaited the end of the UN embargo in order to deepen trade relations to China was emphasised in the statement of Parliamentary Under-Secretary of State for Foreign Affairs, Lord Reading, already on 23 April 1953: “The time will come, sooner or later, when these restrictions will no longer enter into people’s calculations at all. That will be a blessed and most welcome day.”¹⁷

The flourishing Sino-British trade volume over the next years, however, was not purely Sino-British driven. The significant trade increase was also supported by international factors; mainly the resumption of trade relations between China and Japan, the drying up of China’s sterling reserves, the development of the Sino-Soviet rift, and the growing Chinese desire to become economically more independent of its former Communist allies.

Year	UK imports from the PRC	UK exports to the PRC	Trade volume	Fluctuation of trade volume compared to previous year (%)
1950	30.1	10.1	40.2	--
1951	23.7	7.9	31.6	- 21.4
1952	8.3	12.8	21.1	- 33.2
1953	28.6	17.5	46.1	+ 118.5
1954	25.1	19.4	44.5	- 3.5
1955	34.4	22.2	56.6	+ 27.2
1956	35.2	30.2	65.4	+ 15.5
1957	39.8	34.1	73.9	+ 13.0
1958	51.9	76.3	128.2	+ 73.5
1959	55.2	69.4	124.6	- 2.8

1960	69.7	89.8	159.5	+ 28.0
1961	86.4	36.5	122.9	- 22.9
1962	64.8	24.1	88.9	- 27.7
1963	51.9	37.4	89.3	+ 0.4
1964	68.9	49.9	118.8	+ 33.0
1965	83.2	72.4	155.6	+ 31.0
1966	94.7	93.6	188.3	+ 21.0
1967	82.8	105.6	188.4	+ 0.1
1968	82.8	96.3	179.1	- 4.9
1969	91.2	130.8	222.0	+ 24.0
1970	80.4	106.8	187.2	- 15.7
1971	76.8	96.3	173.1	- 7.5
1972	88.8	78.0	166.8	- 3.6

Table 1: UK-PRC trade volume, 1950-1972 (in million US\$)¹⁸

Despite Beijing's rejection of full official diplomatic recognition in 1962 and the Sino-British disagreement on the American Vietnam policy, Whitehall watched with satisfaction the continuing economic exchange with China and actively supported British business ambitions. In 1963 to 1964, several groups of representatives of companies, industrialists and businessmen from the UK visited China. To assist British business activities further, the British Trade Minister visited China in 1964 and the Chinese Trade Minister returned that visit in 1965, signing contracts worth more than half a million pounds sterling.

4. Interruption and return to an economic focus policy

The period of the Cultural Revolution caused the Sino-British relations to fall to low ebb. Once again, more than other European governments, London became a target of the Anti-West movement. Although such turmoil and disturbance within China spilled across the border into Hong Kong, at this time, neither China nor Britain lost sight of the realities of the situation so as to contemplate a rupture in their relations.

With the establishment of Sino-French diplomatic relations, which had politically extremely frightened the British government in the middle of 1960, British business leaders increasingly watched the business oriented China politics in Western Europe, especially those of France and Germany. Competing companies from both countries benefited from the growing government-business co-operations in the two countries. With the establishment of full diplomatic relations between China and an increasing number of Western European countries, it was becoming more galling to London to see its relations frozen at the charge d'affaires level. The decreasing bilateral trade volume

and loss of market shares in China to enterprises from other European states due to their good diplomatic relations with Beijing,¹⁹ all served to increase pressure on Whitehall. Gradual Western European political normalisation with China and the announcement of Nixon's visit to Beijing brought about, if under pressure, the creation of the British China policy after the Cultural Revolution. Driven by economic-political considerations and the chance to remove the last obstacle to normalised relations with the PRC, Britain decided to reverse its position of supporting the U.S. draft resolution for Beijing's admission into the UN, which it had supported since 1961. London voted against the American draft in October 1971 and so, indirectly, agreed that the PRC be the legitimate representative to whole of China in the UN. This movement and the continuing British anti-Soviet position greatly impressed Beijing. On 13th March 1972, after 22 years of extremely hard negotiations, China and Britain formally signed the Joint Communiqué on the Agreement on an Exchange of Ambassadors.²⁰ The communiqué illustrated Britain's policy regarding the "One China issue". Had Britain practised a mild form of two-China policy since the 1950s, in the Joint Communiqué of the two governments, Britain was accommodating Chinese demands that Taiwan was a part of the PRC and the latter was the sole legal government of China. The communiqué, however, did not go so far as to accept or recognise Chinese claims over Taiwan. Therewith, Whitehall was able to successfully manage a balancing act between the domestic industrial desires of improving relations with China and, at the same time, not breaking with the American Taiwan policy. London's China policy rather was earmarked to ignore Taiwan in order to avoid political or economic difficulties with both Beijing and Washington. Whitehall followed this policy factor so strictly that the Daily Telegraph argued in the same year that Formosa must not be forgotten.²¹ Agreement on the exchange of ambassadors inaugurated a period of widespread co-operation in both the political and economic fields and substantiated Sino-British relations under international law. Within a few months after the agreement, a visiting diplomacy at the highest official level began and was not to come to an end until the early-1980s, surpassing earlier contacts and leading to a number of agreements. Most regular visits in China were by officials from the Department of Trade and Industry. Representatives from the trade department were seen almost every 30 months in Beijing (see table below).

Year	Name	Position	Ministry
1972	Anthony Royle	Under-Secretary	Foreign and Commonwealth Affairs (UK)
1972	Alec Douglas-	Foreign Secretary	Foreign and Commonwealth

	Home		Affairs (UK)
1972	Chiao Kuhuan-hua	Deputy Foreign Minister	Foreign Affairs (PRC)
1973	Peter Walker	Minister of Trade	Trade (UK)
1973	Ji Peng-fei	Chinese Foreign Minister	Foreign Affairs (PRC)
1974	Lord Beswick	Minister of State	Trade and Industry (UK)
1975	Eric Deakins	Parliamentary Under-Secretary	Trade and Industry (UK)
1975	Zeng Sheng	Minister of Communications	Communication (PRC)
1977	Zeng Sheng	Minister of Communications	Communication (PRC)
1977	Li Qiang	Minister of Foreign Trade	Foreign Trade (PRC)
1978	Edmund Dell	Secretary of State	Trade and Industry (UK)

Table 2: UK-PRC bilateral visits of Ministers between 1972 and 1978²²

More than ever before, the frequent talks between high ranking foreign affairs officials also included strategic trade issues. At all meetings between 1972 and 1977, topics of discussion always included the still existing trade regimes and possible ways to increase Sino-British trade, which, to British concerns, had fallen back behind those of Germany and France. To stimulate trade, the British government took a series of measures to assist trade expansion such as encouragement of two-way missions to China, reduction of administrative and quantitative restrictions on imports from China, strengthening British commercial representation in Beijing, and continuing support for the Sino-British Council. The 1972 agreement on ambassador exchange not only dealt with the diplomatic relations but was also oriented towards future improvement of economic exchanges. Within the framework of the agreement, the Great Britain-China Committee was established in order to promote contacts of all kinds between Britain and China. In November 1978, the British and Chinese agreed to at least quadruple Anglo-Chinese trade up until 1985. Relations were officially sealed when four Sino-British Agreements were signed within one year; more than in the last quarter of a century. Characteristics of the agreements marked the final normalisation of bilateral relations and indicated that the future focus of co-operation would lie in the fields of economy, technology and research.

5. The Hong Kong factor becomes dominant

If the return of the British crown colony Hong Kong was not an issue of concern in the Sino-British relations of the past, it increasingly became so by the end of the 1970s. In

Beijing's view, the agreements that governed the status of Hong Kong and the New Territories were "unequal treaties" and therefore invalid. Despite, the "disgrace" for the Chinese people, Mao saw an advantage in keeping the colonial status of the city. Already as early as 1946, Mao had told a handful of Western journalists that he did not at that stage seek the early return of tiny Hong Kong or that he would allow it to become a bone of contention between the PRC and the UK. The party's Central Committee subsequently issued a directive to the effect that Hong Kong, together with Macao, should be fully utilized to further the country's long-term interests.²³ The city's significance for China as a port of trade and technology was valued too important in Beijing.

London began to value Hong Kong's status in a similar way. When UK Prime Minister Edward Heath appointed Sir Murray MacLehose to be Hong Kong's 25th governor in 1971, he was the first to be chosen from the ranks of the Foreign rather than Colonial Service; a sign of the changing times. Hong Kong was to no longer be treated as a colony to be held and managed, but rather as a diplomatic issue to be resolved. This was to bring changes in Britain's China policy and prospects for trade with PRC. The Foreign Office, therefore, recommended that every attempt be made to improve Sino-British relations. London was willing to exchange the colony for a good relationship and trade increase.

For Britain, the interests at stake, as for the Chinese, were mostly economic. Hong Kong had little security value but its rapid economic development between the 1960s and 1970s had brought London many benefits. By 1974, Hong Kong's financial reserves made up to 12% of the total UK foreign liabilities and 27% of the Bank of England's gold and foreign exchange reserves. UK firms like Cable and Wireless and British Airways were making great profits in Hong Kong every year. Thus, both China and Britain for long had shared a common interest in maintaining Hong Kong as a free and prosperous city but now began to differ as to who should be in control.

Between 1979 and 1997, bilateral political relations and bilateral visits were completely dominated by numerous negotiations and debates about the return of Hong Kong to Chinese sovereignty. With the official visit by Governor MacLehose to Beijing, the year 1979 proved to be crucial in Hong Kong's history and for Sino-British relations thereafter. It marked the beginning of hard formal negotiations between Britain and the PRC which commenced in September 1982.

At that point, fresh from her victory in the Falkland War, Prime Minister Margaret Thatcher visited Beijing. Initially, Thatcher did not want to accept the invalidity of the

three treaties granting Britain the land around Hong Kong. It took several months, until March 1983, for Thatcher to concede and acknowledge Chinese supreme authority over the territory, by preparing to recommend to Parliament the transfer of sovereignty.²⁴ China appreciated the British “turn in” in the sovereignty question and showed this by including Britain in a former Sino-French agreement for construction of a nuclear power facility Daya Bay near Hong Kong. After discussions with the French Prime Minister Mitterrand in April the same year, both sides agreed to provide the French reactor not with French but with British generating equipment.²⁵ Furthermore, as London did not want to see Hong Kong abused after 1997, which might turn public opinion against the UK, the Chinese concepts of making “one country, two systems” and “Hong Kong people ruling Hong Kong” into a legal framework seemed attractive. The Joint Declaration was signed in December 1984 and guaranteed that a capitalist system would be preserved in Hong Kong after 1997. Details of the administrative and democratic system were to be stipulated by the Basic Law, which was to be drafted by China. Instead of further high ranking negotiations, it was agreed that a Joint Liaison Group should solve those problems which had been left out.

6. A more comprehensive China policy

British and Chinese friendship flowered after the signing of the Sino-British Joint Declaration. The ambience was euphoric in June 1985, when Premier Zhao Zihyang made an official visit to Britain, where he attended a banquet hosted for him by his Joint Declaration cosignatory, Prime Minister Margaret Thatcher, at her official residence at 10 Downing Street. It seemed that both sides were happy to have finally drawn this issue to a close, for it had occupied the relations of both countries for more than two years. The Downing Street ceremony included, like at the official recognition of Chinese sovereignty over Hong Kong, several official high-ranking visits and agreements. Not only the ceremony but also the whole process of transfer of sovereignty had led, as table 3 indicates, to increasingly frequent mutual governmental visits, not only between ministers of trade but also among other ministries involved in foreign affairs.

Date	Name	Position
1978	Nell Cameron	Chief of the Defence Staff (UK)
28/08/1978	Gu Mu	Vice Prime Minister (PRC)
09/08/1978	Edmund Dell	Minister of Trade (UK)
03/10/1978	Huang Hua	Foreign Affairs Minister (PRC)
28/10/1979	Hua Kuofeng	Prime Minister (PRC)
03/1980	Francis Pym	Defence Minister (UK)

01/04/1981	Lord Carrington	Foreign Affairs Minister (UK)
22/09/1982	Margaret Thatcher	Prime Minister (UK)
15/04/1984	Geoffrey Howe	Foreign Affairs Minister (UK)
27/07/1984	Geoffrey Howe	Foreign Affairs Minister (UK)
18/12/1984	Margaret Thatcher	Prime Minister (UK)
02/06/1985	Zhao Ziyang	Prime Minister (PRC)
05/1985	Zhu Muzhi	Minister for Culture (PRC)
08/06/1986	Hu Yaobang	CCP Chairman (PRC)
09/1986	Zhang Aiping	PRC Minister of Defence (PRC)
12/10/1986	Elizabeth II	British Queen

Table 3: UK-PRC ministerial visits between 1978 and 1986²⁶

In the same month as the Downing Street ceremony, two new agreements on nuclear and economic co-operation were signed. The economic agreement replaced the agreement of 1979.²⁷ Furthermore, Beijing showed its thankfulness with several economically profitable deals for London. Four days after signing, China declared it would purchase ten British airliners for £120 million and both Prime Ministers “agreed to make a bi[lateral]-effort to increase trade between their two countries”.²⁸ Once again, Beijing had rewarded British co-operation with its own intensified co-operation.

At the peak of the Sino-British understanding, a military exchange started. Chiefs of Staff of the Chinese and Royal armed services exchanged numerous visits. The visits improved the relations concerning military co-operation and revealed the desire of the British China policy to include a military pillar. Both sides officially signed a Memorandum of Understanding on Co-operation on defence equipment in September 1986. Topics of the talks were connected with the return of Hong Kong and the, therewith, related effects of Britain’s military role in East Asia. As the Korea and Vietnam Wars had highlighted, China was an emerging regional military power. Whitehall taking into consideration the remaining British territories in East Asia and the Pacific, believed that it could be useful to have a direct communication channel established between both countries. Besides Hong Kong related security matters, general military and intelligence issues were discussed and the possibilities of an intensified co-operation expatiated. This honeymoon period in Sino-British relations was crowned by a state visit by the British Queen in the autumn of 1986. It was the full spectacular, including visits to Shanghai and Guangzhou by the Royal Yacht *Britannia*.

7. Effects of Tiananmen and return of the Hong Kong issue

Only three years later, the Tiananmen crackdown ruled out entirely any contemplation of such a visit and negated the achieved milestones. As in the whole Western world,

including London, Tiananmen destroyed the trust and support that the new modernizing China had attracted in the West. It raised anxieties about the future of Hong Kong and the protection of its residents' freedom and human rights. In 1989, due to Tiananmen and domestic pressure in the UK, London had to change its China policy. Where human rights had been just of minor importance in Britain's China policy until now – except for in negotiations over Hong Kong – it here forth became dominant on any political agenda with China.

London agreed at the European Community (EC) Madrid Summit to introduce comprehensive sanctions against China,²⁹ however, to re-open EC sanctioned contacts, Sir Percy Cradock and Robin McLaren visited Beijing secretly as early as late 1989. The British government also began to rebuild relations from the nadir reached with the introduction of EC sanctions immediately after Tiananmen. A bold first step was to send a delegation under the sensitive leadership of Sir Geoffrey Howe, to begin a dialogue on human rights, by focusing on reform of the law and the legal process. This led to a gradually expanding dialogue and training programme in these areas, in which the British Trade Council played notable roles.

British behaviour has to be seen in the framework of actions taken by its main partners within the EC, Germany and France. At the Madrid Summit in 1989, it was primarily Berlin which blocked far-ranging sanctions against China. On Germany's initiative, the embargo's interpretation was largely handed over to the responsibility of each Member State within a certain common framework. Only when put under increasing domestic political pressure, Bonn did favour sanctions against the PRC in the German parliament. These sanctions were then, however, only hesitantly applied on an administrative level in Germany and were gradually reduced from the end of 1989 afterwards. As early as October 1989, about three month after the Tiananmen killing, the German government released blocked public financial help worth US\$ 450 million for the subway construction in Shanghai by German companies. The government had granted securities (Hermes-Warrants) as part of the export promotion programme until September 1989; these were then partly stopped, but fully reintroduced in October 1990 finally.

France's behaviour towards China was similar to that of Germany. One the one hand, Paris froze both all Chinese financial help and all national guarantees for projects in China. On the other hand, due to the rapidly approaching first Cambodia Conference scheduled in Paris for 30 June 1989 where success relied particularly on Beijing's co-operational attitude, Paris did not apply additional bilateral sanctions. Although France cancelled all official high level contacts with Beijing, in July and September,

multilateral “meetings” brought the possibility of unofficial political contacts. On the fringe of the UN at the UN Cambodia Conference, Foreign Ministers Roland Dumas and Qian Qichen met again.³⁰ Paris partly loosened its financial sanctions in November 1989, however tolerated activities of dissident groups in France. Bonn’s and Paris’s attitude towards China made it clear to London that in both these other governments’ pragmatism kept control over socio-political ambitions.

In the Sino-British relations, a period of ups-and-down followed. As a direct reaction to the Tiananmen incident and ignoring Chinese protests, the British sped up democratic reform in the Hong Kong territory and, in March 1990, incorporated the spirit of the International Covenant on Civil and Political Rights into the colony’s own human rights legislation. Bilateral relations improved after multinational institutions such as the World Bank and the Asia Development Bank had abolished their sanctions against China, and the G7 had suggested such an abolishment. Following the USA and Japan, which both had already largely cancelled the embargo, the British Parliament followed and normalised their economic relations to China.

Diplomatic tensions concerning British policies in Hong Kong began again shortly after with the 1992 appointment of an activist Governor, Chris Patten, and tended to disrupt the recently started smooth bilateral ties. In his inaugural speech to the territory’s Legislative Council, the Governor proposed a number of electoral reforms to widen the franchise dramatically in time for the 1995 legislative election. Beijing reacted furiously and claimed that Patten was “back-paddling” from agreements in secret talks allegedly hammered out between Qian Qichen and the British Foreign Service. Beijing warned that if the Governor enforced his reforms unilaterally, it would see itself as no longer bound to the declaration’s agreements on legislative institutions. It would reject not only the legislature but also the executive and judiciary branches of Hong Kong’s pre-1997 government, and impose an administration of its own when it took control in 1997.³¹

With the approval of Prime Minister John Major and Foreign Secretary Douglas Hurd as well as the rejection of the Chinese request for consultation, the new Hong Kong Governor radically changed the electoral procedures for the District Boards and Urban Councils in 1994 and the Legislative Councils in 1995. Other issues of contention included construction plans of a new airport and port facilities for HK\$ 127 billion (about US\$ 16.3 billion) and the right of abode for Hong Kong residents in Britain. Beijing was furious and announced that it would change the Basic Law accordingly after reunification.

As a reaction, in 1994, when the Chinese government threatened to discriminate against British trade matters because of Governor Patten’s “unilateral actions” on constitutional reform in Hong Kong, the EU Trade Commissioner Sir Leon Brittan warned that the EU would not condone a member state being singled out in this way by saying “any action that discriminated against one member state on political grounds would be a very serious matter not just for that country but for the EU as a whole”.³² This was a far reaching statement as for the first time in its history, the European Commission was intervening over discrimination against one of its member states and, thereby, utilising its economic power against China. The Commissioner’s warning staved off Chinese action against the UK.³³ Nevertheless, the British losses in trade with China are estimated to be between one and two billion pounds sterling on account of the wrangling over Hong Kong in 1992-1996.³⁴

Finally, the most important issues on Hong Kong were resolved within the created Joint Liaison Group as a more pragmatic line emerged from Beijing and London in the immediate run-up to the 1 July 1997 hand-over. Despite growing economic links with China, official UK policy since the early-1980s was, until then and for almost two decades, dominated by this one subject. “It would not be a major exaggeration to say that until 1 July 1997, British relations with China were always coloured by Hong Kong” as Peter Ferdinand concluded in 2000.³⁵

Year	UK imports from the PRC	UK exports to the PRC	Trade volume	Fluctuation of trade volume compared to previous year (%)
1973	47.8	84.8	132.6	- 19.0
1974	66.7	81.5	148.2	+ 70.0
1975	78.3	74.1	152.4	+ 11.8
1976	86.9	68.2	155.1	+ 2.8
1977	104.3	62.3	166.6	+ 1.8
1978	110.6	91.1	201.7	+ 7.4
1979	137.8	213.0	350.8	+ 21.1
1980	153.4	169.5	322.9	+ 73.9
1981	184.0	120.0	304.0	- 8.0
1982	193.2	103.0	296.2	- 5.9
1983	231.4	159.7	391.1	- 2.6
1984	278.5	317.2	595.7	+ 32.0
1985	307.9	396.1	704.0	+ 52.3
1986 ³⁶	298.4	468.9	767.3	+ 18.2
1987	699.4	531.1	1,230.5	+ 9.0
1988	898.1	659.3	1,557.4	+ 60.4
1989	1,183	635.6	1,818.6	+ 26.6
1990	2,158	643.9	2,801.9	+ 16.8
1991	2,141	727.0	2,868.0	+ 54.1

1992	2,369	568.3	2,937.3	+ 2.4
1993	3,354	1,155	4,509.0	+ 2.4
1994	3,866	1,315	5,181.0	+ 53.5
1995	4,537	1,447	5,984.0	+ 14.9
1996	5,026	1,470	6,496.0	+ 15.5
1997	5,540	1,686	7,226.0	+ 8.6
1998	6,065	1,475	7,540.0	+ 11.2
1999	6,916	1,851	8,767.0	+ 4.3
2000	9,186	2,168	11,354.0	+ 16.3
2001	9,828	2,355	12,183.0	+ 29.5
2002	10,495	2,118	12,613.0	+ 7.3
2003	12,060	2,476	14,536.0	+ 3.5
2004	10,629	2,378	13,007.0	+ 15.2
2005	13,194	2,823	16,017.0	- 10.5

Table 4: UK-PRC trade volume, 1973-2005 (in million £)³⁷

8. British China Policy versus Germany's and France's

With its confrontational policy towards China under the umbrella of democratisation and human rights in Hong Kong in the early and middle of the 1990s, Britain follow a different policy then the other two main European competitors on the Chinese market France and Germany at that time.

In its first ever Asia concept paper published in January 1994 – it was the first Asia paper of any EC/EU country – the German government stressed the increasing political and economic importance of the Asia-Pacific region. The paper concluded that Germany, however, had “used given chances insufficiently”, leading to a under representation of Germany’s economy in the region. Precondition of an activation of German’s Asia-Pacific policy would be “an economic policy, which ensures competitiveness of [German] enterprises” among international competitors.³⁸ German Foreign Affairs Minister Klaus Kinkel explicitly put economic interests in the centre of Germany’s engagement in Asia. At a meeting with Germany’s Asia-Pacific ambassadors at the same year, Foreign Affairs Minister Kinkel said: “The most important and most actual priority in our Asia policy is the intelligent and long-term oriented effective promotion of our economic interests in Asia. I call insistently that this objective has to be your first obligation.”³⁹ Furthermore, half a year after the publication of the Asia concept paper, Chancellor Helmut Kohl stressed that China is a key role in Germany’s Asia Concept during Prime Minister Li Peng’s German visit in July 1994.⁴⁰ The German Chancellor, which always restrained from human rights critics while in China, became popular at the regime in Beijing and even grew to China’s “favoured partner” so Heinrich Weiss, Chairman Working Group China of the German Industry.⁴¹

Chancellor Kohl's regular China visits, until then he had visited China after Tiananmen three times and twice more between 1994 and 1998 when he left office, also underlined business orientation of German China policy. Every time business groups sometimes consisting of more than one hundred representatives accompanied him. Thus, in the shadow of Berlin's high ranked visiting diplomacy, domestic economy could conclude deals and sales intentions worth billions US-Dollars every time.

When British discourse with China over Hong Kong reached its peak, also France had lowered its voice on concerns over human rights and democracy in the PRC. End-1992, Foreign Affairs Minister Juppé merely relegated to the fact that also other French trading partners "are not being unblameable in human rights questions. [...] If would have to make a list, I would not know where to stop. Our opinion, therefore, is clear: We stick to our principles and tell our partners that we are not satisfied with the current situation. Furthermore, we defend France's interests."⁴² Had the French government avoided creating the impression to fall in line with the German motto of "non-public criticism" regarding human rights and democratisation, President Mitterrand announced a change in its China policy in this regard. Caused by a domestic wave of critics on French's human rights policy towards China,⁴³ Paris got again under pressure of justification. Like the German government, Mitterrand was now following indirectly the two principles "change through trade" and "economy before politics and human rights". At a press conference, after the common explanations of France's responsibility towards the values of the French revolution, the President declared in a conversation with his Chinese guest: "How can – realistically – someone not ask the question of direct relations between economic development, political democracy and individual as well common freedoms?"⁴⁴ After this statement, Mitterrand enumerated areas of possible economic co-operation and, therewith, confirmed implicitly that France's interests towards the PRC were primary targeted on economic areas as well as the controversy discussions on different ideas of human rights would be done in a even more reserved form from now on. After his election into office, this moral-political view was confirmed by President Jacques Chirac at the ASEM-Summit two years later in Bangkok⁴⁵ and in his speech at the University of Cairo⁴⁶ when he said that realisation of "universal" human rights would differ from country to country due to different history and culture.

In the 1990s, however, also France and Germany relations to China were not trouble-free. France sparked off fury in China with the sale of six frigates type *LaFayette* and with the negotiations for the sale of 60 *Mirage 2000* fighters to Taiwan in 1992. Beijing

condemned Mitterrand's "short-sighted Socialist government" for "forgetting principles for the sake of interest" and "violating the principles which were highly respected by all French governments since that of Charles de Gaulle."⁴⁷ Beijing then announced that it was closing the French Consulate General in Guangzhou, established just fourteen months ago and barring French companies from bidding for the contract to build the subway system in the same city. Moreover, China's State Council instructed its Ministries in mid-February 1993 to procrastinate negotiations with French enterprises at first and not to sign new contracts with them.

The German-Chinese Tibet crisis in June 1996 caused the biggest post-1989 crisis in the relationship between the two countries, leading to the temporary abolition of bilateral diplomatic contacts at the highest level. The origin of this crisis was the German Foreign Ministry Department's plan to co-sponsor a Tibet conference in Germany, organised by the *Friedrich Naumann Foundation*, and also the passing of a Tibet resolution in the German Parliament. Beijing saw in both a violation of Berlin's official "One China Policy". As an answer, Chinese authorities closed the Friedrich Naumann Foundation office in Beijing and over the next few months both countries cancelled various planned bilateral ministerial visits. The political "frostiness" between both governments melted when both governmental foreign ministers met at the fringe of the UN meeting on 24 September 1996. Here German Foreign Minister Klaus Kinkel agreed to respect as well as to follow the Chinese "Five Principle of Peaceful Coexistence" and the "One China Policy", which granted Beijing a greater freedom in their human rights and Tibet policies.

Although impressive growing rates in bilateral trade from 1993 to the 1997, as in the 1950s and 1960s, the government in London again came under pressure from its domestic industry. The British industry complained that the government's focus in its China strategy would not lead to the same economic success then those of Berlin and Paris. For both Paris and Berlin, the China friendly course was economically beneficial. France's industry was gradually struggling from decreasing exports due to the growing globalisation caused by the massive governmental financial support for the domestic industry, the focus of the domestic industry on economic areas with little economic growth potential such as Africa and OPEC states and the there from caused low international competitiveness. Having just minor suffered from China dispute over arms sales to Taiwan in 1992 and 1993 compared to the decade before, French China exports grew by more than 30% to a record of FF 12 billion between 1993 and 1994. French export volume in the period from 1993 to 1997 grew in average by more then 17% and

imports by about a quarter (see table 5), considerably ahead of the UK with 13.4 and 10.0% respectively.

	Average annual fluctuation Export (%)			Average annual fluctuation Import (%)			Average annual fluctuation Trade Volume (%)		
	Britain ⁴⁸	Germany	France	Britain	Germany	France	Britain	Germany	France
1950-1960	26.2	34.7	21.3	29.5	98.0	79.1	21.5	40.0	44.9
1960-1970	3.2	3.7	n/a	9.1	25.3	n/a	3.8	10.8	n/a
1970-1980	9.5	17.8	29.0	11.0	17.5	19.2	7.9	16.6	19.1
1980-1990	21.8	19.3	24.2	18.9	11.8	7.2	26.1	14.7	23.7
1990-1993	17.1	20.7	24.1	31.4	34.9	7.3	19.4	24.3	-19.9
1993-1997	13.4	11.9	17.7	10.0	2.6	24.6	12.5	8.3	19.8
1997-2000	18.8	19.5	21.8	10.0	20.8	3.4	16.7	19.9	15.0

Table 5: Average annual fluctuation in trade for selected periods

Whereas the French export/import ratio with China improved by 20% from 1993-1997, Britain's decreased by more than 30% as imports grew significantly faster than exports (table 6). Furthermore, French trade deficit towards China grew slower from 1993 to 1997 and even reduced for the first time in half a decade – by almost 12% from FF 12.1 billion to 10.7 billion from 1993 to 1994. Britain's China deficit, however, increased faster than the French.

Export/import ratio ⁴⁹	Britain	Germany	France
1950 ⁵⁰	0.34	0.77	0.60
1960	1.23	1.38	2.48
1970	1.33	1.98	0.87
1980	0.98	1.42	0.65
1990 ⁵¹	0.59	0.52	0.63
1993	0.66	0.70	0.43
1997	0.45	0.49	0.52
2000	0.48	0.51	n/a

Table 6: Export/import ratio for selected years

Germany's industry suffered from the German unification in the early and middle of the 1990s, which increasingly became a domestic burden. Between 1993 and 1997, Germany's import/export ratio decreased heavily due to domestic economic problems to adjust to globalisation. Germany's China trade seemed to flower but imports grew much faster than the exports. Although the German growth in export volume to China was

with 10% not as impressive as the French, business delegations were able to sign contracts and letters of intention worth around US\$ 10.5 billion, accompanying Chancellor Helmut Kohl's two China visits between November 1993 and November 1995 as well as during Chinese Prime Minister Jiang's Europe trip in 1995.

Overall, British export growth to China had lost superiority over Germany's export success in the PRC. Had the British exports grown faster than the German in until the early 1980s, Germany's export to China grew significantly faster than the British between middle of the 1980s and the early 1990s, also due to politically motivated large scale business deals. Despite all, British business was able not to lose ground in overall trade volume compared to Germany, reaching about 77% of Germany's trade volume with China over the period from 1993 to 1997. The British's export volume to China had never reached more than about 80% and never had fallen behind about 70% of the Germans, despite the period of the early 1960s to middle of the 1970s. In fact, the British trade volume was far behind those of Germany but began to catch-up in the middle middle of the 1990s before again losing ground towards the end of the decade.

When the German and French press imposed the economic successes to the fundamental criterion of each country's China diplomacy, London began to see in Paris's and Berlin's economic focus gradually a model. Based on this economic criterion, in the 1990s, the British industry was far behind the French triumphal speed of growth in China trade and were unable to continuously catch-up with Germany's rates. British business, however, would have an enormous potential in trade with China when Hong Kong would be returned to the mainland and "post-return" obligations to the crown colony in terms of democracy and human rights could be solved by one means or other.

9. British China policy under New Labour

The year 1997 did indeed bring some fundamental changes in Anglo-Chinese relations and in Whitehall's policy towards Beijing. Britain's determinants in China policy then changed and the bilateral relationships improved. The "successful" transfer of sovereignty of Hong Kong removed, almost overnight, the single biggest issue that had influenced UK-China relations for over two decades. The removal of this issue cleared the way for a new China policy under the new Labour government led by Tony Blair, elected two months before the transfer of sovereignty. Within days of being elected into office, the new Foreign Secretary Robin Cook broke with tradition by announcing "a global foreign policy", a "third way" and a "businesslike approach" for Britain's foreign policy in general and for China policy in particular. In his own contribution to defining

the third way in foreign policy, the Foreign Secretary claimed that he was mapping a course towards Beijing between the “row” and the “kow-tow”.⁵²

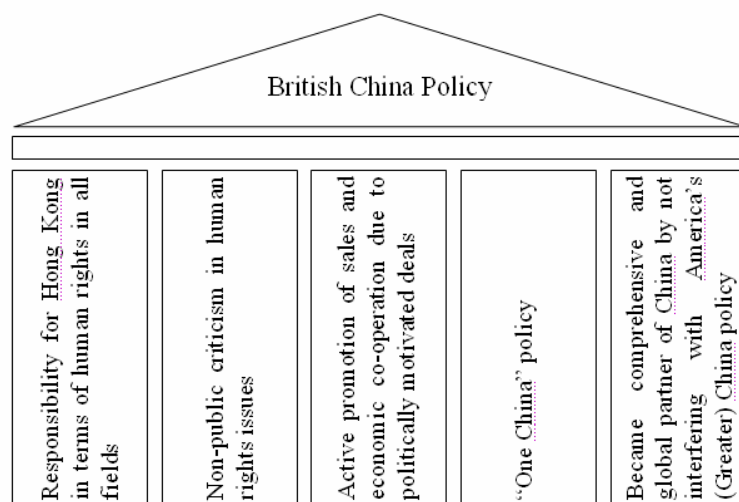
Two statements by Foreign Secretary Robin Cook and the Minister of State at the Foreign and Commonwealth Office (FCO), Derek Fatchett, symbolised the new China policy. Cook announced that “our foreign policy must have an ethical dimension and must support the demands of other peoples for the democratic rights on which we insist for ourselves. The Labour Government will put human rights at the heart of our foreign policy.”⁵³ The minister further rejected the low priority accorded to human rights by the previous government, but argued that more would be achieved through “dialogue” than through public confrontation.⁵⁴ Less than one month later, Minister Fatchett continued on this theme by saying that the new British China policy would have to create the environment for opening “a new chapter of more constructive relations with China across the board, addressing both trade and more difficult issues such as human rights. Transparency and the rule of law are important both on human rights grounds and as a basis for sound commercial relations.”⁵⁵

Being the third “big” EU Member beside France and Germany, such a dual emphasis on promoting trade whilst maintaining an ethical dimension to relations with China with a focus on human rights, seemed to generate a potential contradiction in objectives. Indeed, the statements by Minister Fatchett, were internationally welcomed but deemed as questionable given France’s and Germany’s experience with changing priorities in their China policy. Both countries crises with China over Taiwan and Tibet in the early and middle of the 1990s had shown that Paris and Berlin had been unable to define and follow a “practicable middle-way” between their own external economic interests and what the leaders in Beijing considers as interference in internal affairs. In a similar attempt to what London was trying to do, in Berlin and Paris, finally, the plan to influence China had failed and *realpolitik* pragmatism had kept its predominance.

In fact, in its investigation into British relations with China in 2000, the main concern of the House of Commons Foreign Affairs Committee was whether the commercial objective of winning contracts in China would override the political objectives of an ethical foreign policy. London argued that political change in China could best be promoted by locking China into the international system through primarily economic means.⁵⁶ In its submission to the Foreign Affairs Committee’s investigation into United Kingdom relations with China in 2000, the FCO reconfirmed its “moral and political” commitment to the people of Hong Kong.⁵⁷ The main emphasis in this submission was that the UK’s objectives in dealing with China were, however, to influence China’s

political, economic and social development in a positive, the British way, and to encourage China to play a responsible role both within the region and in the wider international community.⁵⁸ In effect, increasing economic ties with China was portrayed as being the best way of integrating China into the ‘international society’ and also of benefiting the interests of Britain’s business.⁵⁹ The characteristics of the China policy which Berlin (and Paris) had followed since the early 1990s were now also seen in London’s China policy.

Under these new circumstances, relationships between the PRC and the UK became smoother and were characterised by a friendlier atmosphere. From the middle of the 1997 to 2005 there were very frequent high ranking visits. To support the new British government in its course, Chinese Prime Minister Zhu Rongji made Britain his first stop in Europe when he visited for the second ASEM summit in London in 1998, the first visit by a Chinese Prime Minister to Britain in 13 years. Bilateral trade grew as fast as never before in Anglo-Chinese after War history. In order to identify their political and military dialogues and to work together towards a more peaceful and secure world, Zhu and Blair signed a comprehensive agreement during this visit. President Jiang Zemin followed in October 1999. Tony Blair paid a visit to Beijing in October 1998 just after Britain’s Deputy Prime Minister, John Prescott, was in China in July 1998. Again in 1999 Queen Elizabeth II toured China, and then welcomed Chinese Premier Wen Jiabao in London during his visit to Europe in May 2004, when he returned Blair’s Beijing visit of the previous year. During Wen’s visit in 2004, he and Blair agreed to strengthen both countries’ partnership, and both countries’ industrial representatives signed treaties worth over £1 billion.⁶⁰ Wen’s “successful” London visit was, however, overshadowed by three symbolic facts, which indicated that Britain had still not caught up with at least one of the two other main European rivals, namely: The Chinese Premier had visited Berlin before coming to London; his stay in Germany had been three times longer than in the United Kingdom; and he had signed deals on Sino-German industrial co-operations of higher value than those agreed with British industry.



Also in the opinion of some experts, high official meetings between both countries were becoming increasingly more dominated by economic issues. FCO-Minister Derek Fatchett noted several times in his speeches in the House of Commons that the Blair government had taken every opportunity to raise human rights matters with the Chinese government. When the British public blamed Downing Street for not censuring China more in both European and British human rights dialogues, however, the British government could only declare vaguely that the dialogues were producing “encouraging results”⁶¹ and that the matter would be open for review in future years if China was to fail to live up to its promises on human rights. This new diplomatic climate and the domestic pressure being exerted for profitable business results in China led to differences between spoken promises and real action in two ways: firstly, the Blair government realised that for UK-based companies working within China, the importance of political relations for commercial activities was and is more significant than for other European-based companies, given the structure of Britain’s economic relations with China. The United Kingdom is the biggest European investor in China and the 6th biggest foreign investor in total, but Britain’s trade relationship with China is not as strong. This can be explained by the fact that there is a tendency for British companies, when compared to other European companies, to locate and sell in that market rather than to sell to that market from abroad. Therefore, British companies were, for example, more affected and harder hit by compulsory take-overs in China during the 1950s and also during the Cultural Revolution. This has important implications for British’s relations with China in that, while trade issues and frictions remain important, resolving problems on behalf of British companies operating *within* China is more important for London than for its biggest EU competitors Germany and France, or the United States and Japan. Thus, British diplomatic representation within China finds itself taking on an increasingly large economic function on behalf of UK-based private companies operating there. The British government is trying to establish a close supporting net of governmental and non-governmental institutions in China and has just opened a new Consulate-General in Chongqing.

Secondly, although London has no longer had any formal responsibilities in Hong Kong since 1997, the Special Administration Region (SAR) is still a strong issue in Sino-British relationships, although this is decreasing in importance.⁶² Britain’s strong economic interest in China and Hong Kong as well as its historical responsibilities to the people of Hong Kong allows only little space for manoeuvre on human rights in the PRC. Robin Cook made this clear in his speech to the House of Commons Foreign

Affairs Committee, when he said the “prime consideration of British foreign policy in relation to China must be because we have a duty of care to the six million residents of Hong Kong.”⁶³ From the angle of business, British interests in Hong Kong at the time of its return to PRC were still about £70 billion.⁶⁴ How important Hong Kong remains for British interests is perhaps best illustrated by the fact that its Consulate-General in the territory is the largest worldwide. At the same time, Britain successfully unloaded some burdens on Hong Kong by “Europeanising” the issue as of 1997. Hong Kong now emerges as an EU issue rather than the preserve of a sole EU Member State, as the annual EU status reports on Hong Kong indicate.

This new diplomatic climate has also been formed and is influenced by the fact that both countries are permanent members of the United Nations Security Council. Both sides have recognised possibilities and the importance of co-operation within this international body. As a result of similar international interests and responsibilities, China and Whitehall agreed unspecified but rhetorically effective in 1998 and again in 2005 to intensify their political, military and economic dialogues and work together towards a “more peaceful and secure world”. When British Prime Minister Tony Blair visited China in 2003, Britain and China decided to establish a Task Force to strengthen their co-operation even further.

Whereas Berlin and Paris are focusing on trade in the partnership with Beijing, London wants to go further. In May 2004 at the signing ceremony of the Sino-British strategic partnership, Tony Blair explicitly pointed out that such a partnership includes high-level political dialogues and consultations on sustainable development besides of trade and economic co-operations. It includes strategic security and non-proliferation as well as Hong Kong and, therefore, is called rather “comprehensive strategic partnership”⁶⁵ from both sides. This partnership seems to be beneficial for Britain, which kept its status of being the largest European investor in China, pumping 12 billion dollars into the country by the end of 2004 and having established more than 4,300 British-Sino joint ventures so far.⁶⁶ In the autumn of the same year, Blair visited China as EU President for the EU-China summit, and combined that with intensive bilateral talks to develop the relationship even further. Besides Britain’s hope to improve its political influence on the global stage with China’s partnership, both sides have had in mind mainly economic improvements as only 2.6 percent of British imports come from China, and British investment in China only accounts for 0.3 percent of its total investment outside.

Since 2003, Britain is the second largest trade partner of China among EU countries ahead of France and after Germany, and Britain supports the abolishment of the EU

arms embargo to strengthen its political and economical relations with China. Nevertheless, Whitehall does not do this as publicly as other European partners and has even apparently pulled back from its earlier support. President Bush warned Britain recently that America would not tolerate the prospect of European military technology being used to threaten its soldiers in the Far East.⁶⁷ London faces a contradiction: On the one hand, to avoid clashes with the U.S., it should maintain the embargo, but on the other hand, the embargo – after the return of Hong Kong – is the sole main obstacle in Britain's relations to China. To find a way out of this dilemma, Britain is only willing to agree on abolishing the embargo when a clear Code of Conduct is defined within the EU – at least – to limit future arms sales to China and to appease the American administration. Positive for London is that Britain's less restrictive bilateral trade relations with China make it less vulnerable to pressure from Beijing to lift the military embargo than other governments in Europe.

10. Conclusion

The British China policy since the end of World War Two passed through five phases, each emphasising different main variables and having different results: the first phases was very short, from 1949 until 1951 and was characterised, firstly, by the objective to increase trade with China. London favoured a China ruled by the Communists rather than by the KMT as it expected better trade relations under Mao's rule. This deepening of economic co-operation should prevent, secondly that China becomes an ally of the Soviet Union, the main threat for Western Europe.

In the second phase, the security and economic issue became alternately superior to each other. On the one hand were the very cautious initial official contacts with China put under pressure due to the Chinese involvement in the Korean War and the resulting anti-China policy of the U.S. and the whole Western Camp. Despite its containment policy towards China in East Asia, on the other hand, London tried to improve relations to Beijing to relax the difficult hostage situation for the British business in the PRC. Neither in the political nor in the economic area could Whitehall achieve a breakthrough in Sino-British relations. Finally, the period of the Cultural Revolution caused the bilateral relations to fall to low ebb in both economic and political terms.

In the 1970s, gradually, both the PRC and UK changed their policy towards each other, introduction phase number three. London showed intentions for a more U.S.-independent foreign policy and Nixon's Beijing visit released Britain from the anti-China pressure in the Western Camp as well as made an official re-approach in the political field possible. China and Britain exchanged ambassadors. Now, Whitehall was

able to balance the two contradictory factors it had failed to combine a decade ago: the domestic industrial requests of improving relations with China, and, at the same time, not breaking with the American Greater China policy. The Chinese governmental framework of its foreign priority of emphasising economic construction and productive factors laid down a good foundation for trade and economic co-operation with Britain. London, keen to compete against the more successful French and German position on the Chinese market, could dramatically increase bilateral trade and Britain became the second biggest European trading partner for China. The economic factor – at present and for the future – was also among the leading inducement for Whitehall to solve the last outstanding issue with China: Hong Kong. In 1984, China and Britain signed the Joint Declaration on the Questions of Hong Kong and agreed to return the crown colony in 1997.

The Tiananmen incident was the beginning of the fourth phase in the British relations towards China, starting in the middle of 1989 and changing the focus of the British China policy towards human rights and democracy in Hong Kong. Again, as the expected the already solved “Hong Kong issue” returned to dominate the bilateral relations. As Britain took some unilateral actions in Hong Kong the mistrust of the 1950s and 1960s returned to dominate the relations. Unlike Germany and France, Britain was willing to “fight” for the citizens in the crown colony in terms of human rights and democracy at “economic costs”. London’s returned to idealistic behaviour and became “disciplined” by Beijing with economic and political measures in the following years.

Nevertheless, the smooth handover of Hong Kong in July 1997 led Sino-British relations into a new, fifth, period. Since 1997, more than ever before, the British government has been trying to combine officially two objectives in China: develop of commercial opportunities for UK companies and to promote ‘positive’ social and political change in China. The progress of globalisation put London under domestic pressure to improve economic relations to China. At the same time, the obliteration of the last historical remains of the “unequal treaties” gave London the real opportunity to successfully participate in an economic focus China policy by Paris and Berlin for the first time since 1949. London openly participates the liberal camp believing that economic engagement will create a dense network of transnational interactions that will generate political and social change in China, as it becomes deeply enmeshed in the global economy. Because of this, London gave up its offensive character shown in Hong Kong during the times of change and came in line with the determinants of “non-

public criticism in human rights issues” and “change through trade” Germany and France has been following since the early 1990s. The application of these two factors, together with the gradual transfer of the problematic Hong Kong issue to the multinational EU level, increasingly “Europeanised” the British China policy. As with France and Germany before, in 2004, China declared the relationship with Britain to be a “strategic partnership” but announced the creation of a political framework to develop the relationship even further. Unlike Paris and Berlin, London tries to include also strategic security issues.

By subordinating the social dimension to both the economic and political dimensions, the British policy towards China became not only more “Europeanised” also more “Chinanised”. Having in mind the negative experience of the French in 1992 and 1993 over Taiwan and the German government over Tibet in 1996, Britain under Blair accepts the Chinese demands of non-interference in domestic issues, which includes explicitly questions on Taiwan, Tibet and (to a less extend) Hong Kong as well as democracy and the human rights issue. Whitehall knows that different matters importance in the UK’s policy towards China would be unacceptable for China’s leaders. In Britain, the economic factor for the 21st century triumphed over idealism.

Notes/References

¹ In this paper the People's Republic of China (PRC or China for short) refers to mainland China without Taiwan. If Hong Kong (SAR) or Macao (SAR) is included in trade statistics, tables or figures, they will be to as such.

² For example 42 British sailors were killed when four British navy ships were caught in crossfire between Mao's troops and the Kuomintang on the way from Shanghai to Nanjing in 1947 (Evan Luard (1962) *Britain and China* (London: Chatto & Windus), here p. 48.

³ Kenneth Youngster (1953) 'An Analysis of British and U.S. Politics in the Far East', *Eastern World*, March 1953: 3-14, here p. 10.

⁴ Sir Roger Makings (1954), 'The World Since the War: The Third Phase', *Foreign Affairs*, October 1954: 1-13, here p. 6.

⁵ In June 1946, the British Prime Minister Winston Churchill declared that "our policy with regard to China is to do everything to secure conditions favourable to our trade" (*Board of Trade* (1948) 'Report of the United Kingdom Trade Mission to China, October and December 1946 -, Report from the Board of Trade' (London: Board of Trade), here p. 171.

⁶ Cheng Fang (1948) 'Industrial Policy in Liberated China', *China Digest*, 7 September 1948: 3-14, here pp. 8-9; O. M. Green (1951) 'British Trade with China', *Eastern World*, February 1951: 29-35, here pp. 34-35.

⁷ Mao Zedong (1987) *Jianguo Yilai Mao Zedong Wengao* (Mao Zedong's Manuscripts since the Founding of the People's Republic of China), Vol. 1 (Beijing: Zhongyang wenxian), here p. 253.

⁸ In early 1952, for example, Britain began to impose a series of sanctions on China (The Foreign and Commonwealth Office (1951) *H. C. Deb.*, series 5, Vol. 487, Attlee (3 May 1951), here Cols. 245-52).

⁹ *People's China* (1952), 01/08/1952, here pp. 34-35.

¹⁰ *Ibid.*

¹¹ Humphrey Trevelyan (1971) *Worlds Apart: China 1953-5 Soviet Union 1962-5* (London: Macmillan), here p. 58.

¹² The China Association (1950) *The China Association Bulletin*, 20 March 1950, Vol. 46 (London: The China Association), here p. 1.

¹³ London successfully could cancel the notion in the American SEATO draft that "Each party recognises that Communist aggression by armed attack in the treaty area [...] would endanger its own peace and safety." (article 4 in the draft), which was aimed against Chinese threat (Robert Boardman (1976) *Britain and the People's Republic of China 1949-1974* (London: The Macmillan Press), here p. 72).

¹⁴ Wu Quan (1954) 'Bi Xu Ji Bai Meiguo Pincou Dong Nan Ya Qinlve Jituan De Yinmou', *Renmin Ribao*, 06/08/1954: 4.

¹⁵ Foreign and Commonwealth Office (1953-1954) *H. C. Deb.*, series 3, Vol. 185 (1953-4), here p. 277.

¹⁶ Foreign and Commonwealth Office (1956-1957) *H.C. Deb.*, series 5, No. 571 (1956-7), here p. 618.

¹⁷ Foreign and Commonwealth Office (1952-1953b) *H.C. Deb.*, series 1 No. 181 (1952-3), here p. 1215.

¹⁸ Sources: Far Eastern Economic Review; China Trade Report; Quarterly Economic Review: China, Hong Kong, North Korea (all various issues).

¹⁹ Most Western European states had established full diplomatic relations with China in the last two years and increasingly took economical advantage from this step.

²⁰ A. M. Rendel (1972) 'Ambassador to China after 22-year interval', *The Times*, 14/03/1972: 1.

²¹ *Daily Telegraph*, 'Britain ignores Taiwan over relations to China' 14/09/1972: 4

²² Sources: The Times; Financial Times; Daily Telegraph; The China Association Bulletin; The China Association Annual Report; Foreign Office series (all several issues).

²³ Liang Shangyuan (1989) *Zhonggong zai Xianggang* (The Chinese Communists in Hong Kong) (Hong Kong: Wide Angle Press), here p. 138.

- ²⁴ Henry Stanhope (1983) 'Thatcher 'admits' Hongkong claim', *The Times*, 30/06/1983: 32.
- ²⁵ David Bonavia (1985) 'Accord on Sino-French Reactor', *The Times*, 05/05/1985: 8.
- ²⁶ Sources: China Aktuell (2004), Op. Cit.; PRC Embassy (2005) 'Backgrounder: Sino-British Relations (2003/10/12)', *China's Embassy in Britain*; accessed on: 07/03/2006, <http://www.chinese-embassy.org.uk/eng/wjzc/t27071.htm>, various issues.
- ²⁷ Henry Stanhope (1985) 'Britain and China sign nuclear deal', *The Times*, 04/16/1985: 1.
- ²⁸ Edward Townsend (1985) 'China buys 10 British airliners for £ 120 million', *The Times*, 10/04/1985: 1.
- ²⁹ European Council (1989) *Declaration of European Council, Madrid, 27.6.1989 - embargo on arms*, accessed on: 04/06/2005, http://europe.eu.int/comm/external_relations/cfsp/sanctions/measures.htm#1
- ³⁰ *Politique Étrangère de la France, Textes et Documents* (1989) September 1989: 72-75, here p. 73.
- ³¹ *Beijing Review* (1992) 'Hong Kong – Chinese Spokesman Explains Documents', November 16-22, Vol. 35, No. 46: 8-10, here p. 10.
- ³² Kevin Murphy (1994) 'EU Warns China on U.K. Trade', *International Herald Tribune*, accessed on: 12/06/2006, <http://www.ihf.com/articles/1994/03/01/hong.php>
- ³³ Hanns Maull, Gerald Segal and Jusuf Wanandi (1998) *Europe and the Asia Pacific* (London: Routledge), here p. 185.
- ³⁴ Percy Craddock (1999) *Experiences of China* (London: John Murray), here p. 281.
- ³⁵ Peter Ferdinand (2000) 'UK policy towards China', pp. 29-62, in: Miguel S. Neves and Brian Bridges (eds.) *Europe, China and the Two SARs. Towards a New Era* (Basingstoke: Macmillan), here p. 29.
- ³⁶ From January to November only.
- ³⁷ Figures for 1973-1976: Percy Timberlake (1994) *The 48 Group: The Story of the Icebreakers in China* (Didcot: Bocardo Press); 1977-1980: supplement to January issues for data on the previous year in *Sino-British Trade* published by The Sino-British Trade Council; 1981-1983: March issues, *Sino-British Trade* Op. Cit.; 1984-1986: December issues for data on the current year, *China-British Trade Review* published by The Sino-British Trade Council; 1987-1991: Wang He (1999) 'Zhong ying jing mao guan xi' (Sino-British Trade Relation), *Ouzhou* (Europe), Vol. 17, No. 6: 47-53, here p. 48; 1992-2004: Office of National Statistics (2002) *United Kingdom Balance of Payments, 2001 – The Pink Book* (London: Office of National Statistics), pp. 130-131; 2005: 131-132; figures from 1998-2004 incl. Hong Kong.
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- ³⁹ Bulletin des Bundespresseamtes (Bulletin of the Federal Public Relations Office) (Germany) (1994) *Bulletin from 28/01/1994* (Berlin: Presse- und Informationsamt der Bundesregierung), here p. 8.
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- ⁴¹ In an interview with the business journal *Wirtschaftswoche* ((1995) 'Emotionales Geplänkel' (Emotional Banter), interview with Heinrich Weiss, Chairman Working Group China of the German Industry, 20/07/1995: 22-23, here p. 22).
- ⁴² In an interview with French newspaper *Le Figaro* on 31/03/1992 (*Politique Étrangère de la France, Textes et Documents* (1994) June 1994: 104-105, here p. 104).
- ⁴³ Robert Ménard (1994) 'Un régime qui n'a pas d'avenir' (A Regime without Future), *Le Monde*, 03-04/09/1994: 10; *Le Monde* (1994) 'Lettre ouverte de Tibétains à M. Mitterrand' (An Open Letter from Tibetans to Mr. Mitterrand), 10/09/1994: 5.
- ⁴⁴ *Ministre des Affaires Étrangères* (French Foreign Ministry) (1994) 'Allocution prononcée par le Président de la République, M. François Mitterrand, lors du dîner officiel offert en l'honneur

de Monsieur le Président de la République populaire de Chine et Madame Jiang Zemin', (Announced speech by the President of the [French] Republic, Mr. Mitterrand, on account of the official dinner in honor of the President of the People's Republic of China and his wife, Ms. Jiang Zemin), published 09/09/1994.

⁴⁵ *L'Express* (1996) 'Le pari chinois de Chirac' (Chirac's Chinese Bet), 04/04/1996: 1.

⁴⁶ *Frankfurter Allgemeine Zeitung* (1996) 'Eklat beim Besuch des chinesischen Regierungschefs in Paris' (Commotion at Visit of the Chinese President in Paris), 12/04/1996: 2.

⁴⁷ Patricia Wellons (1994) 'Sino-French Relations: Historical Alliance vs. Economic Reality', *The Pacific Review*, Vol. 7, No. 3: 341-348, here p. 346.

⁴⁸ Data for export, import and trade volume not available for (incl.) 1973-1979; data for 1971-1972 and 1980 not sufficient for calculation due to different currencies.

⁴⁹ Calculation: Export volume of the year / import volume of the same year. Is result equal 1, export volume same as import volume. Results smaller 1, exports larger than imports = trade deficit; results larger 1, imports larger than exports = trade surplus.

⁵⁰ Basis for calculation for France is year 1952.

⁵¹ Basis for calculation for Britain is year 1992.

⁵² *Daily Telegraph* (1998) 'EU agrees to take softer stance on China rights', 24/02/1998: 6.

⁵³ *The Guardian* (1997) 'Robin Cook's speech on the government's ethical foreign policy, The speech by Robin Cook that started it all', 12/05/1997: 9.

⁵⁴ Foreign and Commonwealth Office (1998) *Annual Report on Human Rights*, Department for International Development, April 1998, here p. 16-18; accessed on: 07/03/2006, http://www.fco.gov.uk/Files/kfile/HRPD_98Chap1.pdf

⁵⁵ House of Commons (1997) *Hansard Volume - House of Commons Debates*, 10 Jun 1997, Vol. 295: Column 932.

⁵⁶ Foreign Affairs Committee (2000a) *Tenth Report, Session 1999-2000: Relations with the People's Republic of China*; here parag. 122, accessed on: 02/03/2006, <http://www.publications.parliament.uk/pa/cm199900/cmselect/cmfaaff/574/57404.htm#a2>

⁵⁷ Foreign Affairs Committee (2000b) *Submission to Tenth Report, Session 1999-2000: Relations with the People's Republic of China*, Foreign Affairs Committee (Norwich: HMSO), here p. 4.

⁵⁸ More specifically, the principal objectives were summarised as follows: (i) to encourage and support China's closer integration into the international system, in all fields, as a friendly and responsible partner; (ii) to help China deliver economic reform and prosperity and to eradicate poverty, to promote positive change in human rights, 'giving a particular emphasis to the rule of law'; (iii) to advance our commercial interests.

⁵⁹ Foreign Affairs Committee (2000a), parag. 122, Op. Cit.

⁶⁰ *China Aktuell* (2004) 'Wens weitere Europastationen: Italien, Grossbritannien und Irland' (Wen's other stops in Europe: Italy, Great Britain and Ireland), May 2004: 471-472, here p. 471.

⁶¹ *Daily Telegraph* (1998), Op. Cit.

⁶² For details, see Miguel S. Neves and Brian Bridges (2000), especially pp. 29-62, 196-207 and 226-244.

⁶³ Foreign Affairs Committee (1998) *Examination of witnesses (Questions 180 - 199)*, 06/01/1998, The Rt Hon Robin Cook, MP and Mr Ronald Nash, LVO, here Questions 186; accessed on: 10/01/2006, <http://www.publications.parliament.uk/pa/cm199899/cmselect/cmfaaff/100/8010605.htm>

⁶⁴ Reuters (1996) 'Britain Grants Hong Kong Visa Concessions', *The New York Times*, 04/03/1996: 3.

⁶⁵ People's Daily (2004) 'China, UK vow to develop strategic partnership: joint statement', *People's Daily*, 11/05/2004; accessed on: 05/05/2006, http://english.people.com.cn/200405/11/eng20040511_142893.html

⁶⁶ Agence France-Presse (2005) 'Blair to oversee Sino-British trade', *Agence France-Presse*, 06/09/2005; accessed on: 09/06/2006, http://www.hindustantimes.com/2005/Sep/08/5983_1483356,00430004.htm

⁶⁷ Anton La Guardia (2005) 'US fury over EU weapons for China', *Telegraph*, 15/01/2005; accessed on: 03/02/2006, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/01/15/wchina15.xml&sSheet=/news/2005/01/15/ixnewstop.html>