



INTELLIGENCE AND SECURITY COMMITTEE OF PARLIAMENT



PRESS NOTICE

The Intelligence and Security Committee of Parliament published its Report on China today. The Chairman of the ISC, the Rt Hon. Sir Julian Lewis MP, said:

“This Report considers the nature of the national security threat from China broadly, as well as in relation to three specific areas (Academia, Industry and Technology, and Civil Nuclear Energy). It is the result of an extensive Inquiry by present and past Committees, and we would like to take this opportunity to thank past Members of the ISC for all of their work.”

The Chairman set out the Committee’s key findings on each of the key aspects of the Report:

On the National Security Threat to the UK:

- ***The UK is of significant interest to China when it comes to espionage and interference, given our close relationship with the United States, membership of international bodies and the perception of the UK as an opinion-former. This would appear to place the UK just below China’s top priority targets, as it seeks to build support for its current ‘core interests’ – to mute international criticism and gain economically.***
- ***The fact that China is a strategic threat is not news. It is China’s global ambition to become a technological and economic superpower, on which other countries are reliant, that represents the greatest risk to the UK. China seeks to influence elites and decision-makers, to acquire information and Intellectual Property using covert and overt methods, and to gain technological supremacy.***
- ***China’s state intelligence apparatus – almost certainly the largest in the world, with hundreds of thousands of civil intelligence officers (leaving aside their military capability) – targets the UK and its interests prolifically and aggressively, and presents a challenge for our Agencies to cover. China’s human intelligence collection is prolific, and it has a highly capable and increasingly sophisticated cyber-espionage operation.***

The Chair of the Joint Intelligence Committee told the ISC that:

“there is effectively a global values struggle going on in which China is determined to assert itself as a world power ... China is increasingly thinking of a future in which it could be the world power and that means that – if you think of UK interests as being in favour of good governance and transparency and good economic management, which ... serve our national interest because it helps with trade, investment, prosperity and stability and so forth – then I think that China represents a risk on a pretty wide scale.”

On the ‘Whole-of-State’ Approach:

- *The problem is compounded by China’s ‘whole-of-state’ approach. Chinese state-owned and non-state-owned companies, as well as academic and cultural establishments and ordinary Chinese citizens, are liable to be (willingly or unwillingly) co-opted into espionage and interference operations overseas.*
- *Much of the impact which China has on the UK’s national security is overt – through its economic might, its takeovers and mergers, and its interaction with Academia and Industry. China’s size, ambition and capability have enabled it to successfully penetrate every sector of the UK’s economy.*
- *China is similarly aggressive in its interference activities: while seeking to exert influence is legitimate, China oversteps the boundary. It has been particularly effective at using its money and influence to penetrate or buy Academia in order to ensure its international narrative is advanced and criticism suppressed.*
- *China’s attempts to influence the international narrative can also be seen clearly in its response to the pandemic, sowing seeds of doubt about the origins of the virus and greatly exaggerating its work to counter it. China has positioned itself to capitalise on the damage to world economies and may well emerge from the pandemic stronger than before.*

The Director General of MI5 told the ISC that:

“the challenge of the rise of China absolutely raises huge questions for the future of the Western alliance ... none of us can give a confident long-term answer to exactly how the balance of power plays out globally across the next few decades but it is clear for all of us that this is, I think, the central intelligence challenge for us across the next decade.”

On Protecting the UK:

- *The Government told the Committee that its response to the threat is “robust” and “clear-eyed”. China experts were rather less complimentary, concluding that the Government has no strategy on China, let alone an effective one, and that it was singularly failing to deploy a ‘whole-of-Government’ approach – a damning appraisal indeed.*
- *We found that the level of resource dedicated to tackling the threat posed by China’s ‘whole-of-state’ approach has been completely inadequate, and the slow speed at which strategies and policies are developed and implemented leaves a lot to be desired.*
- *The nature of China’s engagement, influence and interference activity may be difficult to detect, but even more concerning is the fact that the Government may not previously have been looking for it.*
- *The UK Intelligence Community has been open with the Committee about the challenges of detecting Chinese interference operations (overt or covert activities which involve deceptive, coercive, corruptive or threatening actions). However,*

until recently, our Agencies did not even recognise that they had any responsibility for countering Chinese interference activity in the UK, instead focusing their efforts on China's 'covert' activity, as resources were diverted to tackling the terrorist threat.

- *Yet the security community, and Government in general, were aware of many of these issues several years ago and we are surprised at how long it has taken for a process to be put in place to identify and protect UK assets, based on the UK's sovereign interests: this is a serious failure and one that the UK may feel the consequences of for years to come.*
- *Responsibility for addressing the more overt aspects of the threat seems to rest with Whitehall policy departments: however, there is no evidence that those departments have the necessary resources, expertise or knowledge of the threat to counter China's approach. The UK is now playing catch-up and the whole of Government has its work cut out to understand and counter the threat from China.*
- *Yet the Government's focus is still dominated by short-term or acute threats. It has consistently failed to think long-term – unlike China, which has historically been able to take advantage of this. The Government must adopt a longer-term planning cycle in regards to the future security of the UK if it is to face Chinese ambitions which are not reset every political cycle. This is something which will likely require Opposition support – but the danger posed by doing too little, too late, in this area is too significant with which to play politics. The UK is severely handicapped by the short-termist approach currently being taken.*

In evidence, Charles Parton of the Royal United Services Institute told the ISC that:

“There is no unified voice within Government about what our China strategy is ... not only do you need a strategy but you actually need people to know what the strategy is and to follow it, and you need the Chinese to know what your strategy is – and none of that applies.”

On Security vs. Prosperity:

- *It is clear that China has taken advantage of the policy of successive British Governments to boost economic ties between the UK and China, which has enabled it to advance its commercial, science and technology and industrial goals in order to gain a strategic advantage. China has been buying-up and seeking to control or influence the UK's Industry and Energy sectors and – until the Covid-19 pandemic – Chinese money was readily accepted by HMG with few questions asked.*
- *China's economic power cannot be ignored when formulating the UK's policy: the balance between security and prosperity requires dexterity and we understand that there are a number of difficult trade-offs involved. However, the Government needs to ensure that it has its house in order such that security concerns are not constantly trumped by economic interest.*

On Avoiding Democratic Oversight:

- *Our predecessor Committee sounded the alarm about Russia, warning that too many politicians could not take a decision on an investment case because they had taken money from those concerned. We know that China invests in political influence and we question therefore whether similar problems might be arising in relation to China.*
- *We are reassured that, belatedly, security aspects are now being given prominence: the Government has, finally, put in place legislation (the National Security and Investment Act 2021) to consider investment decisions and factor in security – eight years after this Committee warned them to do so. However, there is still no effective independent oversight of the decisions being made under the NSI Act. We cannot therefore be confident that security is actually being taken into account or if, for Ministers drawn to the siren call of investment, that is still regarded as a trade-off.*
- *The fact that the Government does not want there to be any meaningful scrutiny of sensitive investment deals, and therefore deliberately chose not to extend the ISC's oversight remit to cover the Investment Security Unit, is of serious concern. Effective Parliamentary oversight is not some kind of 'optional extra' – it is a vital safeguard in any functioning Parliamentary democracy.*
- *It is essential that there is effective scrutiny and oversight of the ISU – particularly important in this case, given the length of time that Chinese investment has gone unchecked – and that can only be undertaken by this Committee. This will have a significant impact on national security, and upon the trust placed by the public in Ministers who are charged with weighing-up fundamental interests behind closed doors.*

On Interference in, and Advantage from, UK Academia:

- *The UK's academic institutions provide a rich feeding ground for China to achieve political influence in the UK and economic advantage over the UK.*
- *In order to control the narrative of debate, China exerts influence over institutions by leveraging fees and funding, over individual UK academics through inducements and intimidation, over Chinese students by monitoring and controlling, and over think tanks through coercion. Yet Government has shown very little interest in warnings from Academia: at the time of drafting there was no point of contact in Government for them to seek advice on these issues.*
- *In seeking economic advantage, China often acts in plain sight – directing, funding and collaborating on academic research for its own ends. In particular, it seeks to benefit the Chinese military through research on dual-use techniques. There is a question as to whether academic institutions are sufficiently alive to this threat, particularly given that they often accept the transfer of Information Data and Intellectual Property as a condition of funding. While some have expressed concern, others seem to be turning a blind eye, happy simply to take the money.*
- *Academia is also an 'easy option' when it comes to theft of Intellectual Property, with China taking advantage of collaborative projects to steal information which may be less protected. At present, HMG still seem to be trying to understand the*

threat: there is still no comprehensive list of the areas of sensitive UK research which need protecting. Identifying these key areas of research must be a priority – they must be communicated to Academia as a matter of urgency so that protective action can be taken. Unless and until this is done then the UK is handing China a clear economic advantage over the UK.

- *Tackling the threat in relation to Academia could have been an example of the Fusion Doctrine working seamlessly – with each part of Government clearly contributing to an overall goal. But, as in so many areas, the devolution of responsibility for security to policy departments means that the ball is being dropped on security. Policy departments still do not have the understanding needed and no plan to tackle it. And in the meantime China is on hand to collect – and exploit – the achievements of the UK’s best and brightest, as the UK knowingly lets this fall between the cracks.*

On Targeting of Industry and Technology:

- *China is seeking technological dominance over the West and is targeting the acquisition of Intellectual Property and data in ten key industrial sectors – many of which are fields in which the UK has particular expertise.*
- *The West is already over-reliant on Chinese technology. As the role of technology in everyday life increases exponentially, so the UK will be at an increasing disadvantage compared to China – with all the attendant risks for our security and our prosperity. British technology and innovation are therefore critical and must be robustly protected.*
- *China uses all possible legitimate routes to acquire UK technology, Intellectual Property and data – from buy-in at the ‘front end’ via Academia, to actual buying-in through licensing agreements and Foreign Direct Investment, and the exertion of control over inward investments and standard-setting bodies. The cumulative threat can now be clearly seen.*
- *However, such overt acquisition routes have been welcomed by HMG for economic reasons, regardless of the risks to national security, and the threat to future prosperity and independence was discounted in favour of current investment.*
- *Without swift and decisive action, we are on a trajectory for the nightmare scenario where China steals blueprints, sets standards, and builds products, exerting political and economic influence at every step. This presents a serious commercial challenge, but also has the potential to pose an existential threat to liberal democratic systems.*

On Investment in Civil Nuclear Energy:

- *China’s use of the UK as a home for Chinese investment can be seen from the China General Nuclear Power Group’s involvement in the UK Civil Nuclear sector. The scale of its investments — and its willingness to undergo expensive and lengthy regulatory approval processes – demonstrates China’s determination to become a permanent and significant player in the UK Civil Nuclear Sector, as a stepping stone in its bid to become a global supplier.*

- *The question is to what extent the Government is prepared to let China invest in such a sensitive sector, for the sake of investment, and whether the security risks have been clearly communicated to, and understood by, Ministers. The Government would be naïve to assume that allowing Chinese companies to exert influence over the UK's Civil Nuclear and Energy sectors is not ceding control to the Chinese Communist Party.*
- *It is therefore unacceptable for the Government still to be considering Chinese involvement in the UK's Critical National Infrastructure at a granular level, taking each case in isolation. It is alarming that the then Department for Business, Energy and Industrial Strategy (BEIS) considered that foreign investment in the UK's Civil Nuclear sector did not need to be looked at in the round. We question how any department can consider that a foreign country single-handedly running our nuclear power stations shouldn't give pause for thought: this demonstrates that they do not have the expertise to be responsible for such sensitive security matters.*
- *We have serious concerns about the incentive and opportunity for espionage that Chinese involvement in the UK's Civil Nuclear sector provides. While we recognise that the threat of disruption is less likely, the threat of leverage is very real.*
- *China's ability to exert some control over the UK's Critical National Infrastructure will complicate the Government's calculations in its broader approach to China: in other words, it may not be possible to separate the Civil Nuclear industry from wider geopolitical and diplomatic considerations.*

On Capitalising on Covid-19:

- *Now is not the time to try to reach conclusions about Chinese intent or actions over the origins and development of the pandemic. It is still too soon as it is likely that more information will come to light about Covid-19 as investigations continue. Initial work does appear to support the World Health Organization and the US Intelligence Community's public statements that the virus was not man-made and China did not deliberately let it spread – even though a reluctance to pass bad news up the chain appears to have hindered the response.*
- *The key issue for the future is the extent to which China will now capitalise on the pandemic as other countries suffer its effects – and how the UK Intelligence Community and its allies will stop this growing threat.*

NOTES TO EDITORS

1. The Intelligence and Security Committee of Parliament (ISC) is a statutory committee of Parliament that has responsibility for oversight of the UK Intelligence Community. The Committee was originally established by the Intelligence Services Act 1994, and was reformed, and its powers reinforced, by the Justice and Security Act 2013.
2. The Committee oversees the intelligence and security activities of the UK, including the policies, expenditure, administration and operations of M15, M16 (the Secret Intelligence Service or SIS) and the Government Communications Headquarters (GCHQ), and the work of the other parts of the Intelligence Community, including the Joint Intelligence Organisation and the National Security Secretariat in the Cabinet Office; Defence Intelligence in the Ministry of Defence; and Homeland Security Group in the Home Office.
3. The Committee consists of nine members drawn from both Houses of Parliament, and appointed by Parliament. The Chair is elected by its Members. The Members of the Committee are subject to Section 1(1)(b) of the Official Secrets Act 1989 and are routinely given access to highly classified material in carrying out their duties.
4. This Report reflects the work of the current Committee who are:
 - The Rt Hon. Sir Julian Lewis MP (Chairman)
 - The Rt Hon. Sir John Hayes CBE MP
 - Owen Thompson MP
 - The Rt Hon. Sir Jeremy Wright KC MP
 - The Rt Hon. Kevan Jones MP
 - The Rt Hon. Maria Eagle MP
 - Colonel The Rt Hon. Bob Stewart DSO MP
 - Admiral The Rt Hon. Lord West of Spithead GCB DSC PC
 - The Rt Hon. Theresa Villiers MP
0. The Committee sets its own agenda and work programme. It takes evidence from Government Ministers, the Heads of the intelligence and security Agencies, officials from across the UK Intelligence Community, and other witnesses as required. The Committee makes an Annual Report on the discharge of its functions and also produces Reports on specific issues.
0. The Committee's dedicated Press Officer can be reached at:
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