

TO: Wang Yi, PRC Minister of Foreign Affairs

FROM: Xinyan Chu, Chinese diplomat, Ministry of Foreign Affairs

DATE: Nov.5th 2024

RE: Addressing UK-China Tensions Over Technological Export Restrictions

Summary

This memo looks at emerging conflicts between the United Kingdom and China on Technology Transfer and Export Restrictions. The paper suggests that to facilitate this its the best approach to enter into a bilateral agreement with a view of ensuring that only authentic security concerns are presented without compromising on the potential economic gains of both countries. It is therefore a policy that seeks to ease tension, encourage cooperation and enhance the business relationship between the UK and China.

Background

Some of the issues that have recently characterized trade relations between the UK and China are technical/offshore complications on transfers of technology and export restrictions. The fear of the Chinese technology companies when it comes to security in accessing critical infrastructure has seen the regulation and banning of Huawei especially when it comes to 5G infrastructure (House of Commons Foreign Affairs Committee, 2023). It has characterized business by interruptions and has created economic instability.

Technology industry is one of the important components in the economy of both countries and interruptions of the technological cooperation can have negative consequences on the world. Also, lack of technology transfer hinders development and may deny the two countries the best opportunity to harness technology as the world advances. As a result, there is a need to develop long and multilateral comprehensive policy that will address these challenges and at the same time consider both security and economic aspects of the given issue.

Policy Options

Maintain the Status Quo

Advantages: It also maintains the current security policies; as a result, the UK refrains from potential threats that are associated with Chinese technology. That also means clear positions on national security questions Wrapped in nationalistic rhetoric, it also reveals firm commitment to secure the nation's security.

Disadvantages: Pursuing the current restraints might provoke some backlash from China thus worsening the Trump trade war and hurting trade ties. It may also reduce foreign direct investment and cooperative research and development processes (Liu and Zhang 2023).

Introduce Further Export Restrictions

Advantages: Enlarging restrictions may solve all the potential security issues and meet public demands to make the policies tighter. It would also reduce the risk of sensitive technologies to be utilized in various processes and projects that are contrary to the interest of the nation.

Disadvantages: This option can worsen the Sino-US relations and might contribute to a “tech decoupling” situation where China looks for other markets in other places to decrease reliance. It could also lead to reciprocal measures on UK technology companies working in China (I Zhang, 2022).

Negotiate a Bilateral Technology-Sharing Agreement

Advantages: This approach foments and fosters dialogue and understanding as both countries can address security issues while at the same time promoting the technological one. It can create a set of best practices for technology sharing in certain domains that would enhance the level of trust and reduce risks. Wang (2024) conducted a study and found that economic gains would occur with relaxed measures and additional market access.

Disadvantages: This would be a drastic solution which would cause much diplomatic work and some political capital to be expended. Some stakeholders might perceive any soft signal as weakness which may cause criticism in its home country. Further, entering into such agreements entails a rigorous and time-consuming process of negotiation.

Pursue Multilateral Agreements on Technology Security Standards

Advantages: Cooperating with other countries may lead to establishing an international code of conduct in technology which will be acceptable all over the world. This would counteract a state, or a group of states entitled to accomplish unilateral restrictions which is beneficial for the creation of a more cooperative climate in the international level.

Disadvantages: This approach may make it less relevant in addressing UK-China relations specificities hence may serve to dilute focus on bilateral issues. In using this form of agreement, there is the aggregation of many countries and, therefore it may be difficult to realize broad consensus (House of Commons Foreign Affairs Committee,

2023)

Policy Recommendation

The most effective policy is to negotiate a bilateral technology-sharing agreement that addresses the UK's security concerns while preserving economic cooperation. This recommendation is better than the other in that it will enable both countries to find constructive ways of coming up with solutions that will be to the benefit of both. The intended consequences are to decrease the level of tension, ensure the further development of technological cooperation, as well as further enhancement of the economic relationship.

The agreement should include several key components:

Security Framework: Establish specific rules and regulations concerning usable technology, and create a list of forbidden technologies, along with rules for inspection, non-disclosure and protection of information. This way a joint committee would supervise the implementation of the suggestion and set the tone of trust between the two firms.

Sector-Specific Collaboration: Emphasis should be made on industries where threat levels to security are relatively lower, like green technologies, healthcare, to create mutual economic as well as social values. Such an approach would make it possible to collaborate on tasks that are relatively more secure today to create the foundation for further collaboration in the future.

Incentives for Joint Research: To encourage more technology co-ventures between UK and Chinese companies remarkable them for tax exemptions or subsidized loans. It could spur competition and at the same time cooperation; thus, it would be difficult for either of them to pursue regime disadvantageous policies towards the other.

Gradual Easing of Restrictions: Lay down a step-by-step plan of liberalization of restrictions on the export of technology, subject to reciprocal steps towards liberalization of security concerns. This could be through trials where the effectiveness of such security measures is ascertained before widespread implementation can be made.

In adopting this recommendation, both the UK and China can enjoy a harmonized policy that can protect the interest of their nations' security, technology as well as their economies. It is the framework of diplomatic solving of trade disputes, which might be used as an example for other countries facing similar problems.

Sources

House of Commons Foreign Affairs Committee. (2023). *UK policy on China: Trade and investment considerations*.

Liu, Z., & Zhang, W. (2023). *Technology transfer between China and the West: Legal and economic perspectives*. *Journal of International Trade Law*, 35(2), 121-139.

UK Department for International Trade. (2023). *Technology and security: Current restrictions and future opportunities*.

Wang, J. (2024). *Navigating UK-China relations: Strategies for addressing technology disputes*. *Chinese Journal of International Relations*, 40(1), 15-30.

Zhang, X. (2022). *The role of bilateral agreements in mitigating trade tensions*. *Journal of Global Policy*, 18(4), 432-445.