# UK faces mounting risks from Chinese investment in critical sectors amid national security concerns



The UK government's ongoing pursuit of foreign investment, particularly from China, reveals a complex and often precarious balancing act between economic opportunity and national security threats. In the wake of its decision to refrain from rejoining the European single market, the government finds itself increasingly reliant on investments from an array of global partners. While there are commendable efforts to form trade agreements with nations like India and the US, the prospect of courting Chinese investment remains fraught with risks.

Since Chancellor Rachel Reeves's high-profile visit to Beijing in January 2025, the focus on Chinese investment has intensified, raising alarms about its implications for critical sectors in the UK economy. While certain realms, such as domestic real estate and services, may present fewer issues, reliance on Chinese capital in essential industries like steel, telecommunications, and infrastructure poses significant concerns. These sectors are not merely economic components but are vital to Britain's strategic and geopolitical security.

The historical context is illuminating. Previous administrations, particularly under Conservative leadership, have proactively sought Chinese investment, even permitting state-owned enterprises to involve themselves in sensitive areas like nuclear energy. This willingness to embrace foreign capital led to unsettling incidents, such as the acquisition of Imagination Technologies in 2017, which resulted in serious intellectual property concerns and prompted parliamentary inquiries into the potentially harmful effects of foreign corporate asset-stripping.

The crisis surrounding British Steel serves as a stark warning. After its sale in 2019 to Jingye, a private company backed by Chinese state interests, the firm took a series of actions that raised national alarms, including the abrupt decision to halt operations at its Scunthorpe site. In a scramble to preserve jobs and maintain output, the UK government was compelled to intervene, demonstrating the immediate threat posed by foreign ownership of critical assets.

The overarching concern about Chinese investment extends beyond isolated incidents. Senior figures within the Labour Party have underscored the necessity of reviewing such investments in the wake of recent crises. They argue vigorously that increased Chinese involvement in sectors such as energy and technology could pose substantial risks to national security. In a similar vein, Deputy Prime Minister Oliver Dowden has labelled China the "largest state-based threat" to Britain's economic security, highlighting the government's need to protect national interests while navigating relationships with foreign investors.

Chinese ownership of critical infrastructure is well-established, with substantial stakes across multiple sectors. Companies like China General Nuclear and EDF are jointly involved in significant projects, such as the Hinkley Point C power station, and the China Investment Corporation holds a notable share in Thames Water, raising crucial questions about the implications of these investments for national security. This relationship between investment and influence is further complicated by the Chinese Communist Party’s pervasive role in Chinese corporations; as reported, nearly 92% of larger private companies in China have a formal CCP presence, indicating that decisions made by these entities may not fully align with free market principles familiar in Western economies.

The lesson gleaned from these developments is clear: Chinese firms should be assessed with a rigorous eye, particularly in industries deemed vital to the UK's economic and political stability. The previous approach of prioritising economic engagement over national security appears increasingly unsustainable. Maintaining an openness to foreign investments must be tempered with robust scrutiny to safeguard British interests from potential subordination to the objectives of foreign states, specifically those of the Chinese Communist Party.

In this intricate landscape, the UK must endeavour to protect its core interests while navigating the complexities of international investment. Failure to do so risks jeopardising not just economic interests, but also the nation's political independence and security. As the UK continues to redefine its global trade relationships, the need for a cautious and strategic approach to Chinese investment becomes ever more pressing.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5
2. Paragraph 3, 6
3. Paragraph 7, 8
4. Paragraph 6, 7
5. Paragraph 3, 6

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://theconversation.com/continuing-to-seek-chinese-investment-in-the-uk-comes-at-a-heavy-political-price-255340> - Please view link - unable to able to access data
2. <https://www.theguardian.com/world/2025/apr/14/senior-labour-figures-call-for-review-of-chinese-investment-in-uk-infrastructure> - Senior Labour figures have urged the UK government to review Chinese investment in critical infrastructure following the British Steel crisis. They warn that increased Chinese involvement could pose national security risks, particularly in sectors like energy, nuclear, technology, and critical national infrastructure. The government's response has been to maintain openness to Chinese investment while ensuring high levels of scrutiny to protect national interests. This situation highlights the delicate balance between economic engagement and security concerns in the UK's relationship with China.
3. <https://www.bbc.com/news/business-66156847> - Deputy Prime Minister Oliver Dowden has stated that China represents the 'largest state-based threat' to Britain's economic security. The UK government has intervened in eight attempted takeovers of UK firms by Chinese buyers over national security concerns, more than any other country. Dowden emphasized the need to protect national security while maintaining economic relations with China, highlighting the importance of a clear-eyed approach to foreign investments.
4. <https://www.telegraph.co.uk/business/2020/07/23/chinas-influence-extends-deep-uk-economy/> - Chinese investment has significantly penetrated the UK economy, with stakes in critical infrastructure such as nuclear power, telecommunications, and utilities. China General Nuclear and EDF are jointly building the £20 billion Hinkley Point C power station, and the China Investment Corporation owns 8.7% of Thames Water. These investments raise concerns about national security and the extent of Chinese influence over essential services in the UK.
5. <https://www.theguardian.com/world/2025/apr/14/senior-labour-figures-call-for-review-of-chinese-investment-in-uk-infrastructure> - Senior Labour figures have called for a review of Chinese investment in UK infrastructure following the British Steel crisis. They warn that increased Chinese involvement could pose national security risks, particularly in sectors like energy, nuclear, technology, and critical national infrastructure. The government's response has been to maintain openness to Chinese investment while ensuring high levels of scrutiny to protect national interests. This situation highlights the delicate balance between economic engagement and security concerns in the UK's relationship with China.
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