

NOVEMBER 22-24, 2019

VALUES TRADE: OUR WAY OR THE HUAWEI

— Steve Tsang

While China is the biggest beneficiary of globalization, it has also brought benefits to most people in most countries. We have all profited from “the China price” in consumer goods. By creating global value chains, China’s economy has become deeply integrated with the wider world, including the liberal democracies. The United States and other democracies proactively supported this for decades, believing that helping China to develop would create a powerful middle class there, and nudge China towards democratization.

This has always been wishful thinking. The reality of China’s political system—a consultative Leninist one—does not allow this to happen. From Deng Xiaoping to Xi Jinping, China’s leaders seek to make the most of globalization, and use it to reinforce their hold on power. Western efforts to encourage China to democratize are seen by the Chinese Communist Party as part of a “peaceful evolution” conspiracy, or as attempts to pave the way for a “color revolution.” They see it as an existential threat. The Party is dedicated to pre-empting any such eventuality.

There are two clear implications. First, any effort to reverse or stop the process of further globalization will have significant costs. Even an attempt at technologically decoupling China from the liberal democracies, such as excluding Huawei from 5G contracts, would have negative implications, not only for Huawei and China but also for the economies and everyday life in liberal democracies. A full-scale decoupling, stretching into the wider economy and social exchanges such as academic cooperation, would have a significant and costly impact on growth, technological advancement, and the general standard of living.

Second, the Communist Party will not allow globalization to put the longevity of its rule at risk. Under Xi, who no longer deems it necessary to adhere to the Dengist axiom to “hide capabilities and bide for time,” the Party has started to act assertively. Above all, it has worked to reduce its vulnerability to globalization. This began years before Donald Trump started the technological decoupling process by taking on Huawei.

Within a year of coming to power, in late 2013, Xi made two key moves. The first was issuing Document 9, banning Western concepts like constitutionalism, universal values, civil society, neo-liberalism, and a free media. He ended the globalization of ideas.

The second was the launch of the “One Belt, One Road” policy, now rebranded the “Belt and Road Initiative.” It was designed, in part, to enhance China’s connectivity and economic ties with countries through either Central Asia or Southeast Asia to the Middle East and Africa. This policy has since been broadened to allow any country to sign up, but its core purpose remains making China’s economy less dependent on, and thus less vulnerable to, potential vicissitudes in relations with Western democracies.

Two years later, in 2015, Xi launched another flagship policy, “Made in China 2025,” aimed at making China a major innovative power, and less dependent on Western technologies. The language used was one of “self-reliance,” but the goal was to prepare for the eventuality of what we now call “decoupling.”

How should liberal democracies respond? Containment cannot work. A new Cold War is

neither desirable nor realistic, given the intricate economic ties. No option available is cost free. But facing the reality of the Chinese political system, and the direction of travel it will take under Xi, is essential. It is now clear that Xi seeks to make the world safe for authoritarianism, including in South America and Eastern Europe.

While Trump's trade war is not the best way to deal with China, it has forced liberal democracies to confront the reality and implications of China's rise. It has not changed the big picture. Xi has no intention for China to play second fiddle in the world over the long term. He is determined to make China second to none by the centenary of the founding of the People's Republic, in 2049, at the latest.

The choice confronting us is between maximizing short to medium term economic benefits or paying the price now for standing up for core democratic values. The former has been the default position

of democracies in the last four decades. But we should realize how this has always been seen by good Leninists, which the Chinese Communists are. Leninists make the most of the readiness of capitalists to "sell the rope with which to hang them."

So, while we should not start a new Cold War, we must hold fast to our values and defend them, domestically as well as in countries and territories where there is a battle for supremacy between authoritarianism and democracy. Despite our problems at home, we must be as resolute in defence of the latter, as Xi's China is in support of the former.

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