



GLOBALISATION OUTLOOK

by Joe Zammit-Lucia

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Has China entered an unstoppable cycle of increased belligerence?



THE USUAL COMBINATION OF AGGRESSION AND PARANOIA

Authoritarian regimes tend to display an uncomfortable combination of aggression and paranoia that feed on each other.

As they gain confidence, they become more aggressive towards others. But, since they can only maintain their position through force and suppression, they also feel that threats, real and perceived, need to be met with yet more forcefulness. This uncomfortable combination risks leading to an unstoppable cycle of ever-increasing belligerence.

Has China entered this cycle? What are the implications? Is there a way back?

Under President Xi, China has become more assertive. From its actions in the South China Sea, to its proposed security laws in Hong Kong, to repeated provocative military flights over Taiwan, and now the confrontation on its borders with India where, reportedly, twenty Indian soldiers were killed, battered by clubs wrapped in barbed wire or thrown down ravines.

It seems that China has abandoned years of panda diplomacy designed to build its soft power and has moved to sharp power and hard power mode.

Why? And what does it all portend for the future of globalization?

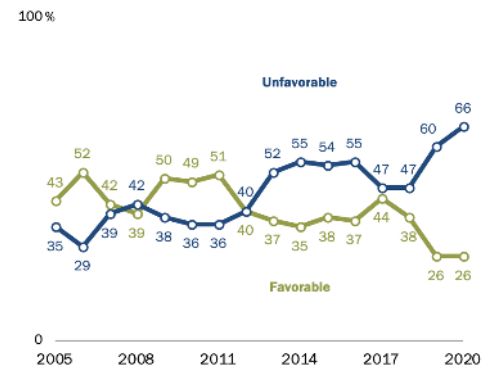
Trump's American Provocation

President Trump has every incentive to continue his anti-China rhetoric and actions

President Trump's aggressive stance towards China is increasing as the November elections approach. There is precious little chance that this will be reversed since standing up to China forms an important part of the President's electoral platform and plays well to China's plummeting popularity in the US.

Negative views of China continue to grow in U.S.

% who say they have a ___ opinion of China



Note: Don't know responses not shown.
Source: Survey of U.S. adults conducted March 3-29, 2020. Q5b.
U.S. Views of China Increasingly Negative Amid Coronavirus Outbreak
PEW RESEARCH CENTER

The greater China's aggressiveness, the more likely are negative perceptions to grow, providing President Trump with a strong incentive to continue with his policies.

Biden follows growing anti-China sentiment

Neither would a President Biden in January 2021 change that trajectory. Biden promises to make his efforts to curb China more effective than those of President Trump by building an anti-China coalition of allies.

Joe Biden would sanction China if president for its plan to impose new national security rules on Hong Kong, his campaign said on Wednesday, and accused President Donald Trump of having "enabled" Beijing's curbs on freedoms in the former British colony.

The United States had to "take a stand against China's crackdown in Hong Kong," said Tony Blinken, a senior foreign policy advisor for Biden, the likely Democratic nominee to take on Trump in November's election. He said the former vice president would rally American allies to pressure China, leverage he said Trump had "forfeited," and criticized the Republican president for praising leader Xi Jinping in the face of pro-democracy protests that shook the territory last year.

A Biden administration would "fully enforce" the Hong Kong Human Rights and Democracy Act, "including sanctions on officials, financial institutions, companies and individuals," Blinken said in a statement.

As reported by Reuters
27 May 2020

Currently there seems little reason to believe that Sino-American relations will see much improvement in the short term.

Are Europe's aspirations in relation to China in any way practicable?

Where is Europe?

Europe's position remains one of trying to straddle the fence of standing up to China (how?) while also maintaining good trade relations. A summit between European and Chinese leaders on June 22nd ended with Ms Von der Leyen calling the EU relationship with China simultaneously 'one of the most strategically important and one of the most challenging'.

The EU also claims that human rights, fundamental freedoms, level playing field conditions and reciprocal market access are vital pillars for the EU. Sounds more aspirational than practical given where China is today.

"Rather than putting all its eggs in the treaty basket, the EU is pursuing a twin-track approach of engagement with Beijing coupled with tough, unilateral steps to level the playing field. "The only way to get their attention is if they cannot take the openness of the EU market for granted," said [a] European official.

EU-China meeting touched by frost as economic barriers grow
Financial Times, 22 June 2020

While trying to avoid it or postpone it as much as possible, in due course, Europe will likely have to commit to a choice – a Western alliance or collaboration with China?

As the EU has repeatedly told the UK, having one's cake and eating it is not likely a viable option.

Meanwhile countries in Europe's own back yard, like Serbia, continue to deepen their China relations – and their dependence.

Will it all start to go wrong elsewhere?

Just as European imperial powers employed gunboat diplomacy, China is using sovereign debt to bend other states to its will. As Sri Lanka's handover of the strategic Hambantota port shows, states caught in debt bondage to the new imperial giant risk losing both natural assets and their very sovereignty.

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China has not yet reached a stage where its assertiveness can go unchallenged

As the effects of the COVID-19 pandemic start to become obvious, states that have become involved in China's Belt and Road initiative may come to take a different view of whether the initiative is as benign as they might have initially imagined.

Is China's timing right?

It's all about timing.

Has China's power position on the world reached a stage where it can throw its weight around effectively either without fear of retaliation, or safe in the knowledge that retaliation will be ineffective?

In our view, China has not yet reached that position. We believe that it is premature for China to abandon its panda diplomacy and switch to a more aggressive stance that will weaken its soft power.

That said, we also believe that the replacement of Chinese collaboration with growing rivalry with much of the rest of the world is now possibly irreversible.

Is China 'done'?

The overall question is whether China's ascendancy is reaching its twilight.

Chatting to a bunch of 17 year-olds recently, I asked them about their views of China. The unanimous response was "China's done."

While, until relatively recently, they were fascinated by China and its rise, they now seem to have lost interest.

We shall have to wait and see whether they're right.

TAX, TAX, TAX

One of the elements that continues to turn people against globalization is industrial scale tax-shifting practices within multinational companies. Tech companies have become the poster child of such tax avoidance.

The OECD initiative to address the issue on a multilateral basis have hit a roadblock as the US has withdrawn its support.

Yet, the issue is too politically (and fiscally) important to go away. It is likely that, in the absence of multi-lateral agreement, the major European

Measures to rein in industrial scale tax shifting receive a non-fatal blow

countries will proceed with unilateral measure setting up further confrontation with the Trump administration.

Unlike the China issue, it is likely that a Biden win in November will open the door to further negotiations.

But Mexico is taking prisoners...

Meantime, Mexico is acting.

Raquel Buenrostro, the new head of the tax agency, is squeezing tax payments out of the largest multinationals under threats of criminal charges that include the possibility of jail time before trial.

Some have labeled the approach as 'fiscal terrorism' – a charge that Ms Buenrostro strongly denies.

“Everything is in line with the law, everyone has to comply. [There will be] zero privileges and zero waivers”

Raquel Buenrostro
As reported in the Financial Times

POST-BREXIT BRITAIN

A new role for post-Brexit Britain?

There now seems little doubt that the UK will exit the transitional period and fully emerge as a third country at the end of 2020.

We will not add here to the widespread views and speculations on whether some deal will be reached, what sort of deal, or no deal. Our interest is in starting a discussion on the UK's place in the world post-Brexit.

An 'honest broker' role in a polarized world is more appropriate than a low tax, low regulation jurisdiction

In a recent article¹ we argued that the UK still has considerable influence and continues to top soft power rankings. Our vision of a post-Brexit Britain is as honest broker to facilitate collaboration between the three disparate power blocks – the US, the EU and China.

We believe that such a role is both more productive and more fitting than a race to the bottom as a low tax, low regulation jurisdiction – something we believe no longer to be viable.

¹ <https://reaction.life/london-can-be-the-new-geneva-for-international-diplomacy/>

About RADIX

RADIX is a non-aligned public policy think tank for the radical centre. Its aim is to re-imagine the way government, institutions and societies function based on open-source, participative citizenship. To kick-start the thinking that is needed for policy to embrace technology, innovation, social and cultural change.

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