

THE COMMON GOOD FOUNDATION



CHINA AND THE COMMON GOOD

UNPICKING THE ALLIANCE BETWEEN
WESTERN CAPITALISM AND CHINESE
COMMUNISM



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ABOUT THE COMMON GOOD FOUNDATION

We live in a society in which the state and market are both strong but the institutions of society are weak.

The mission of The Common Good Foundation is to change that by building the ideas, institutions and relationships which enable different interests to pursue their own ends within a shared notion of the common good.

We are seeking to reconcile estranged interests so that all may participate in mutual flourishing and a shared peace.

Our work seeks to build an approach to economics, to internationalism, and to organising that builds the common good.

This paper forms part of our work on a common good internationalism as a form of global engagement distinct from globalisation, in which people, places and nations can freely express their own characteristics and traditions.

INTRODUCTION

The West has told itself a story about China. It goes something like this. In 1949 the Chinese civil war was decisively settled in favour of Mao and the Chinese Communist Party. The Mao era was defined by rural hardship and political tyranny. From the late 1970s, however, the tyranny of Maoism was tempered by economic growth, and rising prosperity led in turn to a more liberal China. In the early 1990s, Deng Xiaoping opened up the Chinese economy to the world, ushering in an era of free markets and globalisation which lifted the great mass of Chinese people out of poverty. Relations between the West and China were normalised through China's accession into the WTO in 2001 and it was seen as an adult in the room on the global stage, a nation to be trusted, set inexorably on a path towards liberalism and democracy (or, if they weren't, then this didn't matter; China had its own idea of freedom and that was to be respected).

It was a reassuring story. It eased any moral qualms Western leaders might have had about dealing with a dictatorship – it wasn't so bad, maybe it wasn't even a real dictatorship, and anyway it was well on its way towards becoming a mature liberal democracy. It is presumably the story that encouraged George Osborne to argue the UK should “run towards China” and be its “best friend in the West.”¹ The great and the good of British liberalism became entangled in China's web of lobbying and influence and it must have offered them relief too.

The trouble is the story doesn't hold up. From Xi's accession in 2012 and the subsequent nationalist turn, cracks began to show. Now, with its cover-up of coronavirus apparent, China finds itself subject to newfound scrutiny. When the outbreak began in Wuhan, China banned internal flights with Wuhan, while allowing international flights to carry on as before. The cost of outsourcing our manufacturing base and our subsequent dependence on insecure global supply chains for everything from PPE to chemicals production has become clear too.

This reckoning is welcome and overdue. The UK, along with the rest of the West, will have to rethink its relationship with the totalitarian regime. It will not be enough to simply comment on their human rights abuses – awful though they are, particularly towards the Uighur Muslims.² Instead, it is worth reflecting on the nature of Chinese society: its class relations, political economy and industrial policy; the social conditions of its workforce; its governing ideology and statecraft; and the influence it exerts on the West.

The Common Good Foundation works to build the ideas, institutions and relations that reconcile estranged interests around a shared notion of mutual flourishing. In China the body politic is denuded and there exists only the individual (denied individuality) and the state. There is no room for political dissent or religious faith; and engagement with the rest of the world on equal terms. What relationship with China, then, would best express the common good internationally and domestically?

¹ <https://www.theguardian.com/politics/2015/sep/21/george-osborne-uk-should-do-more-business-with-china>

² <https://www.bbc.co.uk/news/world-asia-china-50511063>

POLITICAL ECONOMY FROM 1949 TO 2020

The society Mao inherited in 1949 was a deeply poor peasant society in which the majority of Chinese people lived off subsistence agriculture. But the Korean War soon forced Mao's hand and Soviet-style state capitalism was imposed with mass nationalisation and rapid industrialisation. With its huge population and marginal and unproductive land, there was a ready army of workers from the countryside to populate the new cities and work the new factories. Many saw this as temporary and dreamed of making money in the city before returning to their ancestral village. (The Hukou system of classification links Chinese people with a particular place-based status – rural or urban – and accords rights accordingly. In recent years it has become easier for rural migrant workers to change their status to urban, bringing with a range of rights that rural workers are still denied. Yet many have defied their own material interest by choosing to continue to be classified by their ancestral village, thereby forgoing the material benefits that come with urban status.)³ Others had already been migratory agricultural workers. But capital required a growing and permanent industrial class in the cities, and so workplaces established a system of patronage by which workers were given housing, provided welfare, and guaranteed a job for life for themselves and their descendants. Often, whole villages would relocate to cities and reform around these new workplace communities, or 'danwei's'.⁴

However, between the countryside and the city something was lost. The danwei was paradoxically both a site of collectivisation and of individualisation. On the one hand, the model of mass production that defined industry extended to social life in general. Each danwei was a mini-totalitarian state, by Hannah Arendt's definition, into which every aspect of workers' lives was integrated. The Communist Party cell at the heart of every danwei was also the principal means by which the Party ensured its political control in the countryside was translated into the city. And yet, this was a collectivisation devoid of any notion of the social. (This perhaps is why political interest and engagement in China is so low.) Workers were isolated from their families and lived, worked and ate alone at the behest of the firm. Nevertheless, belonging to a danwei was better than the alternative, which was often absolute poverty, and danwei's were better developed in those industries which rapidly industrialising China identified as strategic. The danwei, for all its faults, was a relatively unified corporate body that was able to successfully exert class power and secure above-inflation wage rises, and so it came to form a labour aristocracy within the wider Chinese working class and peasantry.

After Mao's death in 1976, Deng Xiaoping began implementing liberal reforms. Special Economic Zones of private commerce were established focusing on smaller-scale production; the collectivisation of agriculture was reversed; economic plans were not abolished but they were decentralised. Political and largely student-led protests culminating in the iconic Tiananmen Square face-off in 1989 then pushed Xiaoping into further liberal reforms. The limited free markets established in SEZs were extended across the whole

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https://geog.ucla.edu/sites/default/files/users/fan/a133_chen_and_fan_2016_chinas_hukou_puzzle_cr.pdf

⁴ <https://libcom.org/library/class-conflicts-transformation-china>

country, and China opened up to foreign investment for the first time since communism's triumph.

Yet Xiaoping's post-Tiananmen Square reforms were not simply about opening up the Chinese economy to free markets and the world. Instead, the Communist Party adopted corporatism. State-owned enterprises (SOEs) were outsourced to private firms but the state retained majority ownership in them and played a significant role in setting strategic goals that aligned with the goals of the nation as a whole. Small firms were left to go their own way by the state, while strategically placed industries with viable export markets were held in close embrace; the party slogan was 'grasping the large and letting the small go'.⁵ Part of this new bargain meant undermining the old danwei's, with the state taking on the welfare responsibilities it had once administered through the old workplace communities and individual contracts replacing the collective and hereditary covenant that defined Mao-era industrialisation. The hodgepodge of state and market arrangements was defended by Xiaoping whose approach to economics and statecraft was that it doesn't matter if a cat is black or white so long as it catches mice.

Through the 1990s this paradoxical but pragmatic mix of liberal reforms and corporatism continued apace. Housing was taken out of the purview of the danwei in a mirror of Thatcher's right to buy policy. In the year of New Labour's election to government, China began a widespread programme of redundancies to reduce its unprofitable and bloated industrial sector. Up to 30 million workers were laid off, but a generous system of furlough and welfare ensured that there was little working class resistance to this mass restructuring of the Chinese industrial base. At the same time, corporatism has continued to develop, especially through the SOEs at the heart of China's economy. Though technically private firms, they do not operate like a Western private firm and instead operate to achieve national strategic goals.

December 2001 heralded another turning point. After Bill Clinton had paved the way, George W Bush finally oversaw China's accession into the WTO. The stated justification for this move was twofold. Firstly, it was an expression of economic self-interest, expanding export markets for Western firms. Secondly, it was a means of politically taming China and moving them "in the right direction" towards liberal democracy, as Clinton put it in March 2000. He referred to the accession as "economically, the equivalent of a one-way street." Clinton was right, but the traffic all went the other way. "For the first time," he argued in the same speech, "we'll be able to export products without exporting jobs" – and "valuable new safeguards against any surge of imports from China" were promised.⁶

The rise in Chinese exports since then has been extraordinary. In 2005, according to OECD data, China's total exports were valued at 761,953,410USD. By 2018, that had more than tripled to 2,494,230,195USD, during which period it overtook the US as the world's biggest

⁵ <https://www.brookings.edu/bpea-articles/grasp-the-large-let-go-of-the-small-the-transformation-of-the-state-sector-in-china/>

⁶ https://www.iatp.org/sites/default/files/Full_Text_of Clintons_Speech_on_China_Trade_Bi.htm

exporter.⁷ This is not an accident but rather the result of a coordinated national economic plan, the latest iteration of which is the 2015 document, Made in China 2025. It argues that, “Manufacturing is the main pillar of the national economy, the foundation of the country, tool of transformation and basis of prosperity. Since the beginning of industrial civilization in the middle of the 18th century, it has been proven repeatedly by the rise and fall of world powers that without strong manufacturing, there is no national prosperity[...] We will strive to transform China into the global manufacturing leader.”⁸

To meet these aims, China has identified 10 high-value industrial sectors and outlines how the state will support them to achieve dominance in the global market. These sectors are: (1) aerospace, (2) robotics, (3) new energy vehicles, (4) high technology shipping, (5) artificial intelligence and next-generation information technology, (6) biotechnology, (7) energy and power generation, (8) advanced railway, (9) new materials, and (10) agricultural machinery. All usual rules of free trade and free markets are suspended to ensure Chinese domination in these areas. The state has subsidised both supply and demand in these industries with trillions of dollars of total support.

Around \$60bn has gone to various supply and demand-side initiatives in new energy vehicles alone, for example. On the supply side, funding has supported R&D “into NEV component technologies, especially batteries, established emission guidelines to incentivize domestic NEV production, and forced technology transfers from foreign participants in NEV joint ventures.” The government has also “largely banned foreign-made batteries from the market and created a “dual credit” system in which automobile manufacturers receive credits for NEV vehicles and are responsible for meeting a minimum threshold of credits, creating a production market within the industry.” On the demand side, the state subsidises manufacturers to keep prices low and support sales, exempts them from sales tax and the government is itself a major buyer of NEVs through its procurement policy.⁹ All this takes place in an industry that as of yet is still not profitable, highlighting the degree to which any notion of a level-playing field in trade between countries like the UK and China is removed from reality.

Chinese investors complement this industrial policy with an ambitious set of foreign mergers and acquisitions. Beginning in 2016 major steps were taken to capture parts of the European engineering and technology market. In that year, China spent 11 billion euros on investment in Germany, buying up 68 German companies. In 2017, a further 57 companies were bought

⁷ [HTTPS://STATS.OECD.ORG/INDEX.ASPX?QUERYID=64755](https://stats.oecd.org/Index.aspx?queryid=64755) (BILATERAL TRADE IN GOODS BY INDUSTRY AND END-USE (BTDIXE))

⁸ https://www.rubio.senate.gov/public/_cache/files/d1c6db46-1a68-481a-b96e-356c8100f1b7/3EDECA923DB439A8E884C6229A4C6003.02.12.19-final-sbc-project-mic2025-report.pdf pp.19-20

⁹ https://www.rubio.senate.gov/public/_cache/files/d1c6db46-1a68-481a-b96e-356c8100f1b7/3EDECA923DB439A8E884C6229A4C6003.02.12.19-final-sbc-project-mic2025-report.pdf pp.31-32

by Chinese investors.¹⁰ In January this year, China bought up British Steel – with the agreement of British trade unions.¹¹

This level of Chinese involvement in Europe shows that the narrative of Chinese neocolonialism in Africa is short-sighted. The industrial revolutions of the West under European imperialisms were powered by the need to meet enormous demand across the Empire. In China, the causality is reversed. State investment has built up incredible capacity for domestic production – and China’s Belt and Road Initiative is a programme to cultivate the demand to service that excess productive capacity. The situation of Britain, Europe and Africa within the overall geopolitical approach of China is roughly equivalent. And as they continue to move up the value food chain, Chinese investment in the developing world is increasingly transferring to the West and developed nations in Asia.

This industrial policy has continued to be complemented with China’s paradoxical mix of liberalisation and corporatism. In January of this year, for example, China implemented regulation that puts Communist Party committees ahead of the board of directors in the company hierarchy of SOEs, who are instructed to “execute the will of the party.”¹² China’s rise has been aided by the West’s approach to globalisation. Facing rising labour costs in the West, firms pursued what David Harvey called the ‘spatial fix’ and outsourced manufacturing in search of cheap labour. Western governments and international institutions made little concerted attempt to prevent this, instead seeing it as part of the irresistible rise of globalisation. The WTO has facilitated China’s global market capture while the EU makes it illegal by treaty law to defy globalisation through its defence of the ‘four freedoms’ of labour, goods, services and capital. It was a bargain that seemed to work for increasingly finance and services-dominated economies such as the UK.

Western leaders first imagined that China was just taking the market in low value-added manufacturing – cheap plastic toys and the like – leaving the West to produce higher value-added sectors with greater strategic importance. But as China has moved up the food chain, beginning to dominate everything from steel and automobiles to robotics and antibiotic production, the story has changed. The East would take on the hard burden of manufacturing and industry, while the West would send young people to university and dominate the emerging ‘knowledge economy’. It didn’t matter whether a nation’s economic activity came in the form of the financial markets, the creative industry or manufacturing, the end result was the same: GDP growth.

¹⁰ <https://www.npr.org/2018/10/03/639636532/chinese-companies-get-tech-savvy-gobbling-up-germanys-factories>

¹¹ <https://www.ft.com/content/1f2d71b0-3df4-11ea-a01a-bac547046735>

¹² <https://www.scmp.com/economy/china-economy/article/3045053/china-cements-communist-partys-role-top-its-soes-should>

WORKING CONDITIONS AND INDUSTRIAL UNREST

FOXCONN: A CASE STUDY INTO WORKING CONDITIONS IN CHINA

Foxconn is an electronics manufacturer that supplies parts to Apple, Amazon, Blackberry, Google, Sony etc. Most well-known technological brands have sold off in-house manufacturing to companies like this, with Foxconn foremost among the beneficiaries. Their corporate slogan is ‘China rooted, global footprint’ – which doubles as a summary for China’s one-sided approach to globalisation as a whole.¹³ And so, what began as a firm employing 150 rural Chinese migrant workers now employs up to a million.¹⁴

The ‘Foxconn City’, an industrial park outside Shenzhen, employs hundreds of thousands of these workers and supplies most of the constituent parts for the iPhone.¹⁵ Many of these workers have taken the traditional route from farm to factory in search of work and a more prosperous life. They are deemed migrant workers under the Hukou classification system and form a ready pool of cheap labour, easily exploited by capital and subject to prejudice from the urban working class who form a labour aristocracy. Academics in Hong Kong and the USA found that labour costs in China accounted for just 1.8% of the retail cost of the iPhone 4 (compared to 21.9% on raw materials and 14.3% and 58.5% going straight to the profit margins of suppliers and Apple respectively).¹⁶

Foxconn City is a danwei on a mega scale. It functions as a total institution. Employee needs from dormitories to ‘leisure’ (though there is an Olympic swimming pool, ordinary workers have no time to use it) are catered to, so that the factory is able to run 24 hours a day, 7 days a week, 365 days a year. Corporate propaganda looms over the production line. Work is repetitive, with low pay and long hours. The bureaucracy is vast, sprawling and utilitarian, with the ‘city’ organised by the metric system into blocks. Silence on the job is enforced by management. Regular shifts are 12 hours, with overtime common (and sometimes mandatory) and compulsory unpaid meetings. Two days off are granted per month. Workers sleep on site, in bunks with little privacy – but socialising is discouraged and uncommon.¹⁷ Many workers are able to visit their family only once every year.

After a spate of suicides in 2010 and 2011, media attention shone a light on the sweatshop-like conditions driving workers to take their own life. As well as the dead, many workers are

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https://www.researchgate.net/publication/335001275_Suicide_or_Murder_Apple_Foxconn_and_China's_Workers p. 153.

¹⁴ <https://en.wikipedia.org/wiki/Foxconn>

¹⁵ https://en.wikipedia.org/wiki/Longhua_Science_and_Technology_Park

¹⁶

https://www.researchgate.net/publication/335001275_Suicide_or_Murder_Apple_Foxconn_and_China's_Workers p. 154

¹⁷

https://www.researchgate.net/publication/335001275_Suicide_or_Murder_Apple_Foxconn_and_China's_Workers pp.159-160

maimed from suicide attempts.¹⁸ The company responded by introducing nets outside windows to prevent workers jumping to their deaths.¹⁹ Workers were also asked to sign ‘no-suicide’ pledges.²⁰

Xu Lizhi, a worker at Foxconn and poet, wrote desolate poems about life in Foxconn City: “A screw fell to the ground / In this dark night of overtime / Plunging vertically, lightly clinking / It won’t attract anyone’s attention / Just like last time / On a night like this / When someone plunged to the ground.”²¹ Like so many others, he fled abject poverty in rural China (in the province of Guangdong, in his case). He was one of those workers who China through its embrace of globalisation lifted out of poverty. He ended his life on 30 September 2014.

Jenny Chan and Pun Ngai situate the despair of these workers as rooted in a collapse of meaning as they were driven from rural poverty to the alien and inhospitable factory. This migration replaced the vicissitudes of the seasons with greater material security but it denied them the prospect of meaning or the good life:

“From the moment they step beyond the doors of their houses, they never think of going back to farming like their parents. ... The moment they see there is little possibility of building a home in the city through hard work, the very meaning of their work collapses. The path ahead is blocked, and the road to retreat is closed. Trapped in this situation, the workers face a serious identity crisis and this magnifies psychological and emotional problems. Digging into this deeper level of societal and structural conditions, we come closer to understanding the ‘no way back’ mentality of these Foxconn employees.”²²

Foxconn is not an aberration. Workers, particularly migrant workers from the countryside, in the communist state often have to work 18-hour days, are subject to humiliation and violent beating from employers.²³ In addition, Uighur Muslims and others are subject to slave labour.²⁴

INDUSTRIAL UNREST

Industrial action in China has typically failed to move beyond the confines of individual danwei’s and such as it exists it is expressed as a local labour dispute, rather than as part of any wider political discontent. For this reason, industrial action is rare in SOEs where it would be difficult to untangle from a political critique of the CCP and thus open up organisers to potentially serious repercussions. Around 80% of strikes and worker protests occur in domestically owned private businesses.

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https://www.researchgate.net/publication/335001275_Suicide_or_Murder_Apple_Foxconn_and_China's_Workers p.162

¹⁹ <https://www.wired.com/2010/08/foxconn-rallies-workers-installs-suicide-nets/>

²⁰ <http://www.nbcnews.com/id/37354853#.XqF9HMhKg2w>

²¹ <https://time.com/chinapoet/>

²² <https://apjif.org/-Jenny-Chan/3408/article.html>

²³ <https://www.ucpress.edu/book/9780520250970/against-the-law>

²⁴ <https://foreignpolicy.com/2019/12/11/cotton-china-uighur-labor-xinjiang-new-slavery/>

There is only one legal trade union in China, the All-China Federation of Trade Unions (ACFTU), and beyond this there is no legal right to organise. Rather than being the expression of the interests of workers at work, it is instead a corporatist body that seeks to ensure “harmonious class relations and smooth economic development for the benefit of everyone.” It is cumbersome, hampered by bureaucracy, largely seen by officials as an organ for Party propaganda, and does a poor job of collective bargaining.²⁵ The anarcho-syndicalist critique of trade unions – that they are a mediating force that work as a pressure valve, smoothing things over for management and forcing dissent into official and ineffective channels – applies forcefully to ACFTU.

Industrial unrest has led to some reforms, but always at a local and small-scale level, and repression of organisers is the more common response. Perhaps the most promising outbreak of industrial action came began in 2010 at Honda’s Nanhai factory on Guangdong Province. Migrant/peasant workers went out on strike for 19 days and “did not submit to the usual measures of control by management and the company’s trade union: cash offers and threats of layoff, beatings and calling in the police.”²⁶ Leaders were fired and still the strike persisted. It became more than a usual labour dispute but instead an expression of wider political discontent, albeit discontent expressed as adhering to the original dream of the Chinese revolution. Eventually concessions were made – over pay and, much more significantly, over the functioning of the union itself. Typically branches of ACFTU are run by party apparatchiks appointed from above, but the success of the Nanhai strike led for the first time to representatives democratically elected from below. This model, sadly, has not extended further or spurred on solidarity action.

After peaks in 2010-2011 and 2014, industrial action has been steadily declining. While there were 1,386 formally registered collective worker protests in 2019, 94 per cent of these involved fewer than 100 workers.²⁷ The real figures are likely substantially higher than those formally logged by authorities, but there is no evidence of mass industrial action in the country. Most disputes concern unpaid wages, while health and safety is also poorly observed – leading to frequent industrial accidents, including an explosion at a chemical plant that killed at least 78 last year.²⁸ In general, then, industrial action in China has been subject to co-option, repression and has failed to wrestle a place for independent workers’ organisations in the Chinese polity.

²⁵ <https://clb.org.hk/content/holding-china%E2%80%99s-trade-unions-account>

²⁶ <https://americanaffairsjournal.org/2019/02/solidarity-under-a-song-what-strikes-in-china-tell-us/>

²⁷ <https://clb.org.hk/content/state-labour-relations-china-2019>

²⁸ <https://clb.org.hk/content/least-78-dead-hundreds-injured-massive-chemical-plant-explosion>

SOVEREIGNTY, STATECRAFT AND IDEOLOGY

Though a dictatorship in which sovereignty rested with the party, statecraft in communist China before Xi had a conciliar or courtly aspect. A degree of dissent within the upper echelons of the party was permitted, and different individuals and groups were drawn upon to make decisions. There was room too for some local expression within what was essentially an imperial – rather than national – system of rule, most notably with the relative freedom of Hong Kong within the one country, two systems model. Now however, under Xi, power has centralised internally and Chinese philosophy has hardened against the West. Sovereignty lies with the party, not the state, the constitution or the people, and there is therefore no legitimate means of dissent from this further centralisation.²⁹

In July 2013, dissident journalist Gao Yu allegedly leaked a document entitled ‘Communique on the Current State of the Ideological Sphere’ – more commonly known as Document Number Nine.³⁰ Emanating from the Central Committee of the Communist Party, and therefore from Xi himself, it showed an unmistakable turn towards centralisation and anti-Western nationalism taking place under the new regime. Gao Yu was sentenced to seven years in prison for the leak.

The document outlines the evolving nature of Chinese statecraft and its political ideology. Seven perils arising from Western influence are enunciated: Western constitutional democracy with its multiple political parties, general elections and constitutional separation of powers; Western liberalism masquerading under the guise of universal values; the idea of a civil society as a counterweight to the power of the state and the Party; neoliberal economics; freedom of the press and a free internet; historical nihilism (challenging historical orthodoxy as defined by the CPP); and questioning the self-understanding of China as representing socialism with Chinese characteristics.³¹ They show again a complete rejection not only of the individual and individual liberties, but also of the category of the social as something distinct from the state.

Since 2016, Xi has officially been declared as the ‘core’. This technical term designates something more than simply being at the top of the political hierarchy (‘paramount leader’). The leadership core has a more profound form of status attached to it and implies a more forceful form of leadership with less room for dissent.³² Previous leaders who have acceded to the status of the core – Mao, Xiaoping and Jiang Zemin – usually earned it through revolution or war, whereas Xi used his political skills to self-designate the status and build loyal cadres around his leadership. In 2017, Xi Jinping Thought, which follows Document Number Nine in its focus on party discipline and centralisation, was officially raised to the level of Mao and Xiaoping in becoming a fundamental part of CCP teaching.³³ Given

²⁹ <https://palladiummag.com/2020/02/05/jiang-shigongs-vision-of-a-new-chinese-world-order/>

³⁰ <https://www.nytimes.com/2013/08/20/world/asia/chinas-new-leadership-takes-hard-line-in-secret-memo.html>

³¹ <https://www.chinafile.com/document-9-chinafile-translation>

³² <https://www.nytimes.com/2016/10/31/world/asia/china-xi-jinping-communist-party.html>

³³ <http://www.straitstimes.com/asia/east-asia/19th-party-congress-xi-jinping-outlines-new-thought-on-socialism-with-chinese-traits>

sovereignty lies with the party, and by extension with Xi himself, this designation is much more significant than simply a temporary shift in the political winds. It would be a profound mistake to imagine it could or would simply be reversed, or indeed that it will inspire deep internal dissent among the Chinese population.

Contrary to the faith of the advocates of progressive globalisation on left and right, then, China's governing ideology and approach to statecraft have continued to drift further away from the model of Western liberalism. Globalisation did not bring about a "future of greater openness and freedom for the people of China," as Clinton had predicted. The West failed to reckon with the wholly different political models of statecraft and sovereignty that prevail in China and the capacity for the Chinese state to continually reinvent itself.

INFLUENCE ON THE WEST

The West's dependence on China has principally arisen as a result of labour arbitrage and outsourcing and because of Western naivety about the economics of globalisation, as discussed above. But it has been backed up by a reputation laundering campaign launched by the Chinese state and concentrated in Western universities whose business models have come to depend on China, and by the ideological preconceptions of certain politicians and intellectuals – many of whom were involved in the Third Way.

The Confucius Institute has played a pivotal role in this propaganda campaign. An arm of the Chinese state, it is a soft power organisation that teaches the Chinese language and culture outside of China. Its around 600 local institutes worldwide have been described by Human Rights Watch as "extensions of the Chinese government that censor certain topics and perspectives in course materials on political grounds, and use hiring practices that take political loyalty into consideration."³⁴ Taiwan, Tibet, Hong Kong and the status of Uighur Muslims are unlikely to emerge as topics in a Confucius lesson.

Some of China's reputation laundering campaign is less soft power and more sinister. British universities have taken substantial amounts of money from organs of the Chinese state.³⁵ During the furore over the UK government's decision to allow Huawei to build our 5G network, for example, the China-UK Global Issues Dialogue Centre at Jesus College, Cambridge published a report promoting the role of Huawei in technological advancement. It was funded by Huawei.³⁶ Similarly, LSE has signed off a major project to study the development of 5G technology. It too is to be funded by Huawei.³⁷

In the US, China and its proxies have been spending – and worse. Since 2013, US universities have received over \$1bn from China – with elite universities like Harvard leading the way.³⁸ Indeed, earlier this year the US charged a Harvard professor and two Chinese researchers with working for the Chinese state. The professor, head of a science and technology department, took over £1m in research grants and received a monthly salary and living costs from the Wuhan University of Technology. One of the researchers worked in secret for the Chinese army; the other was caught at a Boston airport smuggling 21 chemicals vials back to China.³⁹

Crucially, these alleged spies participated in the Chinese state's Thousand Talents Plan. Its explicit aim is to ensure Chinese scientists continue to work for China, and to encourage

³⁴ <https://www.hrw.org/world-report/2019/country-chapters/china-and-tibet>

³⁵ <https://www.telegraph.co.uk/technology/2019/04/26/universities-pressure-review-huawei-links-warning-china-could/>

³⁶ <https://www.thetimes.co.uk/article/huawei-paid-for-cambridge-study-to-launder-reputation-dr2fkbkj0>

³⁷ <https://www.opendemocracy.net/en/dark-money-investigations/revealed-lse-huawei-deal-sparks-reputation-laundering-concerns/>

³⁸ <https://www.bloomberg.com/news/articles/2020-02-06/harvard-leads-u-s-colleges-that-received-1-billion-from-china>

³⁹ <https://www.bbc.co.uk/news/world-us-canada-51288854>

foreign scientists to work for China. Participants in the programme have been credibly alleged to have repeatedly stolen industrial secrets from international competitors, including information about US military jets engines. The Department of Justice has also charged Huawei with racketeering and conspiracy to steal trade secrets.⁴⁰

But no great conspiracy is required for understanding the Thousand Talents Plan, or indeed any aspect of China's role in the world. Instead, it has a different and more realist conceptual understanding of nationhood and international relations. While the horrors of the Chinese model are extensive – the desecration of any notion of the sacred, of the individual or the social – its adoption of a national developmentalism in which the nation is conceived as the central economic unit and the state directs its resources and realigns incentive structures so that both public and private sector deliver on the strategic interests of the country, is not so farfetched.

⁴⁰ <https://www.justice.gov/opa/pr/chinese-telecommunications-conglomerate-huawei-and-subsidiaries-charged-racketeering>

HOW BRITAIN SHOULD RESPOND

The liberal idealism of international relations has crashed on the rocks of Chinese realism. It is therefore worth thinking seriously about how we can best support the common good internationally without collapsing into globalisation, in the process repatriating the domestic industry that is vital to the common good within our own polity. Neither the inchoate threats of the US president nor liberal sanctimony via human rights charge sheets are likely to affect a nation with the approach to sovereignty or Western liberalism outlined above.

The enduring symbol of failed liberal idealism on the global stage, meanwhile, is not international institutions but rather military interventions fought to promote a particular notion of political legitimacy expressed through representative democracy and human rights. By imposing a particular conception of the good on the global stage the West abandoned traditions of pluralism and the common good in place of liberal universalism. This approach has also failed and the abiding image of this era is an English art teacher showing Marcel Duchamp's artwork 'The Fountain' (an inverted male urinal) to bewildered Afghan women.⁴¹

The alternative to these failures – whether expressed through platitudes or by military intervention – is an industrial policy of our own and international alliances based on shared strategic interests. Britain currently runs a disproportionately high trade deficit with China of just over £21bn (we import the value of £47bn while exporting around £26bn), amounting to 16.3% of our entire trade deficit – and therefore a considerable hit to our GDP (which is calculated as consumption + investment + government spending + (exports – imports)).⁴²

The benefits of this trade in the form of cheaper consumer goods is undeniable. 31.7% of our GDP is based on imports, 9.35% of which are Chinese – 2.96% of spending in the UK, therefore, is on Chinese imports. An average UK job in manufacturing pays 3.8 times higher than the average Chinese manufacturing salary, so we can anticipate very substantial inflationary pressure on the nearly 3% of our economy were we to reduce dependence on China and instead support domestic manufacturing while maintaining our higher wage bill. With each import newly repatriated we would expect a near fourfold initial increase in the price tag.

And yet, an industrial policy in which government backs industry through supply and demand-side support remains a necessary adjustment to the new era. It would reduce the trade deficit, boosting growth and stable employment in the industries and places that need it most, and end reliance on an increasingly unstable and hostile regime. What's more, reduced reliance on China would be not simply a matter of macroeconomics. The new forms of stable employment this policy would bring would have untold benefits in terms of enabling community cohesion and family formation – not to mention addressing the national security implications of a weak domestic manufacturing base that the coronavirus has exposed. China is right that “without strong manufacturing, there is no national prosperity.”

⁴¹ <https://www.youtube.com/watch?v=wdrvpSfjM1w>

⁴² These numbers are based on research for the Common Good Foundation by a macroeconomist at an investment firm based in London.

CONCLUSION

China's embrace of global capitalism has been strategic and partial, driven by an active state and an understanding of the nation as the principal economic unit. Socialism with Chinese characteristics has come to mean a kind of fusion of corporatism and mercantilism.⁴³ And it has been, on its own terms, an enormous success. Vast cities have been summoned into being; growth has been rapid and continuous, with civil unrest largely atomised and muted; and the Chinese share of the global marketplace, and with it political clout, has expanded dramatically.

While China pursued an industrial policy designed to capture global market share in critically important sectors, the West was telling itself pretty lies about globalisation and free markets. A progressive teleology in which the world was moving inexorably towards greater cooperation united with a post-1979 neoliberal economic consensus and dressed itself in the language of internationalism.

And so naivety defined the UK attitude towards China and it did so across the political spectrum. While former leader of the Labour party Jeremy Corbyn boycotted Donald Trump, he adorned a white tie for Chairman Xi.⁴⁴ Now, as recriminations fly over China's cover-up of coronavirus, leading political figures accuse its critics of xenophobia. Bizarrely parochial, the UK establishment has failed to reckon with the reality of the Chinese Communist Party.

But the Chinese cover-up of coronavirus prompts a fundamental rethink. The bargain between Western capitalism and Chinese communism has failed. It has not made us richer. Instead it has hollowed out our economy and our communities. It has not led to greater international understanding and the brotherhood of man but instead left us geopolitically vulnerable. The common good was ignored as the City of London sought short-term returns on investment.

The resuscitation of the common good in our domestic polity and in our international affairs begins with a recalibration of our relationships with China. As a start, the government should impose a temporary moratorium on foreign mergers and acquisitions while the crisis persists; it should reverse its decision to allow Huawei to deliver our 5G network; it should place heavy taxes on labour arbitrage; it should follow the Japanese and subsidise manufacturers to repatriate critical parts of the global supply chain; it should explore a tariff regime and supply and demand side industrial policy that will enable the development of critical domestic industry and provide decent jobs across the country; and it should advocate for independent and free trade unions in China as a precondition for renormalising relations.

The Common Good Foundation will be further exploring these proposals in a future paper.

⁴³ <https://americanaffairsjournal.org/2020/02/the-century-of-chinese-corporatism/>

⁴⁴ <https://www.metro.news/no-stomach-for-donald-trump-but-jeremy-corbyn-did-dine-with-xi-jinping/1586390/>