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China Oversteps

Sean Randolph – August 20, 2020

The Trump administration's attacks on China wield a club where a sharp scalpel would be better suited. Their effectiveness is also questionable. By taking an indiscriminate hard line they feed Chinese nationalism and increase Beijing's determination to reduce China's dependence on US markets and technology.

But if Trump's China policies have done more harm than good, China's actions are fueling the fire. Their direction is now so clear that other countries are taking notice and have started to push back. No longer content to quietly build a world-leading economy, China's leadership has overstepped, catalyzing an incipient alignment of nations whose values and interests are in conflict with Beijing's new vision.

The buildup of global fault lines is difficult to ignore: attempts to stifle the global narrative on the origins of Covid-19; attacks on other governments that support an international inquiry; contested territorial claims, backed by force, in the South China Sea far from China's shores; border clashes with India in the Himalayas; the mass incarceration of Muslim Uighurs in Xinxiang; suppression of democratic expression in Hong Kong; and plans such as Made in China 2025 and China Standards 2035 whose express goals are to dominate key technologies and global standards, reshaping the global technology world. Any one issue by itself would be a topic for debate, but it is their accumulation that is drawing attention.

One can sense a shift of tide.

Japan has established a \$2.2 billion fund to help its companies shift critical manufacturing out of China to more secure locations in Southeast Asia. Eighty-seven have received support so far.

Global discussion is accelerating regarding secure supply chains, where production of critical technologies would be concentrated in countries considered to be aligned and reliable.

Responding to border clashes, India has banned 59 Chinese apps and 47 clones or variants as national security and data privacy threats.

The UK has reversed course and joined Australia and the U.S. in excluding Huawei from its 5G deployment.

Europe is now evaluating investment from China through a security screen while demanding reciprocal access to investment opportunities in China. Without naming China directly, new proposals would prevent foreign companies that have received significant state subsidies from acquiring European companies or from competing with them for contracts. Sanctions, like those in the US, have been imposed in response to the crackdown in Hong Kong. Chinese government attempts to stifle criticism within the EU are meeting pushback, and in another rare move EU officials have publicly accused China of waging disinformation campaigns to sow discord in member states. French President Emmanuel Macron has expressed the shift in European thinking: "The time of European naivete is ended. For many years we had an uncoordinated approach and China took advantage of our divisions."

At a geostrategic level, the United States and India are becoming closer, deepening their defense ties. The Quadrilateral Security Dialogue ("Quad"), a military consultative mechanism between the U.S, Australia, India and Japan is stirring. The "Five Eyes" grouping of democratic, English-speaking nations that share intelligence – the United States, Canada, UK, Australia and New Zealand – is drawing closer as well.

None of this was inevitable. Chinese governments before Xi Jinping built their economy and their country while pursuing economic reform and concentrating on development at home. Ideology had a role but it was modest, and even within the Communist Party there was a measure of debate. Xi's course has altered the landscape both inside and outside China. What is different from past tectonic shifts is that this one is being driven by values more than economics: the Chinese model projected from Beijing vs. the global rules-based order led by liberal democracies. China's growth is still welcomed, but not the extension of its political and economic model or a China-led world order.

A clear-eyed multilateral approach where like-minded countries engage China regarding what is acceptable and what is not may offer the best chance for stable, productive relations. It is ironic that even as nations around the world draw closer together to address this challenge, the Trump administration has avoided and even denigrated multilateralism. If the global pushback takes deeper root it will be in the absence of U.S. leadership.

Even as most business and some cooperation between the U.S. and China continues (there is no question that China will continue to present economic opportunities), a politically driven unthreading is taking place. Systemic conflict can be avoided with the right policies and leadership. Absent a change, both US and Chinese businesses will live with uncertainty, unclear of their prospects in the other's markets, and European, Asian and other businesses will face a fracturing global environment.