

UK: Xi Jinping hails a ?visionary and strategic choice?

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The British government promised to roll out the ?reddest of red carpets? in honour of the arrival of President Xi Jinping of China for a four day state visit. There will be no limit on the pomp and pageantry laid on to impress their visitor and pictures of his reception by the Queen and his speech to members of both Houses of Parliament will no doubt play well back home. The Chinese have good reason to savour the reversal of fortunes of the two powers.

Nonetheless, behind all the glitter and flummery there is a very serious purpose to the visit and the agreements that will be formally confirmed during it will have far reaching consequences, and not only for China and the UK.

Speaking during his preparatory tour of China last month, the Chancellor of the Exchequer, George Osborne, who seems increasingly to be the real driving force in David Cameron's government, spoke glowingly of a not too distant future in which China will have completed its vision of a new Silk Road. Road and rail links to Europe, the Middle East and even Africa, across what used to be the southern republics of the Soviet Union, will have opened an entirely new chapter in global economic development, he predicted. He went on to explain that, ?We want Britain to be China?s best partner in the west and that is what brings us here today?.

That, in a nutshell, is what today's state visit is all about, but these long term strategic goals have been given greater urgency by the more immediate problems facing both these imperialist powers. With a good claim to being the oldest of all the modern imperialists, Britain long ago left behind its role as the ?workshop of the world? in favour of exporting its capital overseas and, more recently, specialising in the ?financial services? sector centred on the City of London. Ironically, the latest episode in Britain's long history of industrial decline, the closure of the steel plant in Redcar and the possible end of the steel industry altogether, has been caused by the dumping of cheap steel from China on the European market.

In public, Osborne and Cameron will no doubt sympathise with the thousands who will lose their jobs in the steel industry but, in private, they will not give the issue a second thought. Osborne in particular has made his own attitude very clear; British workers, he has said, should work as hard as Chinese workers if they want to see British industry thrive. What he really means, of course, is ?work as cheaply?.

For British capitalists, the way forward is to carve out a role for themselves in China's continued expansion. HSBC, one of the world's biggest banks, is considering relocating its HQ to East Asia and has plans to rebalance its investments with up to \$230 billion transferred to Asia, with a particular emphasis on China's Pearl River Delta.

Potentially even more important for British capital as a whole is the prospect of London becoming the first

Western location to issue bonds in the Chinese currency, the yuan. This, together with the decision to be the first western nation to join the Asia Infrastructure Investment Bank, which is led by Beijing and will be the channel for financing the actual construction of the 'Silk Road' projects, makes very clear the direction of Britain's strategic planning.

Osborne summed this up equally clearly, 'We want a golden relationship with China that will help foster a golden decade for this country. It is an opportunity that the UK can't afford to miss.'

And what of China? As the newest of the imperialist powers, Beijing has quite different problems to overcome but there is a potential synergy between Chinese and British priorities. In the course of the present year, the downside of China's rapid economic development has become more clear. In keeping with the necessary laws of capitalist development, the economy has advanced from cheap labour, low capital investment and production of cheap consumer goods, the plastic toys and cheap textiles of thirty years ago, to much more capital intensive production of high quality goods.

Just as in any capitalist economy, the pursuit of profit and, in China's case, the political priority to maintain stability and employment, led to huge over-investment in production capacity and other fixed assets. Given the faltering recovery of the global economy from the 2008-9 crisis, Chinese exports are declining while the domestic market cannot absorb the surplus production. The upshot of this is the slowing of the Chinese economy, according to the latest official figures, GDP growth in the last quarter was 6.9 percent, year on year. Exports in the first nine months of this year were down 1.9 percent, compare that with the official target of a growth of 6 percent and the mismatch is obvious.

Before the visit to Britain, Xi summarised Beijing's thinking in a written interview with Reuters, 'We do have concerns about the Chinese economy, and we are working hard to address them,' he said. 'We also worry about the sluggish world economy, which affects all countries, especially developing ones.' His solution, in its simplest formulation, was 'more foreign investment and encouraging the country's firms to invest overseas'. In other words, the export of capital.

That is the rationale behind the reported 53 major contracts, 'memoranda of understanding' and agreements, that were discussed with Osborne in China and are due to be finalised and, no doubt, publicised, during Xi's visit. The majority involve Chinese investment in the UK. Recognising that the implications of such deals are enormous, Xi praised the British decision as a 'visionary and strategic choice'. He was not exaggerating. Allowing Chinese companies, for example, not only to invest in the expansion of nuclear energy production in Britain but actually to build and operate the power stations has huge ramifications that go far beyond questions of financial viability, let alone safety and environmental considerations.

Like the decision to join the AIIB, like the welcoming of the 'Silk Road' economic strategy, such deals open up, at the very least, a divergence of interests between the UK and the US, if not a conflict of interests. Like German imperialism which, incidentally, already has a director on the board of the AIIB, Britain will now have a long term interest in ever stronger economic links, both trade and investment, with China. Quite apart from the many technical difficulties to be overcome in the actual construction of the transport links between China and Europe, there are important political and security problems where US policy is increasingly at variance with European. One is called Ukraine, another is called Syria.

Of course, a plan formulated, even a contract signed, is not the same as a policy finally and fully implemented. The US remains by far the wealthiest and most productive economy and the mightiest military power on the planet, Washington also has the most extensive political, military and cultural ties to countries around the world, especially in Europe, and will not sit idly by while others re-order the world to

their liking and advantage.

The significance of Xi's visit to Britain is not that it signals an already achieved re-alignment but that it heralds an ever increasing rivalry between the imperialist powers. By accident or design, that rivalry has the potential to spark direct confrontations between the powers, with incalculable consequences. For workers in those countries, the guiding slogan will continue to be that of the great German revolutionary Karl Liebknecht, 'The main enemy is at home!'

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