

# ONE WORLD, TWO SYSTEMS: China's Views Deserve a Hearing

by Bill Paton, November 2019

In 1971, over 20 years after the United States embargoed China, the two countries began thawing their relations with a table tennis tournament. *"Friendship first, competition second"* was the Chinese motto for the match, even letting the Americans win a few games. The USA had sportingly agreed to come and lose at China's national sport. The smiles all round led to President Nixon's historic visit to China, re-establishment of diplomatic relations and four decades of constructive engagement.



Jono Sandlands: *The Art of Ping Pong*

Today's world is swerving in the opposite direction. A group of countries led by the USA accuses China of many misdeeds including unfair trade, blocking access to their market, stealing intellectual property, predatory international lending, lack of democracy in Hong Kong, ethnic persecution in Xinjiang and illegal occupation of islands in the South China Sea.

For many Westerners there are real issues here and by criticising China they feel they are defending their belief in freedom of expression and individual rights. The rhetoric, however, is becoming increasingly shrill. China is accused of botching *'One Country, Two Systems'* in Hong Kong yet it seems that some in the West cannot stomach *'One World, Two Systems.'*

At that time of *'ping pong diplomacy'*, both China and the USA's fear of Soviet power made the thaw of mutual interest. Nonetheless, the two countries' leaders were visionary in reaching across such a wide chasm.

In 1971, China and the USA could have not been less alike. One, communist, with 22% of global population produced only 5% of Global Product. The other, capitalism's leader, with just 5% of global population was producing 35% of Global Product. This was about the same as China's one third share of world production back in 1820, when China was still the world's largest economy.

Today, China's government is a socialist, one-party system embracing global capitalism and its share of Global Product is back up to 16% or US\$14 trillion, two thirds of the USA's current GDP in market terms, at US\$21 trillion.

China and the USA today exchange huge volumes of trade, with many highly integrated supply chains. China now participates in international organizations, for example contributing by far the most peace-keeping troops among permanent members of the United Nations Security Council.

This convergence between the two systems is an opportunity for West and East to work more closely together on the world's urgent problems such as wars, poverty and pollution. Instead, some Western leaders and media, particularly in the USA and its closest allies, are deliberately inciting hostility towards China, talking tough for domestic audiences they know have already dim views of Beijing.

It was tempting in ancient Greece to pre-emptively attack a rising power with swords and iron helmets before they became too strong – Thucydides trap. However, open conflict today between the world's two great powers would be so ruinous that is hard to see where advantage could lie.

The USA and its closer allies are obviously uneasy with the new global balance of power, one in which they will no longer dominate the world unchallenged. The current US administration blames China for their country's economic ills, with tacit agreement from the opposition Democratic Party. Their President vows to ensure that China – with four times the US population – will never have an economy that surpasses the USA's.

China's raising of 800 million people out of poverty is an unprecedented human achievement but it has been achieved at an unprecedented cost. Environmental pollution alone is gigantic. Rule of law is not fully functioning and the government has been aggressively battling corruption for years with no end in sight. Health care has a long way to go and many migrants cannot send their children to school in the same city where they live and work.

China dreams of solving these and many other problems and achieving moderate prosperity, and it is open to learning from other countries' approaches, often inviting foreign experts to advise on a particular issue. China itself is now a world leader in such areas as e-commerce or e-payment and thus also has much that others can learn from.

This opportunity for mutual exchange and advancement is being wantonly forsaken. Deteriorating relations between China and the US-led group are being wilfully aggravated by politicians seeking to please their electorates, and by biased media seeking to please their consumers. Unlike past Chinese governments' stoic silence, today's China speaks up. Nonetheless, many readers in North America, Australia and elsewhere must continue to subsist on a thin gruel of negative China stories that lack substance about China's own views.

**To begin with trade**, the USA accuses China of causing the US trade deficit. Most American economists well understand the true origins of America's deficits, the norm since 1975 when China exported almost nothing. US trade deficits are the simple math of consumption exceeding production, thus imports exceeding exports, supported by huge annual public borrowing and low savings. The dollar's international reserve currency status also keeps its value higher than it would otherwise be under such a trade deficit, when a lowered dollar would help it sell more exports.

US and other Western corporations zealously exported production to Chinese factories to reduce costs. China, to its credit, took full advantage of this opportunity and became manufacturer of over half the world's manufactured goods in less than 40 years, a true 'great leap forward'.

Today, commodities such as farm products that Chinese buy from the US can easily be bought elsewhere but American imports from China are more difficult to source elsewhere because they require sophisticated supply chains. The trade war started by the USA has actually increased the US trade deficit with China, up 20% in the 20 months since January 2018.

China's exports in 2018 rose 10% to 2.48 trillion dollars and its imports rose 16% to 2.14 trillion. This 340-billion-dollar net surplus equals 2.5% of China's GDP and is roughly equal to its surplus with the USA. However, China's tally also includes a 50-billion-dollar surplus with India, a 50-billion-dollar deficit with Australia, a 70-billion-dollar deficit with South Korea, mostly in manufactured goods, and a 40 billion-dollar deficit with the USA in services. From a Chinese perspective, Silk Road trade has re-flourished, back to levels equivalent to those of centuries ago.

Chinese tourism abroad is not included in trade figures, yet tourist expenditure has now reached nearly 300 billion dollars or more than one fifth of world tourism. China today thus has roughly balanced trade with the rest of the world.

**As for access to China's domestic market**, in the early 1980s, foreign investments were indeed required by law to be joint ventures with Chinese firms who often adopted the partner's technology. This is only now belatedly changing. China also blocked US internet companies such as Google, who declined to obey Chinese security laws. This has helped China's homegrown companies such as Alibaba, Baidu and Tencent to themselves become giants. The USA's recent ban on Huawei and other Chinese companies is analogous. Both countries seek shelter from the other's competition and both plead security concerns.

Few realise how successful many US and Western companies are in China. There are over 4,800 Kentucky Fried Chicken outlets, 3,300 Starbucks cafes and 1,450 Pizza Huts in China today. Walmart says it's experiencing "*explosive growth*" in Chinese e-commerce. Over 55% of China's 250 million passenger vehicles are Western brands, led by Volkswagen and Toyota, huge numbers of Mercedes, Audis, Chevrolets and nearly every other brand, while Tesla has just built a new wholly-owned factory in Shanghai. China was recently rated fifth in the world by the World Bank for its enforcement of contracts, and 31<sup>st</sup> in the world for its business climate, up from 46<sup>th</sup> last year.

**Regarding intellectual property rights (IPR)**, some Chinese companies have stolen and continue to steal IPR, particularly from the USA. Over 20,000 graduates from Qinghua and Beijing Universities alone have worked in Silicon Valley and doubtless some have departed with stolen IPR tucked into their digital pockets.

Thankfully, China's attitudes on intellectual property have shifted. A study by Love, Helmers, and Eberhardt found that during 2006-2011 foreign companies won 70% of intellectual property theft cases brought before Chinese courts. In 2017, out of 20,000 foreign complaints, the foreign company won 80% of the time, followed 98% of the time by court injunctions to enforce the ruling. In 2019, China is expected to become the world's largest filer of international patent applications so they now have as much at stake in protecting IPR as any other country does.

**China is also accused of entrapping countries with loans.** Its Belt and Road programme is investing three trillion dollars in 68 countries over 30 years to build infrastructure, expand trade and improve communications. There are grants as well as loans and Chinese companies do usually

build the infrastructure, often importing unskilled Chinese labour to countries with high unemployment. Despite such flaws, the Belt and Road is a grandiose plan to mutually increase GDP for scores of countries including much of Africa. Poorer countries enjoy extra benefits such as free Chinese satellite data plus the equipment and assistance needed to use it.

The reaction in the USA and its closer allies to this programme has been vitriolic, deriding it as an evil scheme to entrap countries in debt. In truth, most countries debt to China is far less than they owe to Western countries and international financial institutions such as the World Bank. China is also the first to forgive debt: In 2007, some 25 nations saw their debt to China written off.

**Hong Kong:** The USA and others are similarly outspoken about demonstrations in Hong Kong. Young Hong Kongese are caught in the tide of history and we can imagine how many must feel. However, the USA has now passed laws intended to influence Hong Kong's (China's) internal affairs. Were roles reversed, such interference in another country would not be tolerated. Imagine if China were to make similar remarks about the 100 years of prison sentences recently handed down to the elected leaders of Catalonia for holding a referendum on secession from Spain, as their voters had wanted?

Hong Kong was captured at cannon point and ruled from London without democracy for a century and a half. Nor did the British allow their Hong Kong subjects the right to protest legally. This right was only re-gained after Hong Kong's return to China in 1997. Citizens of young countries such as the USA, Canada or Australia do not easily fathom how deeply China's history impresses upon its people's collective psyche.

**As for Xinjiang,** most Western countries criticize China's drastic tactics in dealing with Islamist extremism by sending hundreds of thousands of their own citizens to education centres. However, it is always salient to at least try to understand the other side's reasoning.

China has been experiencing an Islamist extremist movement in Xinjiang, a remote Region bordering Pakistan, Afghanistan, Tajikistan, Kyrgyzstan, Kazakhstan and Russia. The nation was shocked in 2014 when Xinjiang separatists attacked passengers in Kunming, a provincial capital's railway station, killing or injuring 130 persons using long knives. Unarmed policemen out jogging in Kashgar were shot to death on the street. Tourists were randomly stopped and killed on Xinjiang highways. There were thousands of such incidents and thousands of victims.

China's government should have let the world know more about the scale of the problem. Another miscalculation was to assume that large-scale investment and development in Xinjiang would be welcomed. Instead, the fast influx of Han Chinese, China's ethnic majority, alienated Uygurs who felt discriminated against, especially for jobs, and this undoubtedly helped extremism spread.

China's government admits the centres are mostly for Uygurs who as a group are Muslim, and especially for the least educated from poorer areas who are most susceptible to radicalization. China says detainee's learn Chinese social values, party doctrine, the Chinese language and vocational skills. The aim is preventive counter-terrorism and de-radicalization and has been accompanied by affirmative action in hiring.

There is a profound philosophical contradiction here with the West, which sees individual citizens' rights as sacrosanct, at least under their own government. China's government sees restoration of security and order as sacrosanct, even if this requires sweeping up thousands thought susceptible to radicalization and detaining them for months. Extremist attacks have now stopped and Xinjiang tourism has resumed. It remains to be seen if this drastic approach will really end the violence and if Uygurs' freedoms will soon be restored.

**The South China Sea:** Many Western countries, especially the USA and other leader NATO powers, are also complaining about China's claim to and militarization of islands in the South China Sea. Admittedly, the Chinese nine-dash line encircling the Sea does look rather greedy.

China signed the United Nations Convention on the Law of the Sea that governs exploitation rights, a Law the USA itself refuses to ratify. When the Philippines complained to the Permanent Court of Arbitration about Chinese occupation of the Spratly Islands, China gave the required notice that it declined to participate, citing treaties it had signed with the Philippines in which the two countries had mutually agreed that border disputes would be resolved bilaterally. China also stated that the matter was one of sovereignty and not exploitation rights, and thus not subject to the Court's jurisdiction. With China absent, the Court went on to rule in favour of the Philippines. Taiwan has also separately refused to recognize the Court's ruling and China has now offered to share exploitation rights for the islands with the Philippines.

At the end of WWII, China was excluded by the Western victors from agreements signed with Japan surrendering their claims to many islands they occupied in the South China Sea. China was a great seafaring power for centuries, for instance whaling in the south of the Sea 900 years ago before other countries even had ships. Compare China's historical case to the UK's claims to so many islands worldwide, such as the Falklands off Argentina's coast, or to the USA's more than a dozen islands in the South Pacific.

The key to understanding this issue is the military situation in the South China Sea. Imagine how China feels with an increasingly hostile United States sailing its warships, nuclear subs and warplanes so near to its shores. It can no longer accept that the Sea through which transits most of their trade, oil and imported food remains under US control. The island installations are defensive.

How would Western powers react if China had nuclear weapons-capable warships skirting the coasts of Florida or Wales, or jet fighters poking into US or UK airspace to test their radar? Despite rising tensions, major Western military powers continue sailing their warships provocatively around the South China Sea, complaining that their right to do so is being infringed upon.

Media bias against China today is rampant. For instance, American media covered President Trump's decision to delay the start of new tariffs on Chinese goods from 1 to 15 October, 2019, because – he said – Chinese Vice Premier Liu or his office had telephoned to request this. Hours later, China's Ministry of Foreign Affairs denied that any such call ever took place yet many news outlets continued running the story without mentioning China's response.

Western viewers apparently embrace this one-sided practice. A recent Nanos survey on Canadians' view of Beijing found that 90 per cent of Canadians have a negative or somewhat negative impression of China's government, a proportion that has risen for years.

In the United States, a recent poll by Pew found that 60 per cent of those surveyed had an unfavourable view of China, up 13 per cent from last year. Developing world views of China were more favourable.

For decades, Chinese media remained stoic in the face of criticism. When world media reported in 2009 how China sent only a mid-ranking official to meet President Obama and other leaders at an *ad hoc* session during the COP 15 Summit on Climate Change, China was blamed for wrecking the deal. Months later it emerged that the *ad hoc* group had only invited China at the last minute.

Those days – when China politely avoided causing anyone to lose face – are over. China now responds firmly and promptly to attacks but much of the Western media remain reluctant to cover China's responses.

Seeing both American and other anglophone media, as well as China's own domestic, Chinese language news reports, I find it ironic that Chinese media – controlled by the Party – generally report Western views more fairly than the other way around.

Viewers in China today also see frequent news coverage of China's growing military power, proudly showing the very South China Sea island facilities in question to reassure Chinese that their country can now defend itself.

The current US administration is committed to confrontation and brinkmanship with China and has stoked so much anti-China public sentiment that it is unlikely a future US administration, Democrat or Republican, will pursue detente with China anytime soon. Lacking this, the current conflict may well continue to escalate.

Good negotiators first try to understand the other party's point of view and then build confidence step by step. The West's current leadership is instead censoring China's views and actively undermining trust. China, famously patient, is itself now replying with growing hostility and alarm.

The current problem is that other governments dare not contradict the US administration. America's allies, particularly the 'G6', have a responsibility to speak up. While they may have their own concerns about China's rise, they do not for the most part favour escalating conflict. They are neglecting their solemn duty to speak up and be the voices of reason. Italy has at least found the courage to join the Belt and Road programme and the UK has balked at US insistence on banning Huawei. But such gestures are far from enough to help reverse the negative trend in relations with China.

China too, needs to dig deeper and re-discover its admirable restraint, for instance not churlishly cancelling broadcasts of the National Basketball Association's games due to the personal remarks of one team's manager about Hong Kong. Such behaviour only lends credence to accusations that China's government seeks to censor speech abroad.

In 1971, table tennis was the ice-breaker, followed a few months later by Secretary of State Kissinger's quiet trip to Beijing. Chairman Mao then invited President Nixon to make his historic visit to China, a trip unparalleled in the history of 20<sup>th</sup> century diplomacy. Together, the two leaders re-set the global atmosphere to one of mutual listening and dialogue, sparking a new era that greatly benefited the entire world.

One of the merits of multi-party democracies, with an emphasis on press freedom, is thought to be that their systems honour differing opinions and encourage their debate. It is time for them to prove it again. It is time to start making 'One World, Two Systems' work.

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