

UK woos China during Xi visit

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China's President Xi Jinping began a four-day tour of the UK yesterday.

The trip is of geostrategic importance to both countries, with the Conservative government affording Xi a lavish red carpet welcome. Xi and his wife are staying as guests of the queen at Buckingham Palace. The visit began with Xi and his wife, Peng Liyuan, as guests of honour in a procession down The Mall to Buckingham Palace for the official state welcoming, which included a full 103-gun salute.

Xi addressed members of both houses from the Royal Gallery of the Houses of Parliament and held a one-to-one meeting with Labour Party leader Jeremy Corbyn. Later Tuesday evening he attended a state banquet held by the queen and is to meet Prime Minister David Cameron at his country retreat.

On the last day of his visit, Xi will fly to Manchester with Chancellor George Osborne to visit several investment projects. They will discuss Chinese investment in the so-called "Northern Powerhouse" programme. This includes "HS2," a planned high-speed rail project between London and several northern cities.

Nothing has been allowed to interfere with the British ruling elite's courting of Xi. Osborne set the tone last month during a trip to China where he spoke to its stock exchange and made a high profile trip to the northwestern region of Xinjiang, which is gripped by separatist unrest involving the ethnic Uighur population that is heavily supported by Washington.

"Do we disagree about human rights?" he asked rhetorically. "Yes we do. ... But isn't it better to engage and talk about these things rather than stand on the side lines and try and conduct some kind of some megaphone diplomacy?"

Much was made of the fact that Prince Charles, who is on record as a supporter of Tibetan independence, did not attend the state banquet. But even this was a token

sop, as Charles and his wife, the Duchess of Cornwall, will play host to Xi and his wife at their Clarence House London mansion. Indeed, in preparation for Xi's trip Charles chose not to see the Dalai Lama when he visited the UK in September.

While Prince William made a speech criticising the illegal ivory trade to be shown later on Chinese state TV, nothing was said about the brutal exploitation of China's hundreds of millions of workers by western corporations. Britain's efforts for relations with the Chinese regime are predicated on this super-exploitation, while the UK's own record of human rights abuses include, as Edward Snowden revealed, mass surveillance of electronic communications.

China is being offered unprecedented investment opportunities and access to the British economy, including strategically important sectors such as the nuclear power industry. Funding is being sought for nuclear reactors at Hinkley Point and Sizewell to be followed by China's nuclear power companies building a Hualong One reactor at Bradwell on the Essex coast. These projects could be worth £100 billion over the next decade. This is proceeding despite complaints from sections of the military and intelligence apparatuses as to its security implications.

The UK has pursued an increasingly determined orientation to China. Earlier this year Prime Minister David Cameron announced that the UK would become a founding member of the \$50 billion China-backed Asian Infrastructure Investment Bank (AIIB). Following Britain's lead, Germany, France and Italy all announced they were to be founding members of the bank. More than 50 countries are now participating, including Australia, which signed up in June.

China is now the UK's second-largest source of imports, behind Germany but ahead of the US. Exports to China increased from £7.3 billion in 2010 to £15.9 billion in 2014, an average annual growth rate of

around 20 percent. Chinese investment in the UK has accelerated since 2012 more than doubling the inflows of the preceding seven years.

Since 2000, almost 40 percent of Chinese investment in buying or merging with European businesses has gone to UK companies. Last year more first-year Chinese students (58,810) enrolled in the UK than from the whole of the EU.

An estimated £30 billion in bilateral investment deals are expected to be agreed during Xi's trip.

Manufacturing now represents just 10 percent of the UK economy, which is geared towards the parasitic requirements of the City of London. British imperialism is now reliant on investment and funding from abroad to an extraordinary extent. This month the Tories, in order to lock in austerity, passed legislation forbidding future governments from making any borrowing at all, even in "normal times" for investment purposes.

However, by far the most vital aspect of the British ruling elite's relationship with China is in finance and banking. According to recent figures, British banks now have more exposure (\$295 billion) to China than the whole of Europe (\$144 billion) and North America (\$116 billion) combined—if the Hong Kong subsidiaries of just two London based banks, HSBC and Standard Chartered (\$209 billion), is included.

This dependence is set to increase.

The key announcement flowing from Xi's visit is that London has been chosen as the first overseas financial centre in which to open a sovereign debt market in Chinese renminbi.

A Chinese official explained, "London has been chosen ahead of other financial centres in Europe and the US. This shows that Beijing has decided that London is the preferred location in which to build an offshore centre for renminbi exchange and investment in a non-Chinese timezone."

A *Financial Times* column, "What China wants from Britain," noted that continued Chinese economic growth was dependent on this. If the AIIB was to "be anything more than a clone of Bretton Woods institutions such as the World Bank, the renminbi will have to outmuscle the US dollar," it wrote.

The FT noted that the "biggest draw" for China "is undoubtedly the City of London, which occupies a central place in the global financial system in which

China would like its currency to play a bigger role."

The UK has stolen a march on its rivals, particularly Germany and Switzerland, who have both offered themselves as a base for renminbi trading operations. Britain was the first G7 country to establish a currency swap line with China.

The cementing of Britain's economic ties with China has major geo-strategic implications, coming at a time of increasing US aggression directed at Beijing as exemplified in President Barack Obama's "pivot to Asia".

Britain joined the AIIB in the face of furious opposition from the US, with a White House official describing the decision as part of "a trend towards constant accommodation" to China.

In the midst of his announcement of a new "golden era" in relations between China and the UK, Cameron was asked whether this would harm the "special relationship" with the US. "We see no conflict with having that very special relationship, with wanting to be a strong partner for China as the Chinese economy continues to grow and China emerges as an enormous world power," he replied.

His sanguine approach was contradicted in the FT by someone it described as a "highly influential retired US official". In a barely veiled threat to the UK government, he warned, "What we are seeing is a case study in kowtow."

"It's not just Osborne," the FT quoted, "it's the whole Cameron government that is bending over incredibly backwards and this will definitely create problems for Great Britain in the future."



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