May’s China visit highlights UK’s post-Brexit dilemma

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Prime Minister Theresa May’s three-day visit to China was part of the British government’s desperate attempt to drum up business, attract more inward investment and strike a new trade deal as the UK prepares to leave the European Union (EU) in March 2019.

May promoted the trip as an example of “Global Britain,” telling Chinese state broadcaster CCTV “…we’re going to be more outward looking and looking to enhance our relationships around the world, and this relationship with China is an important part of that.”

She visited the industrial city of Wuhan, which has the largest student population in the world, the capital Beijing, and Shanghai, the commercial capital.

President Xi Jinping likewise struck an upbeat note, saying, “We must strengthen the pragmatism of Sino-British relations in the golden era and push economic and trade cooperation between the two countries to a new level.”

But for all such talk, May and her 40-plus delegation made up of figures from business, industry and universities came away with a few crumbs that only served to expose Britain’s catastrophic political and economic decline. According to Liam Fox, the Secretary of State for International Trade, who accompanied May to China, these deals included:

* A deal to open a chain of new nurseries, expand English language teaching and other education deals worth around £550 million,
* An agreement to tackle international wildlife trade,
* A commitment to launch a trade and investment review, although any future trade deal was “some way off,”
* A promise to look at ways of expanding the import of British agricultural produce and to explore lifting the ban on British beef imposed after the outbreak of Mad Cow disease in 1996,
* Commercial deals said to be worth around £9 billion, about which little was said.

May’s visit is the first by a British prime minister since her predecessor David Cameron went with a 120-strong business delegation in 2013, when he promised to double the volume of trade with China by 2015.

But while exports of goods and services to China have increased by 60 percent since 2010, by 2016 this was worth less than £17 billion—against £42 billion of imports—and amounted to just 3.1 percent of all Britain’s exports. This is trifling compared to the 43 percent of Britain’s exports to the EU. Any further expansion of exports can only be accomplished by sharply reducing the wages of British workers and vastly increasing the rate of exploitation.

Cameron’s chief concern was to encourage Chinese investment in the UK and to promote the interests of the City of London, on whose speculative and parasitic activities the British economy has become ever more dependent.

To that end, he even defied pressure from the United States and Britain’s own security agencies to become the first Western country, in March 2015, to join the Asian Infrastructure Investment Bank (AIIB), set up as China’s equivalent to the World Bank. He welcomed President Xi with all the panoply of a state visit to Britain in 2015, lauding it as the start of a new “golden era” in Sino-British relations still referred to by Xi.

As well as signing £40 billion worth of deals, Xi agreed to open China’s first overseas financial centre in London for marketing its sovereign debt in Chinese renminbi. At the end of last year, according to recent data cited by the *Financial Times*, British banks had more exposure at around $300 billion to China than the eurozone and North America.

After initially hesitating about making overtures to Beijing following the Brexit referendum that brought her to office, May sanctioned China's involvement in the Hinkley nuclear power station and Britain's participation in China's trillion-dollar Belt and Road Initiative (BRI). Last December, during a two-day visit to Beijing, Chancellor of the Exchequer Philip Hammond announced the setting up of a $1 billion investment fund with China to back BRI.

But while May desperately wanted to be associated with good news due to the factional disputes tearing her government apart and threatening her political survival, she was severely constrained as to how far she could go in her overtures to Xi given the geopolitical consequences of doing so. May might have been willing to risk alienating the EU by signalling her intention to support China's BRI investment plans, but she could not risk doing so while at the same time alienating her main political and commercial ally against the EU—the US.

The UK faces an existential dilemma, placing definite constraints on the degree to which it can pursue its own interests without jeopardising its strategic relationship with the US, the world's dominant military power, that has, since the end of World War II, enabled it to "punch above its weight" on the world arena.

Before May arrived in Beijing, she had met with President Donald Trump in Davos, where he had once again promised to sign major trade deals with the UK post-Brexit. One price for doing so was to ensure that the UK toes the US line regarding relations with China.

As May was departing for China, CIA Director Mike Pompeo was giving an interview to the BBC in which he stressed that "Chinese efforts to exert covert influence over the West are just as concerning as Russian subversion." Pompeo told the BBC that the Chinese "have a much bigger footprint" to do this than the Russians, citing "efforts to steal US commercial information and infiltration of schools and hospitals" that "extended to Europe and the UK."

"Think about the scale of the two economies," he said of Russia and China. "The Chinese have a much bigger footprint upon which to execute that mission than the Russians do."

Pompeo and Trump effectively scripted May's response to the key issues of concern during her trip. For this reason, even as she abandoned any pretence of opposing China's human rights violations, to the extent that she was afforded the appellation "Auntie May" by China's media, she felt obliged to publicly stress the necessity of China adhering to "fair trading practices"—a reference to steel dumping—and intellectual property rights.

But crucially, the US tied her hands in the key issue, the BRI, leading to her refusal to sign a memorandum of understanding (MOU) officially endorsing the BRI—aimed at building a vast transport network linking China to the Mediterranean, Europe and Africa via 70 countries in Eurasia, the Middle East and Africa, a modern version of the old Silk Routes.

To do so would have risked incurring the wrath of Washington. Within the US, opposition to the BRI is bound up with the Trump administration's designation of China as a "strategic competitor." Washington views the advance of China's economic influence in Asia and Europe as expressed by the BRI, the AIIB, and the use of the renminbi as an international currency and the enhancement of its military and strategic capacities as inseparably linked and a growing threat.

In addition, May would have further alienated the European powers. While several eastern European states have signed up to the BRI, the EU, Germany and France have thus far joined the US in not doing so—concerned that China will favour its own corporations in the construction of the BRI at the expense of their own and fearing that Beijing is seeking to strengthen its geostrategic interests by reshaping the global economy along a Eurasian axis.

Under the terms of the MOU signed with the Czech Republic, China has promised to turn the Central European country into a transport and financial hub that could further threaten economic and political integration of the EU.