

Cameron's China Gambit: Bad Timing Meets Poor Taste

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Reporting on Xi Jinping's state visit to the United Kingdom, China's CCTV waxed enthusiastic about the new chemical reaction in relations between the two countries. Xinhua hailed the dawn of a new global partnership between China and the UK. China Daily trumpeted that the two countries have become truly interdependent as British MP Liam Byrne wrote that we are "poised on the threshold of a golden era in Sino-UK relations."

In March British Prime Minister David Cameron said through a spokesman that "there will be times when we take a different approach to the United States" while in September Britain's Chancellor of the Exchequer George Osborne pledged to make the United Kingdom "China's best partner in the west." Cameron reiterated this on October 21: "I'm clear that the UK is China's best partner in the west."

The special relationship is dead. Long live the special relationship.

Britain's new special relationship with China is based on one thing: money. In particular, Cameron was keen to secure Chinese investment in nuclear power generation. Right or wrong, the simple fact is few people in the west want to invest in nuclear power. China is one of the few countries willing to buck the anti-nuclear trend.

Some British intelligence analysts are wary about importing Chinese nuclear technology, according to rumors reported in the Guardian. And many human rights campaigners are furious about Cameron's embrace of China. Whatever the merits of the individual case, it is surely in poor taste to clamp down hard on demonstrations by China democracy activists in London, the home of the mother of parliaments.

But poor taste in suppressing free speech and snubbing the United States may be the least of Britain's problems with its newfound love affair with Chinese money. The biggest problem will come when Cameron wakes up to find that his new lover isn't as rich as he'd thought. Cameron claimed £40 billion in new contracts, but the funds will be spread over decades and many of these deals have already been announced. Many of them may not happen at all.

China is not a rich country. China is ranked 80th in the world in GDP per capita according to IMF estimates for 2014. Its \$7589 per year puts it just below Bulgaria. Even Belarus outperforms China in terms of economic output per person. Mexico and Brazil are respectively 40 percent and 50 percent richer than China.

Adjusting for purchasing power parity raises China's GDP per capita to \$12,880 but demotes it to 90th place, since costs are higher in China than in many other poor countries. The United Kingdom has six times the GDP per capita of China, three times when adjusting for purchasing power. So why is China investing in the UK instead of the other way around?

The Chinese government is able to play fast and loose with Chinese money because there are no proper checks and balances on political spending in China. China's free spending abroad and China's repressive politics at home are flip sides of the same coin. Only a totalitarian state can afford to subsidize infrastructure in much richer countries in exchange for political favors.

And make no mistake: China will expect political favors. Xi may not be as brash as Putin when it comes to demanding quid pro quo, but the demands will come. Cameron has already given in to the

first of them: China's demand that he stay away from the Dalai Lama. More (and more important) demands are sure to follow.

These political concessions will look all the more foolish when China is unable to pay up. China's once-stellar economic growth is falling back to Earth, and this slowdown is structural, not cyclical. The Chinese government faces a looming fiscal crisis as tax revenues fail to keep up with increasing social and security spending. And China's military expansion in the South China Sea has alienated most of its Asian neighbors.

Even authoritarian regimes face limits in how much they can squeeze their own citizens to fund politically-motivated investments. The small number of countries and enclaves that rely on Russian largesse are now feeling the pinch as the Russian economy crumbles. Hit by low oil prices, western sanctions, and rising military expenses, Russia can no longer afford prestige projects in its „near abroad.“

China is not in Russia's position — yet. But Cameron has come late to the China party and nuclear power plants take decades to build, operate, and decommission. A half-century bet on stable state-sponsored infrastructure investment from a non-democratic developing country is strange enough as it is. To make this bet now when China's growth is slowing and Chinese markets are in crisis is bizarre.

The current UK government is putting fiscal and political expediency ahead of its country's long-term national interests. Having withdrawn from security responsibilities in the Asia-Pacific region, the UK government may feel it has nothing to lose from cozying up to China. But it is inconceivable that future UK governments — to say nothing of the British people — will prefer a closer relationship with China to partnerships with other developed democracies, first and foremost the United States.

Cameron's China policy is ill-conceived and ill-timed. When the leader of a free, democratic country is glorified by the Chinese state media it is a cause for concern, not celebration. American security cooperation gives Britain extraordinary freedom of action on the world stage that it could never achieve on its own. Most British leaders understand that. Look for an embarrassing about-face in the not-to-distant future.