

Tea with Xi

Blog post by Chairman Peter Mandelson, 19 October 2018

For a very powerful head of a huge and centrally controlled nation, President Xi Jinping of China has a remarkably relaxed air about him. He exudes composure, in public at least.

In a receiving room of the Great Hall of the People, Xi welcomed a small UK group which I joined this week to commemorate the anniversary of the Icebreakers - strictly speaking post-revolutionary sanction breakers - a mission of business people who took Britain's first trade mission to China in 1953. Stephen Perry, the son of the mission's leader, Jack, introduced us individually to Xi before our group photograph and exchange of views.

Nothing remarkable stood out from this discussion but three things caught my ear. The first was Xi's twice mentioned reference to the 'golden era' of relations between Britain and China. In fact, apart from the rising trade and investment between the two countries, there is nothing particularly golden about the present time, but my interpretation was that Xi wanted to go out of his way to stress that Brexit - which the Chinese find incomprehensible and assume will be reversed in a decade or so (who knows, we may still be in the transition period then) - does not mean that relations between us will be downgraded.

Second, was Xi's remarkable historic sweep. The renewal of the Chinese nation - "another miracle of development" - would not be completed until 2049, the anniversary of the founding of the People's Republic. It puts the US president's eight-year term in perspective (let alone the fight for the mid-terms). Xi said that their confidence in the reform and opening up process of the last forty years meant that there was no need to depart from China's present course. China would continue the internationalisation of its economy and the rest of the world would continue to participate in China's growth.

And third, Xi said he wanted China's transformation to be free from "bias, suspicion and misunderstanding". I think this will be a taller order.

President Trump's pre-occupation with America's trade balance is not, of course, what really troubles him about China. He has spotted that China's tech sector is squaring up to and preparing to overtake Silicon Valley. It has already surpassed the US on e-payments and e-commerce, and is close to matching the US on AI. Some estimate that China will start to come out top in this technology and super-computing race by the mid 2030s. This is about existential strategic competition not routine trade rivalry, as US Vice President Pence made clear in a recent combative speech.

President Xi will be watching carefully how Europe chooses to position itself, alongside its traditional ally or to take a more nuanced stance.

I do not believe that Europe is going to join America's anti-China crusade. But ten years ago, as the EU's trade commissioner, I delivered a speech in which I said that China was in danger of becoming a "runaway juggernaut" in the international trade system and that reciprocity in market opening

was vital if a Western backlash was to be avoided. Chinese leaders listened and attempted to apply balm, but since then the juggernaut has not exactly slowed up.

They should not underestimate the determination of populists in the West to stoke up political antagonism towards China. Xi may mean it when he said to us this week “China has no desire to become a hegemon” but the term ‘hegemon’ is open to interpretation, and people are scrutinising China’s every gesture and signal. China is good at remembering its old friends, as I saw this week, but if its confidence starts being taken as hubris, and if standing up for yourself starts looking like a lack of respect for others, Trump and Pence’s audience will start to swell, and not just in the US.