Chinese geopolitics: continuities, inflections, uncertainties

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For Beijing, the era in which the European powers shaped the world was only a parenthesis before the story returns to its “normal”, Sinocentric course. China has become the second world power. Chinese geopolitics, however, has entered a phase of adaptation to an uncertain world.

Contents

The conflict between the United States, the established power, and China, a rising power, today largely structures world geopolitics. The deployment of Chinese power operates in three distinct and interdependent historical and geostrategic spaces:

The Far East/North Pacific. A privileged area for the imperial ambitions of the United States in the nineteenth century, against Japan. The present Korean conflict is part of this historical space with, in particular, two major changes: the effacement of European powers; China’s own role.

“The March to the West”. Initiated by Xi Jinping and embodied by the new “Silk Roads”, it covers the whole of Eurasia, the Middle and Near East, North-East and North Africa. Symbolically, the new Chinese imperialism is pursuing in reverse the paths of the initial expansion, within the “Old World”, of the traditional European imperialisms.

The global space. Capitalist China has become in recent years a major player on all continents and in (almost) all fields, diplomatic and economic. The ambition that is affirmed is global, including the influence of the political and cultural model of which China is, in the eyes of Xi Jinping, the bearer.

Seen from China, the era in which the European powers shaped the planet was only a short parenthesis before history returned to its “normal” course - namely, the centrality of China. This Sinocentric vision which prevails in China provides a solid cultural base for the expansionism of the new Chinese imperialism – in the same way as the Eurocentric vision did for the conquering imperialisms two centuries ago. It is a question of “projecting” “Chinese civilization”, as was done yesterday with “European civilization”.

For Xi Jinping, the twenty-first century will become the “Chinese Century.”

_ I. The geopolitics of East Asia

As soon as he came to power, Xi Jinping’s main objective was to assert Chinese hegemony in East Asia, in every sphere: economic and financial, diplomatic and political, military. No international expansion without consolidation of its regional power.

Chinese influence can assert itself at its northern borders (Mongolia), but it is limited by Russian power (Siberia), while it is challenged, to the west, by India, the competition in the sub-continent being stiff (especially in Sri Lanka).

Xi Jinping has abandoned the defensive strategic conceptions that prevailed during the Maoist era: any invader would face a people’s war in the vastness of China; at the time the land army and the capacity for popular mobilization were key. The strategic conceptions are now offensive: to ensure the expansion of the new imperialism, the sea and the navy have become key - both for general reasons (every great power must ensure its maritime presence in the world) and specific ones: China has an immense coastline and must ensure secure access to the Pacific and Indian Oceans. This is not the case today. From the Korean Peninsula to the Malaysian Peninsula, a series of archipelagos (Japanese, Filipino, Indonesian) block the way. The straits that lead to the open sea are under close US surveillance.

The maritime space that is called the China Sea (a term that the other coastal countries reject) is from this point of view vital for Beijing. One of Xi Jinping’s first strategic decisions was to take military control of its southern part, decreeing that it was a “domestic sea” under Chinese authority.

Three phases can be distinguished in the battle for control of the China Sea.

The conquering phase. Beijing benefited from the temporary paralysis of Washington. Obama wanted to refocus US power by making Asia-Pacific his “pillar,” but he remained a prisoner of the Middle Eastern quagmire. Shortly after Trump’s election, Washington withdrew from the Trans-Pacific Partnership (TPP), a multilateral agreement in formation, leaving the field even more free for Chinese ambitions.

Under these conditions, Beijing was able to use all the levers at its disposal to attach to itself and/or neutralize the countries bordering the South China Sea: overwhelming military power, objective economic dependence, financial incentives, political influence (the model of dirigiste and authoritarian capitalist development is considered appropriate by various regimes of the region) ...

Beijing has built from scratch seven artificial islands that today house important facilities (airstrips, ground-to-air and anti-ship missile batteries, fortified hangars, radar, communications jamming systems...). Together they constitute a coherent complex, controlling the approaches from all the cardinal points. H-6K strategic bombers (with nuclear capability) have already landed there, a political gesture with the B-52s of the United States in mind.

The militarization of the South China Sea is effective, to the benefit of China. Certainly, Beijing cannot oppose the passage of the US Seventh Fleet and block international transit, but Washington cannot “push back” the Chinese presence without incurring a conflict at a very high level.

Beijing has not stopped there. The regime has claimed “historical” possessions further north, actively challenging Japan’s control over the uninhabited Senkaku/Diaoyu micro-archipelago (dispatching warships and planes to the area, creating aerial exclusion zones…), testing both Tokyo's means and US determination.

The counter-offensive of the United States. Trump finally picked up the gauntlet in the military field, using the North Korean question for this purpose: the threat of intervention (including nuclear), the installation of THAAD anti-missile batteries in South Korea (which neutralize most of the nuclear arsenal deployed in mainland China), strengthening the Seventh Fleet and use of the Jeju base in the south of the peninsula … China has been effectively pushed back militarily from this part of the North Pacific. It has long remained politically and diplomatically marginalized in relation to the Korean crisis that has been played out between Washington, Pyongyang and Seoul.

The new configuration of the regional conflict. Washington wants today to pursue its advantage. For Defence Secretary Jim Mattis, the conflict is crystallized around three issues: Taiwan, the South China Sea and trade. In talking about trade, he is sending a message to the countries of the region (from the Philippines to Thailand): Washington will not leave unanswered Beijing's desire for regional economic and financial hegemony; but with what means can he "push back" this hegemony? The USA has been ceaselessly repeating that the South China Sea is an international waterway, sending the Seventh Fleet to sail up close to zones that are considered by Beijing to be particularly sensitive; but what more can they do in the present context?

Beijing's ambassador to the United Kingdom, Liu Xiaoming, has just recalled the position of his government. [1]. To enter the South China Sea is, except around the edges, to enter Chinese territorial waters. Ships that do so must follow the Law of the Sea (a UN convention) and the corresponding Chinese laws - to announce in advance their "innocent" passage or to obtain permission. On the international level, however, the South China Sea is not considered in that way. Passage is free and does not depend on the good will of Xi Jinping.

Besides this question, it seems likely that the next part of the China/United States match in East Asia will be played out on the Taiwan question.

Why Taiwan?

International diplomacy is still governed by the One China principle. When Taipei (capital of the Republic of China, Taiwan) sat on the UN Security Council, it represented all of China (including the mainland). When it was replaced by Beijing in 1971, this principle was maintained. Taiwan is supposed to be just a Chinese province.

In reality, the Taiwan question is complex. The retreat to Taiwan (formerly known as Formosa) of the Guomindang (GMD) troops fleeing the Red Army in 1949 was experienced as an invasion by the population of the island (which had undergone Japanese colonization). The dictatorship of Chiang Kai-check was exercised against it, for the benefit of the mainlanders. And then, a lot of water has passed under the bridges.

The regime of the People's Republic has become a particular form of bureaucratic capitalism, which was already the case of the Republic of China. The CCP and the GMD (Mao and Chiang having died) began to work closely together, which allowed Beijing to profoundly influence the political processes in Taiwan - and which sparked off a conflagration, triggering the "Sunflower" student and civic movement and leading to the election, in January 2016, of a president with well-known independentist convictions, Tsai Ing-wen. For Beijing, the principle of "One China" is being questioned, despite the caution of the new president.

Trump immediately telephoned Tsai to congratulate her on her election - which China denounced as a provocation. Washington had broken off official diplomatic relations with Taipei in the early 1970s, but has nonetheless developed informal relations, endorsed as early as 1979 in the Taiwan Relations Act. However, to the fury of Beijing, after adoption by the US Congress, a new law came into effect on March 16th, 2018: the Taiwan Travel Act. It authorizes unprecedented levels of exchanges between members of the two governments and contains obligations, including US military support for the island. Just to rub a bit more salt in Xi Jinping's wounds, the hawk Mike Pompeo, former director of the CIA, very favourable to Taiwan, was appointed US Secretary of State (equivalent to a Minister of Foreign Affairs).

The government is conducting a sustained campaign to isolate Taipei diplomatically, using carrots (promise of investments) and sticks (threats of economic retaliation). Recently, Burkina Faso and the Dominican Republic announced that they were breaking off diplomatic relations with Taiwan. Swaziland remains the only African country to maintain them - there are only 18 states left in the world which do so, including the Vatican, Pacific and Latin American nations (Honduras, Guatemala, Kiribati). In addition, 31 measures were announced by Beijing in March to give Taiwanese settling in China a status and benefits similar to Chinese living on the mainland. This initiative provoked strong reactions in Taipei, where the government is studying its own countermeasures to limit the brain drain.

Xi Jinping is today taking unprecedented action against Taipei. For example, airlines that indicate Taiwan as a country on the map of their destinations are threatened with being banned from China (the Australian airline Quantas gave in to the pressure). On April 23rd, China conducted the largest naval manœuvres in its history – 48 ships, 76 aircraft and more than 10,000 soldiers – with the *Liaoning*, its second aircraft carrier (the first one built in China), in the Taiwan Strait, a spectacular gesture "to protect the sovereignty and the territorial integrity" of the motherland.

Taiwan also conducted its own military exercises on its east coast, during which President Tsai Ing-wen was present: "We have every confidence and determination to defend our country and our democracy," she tweeted, while taking pains to make clear to journalists that this should not be seen as a response to the PRC's manœuvres.

Washington envisages doing the same, thus ensuring the Republic of China of its protection. If it turns words into action, this zone will become a source of permanent military tension between the two powers, with all the dangers that implies. Unlike the Korean crisis, the stand-off here is direct. However, Xi Jinping cannot compromise on this issue. The ideological cement of his power is great power nationalism, including the invocation of the sacredness of the territorial integrity of "One China" - not to mention the fact that the island is located at the heart of the strategic maritime space whose control appears to him to be vital.

Hong Kong

Taiwan is a *de facto* independent country, Hong Kong is not - yet the "One China" principle is one of the aspects of the crisis the territory is going through. A former British colony, it was "given back" to China by the United Kingdom in 1997. It has become (like Macao) a Special Administrative Region (SAR). The joint declaration made at the time provided that for at least 50 years it would enjoy a special status under the formula "one country, two systems".

According to the joint declaration, Hong Kong could not have an independent defence and diplomatic policy, but the economic and legal system should remain unchanged, as well as a thousand peculiarities: left-hand drive, international sports team, internet domain, etc. Deng

Xiaoping probably thought that in 50 years “at least” the “two systems” would merge smoothly together, the People’s Republic having completed its capitalist mutation. The problem is that Xi-style capitalism is not the one imagined by Deng.

On the occasion of the twentieth anniversary of the handover, Xi Jinping indicated, via the Chinese Foreign Ministry, that the Sino-British Declaration of 1984, laying the foundations for the 1997 handover, was “no longer relevant”. Beijing sees it as only a “historical document” that “has no concrete meaning” and is “not at all binding”. [2] At the whim of Xi, Chinese laws will apply to Hong Kong in the future.

This is a perspective that is coming up against a lot of resistance in the population of Hong Kong, whose civil and political rights (multi-party system, freedom of international ties, independence of the judiciary and of trade unions...) are threatened. These resistances can be considered as being on the left, but also on the right (xenophobia against “Chinese immigration” coming from the continent).

Xi Jinping has warned against “unacceptable” interference with his authority and evoked national security: “Any attempt to undermine the sovereignty and security of China, to challenge the power of the central government and the authority of the Basic Law of the Hong Kong Special Administrative Region, or to use Hong Kong to carry out infiltration and sabotage activities against the mainland represents an act that crosses the red line”, sharp terms that he had never up to then utilised [3]. Accusations of “infiltration” and “sabotage” are also being brandished against Taiwan.

In Hong Kong there are associations which defend workers’ rights and conditions – in the territory as well as on the continent - as well as the headquarters of networks that carry out regional solidarity activities. However, political repression is being felt. Twenty-seven-year-old Edward Leung, a figurehead of the independence movement (a position that is highly disputed on the left), has just been sentenced to six years in prison. “One China” here means that neither the idea of independence nor the previous state of autonomy will be tolerated. Many freedoms are being suspended - without the business community and the multinationals established in the territory feeling concerned, of course.

Beijing and the Korean crisis

From a general point of view, South Korea is much more important than the North for China; on the economic level obviously, but beyond that. However, the fate of the North Korean regime will have considerable implications. If it collapses, the US military could camp on the Chinese border - a perspective that is obviously unacceptable for Beijing. The outcome of the negotiations launched on June 12th, 2018 in Singapore will have strategic implications for Beijing. At the height of the crisis, in 2016-2017, the Xi leadership was not able to take significant initiatives, although it has always been able to “modulate” according to its interests the UN sanctions against Pyongyang (for which it voted), which is not a negligible consideration.

There were three players in the game: the two Koreas and the United States - without China, Russia and Japan. Since January 2018, Pyongyang and Seoul have been taking the initiative, more than Washington. The contents of the Kim-Trump communique of June 12th, 2018 testifies to this. The hawks of the US government wanted a quick and unconditional surrender. The negotiation process initiated in Singapore promises to be long, which is what Pyongyang wanted, with on the horizon a peace agreement and no longer a brutal “regime change”.

The future of the talks depends on a multitude of factors and is unpredictable, but it is not a remake of previous negotiations. [4] In the North, a social elite came into being with the tolerated development of a market economy; the process of a "Chinese-style" capitalist transition is becoming conceivable. In the South, the far right has been marginalized. The two regimes agree on a process of gradual rapprochement, rejecting the brutality of the "German model". It is no longer all (reunification) or nothing (a state of war). For its part, Washington can negotiate because the US military hegemony in the North Pacific has been reaffirmed.

This situation allows China to enter the Korean diplomatic game; this is good news for Xi Jinping. Détente in the peninsula, tension on Taiwan? How long can Washington and Beijing simultaneously blow hot and cold in the region?

II. The March to the West

The "New Silk Roads" project was unveiled in 2005, but has only recently begun to be implemented. It is still too early to assess to what extent it will actually be achieved. The ambition is gigantic. The land route (the Road) must connect China to Europe by crossing continental Asia. The seaway (the Belt) starts from Southeast Asia to go to East Africa and the Maghreb. Six "regional corridors" are intended to make it possible to graft a greater number of countries onto the two main axes. [5] .

The first step is to develop a coherent set of infrastructures, to increase investments, to offer outlets to industrial sectors suffering from national overproduction (cement, steel) and to employ a "surplus" workforce (used on construction sites around the world); to open up and improve communication routes, but also to strengthen the political and cultural influence of the Chinese state (including by developing the social aspect: construction of hospitals and schools). Ultimately, the ambition is to help make China an alternative global "civilizational" reference point to the United States.

Geo-economic and geostrategic considerations are at the heart of this policy of multidimensional expansion. For Beijing it is a question of securing supplies of raw materials and reducing transport costs, as illustrated, in relation to Middle East oil products, the construction of the giant Chinese-Pakistani port of Gwadar; of better penetrating markets that are dominated, depending on the case, by Japan or South Korea, Russia or the United States; 0f multiplying the routes that make it possible to bypass the Strait of Malacca, likely to be blocked in a situation of acute crisis with Washington, via Bangladesh, Burma or Pakistan ...

Investments cover all sectors (from tourism to mining, electronics to solar energy), the creation of industrial sites and port areas, major works (railways, bridges, tunnels, dams) and energy (oil and gas pipelines, power plants, wind farms...).

Financially, the project would require 800 billion euros, to be obtained through the creation of the New Development Bank, the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB). China is digging deep to fund the project, but other countries are invited to invest in it. Despite the declared opposition of the United States, Germany, Australia, France and the United Kingdom have responded to the call. Rich countries do not want to be left out of such a big project - and poor countries cannot, seeing it as a unique opportunity to launch their development (even at the risk of subordination).

With the help of the "corridors", some 70 countries in all are concerned by this project! After having invested left, right and centre, Beijing is seeking today – especially in view of rising tensions with the United States – to consolidate its priority in its Asian periphery, devoting to this area half of its loans granted in the framework of the new silk routes. China is the largest trading partner of the

Association of Southeast Asian Nations (ASEAN). Its influence is dominant in Laos and Cambodia, considerable in the Mekong basin, including Thailand, reinforced by the construction of the railway linking Kunming (in Yunnan) to Singapore. It effectively controls a growing number of ports in Burma, Bangladesh, Sri Lanka, Pakistan, the Maldives, Oman...

Beyond this, the new silk routes are to reach Venice and Rotterdam in Western Europe; acquisitions and implantations operate as far as France, Britain, Switzerland, Italy, Portugal and Greece (the port of Piraeus!) ... A freight train from Yiwu, located south of Shanghai, runs for more than 12,000 kilometres to directly connect China to 32 European cities, including London, Madrid, Kouvola (Finland), Duisburg (Germany), Lyons (France). It is cheaper than the plane and faster than the boat...

Large investments have already been made or are under negotiation in most Eastern European countries. In Central Asia, the land route passes through Kazakhstan, Turkmenistan, Uzbekistan and Azerbaijan. A "partnership", initiated in 2012, continues to grow: the "16 + 1" format between China and 16 countries of Central and Eastern Europe: Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Albania and Macedonia.

In the Middle East and North Africa, the Belt leads to Djibouti, Ethiopia, Egypt, Algeria and Morocco; strengthened agreements are at present being negotiated with Iran, which is facing the US embargo.

In November 2017, an agreement was signed between China and Panama, the latter joining the Silk Roads project, formally becoming the third maritime branch of this initiative.

Such a global expansion effort focused on such a limited period of time is unprecedented. Its social, cultural and ecological costs will, it is feared, be considerable - as well as the economic and financial risks, reinforced by the political risks: possible reversals of alliances by national governments, operations undertaken in conflict zones such as the Himalayan border region (from Kashmir to Arunachal Pradesh) and the Middle East, counter-offensives of competing powers (as in Burma). The case of the port of Gwadar is emblematic. It is located on the coast of Baluchistan, in the southwest of Pakistan, where a struggle for independence continues and where many countries interfere (India, Afghanistan...). The Pakistani army is unable to effectively protect its own barracks from Taliban attacks; even although its influence is becoming preponderant in Pakistan, Beijing cannot place its trust in a failed state to guarantee the security of its strategic investments...

III. World power

The Chinese army is considered to be the second largest in the world, even though this judgment is largely quantitative. The combat experience of its personnel and its equipment remains very limited. Minor imperialisms, such as France, can possess know-how (operations of infiltration and commandos) or advanced technologies (such as the Mistral class projection and command building - BPC) that it does not have. It is largely supplanted by Russia in terms of a strategic ocean submarine fleet (which it is not easy to build up).

The military deployment

Nevertheless, starting from nothing, China's international military system is progressing rapidly. Its naval capacity is growing steadily. Beijing is multiplying agreements that allow its warships to anchor in foreign ports (for supplies, repairs...). It is a major participant in UN "peacekeeping" operations with 35,000 troops (2015 figure), a soft way to deploy. It conducts its own manœuvres to extract its citizens in crisis zones (as in Yemen).

The highpoint of this military expansion is obviously the base of Djibouti, designed to accommodate 10,000 soldiers. Beijing won this contract by financing the construction of an industrial free zone and a railway line connecting the international port of Doraleh to Addis Ababa, the Ethiopian capital.

The strategic importance of Djibouti is considerable (that is why this territory also shelters American and French bases). It borders one of the busiest shipping lanes in the world. It is a commercial hub to promote penetration by Chinese products in sub-Saharan Africa, the Middle East and North Africa.

The establishment of eighteen military bases on the international level is apparently planned.

Conflicts of influence

China's global expansion places it in direct competition, in their traditional zones of influence, with all the existing powers: Russia in Central Asia and Belarus, India in South Asia, the United States in Latin America, the Europeans in their own countries, everyone in Africa.

Arctic. China is looking for ways to participate in the opening of polar routes, made possible by global warming, and the exploitation of resources previously inaccessible.

Africa. China has taken the lead in the general competition for the control of African wealth (especially in the Congo) to the point that we speak today of Chinafrica as we do about Françafrique - but with a very important difference: its influence n is not limited to a traditional zone of influence, as is the case with France.

Central Asia. Moscow and Beijing can stand together against the United States or the European Union. The Shanghai Cooperation Organization (SCO), founded in 2001, provides a permanent alliance framework as regards security, influential in Central Asia, Afghanistan, and the Middle East. A summit was thus recently held on June 8th between Moscow, Beijing and Tehran. However, the more Chinese penetration develops on the Russian periphery, the more the latent conflict becomes structural. It is being crystallized especially today on the construction of oil and gas pipelines - and thus on the control of the oil wealth of the region.

Indo-Pacific region. New alliances are emerging to counter the rise of China, such as Quad (Quadrilateral Security Dialogue) initiated in November 2017 by the United States, Australia, Japan and India in an Indo-Pacific theatre of operation (in addition to the North Pacific Theatre of Operations).

Latin America. China is probably not aiming to win in Latin America a hegemony similar to that to which it aspires in Africa and in a large part of Asia. Nevertheless, since the mid-2000s, it has pursued very important objectives of the order of the:

• Political: consolidate its global influence, be an alternative recourse (with offers of funding) against US hegemonism, isolate Taiwan diplomatically, integrate into multilateral organizations - China has (like many other countries) a status of observer at the Organization of American States (OAS) and is a member of the Inter-American Development Bank (IDB)...

• Geo-economic: expand its global control of mineral, energy and agricultural resources, find new markets for manufactured products, invest in infrastructure... The case of Bolivia is illustrative: China has recently installed a hydroelectric plant in the province of Cochabamba. It is involved in the construction of sugar, potassium and steel plants and roads, as well as an upgrade of the public security and telecommunications systems. It has its eyes on one of the largest reserves of lithium in the world.

• Geostrategic: When the opportunity arises, China “shows the flag” in this continent too, as it did by sending a contingent to Haiti in the framework of UN operations. It has acquired an extra-territorialized base in Patagonia (Argentina) which has the official (and real) aim of preparing the sending of a vessel to land on the hidden side of the moon - run by the army, it above all enables Beijing to survey the Southern Hemisphere, a precious first.

China is now the largest trading partner of the largest economies in South America: Argentina, Brazil, Chile, Peru, and Venezuela. These countries mainly export raw materials to China, such as oil, copper, iron ore, soya oil. It often gives them almost unlimited credit for importing Chinese goods.

One of the largest projects in progress (US $50 billion) is the construction in Nicaragua by a Chinese company of a new inter-oceanic canal that is in direct competition with that of Panama - around which many US companies have invested (port, infrastructure, etc.).

In a sign of the times, in February 2018 US Secretary of State Rex Tillerson advised in Latin American countries not to rely too much on trade relations with China, saying that the region did not need to jump into the arms of a new empire (as if the US empire was on the other hand “self-evident”!).

Chinese strengths in the economic war

Trump prefers bilateralism (which, he hopes, gives the advantage to the United States every time) to multilateralism (which involves the negotiation of common rules between powerful states). He can empty inter-imperialist frameworks of collectivization of their content, or reduce their effectiveness. He can engage in trials of strength, even trade wars, take protectionist measures and provoke others in return (from the European Union or China). He nevertheless comes up against a major problem: capitalist globalization, the global organization of production and value chains and financialization are a state of affairs, not just a policy. A state of affairs into which a large part of the US economy is integrated.

China has its own contradictions, but in this context, it benefits in particular from two assets: its “old-style” mode of international expansion, piloted by the state, and the major importance for the others of its economy. To close the doors of the new Middle Kingdom has implacable consequences - and Xi Jinping can actually close them.

China is nonetheless immersed in the really existing capitalist world, and Chinese fortunes have cheerfully tasted the delights of speculation and tax havens; many families of high standing have settled in Western countries (including by acquiring nationality – not exactly an example of patriotism!). Xi Jinping responds to these “slippages” by strengthening his control over all the levers that he possesses, including the determination of the exchange rate of the yuan and the establishment of a system of social surveillance and control on a mass scale, which concerns foreign companies and not only nationals... Beijing has therefore serious means of response in the ongoing trade disputes.

The first round of the Trump/Xi commercial match in May seems to have turned to the advantage of China, Chinese concessions remaining very modest. [6] Since then, Beijing has ostensibly only responded in equal measure to the measures taken by Washington - and made use of its relations, even in the electoral bases of the President of the United States. Xi has, for example, forged personal ties with soybean producers in Iowa whose exports are affected by Chinese retaliation.

The European Union is also seeking to establish “trade defence instruments” to counter the dumping of Chinese products.

China remains dependent on its massive imports of electronic components. The telephone company ZTE had to suspend the manufacture of product lines after being sanctioned by Washington for circumventing the embargos against Iran and North Korea. However, Beijing is getting supplies of “chips” from Japan, Taiwan and South Korea, and not only from the United States. The Xi leadership plans to pull all the stops out to catch up with its persistent retard in hi-tech (how successfully?). Twenty leading sectors have been declared strategic, starting with artificial intelligence and semiconductors, but also including robotics, advanced materials and pharmaceuticals. The number of international patents filed by China continues to grow. The competition on this terrain will probably be more decisive than the manipulation of customs tariffs.

Uncertainties, financial and political risks: a phase of consolidation?

After a period of phenomenal, across the board deployment of Chinese capitalism, the Xi Jinping leadership seems to feel the need to take stock and redefine priorities. The bulimic acquisition of foreign companies has covered operations of financial speculation. In order to secure preferential loans, investors have improperly enrolled in the Silk Roads Program (a theme park in Indonesia, a brewery in the Czech Republic, etc.). Administrative decision centres have become autonomous. Financial risks have too often not been seriously evaluated. But the international situation is changing rapidly - and the “Trump factor” is increasing uncertainty. In the face of Chinese control, social and political resistance is manifesting itself in a growing number of countries.

Venezuela offers an example of the dangers that Beijing may face. [7] Relations between the two countries developed rapidly during the Chavez era, with Chinese investments and loans becoming the largest in Latin America. These agreements were largely focused on and guaranteed by oil production. While freeing itself from the US, Venezuela has become massively indebted to China. Then came the fall in the price of oil, the crisis of the Venezuelan regime and the threat of default on the debt.

The Sino-Venezuelan agreements have never been “win-win”, but they can become “lose-lose”. Beijing has stopped major investments, reduced its loans, and many Chinese workers are returning to their country (there were 400,000 of them). As the main creditor, far ahead of Russia, China may one day demand to take control of oil production. If it has not done so, it is probably for political reasons: it is very risky in the event of an overthrow of the regime. It has been less patient with other countries.

In Sri Lanka, in 2017, China obtained a 99-year lease on Hambantota Port after the debtor country defaulted on a USD 1 billion loan - which is perceived by the population as a real erosion of national sovereignty.

Ninety-nine-year leases are becoming a very sensitive political issue.

This is the case in Nicaragua, where the concession granted to China for the construction of the interoceanic canal at an exorbitant economic and social cost is contributing to the vast popular mobilization against the Ortega regime. This project augurs the destruction of many rural communities; here too it is perceived as an abandonment of territorial sovereignty.

On 9th-10th June, major demonstrations took place in Vietnam against two government projects: a draconian law on cybersecurity; and the creation of a special economic zone for the benefit of China. Among the main slogans: "No land rented to China, not even for a day." [8]

There has already been a lot of popular mobilization in Asia against the dumping of Chinese products (in Thailand among other countries), the buying up of land and mines, the expropriation of peasants for the benefit of industrial zones or mountain populations in favour of forest and mining lobbies (the Philippines in particular). What will be the political impact of these mobilizations in the face of regimes favourable to Beijing (the Thai military junta, Philippine President Duterte, the Hun Sen dictatorship in Cambodia...)?

Beijing is probably not too worried about it today (except perhaps in Nicaragua where the future of the regime is in question). This is not the case with geopolitical uncertainty or loopholes in the national economy, such as the incredible housing bubble, a roller coaster stock market, and a rapidly growing parallel banking sector. The social situation in China remains under control, despite the development of wage and local disputes. The hyper-centralized governance of the Xi leadership is today an asset, but it can become a handicap tomorrow.

The accession of China to the rank of second world power is a fait accompli. However, we cannot just project recent trends into the future. Chinese geopolitics is in an uncertain phase of adaptation and not simply consolidation and linear expansion.

2 July 2018

P.S.

• Translation IVP:

Footnotes

[1] *The Guardian*,, 27 June 2018 "China will not tolerate US military muscle-flexing off our shores".

[2] *Le Monde* 23 June 2017
"Vingt ans après la rétrocession, Xi Jinping met en garde les démocrates de Hongkong" (Twenty years after the handover, Xi Jinping warns the Hong Kong Democrats).

[3] *Les Echos*, 3 July 2017 "Pékin met en garde les jeunes de Hong Kong"

[4] *Pierre Rousset, ESSF (article 44938), Korean Peninsula: Kim-Trump meeting brings fragile hopes of peace.*

[5] Laure Siegel, ESSF,Un réseau connecté sur trois continents : avec la route de la soie, la Chine

veut conquérir l'économie monde", (A network connected on three continents: with the Silk Road, China wants to conquer the world economy).

[6] *Le Monde Economie* 21 May 2018 "Négociations : les Chinois gagnants de l'armistice commercial avec Trump" (Negotiations: Chinese winners of the trade armistice with Trump).

[7] *Globalization Monitor* 13 March 2018 "Chinese Lending and the Venezuelan Crisis - Limits and Problems of Beijing's Expansion Plans".

[8] Waging Non Violence, 22 June 2018:
["Mass protests sweep Vietnam for the first time in decades against cyber security bill and the creation of new special economic zones"https://wagingnonviolence.org/feature/vietnam-protests-economic-zones-cyber-security/].