

SPECIAL
DOUBLE ISSUE

WINTER 2019 / ISSUE NO.13

\$ 15.00 | € 10.00 | 1500 RSD

HORIZONS

JOURNAL OF INTERNATIONAL RELATIONS
AND SUSTAINABLE DEVELOPMENT



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THE THIRD OPIUM WAR?

UNDERSTANDING CHINA THROUGH HISTORY

Jacob L. Shapiro

IT HAS been 226 years since the British Empire dispatched its first diplomatic representative to China. Arriving in Beijing in 1793, Lord George Macartney asked the Qing ruler of the time, the Qianlong Emperor, to allow a permanent British diplomatic residence in the capital and, more importantly, to open new ports for international trade and negotiate an equitable tariff regime.

Lord Macartney's requests fell on deaf ears. He was dismissed with little more than a note from the Qianlong Emperor addressed to King George III stating that the British requests were "not in harmony with the regulations of the Celestial Empire." The British avenged this perceived slight 49 years later, when they forced the Daoguang Emperor to sign the Treaty of Nanking, practically at gunpoint.

The easy British victory in what would become known as the First Opium War

was a turning point in Chinese history, paving the way for the Qing dynasty's collapse, a bloody civil war, the rise of Mao Zedong and the Communists—and China's current trade spat with the United States.

THE WEIGHT OF HISTORY

In the early nineteenth century, China existed in a kind of isolation that would be almost impossible in today's globalized world—which is not to say that China was hermetically sealed off from global affairs. European traders had begun using their advances in maritime technology to increase trade with China since the early seventeenth century, and in 1685 the Kangxi Emperor had even granted foreign merchants permission to trade at four Chinese ports—China's original special economic zones. But, by and large, China was an inward-looking country.

When the First Opium War began in 1839, the country did not even have

Jacob L. Shapiro is Director of Analysis at Geopolitical Futures and guides the analysis and forecasting process. You may follow him on Twitter @JacobShap. An earlier version of this article was written for Geopolitical Futures.



Photo: Wikimedia commons

The destruction of Chinese war junks during the First Opium War

a Ministry of Foreign Affairs (or an equivalent office, for that matter). Indeed, China had no such ministry until the beginning of the twentieth century, and even then its establishment was due to foreign demand, not imperial desire. The first time around, China did not join the world so much as the world forced itself on China.

No foreign power played a bigger role in accessing China's immense economic potential than the British Empire. And it all began for a rather innocuous reason: the British affinity for tea. There were, of course, other goods that Europeans wanted

from China, including silk and porcelain. Still, what began as a curiosity for well-to-do British subjects in the 1600s became a national obsession in the next century.

By the early 1700s, cheaper transportation and rising British demand made tea one of Great Britain's fastest-growing imports. Great Britain was importing roughly 32.5 tons (about 29.5 metric tons) of tea annually at that time, but by 1750 its tea imports had swelled to an average 1,250 tons per year. Tea represented a full quarter of the English East India Company's imports by value in 1758, up from just 0.6 percent in 1668.

But China did not reciprocate the exploding Western demand for its products. The Chinese had comparatively little desire for Western exports like cotton, wool, and manufactured goods. The result was a trade imbalance, and a balance of payments problem for Western nations. In the eighteenth century, Westerners paid for Chinese goods primarily in silver. Capital inflows to China in terms of silver increased by a factor of five between 1760 and 1780 alone.

For the British Empire, which relied on the strength of the pound sterling for its economic power, the situation was especially disadvantageous and ultimately untenable. Britain's overall trade balance was positive between 1772 and 1775, at roughly 361,000 pounds. Between 1784 and 1792, however, its trade balance had turned negative, representing a deficit of a million pounds—a trend that deepened, hitting a 3.7 million pound deficit about a decade later, just as Britain was taking on debt to fight the Napoleonic Wars.

Britain's solution to this problem was opium. Opium turned out to be something that grew quite well in northern India, which the British Empire had conquered in the latter half of the eighteenth century, and some-

thing the Chinese did want to buy. As it exported more opium, Britain, in effect, recouped much of the silver it sent to China to cover the cost of its penchant for tea, silk, and porcelain.

The trading relationship was slightly more elegant than this, of course: A

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so-called “triangular trade” emerged, the specifics of which, though interesting, are superfluous. Suffice to say that the British Empire had found a way to correct its trade imbalance.

Britain's opium exports to China climbed steadily from about 200 chests (the equivalent of 130-160 pounds) of opium in 1729 to 23,570 chests in 1832, and to well over 40,000 chests in 1838, on the eve of the First Opium War.

FAILURE TO WIN THE WAR ON DRUGS

As demand for opium surged in China, the country's leaders proved powerless against the drug and its purveyors. The Qing government tried to curb opium abuse, banning imports and domestic production of the drug by imperial edict in 1800, albeit to no avail. The British simply smuggled it in, with the help of locals. An edict in 1813 outlawing the practice of smoking opium was met with similar results. The Daoguang Emperor made a last-ditch

effort to deal with the crisis in 1838, by appointing a special commissioner empowered to stop the opium trade once and for all.

The next year, the commissioner arrested a British opium trader and then confiscated and destroyed 20,000 chests of opium—about half that year's anticipated exports. Great Britain had its casus belli. By 1840, a British fleet had arrived to bring the Qing to heel.

The resulting Treaty of Nanking opened China up, and not just to Great Britain. France, Germany, the United States, and Russia would all eventually demand similar treatment, and, at various intervals in the ensuing century, each would intervene whenever it wanted to change the terms of its original agreement—or, in the case of Russia and Japan, to conquer Chinese territory.

The issue was more than a matter of the power that these more advanced industrialized nations had relative to China. The First Opium War was one of many signs that the Qing dynasty, now approaching the end of its second century in power, was losing control over its domain. In that sense, the opium trade and the war it sparked exacerbated an already-existing problem.

One of the major domestic byproducts of the opium trade was that it turned inland Chinese regions against the coastal power centers. Chinese peasants used copper as currency in their everyday transactions, though the government required that they pay taxes in silver. As silver outflows increased—reaching two million taels by 1820, and nine million by the 1830s—the price of silver increased relative to copper. The same Chinese government that was proving impotent at protecting its people against foreign invaders was also taking more of their money to do so.

Over the century or so after the First Opium War, China lived through one of the bloodiest and darkest chapters in its history. The Taiping Rebellion, the Second Opium War, and the Boxer Rebellion all unfolded in rapid succession, crippling any chance the Qing had at remaining in power.

First Russia and then Japan conquered large parts of China. (Japanese rule on the mainland would be particularly violent and cruel.) But the Chinese people did not present a united front against their foreign enemies; as in previous instances in China's history, warlords sprang up in different regions, with corruption and exploitation masquerading as local government.

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The two most powerful of these war-lords—Chiang Kai-shek and Mao Zedong, Chinese nationalists of profoundly different ideological views—fought each other even as the Japanese ravaged their country. And while most of the world breathed a sigh of relief at the end of World War II, Chiang and Mao battled for control of China—a struggle Mao won largely because he represented a break from the past; a leader who gave China its best chance to fend off the depredations of its enemies.

The Communist Party of China (CPC) inherited the national memory of the First Opium War and the humiliations that fol-

lowed. And, under the CPC's rule, China went from a hulking, sclerotic, broken hell-scape to a strong, reunified country brimming with pride for what its future may hold. When President Xi Jinping refers to his dream of completing China's national rejuvenation, he is talking about a very real sentiment—a sentiment that has given and continues to give the CPC more legitimacy than the party's token embrace of Marxist thought and policies.

The moment this Chinese government looks weak, or as if it is succumbing to the same impotence of previous dynasties, it risks losing the loyalty of the people, for whom its repressiveness is a small price to pay

to keep China independent and unified. From this standpoint, the current trade war with the United States is one of the gravest tests the CPC has faced during its tenure.

ECONOMIC ENTENTE

When he came to power, Mao closed China off from the world, much as the seventeenth-century Kangxi Emperor had done as he completed the Qing conquest of the country, in order to consolidate

the CPC's rule. It was only after Mao's death that a new generation of Chinese leaders felt confident enough in the political system's stability—and desper-

ate enough to bring prosperity to the people—that China opened itself back up.

The opening up happened far more on China's own terms than had been the case in its previous experience of integrating into the global trading system. And in this endeavor it had for a partner a United States that was more concerned with isolating and defeating the Soviet Union than with maximizing profits.

Had there been no Cold War, it is doubtful that the United States and China would have entered into a symbiotic relationship in the 1970s. The

mutual fear of Soviet intentions gave both sides an impetus to forge a tighter relationship.

It took more than a decade after President Richard Nixon's trip to China in 1972 for the economic ramifications of the U.S.-China entente to become apparent. By 1985, though, it was becoming clear that the global economic system had shifted, and that China and the United States were to be its new twin pillars.

China's key resource was its massive population. What before had always been a curse now enabled China to produce consumer goods more cheaply than any other country in the world. The United States, meanwhile, derived its power less from making things that other countries wanted to buy than from the size of its consumer market.

The arrangement wiped out entire industries in the United States, and millions of Americans lost their jobs to cheaper Chinese labor; but the flip side was that American consumers got to enjoy cheaper goods. Cheap Chinese steel meant that cars could be made for less. Low Chinese overhead meant that prices of clothes, shoes, and furniture were all held artificially low.

Eventually, Chinese factories would also start making electronics cheaper. It is doubtful that today's average American consumer could afford a smartphone were they not produced partly in China.

And yet, as had been the case for the British Empire, a trade imbalance emerged. In 1985, U.S.-China trade was practically balanced. But since then,

the United States has run a trade deficit with China that in 2018 reached \$344 billion—nearly 15 times what the total U.S. trade deficit was in 1982. China's trade surplus, on the other hand, has skyrocketed from \$4.7 billion in 1982 to \$237 billion in

2017. (As a percentage of China's GDP, the surplus has actually declined, but still stands at 2 percent.)

It would be inaccurate to call this a redistribution of wealth, because - despite some negative effects - the United States has profited greatly from China's role as the world's low-cost factory. Instead, it is more that the U.S. and China aligned their economies for their mutual benefit.

LIMITS REACHED

The primary issue now is that both countries have reached the limits of this alignment. The wealthier and

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more successful China becomes, the more it has to pay its workers, dulling the edge that was its cheap labor force. For the United States, likewise, the rising cost of goods and the growth of global demand, which is showing signs of outpacing production, is souring the deal somewhat—even at the top of one of the longest expansionary economic cycles in American history.

What was once a symbiotic relationship between the United States and China has become irrational. The countries, moreover, have developed unhealthy borrowing habits over the course of their economic arrangement. Chinese companies have gone into debt to pay workers even when the profits do not justify the payments. American consumers have gone into debt to buy houses and cars, and to meet the rising costs of education.

The 2008 financial crisis was the first wake-up call that something was really wrong here, but the United States and China have continued with business as usual, amplifying the system's inherent irrationality.

One possible solution is for China to become a consumer in its own right, leaving the low-cost manufacturing to other developing countries. It is a shift that many export-producing countries before it have made after a period of preternatural growth. Furthermore, it

could help solve one of the main problems of today's global economy: uncertainty about where demand growth will come from. China, with its more than one billion people, is an attractive target for multinational companies—especially American companies (such as Apple, Boeing, and Starbucks) that bet they would reap major gains from selling to the Chinese market.

BACK TO THE FUTURE?

Herein lies the crux of the U.S.-China trade war, and its resemblance to the First Opium Wars. When the British sent their first diplomatic mission to Beijing in 1793, they wanted China to trade on their terms: to open up its markets, agree on a new tariff regime, and do away with its stifling and hierarchical trading system. When China refused, Britain turned first to an economic lever—the opium trade—and then to brute force.

Like the British Empire of the late eighteenth century, the United States today wants a new economic relationship with China. It wants China to keep opening up its economy by agreeing to intellectual property standards. It wants assurances that American and multinational companies can operate in China without fear of sudden nationalizations or regulations requiring them to make their fundamental goal anything other than profit (a big ask for the Chinese government, considering its economic

policies even now put social stability before profit). It wants China to recognize that it has benefited from its economic relationship with the United States, and to let America modify that relationship in a way that will best meet its current needs—primarily the creation of new markets for American companies. A key difference between then and now, however, is that Washington cannot achieve these goals through brute force. China is a significant regional power with significant economic and military resources, and, anyway, the age of imperialism and mercantilism has passed. The Obama

Administration tried to achieve these objectives with the Trans-Pacific Partnership and the use of precision tariffs. The Trump Administration has opted for a more combative approach and a suite of less subtle tools. Beneath the bravado, however, the goal is fundamentally the same.

China, understandably, is resisting this approach. Since Xi became president, “self-reliance” has become one of his common refrains; he would rather Chinese companies be the ones selling to the burgeoning Chinese market—that they move up the value-added chain and become the springboard for another great leap of prosperity for

China's people. From the Chinese perspective, the world has profited enough from its factory workers' labor under obscene conditions, from the pollution its companies have inflicted on the Chinese mainland in order to work quicker and cheaper than their foreign competitors.

China also sees that Western pow-

ers have gained from its internal weakness for nearly a century, and that a large part of the reason it decided to pursue the glory of enrichment was to take the next step in its national development as a power, not necessar-

ily with global ambitions, but with the ability to defend its national security interests from would-be bullies.

China does not want to play by the rules anymore. It wants to have a hand in making the rules, and it wants those rules to benefit it, not just other countries.

Yet, the People's Republic of China, though significantly stronger than the Qing dynasty was back in 1839, is still weak compared with the rival that is making demands of it. If China closes itself off from the global system, the domestic economic consequences could spark a revolution. If it integrates more

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into the global system on America's terms, however, it might push the public one step closer to disillusionment with a government that is both repressive and incapable of defending China's interests.

There are no good choices for China right now. The strategies that Beijing talks about using to increase its power—the Belt and Road Initiative and innovative technologies like artificial intelligence—are, at best, long-term dreams and, at worst, empty public relations campaigns. They do nothing to help China with what it is facing here and now: a stronger Western power that's dissatisfied with the current state of trade relations. That puts China in a difficult, if familiar, situation.

WHERE HISTORY DIVERGES

Despite the historical echoes in the present day, it is important not to carry the Opium Wars analogy too far. China today is a vastly different country from the China of the nineteenth century. For one thing, the Qing dynasty was itself a foreign usurper; when Mao brought the CPC to power, he also brought the ethnic Han population back to power. China is still a diverse country, but the vast majority of its population, and the ruling elite, is Han Chinese. (Under the Qing dynasty, the Han population could overlook the disconnect they felt with their minority

Manchu rulers so long as the government was strong, silver was flowing into the country, and all was going well.) The Han identity of its leaders gives the CPC another crutch to lean on: the powerful force of nationalism.

Throughout his tenure, Xi has sought to reinvigorate the Communist Party's legitimacy by emphasizing nationalism and Marxism, in addition to ruthlessly weeding out corruption—a necessary ideological shift, since - even in the best-case scenario - without a difficult trade negotiation hanging over its head, China's economy would struggle with the shift from an export-based model to a consumption-based one.

Furthermore, the CPC dynasty is fairly young, and it has yet to show that it is losing control over China. If anything, it is demonstrating precisely the opposite with the imposition of a dictatorship, the forced re-education of ethnic Uighurs, the jailing of dissidents and corrupt officials, and ambitious plans to use technology to monitor every facet of Chinese society. When the Qing dynasty faced crisis with Great Britain, it was losing control—of business interests in the south, of peasants in the interior, of the vast bureaucracy that had governed China for centuries—and had not yet modernized like other major powers.

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Photo: GMA Network

Before and after: a satellite image of a Chinese artificial island

The CPC today does not appear to be losing its grip on the country in the same way. Xi has so far managed to identify and eliminate the opposition; the People's Liberation Army has undergone massive reforms, and, aside from the occasional veterans' protest, seems no worse for wear.

Very few Chinese dynasties have crumbled within a century, and the CPC is only in its 70th year. If history is any indication, decades of disillusionment and unrest would prefigure the party's unraveling.

A case in point is the fast and formidable development of China's military forces in recent decades. China

also tried to modernize its military at the start of the First Opium War. When the British defeated the Chinese in 1842, they found evidence—including a nearly completed replica of a British warship and sophisticated ship guns—that the Qing were already copying their technology. The Qing simply did not have the time or power to respond quickly enough, nor was the decaying structure of a decidedly feudal and anti-modern imperium suited to such hairpin turns.

The People's Republic of China, by contrast, has the control, money and motivation to follow through more effectively. China's military forces still

pale in comparison with those of the United States, but, even so, its recent progress is hard to ignore. China, for its faults as well as its virtues, is a twenty-first-century country in a twenty-first-century world. At the time of the Opium Wars, it was a sixteenth-century country in a nineteenth-century world.

But China is no longer a backwater. The China that the British, French, Portuguese, and Americans encountered was one that believed it was the center of the universe. Part of that ethos came from the fact that China was self-sufficient in all the things it needed. That self-sufficiency was in part responsible for the trade imbalance that led to the Opium Wars in the first place: the Chinese people did not feel the need to import fancy European objects.

A few centuries later, China no longer harbors delusions of itself as the “Celestial Kingdom.” And it is no longer self-sufficient, at even the most basic level: it imports food and oil, and estimates project that those imports will only grow going forward.

Japan was aggressive and expansionist in the twentieth century because its national survival depended on it being

an outward-facing power. That has never been true of China until now. The shift might serve to accelerate China’s internal fracturing—or it may provide the basis for a much stronger Chinese foreign policy going forward.

China, for its faults as well as its virtues, is a twenty-first-century country in a twenty-first-century world.

The First Opium War was a seminal moment in Chinese history. It proved the weakness of the Qing dy-

nasty to China’s enemies and to its own people. For 100 years after the Treaty of Nanking, foreigners defined Chinese economic and foreign policy. Even after the Communists came to power, China’s position on the international stage was a choice between isolation or accepting Western rules to enjoy the benefits of the global economy.

Led by the United States, the West once again wants to deal with China on new terms of its choosing, and China is caught between being too weak to resist and too painfully aware of its past to comply. In that limited sense, the situation today resembles previous moments in history, all of which ended in an eventual military confrontation that yielded a Chinese defeat. It is premature to think in these terms—but it would be irresponsible not to put the latest confrontation between East and West in its appropriate historical context.