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The Commonwealth and China: Upholding Values, Containing the Dragon?

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ABSTRACT *This article looks at the Commonwealth and China and attempts to assess the relationship between those two entities, including the serious challenges that confront it in relation to the shared Commonwealth values of democracy and human rights, and asks whether the 'interests' of Commonwealth countries—all of them without exception—will prove to be greater than their commitment to the 'values' of the Commonwealth.*

KEY WORDS: China, Sri Lanka, Commonwealth Ministerial Action Group, Fiji, Zimbabwe, India, Pakistan, Taiwan, foreign trade, human rights, Commonwealth values

Introduction

The government of Sri Lanka, controversially, wants to host the Commonwealth Heads of Government Meeting (CHOGM) in 2013. Yet, when its UN Ambassador was asked to comment on criticisms from Commonwealth organisations and governments of his government's unconstitutional impeachment of the country's Chief Justice, his response was: 'What is the value of the Commonwealth?'¹

Significantly, in May 2011 after a meeting between the foreign ministers of China and Sri Lanka over investigations by a United Nations panel into 'credible allegations' that war crimes were committed at the end of Sri Lanka's civil war in 2009, the Chinese foreign Minister gave tacit support to investigations being left to the authorities in Sri Lanka alone.²

The Commonwealth Ministerial Action Group (CMAG) is the body charged with the responsibility of safeguarding Commonwealth values. In September last year when CMAG contemplated placing the Maldives on its list for consideration under 'Matters of Interest', the Maldives government objected and one response was: 'With the emergence of China and the economic decline of the West, [the] Commonwealth would be even more irrelevant in the next 10 years ... For a poor country like Maldives, we could be better off out of [the] Commonwealth'.³

This article is based on the Peter Lyon Memorial Lecture delivered by the author at the Institute of Commonwealth Studies, London, on 21 February 2012.

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In Fiji, where the military government is currently suspended from the Councils of the Commonwealth, the head of the junta continues to violate the values and principles for which Commonwealth countries have collectively declared they stand. His most recent disdain for Commonwealth values was the rejection of a draft Constitution prepared by an independent Commission in favour of one being drafted by his Attorney-General on his instructions.

When Fiji's Commonwealth Pacific neighbours imposed various diplomatic sanctions, China's second-ranked leader in 2012 praised Fiji's foreign policy orientation towards China, and pointedly criticised the sanctions that were imposed on Fiji following the 2006 military coup in which the current Prime Minister, Frank Bainimarama, seized power.⁴

Anne-Marie Brady, a specialist on China in the South Pacific at the University of Canterbury, says China is now actively undermining efforts by Australia, New Zealand and other Pacific nations to pressure Fiji to democratise.⁵

These three situations illustrate the tension—if not conflict—that exists between the efforts of the Commonwealth to uphold its values and principles in its member states, and the weakening of such efforts by China's assistance to those member states that run afoul of Commonwealth values.

Dilemma

This is a dilemma that now silently confronts the Commonwealth and will trouble it in the coming decades. How does the Commonwealth uphold its declared values in its member states when the nation that is now one of the two most dominant powers in the world has a different attitude to democracy, human rights and the rule of law both within its own borders and internationally and supports governments that discard these values?

Although there has been little academic or official study or literature on China and the Commonwealth, China is very much the Elephant in the Commonwealth room.

It would be useful at this point to recall where China is today as a global power.

China is now the world's number one trading nation. Last year, it surpassed the United States to acquire that position. According to Bloomberg, US exports and imports last year totalled \$3.82 trillion. China's total trade in 2012 amounted to \$3.87 trillion. China had an annual trade surplus of \$231.1 billion, while the US had a trade deficit of \$727.9 billion.⁶

Globally, China is also now the second largest economy after the United States and its economic growth averaged 9.9% a year from 1978 to 2012—outstripping every other country in the world.

China is also now said to have overtaken the World Bank as the world's biggest lender to other countries—developed and developing.⁷

One authoritative study says that 'the size of the Chinese market means that, in time, it will inevitably become by far the world's largest market ... as a result it will also assume the role of de facto template for most global standards and regulations. The size of its domestic market will also have the consequence that Chinese companies will be the biggest in the world'.⁸ If we are to accept Martin Jacques' study, in less than 50 years' time 'Beijing will have assumed the status of de facto global capital'.⁹

China also now has \$3.3 trillion in foreign reserves.¹⁰

Given these realities, China and its government's policies have to be treated seriously and carefully.

Links with the Commonwealth

In the context of the Commonwealth, China has diplomatic and economic relations with 44 of the Commonwealth's 54 member states, including Fiji. It also has a keen interest in the other 10 Commonwealth countries because they each have diplomatic ties to Taiwan, which the Chinese government regards as 'lost territory' and whose return to Chinese sovereignty is its 'ultimate non-negotiable' objective.¹¹

The 'Taiwan' issue with these 10 countries—mostly small states in Africa, the Caribbean and Pacific—is also one of the primary drivers of China's policies within these regions.

Looking at China's relationship with regions of the Commonwealth, let us start with Africa. China is now Africa's single largest trading partner. Two-way trade grew from \$10 billion in 2000 to \$166.3 billion in 2011 in comparison with \$82 billion for the US. It is reported that, by 2011, cumulative Chinese direct investment in Africa had exceeded \$15 billion, with investment projects covering 50 countries.

Significantly, reports also indicate that European countries—Africa's traditional trading partners and its former colonisers—have lost ground to China as their trade with the continent remains at 2008 levels.¹²

In addition to securing supplies of energy and raw materials, Chinese foreign trade policy is geared towards opening new markets for Chinese export goods; but, Africa has benefited as well. Chinese trade and investment in Africa helped to spur consistently high economic growth between the years 2005 to 2011.¹³ The International Monetary Fund estimates a growth of 5.8% for sub-Saharan Africa as a result of such investment.¹⁴

The Commonwealth African countries that have benefited most from China's aid and investment are those that are endowed with raw materials and commodities in the extractive industries that China wants. Five Commonwealth African countries are among the top six.¹⁵ However, every Commonwealth African country—except two that have diplomatic relations with Taiwan—has received aid and investment from China.

It is noteworthy that the country ranked ninth of the top 10 beneficiaries of China's aid and investment is Zimbabwe, whose government withdrew it from membership of the Commonwealth in 2003 after it was suspended over elections that were assessed as not being free and fair.

This pattern is replicated in the South Pacific—home to nine Commonwealth small states including Fiji. Of the nine Commonwealth South Pacific countries, five including Fiji recognise China; the four others are tied to Taiwan—an irksome reality for China, which insists on a 'One China' policy.

It is as difficult in the South Pacific as everywhere else in the world to determine clearly the exact amount of China's aid and investment. Nonetheless, picking through occasional public statements, it is estimated that China's annual aid to South Pacific countries is around \$150 million, much smaller than Australia's of over \$400 million, but significant nonetheless, and enough to give China influence over the governments.

China's trade with the 14 island states in the Pacific Island Forum has increased more than tenfold from \$121 million in 1995 to \$1,229 million in 2006, boosting their economies.¹⁶ It is noteworthy that in 2011 trade between China and Fiji alone totalled \$172 million, 34% higher than the previous year, and Chinese investment in Fiji reached \$100 million, giving the military junta comfort in continuing its undemocratic rule and its disregard for the rule of law.¹⁷

It should be noted, however, that the United States has not helped matters either. In its tussle with China for influence in the South Pacific, in 2010 the US re-established a USAID (US Agency for International Development) office in Fiji with a reported initial budget of \$27.5 million.¹⁸

The US relationship with the military junta in Fiji is an interesting comparison with the US relationship with Cuba in the Caribbean where the US insists that the Castro government should respect human rights and make positive moves to establish democracy as a condition of lifting a punishing trade embargo that has been in place for over 50 years.

Turning to the Caribbean region where there are 12 Commonwealth Caribbean countries, China enjoys diplomatic relations with eight of them, whereas four others are tied to Taiwan.¹⁹ China's trade with the 12 Commonwealth Caribbean countries and Suriname, which comprise the Caribbean Community and Common Market (CARICOM), grew from a paltry \$20 million in 1990 to \$7.2 billion in 2010.²⁰ However, in the last 10 years Chinese exports have made up more than 70% of that total trade—the Chinese enjoy a substantial balance of payments surplus.

As with the South Pacific, it is virtually impossible to quantify China's aid and loans to the Caribbean. Figures have not been published; they can only be estimated through announcements made from time to time about projects in individual countries. By doing these sums, it is clear that over the last 10 years, loans and grants to Caribbean governments by the Chinese government amount to billions of dollars.

For instance, in 2010, a Chinese government official reported that China's direct investment to the region in 2009 was \$8.6 billion.²¹ Apart from Trinidad and Tobago, Jamaica and Guyana, there are no extractive industries in the nine remaining Commonwealth Caribbean countries to which China has made loans and given grants. Its interest in these smaller Commonwealth Caribbean countries—as in the small South Pacific nations—is driven by Beijing's wish to counter Taiwan, which has diplomatic relations with four of them, and to influence how they vote in international organisations on issues that affect China, particularly Tibet and human rights.

It is also known that Beijing has made it clear to the Caribbean countries that it helps that they should not vote for a permanent seat for Japan when and if the UN Security Council's permanent membership is expanded.

With regard to Commonwealth countries in South East Asia—Singapore, Malaysia and Brunei Darussalam—China is currently Singapore's third largest trading partner, its second largest source of tourist arrivals and its top investment destination. In 2010, trade between the two countries was \$74.5 billion and rising.²² China is also Malaysia's biggest trading partner globally. In 2010, bilateral trade totalled \$74.2 billion, an increase of 18.9% over 2009. In 2010, the two countries also implemented a free-trade agreement.²³ In respect of Brunei Darussalam, in 2011 bilateral trade amounted to \$1.31 billion from a low of \$100 million in 2001 as China purchased increased supplies of oil.²⁴ Therefore, China's importance to these three Commonwealth South-East Asian nations—and its capacity to influence them—cannot be overemphasised.

It should be mentioned that although it is not currently a hot button issue, overlapping claims in the South China Sea do hold the potential for issues between China and Malaysia on the one hand and China and Brunei on the other. The potential was sufficiently worrying to Singapore, which is not a claimant state, that its Prime Minister last year called for the disputes in the South China Sea over territorial sovereignty and maritime resource rights to be ‘resolved peacefully and in accordance with international law, including UNCLOS’.²⁵ He stressed the importance of ‘freedom of navigation, especially along the sea lanes of communications in the Malacca Strait and the South China Sea’ and he emphasised ‘Singapore’s security depends on a peaceful and stable Southeast Asia’.²⁶

It is with the three Commonwealth neighbouring states in Asia—and with India in particular—that China poses a major difficulty for the Commonwealth. As is well known, India and China fought a bloody border war in 1962, and although talks have been ongoing since 1981 to settle their territorial disputes—described by one analyst as ‘the longest and most futile negotiation process between any two nations in modern world history’²⁷—territorial and maritime issues fester. The analyst has observed about China and India that ‘each views the other as a geopolitical rival. Booming bilateral trade has failed to moderate their rivalry’.²⁸

Nonetheless, China is India’s biggest trading partner. In 2011, trade between the two countries reached a high of \$73.9 billion.²⁹ Although it declined in 2012, it is still a large volume, mostly in China’s favour. At the end of 2011, the Indian Embassy in China reported that Chinese companies had directly invested \$555 million in India, while Indian companies had invested \$447 million in China.³⁰ So there is a mutually beneficial trade and investment relationship between China and India even though it is haunted by border rivalries and security concerns, which, so far, have been kept in check.

In respect of Bangladesh, China is now that country’s largest trading partner and it has consistently extended its economic, military and diplomatic assistance to Bangladesh. It is China’s relations with Pakistan that appear to cause India greater concern. Pakistan’s bilateral trade with China in 2011 was estimated at \$9 billion—a fraction of that between India and China—and Chinese investments in Pakistan were no more than \$1 billion.³¹ Nonetheless, as Pakistan’s relations with the United States have soured, China is reported to have become Pakistan’s main arms supplier, selling it missiles, tanks, jet fighters, radar equipment and submarines.³²

It is, however, Pakistan’s recent decision to give the management of Gwadar Port to the state-run Chinese Overseas Port Holdings this month that has caused India more worry. Jay Ranade, of the Centre for Air Power Studies and a former additional secretary at the government of India, is on record as saying: ‘It will enable (China) to deploy military capability in the region’.³³

Observers in India see Chinese support for Pakistan as ‘a key aspect of Beijing’s perceived policy of “encirclement” or constraint of India as a means of preventing or delaying New Delhi’s ability to challenge Beijing’s region-wide influence’.³⁴ One conclusion that can be drawn from all this is that while India is concerned about China in its national security interests, the Indian government might be reluctant to offend China over matters of human rights and democracy in other Commonwealth countries. India might also be fearful of pushing such Commonwealth countries more firmly into China’s embrace.

This might account for why India has not raised its voice, so far, in relation to including Sri Lanka on the CMAG agenda or on the appropriateness of Sri Lanka hosting the Commonwealth Heads of Government meeting later this year.

With regard to Sri Lanka itself, China was its biggest financier of economic development between 2009 and July 2011, having provided loans of \$1.2 billion in 2009, \$821 million in 2010 and another \$760 million by July 2011. By comparison, the World Bank lent Sri Lanka \$105 million in 2010. The China Development Bank announced in June 2011 that it would finance infrastructure projects in Sri Lanka amounting to \$1.5 billion over three years.

As a study done last year under the auspices of Saferworld observes: 'China has been most helpful to the Sri Lanka government at the United Nations Human Rights Council [UNHRC] where China is said to have joined 29 others in passing a Sri Lankan authored resolution that commended the Government's actions, congratulated it for liberating the North and reaffirmed the principle of non-interference in matters which are essentially within the domestic jurisdiction of states'.³⁵

In June 2011, the Chinese delegation objected to the formation of an international monitoring mechanism, stating that China had 'total confidence in the capability of the Government and people of Sri Lanka to resolve their own issues', and in September 2011, ahead of a UNHRC meeting, China's chief legislator said 'China will continue to support Sri Lanka's efforts to safeguard its national independence, sovereignty and territorial integrity'.³⁶

With regard to the Maldives, that country is both a member of CMAG and on its agenda for consideration in relation to a violation of Commonwealth rules. The Minister of Foreign Affairs Dunya Maumoon publicly stated in September last year that the Maldives would leave the Commonwealth if it is not removed from CMAG's formal agenda.³⁷ More significantly, the Maldivian President's Political Adviser, Dr Hassan Saeed, said that if the Maldives remained on CMAG's agenda the government 'should end our relationship with the Commonwealth and look to other relationships that reflect modern realities of the world'.³⁸ That same week the Maldives President visited China and signed three agreements providing for Chinese assistance worth \$500 million.³⁹ China is also now the single largest source of tourists for the Maldives, where tourism is the primary industry, accounting for close to 30% of the country's GDP and approximately 60% of all foreign exchange receipts.

Human Rights Concerns

From all that has been said in this article so far, it can be seen that China has become a significant player in all of the developing countries of the Commonwealth, sufficient to influence how they vote in international organisations, particularly on issues that matter to China.

Also, because of China's declared policy of non-interference in the internal affairs of states, and its own exposure to international criticism of democracy and human rights, China has continued to give support to some of these governments whose democracy and human rights performance is under par.

While the relationship between China and the governments of developing Commonwealth states appears comfortable based on the growing dependency of the latter on

China for loans, grants and investment, the relationship at the level of local populations is somewhat troubled.

Developing country governments welcome Chinese loans and grants for specific projects because they give the governments some space to utilise normal revenues to deliver goods and services for which they would otherwise not have the funds. More importantly, China does not tie them to conditions of democracy, human rights and good governance, as do Western Industrialised countries.

At the level of local populations, however, China's aid and loan policies pose problems—problems that have erupted into protests and violence in some countries. Chinese aid and loans are highly tied, not just to Chinese firms for construction and materials, but even to the exclusive use of Chinese labour.

More than one study says that many of these workers are prisoners and conscripts.⁴⁰ For some projects as much as 100% of the work force is brought from China. Therefore, while some of these projects are financed by Chinese loans that the recipient country's taxpayers must repay, few if any jobs are provided to local people even in the context of high unemployment.

Currently, there is a hot dispute in Guyana where a Chinese firm has been given the contract to build a government-owned hotel financed by a Chinese government loan; but all the workers on the construction will come from China. The Guyana Trades Union Congress has declared that 'the construction of the hotel without any Guyanese workers is an "atrocious" that must be stopped'.⁴¹

Labour Unions in Trinidad and Tobago, the Bahamas and Barbados have also protested similar arrangements with the Chinese that allow for the importation and exclusive use of Chinese labour.⁴²

Chinese firms that enter many of the developing Commonwealth countries through aid and loan projects tend to remain in the country, setting up a local office and retaining the equipment brought into the country so that they are locally very competitive. They also get soft loans from China to conduct business and, on that basis, are able to outbid local companies for construction projects. Inevitably, many of the workers stay behind after projects are complete, and with money loaned to them by Chinese banks, they open retail and wholesale outlets, importing products from China, and putting local firms out of business.

In Africa and the Pacific, there have also been incidents of violence directed at Chinese operators by local workers over conditions of work. For instance, it is reported that in Zambia 'in 2006, at one mine, Chinese managers opened fire on workers protesting over back pay and working conditions, injuring several employees. A year earlier, 50 Zambians had been killed at the same mine by an accidental blast at the company's explosives plant. In 2010, at another mine, two Chinese managers were charged with attempted murder after opening fire on a group of employees protesting poor working conditions'.⁴³

An authoritative study points out that the sub-Saharan African states 'that have benefited most from China's growth are those endowed with and exporting raw materials and commodities in the extractive industries'.⁴⁴ These are the raw materials and commodities for which China has an insatiable hunger to feed its development appetite at home.

The point is that the governments of developing Commonwealth countries get loans and aid from China which, while they are tied to benefits for China, do not impose

conditions of democracy and respect for human rights. Many civil society organisations now 'fear that China's growing influence over domestic politics will act as a brake on any political liberalization, and actually could help reverse democratic trends in some nations'.⁴⁵

Relationship with Developed Commonwealth States

But what of the relationship between China and the developed member states of the Commonwealth, in particular Canada, Britain and Australia?

Of these three countries, Canada has the least economic relationship with China. But the Canadian Chamber of Commerce is keen to improve that situation, saying, 'Our country needs China, and Canada has the natural resources, high valued-added goods, technologies and services China needs to power its remarkable on-going development story'.⁴⁶

China is already Canada's third largest trading partner (after the US and the EU) and its third export market. Using Canadian statistics, in merchandise trade Canada exported \$17 billion in 2011 to China and imported \$48.6 billion from China, making for total trade in that year of \$65.6 billion.⁴⁷ The Canadian Ministry of Foreign Affairs and International Trade asserts that 'it is clear that there is huge untapped potential to increase trade between China and Canada'.⁴⁸

China is also the eighth largest source of foreign direct investment in Canada. In 2011 that figure was \$10.7 billion, in comparison with Canadian investment in China of \$8.3 billion. Canada, therefore, clearly has a keen interest in expanding and deepening its economic relations with China.

How this will affect the Canadian government's attitude to human rights issues in China, and its attitude towards China if China continues to fund and support Commonwealth countries that violate Commonwealth values and principles, are matters that will be judged in the future.

Britain has an even deeper economic relationship with China than does Canada. Chinese statistics show that trade in goods between China and Britain reached \$63.1 billion in 2012, up 7.5% over 2011.⁴⁹ Chinese firms also completed 10 investment, merger and share participation deals in Britain in 2012, at a value of more than \$8 billion, exceeding the total value made in the period 2009–2011. By the same token, British direct investment in China reached \$18.1 billion in January–November 2012, making it second in the EU, only after Germany.⁵⁰ There is a sense in which the business communities in both Canada and Britain are driving the relationship with China.

The consequence is that feeding the hunger for access to China's market may well have taken priority over issues of democracy and human rights. In other words, shared 'interests' might be more important than shared 'values'.

Australia's relationship with China is particularly interesting. During a visit to China in April 2011, Prime Minister Julia Gillard said 'Our policy is not to contain. Our policy is to engage positively with China'.⁵¹ This was shortly after Australia's total trade with China in 2010 reached \$105 billion, the first time that Australia's two-way trade with a single nation topped the \$100 billion level.

China is now Australia's largest two-way trading partner in goods and services, valued in the financial year 2011–2012 at \$131.68 billion. China is also Australia's

largest merchandise export market at \$79.1 billion, and the largest source of its merchandise imports at \$44.7 billion.⁵² In the same financial year, Australia's services exports to China were valued at \$5.87 billion. China is Australia's largest source of overseas students, with more than 136,372 students studying in Australia on a student visa in August 2012.

China's direct investment in Australia reached \$13.8 billion in 2011, while, by comparison, investment in China remains at low levels of \$6.3 billion or 1.9% of Australia's total foreign direct investment in 2011.⁵³

Again, it is left to be seen whether Australia's economic interests with China will take priority over any concerns that China's blind-folded policies on human rights and democracy might have on upholding democracy and human rights in Commonwealth countries.

In reality, it is most unlikely that any Commonwealth country would encourage any engagement between China and the Commonwealth as an organisation. What is perceived as 'national interests' of each of the governments of these countries would prohibit such action; each of them would want to continue their own bilateral arrangements with China in pursuit of the maximum benefits they could achieve.

China itself would hardly see any value in engaging with the Commonwealth as an organisation since, in relation to both developed and developing Commonwealth countries, it bilaterally negotiates terms and conditions best suited to itself. In the case of small countries, of course, there is no meaningful negotiation; in return for its aid and loans, China dictates the terms.

Need for a Marker

A marker should be put down here. It may well be that China is not actively trying to export its system of governance to developing Commonwealth countries, but its support for authoritarian regimes challenges the deepening of democracy and respect for human rights. By giving such support to authoritarian regimes, China not only places the rights of the people of those countries at risk, but also confronts the values for which, on numerous occasions, the Commonwealth has declared it stands.

A recent study of democracy in the Commonwealth by a distinguished group observed that:

The Commonwealth in recent years focused more decisively on the importance of democracy and the commitment to fundamental human rights as the main criteria for joining (and indeed for continued membership) ... membership bestows a level of democratic legitimacy ... It means that a country is on the right side of history. Belonging to the Commonwealth is more than just an accident of history.⁵⁴ (p. 19)

Secretary-General Kamallesh Sharma emphasised adherence to these values when he said in the Foreword to the 2011 CMAG report on its own reform, the following:

By 2009, Commonwealth leaders recognised that the bar needed to be raised further—both in defining the Commonwealth's core values and in achieving adherence to them. I am confident that CMAG's strengthened role will enable the Commonwealth to further enhance its effectiveness as an organisation of member states that not only believes in the importance of respecting and adhering to its core values, but also lives up to them.⁵⁵

This really is the issue. How deep is the belief of Commonwealth governments in the importance of respecting and adhering to the Commonwealth's core values, and how many are committed to living up to them? Are those beliefs in shared values greater than the interests that China offers to individual members? This is the challenge for the Commonwealth.

Conclusion: Engaging the Dragon

How does the Commonwealth face up to that challenge?

On the eve of the last Commonwealth Heads of Government Meeting in Perth, the then Foreign Minister of Australia, Kevin Rudd, underlined the importance of the recommendations of the Eminent Persons Group for more attention to be paid to human rights in the Commonwealth by pointing to the fact that China—the world's fastest growing large economy—is not a democracy and has little disposition towards democracy. His analysis was correct then, and remains correct now.

Rudd's analysis calls for Commonwealth leaders to recognise this reality and to ensure that the Commonwealth stands fast on democratic values, even if a Commonwealth of fewer members states is the price to be paid.

Given the fact that small Commonwealth countries do not have the leverage of their larger Commonwealth partners to bargain strongly with China, there has to be a commitment by the developed Commonwealth countries to give economic support to the developing Commonwealth states and to advocate their cause actively and forcefully in the international community.

Successive Chinese governments have displayed a remarkably practical and realistic approach to their international relations. If they see a Commonwealth of Nations that is a genuine coalition of democracies, they will find ways to adapt to working with them.

Building a genuine Commonwealth of democracies is the task that now lies before the Commonwealth's member states. The dragon cannot be contained, but with the political will, it might be constructively engaged.

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