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# Clash of Empires

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# Clash of Empires: A Conversation with Ho-fung Hung

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**T**he rise of ‘Global China’ is the result of sustained economic globalisation in the past decades, undergirded by a generally positive relationship between China and the United States. Since the watershed moment of China’s entry into the World Trade Organization (WTO) in 2001, the Chinese and US economies have become increasingly interdependent, which used to be a reason for optimism in managing the various conflicts that arose between the two countries. This, however, has been called into question following the tumultuous years of the Trump administration seeking to redress the trade imbalance with China, as well as the Covid-19 pandemic, the disruption of which to the global order is yet to be fully revealed.

In his newly published book, *Clash of Empires: From ‘Chimerica’ to the ‘New Cold War’* (Cambridge University Press, 2022), Ho-fung Hung offers an analysis of the changing US–China relationship and a critique of the global political economy. Challenging ideological arguments, Hung contends that the United States’ facilitation of China’s integration into the global economy in the 1990s and 2000s was primarily driven by its own corporate interests seeking to benefit from access to the Chinese market and cheap labour. These interests ultimately turned away when they were harmed by China’s policies since the late 2000s of promoting indigenous industries. China’s integration into the global economy fuelled uneven development in both China and the United States, creating deep structural interdependence between the two economies. As both capitalist economies encountered a crisis of overaccumulation, their ‘inter-imperial’ rivalry in the world economy overtook the interdependence of their relationship.

With the two economic constituencies being driven apart, the geopolitical rivalry between the countries also became more difficult to conciliate. In this view, the fundamental source of the ‘New Cold War’ is the ‘intercapitalist competition’ between China and the United States, rather than ideological differences. While Hung’s Marxian approach to US foreign policy is likely to receive pushback from those looking through different analytical lenses, his dissection of the global political economy calls for a radical rethinking of what kind of global economic order could help prevent future conflicts.

**Hong Zhang: Your book provides great insights into the changing relations between the US and Chinese corporate sectors, which you argue underlie the changing political relations between the two states. What motivated you to develop this analysis and what received wisdom do you seek to challenge?**

**Ho-fung Hung:** Many popular accounts of the deteriorating US–China relationship attribute the deterioration to ideological differences between democratic and authoritarian systems. These accounts are convenient justifications for politicians’ actions and policies. But we, as scholars, have the responsibility to look deeper beyond this obviously flawed account. If it is really only about the clash between democracy and authoritarianism, why were democratic America and authoritarian China in such a harmonious relationship in the 1990s and 2000s? Some would say Xi Jinping is much more dictatorial than his predecessors Hu Jintao and Jiang Zemin, so the difference has become more pronounced now. But is he? Deng Xiaoping mobilised the army to shoot protesting citizens and kept the Chinese Communist Party in power with tanks. Yet, the United States and the democratic world at large did not see Deng as too dictatorial to do business with. Throughout history, capitalist democratic countries have never shied away from doing business with and allying with dictators. The difference between democracy and authoritarianism never stands in the way. Why does this difference suddenly matter in US–China relations? Something deeper must be going on. My research and the book look for an answer to this question. To explore the plausible scenarios of US–China relations and look at what can be done to prevent the deteriorating relationship from becoming a catastrophe, we first need to figure out the underlying forces that bring us to the current state of affairs.

**HZ:** You made the point that the clash between the United States and China is one between two ‘empires’ and it is an ‘inter-imperial rivalry’. How do you understand the nature of the two ‘empires’? Given that China was a critical enabler of US empire-making while it also grew under the US-led system, as your analysis makes clear, how far can China go in its challenge to the US empire? Or, are they locked in a symbiotic relationship? Can decoupling happen?

**HH:** As I define in the book, ‘empire’ refers to any state with the ambition and capability to project its political and military power beyond its sovereign space. The United States as an established empire is mostly an ‘informal empire’ without as many formal colonies as the old British and French empires had. China is a junior, informal empire on the rise, and its official intellectuals have been ever more open in manifesting their imperial ambitions—using ‘empire’ as a positive word.

Socioeconomic integration between two empires would not prevent inter-imperial rivalry from happening and escalating. For this, a comparison with the UK–German rivalry in the early twentieth century is useful. In June 1914, a British economist made a keynote speech at the Royal Statistical Society, saying all the economic statistics suggested the British and German empires were intertwined in trade, investment, and everything else (Crammond 1914). He predicted that the United Kingdom and Germany would maintain this reciprocal and mutually beneficial relationship, with Germany as a junior, up-and-coming partner, and that the two countries would not be

embroiled in conflict. And we all know what happened just a few months later. In fact, the integration between the United Kingdom and Germany at that time was much deeper than the US–China integration today. The ruling elites of the two countries intermarried. The royal family of the British Empire, the House of Windsor (House of Saxe-Coburg and Gotha before World War I), was half-German. The mother of the monarch of the German Empire, Wilhelm II, was British and was the eldest child of Queen Victoria. So, the ruling classes of the two countries on the eve of World War I were as integrated as if, say, a son of [US President Joe] Biden or [former president Donald] Trump was married to the daughter of Xi Jinping. Great Britain was also the biggest destination and source of German exports and imports on the eve of the Great War. But that level of integration did not prevent the two empires from going to war. The crushing weight of the imperatives of geopolitics and capital accumulation is simply too strong.

But there is a reason for optimism. Compared with turn-of-twentieth-century Germany, China today, though increasingly militarised and aggressive, is still far less militaristic than Germany back then (and less than Russia today, for that matter). Unlike nineteenth and early twentieth-century Germany, which had been frequently at war, China has not mobilised its army for a serious military conflict since its war with Vietnam in 1979. The last serious military mobilisation was 1989, when the People's Liberation Army was used to quell domestic unrest. If the Party-State elite is rational (an increasingly big if, though), they should be very cautious in avoiding any serious military conflict with the United States. This becomes all the more obvious as Beijing watches Moscow's military adventure in Ukraine devolving into a disaster for Russia. So, I stay optimistic that though the US–China rivalry is set to deteriorate, there is a fairly good chance it could be channeled to competition in global governing institutions, such as the World Health Organization, WTO, United Nations, etcetera, instead of a direct military conflict.

**HZ: I notice that you approached the Chinese and US states differently. On the Chinese side, you have given the Party-State significant autonomy, as seen in your analysis of its cooptation of US corporate interests in the 1990s and its industrial policies and pursuit of a geopolitical agenda in the 2010s, which alienated US corporate actors. On the US side, however, you place the primary agency on the corporate actors; it is the aggregated preference of the corporate sector that ultimately determines US foreign policy orientation, while those forces based on geopolitical or ideological considerations are secondary in this picture. In a way, your portrait of the Chinese state is more Weberian and that of the US state more Marxian. Why such asymmetry?**

**HH:** Yes. Every state has components that are more autonomous vis-a-vis corporations and components that are influenced or even captured by corporations or other dominant social groups. The relative prevalence of the two components varies from state to state.

Theda Skocpol (1985), in her introduction to the classic *Bringing the State Back In* (a book that brings the Weberian perspective of the state to North American social sciences), points out it was not an accident that the Weberian state-centric approach developed in Germany. It has something to do with the strong hand of the centralised state in Germany's state formation, war-making, and industrial development process since Bismarck's time. In contrast, the society-centric approach to the state—including the Marxian approach emphasising class and the pluralist approach (à la Robert Dahl) emphasising interest groups—has been dominant in the UK and US academia because the political systems there provide many access points for social groups to shape policy. The dominance of the society-centered approach in the United States and United Kingdom leads scholars to forget that certain key components of the state are highly autonomous and function along with a Weberian logic. The foreign policy apparatus is one such component of the state in the case of the United States, according to Skocpol.

The differences in the US and Chinese political systems resemble those in the US/UK–Germany contexts. The analysis of US–Chinese policy formation in *Clash of Empires* is not exactly Marxian, but Marxian–Weberian to be more precise. Following the Weberian imperative of sustaining US global power and prestige, the US foreign policy elite have set their sights on China as a geopolitical rival since the end of the Cold War in the early 1990s. But the other parts of the state that are central to the formation of economic policy—including the Treasury, the National Economic Council, and Congress—are more open to the influences of big corporations. In the 1990s and 2000s, US corporations influenced those components of the state to keep the confrontation tendency in the foreign policy establishment at bay. Only in the 2010s, when the corporate and geopolitical interests of the state aligned in favour of a confrontational posture toward China, did the United States' China policy shift fully to confrontation.

In contrast, in China's Party-State capitalist system, the economic and foreign policymaking process is highly centralised in the top echelon of the Party-State elite. Economic growth and profitability of enterprises are among the many considerations of the Party-State elite in their policymaking, but these considerations are all subjugated under the imperative of maintaining and expanding the power of the Party-State in China and in the world. Corporations, however well-connected politically, are at the disposal of the Party-State. Nothing is more illustrative of this than the development of China's big-tech companies. The state cultivated them and helped them monopolise the Chinese market. But when the state feels they are a threat, it cracks down on them relentlessly. Corporate autonomous leverage on the state in China is simply incomparable with US corporate power vis-a-vis the state. This feature of the Chinese political economy, in which all imperatives are subjugated to the grand strategy of the

Party-State, is meticulously analysed in Rush Doshi's *The Long Game* (2021). But I did not have a chance to read the book until after I finished *The Clash of Empires*; otherwise, it would have been included in the references.

**HZ: While your analysis has focused on corporate interests and other structural explanations, you seem to try to avoid structural determinism, as you allow room for political manoeuvres and circumstantial contingencies. Looking back on the past three decades, could you imagine an alternative history of US–China relations? In hindsight, were there better policy choices that could have been made?**

**HH:** In my view, President Bill Clinton's reversal of the policy that linked Chinese goods' low tariff access to the US market to China's human rights condition in 1994 was a mistake. It was not inevitable. As documented in the book, the Clinton administration was split on the issue, with the State Department and many congressional Democrats vowing to maintain the link, while the head of the newly created National Economic Council, Robert Rubin from Wall Street, was committed to severing the link. Also documented in the book is that major corporations in the United States at that time did not see China as a huge market yet. When the North American Free Trade Agreement (NAFTA) came into effect in 1994, globalisation at the time was much more about growing NAFTA into an all-American free-trade arrangement. It was the corporations mobilised by Beijing that lobbied keenly for the delinking. And Beijing won. Suppose the linkage had been maintained throughout the 1990s. In that case, it could have created larger pressure for Beijing to adopt more liberal changes at a time when there was a more liberal-leaning elite within the party and Beijing felt more vulnerable and was more open to outside influences. The opening of China, and hence US outsourcing to China, would have been more gradual, and China's impact on the American working class would have been moderated. It is the path not taken.

The recent *Uyghur Forced Labor Prevention Act*, which bans all goods made in the Xinjiang region unless the exporters can prove no forced labour is used, is going back to the principle of Clinton's China trade policy in 1993—that is, to link Chinese goods' access to the US market to China's human rights condition. But it is too late to create significant pressure to change China's direction. Its most likely outcome will be an accelerating division of the world economy into two competing blocks—a process that many people call decoupling.

**HZ: In the book you also express doubt about the 'constructive engagement' argument presented by the Clinton administration when it decided not to link the most-favoured nation status to China's human rights conditions, arguing that by integrating China into the global trade system, it could also lead to the liberalisation**

**of China's political system. This has, of course, turned out to be a false hope, but do you think it was not even a genuine aspiration, but rather a cover for the policy driven by corporate interests?**

**HH:** The idea that participation in the global trade system could automatically lead to political liberalisation is perhaps the most disingenuous pretext in modern political discourse. Throughout postwar history, so many dictatorships have thrived under the regime's participation in global trade. From Pinochet's Chile to Saudi Arabia, market capitalism never eroded the authoritarian system but helped sustain it. Market capitalism is perfectly adaptable to, if not favourable to, authoritarianism. The idea that economic engagement with China could promote political liberalisation is no more than a transparent attempt to cover for the Clinton administration's 180-degree shift in its China policy in 1993–94 that *Clash of Empires* details (and mentioned above). In Clinton's first year, the administration linked low tariff access of Chinese goods to the US market to China's human rights conditions. After intense business lobbying, Clinton dropped the policy in 1994. Then the theory about the causal relation between free trade and political liberalisation was hastily cooked up to justify this drastic shift. The theory aims to make the shift look less like surrendering to corporate blackmail and more like a well-thought-out policy for the world's good.

Most ironically, we did see this kind of 'constructive engagement' argument before, during the American Civil War. Many free-trade advocates and big businesses in the United Kingdom sympathised with the rebellious South and wanted to have continuous access to cheap cotton from the slave labour there. Their intellectual representatives of the time, including *The Economist* magazine and many liberal thinkers, devised the argument that if the UK supported the South and fought Abraham Lincoln—portrayed by many in the United Kingdom as a dictatorial anti-free-trade monster—then the United Kingdom would be able to persuade the independent Confederacy to abolish slavery gradually and peacefully. In retrospect, we all know that the argument was just a hypocritical cover for those British interests' demand for cheap products from slave labour. It is a nineteenth-century version of the 'constructive engagement' theory.

**HZ:** While you believe the US–China rivalry will intensify in the years to come, at the end of the book, you still place hopes for averting a fatal conflict on the mediating role of global governing institutions and on the rebalancing of the Chinese and US economies. Are you hopeful that such rebalancing can happen? In China, we do start to hear more about redistribution or even 'third distribution', which might have been sidelined by mid 2022 as the urgent matter becomes maintaining growth in China's economy, which has been crippled by Covid-19 lockdowns. In the United States, we also see the urge to bring back manufacturing jobs and to invest more in infrastructure, welfare, and the green economy. Do you think there are self-corrective mechanisms in each of the countries, and are they strong enough?



**HH:** As I discussed above, the fact that China has been much less militaristic than Germany a century ago is a reason for optimism. It is possible that intensifying US–China rivalry could be constricted to competition between the two countries in global governing institutions. But I am less optimistic about the internal rebalancing part. The Chinese Government has been talking about rebalancing the economy by boosting domestic household consumption through redistribution since at least the late 1990s. Zhu Rongji (Prime Minister from 1998 to 2003) talked about it in the aftermath of the 1997–98 Asian Financial Crisis, and Wen Jiabao (Prime Minister from 2003 to 2013) talked about it after the 2008 Global Financial Crisis. The pattern is that whenever the economy runs into a global economic headwind, Beijing has tried to initiate a redistributive response and boost domestic household consumption. But redistribution did not happen each time, and the government eventually relied on the old trick of stimulating investment with more loans to prop up economic growth, as is happening now. This path wards off a temporary economic downturn but aggravates inequality and the imbalance of the economy in the long run. The recurrent stillbirth of redistributive policy is a result of the lack of institutional representation of workers and peasants in the policymaking process in China. Over the past two decades, one big developing country that achieved significant redistributive reform is Brazil under the presidency of Luiz Inácio Lula da Silva (2003–11), under the internationally acclaimed Bolsa Familia direct cash transfer program. It was instituted by a government elected by and representing the poor. Once in place, the program was so popular that even Jair Bolsonaro, who became President of Brazil in 2019, could not undo it. Compared with the political process in Brazil, you could not see many reasons why the Chinese Party-State elite, who were more connected to state-owned enterprises or politically well-connected private enterprises addicted to the borrow-and-invest model of expansion, would pursue any genuine redistributive reform seriously.

I am equally pessimistic about the rebalancing in the United States through the reshoring of industries. Manufacturing in the United States has enjoyed outsized profits by relying on foreign cheap labour for decades. With the trade war and Washington's call for decoupling from China—and the decoupling is certainly going to accelerate after foreign enterprises experience China's zero-Covid policy—will motivate US enterprises to reduce exposure to China. Most of them are not likely to come back to the United States. There may be some exceptions in the sectors deemed strategically so important that Washington would be willing to subsidise their coming back. Microchips and rare-earth mining could be two examples. But for the majority of the enterprises, decoupling from China would only mean relocation to other low-wage countries in Southeast and South Asia or other places in the developing world. So, as the imbalances in both the United States and China are not likely to subside, the urge to export capital and the intercapitalist competition between the two will only rise, resulting in the inevitable intensification of geopolitical rivalry in the years to come. ●