

# Sir Vince Cable: The US and China must engage to avoid a new cold war

Speaking on RBC Global Asset Management's Bookclub podcast, former leader of the Liberal Democrats, Sir Vince Cable spoke about his dealings with China when he was in the coalition UK government, and why there is an opportunity for China and the US to work together sensibly under the Biden administration.

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Cable's new book *Engage!: Avoid The New Cold War* ponders whether the deteriorating political and economic relations between the West and China over the Covid-19 crisis could be the start of a new cold war.

## When you were in the coalition government, how did you balance the trade-offs when faced with a rising superpower?

**Cable:** When I was in government, my dealings were usually with high-level Chinese representatives. They are extraordinarily smart people. Sometimes, when dealing with representatives of other governments, you sense that they're there for reasons of patronage or corruption.

We were conscious there was a trade-off when we alienated the US over the infrastructure bank. In the earlier part of the decade, some people within UK Parliament, and indeed within the government, were saying 'oh these are not people you should be dealing with'. We had several

investigations into Huawei in particular over whether they were conducting themselves as good citizens, or whether they were engaged in unfriendly activities - we had no negative evidence.

But there were difficult cases. A senior executive at GSK was imprisoned in China for reasons that were linked to corporate politics and we found difficult to understand. Things like that certainly got in the way of smooth, easy relationships.

But in general, we were making more progress with China on trade and investment than we were with a country like India, which is very friendly. The standard Indian answer to most requests was 'no', whereas in China it tended to be 'yes, but'.

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**In what ways do you think the China/US rivalry is similar and dissimilar to the events of the Cold War era between the former Soviet Union and the US?**

**Cable:** One massive difference is that the old Cold War was between two countries that were massively armed but couldn't fight because of nuclear weapons. It was essentially a way of politicising a military confrontation. The issue with China is that there are military issues, but these are not particularly big at the moment. It is essentially about economic competition and technology - so the conflict and disputes are about a fundamentally different set of problems.

Another difference is that the Soviet Union was in many ways a hollow state, or 'Upper Volta with rockets'. China is fundamentally different - it is a superpower in every dimension with a very strong economy, advanced technology, extraordinarily capable country with flexibility and things like migration, which never existed in the Soviet Union.

One similarity is the polarisation of attitudes. The Chinese see the West trying to suppress their rise, the Chinese become more aggressive in turn, and Westerners use more aggressive language. So, the Cold War is acquiring a dynamic of its own.

**In many ways, globalisation over the last 30 years can be simplified to some extent by US and China cooperation - for example China opening up and the US welcoming it into the global order. But, given the current challenges, do you think this will continue?**

**Cable:** I believe globalisation - by which we mean the opening of markets for trade, people and ideas - is good. Most of the 'hollowing out' of working class manufacturing jobs from the West and shifting into Asian economies, has been due to changes in economic structure due to patterns of demand and technological change, which was going to happen anyway, and has very little to do with Chinese competition.

If you look at the structure of Chinese trade today with the West, it's no longer a case of them exporting cheap manufacturers, textiles and toys, which compete with low-paid workers in the West. The trade now is intra-industry - for

example Apple, buying or making stuff in China and importing the components from the US. It is globalisation through supply chains.

**What can you see happening in the next year or so during the first two years of the Biden administration which will help the US and China to cooperate?**

**Cable:** The most important is probably language and tone. The Chinese must be utterly baffled by Trump's outpourings every day whereas I think the administration will be rational and polite - and I think the Chinese may appreciate that. It's easier to deal with people who are controlled and rational.

There are massive post Covid-19 pandemic and late-pandemic issues that still to be managed, and China could be a very constructive partner if it chose to be. I hope China is constructive in dealing with the World Trade Organisation. I think it will do a lot to improve their international image if they are seen to cooperate - for example, they are important partners in trying to get Covid-19 vaccines to parts of the world.

We urgently need some kind of international protocol governing how artificial intelligence and advanced new technologies are used, and the potential in weaponry, disruption, and cyber warfare is immense. It could be done constructively, but it needs negotiation and understanding between the Chinese and the Americans. Given that the US administration is now run by grown-up, sensible people, I think there is an opportunity to work sensibly.

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