

# The Next Cold War: China vs. Your Bottom-Line

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Axios reporter and author of *Beijing Rules*, Bethany Allen-Ebrahimian, on how **China is leveraging capitalism to undermine Western democracies**—and potentially your organization.

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**Over the last twenty years,** China's growth—and its expanded influence on the global stage—has fundamentally changed how the world works. The seeds of China's transformation were first sowed when The Middle Kingdom joined

the World Trade Organization in 2001. In the two decades that followed, China's "quiet rise" had less to do with manufacturing prowess and brokered trade agreements but rather a quest for global dominance by the Chinese Communist Party to co-opt what Western leaders have long considered their most powerful tool in the fight for liberal democracy—capitalism—to expand its illiberal influence worldwide.

In her new book, *Beijing Rules*, Axios' China reporter Bethany Allen-Ebrahimian takes readers on a journey through the shadowy corridors of international diplomacy and into a murky world where Western institutions are being strong-armed into capitulating to Beijing. Her book, which *The New York Times* says "smartly combines analysis of China's efforts to infiltrate Western institutions via authoritarian economic statecraft with a look at why the West is vulnerable to such influence campaigns," offers an unsettling glimpse into a future where liberal democracy may find itself firmly under the thumb of authoritarian capitalism.

In an era where international businesses

are increasingly intertwined with China's vast market and supply chain, Ms. Allen-Ebrahimian advises executive leaders and corporate governors to consider far-reaching implications beyond profit margins, which impact the very fabric of the societies in which they operate. An essential read for those responsible for shaping the direction of large, international enterprises, her reporting underscores the critical need for corporations to navigate this complex landscape with vigilance, ethics, and a deep understanding of the potential consequences of their decisions on the future of democracy and freedom.

*Insigniam Quarterly* recently had the opportunity to speak with Ms. Allen-Ebrahimian, who paints a vivid picture of the alarming compromises made by institutions that should uphold democratic values—and the potential loss of freedoms we often take for granted.

**IQ: Can you provide a brief overview of the central thesis of your book, *Beijing Rules*—and what inspired you to write about China's quest for global dominance through capitalism?**

**Ms. Allen-Ebrahimian:** It is a concept that I call China's authoritarian economic statecraft, which essentially means the way that the Chinese government has created some innovative ways of controlling access to its economy to shape the behavior of

individuals, governments, companies, and multilateral institutions to align them more with the Chinese Communist Party's core interests.

I initially wrote the proposal for this book in 2019 after I had been reporting for several years about China's political interference operations abroad. I wanted to build a more comprehensive framework for understanding how Beijing projects power beyond its borders.

What I found was that China's economy was really where a lot of its power lies. Yes, it's developing its military. Yes, it's working on creating more of a diplomatic block, but still, and I think for several decades to come, the Chinese government's primary form of power extension abroad is its economy.

**IQ: In your book, you discuss how the Chinese Communist Party co-opted capitalism to expand its influence worldwide. Could you elaborate with a specific example?**

**Ms. Allen-Ebrahimian:** One example from the beginning of my book—and also the beginning of the pandemic—is when the former Prime Minister of Australia, Scott Morrison called for an independent inquiry into the origins of the pandemic. At the time, it was a core interest of the Chinese Communist Party to deny that the pandemic had even begun in China, and their government was trying to reshape that global narrative.

After Morrison issued his statements, the Chinese government slapped a medley of tariffs on Australian exports, including wine, coal, and barley. This was blatant authoritarianism. In this case, it was something that affected or related to the health and well-being of every single person in the world. Yet, these economic measures were pursued for authoritarian political goals.

**IQ: One of the central ideas in your book is the divorce of political values from market structures. Could you explain how this separation has contributed to the rise of authoritarian capitalism and its impact on global economics?**

**Ms. Allen-Ebrahimian:** What I'm referring to—which was mainly driven by the U.S. during the Reagan administration

and adopted by other Western democracies such as the UK—is the idea that free markets, deregulation, and lightly-regulated capitalism itself was somehow equal and equivalent to liberal democracy.

The assumption was that if a country has free markets and a capitalist-based economic system, it will inherently lead to a liberal democracy—and that one cannot exist without the other. If that is the case, you do not need policies that put democratic guardrails on economic behavior because as long as it is free, it is inherently liberal and democratic.

We now know that was not true. Still, in any case, that kind of divorce of political values and economic behavior created a void in international and domestic economic behaviors. The Chinese government has since come to fill that void with its authoritarian political values. Moreover, the Chinese government has created a global economic regulation framework by attaching its authoritarian behaviors to economic behavior.

Let me be specific about what I mean by that: Every single CEO of every company in the world that has business interests in the Chinese market knows that if they comment, Tweet or exhibit certain behaviors that go against clear Chinese Communist Party red lines—their bottom line will suffer. This has been one of the most successful public relations campaigns in history. Everyone seems to acknowledge this, but there is no countervailing democratic framework to push back against it.

A key tenet of neoliberalism and free market economics is that the only job of a company is to create profit for their shareholders as long as they are doing so in line with legal regulations. A problem arises when an outside force, such as a foreign government, controls aspects of their profit. If we, as a democratic society, want to protect our values, then we must change the way we regulate economic behavior so that companies are essentially protected by law from bad actors.

**IQ: Can you discuss China's impact on multinational corporations? Thus far, how have they navigated the complex landscape of doing business in China while attempting to adhere to**



There was a fear among Western companies that if you are not in the Chinese market, you will be out-competed. In the end, many Western companies ended up getting hollowed out and those desired riches never materialized.



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**democratic values?**

**Ms. Allen-Ebrahimian:** It is very challenging for companies right now, and I think it is getting tougher and tougher. What we are seeing from a national security perspective is that the U.S. and EU countries are pursuing policies that are more similar to an industrial policy aimed at strengthening competitiveness in certain strategic industries, which is aimed at preserving national security in the face of a threat from the Chinese state.

One example is the 2017 National Intelligence Law in China, which requires that individuals and entities in China hand over data and provide assistance to China’s intelligence agencies—and to keep that assistance a secret. This means that companies now must navigate an increasingly complicated regulatory environment across different economies, which means they face a greater degree of political risk no matter what they do.

This creates a scenario where the West—particularly the U.S. and its partners—are heading toward what could become an economic arms race with China in the sense both sides are trying to create ever sharper and more innovative economic tools to pursue their geopolitical interests and get more countries on their respective sides. Meanwhile, companies are trying to navigate this without choosing between sides. Some companies have chosen between sides, such as LinkedIn, which left China after facing too many market issues and insufficient profit margins.

**IQ: What advice would you give to CEOs and corporate directors on how to strike a balance between pursuing lucrative opportunities in the Chinese market and ensuring that their companies are not unwittingly contributing to the spread of illiberal influence, as you’ve mentioned and describe in your book?**

**Ms. Allen-Ebrahimian:** I think companies based in the West must clearly and frequently convey their concerns to government lawmakers and say, ‘We want

to do the right thing. We are facing these pressures in the Chinese market, and we want your help.’ Globally speaking, it is absolutely the case that the U.S., for instance, cannot do this on its own.

One thing that the Biden administration has been pursuing is working together with U.S. allies, partners, and like-minded countries to take collective action. Additionally, the EU has come a long way as well. Six years ago, it would have seemed unthinkable for the EU commissioner to say that we need to focus on a de-risking strategy with China, but we have seen France, Germany, the UK, and the The Netherlands realize that the economic playing field with China is not equal.

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In fact, very recently, the EU launched an investigation into Chinese-made electric vehicles because of the prevalence of Chinese government subsidies, making it very difficult for EU automakers to compete. We also see a lot more discussion and joint statements on a multilateral level discussing the Chinese government’s economic coercion.

For example, at the G7 summit in Hiroshima, Japan, a few months ago, there was a joint statement about how to collectively pursue economic resilience. And there was a follow-up statement a few weeks later about how to challenge economic coercion. Now, these statements did not list China by name, but that is obviously who it was talking about and

laying out some potential joint steps. So, we are seeing movement in this direction.

**IQ: What is the most significant blind spot for global enterprises right now in terms of China’s ability to exert its influence worldwide?**

**Ms. Allen-Ebrahimian:** I think that there was this really widespread perception and belief for a long time among Western companies had to be in the Chinese market—it was do or die. The fear is that if you are not in the Chinese market, you will be out-competed by everyone else. There is also the idea that infinite riches are glittering across the Pacific if we can just get in. This has fostered a belief that no matter what you sacrifice to stay in the Chinese market, it will be worth it in the long term. That is

**Red Carpet Rollout**  
French president Emmanuel Macron and his wife Brigitte welcome Chinese president Xi Jinping and his wife Peng Liyuan for their state visit in France at the Elysee Palace.







**Very Big Data**  
Aerial photo of Apple's sprawling new data center in the southwestern province of Guizhou, China. As China's first national big data comprehensive pilot zone, Guizhou has been promoting the big-data industry as a backbone of its high-quality social and economic development. The province has attracted heavyweight enterprises and world-famous research institutes seeking to establish big data centers and regional headquarters.

one reason, for example, that the Chinese practice of forced technology transfers (wherein U.S. companies hand over certain aspects of their technology under the guise of a Chinese joint venture) that U.S. executives agreed to over and over again because they believed that they would still be able to get a lot of money out of it. But, in reality, even the U.S. trade representative's office is talking about how detrimental this has been to U.S. companies. In the end, a lot of U.S. and Western enterprises end up getting 'hollowed out,' and those desired riches never really materialize.

**IQ: If nothing changes, what does the next decade look like in terms of China's increased influence over the West, its**

**values, and the overall global economy?**

**Ms. Allen-Ebrahimian:** One thing it would mean is that it becomes harder and harder for the U.S. and multilateral sanctions to have any effect. In addition to the kind of ideological efforts that China is making to extend the legitimacy of authoritarian systems, it is also working very hard and explicitly to sanction-proof its economy and to help other economies as well. We have seen that very clearly after Russia invaded Ukraine, where the Chinese government has offered Chinese markets as a buffer or lifeline to the Russian economy to keep it afloat. And we are seeing many different kinds of efforts along this line.

For example, a growing number of

international transactions are being conducted in Chinese Yuan.

That is not because the Chinese government has a short-term or even medium-term goal of replacing the U.S. as the world's reserve currency, but rather as a kind of ad-hoc channel for evading sanctions—something that becomes easier to do to avoid traversing through the dollar-dominated international financial system that the U.S. sanctions regime can access.

So, as these trends continue, it will become more and more difficult for like-minded democracies to use their economies to affect political influence around the world, which China is pushing against. We can also expect that if this is what happens, we will see a continued degradation or

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erosion of human rights mechanisms in international institutions and also within countries that have close ties to China because they have less incentive and will face less punishment for doing things like rounding up journalists, detaining political dissidents, shutting down free speech or extraditing people back to China for political reasons. And so you see people's lives and freedoms around the world being slowly eroded.

**IQ: You mentioned the importance of a democratic market framework to protect the values held by free-market economies. How can leaders of large global enterprises play a hand in advocating for—or shaping—a framework that could ultimately protect their businesses?**

**Ms. Allen-Ebrahimian:** Something that we often talk about, for example, is how big tech companies—specifically in the U.S.—are at the forefront of these trends.

Former Google CEO Eric Schmidt has advocated for Silicon Valley to talk to Washington and work with policymakers to share their concerns and their expertise about what they are seeing in their fields—which includes working with the U.S. government to essentially shape industrial policy.

Those policies could include how we can maintain an edge across emerging technologies and strengthen our companies. Maintaining a healthy economic infrastructure in the U.S. could strengthen companies' competition with China. The main goals here are economic prosperity and national security.

If the U.S. and Western companies work together with their respective governments in a way that promotes democratic values, then that strengthens the resolve behind democratic values on a global stage, especially since we are competing between democracy and authoritarianism. **IQ**



**BIO: Bethany Allen-Ebrahimian**

Bethany Allen-Ebrahimian is the China reporter at Axios, based in Taipei. She is the author of the weekly Axios China newsletter, and she covers China's role in the world.

Prior to joining Axios, she served as the lead reporter for the International Consortium of Investigative Journalists' China Cables project, a major leak of classified Chinese government documents revealing the inner workings of mass internment camps in Xinjiang. For her work on the China Cables project, she received the Robert D. G. Lewis Watchdog Award, the top prize awarded annually by the Society of Professional Journalists DC Dateline Awards, as well as the Investigative Journalism prize in the online category. The China Cables project was also a finalist for the Batten Medal for Courage in Journalism.

Her book, *Beijing Rules: How China Weaponized Its Economy to Confront the World*, was published by Harper in August 2023.