



## Trump's America still more open to trade than Xi's China

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Speaking to the World Economic Forum (WEF) last year, Chinese President Xi Jinping portrayed his Communist-run country – and perhaps himself – as the new champion of free trade and globalization.

Although he mentioned neither Donald Trump nor the US in that landmark speech, the first by a Chinese leader to the global elite at the Swiss ski resort of Davos, Xi also denounced the then president-elect's "America First" protectionist policies.

Xi didn't attend the WEF's annual gathering this year, while Trump did – for the first time by a sitting US president since Bill Clinton in 2000. Before and after he spoke to the world's political and business leaders on January 26, the Chinese media and commentariat sought to differentiate Xi's "collaborative approach" from Trump's "America First" policy.

In their eyes, the former is "superior" to the latter and, therefore, the "right choice" for the world is to adopt Xi's vision.

In fact, for them, the world is already adhering to Xi's vision. Xinhua, the one-party state's official news agency, ran several articles asserting that the Davos forum's 2018 theme, "Creating a Shared Future in a Fractured World," was developed from Xi's speeches at both Davos and at the United Nations Office in Geneva a year ago.

The Global Times, another state-run publication, went further, stating that a series of speakers at this year's annual gathering, including Canadian Prime Minister Justin Trudeau, "echoed China's ethos on globalization" advocated by Xi.

Without doubt, under Donald Trump, the world's biggest economy has unconventionally pursued a nationalist, isolationist and protectionist approach to foreign affairs and made some

reckless decisions that have damaged the security and prosperity of not only other countries but also of the US itself. Trump's withdrawal from the Trans-Pacific Partnership is one of these.

In contrast, over the past year, China has stepped forward by supporting or launching a number of international initiatives, such as the ambitious and grand Belt and Road Initiative. Actually, and ironically, as the Global Times recognizes, Trump's "America First" doctrine "brings out the charm of the Chinese proposal of a community with shared future that calls for equality, mutual benefits and win-win results."

But does all that mean that "in Davos, China's reputation as a supporter of free trade and globalization is sounder than that of the US" or that Xi's China – not Trump's America – is now the flag-bearer of globalization and free trade as maintained by the Chinese media?

### **'Superb rhetoric'**

Bloomberg reported that during a discussion at the WEF this year, US Commerce Secretary Wilbur Ross commented that the Chinese "have been superb at free-trade rhetoric and even more superb at highly protectionist behavior."

Ross, one of several senior White House officials who traveled to Davos with President Trump, challenged the other panelists to name quickly a nation that is less protectionist than his country, but he got no responses. According to the report, the 80-year-old official then quoted a study of more than 20 products that showed China had higher tariffs on all but two items on the list.

While it's unclear what study he referred to and it is perhaps safe to assert that the US isn't the most open country to trade, it's certain that it is much more open than China – not only politically but also economically.

In its latest rankings of trade freedom around the world published this month, the Heritage Foundation ranks the US 48<sup>th</sup> and China 116<sup>th</sup> (out of 183 territories/countries).

Compared with the 2017 trade freedom scores, in which the US was ranked 17<sup>th</sup>, trade freedom in that country has significantly decreased, and this isn't surprising given Trump's protectionist stance. But, tellingly, for all its pro-trade rhetoric during the past year, trade freedom in China remains the same, at the 116<sup>th</sup> position.

In the Washington-based foundation's 2018 index, in which Hong Kong and Singapore remain in the top five, mainland China is even ranked lower than many East Asian countries and territories, including Taiwan (51<sup>st</sup>), Thailand (66<sup>th</sup>), Malaysia (72<sup>nd</sup>), Indonesia (77<sup>th</sup>) and Vietnam (89<sup>th</sup>).

In a 2017 annual report of the economic freedom of the world co-published by the Cato Institute, another US public-policy think-tank, and Fraser Institute, a similarly conservative Canadian institution, the US was ranked 11<sup>th</sup> and the China 112<sup>th</sup>. Two of the five broad areas these conservative institutes use to measure the degree of economic freedom are freedom to trade internationally and government regulation.

In his Davos speech last year, Xi promised that "China will keep its door wide open and not close it," allowing "both other countries to access the Chinese market and China itself to

integrate with the world.” Ten months later, at the Asia-Pacific Economic Cooperation(APEC) summit in Danang, Vietnam, he called for economic globalization that is “more open, inclusive and balanced so that it benefits different countries and people of different social groups.” Liu He, a top economic adviser and trusted aide of Xi, who led the Chinese delegation to Davos this year, repeated that statement almost word for word in his remarks.

However, as already noted, there was – and still exists – a big difference between China’s rhetoric and the reality of its policies.

In his remarks to the WEF’s annual conclave last Thursday, Trump said his country “will no longer turn a blind eye to unfair economic practices including massive intellectual property theft, industrial subsidies and pervasive state-led economic planning.” Although he did not name China, as the state-run Global Times itself acknowledges, the US president was clearly pointing the finger at Beijing.

### **Call for genuinely open markets**

A trade war between the world’s two biggest economies will benefit no one, but perhaps many business leaders, not only in the US but elsewhere, would agree with Trump that China should open up its markets and accept a level playing field.

For all its calls for “economic globalization more open, inclusive, and balanced so that its benefits can be shared by all,” not only the US but also many other countries, including China’s smaller neighbors such as Vietnam, suffer huge and unsustainable trade deficits with the world’s most populous country.

In that sense, though he may be reckless and feckless in some other comments and actions, Trump is right to assert that free trade must be “fair and reciprocal” as “in the end, unfair trade undermines us all.”

It’s worth noting that, unlike the version of his Davos speech on the White House’s website, the version on the WEF’s webpage capitalized two words, “FAIR” and “RECIPROCAL.” While it’s wise not to read too much into this, by capitalizing Trump’s two favored words when speaking about trade policy, it could be that the Davos-based forum – also seen as the spiritual home of globalization and its followers – also supports such a free, fair and reciprocal trade system.

In any case, when it comes to trade, it is safe to say that, no matter what Trump does or what Beijing preaches, his America is still more open than Xi’s China.