



China and the US: Trading places on their trade positions?

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At a recent White House meeting, President Trump made clear his preferred approach to trade policy with China, reportedly telling White House Chief of Staff John Kelly: "I want tariffs. And I want someone to bring me some tariffs."

In sharp contrast, Chinese President Xi Jinping this year has pressed the case for free trade. "Pursuing protectionism is like locking oneself in a dark room," he warned at the World Economic Forum in Davos earlier this year. "While wind and rain may be kept outside, that dark room will also block light and air."

Such differing remarks represent a reversal of decades of trade history. Dating back to the Reciprocal Tariff Act of 1934, the U.S. has been a strong advocate of reducing trade barriers, while China has spent much of its own past as something of an economic recluse.

Lately, however, the two countries have shown signs of switching places.

Although China's trade practices are still subject to some justified criticisms, the country's leadership seems to have embraced the cause of greater economic engagement and expanded trade. In addition to Xi's remarks at Davos, there has been a preponderance of trade-friendly rhetoric in the speeches of several high-level officials this year, including Premier Li Keqiang.

And it has been more than just speeches. China has announced exploratory talks with Canada over a possible free trade agreement, as well as plans to expand an existing free trade agreement with New Zealand.

The main focus of the Chinese government's efforts to liberalize trade, however, is the Regional Comprehensive Economic Partnership, which remains under negotiation. This free trade agreement includes China, Australia, India, Japan, New Zealand, South Korea, and the ten countries of the Association of Southeast Asian Nations. Commonly described as a "rival" to the Trans-Pacific Partnership — whose status now hangs in limbo following Trump's ill-advised withdrawal — the RCEP represents real, albeit limited, forward progress for free trade in the region.

The potential benefits are substantial, estimated by the Asian Development Bank as a roughly \$260 billion increase in global income over 10 years. Along with TPP, the deal has also been designated by the Asia-Pacific Economic Cooperation forum as an official pathway to the realization of a Free Trade Area in the region.

Meanwhile, China is looking to develop regional infrastructure as well, with the goal of spurring additional trade.

China's One Belt, One Road project and its promotion of the Asian Infrastructure Investment Bank, initiatives meant to expand infrastructure linkages both within Asia as well as to the rest of Eurasia (OBOR in particular), should help make a dent. Indeed, the ADB calculates that developing countries in the region must spend at least \$1.5 trillion through 2030 to meet their infrastructure needs—far more than current expenditures of less than \$900 billion. In the words of Brookings Institution economist and China expert David Dollar, the AIIB and OBOR can be seen as providing the "hardware" of trade and investment that will serve as a counterpart to the "software" of regional trade agreements.

China's economic rise is a 21st century reality, but what's important is how Beijing wields its new-found power. While China's stated intentions should not be accepted at face value, it's also unwise to expect the worst. Where it acts aggressively and in violation of international norms it should be confronted, preferably via appropriate multilateral venues. Where China assists with international burden-sharing, its contributions should be recognized.

The U.S. and others would do well to remember that China's initiatives taken to advance its own interests can also advance the interests of the international community. Indeed, numerous U.S. actions can be seen in a similar light. China, in fits and starts, is showing signs of taking some welcome steps towards becoming a responsible stakeholder.

It would be a mistake for U.S. policymakers to assume that China's gains come at U.S. expense, or that a wholesale changing of the guard is imminent.

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