

Look at China's reality, not Xi's rhetoric by Denny Roy

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Discussion of Chinese President Xi Jinping's speech at the January 2017 World Economic Forum in Davos, Switzerland highlighted the alleged irony of China stepping in to save the liberal world trade system that the United States under a Trump administration is seemingly turning its back on. Xi's attendance at Davos was the first by a Chinese paramount leader in the four-decade history of the event. The Financial Times described Xi's speech as "a Chinese Communist party leader in the spiritual home of capitalism defending the liberal economic order." Writer Kiernan Corcoran of Heatstreet said "Liberals suddenly turned starry-eyed" and "produced gushes of adulation" at Davos. Nathan Vanderklippe of The Globe and Mail observed that Xi had "the lions of capitalism arranged in front of him, eating out of his hand."

A bit of perspective is in order: Xi is no liberal. The world order the US helped set up and enforce consists of several major components, one of which is free trade. And one aspect of free trade is opposition to protectionism. The "adulation" stemmed from Xi's comments about protectionism.

Xi's speech was organizationally somewhat incoherent: it was repetitive and mixed lists of observations with lists of prescriptions. It did not present an alternative vision for an international order except to mention the usual Chinese complaints about the current order. Xi's observations were mostly pabulum, such as noting that income inequality is a serious problem and that a new "model" of "win-win" global economic management is needed.

Xi had two clear messages. The first was to reiterate the package of self-promoting arguments Beijing has been making since well before Xi was president of the PRC: that China should have a stronger role in the making of international trade and investment rules; that China should be internationally lionized for alleviating poverty at home rather than criticized for political oppression; that China's economic development is good for the whole world; and that foreigners should not criticize the Chinese government for how it governs China.

The second message, and what has gained the most attention, is that China, in implied contrast to the Trump-led United States, embraces globalism. Although globalism brings challenges, Xi said, these are far outweighed by its benefits and opportunities. Xi specifically criticized protectionism, comparing it to "locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air." If this was not clear enough, he added, "No one will emerge as a winner in a trade war," using the same argument of Trump's critics during the

US presidential campaign. Having expressed support for one aspect of the liberal world order – openness – Xi stood up for another, which is respect for agreed-upon rules in international affairs. "We should honor promises and abide by rules," he said. "One should not select or bend rules as he sees fit." He specifically mentioned the 2016 Paris Agreement on global climate change, saying signatories should not walk away from it. The Trump administration's announcement of US intent to disregard the agreement allows Beijing to take the high road on this issue.

It should not be surprising that Xi should make a strong pitch against protectionism. China is heavily reliant on exports to fuel its development, is already suffering an economic slowdown that could grow worse, and is alarmed by the trend toward economic isolationism represented by Britain's exit from the EU and Trump's ascension to the US presidency.

In fact China's general commitment to both openness and keeping the rules, two aspects of the system that Xi claimed to champion, are questionable. The liberal vision of eroding political barriers to trade led to agreements such as the European Market and the North American Free Trade Agreement. But Xi, like all of the Communist Party's top leaders, is a champion of national sovereignty. For them, selling Chinese exports abroad and inviting foreign direct investment in China serve higher political purposes. Chinese government policy invites foreign corporations into China with a view toward absorbing their expertise and then discarding them as upstart Chinese companies seek to capture their market share.

A pertinent example is China's cybersecurity law. Although Chinese officials describe it as necessary to protect China from harm, US businesses argue it is a form of Chinese protectionism in the guise of a national security measure. Americans doing business in China have complained the law will force them to hand over computer source code to Chinese authorities and to partner with Chinese companies, hastening the siphoning off of trade secrets to give Chinese companies a boost. From this standpoint, the cybersecurity law seems consistent with the parallel cyber-theft campaign of industrial espionage sponsored by the Chinese government against foreign corporations.

Xi's stated commitment to openness does not prevent him from presiding over China's "Great Firewall," perhaps history's largest censorship project. Google, Facebook, YouTube, Twitter, Instagram and Tumblr are all banned in China. Xi said during his Davos speech that "We need to relentlessly pursue innovation," suggesting he is probably aware that China's restrictions on information flow are a drag on China's economic development. Like his predecessors, Xi is willing to bear this cost rather than tolerate the free political

discussion that would air the Party's shortcomings. Xi's actual idea of openness is likely to be unrecognizable by most other attendees at Davos.

As for keeping the rules, China frequently signs high-profile international agreements to avoid criticism as an outlier, only to endanger the viability of these agreements through systematic violation. Examples are China's signing of the 1992 United Nations Convention on the Law of the Sea and the 2002 Declaration on the Conduct of Parties in the South China Sea. China's policy toward other claimants to disputed maritime territory has amply demonstrated that such agreements will not stand in the way of Beijing unilaterally pursuing its perceived national interests. In this respect China is not unique as a major power, but Xi has little standing to claim that China steadfastly honors its international agreements.

Being anti-protectionist does not make Xi a defender of the current order, certainly not of its liberal values. Rather, Xi's speech was a narrowly tactical pitch for other countries to continue to keep their doors open to Chinese imports. Instead of liberal world trade, China's approach to the international economy is better described as expansive mercantilism. What Xi brings to the table, however, has suddenly become crowd-pleasing in an environment where Washington is at least temporarily not interested in playing its usual leadership role in promoting multilateral trade agreements.

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