Chinese president denounces “law of the jungle” on trade

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China’s president Xi Jinping has again attempted to position Beijing as the defender of free trade in opposition to the US, denouncing the “law of the jungle” in a major speech delivered yesterday.

Xi was speaking at an international business fair in Shanghai at which he cast China as an importing nation. It was an attempt to secure allies in the intensifying trade and economic war with the US, ahead of a scheduled meeting with US President Donald Trump at the G20 summit meeting at the end of the month.

“China has a big market of over 1.3 billion people and it is our sincere commitment to open the Chinese market,” he said. The audience included representatives of major global corporations, some heads of governments and delegates from international organisations, including the World Trade Organisation and the International Monetary Fund.

However, the speech did not contain any new initiatives to win support for China in its conflict with the US. It was largely a repeat of his earlier statements in support of globalisation since the coming to power of Trump.

“As globalisation deepens,” he said, “the practices of ‘law of the jungle’ and ‘winner-take-all’ are a narrowing road that leads to a dead end. Inclusion and reciprocity, win-win and mutual benefits are a widening and correct path.”

In an indirect reference to the US and its criticism of China’s trade policies, Xi said: “Each country should work hard to improve its own business environment. One cannot always beautify oneself while criticising others, and one can’t shine a flashlight on other people without looking at oneself.”

Xi said the economic and social well-being of countries was increasingly interconnected and claimed reform of the global governance was picking up speed. “On the other hand, the world economy is going through profound adjustment and protectionism and unilateralism are resurging. Economic globalisation faces headwinds, and multilateralism and the system of free trade are under threat,” he said.

The composition of the audience reflected the shifts and manoeuvres in the global trade conflict. Major western European countries joined the US in not sending high-level delegations, signalling the European Union’s decision to at least partially align itself with US complaints against China’s push to acquire enhanced technology through so-called forced technology transfers and alleged theft of intellectual property. Representatives of the G20 group of countries were conspicuous by their absence.

The representatives of foreign corporations tended to be lower-level executives. But in a sign of easing of tensions between the two countries, 450 Japanese companies were represented.

The main criticism of foreign corporations is that China should do more to open up its market to their operations, enabling them to compete with domestic Chinese companies.

Xi sought to address those concerns, saying that China would undertake more opening measures in telecommunications, medical care, education and culture. But no specific details were provided and corporate executives are insisting that more concrete measures be announced.

The vice-president of the European Union Chamber of Commerce in China, Carlo D’Andrea said: “Meaningful progress can only be claimed when major structural challenges are positively dealt with and international companies can compete on an equal footing with domestic ones.”

Xi pledged that China would import $30 trillion worth of goods over the next 15 years, an increase from $24 trillion in previous commitments. But the figure was not a significant departure from the current trajectory of Chinese imports. There was also a commitment to further cut tariffs. However, this has been made before. As one market analyst observed, an announcement to this effect had been made in September and it “can only be milked so many times.”

In an attempt to deflect criticism both from the US and other countries over technology theft, Xi said there would be tighter protection for intellectual property and stronger punishments for violations.

He also addressed concerns among Asian countries about the slowdown in the Chinese economy and its possible impact on the region, referring to recent stimulus measures.

“Uncertainty in some areas has risen, operating difficulties for some companies have multiplied and risk challenges have increased in some areas,” Xi said. “These are problems that one encounters amid progress. We are taking active measures to address them and the result is already apparent.”

The trade war has yet to have a wide impact but the effects are starting to show up. Hyundai, the South Korean car firm, announced a sharp fall in third quarter earnings, attributing it to weaker sales in the US and China, its two biggest markets.

The Japanese copier and camera company, Canon, has voiced fears that the US-China trade war will lead to slower growth.

“One concern is how long this trade war is going to last,” the company’s chief financial officer Tishizo Tanaka told the *Financial Times*. “A far more serious issue is if this becomes a catalyst for an economic slowdown, not only in China and the US, but in other regions across the world.”

Those concerns are likely to grow because the view in key sections of the Trump administration directing the trade war measures is that China must feel real economic pain before it will make concessions to the US on its central demands.

Those demands are not primarily for a reduction of the trade deficit between the two countries but that China makes substantial “structural” changes in its economy, essentially scrapping its state-subsidies for key industries, which the US claims are “market-distorting,” and ceasing its alleged theft of technology and intellectual property.

There had been hopes that the meeting between Trump and Xi on the sidelines of the G20 would result in at least a ceasefire in the trade war. After Trump held out the prospect of a deal, markets in Asia enjoyed one of their largest rises in the recent period last Friday.

But expectations were swiftly dashed when White House economic adviser Larry Kudlow said China and the US were not on the cusp of a trade agreement.