

China not ready to champion free trade

Beijing's promotion of its self-interest is at the expense of the greater rules-based trading system

✓ ALEX CAPRI

The dust is still settling after US President Donald Trump's first trip to Asia but two themes are emerging.

First, Asian countries have affirmed their commitment to multilateral trade agreements and rules-based frameworks.

At the Asia-Pacific Economic Cooperation summit in Danang, the remaining 11 TPP countries agreed to resurrect the trade pact without the US and rename it the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP).

Second, Beijing's presumed ability to supplant the US as the champion of free trade in the region is in no way assured.

The CPTPP outcome is

not just a repudiation of Mr Trump's America First crusade and a vote for multilateralism.

The decision to push forward was also motivated by scepticism over Beijing's claims of its qualifications as a free markets and fair trade advocate.

This begs the question: Is China ready to replace America as the champion of free trade?

Not at this time.

While there is an emergence of Chinese-led global initiative like the new Silk Road plan, this should not be seen as a sign that it will become the chief architect of a fair and open trading system.

China was excluded from the original TPP due to its continued promotion of its own self-interest at the expense of the greater rules-based trading system.

Since joining the World Trade Organisation, Beijing's China First economic nationalists have systematically subsidised state-owned enterprises (SOEs), facilitated the dumping of local products in foreign markets, blocked foreign multinationals in competition with local SOEs and obstructed Western efforts to enforce a level playing field – particularly regarding protection of intellectual property.

Beijing's promises about market liberalisation ring hollow.

China is also experiencing its lowest economic growth in 20 years while the ruling party grapples with a host of potentially destabilising ills, including capital outflows, overcapacity in key sectors and a ballooning debt bubble.

Nor is Chinese President Xi

Jinping's crackdown on the media and foreign NGOs sending a reassuring message. Coupled with the censorship of the Internet, this represents a regressive change of course for Beijing.

With the Trump administration's abdication of America's leadership role as a free-trading nation, world leaders responded by embracing multilateralism.

The decision to push forward with the CPTPP confirms that even if Washington is willing to walk away from 70 years of leadership, its allies will continue to promote its legacy frameworks, values and institutions.

As for China, trading nations must learn to craft trade policies not on what Beijing says, but based on what Beijing does.

Trade ministers must continue to pay close attention to

China's increasingly autocratic internal policies as these will severely limit Beijing's fair and effective leadership in the global trade arena.

While it makes sense for countries such as Australia and Singapore to join the Regional Economic Comprehensive Partnership – China's alternative to the TPP, which excludes the US – these countries will continue to work with their long-time trading partners in Asean and elsewhere to promote progressive, fair and transparent trading rules.

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