



America closed, China open

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EDITORIAL

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One of the most ironic historical reversals of the last 20 years is the shift on free trade and globalization by China and the US. China was once a closed and isolationist Communist society and economy under Mao. Deng Xiaoping initiated *Gaige Kaifang* (literally ‘opening up’), often summed up as the *Four Modernizations* starting from 1979. China further shared its huge market with the international community in the mid-2000s by joining the WTO in 2001.

The US, by contrast, for half a century embraced a liberal internationalist doctrine that espoused free trade as the main form of economic globalization established with the Bretton Woods Conference in 1944. This move was further consolidated by the ‘Eurocurrency Market’ deriving from the GATT Kenney Round Negotiations, which attempted to enlarge the volume of international trade by removing the constraints of national protectionism (Hytrek & Zentgraf, 2008; Miyoshi, 1996). International trade also has assisted the USA to practice American Imperialism through American Allies that were created by providing financial and military assistance. A case in point is Iran, where the CIA conspicuously destroyed the democratically elected Mosaddeq government in 1953 and reinstalled the Shah, who subsequently gave oil contracts to US companies (Harvey, 2005). The US also used free trade agreements as a major strategy in international relations, for example, imposing economic sanctions on Russia and Iran, and using free trade agreements as a bulwark against the emerging powerhouse of China as in the case of the Trans-Pacific Partnership (TPP). This broad economic and trade-related internationalism certainly characterized Obama’s administration albeit in a pragmatic version.

Liberal internationalism as foreign policy has, since the eighteenth century, been based on global free trade as a means of promoting peace. As a liberal internationalist doctrine, it emerged strongly under Lord Palmerston and Woodrow Wilson. It was based on the understanding that multinational free trade avoided power politics and promoted world peace through the promotion of friendly relations among democracies. International trade as globalization had further become a priority on political agenda since the 1980s because many Western European countries that adopted big government, deriving from the Keynesian welfare state, had accumulated huge national debts that deteriorated national sovereignty in the 1960s and 1970s. This political crisis assisted neoliberalism, the core philosophy of free trade globalization, to acquire a legitimate status as evidenced by the fact that Hayek and Friedman were crowned with the Nobel prize in 1974 and 1976, respectively. They both argued that the government’s role is not to provide public services but rather to sustain a free market because its competitive mechanism is able to improve efficiency and service quality (Friedman & Friedman, 1990; Hayek, 2007). Globalization received a boost from President Reagan who devoted himself to exporting neoliberalism to the international community during his presidency through the channel of international institutes, such as the OECD, the IMF, and the WB (Robertson, Bonal, & Dale, 2006; Stiglitz, 2002). Successive American presidents didn’t change this trend because globalization had assisted the USA to acquire the hegemonic status in the world.

Ikenberry (2014) confirms Obama’s liberal internationalism and the core beliefs that have driven American foreign policy over the last 50 years:

- The United States has and should advance its interests—economic, political, security—by building and leading an open and liberal-oriented international order.
- This international order is unique—different from past imperial and balance-of-power orders—in

that it is organized around support for the rule of law, open and reciprocal trade, and a commitment to democratic government and human rights.

- The United States has unique responsibilities for leading and upholding this order: generating public goods, providing security, opening markets, fostering political transitions.
- Alliances, partnerships, and institutional commitments do not hinder American power but make it more effective, legitimate, and durable.
- Deep engagement in all regions of the world—through forward defense, trade, diplomacy—are necessary to sustain this order and protect American interests.

<http://www.the-american-interest.com/2014/04/08/obamas-pragmatic-internationalism/>.

As Ikenberry (2014) notes Obama's Nobel Peace Prize speech emphasized a moral, pragmatic and strategic vision that involved binding America into a global system of rules and institutions. This liberal internationalist doctrine was underwritten by two further assumptions: that the world was becoming more pluralist and global power was become more diffuse, and; that 'security interdependence' is required in an increasingly interconnected world that faced Jihadist terrorism that has no respect for national borders.

The TPP is an exemplary case in point. TPP is a free trade agreement that will purportedly liberalize trade and investment between Pacific-rim countries. It was signed in 2016 by 12 countries including the US, representing approximately 36% of world GDP. The Obama administration that joined the negotiations in 2008 championed the agreement holding that the TPP would increase jobs, reduce poverty, enhance innovation and competition, raise standards of living, and promote good governance. Many opposed to TTP including Bernie Sanders and Hilary Clinton, suggested that it would cause loss of American jobs. Among other things they objected to secret negotiations that favored US multinationals. From a strategic point of view, TTP was seen as a means of limiting China's growing power by reducing dependence of Pacific countries on China's trade. TTP was also seen as the trade deal of the century that would reinforce the US ability to underwrite global trade rules especially in new areas of intellectual property.

Within days of his inauguration President Trump pulled out of the trade deal and indicated a new era of US protectionism and a national focus on keeping jobs at home. By contrast, President Xi Jinping defended economic globalization in his speech to the World Economic Forum at Davos at the 2017 Annual Meeting commenting:

It is true that economic globalization has created new problems. But this is no justification to write off economic globalization altogether. Rather we should adapt to and guide globalization, cushion its negative impact, and deliver its benefits to all countries and all nations.¹

As the Davos website paraphrases Xi: 'At a time when protectionism and nationalism were on the rise in the West President Xi warned against making globalization the scapegoat.' 'Economic globalization was once viewed as the treasure cave found by Ali Baba in the Arabian nights, but now it has become the Pandora's Box' he said. He argued it was simple-minded to lay all the world's problems at the door of globalization and suggested that the financial crisis was not a consequence of economic globalization but rather 'of the excessive chase of profit by financial capital and a great failure of financial regulation.' He concluded by emphasizing that the world should commit itself to growing 'an open global economy' ('No one will emerge as the winner in a trade war') and ended by making a plea for concerted international cooperation in troubled times.

For Keynes (1935), the state needs to fulfill the obligation of a social guardian or big government to prevent its citizens from the social and economic consequences of the Depression. Consequentially, blocking importing commodities was viewed as an effective way of securing the job opportunities for its citizens. The state needed to seize the control over tax policy for importing goods and in turn, national protectionism emerged. However, history has documented the failure of national protectionism by the end of 1970s. As national protectionism shrank the market size, the state was unable to generate more profits for its citizens so that the standard of living stagnated or even declined. That is one reason why

many countries have voluntarily joined globalization by subscribing to the WTO, the constitution of which intends to eliminate the constraints of national protectionism by addressing the equal treatment among its member countries (Dale, 2003).

The social class ideology, stemming from Marx, made Mao focus on political and power reconstruction. However, this ideology-led approach did not activate market forces and, in turn, social equity remained only as a social symbol. The situation didn't change until Deng Xiaoping became the 'paramount leader' in 1978, and argued that instead of politics, economy was the best way to benefit the citizens and strengthen national vitality.

The politics of openness in China really begins with Deng Xiaoping who is quoted as saying: 'To learn knowledge and truth from the West in order to save China.' As a revolutionary nationalist Deng Xiaoping wanted to see China standing on equal terms with the great global powers. He developed a brand of pragmatism famously summed up in his 1962 slogan—'I don't care if it's a white cat or a black cat. It's a good cat as long as it catches mice'—that served as a motto for 'socialism with Chinese characteristics.' For Deng the very essence of socialism was the liberation and development of the productive systems. His policy reforms of 'opening up' (*Gaige Kaifang*) beginning in the late 1970s were responsible for the decollectivization of agriculture, the privatization, and contracting out of state-owned enterprises and the growth of a market economy, a process that led to China joining the WTO in 2001.

Deng emerged as the de facto leader of China following Mao's death, on 9 September 1976. He repudiated the Cultural Revolution and met with Lee Kuan Yew in 1978. After the Third Plenary Session of the 11th CPC Central Committee in 1979, the commune system was gradually dismantled and China's economy was opened to foreign trade. Deng Xiaoping was re-elected as Chairman of Communist Party in 1987.

In order to activate Chinese economy, Deng Xiaoping reinterpreted Marxism by introducing the creed of 'Socialism with Chinese characteristics' that reduced the role of ideology in economic decision-making, emphasizing that the market economy happens under socialism, too. It indicated a new political flexibility towards the foundations of socialism where it was held that the very essence of socialism is the liberation and development of the productive systems and more pragmatically, that socialism and market economy are not incompatible. Large-scale economic reform commenced in 1979, as evidenced by the establishment of Special Economic Zones in Shenzhen, Zhuhai, Xiamen, and Shantou. The influence of this approach was further expanded by the introduction of the Open Door policy in 14 harbor cities in 1984, starting with Tianjin, Shanghai, and Guangzhou, and extending to specific regions in 1985, such as the Yangtze River Delta and the Pearl River Delta (Deng, 2001), and the creation of the Financial Zone in Pudong, Shanghai in 1990 (SCPRC (The State Council of the People's Republic of China), 1990). This Open Door policy triggered major economic growth, which grew by an average of 9.97% annually from 2000 to 2013. The GDP increased from RMB 613.39 billion in 1995 to RMB 68,905.20 billion in 2015 (NBS (the National Bureau of Statistics), 2017).

While Deng was not the author of the reforms they occurred under his leadership during the 1970s and early 1980s, leading to China being opened up to foreign investment. The 1990s saw the privatization of state-owned enterprises and the removal of protectionist policies.

Vogel's (2011) biography of Deng emphasized his pragmatic but highly disciplined approach to China's radical transformation in the late twentieth century. He survived and then disassembled the Cultural Revolution moving from the cult of personality to design a strategy that emphasized modernization and technology. Perhaps his major achievement was the fact that Deng was the driving force behind opening trade relations with the West.²

As John Pomfret (2011) writes in a review of Vogel for the *Washington Post*:

Under Deng's watch ... China transformed from a country with an annual trade of barely \$10 billion to one whose trade expanded 100-fold. During his early years, Deng pleaded with the United States to take a few hundred Chinese students. Since then, 1.4 million have gone to study overseas. More than any other world leader, Deng embraced globalization, allowing his country to benefit from it more than any other nation. He also set the basis for a world-shaking demographic transition — by 2015, more than half of China's population will live in cities — that will dwarf all the massive population shifts due to wars and uprisings in China's past.³

While some commentators have noticed the similarities between Deng Xiaoping and Xi Jinping as the 'chief architect' of China's reforms pointing to the fact they are of similar stature, others see Xi as more of a follower of the ethos and framework established by Deng.⁴

Beside China, globalization also benefits most its member countries such as Russia, India, Brazil, and all member countries of the ASEAN. While globalization brings the economic prospect to the international community, its wealth is not evenly distributed. This is manifest in the fact that between 1979 and 2006, the average after-tax income of the richest 1% of American households rose from \$337,100 to \$1.2 million, compared with an average national growth in income from \$47,900 to \$71,900 (Hacker & Pierson, 2010). Similarly, CEOs collected an average weekly income of \$155,769 in 2003, which was over 300 times the weekly salary of laborers (\$517). In comparison, the ratio in 1982 was 42:1 (Hytrek & Zentgraf, 2008). Rapley (2004) further pointed out that this increase in inequality from the 1980s to the 1990s occurred across both developed and developing countries.

In terms of obtaining profit, professionals and those in high ranking positions, such as CEOs, were winners and the rest were losers. As the gap in incomes between rich and poor has increased, more blue labor workers become a disadvantaged group and, in turn, this situation generated a political crisis that affected the American presidential election in 2016. However, such inequity is not mainly a result of globalization but rather of light income tax rates. Trump misinterprets this connection and takes globalization as a scapegoat to some extent. His slogan, 'America First' is a political ideology, incarnated as national protectionism, which is unable to increase national economic vitality but only to assuage workers who have lost their jobs. As a political ideology engages the state in an inflexible realm, national policies tend to be left behind the global trend. By perceiving this weakness, Tony Blair reconstructed Labour Party into New Labour Party (Collette & Laybourn, 2003; Heywood, 2003) and won the general election in 1997. His global strategy created the booming economy of Britain, which largely improved the unemployment rate dropping from 7.5% in 1997 down to 4.7% in 2005 (Office for National Statistics, 2011). This relation highlights an axiom that steps away from that notion that globalization would cause economic recession.

The vivid contrast between Xi and Trump is both ironic and surreal. As Xi Jinping was singing the praises of economic globalization and issuing cautions about blaming it for the world's ills, Donald Trump gave an inaugural address as incoming president that emphasized again and again protectionist policies and 'America First' with a sinister patriotism undertone and demonization of other countries that have destroyed jobs and caused 'American carnage.'⁵

As Jean-Pierre Lehmann (2017) notes:

In contrast to Chinese President Xi's espousal of openness and economic globalism, U.S. President Trump violently rejected globalism. Protectionism, he claimed, will lead to prosperity and strength—and make America great again. In putting "America First" (the apparent slogan of the speech), the marching orders henceforth would be 'buy American, hire American.'⁶

The contrast could not be more stark: Trump went on to extol patriotic values, just as the far-right Marie Le Pen hails patriotism as the policy of the future.⁷ Patriotism often defined simplistically as 'love for one's country' in this case is a related dangerous consequence of populist nationalism and protectionism that together threatens a new McCarthyite climate in which war is more likely, the denigration of those without citizens' rights is more common and patriotic thought replaces critical thought. Trump declared the day of his inauguration the National Day of Patriotic Devotion.⁸ Far-right patriotism tends to focus on national identity politics with a conservative approach to national values and traditions that have the capacity to stifle tolerance as a fundamental principle of democracy and to erode the democratic aspirations of the people based on the right to express a contrary opinion, to protest and to disagree with official narratives. The Trump era of a turn to a relative closed society becomes a foreboding prospect for US education in general where the areas of conflict become clear around identity politics and an unreflective docile and obedient form of citizenship.

Notes

1. <https://www.weforum.org/agenda/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stage>.
2. Ezra Vogel discusses his new biography of Deng Xiaoping at <http://asiasociety.org/video/countries/ezra-vogel-deng-xiaoping-complete>.
3. https://www.washingtonpost.com/entertainment/books/book-review-deng-xiaoping-and-the-transformation-of-china-by-ezra-f-vogel/2011/08/26/gIQAfTD6FK_story.html?utm_term=.7d44f85874d5.
4. See Zhuang Chen's 'Xi Jinping: The heir to Deng Xiaoping?' at <http://www.bbc.com/news/world-asia-28892043>. See also https://www.nytimes.com/2016/10/31/world/asia/china-xi-jinping-communist-party.html?_r=0.
5. For the full address see <http://edition.cnn.com/2017/01/20/politics/trump-inaugural-address/>.
6. <http://www.forbes.com/sites/jplehmann/2017/01/23/the-donald-trump-and-xi-jinping-show/#731e964347dd>.
7. <http://www.bbc.com/news/world-europe-38705176>.
8. <https://www.federalregister.gov/documents/2017/01/24/2017-01798/national-day-of-patriotic-devotion>.

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