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Chinese President Xi Jinping warns of trade war in speech to Davos forum

By Alex Lantier

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In a barely veiled attack on the protectionist “America-first” program of US President-elect Donald Trump, Chinese President Xi Jinping delivered a keynote speech at the World Economic Forum in Davos, Switzerland hailing free trade and warning of the danger of trade war.

The speech came as divisions mounted in Washington over the incoming Trump administration and panic spread in the European ruling class over Trump’s interview Monday hailing Britain’s exit from the European Union and denouncing the EU as a tool of Germany. In this explosive context, significant sections of the European media hailed Xi’s speech at Davos, the first by a Chinese president, as a defense of the existing international order.

Xi’s speech itself was remarkable above all for its bleak outlook on world capitalism. Just over a quarter century after the Chinese Stalinist regime restored capitalist relations and opened up China to international capital, Xi referred to a growing sense among vast numbers of people internationally that capitalism is failing.

“Many people are wondering--what has gone wrong with our world?” Xi said, adding that capitalist globalization was increasingly seen as a “Pandora’s box,” which, once opened, allowed uncontrollable monsters to escape and wreak havoc.

Just after Oxfam released a report showing that eight billionaires own more wealth than the poorest half of humanity, Xi admitted that the world economy produces “worrying” levels of social inequality.

Without naming Trump, Xi went on to make clear that this economic and social crisis was provoking a meltdown at the center of the world political system. He bluntly warned that the protectionist policies championed by Trump were doomed to fail and would only trigger escalating conflict. “No one will emerge as a winner in a trade war,” he declared. “Pursuing protectionism is just like locking one’s self in a dark room: wind and rain might be kept outside, but so are light and air.”

Countering Trump’s attempts to blame US decline on China, Xi singled out wars, largely attributable to the reckless foreign policy of the imperialist powers, as the main threats: “Some people blame globalisation for the chaos of our world, but our problems are not caused by globalisation. They are caused by war and conflict.”

Xi pledged to maintain China as a bulwark of global free trade, saying, “China will keep its door wide open, and not close it.” He predicted that China, now a leading trading partner of the US and European economies, would import \$8 trillion in US goods in the next five years and make \$750 billion in foreign investment. He also appealed for continued support for the Paris ecological treaty to stem climate change, which Trump intends to repudiate.

Trump’s envoy, financier and US Office of Public Liaison Director Anthony Scaramucci, was left to baldly assert, “The new administration does not want to have a trade war.” However, he went on to repeat the Trump administration’s demands for more “reciprocity” in trade relations with the United States and its calls for changes to the NATO alliance, founded in 1949. He said, “Many people have renovated our homes, we’ve certainly changed our wardrobes since the 1940s.”

Conference speakers and the press referred to China’s moves to position itself as a world power and to Washington’s ebbing influence.

Trump faced criticism from outgoing Secretary of State John Kerry, who said the president-elect’s threat to repudiate the Iran nuclear treaty could provoke a global backlash that would isolate Washington. “If the United States were to decide suddenly that we’re not going to pursue this,” Kerry said, “I bet you that our friends and allies who negotiated this with us will get together, and Russia, China, Germany, France and Britain will say ‘this is a good deal, we’re going to keep it.’ And we’ll have done a great injury to ourselves.”

Former Swedish Prime Minister Carl Bildt said, “There is a vacuum when it comes to global economic leadership, and Xi Jinping is clearly aiming to fill it. With some success.”

Bob Moritz of PriceWaterhouseCoopers said, “[T]here is a big question mark as to how China pivots in this world. Will they be more regional or global in their mindset and, more importantly, in their negotiations? It’s something we are going to have to watch in the next 12 months.”

Several European journalists hailed Xi. Germany's *Tagesschau* called Xi a "voice of reason and pioneer of free trade," adding that as the world economy faces "the dangers of a disintegration of global cooperation, Xi's voice is of particular importance."

CNN reporter Richard Quest wrote: "It's surreal. A Chinese president is giving a speech one might have expected from a US president."

The concerns in US and European ruling circles reflect vast shifts in the world economy that have matured over many decades. The long-term decline of American capitalism, the Soviet bureaucracy's dissolution of the USSR in 1991, and the US rivalry with the rising economic power China and the reunified and resurgent Germany have undermined the existing political order. Many institutions, from the US-European NATO alliance against the USSR to the European Union, formed in 1992 in the context of that alliance, are being torn apart by internal contradictions.

The central contradictions of capitalism identified by the great Marxists at the time of the First and Second World wars, between global economy and the nation-state system and between socialized production and private appropriation, are reasserting themselves explosively. As Xi's remarks show, the leaders of the major capitalist states are well aware that these conflicts could escalate into a trade war that could bring the world economy to a crashing halt and provoke global war.

European media and political circles are responding favorably to Xi's speech amid rising concern over the explosive implications of Trump's policies and his statements Monday to the *Times* of London and Germany's *Bild*. Dismissing the EU as a tool of Germany, which he attacked for allegedly unfair trade deals with the United States, Trump hailed the Brexit vote and threatened to impose tariffs on German auto companies. He also made clear that he saw Britain as a tool to challenge the existing structure of European capitalism.

The interview underscored the fact that Trump's protectionism targets not only China, but also Europe and especially Germany. Amid rising tensions over the negotiation of Britain's EU exit, there are intense debates within Europe's ruling elites over how to respond.

One possibility that is emerging is a closer alliance between continental European powers and the Chinese Stalinist regime. All of the major European powers have already joined Beijing's Asian Infrastructure Investment Bank (AIIB), defying US opposition to the bank.

The AIIB provides them with lucrative opportunities to join China's ambitious One Belt-One Road (OBOR) project for a network of rail, port, road and energy infrastructure uniting the Eurasian landmass and linking China, across Russia and the Middle East, to markets in Europe. With conflicts set to erupt between the Trump administration and China, as well as Europe, the vast implications--not only economic but also geo-strategic and military--of such projects are emerging more clearly.

"China is also turning ever more to wealthy countries, like France, to restructure global governance in the direction it wishes," wrote the French daily *Libération*. "Each new Chinese

initiative will pose the question of French participation--and the conditions in which it occurs--as was posed by the AIIB's launch nearly three years ago. This question is unavoidable and should be anticipated."