



McLARTY
ASSOCIATES

WASHINGTON | BRUSSELS | BEIJING | SINGAPORE | www.maglobal.com | [@McLartyAssoc](https://twitter.com/McLartyAssoc)

China Update: Xi Speaks at Boao Forum, Announced Limited Economic Reforms

April 10, 2018

- In remarks redolent of his 2017 Davos speech that was met with widespread skepticism of the sincerity of China's commitment to defense of the global trading system, Chinese President Xi Jinping spoke April 10 at the opening of the Boao Forum in Hainan, China.
- Audiences throughout Asia welcomed the tone of Xi's remarks and his reassurance that China was committed to domestic reforms, including opening manufacturing, insurance, auto, shipbuilding, and aviation sectors to higher caps on foreign ownership.
- The tone and content of Xi's speech was not new. These specific reform measures have all been previously announced, so one should look for signs of a timeline and implementing regulations before counting on any changes.
- Xi has made clear China rejects the western version of economic liberalization. Rather, he will preside over a Communist Party-led economy that uses central government administrative tools to adjust whenever market allocation of resources fails to match Party-mandated outcomes.

In an interview this morning, new Trump economic advisor Larry Kudlow emphasized the positive aspects of Xi's speech, and cited the Asian stock market rally after Xi's speech to back up his optimism. This morning Trump tweeted thanks for Xi's "enlightenment on intellectual property and tech transfers." Our advice: not so fast, Mr. President. Thanks are premature. There is strong support in foreign business communities for more reciprocal trade and investment ties with China, evidence of decades of built-up frustration with Chinese promises that have not been realized. There was no substantive departure from past practice in Xi's Boao speech to justify thanks.

It is not a bad thing that Xi deferred an opportunity to escalate rhetorical salvos between the US and China. But the absence of a negative tone does not imply resolution of the US-China trade dispute. We still need to see from the Trump administration a clear and coherent enunciation of pragmatic demands for reciprocal treatment and structural change in China's regimes for trade and investment relations with the rest of the world. The Chinese still want to see greater transparency and more narrow application of US national security objections to Chinese investment in the US. In short, the two sides' views of their own legitimate demands have not changed nor have respective trade and investment objectives been advanced by Xi's remarks.

Moreover, commentary from the Party official mouthpiece *People's Daily* noted that "China's new steps on broader access will not be applied to any country that initiates a trade war," creating a not-so-subtle foundation for China to give preferential access to non-US trading partners.

In contrast to western practice, but thoroughly in keeping with the unimplemented hype surrounding the original announcement of many of these reforms at an historic third plenum of China's 18th Party Congress in 2013, the Chinese in their pre-delivery promotion of Xi's Boao speech have once again overpromised and underdelivered.