

GLOBAL VIEWS

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Response to US moves should be calm

With more turbulence ahead, China needs to remain calm and hold to its course

In the aftermath of the presidential election in the United States, China must continue to play its important and unique role on the global stage, albeit with greater vigor. Widening opening-up, engaging in cooperation with other countries and regions,



increasing outward and inward foreign investment, increasing trade following World Trade Organization rules, intensifying technology transfer, and expanding people-to-people exchanges are positive and pragmatic responses to growing global challenges.

As the situation evolves, countries around the world should wisely use every opportunity to improve international relations. One such opportunity arose in Kazan, Russia, during the BRICS Summit in October. Other occasions were the meeting of 21 economies of APEC in Lima, Peru, and the G20 summit in Rio de Janeiro, Brazil. Committed to sustainable development and win-win globalization, China has used these forums for partnership dialogues and multicountry negotiations in a bid to resolve conflicts of interest.

However, in the context of growing anti-China sentiments and practices — especially by, but not limited to the US — China should shift its economic focus from the West to the Global South. Key in this context will be the further deepening of relations with Brazil, and especially with India, which is already a country with a larger population and developing at a faster pace than China.

Having lost access to parts of the markets of the US and some other developed economies, China must pay more attention to trade with the Global South. To help boost these economies, an increasing share of exports, as well as foreign direct investment and the accompanying technology transfer, should be directed there. This reori-

entation has been underway for several years, but now that the US is becoming more embroiled in a trade war by stepping up protectionism, China must take additional measures to maintain its high growth rate. Continuing the Belt and Road Initiative alone is not enough; more must be done on the world stage.

The most important aspect of international affairs is US-China relations. Unfortunately, before they start to improve, they will get worse. With Donald Trump winning the presidential election and the Republicans gaining a majority in both the Senate and the House of Representatives, tensions, and not only the economic ones, will rise. The new US administration's policies are likely to further disrupt global supply chains, and additional turbulence in the processes of globalization will occur.

The White House will impose punitive tariffs on imports from China. This will slightly fuel inflation in the US, but by acting as a de facto sales tax, it will increase the fiscal revenues for the US budget a little bit, which is in a dire situation with a deficit approaching 7 percent of GDP. The prohibitively high customs barriers in the short term will help US businesses remain competitive, but eventually they could blunt their competitiveness due to the lack of pressure from foreign manufacturers. On the Chinese side, it will further encourage companies to look for alternative foreign markets to increase exports.



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Despite Washington's ill-advised protectionism, Beijing should not hastily impose retaliatory tariffs on US products. Instead, it should take the matter to the World Trade Organization. China, along with the other countries in the Global South, should do even more to ensure that international trade is based on rules collectively established by all WTO member states,

rather than unilaterally imposed by wealthy Western states driven by nationalism and populism. Beijing's response with regards to expanding protectionism should be decentralization and further economic deregulation in favor of strengthening direct cooperation between businesses and research and development institutions in both countries.

Given the remarkably high import tariffs on Chinese electric vehicles and some other products, already imposed by the outgoing Joe Biden administration and now being further increased, the green transformation in the US may slow down. China should expedite the green transition by continuing its anti-warming climate course, as emphasized at the just-concluded COP29, the UN Climate Change Conference in Baku, Azerbaijan. The ongoing debate should support the process of combating global warming to the greatest extent possible. Unfortunately, in this respect we cannot count on the US under Donald Trump's leadership.

It also takes a negative view of the otherwise useful progress that China has made in recent years in the field of technological development, consistently following the path outlined in the "Made in China 2025" program. According to a study by the Australian Strategic Policy Institute in 2023, out of the 44 most important technologies, from the point of view of a modern economy's functioning and the prospects of its development, China is ahead of the US in as many as 37 (no other country, including Japan, the Republic of Korea and the most technologically advanced European states, is in one of the first two places in any category). The US establishment desire to slow down China's progress in this field is not only irrational from the point of view of development of the world economy but will also harm the US

economy, reducing the competitive pressure for the fastest possible technological progress in their own industries.

Following the recent BRICS summit, which discussed, among other things, alternative, non-US dollar-based international financial arrangements, China should accelerate the conceptual work and practical implementation of an alternative global monetary system to ensure that part of the international trade is increasingly settled not in the US dollar, but in other currencies, primarily the renminbi. The scale of international currency reserves held in the renminbi will also gradually increase from the current 2 percent at the expense of the decline in the US dollar from the current 54.8 percent.

China may also soon need reform its foreign exchange rate system. The Chinese currency is still pegged to the US dollar, allowing for daily fluctuations within the band of +/- 2 percent. This sometimes entails odd changes, such as the strengthening of the renminbi's exchange rate against other currencies, like it happened after Trump's election victory, which temporarily strengthened the dollar. China should therefore consider abandoning such currency regime and introduce a controlled floating exchange rate. Given China's structural export surplus in foreign trade, such a change would result in a strengthening of the renminbi and, consequently, a slight reduction in exports to the US due to its lower profitability. This would contain the US trade deficit, which would reduce to some extent the anti-China fever.

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