

# Trump Presidency; Are Protectionist Moves Good or Bad for China?

## 特朗普即將就任; 保護主義對中國是禍是福?

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Republican Donald J Trump's victory in the race for the White House is an upset for the political arena, not just in the USA but also the rest of the world. Trump's victory adds to the sense of a swelling tide of populism and is likely to impact market perceptions of forthcoming European elections. Globalisation will face a great challenge with Mr Trump as US president, given his campaign promises of revoking free trade agreements and penalising overseas investors. In this light, existing trade ties between the US and China are likely to be in focus over the next four years

Unlike the US system of checks and balances for domestic policies, the US President has stronger decision-making power in international affairs. The US president-elect's approach to international trade thus has drawn a lot of international attention. Based on his campaign theme, Mr Trump is likely to withdraw from the North American Free Trade Agreement. Using his presidential

power, he could do so without approval from Congress. Mr Trump also has declared his outright opposition to the Trans-Pacific Partnership (TPP) initiated by the Barack Obama administration. While he has not made a clear statement on the future of the North Atlantic Trade and Investment Partnership, Mr Trump is unlikely to endorse negotiations, given his public position on other trade deals.

### China Stands Chance to Promote Transnational Trade Agreement

TPP's failure could be a positive development for China, which was excluded for an obvious reason – to counter the rise of China's as a global economic leader. As it is, rather than a free trade deal, TPP is a preferential arrangement favouring its members. In other words, TPP erects relative barriers to trading outside the alliance.

To offset the negative impact of TPP, China has been persuading TPP signatories of the virtues of an alternative preferential trade agreement – the Regional Comprehensive Economic Partnership (RCEP) to

preserve China's structure of specialisation and factor endowments. If the Trump administration repealed TPP, it could mean more room for RCEP to develop. Not surprisingly, President Mr Xi Jinping used the Asia-Pacific Economic Co-operation summit held in Peru in November as a forum to promote this idea. China is expected to continue to develop and complete the RCEP with the Asian Infrastructure Investment Bank's support. Furthermore, China is likely to remain an active member of the World Trade Organisation to promote global trade. China may even develop additional preferential trade agreements, particularly with other BRICS nations, to maintain its trade networks.

### Trump Empowered to Impose Punitive Tariffs

Alongside the specifics of free trade deals is the issue of tariffs on goods and services. Mr Trump has spoken of raising import tariffs in general and specifically up to 45 per cent to be imposed on countries he believes manipulate their currencies. This would almost certainly include China.

Clear precedents can be found in US history. In 1971, President Mr Richard Nixon imposed a 10 per cent "import surcharge" (a tariff by another name) on all imports into the US. It was all done by proclamation; Congress was not consulted at all in this process about the imposition of the surcharge nor in its later removal. In a subsequent court case, the president was found to have the authority to impose such tariffs under the terms of the Trading with the Enemy Act of 1917. And there are other laws passed by Congress that would give Mr Trump the power to impose tariffs or to otherwise impose sanctions on other countries.

Arbitrary tariffs almost certainly would lead to a reaction against US exports and generate significant negative consequences for global trade. The world economy is a great deal more integrated today than was the case under President Nixon. Imposing punitive tariffs would prove very disruptive to supply chains.

The impact on China could be significant. With new heavy tariffs and aggressive corporate tax deductions, the trend to reshore manufacturing from China to the US may be on the rise. The flow started some years ago as a result of rising costs in China, increasing global trade protection after the 2008/09 financial crisis and new industrial policies in the US. It is likely to intensify under a Trump presidency. China must be prepared for a hollowing out of its manufacturing sector, with low-end manufacturing shifting to low-cost emerging countries and some high-end manufacturing returning to the US.

### China to Fast-track Diversification of Foreign Exchange Reserves

With Mr Trump likely to pursue trade tariffs and protectionism, the risk of retaliation by other countries is set to increase. Retaliation may not be confined to reciprocal tariffs; it also could include the threat of sovereign institutions selling their US assets and repatriating the proceeds. Whether or not this actually transpires, the threat of capital outflow as a trade war weapon can be very disruptive to financial markets.

As the largest foreign holder of US assets, China is likely to consider or threaten selling these US assets and repatriate the proceeds in response to new tariffs. Since about 60 per cent of China's US\$3 trillion-plus in foreign exchange reserves are denominated in US dollars, we believe that their repatriation would impact hugely global financial markets and the greenback's stability.

In the past, China has challenged the stability of a US dollar-dominated international monetary system, especially after the 2008 global financial crisis. Hence China promoted the internationalisation of the renminbi and managed to include its currency in the Special Drawing Rights (SDR) basket of the International Monetary Fund this past October. Attaining the status of a global reserve currency bodes well for the renminbi in terms of its long-term diversification into foreign exchange reserves. Up till now, the Chinese currency is under-represented in global foreign exchange reserves, making up only around one per cent of global reserve assets. Its weighting is likely to rise to five per cent by 2020.

China also has been promoting actively the SDR basket's wider use as a better alternative to the US dollar to stabilise the global monetary system. This was, in fact, the original intention behind the creation of the SDR – to serve as a dollar and gold substitute in the Bretton Woods system. Besides the SDR basket's official role under the IMF framework, SDR-denominated financial market instruments (called "M-SDRs") and its use as a unit of account should gain momentum in the years to come. Following the World Bank's issuance of SDR-denominated bonds this August – the first issuance of SDR bonds since 1981 – more SDR-bonds are expected to be launched. While the market for M-SDRs is still in its



infancy, we believe demand can be huge demand. Promoting M-SDRs will become an important strategy for renminbi's internationalisation.

### China's Hegemony to Increase in Asia

While additional tariffs and manufacturing reshoring might bring pains to China's economy in the short term, such acts will force China to speed up structural reforms and shift focus to regional development over time. China's deeper integration into the region will fulfill a major policy directive. The US, which pivoted more towards Asia in the past few years, has been China's single obstacle to achieving its expansive vision in Asia. If Mr Trump follows through with his isolationist promises, this counterweight to China's rise would be removed, thus tilting the balance of power in favour of China in the region.

With a diminished American presence in Asia, Mr Xi's regional initiatives probably will be received much more enthusiastically. These initiatives include the Asian Monetary Fund, the Asian Infrastructure Investment Bank, One Belt, One Road, and plans to make the renminbi into Asia's first regional currency. In such an environment, China eventually would become a hegemonic power, wielding significant influence over trade, finance, stability and soft culture, throughout Asia.



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國總統選舉結果塵埃落定，共和黨候選人特朗普勝出，美國和全球政界皆深感焦慮。特朗普的勝利令人感受到愈趨激烈的民粹主義，市場對歐洲國家即將舉行的選舉也因而有了不同觀感。特朗普於競選活動中承諾推翻既有的自由貿易協議和懲治海外投資者，他就任總統，將對全球化造成重大挑戰。美國和中國現有的貿易關係在未來四年相信將成為焦點所在。

美國總統處理本土政策事務通常會有較多掣肘，國際事務則有所不同，美國總統在這範疇有較強的決策權。國際社會非常關注這位候任總統的國際貿易政策。根據特朗普的競選綱領，他大有可能推翻北美自由貿易協議。他只需總統權力便能成事，毋須國會批准。特朗普也已表明立場，全盤否定奧巴馬政府推動的跨太平洋戰略經濟夥伴關係協定(TPP)。儘管他尚未對跨大西洋貿易及投資夥伴協議有明確表態，但根據他對其他貿易協議的態度，相信他不會參與相關談判。

#### 中國推進跨地區貿易協議

TPP把中國拒諸門外，正為阻止中國成為全球經濟領袖，原因明顯不過。因此TPP的失敗可以成為有利中國發展的因素。現時的TPP並非自由貿易協議，而是服務成員國利益的優惠貿易安排。換言之，TPP變相築起貿易壁壘排除非成員國。

為抗衡TPP，中國已在游說加入TPP的國家，向他們推銷另一優惠貿易協議「區域全面經濟夥伴關係協定(RCEP)」的好處，以維護中國本身的經濟專長和生產要素。若特朗普政府推翻TPP，RCEP將有更大的發展空間。亞太經濟合作組織領導人峰會在11月於秘魯舉行，一如所料，中國國家主席習近平在會上積極推廣RCEP。我們估計中國會借亞洲基礎設施投資銀行(亞投行)的力量來發展和完善RCEP。此外，中國看來會繼續積極參與世界貿易組織的事務，以推動全球貿易。中國甚至可能更熱衷於與其他經濟體，尤其金磚國家，訂立優惠貿易協定，以維持其貿易網絡。

#### 特朗普施加懲罰性關稅的權力

自由貿易協議的細則，離不開向貨物和服務徵收關稅的元素。特朗普曾談及整體性提高關稅，並針對他相信是操控貨幣的國家，徵收可高達百分之45的關稅。中國幾可肯定會被特朗普列為貨幣操控國。

美國歷史中確有開徵懲罰性關稅的先例。1971年，美國總統尼克森向所有入口美國的貨物徵稅百分之十的「入口附加費」，即換了名字的關稅。他以公告形式落實政策，上述關稅從開徵到撤銷，美國國會都未被諮詢。隨之而來的法律訴訟中，法院裁定美國總統根據1917年的「對敵貿易法(Trading with the Enemy Act)」，有權實施上述類型的關稅。此外，特朗普也可借助其他已獲國會通過的法例以實施關稅，甚或對其他國家施加制裁。

若特朗普隨意開徵關稅，幾可肯定美國出口會因而被針對，並令全球貿易受影響。現時全球經濟緊密相連，程度絕非尼克森年代可比。開徵懲罰性關稅肯定大大擾亂全球供應鏈的運作。

上述情況對中國的影響甚大。新增貿易關稅和美國企業稅大幅削減的情況下，製造業活動可能由中國重返美國或會成為新趨勢。這苗頭已出現了幾年，主要原因是中國生產成本上升，全球貿易保護主義在2008/09年金融危機後重新抬頭，和美國新產業政策出臺。這個趨勢在特朗普就任總統後看來會進一步抬頭。中國要提前為製造業空心化做好準備，因為低端製造業可能會遷往生產成本更低的發展中國家，同時一些高端製造業可能會遷回美國。

#### 中國加速外匯儲備多元化

特朗普傾向實行貿易關稅和保護主義，其他國家向美國施以報復性手段的風險也在提高。報復行為可能不只在互惠關稅範疇，也可能是主權基金拋售美元資產，把資金調回本土，從而對美國構成威脅。上述情況未必發生，但資本外流可能被用作為貿易戰武器的威脅一日存在，便足以擾亂金融市場。

中國是美元資產的最大外國持有者，若美國實行新關稅政策，中國可能考慮或威脅拋售美元資產，把資金調回本土。中國總值逾三萬億美元的外匯儲備，約六成以美元計價，我們相信這些資產一旦被調回中國市場，環球金融市場和美元匯價將受極大震撼。

中國過去曾質疑以美元為首的國際貨幣系統的穩定性，尤其在2008年環球金融危機以後，質疑之聲更大。中國為此推動人民幣國際化，成功讓其貨幣於十月獲國際貨幣基金組織接納為特別提款權(SDR)的一籃子貨幣之一。人民幣獲得國際儲備貨幣地



位，預示各國外匯儲備將因多樣化的長遠目標而接納人民幣。目前人民幣在全球外匯儲備中所佔比例不高，在全球儲備中僅佔約百分之一，相信2020年時有望把比例提升至百分之五。

中國亦大力推動SDR應用於更廣泛層面。使之作為美元以外的選擇，以穩定全球貨幣體系。這正是創立SDR的原意——作為布列敦森林體系下美元和黃金的替代品。SDR除了在國際貨幣基金組織框架下的功能外，未來數年可望有以SDR計價的金融產品(稱為「M-SDRs」)，市場更為接受以SDR為計價單位。世界銀行於八月發行了以SDR計價的債券，是1981年以來的首例，相信隨之將有更多SDR債券面世。M-SDRs市場尚在襁褓階段，潛在需求鉅大。推動M-SDRs將成為人民幣國際化的重要策略。

#### 中國於亞洲的影響力與日俱增

更重的關稅和製造業轉移可能給中國經濟帶來短期的痛楚，但會驅使中國加快結構性改革的步伐，並逐漸把發展重點放在亞洲區域中。中國與區內國家建立緊密關係，將與其政治目標相得益彰。美國在過去數年嘗試重返亞洲，已成為中國擴展在亞洲影響力的重要障礙。如果特朗普落實競選時承諾的孤立主義，制衡中國崛起的力量便不復存在，區內權力平衡的天秤將傾向中國一方。

隨著美國於亞洲的影響力衰退，習近平在區內推動的政策措施或會獲更熱烈支持。這些措施包括亞洲貨幣基金、亞投行、「一帶一路」，及使人民幣成為亞洲區內第一的貨幣的措施。在這環境下，中國最終會成為具影響力的國家，能對亞洲地區的貿易、金融、局勢穩定，和軟文化，構成重大影響力。