

## Trump to make China big again

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### Body

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The United States considers China to be a "strategic competitor" to which it needs to be contained. Washington fears that Beijing has embarked on a strategy of aggressive expansionism after years of disguising its strength. Financial markets were welcomed by recent news that the United States and China reached a "phase one" agreement to stem a future escalation of the bilateral trade war. But there's really not much to be happy about. In exchange for China's tentative commitment to buy more U.S. agricultural products (and some others) and light intellectual property and yuan concessions, the United States agreed to suspend the imposition of tariffs on another 160 billion And reverse some of the tariffs introduced on 1 September.

The good news for investors is that the deal averted a new round of tariffs, which could push the U.S. economy and the global economy into recession and lead to a collapse of global stock markets. The bad news is that it is just another temporary truce amid a much broader strategic rivalry over trade, technology, investment, monetary and geopolitical issues. Large-scale tariffs will be maintained, and escalation can resume if either side evades its commitments.

In this way, between the United States and China there will be a wide and increasingly intense decoupling, especially in the technology sector. The United States sees As a threat to its economic and national security the Chinese quest to achieve autonomy and then supremacy in cutting-edge technologies (such as artificial intelligence, 5G, robotics, automation, biotechnology, and autonomous vehicles). Following restrictions on Huawei (a leader in 5G) and other Chinese technology companies, the United States will continue to try to contain the growth of the Asian country's technology industry.

There will also be restrictions on cross-border flows of data and information, raising fears of the emergence of a divided Internet (splinternet) between the United States and China. Meanwhile, increased U.S. controls have already reduced Chinese foreign direct investment in the United States by 80% from the 2017 level. And now new legislative proposals threaten to ban US public pension funds from investing in Chinese companies, restrict the presence of Chinese venture capital in the United States, and exclude some Chinese companies from stock exchanges American.

In Washington, they are also getting more suspicious in relation to Chinese U.S.-based students and researchers who might be in a position to steal American tech knowledge or practice espionage plain and simple. China, for its part, will redouble efforts to circumvent the US-controlled international financial system and protect against U.S. instrumenting of the dollar. To achieve this, you may be planning the launch of a sovereign digital currency or an alternative to the Swift cross-border payment messaging system (controlled by the West). It may also attempt to internationalize the role of Alipay and WeChat Pay, sophisticated electronic payment platforms that have already replaced most cash transactions in China.

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In all these dimensions, the latest developments suggest a general shift in the Chinese-American relationship towards deglobalization, economic and financial fragmentation, and the balkanization of supply chains. The White House's 2017 National Security Strategy and the 2018 U.S. National Defense Strategy see China as a "strategic competitor" that needs to be contained. Bilateral tensions are building across Asia for security reasons, from Hong Kong to Taiwan and from the Eastern Sea to the South China Sea. The United States fears that Chinese President Xi Jinping, after leaving the advice of his predecessor Deng Xiaoping to "hide strength and wait for the moment," has embarked on an aggressive expansionism strategy. China, as it fears that the United States is trying to contain its rise and reject its legitimate security concerns in Asia.

Let's see how rivalry evolves. The almost certain result of uncontrolled strategic competition would be to move at some point from a growing cold war to a hot battle, with disastrous consequences for the world. The emptiness of the old Western consensus, according to which admitting China to the World Trade Organization (WTO) and making rise to its rise, is evident would force it to transition into a more open society with a freer and fairer economy. With Xi, China created a state of Orwellian surveillance and redoubled the commitment to a form of state capitalism that is incompatible with the principles of free and fair trade. And now he's using his growing wealth to show military might and exert influence throughout Asia and the rest of the world.

So the question is whether there are reasonable alternatives to a growing cold war. Some Western analysts, such as former Australian Prime Minister Kevin Rudd, defend the idea of "controlled strategic competition." Others speak of a Sino-American relationship based on "coopetition" (cooperation and competition). Meanwhile, CNN's Fareed Zakaria recommends that the United States adopt a position of simultaneous dialogue and deterrence before China. They are all variants of the same idea: a Chinese-American relationship that includes cooperating in some areas (especially those related to global public goods such as the climate and the international finance and trade system) and at the same time accepting that there will be constructive competition in others.

The problem, of course, is US President Donald Trump, who does not seem to understand that a "controlled strategic competition" with China requires good faith dialogue and cooperation with other countries. To succeed, the United States must work with its allies and partners to bring its open society and open economy model to the 21st century. Although the West does not like China's authoritarian state capitalism, it has to put its own affairs in order. Western countries must implement economic reforms that reduce inequality and prevent damaging financial crises, along with political reforms to contain the populist backlash against globalization, while still sustaining the rule of law.

Unfortunately, the current US government lacks such a strategic vision. Apparently, protectionist, unilateralist, and illiberal Trump prefers to take it against America's friends and allies, leaving the West divided and ill-prepared to defend and reform the liberal world order he created. The Chinese are likely to prefer Trump's re-election in 2020. It may be a drag on the short term, but with enough time in office it will destroy the strategic alliances on which America's soft power and hard power are based. As the character in *The Manchurian Candidate*, Trump may end up being an unconscious agent to "make China big again."

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