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“Xi Loves Me, Xi Loves Me Not”

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The U.S. and China share many similar traditions, only they are celebrated in different ways. The Qixi Festival, known as the lover’s festival is similar to Valentine’s Day in the western world. It occurs on the seventh day of the seventh month of the Chinese calendar. It symbolizes the love between a weaver girl and a cowherd. The tradition, as with most things in China, is quite old and has been celebrated since the Han Dynasty some 2,600 years old. Valentine’s Day, on the other hand, as it is currently celebrated in the U.S. is commonly known as a “Hallmark holiday.” It has lost most of its religious value but is viewed as a growing commercial success.

The Trump administration must consider the importance of Chinese culture and tradition if it intends to be successful with trade talks. The Chinese are sensitive to the fact that they lost their economic preeminence over their 4,000-year history. They intend to reestablish their dominance over several decades and have a patient plan to accomplish it. Chinese leadership demonstrated its dedication to the goal of upgrading its economic status through its “Made in China 2025” initiative. As a result, the U.S. feels threatened by the inability of its corporations to access Chinese markets, the subsidies granted to Chinese companies by the Chinese government, and the theft of intellectual property from America’s most technologically orientated companies.

China knows that cooperation and competition rather than open conflict are in its best interest. The Chinese system rewards patience. It appears that President Xi will see several U.S. administrations come and go during his tenure. The path to success is what the Chinese refer to as a “peaceful rise” or letting sleeping dogs lie. The U.S. facilitated this most recent rise of China as an economic power by maintaining stability in the region, exporting manufacturing capacity, importing Chinese goods, and failing to establish broader trade relations with other regional trading partners. The Chinese recognize the opportunity to capture economic market share from the U.S. but continues to be restrained by a culture which generally dislikes upheaval and risk taking. But this patience is not without risks. Slowing economic growth, rising debt levels, and concerns for social unrest threaten the Communist Party’s hold on power and make them vulnerable in the short run.

Both sides have a great deal to gain by reaching an agreement. The U.S. seeks fairer trade terms. The “unfairness” of the current status quo, they believe, right or wrong, is best captured by the seemingly ever-growing trade deficit. The Trump administration will be satisfied with greater access to the market for 1.3 billion Chinese consumers. Meanwhile, the Chinese are

less interested in reducing subsidies to Chinese state-owned enterprises, reducing the theft of intellectual property, and structural reforms. It will be very difficult, if not impossible for the Trump administration to get the Chinese to agree to meaningful reforms. Ultimately, the dispute is really about sovereignty, and who gets to set the rules of the game. No surprise, the two superpowers disagree on the outcome. Moreover, the U.S.-China situation is, for better or worse, par for the course for the Trump administration, with a president who views trade largely from a zero-sum perspective.

In the near term, President Xi will be happy to appease the Trump administration. The Chinese filter all decisions through the lens of the collective good whereas the U.S. emphasizes the benefits to the individual. Both believe their culture to be superior. Both systems have certain advantages and disadvantages in terms of commerce. Historically, the U.S. has been geographically protected and resource rich. Its political system promotes the free exchange of ideas and its society is able to attract talent from all over the world. The U.S. benefits greatly from English being the lingua franca of markets, and the acceptance of the dollar as a global currency. China, meanwhile, has lacked many of these advantages. Its advantages lie in its sheer size and patience. It can direct nearly unlimited human capital in the direction necessary to achieve its strategic goals. The rural to urban migration increases productivity, as long as the party can provide jobs. High personal savings rates spur investment and have the potential to foster consumption. Access to quality western higher educational institutions and strong domestic primary schools enable the Chinese to compete on a global scale. Just by the exercise of patience, Chinese growth will propel it to becoming the world's largest economy. Or it will so long as the current global trade regime isn't upended.

At the personal level, President Xi is certainly a formidable foe for President Trump. Xi has consolidated power and now serves as President of the People's Republic of China, General Secretary of the Communist Party, and Chairman of the Central Military Commission. Not since Mao has a Chinese leader held so much power and influence. Trump, on the other hand, lost control of the House of Representatives in the mid-term elections. Both leaders would like a positive outcome from the trade talks given that economic conditions in both countries have started to deteriorate. Elites in both countries are increasingly critical of trade negotiations. For Xi there is the lingering consequence of his anti-corruption campaign, meaning fewer scapegoats if the economy falters. Trump, on the other hand, uses the stock market as a barometer of his economic leadership.

Both leaders are heavily incentivized to come to an agreement and markets have largely discounted a favorable outcome. President Trump has already shown a willingness to delay the March 1 deadline on additional tariffs on Chinese goods. President Xi for his part has promised to buy more American goods. It is unlikely that anything more than marginal changes will be accomplished by the deadline. Any additional promises will be difficult to verify, and enforcement will be all but impossible.

The Chinese recognize it is in their best interest to reach an agreement under the "peaceful rise" strategy. Relations, however, have been harmed by the trade process. The trust between the leaders and their nations has been undermined by the process. As the Chinese expand their regional influence to gain access to resources and shipping lanes, the United States will interpret the accompanying build-up of the Chinese military as a threat. The cold war between the Soviet Union and the U.S. was to determine military superiority. The evolution of the conflict between China and the U.S. is different. It is going to be about obtaining economic dominance.

Over the next 25 years it's expected that China's GDP will exceed that of the United States. This is more likely if China can avoid a military conflict. Given that the U.S. is likely to maintain military supremacy well into the future, the Chinese will continue to appease American administrations because it is in their national interest. Nevertheless, lack of military conflict does not mean no conflict at all. Both superpowers will continue to have their own perspectives and approaches to the world. Divergent interests will emerge and the task going forward will be how to manage differences that appear deeply rooted in culture. The path for China's rise seems predestined, playing into its focus on the collective good and stability. However, the U.S., with its culture emphasizing individualism and innovation, could be the disrupter of this future.

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