Critical Issues Confronting China:
Trump as China’s Friend?
Henny Sender, Financial Times
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At first glance, it seems counter intuitive to believe that President Trump can be a friend of China’s. His sabre rattling and threats have shaken global markets, inflicting uncertainty and losses on both consumers and companies. The entire world has become collateral damage as a result of the growing friction between the U.S. and China.

Henny Sender, Hong Kong-based Chief Correspondent for International Finance at the Financial Times, explained that Trump’s policies actually are good for China. Although motivated by unilateralism and protectionism, his agenda will actually strengthen China in the long run. That’s because most of the Trump administration’s demands, such as protection for intellectual property rights, or a level playing field between state-owned enterprises and privately-owned enterprises, are in China’s long-term interest.

Moreover, those demands come at a time when local Chinese reformers have been greatly weakened as President Xi Jinping increasingly centralizes power in his own hands. Hopes that he would continue to press for a smaller role for the Communist Party in the economy have not been realized. Instead, he has repudiated market-based reform. When he moved to abolish term limits, the generation that went through the Cultural Revolution began to increasingly compare his regime to the autocratic and erratic leadership of Mao Zedong. Indeed, many Chinese believe that only Trump can force change in their country, and believe Trump is “[China’s] best reformer since Deng Xiaoping.”

At the same time, the policies Washington adopts at home, notably the curbs on immigration, will accelerate the long-term decline of the U.S. One of the main strengths of the U.S. has been its ability to attract the best and brightest from the rest of the world. The Trump administration’s suspicion of Chinese-American scientists signals to many Chinese scientists in the U.S. that they’d better return to their own country. This will ironically help China in its competition for highly-trained talent and help support its ambition to leapfrog over the U.S. on multiple technological fronts.

Sender, who did her PhD dissertation field work in India, viewed China through an Indian lens rather than from an American perspective when she first visited China in 1987. She was appalled by the economic development gap between the two countries and disheartened by the Indian government's lack of accountability. Moreover, job creation is a fraction of China’s and...
there is little upward mobility in India.

As a seasoned journalist, Sender used anecdotes from her encounters to make several points. First, she illustrated how advanced technology is both the best and the worst thing for China. This double-edged sword—depending on how it is used—has substantially changed the world, tilting the playing field to favor those countries, such as China, that develop cutting-edge technologies and possess large troves of data.

Moreover, Beijing provides generous funding to promising high-tech companies as part of its ambitions. These companies’ accomplishments can be both impressive and disturbing. Such technology, for example, can magnify any autocratic government’s ability to suppress freedom of expression. One of the four national champions for artificial intelligence exemplifies this point. It is developing a cognitive intelligence after mastering the technology of perceptive intelligence, particularly voice and facial recognition. This intelligence is not only able to take on mechanical work, such as helping teachers grade multiple-choice tests, but can also grade essay questions when there is only one correct answer in China.

In a globalized world, even if Trump closes the American door for Chinese scientists, they can go to Israel and other countries for advanced dual-use technologies, like drone technology. China is also smart enough to allow high-tech companies in government-designated industries, like life sciences, to freely access internet information with no firewalls. Chinese scientists are no longer constrained from travelling abroad or from a shortage of funding.

Separately, Sender was not overly concerned about the country’s rapid accumulation of debt in recent years. She felt that the debt isn’t likely to cause a financial crisis given China’s enormous deposits, a financial sector dominated by state-owned banks with healthy loan-to-deposit ratios, and its controlled capital account, preventing excessive capital flight abroad. China is expected to turn from a current account surplus to a current account deficit country, possibly this year. This means that China will be a net importer of capital, in competition with other capital importers on the world capital market, including India, Indonesia and the U.S.

Sender did not expect the RMB to become an international reserve currency any time soon, nor for China to liberalize its capital account. Yet Sender also noted a general sense of an “unfair advantage” which all other countries feel the U.S. enjoys from its own currency being the reserve currency and its control of the international payments system.

Finally, on geopolitics, Sender expressed concern that the world is becoming more bipolar, with the U.S. and China forcing other countries to choose sides. As costs of not doing business with China rise, more countries will be less willing to be tied to the U.S., especially given that Trump is such an unreliable ally.