



China and US: Tug of Trade War

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Shamaila Khan: So for the last year or more we've had this constant conversation about the trade war between the United States and China. What is your opinion on what is happening, and your expectations on how things are going to play out?

Mo Ji: For the near term, [a] trade deal is still expected by the two sides, maybe around the end of June G20 time in Osaka. Trump and President Xi might meet. [But] the [question] is, given the [continuation] of the mess, how much of [a deal] can be reached. How much each side wants to compromise.

China is at a stage [where it] has compromised already a lot. It doesn't want to compromise even further. And China wants to show its determination. We want to defend our own interests. So, this brings [an] uncertainty for global markets, even at the end of June. A deal may not be reached.

Shamaila Khan: And how do you feel the Chinese macro story plays out during this period of uncertainty? Because you will have, you know, a few weeks where you don't know how the trade war is playing out. Can China manage its growth and its fiscal and monetary policy to maintain stability?

Mo Ji: Chinese Premier Li Keqiang just yesterday [was] out and saying China will ensure that job security for all of the sectors related to trade. And you'll really see [since] the beginning of the year, [that the] Chinese government has accelerated in terms of [its] policy easing, both monetary and also fiscal. Given [that], the downward pressure on the economy is big—not only from the ongoing capex cycle peaking out, but also [from] the uncertainty coming from the trade tensions.

As a result of the first-quarter easing, you have seen it is very effective. As a stress test, then the Chinese government knows, if the trade war is going [to be] full blown, they will do much more of the easing. So, we are truly expecting [that] monetary policy easing and fiscal policy easing, [and] focusing on infrastructure investments, will continue.

Shamaila Khan: Mo, how do you see the prospects for the US-China relationship in the long term?

Mo Ji: In the long term, we thought the trade negotiations between the two countries [would] be a prolonged tug of war—for the consumption center, for the manufacturing center and most importantly, for the technology center.

[Regarding] aerospace, China is already advanced [in] 5G. In the national security space, China is advanced [in] A.I. and also quantum computing. And also, for biomedicine, [the] US is worried China may cut the supply [of] future biomedicine to the United States.

Shamaila Khan: So in the near term, uncertainty until we get to a trade agreement, but then after that, we will have continued headline risks. So, volatility is here to stay.

Mo Ji: Absolutely.

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