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## TRUMP CALLS OUT CHINA INC

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### The Important

- Broad swaths of tech despise President Trump, perhaps more than any American President and politician in living memory
- Therefore, it is hard to imagine President Trump doing much that tech would applaud
- China Inc has been eating the world for decades, not playing by the “rules”. Trump is taking on China Inc., in a fascinating showdown that has China giant, Huawei, in the cross-hairs; notwithstanding the 90-day reprieve granted on Monday, May 20<sup>th</sup>.
- China’s record on so many issues provides Trump with air cover to pursue his agenda, with nationalists applauding, and tech internationalists acknowledging there is a problem, while debating policy specifics
- Love or hate the policy specifics, this is the strongest response to China Inc. in the post-Nixon era.

## Opinion

On a broad range of political issues, President Trump is out of sync with Tech, especially American West Coast Tech, and the war of words has continued unabated from before President Trump's election. Few would risk peer scorn by publicly / positively acknowledging President Trump on anything he does, though some may be secretly ok with President Trump taking on China Inc. China Inc.'s aggressive partnership with quasi state entities, human rights record, turn back towards increasing communism, national security threat, and its challenge to American/Western economic dominance, all provide President Trump with some degree of bipartisan air cover to pursue an aggressive agenda with China; policy debates will occur of course, don't assume any bipartisan love fests when President Trump is involved.

While previous American administrations have made it difficult for some Chinese tech companies to do business in America, especially with the largest communication service providers (less so with rural providers), Trump's ambitions are bigger. He is trying to negotiate a trade deal with a confident/powerful China, so he is taking on China/Huawei more aggressively domestically, with export policy, as well as outside of America, specifically as Telecom looks to transition to 5G. It is in transitions that winners and losers are determined for a given generation of technology, so while Huawei has a diversified business, the stakes for the entire Telecom industry are not trivial. Trump is taking on China Inc. like no American President has in the post-Nixon era. This is not a "make love not war" American President, even if President Trump is instinctively weary of becoming engaged in protracted military engagements.

For those that are determined not to like anything President Trump does, the good news is there remains plenty of fodder. Broad export controls could cost American companies tens of billions of dollars over the next few years; Huawei and other companies may in response develop additional critical technologies in-house, robbing suppliers of future business; domestic consumer pricing may be impacted. All of these issues are worthy of conversation.

On the other hand, many in tech, and especially those in networking/telecom, know that the strong state sponsorship, relationship, and assistance, provided by China Inc. creates an unlevel playing field. Sure, American, and European, manufacturers, have engaged in a kind of corporate welfare, for decades, in the form of foreign aid that funnels back to Western manufacturers. So Western administrations should not be claiming sainthood here. However, the Chinese clearly took state assistance to a whole new level. Then there are the national security concerns held by multiple countries.

China is a country positioned to have significant influence in, if not quasi-control over multiple emerging/developing nations; has dynastic ambitions, for example the digital silk road, has graduated for some time, a staggering number of science students, but has also been experiencing slower growth. Some China experts are now claiming the same state-engaged strategy that has been a source of strength, is now riddled with an inefficiency that a market-

driven economy would not be; these same experts encourage China to move in the direction of a market-driven economy.

## Conclusion

Whether you agree or disagree with Trump's specific approach, America's and Europe's historical response to China Inc has been narrow, with Trump now broadening that response. There are repercussions for American business, American consumers, and as history shows, you never know where trade tensions might ultimately escalate to, especially given other geopolitical entanglements. That said, if you are an American tech company, concerned at the rate with which companies like Huawei have entered markets, and how China inc has pursued an economic empire in emerging markets, you might be secretly rooting for a stronger response; you are probably just keeping your fingers crossed it is the right response, and as with all things Trump, you never know how consistent the policy/strategy will be over time.