

The U.S.-China Showdown

A couple of weeks ago you read Gavekal Research's piece, [Investing for a New Cold War](#). Today on the Evergreen Exchange, listen to Evergreen CEO Tyler Hay interview Gavekal founder Louis Gave on this topic and more, complete with thought-provoking debate and lively banter.

The conversation between Tyler and Louis provides clarity on an issue that has dominated the news during Trump's presidency: will China surpass the U.S. as the world's greatest economic superpower?

Louis built his career in Hong Kong and was once even called one of the “smartest men in Asia” by Bloomberg. If you have a WSJ subscription, read his most recent interview with Barron's [here](#).

Listeners can skip through the sections indicated below if they wish to revisit points or only hear certain topics.

· 3:00

Is this the new face of war?

· 4:15

The current tensions with China are not the beginning of WWII, but rather a new cold war.

· 5:45

Chinese people's view of the U.S. was one of positive admiration until recent rhetoric portrayed the U.S.'s overarching goal as stifling China's economic growth.

· 11:30

Trump has shifted his focus sharply toward trade tensions to detract attention from more concrete unfulfilled campaign promises—literally concrete ones, such as the border wall.

· 14:00

The tech sector wanted better intellectual property rights enforcement; they were not prepared to be the battleground.

· 17:00

More Chinese young adults are attending college than their American counterparts, and there are approximately 10x as many pursuing degrees in S.T.E.M. (science, technology, engineering, mathematics) fields.

· 25:00

China fell into communism after 125 years of social unrest, as a protection against cultural instability. Now it has become apparent that Japan is a profoundly socialistic country on which capitalism was imposed, while China is a profoundly capitalistic country on which socialism was imposed. We are

experiencing the correction of that misalignment.

· 38:00

There is no way to know what a potential deal with China would look like, as it will be completely dependent on who Trump runs against in the 2020 election. If it's Biden, Trump would seek to demonstrate superior foreign negotiation skill. If it's Bernie, he'd seek a deal that reinvigorates loyalty with the working class. The trade war is a tool for his reelection campaign.

· 41:00

We must decide whether or not we believe that central banks create wealth. Does encouraging one to spend tomorrow's money today promote sustainable growth?

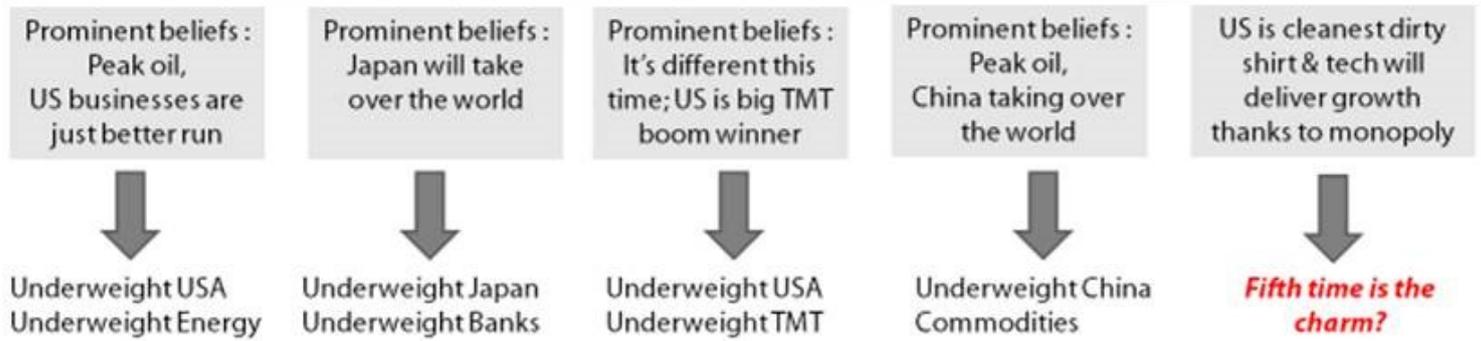
· 46:00

Increasingly, countries who trade with China are basing their currency against the renminbi, negating the trade of U.S. dollars. It is possible that we are seeing the peak of the dollar.

*chart referenced at 46:50

Maybe this should give us pause?

Top ten market caps: how often do winners stay on top?									
1980		1990		2000		2010		2019 - June	
	IBM		NTT		Microsoft		Exxon Mobil		Microsoft (1035bn)
	AT&T		Bank of Tokyo-Mitsubishi		General Electric		PetroChina		Amazon (936bn)
	Exxon		Industrial Bank of Japan		NTT DoCoMo		Apple Inc.		Apple (913bn)
	Standard Oil		Sumitomo Mitsui Banking		Cisco Systems		BHP Billiton		Google (766bn)
	Schlumberger		Toyota Motors		Wal-Mart		Microsoft		Facebook (538bn)
	Shell		Fuji Bank		Intel		ICBC		Alibaba Group (421 bn)
	Mobil		Dai ilchi Kangyo Bank		NTT		Petrobras		Tencent Hqs (421bn)
	Atlantic Richfield		IBM		Exxon Mobil		China Construction Bank		Johnson & Johnson (371bn)
	General Electric		UFJ Bank		Lucent Technologies		Royal Dutch Shell		JP Morgan Chase (360bn)
	Eastman Kodak		Exxon		Deutsche Telekom		Nestlé		Exxon Mobil (320bn)



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Commentary