



# BOAO Journal

**VOL.3**

September  
2018

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**Li Baodong and Margaret Chan Meet with Zhang Mao, Minister of State Administration for Market Regulation**

On August 23, 2018, Li Baodong, Secretary General of the Boao Forum for Asia (BFA), and Margaret Chan, BFA Advisor and President of the Global Health Forum, had a meeting with Zhang Mao, Minister of the State Administration for Market Regulation (SAMR).



Li Baodong introduced how the Global Health Forum of the BFA was conceived and created as well as its future plans, adding that the SAMR can play larger roles through this platform around the mission of “Internet + New Era: Health for All People” and that the organizing committee of the Global Health Forum is happy to maintain close communication with the SAMR in this regard.

Margaret Chan highlighted the relevance of health—as an important component of global governance—to national security, economic development and people’s wellbeing. She also acknowledged the grave challenges facing global health as well as the long journey towards the goal of achieving health for all.

Zhang Mao introduced the roles and progress in the reform of the SAMR. He said that the SAMR will continue to participate in the relevant events of the BFA—which is an integrated international forum—and contribute to the development of the Global Health Forum in the hope that it will play more productive roles in health.

(Source: the website of the State Administration for Market Regulation)

## Li Baodong Meets with Vice Mayor Liu Jianjun of Qingdao

On August 14, 2018, Secretary General Li Baodong met with Liu Jianjun, Vice Mayor of Qingdao, at the BFA secretariat.



Li Baodong expressed his appreciation to Qingdao for its long-time support. Li Baodong pointed out that with a focus on Asia and having a global perspective, BFA will concentrate on leading discussions in frontier areas such as technological innovation, health, education, culture and media. On the basis of existing achievements, the forum is willing to develop more mutually beneficial and win-win cooperation with Qingdao.

Liu Jianjun introduced the economic, cultural development and marine advantages of Qingdao, and said that Qingdao will continue to work closely with the forum in the future and hoping more events will be held in Qingdao.

## Secretary-General LI Baodong Meets with Wuhan Municipal Government Delegation

On August 17, 2018, Secretary-General LI Baodong met with CHEN Ping, Executive Deputy Director of Wuhan East Lake Development Zone, CHEN Mingquan, Secretary-General of Wuhan Municipal Government, and their entourage at the Boao Forum for Asia (BFA) Secretariat.

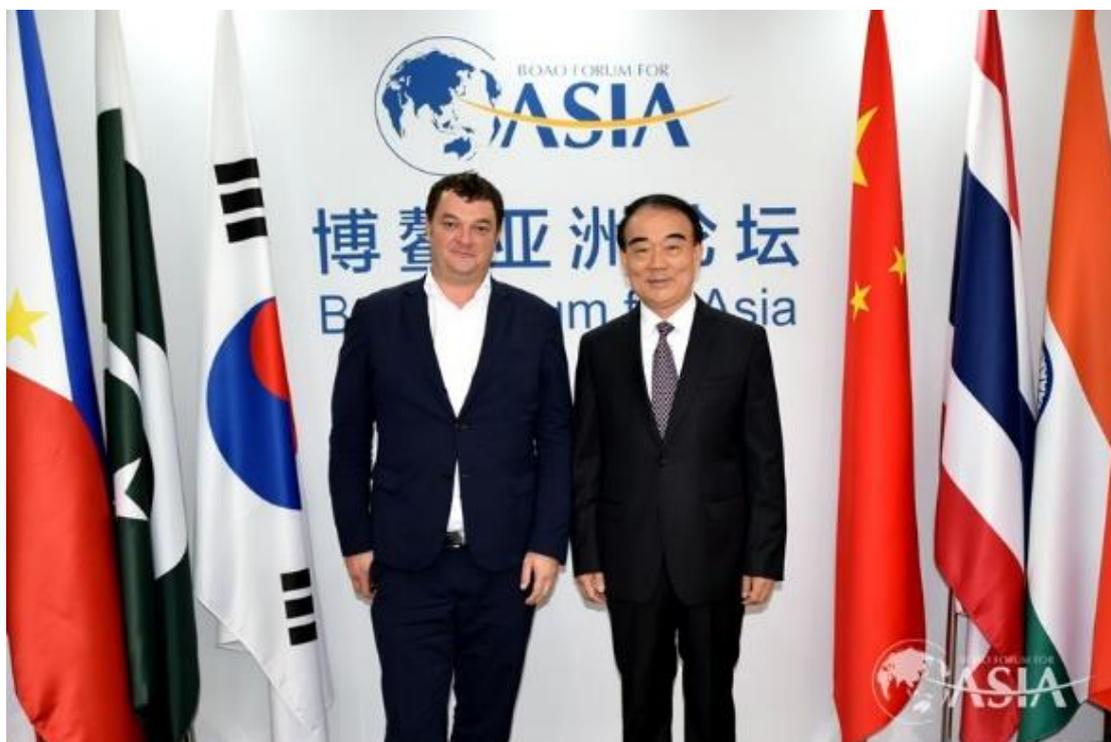


LI Baodong thanked Hubei province and Wuhan for their attention and support to the BFA and Global Health Forum. LI pointed out that the Global Health Forum is an international conference on government and business exchanges, high-end dialogue and pragmatic cooperation. Dr. Margaret Chan, Honorary Director-General of the World Health Organization, served as the President of the Forum. The BFA Secretariat organized a professional team to prepare for the conference.

CHEN Ping said that the Hubei province and Wuhan municipal government attached great importance to the bid to host the Global Health Forum. The provincial and municipal leaders made important arrangements and proposed specific requirements for the bid work. Wuhan has kicked off the bid work in an effort to hold a successful Global Health Forum.

## Secretary General Li Baodong Meets with VP of CNBC Patrick Allen

On August 16, 2018, Secretary General Li Baodong had a meeting with Mr. Patrick Allen, Vice President and International Managing Editor of CNBC.



Li said that CNBC is a globally influential media company that demonstrates great professionalism in the coverage of major events and has built a large following. Boao Forum for Asia (BFA) ,as a platform focused on Asia but with a global reach, places emphasis on young generation and builds future for the world. Over the years, the BFA has been expanding its focused areas and welcomes cooperation in the newly established five priority fields—technology, health care, education, culture and media.

Patrick Allen said that CNBC attaches great importance to its business in China and will strengthen its penetration. His team participated in BFA Annual Conferences twice, and found the platform very beneficial. He also added that CNBC is well aligned with the BFA in terms of their focused areas, particularly in technology and health care, where the two sides may have more cooperation opportunities.

## Asia

### **Maintaining Momentum: From shifting demographics to climate change, Southeast Asia confronts a host of challenges**

Manu Bhaskaran  
IMF

Southeast Asia scarcely disappoints with its capacity to produce uplifting surprises. Malaysia's voters recently proved the pundits wrong and elected a reformist government that is taking on that country's challenges with gusto. Since 1998, Indonesia has done the same by pulling off one of the most impressive democratic transitions among emerging market economies. Companies such as budget airline AirAsia have come seemingly from nowhere to become giants in their field, while Grab, the region's answer to ride-hailing firms, is just one of many unicorns to emerge.

Examples like these make me reasonably optimistic about the outlook for Southeast Asia in an increasingly turbulent global environment. Granted, it is not easy to generalize about a region that encompasses 643 million people in 10 nations as diverse as Lao P.D.R., an agricultural country of rugged mountains and forests, and Singapore, a gleaming city-state with one of the world's highest standards of living. But I am confident that the region will succeed in overcoming a host of global challenges, ranging from aging populations and climate change to advances in technology and the shifting currents of international trade and finance. Southeast Asia has successfully dealt with serious shocks in the past, not least the crisis of 1997–98, and it has emerged stronger. Its success in the future will depend on its ability to adjust flexibly to these global forces and on its resilience to the shocks and stresses that history tells us are inevitable.

#### **Aging trends**

How will Southeast Asia adapt? Let's start with demographics since so many other things follow from it. The region is undergoing a major demographic transition. Not only will population growth slow, aging trends will become more pronounced. While Singapore and Thailand will age faster, even countries with relatively young populations, such as Malaysia and the Philippines, will experience slower growth in their populations and labor forces. The era of plentiful and cheap labor, which helped the region industrialize through export-led and labor-intensive manufacturing, will be over, pretty much all over the region.

At the same time, the United Nations projects the urban population will expand from 49 percent of the current total to about 56 percent by 2030. That's another 80 million people jostling each other in towns and cities, competing for jobs and facilities. But, more positively, it also represents 80 million workers with a chance to be more

productive and earn higher wages in a dynamic urban setting. These workers will make up a lucrative market for companies selling a wide variety of goods and services.

Might technological developments help the region cope with these demographic shifts? Advances in artificial intelligence, including robotics, together with innovations such as 3-D printing and new composite materials, will transform manufacturing processes, making them less labor-intensive while creating opportunities for new products. This will enable new ways of making things and change the drivers of competitiveness. There will be indirect effects as well. For example, aircraft manufacturers, taking advantage of new composite materials such as carbon fibers, have developed a class of super-long-haul aircraft that could bring more tourists to Southeast Asia as relatively cheap point-to-point travel options emerge.

Other examples:

- Wider use of SMAC (social, mobile, analytics, and cloud) should offer businesses many pathways to enhance profitability and reach out to consumers, who could benefit from goods and services that more directly meet their needs.

- Renewable energy will be used more widely, especially solar and wind power. This could reduce the region's reliance on polluting fossil fuels while enhancing energy security.

- An array of new biomedical therapies, some based on genomics, will transform medical treatments for a range of diseases and quite possibly raise not just life expectancy but the quality of life as well. New business activities could grow out of these innovations in a region that has seen some globally competitive medical hubs emerge, such as Bangkok.

As the region absorbs these new technologies, it will also have to deal with new forms of globalization and regional integration. Yet the current pessimism about globalization may be excessive. There certainly has been a backlash in developed economies against free trade and immigration, but this is not the end of the game. Over time, this backlash is likely to produce, in both advanced economies and in Southeast Asia, a revised social compact and more balanced policies that can better compensate the losers from globalization through stronger safety nets and retraining programs.

### **Forms of integration**

In the end, the region should still enjoy synergies from globalization and other modes of economic integration, but the form and shape of such integration could change. At one level, "whole-of-the-globe" multilateral initiatives will probably be more difficult to pull off. However, smaller-scale integration efforts such as sub-regional economic partnerships or cross-border trade are likely to expand. The 10-member Association of Southeast Asian Nations (ASEAN) is already mapping out

practical plans for integration, such as the ASEAN Economic Community 2025 plan. This uniquely Southeast Asian approach to integration sets long-term goals and allows each country considerable flexibility to meet them, with the aim of improving the flow of goods, services, capital, data, and people.

The region has already enjoyed the benefits of many other forms of integration. One example is the Greater Mekong Sub-Region, where the northern ASEAN countries have worked together for more than 20 years to increase integration, with considerably improved transportation as well as rapidly growing trade and labor flows. Cross-border trade between Thailand and its neighbors has helped transform small towns into thriving hubs. Southeast Asia's integration efforts are likely to serve as models for other emerging market economies. This is important because countries exposed to such integration tend to have greater incentives to reform and improve their competitiveness—as happened during the past two decades of globalization.

Southeast Asia is also likely to remain highly integrated with the global economy. Continued exposure to global financial flows will pose two challenges. First, financial markets are subject to more frequent bouts of stress, occasional shocks, and outright crises. The root of the problem lies deep in the international financial architecture, and while some post crisis reforms have helped strengthen the global financial system, emerging market economies in Southeast Asia and elsewhere will continue to be buffeted by large and volatile capital flows. In many cases, this may simply mean that unpredictable fluctuations in regional currencies complicate monetary policymaking and create uncertainty for businesses. But at other times, capital flows could be much more destabilizing, creating panic in currency, equity, and bond markets, with harmful consequences for economic growth and financial stability.

Second, China will become a much more tangible actor in global finance as its massive pool of savings is liberalized and flows out of the country. China has also launched several initiatives, such as Belt & Road, and financial institutions such as the New Development Bank and the Asian Infrastructure Investment Bank, which will become integral parts of the global financial architecture.

### **Climate change**

Environmental challenges, including climate change, will be no less important. While it is hard to predict the economic damage likely to be wrought by rising sea levels and increasingly violent storms, the Asian Development Bank reckons that Southeast Asia will be among the world's hardest-hit regions [see related article on page 22]. The smoke from forest fires that envelops parts of Indonesia, Malaysia, and Singapore each year suggests that the damage can be extensive and painful.

Water scarcity, though less highlighted, is another potential source of conflict and economic trouble. Already, there are signs of stress, caused in part by a series of dams built on the upper reaches of the Mekong River, in China. These have been shown to change the flow of the nutrient-rich sediment as well as the annual flood pulse (the fluctuating flows of the river during different seasons) needed downstream

to sustain fishing and other activities critical to the livelihoods of people in the lower Mekong Basin. Managing Southeast Asia's water resources and ensuring that enough safe water is made available equitably will not be easy.

### **New technologies**

Let's look at what these global trends mean for the region, starting with the impact of technological advances. Predictions of wholesale displacement of workers seem overly pessimistic. Some displacement is normal in a market economy as new industries are born and others decline: at times this process accelerates; at times it slows. In coming decades, the pace of dislocation is likely to accelerate, but so will the pace of job creation. How many of us expected the Internet to spawn the cybersecurity industry, which employs hundreds of thousands of workers across the globe? The United States alone has a cybersecurity workforce estimated at 768,000, according to CompTIA, a technology association. Similarly, the advent of artificial intelligence and data analytics will create new jobs.

How will Southeast Asia cope with technological change and other developments that promise to shake up the existing structure of competitiveness? It is quite possible that reshoring of manufacturing to developed economies could gain more traction. Moreover, some technologies generate network effects that give bigger economies advantages over smaller ones. It is no coincidence that companies such as Alibaba, Alphabet, Facebook, and Tencent arose in China and the United States.

It is also likely that China will continue to move up the value chain, while India is likely to increase its presence in more niches of manufacturing as its infrastructure and business environment improve and its manufacturers are better able to exploit economies of scale. But all this does not mean that the export-led manufacturing model will be denied to late developers such as Indonesia and the Philippines, for two reasons.

First, existing industries cover a spectrum of activities, and it is unlikely that technology will transform every single one to such an extent that there is no longer scope for labor-intensive work. In industries such as textiles, garments, and footwear, for instance, there are limits to how much automation is possible.

Second, new technologies can invigorate developing economies in Southeast Asia. Look at how advances in communications and computers have helped the Philippines build an entirely new industry—business process outsourcing—from scratch. The multiplicity of emerging technologies could well offer more such opportunities.

### **Building resilience**

To cope with this period of unsettling change, Southeast Asia needs to build resilience, or the capacity to bounce back from shocks and stresses. At the same time,

it must remain flexible, to take advantage of the opportunities while mitigating the risks posed by longer-term challenges such as technological disruption and climate change.

Resilience has improved since the regional crisis of 1997. Economies are more diversified; governments have adopted more flexible exchange rate regimes; financial structures are much less prone to crises as banks, for example, are better capitalized; and the balance sheets of companies, households, financial institutions, and government are in better shape. For proof, just look at how well the region weathered the shocks and wild market movements of recent years, such as the global financial crisis, successive euro area crises, and the collapse in commodity prices.

To gauge how flexibly the region will respond to the transformations and dislocations it is likely to encounter, it helps to look both at spontaneous, bottom-up adjustment by companies and individuals and at policy-driven adjustment.

Bottom-up, spontaneous adjustment is largely in good shape. Companies in the region have a strong track record of transformation. There are those like AirAsia, a low-cost carrier that has grown to become Malaysia's largest airline, with affiliates across the region. Thai companies such as Charoen Pokphand Group and the Siam Cement Group have scaled up impressively in recent years to operate across the Mekong region and beyond.

### **Government support**

In the realm of policy-driven adjustment, globally competitive clusters of activity have emerged across the region, which can be springboards for innovation. Many of these benefited from government support in the form of industrial master plans and incentives to develop industrial estates and attract foreign investors. A good example is the eastern seaboard of Thailand, which has become a major manufacturing hub for petrochemicals and automobiles. The Thai government is now seeking to transform this region into an expanded Eastern Economic Corridor. Malaysia has the Penang-Kulim corridor and the southern region of Iskandar, which are also globally competitive manufacturing and logistics clusters.

The key to improving policy-driven adjustments is to provide public goods such as infrastructure, education and skills training, research and development, and social safety nets. This is happening—witness the major turnaround in investment in infrastructure across the region after decades of slow progress.

Governments are also cutting regulation and tackling corruption. Indonesia has moved up the World Bank's ease of doing business rankings, and its anti-corruption agency has fearlessly prosecuted hundreds of officials, including a speaker of Parliament, regional governors, and senior ministry officials. This has gone a long way toward diminishing the culture of impunity, which makes corruption so difficult to eradicate. Malaysia's new government is also showing exemplary zeal in attacking corruption.

For Southeast Asia, the next couple of decades could prove exhilarating in terms of the opportunities presented by technology and global growth, but also tumultuous because of the continuing risks, such as those posed by an unreformed and unstable international financial architecture. There clearly is much hard work to be done. Policymakers still have not gotten everything right, but they are heading in the right direction. Companies are growing in scale and sophistication, helping the region's economies adjust flexibly and effectively to new challenges. Southeast Asia has had a good track record of responding to challenges over time. There is every reason to be confident that it will continue to do so.

## True story of China-Africa cooperation

Yi Fan  
China Daily

At the third summit of the Forum on China-Africa Cooperation, which starts in Beijing on Monday, President Xi Jinping will welcome distinguished guests from 54 FOCAC member states to a gathering of unprecedented size, the biggest in Africa's relations with any country in the world.

The long-standing friendship between China and Africa dates back 600 years to the legendary expeditions of Chinese navigator Zheng He, whose fleet reached East African shores four times. In more recent history the Tazara Railway between Tanzania and Zambia built in the 1960s stands as a monument of what China and Africa can achieve together.

Building on the China-Africa traditional friendship, the Beijing summit of the 18-year-old FOCAC will review past work and plan for the future of China-Africa cooperation in all areas, in order to forge greater synergy in the development strategies of the two sides. China has remained Africa's largest trading partner for nine years in a row, and Chinese investments in Africa have increased more than 100 times in the past 18 years. This cooperation has seen a new boom since 2013, when the implementation of the Belt and Road Initiative provided fresh momentum for upgrading cooperation from trade in goods and project contracting to that in industrial capacity and capital investment.

China-Africa cooperation is guided by distinct principles. Equality and mutual help comprise the first principle. Instead of plundering or exploiting, Zheng He brought gifts to his African hosts and took back nothing but a few giraffes. China sees Africa as an equal partner in development and in international and regional affairs, where they support each other on matters of core interests and major concerns.

The second principle is putting the greater good of China-Africa relations before self-interest. As part of its cooperation with Africa, China believes in giving before taking, rather giving more and taking less. China never attaches strings to its assistance, as it does not see it as an instrument for political control. While many Western investors balk at the huge cost and prolonged cycle of much-needed infrastructure projects, China has stepped in to help narrow the funding gap.

And the third principle is sustainability. As a Chinese proverb goes, better help others learn how to catch fish than just give them fish. China-Africa projects are proposed by African countries based on their own needs, and selected through rigorous assessment of economic feasibility. Some of them are generating good returns. The construction and operation of the Mombasa-Nairobi Railway, for example, has created more than 46,000 jobs for Kenya, contributed 1.5 percent to its GDP growth, and cut logistics cost by 14 percent to 40 percent.

China-Africa cooperation is not a one-way street, though, as Chinese companies have also benefited from it, by boosting their going-global strategy and opening up new markets in a vast region.

But amid the many success stories, there are also isolated cases of misconduct and mismanagement by Chinese companies and individuals, which have been redressed through friendly consultation. Some in the Western media, however, revel at casting aspersions on China, with their latest target being Africa's debt issue.

The African debt problem has a long history, for which the Western countries have to shoulder significant responsibilities. China has done what it can to repeatedly write down or cancel the debts of African countries. China is committed to being a responsible lender, and the debt Africa owes to China is under control.

Eventually, only with development can Africa hope to shake off the debt burden. And that's where cooperation with China can help. Again, for the Mombasa-Nairobi Railway, according to estimates, running at 40 percent of its total carrying capacity will generate enough profits to pay off the concessional loans from China and the financial loans from African and international financial institutions.

China is also exploring other, innovative financing options such as public-private partnership in Africa. The China-Egypt Teda Suez Economic and Trade Cooperation Zone set up in 2008 is one such example. Thanks to the combined financing from Chinese and Egyptian companies and the China-Africa Development Fund, this project has been running smoothly to become a solid contributor to the local economy.

The people of Africa are the best judge of China-Africa cooperation. According to a 2016 survey conducted by Afrobarometer, a pan-Africa, independent polling agency, 63 percent of the respondents from 36 African countries had generally favorable views on economic cooperation with China and considered China's influence as beneficial.

At the FOCAC summit, China and Africa will again show the world the enormous good that will come out of their sincere cooperation. The summit will go down in history as a crowning milestone in building an even stronger community with a shared future between China and Africa.

## 2018 FOCAC Beijing Summit: What to expect

Xinhua

A current roadmap for China-Africa cooperation in the new era is one eagerly awaited outcome of the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC), which will begin on Sept 3.

Themed "China and Africa: Toward an Even Stronger Community with a Shared Future through Win-Win Cooperation," the summit will be a significant diplomatic event hosted by China this year and attended by the largest number of foreign leaders to date.

Here's what to expect from the summit:

### **XI JINPING'S SPEECH**

Chinese President Xi Jinping will deliver a keynote speech at the opening ceremony of the summit, attend and deliver a speech during the opening ceremony of the High-Level Dialogue of China-Africa Leaders and Business Representatives, and the 6th China-Africa Business Forum.

He is expected to propose new ideas to strengthen relations with Africa and announce new measures for pragmatic cooperation.

Xi and South African President Cyril Ramaphosa will both chair a roundtable discussion, where Chinese and African leaders will discuss China-Africa relations as well as international and regional issues of common concern.

There will also be bilateral meetings on the sidelines of the summit.

"President Xi attaches great importance to the China-Africa relationship. These activities will help promote political mutual trust and mutually beneficial cooperation between China and Africa," said Zhou Yuxiao, China's ambassador for FOCAC affairs.

### **REUNION**

This year is the third time the summit has convened, following the inaugural 2006 summit in Beijing and the 2015 summit in Johannesburg, said Chinese State Councilor and Foreign Minister Wang Yi.

African leaders and the chairman of the African Union (AU) will be in attendance, and the United Nations (UN) Secretary-General will be the esteemed guest, joined by 27 international and African groups as observers.

The interest in the forum is a result of China's growing influence on the African continent and proves the FOCAC has been pragmatic and efficient, analysts said.

"Established 18 years ago, FOCAC has led international cooperation with Africa and has become a significant marker of South-South cooperation," said Li Dan, director of Africa Studies Center of China Foreign Affairs University.

## **TWO DOCUMENTS**

The summit will conclude with the signing of a declaration and an action plan, providing guidelines for China-Africa cooperation for the next three years.

The documents are expected to build on the outcomes of the Johannesburg summit, during which Xi announced 10 major cooperation plans to promote industrialization and agricultural modernization in Africa. Most of the plans have been implemented.

"For three years, cooperation between China and Africa has deepened and political mutual trust promoted," said Li Dan. "It is expected that the Beijing summit will offer a more comprehensive plan that reflects the new situation."

"The fundamental goal of China-Africa cooperation is building a closer China-Africa community with a shared future. This will be a priority in the next phase of cooperation," Zhou Yuxiao said.

## **FUTURE COOPERATION**

The summit aims to build a closer China-Africa community with a shared future, further dovetail China's Belt and Road Initiative with African development, set a new path for a higher level of China-Africa cooperation and deepen people-to-people exchanges.

Li Dan said cooperation would not only be enhanced in traditional areas but also expanded to the environment, peace and security. By promoting innovation, coordination and sub-regional cooperation, all members will benefit from the outcomes of the summit.

The summit will link the Belt and Road Initiative with the UN 2030 Agenda for Sustainable Development, the African Union's Agenda 2063 and individual countries' development plans to explore new territory for Africa's revival.

"African countries have been positive about the Belt and Road Initiative," Li Dan said. "Clearer answers as to how and where they can participate are also expected from the summit."

FOCAC is a proven, effective platform for pragmatic China-Africa cooperation, and the Belt and Road Initiative is an important public good China is offering to the world. Combining the two will help the China-Africa relationship take a major leap forward and elevate cooperation, Zhou Yuxiao said.

"Given the complex and changing international situation and the development of individual countries, China-Africa wisdom and solutions that can be helpful to global governance are expected from the summit," Li Dan said.

## Finance

### **America's Neville Chamberlain**

Harold James  
project-syndicate

US President Donald Trump's attempts to flex America's muscles with the use of tariffs harks back to one of the darkest periods of modern history. During the Great Depression, the governments of Britain and France pursued a similar policy, unwittingly alienating would-be allies and strengthening Nazi Germany.

When countries get nervous about their security, they often insist that they need to reduce their dependence on foreign products, shorten supply chains, and produce more goods domestically. But does protectionism really improve security? Now that the world is hovering on the brink of a full-scale trade war, we should examine some of the arguments made in favor of protectionism, and then revisit the largest trade war of the twentieth century.

There is nothing new in Trump's assertion that, "Trade wars are good, and easy to win." And that means we can test his claim against the historical record. When Neville Chamberlain was serving as Britain's Chancellor of the Exchequer in 1932, he reversed his country's century-old position as a champion of free trade. Worried about Britain's longstanding trade deficit, he announced a new "system of Protection," which he hoped to use "for negotiations with foreign countries which have not hitherto paid very much attention to our suggestions."

Chamberlain concluded that it was only "prudent to arm ourselves with an instrument which shall at least be as effective as those which may be used to discriminate against us in foreign markets." In the event, he was paving the road to World War II. His trade policy weakened Britain and strengthened Germany. And in a mere six years, his appeasement policy toward the Nazi Germany regime would reach its pinnacle with the 1938 Munich Agreement, which Hitler discarded six months later by destroying the rump Czechoslovakia and bringing it under the control of the Third Reich.

The interwar years were dominated by the fear of a German nationalist resurgence. For Western powers, containing Germany would require either an alliance system or a more ambitious collective-security pact. France preferred the former option, and advocated an arrangement in which its alliance with Poland, plus the "Little Entente" of Czechoslovakia, Romania, and Yugoslavia, would contain both Hungarian and German expansionism. Great Britain favored the second option, and saw the League of Nations as the most effective instrument for defending territorial integrity.

Both approaches crashed in the Great Depression, owing primarily to France and Britain's own protectionist policies. Both countries shifted abruptly to a policy of high tariffs and import quotas that gave preference to products from their overseas empires. The result was that Czechoslovakia's industrial producers and Romanian and Yugoslav agricultural exporters could no longer sell to Western Europe. Instead, they became increasingly dependent – economically as well as politically – on Nazi Germany. Likewise, Poland, after fighting a customs war with Germany in the 1920s and early 1930s, entered into a non-aggression pact with the Nazi regime in 1934.

Through all of this, the League of Nations and other multilateral bodies tried to organize conferences and summits to halt the slide toward protectionism. But those talking shops all failed.

During the Great Depression, accusations of currency manipulation formed the primary impetus for protectionist measures. One hears the same sort of rhetoric today from Trump, both when he criticizes the US Federal Reserve for tightening monetary policy and when he claims – falsely – that China is artificially depreciating the renminbi.

The lesson of the Great Depression is clear: trade wars intended to strengthen national security actually undermine it. This is especially true in the case of defensive alliances, because trade barriers force allies to forge closer ties with the very revisionist power that was supposed to be contained.

Precisely this scenario is playing out today. Trump's protectionist rhetoric is a response to the dramatic rise of China. But by launching a tariff war that also affects the European Union and Canada, Trump is making China look like a more attractive partner than the US. To be sure, Trump and European Commission President Jean-Claude Juncker have now reached a preliminary agreement to de-escalate the US-EU tariff fight. But Trump has already roiled the transatlantic alliance. Like Germany's neighbors in the 1930s, Europe and Canada may feel as though they have no other choice than to seek out a more open – or at least more stable – partner.

Trump's trip to Europe last month went a long way toward destroying the alliances that have maintained global stability since the end of WWII. And his self-abasing press conference with Russian President Vladimir Putin had more than a whiff of Chamberlain-style appeasement. If Trump actually wanted to make China more attractive to the world, then he could do no worse than to continue his war on free trade and the multilateral institutions that arose from the ruins of 1945.

## **Trump-era politics creates turmoil, firings and, sometimes, great ratings for entertainers**

Steven Zeitchik  
Washington Post

A few months after President Trump took office, Lorne Michaels, producer of "The Tonight Show," was in a meeting with fellow television executives when one of them asked him about a threat to the late-night juggernaut. Was he worried that his program could face a ratings swoon because host Jimmy Fallon was much less political than rival Stephen Colbert?

Michaels said he wasn't. "He brushed it aside," said a person at the meeting who spoke on the condition of anonymity because they were not authorized to talk about it. "He didn't seem concerned at all. He just said that the pendulum would swing back, and Fallon would be fine."

Michaels turned out to be mistaken. The longtime reigning king of late night, "The Tonight Show" has been steadily losing the race for total viewers to CBS's "The Late Show" as audiences seem to prefer the acerbic anti-Trump comments of the show's host, Colbert, to Fallon's nonpartisanship.

Late-night TV viewers are "making their decisions based on what's happening in the White House," said Rick Ludwin, who ran NBC's late-night programming for years. A year and a half into the Trump presidency, entertainment companies are grappling with a fan base that is splintering into political factions as never before. Whether in regard to explicitly political entertainment or the rapidly multiplying number of entertainers who talk about politics, Americans appear to be increasingly figuring ideology into their Hollywood -choices.

Some fans, to be sure, have long been drawn to or repelled by the occasional outspoken celebrity — Jane Fonda for her antiwar views, for example. But fans are now judging a much wider range of entertainment and entertainers for the way those people express their views in America's increasingly polarized climate. These days, how fans feel about stars can be as much about ideology and outspokenness as it is about roles and personal style.

"It's a totally new world," said Elizabeth Currid-Halkett, a professor at the University of Southern California who wrote the book "Starstruck: The Business of Celebrity." "People look at politics when deciding how they feel about a host or actor. Pop culture has now become one more thing that divides us, just like cable news and social media."

Examples of fans embracing — or rejecting — entertainers because of their politics now occur regularly. Republican fans of Robert De Niro vowed to boycott the actor's movies in June after he stood up at the Tony Awards and, to the surprise even

of those closest to him, unleashed two expletives at the president on live television.

In July, some liberals on Twitter called for a boycott of Mark Duplass, believing the Democratic actor-creator known for “The League,” “Togetherness” and “Wild Wild Country” had violated the party’s ideals when he urged followers on Twitter to listen to conservative blogger Ben Shapiro. Duplass later walked back the endorsement.

Other parts of the business have been trying to figure out how to digest strong political feelings in their own ranks. In June, at the height of the family-separation controversy at the border, “Modern Family” creator Steve Levitan tweeted that he was “disgusted” to work for a studio, 20th Century Fox Television, that is also home to Fox News, noting that “23-hour-a-day support of the NRA, conspiracy theories and Trump’s lies gets harder to swallow every day as I drive onto that lot to make a show about inclusion.” He said he would not renew his deal with the company.

The news caused a ripple both at Rupert Murdoch’s corporation and among his representatives. Levitan eventually issued a statement, via his representative at the United Talent Agency, walking back his promise not to renew his deal.

Fan feelings became intensely tangled up with politics in the instance of Disney and James Gunn, director of the “Guardians of the Galaxy” film series. Last month, far-right activists, in part via the conservative Daily Caller, resurrected old Gunn tweets in which he joked about rape and pedophilia.

The activists, who said they were motivated by Gunn’s anti-Trump comments, urged Disney to fire him just as it did “Roseanne” star and Trump supporter Roseanne Barr for a racist tweet in May. Conservative fans echoed their calls. (Gunn offered an apology and explanation, saying he had evolved in the years since he sent the tweets.)

The studio quickly let Gunn go. But no sooner had executives made their decision than other fans, many of them prominently liberal, responded with a call for reinstatement, as did the principal cast of the movies. A Change.org petition imploring the company to rehire Gunn has garnered more than 390,000 signatures.

“Disney shouldn’t give in to reactionary right-wing forces,” one fan wrote on the petition

For stars like De Niro, who seldom headline the kind of movie built to take in hundreds of millions at the box office, outspokenness could be of considerable benefit. That’s especially true because of the multiplying opportunities for actors — De Niro’s next major movie, “The Irishman,” is with Netflix, sparing him a box office referendum.

“Anti-Trump sentiment is a net negative if you evaluate your income based on every last person’s willingness to support you with a ticket purchase,” said Eric Schiffer, the chairman of Reputation Management Consultants, which specializes in

celebrity image. “But it’s also a rocket tied to his back for the many who agreed with him — it enhances the loyalty factor exponentially.”

That’s true of Colbert, too. The host — who regularly offers up lines such as “Trump wasn’t the only one lying to the American people, so were the liars who work for this liar” — no longer needs the tens of millions that a Johnny Carson, Jay Leno or David Letterman needed to win the night. There simply aren’t that many people watching broadcast television at 11:30 p.m. (As of last week, Colbert was beating Fallon in average total weekly viewers in 2018 by a count of 3.76 million to 2.59 million.)

“Part of the issue now is that the bigger the base, the more you have to worry about offending it,” said a television marketing expert, who spoke on the condition of anonymity because of the sensitivity of the subject. “The climate actually puts the fragmented in a better position to make political statements.”

For his part, Fallon has tried to adjust. In June, he sought to walk back a 2016 Trump appearance that critics said normalized the then-candidate. It went over poorly — liberals didn’t buy it, and the president tweeted that the late-night host was “whimpering.”

More recently, Fallon has attempted to nab a piece of the anti-Trump viewership with recurring segments like “the Trump Network News.” The host is relying on his comic gifts to poke fun at Trump but is in the more gentle, non-ideological vein of Carson and Letterman, who rarely betrayed their politics — unlike Colbert, who makes no secret of his allegiance. So far, Fallon has not made a dent in Colbert’s total-viewer lead.

“It’s treacherous for anyone who’s not political to start floating into political waters,” said Daniel Kellison, a longtime talk-show producer who has worked with Jimmy Kimmel, Letterman and Rosie O’Donnell. “If it’s not who you are, you can’t just start doing it — the audience smells that immediately.”

Michaels and Fallon, via an NBC spokesman, declined to comment. But while the increased political speech can help those appealing to a smaller audience, it creates headaches for those who try to reach wider swaths of America.

For years, Jennifer Lawrence was the biggest movie star in the country, driving “The Hunger Games” to nearly \$1.5 billion in U.S. box office receipts between 2012 and 2015. Since the election of Trump, Lawrence has been more outspoken about the White House, saying in interviews that the administration has become “almost an obsession.” In an interview in December, she said she wanted to take a “martini to the face” of the president, prompting a retort from Donald Trump Jr. online. Since she began speaking out, Lawrence has had several box office disappointments — “Passengers,” “mother!” and “Red Sparrow.” While only the first was expected to be a broad hit, the latter two underperformed, even with their more modest expectations.

It's impossible to know whether Lawrence's outspokenness directly influenced the box office sales, but people in Hollywood are taking the possibility into account.

"I don't think parts of Middle America want to hear from her now the way they once did," said an agent at a company that competes with Creative Artists Agency, which represents Lawrence. The agent acknowledged that a few of his own company's clients have run into similar challenges.

The entertainment industry is still searching for answers about how to best address this new age.

After Samantha Bee spurred controversy by calling Ivanka Trump an obscenity, the Academy of Television Arts & Sciences faced a dilemma earlier this year. The group was set to honor Bee the night after she made her four-letter remark about the first daughter, and a slew of reporters who had been credentialed for the event were sure to ask her about it. After conferring with the comic's publicity team, the TV Academy, one of Hollywood's most august institutions, made a stark decision: It would continue with the Bee segment but revoke the credentials of many of the reporters. "They decided to pull them all," said a person involved with the event who spoke on the condition of anonymity because they were not authorized to speak about the matter. "Instead of letting her face the music or even canceling the segment, they just made a decision to try to avoid the media. I'm not sure I've ever seen that before."

## China-US Trade

### **Donald Trump's economic gamble with trade wars and tax cuts – he could win big or lose everything**

John Rapley  
The Conversation

Picture the US-China trade spat as a boxing match (Donald Trump probably has). The US is the slugger – the pulverising champion – and China is the fast-rising challenger. A bit like George Foreman against Muhammad Ali in the Rumble in the Jungle. The champion slugger both can and must land a knockout punch early – because he hasn't trained to go the distance. If he doesn't, he's in trouble.

The early rounds appear to be going Trump's way. Reports from Beijing suggest the Chinese leadership was caught off guard by the intensity of Trump's early assault. As if expecting him to jab gently to probe their defences, they were rocked on their heels by the ferocity of the barrage: some US\$200 billion of tariffs on Chinese imports, with more where that came from.

Although China emerged from the 2008 global financial crisis in better shape than most countries, thanks to a US\$4 trillion stimulus programme, the resulting investment boom sent China's gross debt soaring. Worse, much of the investment yielded low returns, making some debt difficult to service. A severe economic hit now could drive up defaults, possibly inducing a financial crisis. China is vulnerable.

In contrast, the US has rarely looked stronger. Real GDP growth recently surpassed 4% while the unemployment rate is below that. And, to further swell his arsenal, the president got Congressional Republicans to cut taxes, pumping another estimated US\$1.5 trillion into the US economy over the next decade, with most of the gains expected in the first three years.

In short, the US can withstand almost any punishment that China can mete out in the coming months. Investors are thus betting on the US. Since Trump first announced tariffs, the Chinese currency and stock markets have plunged, whereas America's bond and stock markets have barely hiccupped. Indicating how painless it's all felt, Trump told CNBC, "We're playing with the bank's money".

#### **'The wrong moment'**

Were the fight to last beyond a few rounds, however, American stamina would quickly wane. Outside the White House, most economists believe the US is now probably at the peak of its business cycle, and some worry that the tax cuts may actually worsen the downturn when it comes.

Former Fed chairman Ben Bernanke echoed a view widespread among economists that the tax cuts came at “the very wrong moment”. Because fiscal stimulus is generally considered most effective at the opposite end of the business cycle, amid recession, the long-term impact on economic growth may be minimal to nil. The principal effect of the tax cuts may thus be to redistribute some future growth to the present – supercharging the economy today and worsening the recession when it comes. Or, as Bernanke put it, “In 2020, Wile E. Coyote is going to go off the cliff, and he’s going to look down” – the stimulus will run out just as Trump is campaigning for reelection.

It’s as if before leaving the locker room, the champion gorged on candy bars instead of whole grains. He came out swinging, but will be spent by the middle rounds.

### **Taking the punches**

Of course, the Trump administration begs to differ, touting the wage gains and new investment that will result from this influx of new money, thereby permanently raising the economy’s growth rate. That is, of course, possible. But not, on present evidence, likely.

Although it’s still early days, so far the vast majority of the tax cuts have been used by corporations to pad profits and buy back shares. This supports share prices, not to mention any executive compensation packages tied to those share prices. But while a rising stock market creates a wealth effect, and thus stimulates consumption, there’s been little new investment beyond what one would expect at this point in the business cycle.

When the burst of consumption tapers off, there won’t be new output to pick up the slack. Nor, for that matter, will workers be in a position to step up. So far, less than 3% of the tax money has gone towards improving worker compensation, and most of that has taken the form of one-time bonuses. Real wage growth remains sluggish.

As Muhammad Ali knew on that steamy Kinshasa night when he stepped into the ring with George Foreman, title fights are determined less by who can do the most damage as by who is willing to take the most punches. There are suggestions the Chinese leadership is now adopting a long-term view of the trade conflict, interpreting it as a strategic attempt by Washington to thwart China’s rise. Were the Beijing leadership able to find a way to survive the early rounds of this contest, it may be prepared to go the distance.

Donald Trump, on the other hand, may find himself facing voters in the midst of a recession, or at least when the shine is fading from the economy. Who knows? As happened to George Foreman in 1974, he may face his knockout punch well before distance.