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Niall Ferguson: US-China trade deal 'more likely' than trade war



Niall Ferguson: "The Art of the Deal is a book you should read, but while you are reading it, Donald Trump needs to watch House of Cards." James Brickwood

by Jonathan Shapiro Vesna Poljak

The relationship between China and Donald Trump could deliver mutually beneficial trade outcomes experts say, defying fears that the billionaire US President's "America first" platform will erupt in a protectionist spat and set back growth.

Niall Ferguson, the British historian, and Charles Dallara, an adviser to previous Republican presidents and the Trump transition team, both painted a more optimistic picture for US-China relations.

"His definition of winning is not getting the whole pie," Dr Dallara, who is also vice-chairman of private equity firm Partners Group, said of President Trump.

"[China is] very, very attuned to the reality that perhaps they don't need to respond to the first punch that President Trump may throw on the trade front.

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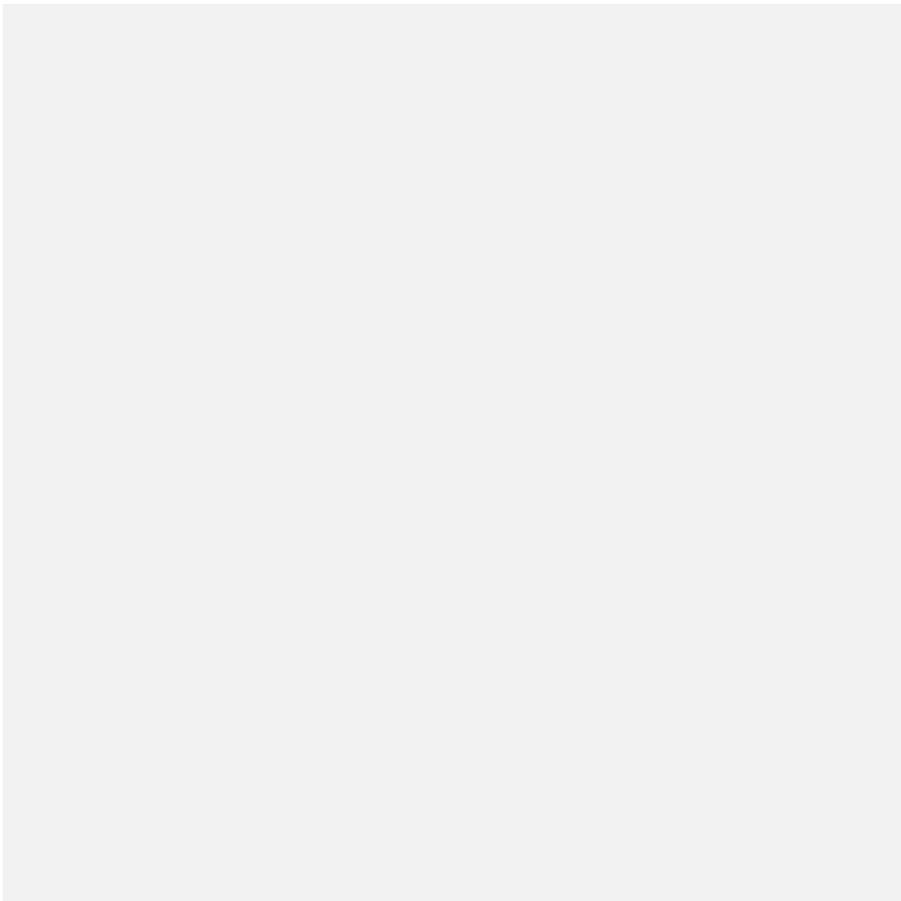
"That if they are considered and if they are restrained and if they are patient, that solutions to the US-China trade problem can be found as they were found between the US and Japan during the 1980s," he said, recalling that "both sides were able to walk away declaring victory".

Mr Ferguson opened the Portfolio Construction Forum in Sydney on Tuesday by telling the audience that Mr Trump's manual on deal-making, *The Art of the Deal*, [suggests his posture towards China is just an aggressive opening salvo in a negotiation.](#)

"If I am right and that is his approach to everything, including US-China relations, we won't end up in a protracted trade war – we will more likely end up in a major US-China deal – just as we will end up with a renegotiation of NAFTA," the historian said, referring to the North American Free Trade Agreement.

"[The Art of the Deal is a book you should read](#), but while you are reading it, Donald Trump needs to watch *House of Cards*.

"[He should also read Sun Tzu's The Art of War](#). Because he is now up against something other than just real estate counter-parties.



Stephen Halmarick: proposed a "boom, bust" scenario of better growth in 2017, 2018 and 2019, slowing in 2020. [Nic Walker](#)

"He's up against that man we have all grown to enjoy played by Kevin Spacey, and he's up against centuries of Chinese strategic sophistication."

'The realities of the Oval Office'

Dr Dallara emphasised there were a number of factors that stood in the way of a trade war, including the complexity of modern supply chains, and the judiciary and the executive branch of the US government, which would "confine" some of Mr Trump's initiatives.

"The weight and influence and power of our Congress will increasingly come to bear on the final outcome, whether it is reform of Obamacare, tax reform, deregulation, you name it," he said.

"The realities of the Oval Office will begin to constrain President Trump."

On Monday, US and Canada relations warmed when [Canadian Prime Minister Justin Trudeau visited the White House](#).

At the weekend, Mr Trump committed to bolstering security and trade dealings with Japan and Pacific allies and [seeking co-operation with China](#), a backdown [from his past inflammatory and nationalist rhetoric](#) on American engagement in Asia.

"Thank God for the Canadians, and thank God for production supply chains," Dr Dallara said.

"If we were just dealing with the US-Mexican bilateral trade agreement I think we would all have to duck, we would be in trouble. But we aren't."

He predicted an amended and improved NAFTA, a victory in the eyes of all three nations.

Colonial First State Global Asset Management economist Stephen Halmarick said that while Mr Trump represented a hurricane of change, he was not convinced that he would be able to lift the potential growth rate of the United States.

'A positive, a negative and an unknown'

Tax and regulatory reform will help productivity, but the two other contributors to raising potential growth were population growth and participation among workers.

Mr Trump's immigration policies were likely to have a negative impact on the former and an ambiguous impact on the latter. "So we have a positive, a negative and an unknown."

The economist proposed a "boom, bust" scenario of better growth in 2017, 2018 and 2019, slowing in 2020.

[Standard Life economist and former Reserve Bank of Australia staffer Jeremy Lawson](#) meanwhile warned that globalisation, which had been a major contributor to global growth over recent decades, was already in reverse and the sweeping tide of populism that threatened to reverse it would hurt investors.

"If earnings growth slows, then returns from equity are going to slow as well, which will have significant implications for what you as investors can expect from the returns on our own investments and how you allocate across asset classes," the economist said.

Dr Dallara argued that what was unsaid was that the financial crisis had played a role in the push against globalisation.

"I'm not absolving at all the financial institutions that contributed significantly to the crisis on the way in but I would say [the decision to allow Lehman to fail](#) has been a major, major factor exacerbating the negative views of globalisation and indeed in creating additional challenges for middle income workers."

'Automation, protectionism, populism'

Technological change was also part of the struggle, but that was a trickier target than globalisation.

This view was also echoed by fund manager Ron Temple from Lazard Asset Management with respect to automation. "I think automation, protectionism, populism are all deeply entangled," he said.

"A cynical politician seeking votes without reference to necessarily seeking the truth can use this quite easily to say 'you're income's lower, you lost your job'.

"As much as I can discuss globalisation, you only have so much air time with people when you're a politician.

"It's much easier to blame the Chinese or the Japanese or the Mexicans in the case of the last campaign in the US. So I do think it's critically important we address globalisation," he said.

One of Mr Temple's biggest concerns is driverless cars because the single biggest profession for adult men in the world is driving.

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