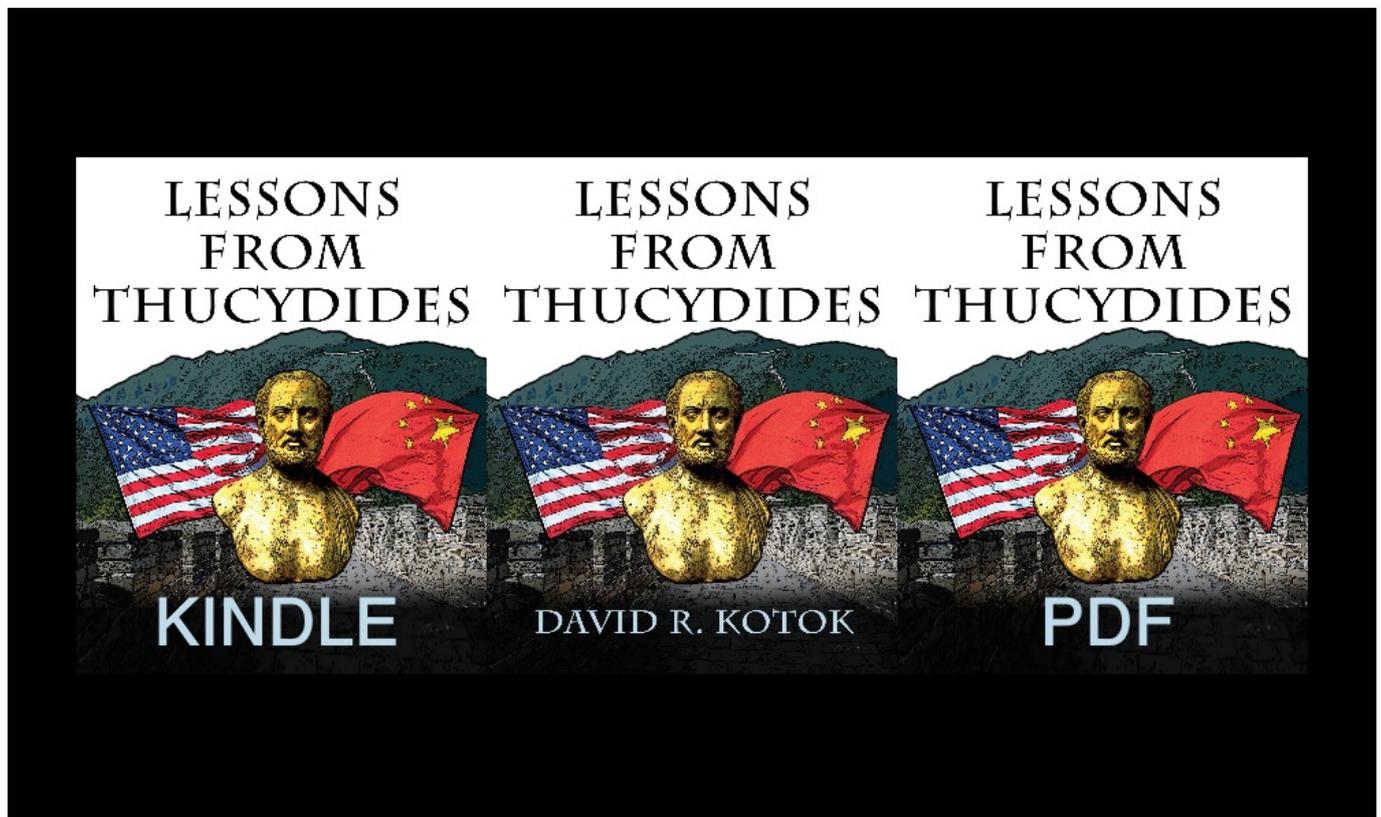


China Faces Two Traps as Trump-Xi Meeting Looms

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Wall Street is looking to ancient Greek history to game out the U.S.-China trade conflict. Also, consumers are confident and Fed speak.

By John Authers – November 27, 2018, 7:30 PM EST



Excerpt below.

China and Thucydides's Trap

Guess who's coming to dinner? Presidents Donald Trump of the U.S. and Xi Jinping of China will be dining together on Saturday in Buenos Aires. As Argentina's capital serves the best steaks in the world, the red-meat-loving Trump should be

in a good mood for a critical meeting in which the two men will speak from either side of what is the world's most important geopolitical fault line.

Two huge questions are unlikely to be answered. The first is whether China's economy can continue to grow at anything like it has the last two decades without falling into what is generally known as the "middle-income trap." I will return to that topic later. The second is whether China and the U.S., as an incumbent hegemonic power confronted by a fast-growing new rival, are destined for war. Sound crazy? Perhaps, but there a number of economists and investors who point to the teachings of ancient Greek historian Thucydides, and wonder whether the two economic giants can avoid "Thucydides's trap."

Now, with the rise of China, Thucydides's trap is garnering more attention. It is the subject of a large [research project at Harvard](#). Graham Allison, who heads the project, published the provocatively titled "[Destined For War – Can America and China Escape Thucydides's Trap?](#)" earlier this year. You can read a condensed version of his argument in The Atlantic [here](#). For a beautiful and concise summary of the issues, written shortly before Trump's summit with North Korea's Kim Jong Un, try "[Lessons from Thucydides](#)" by Cumberland Advisors Chief Investment Officer David Kotok, which can be downloaded free [here](#). And for a version of Thucydides that might have made an impression on Trump, try "[Crouching Tiger](#)," published in 2016 by his trade adviser [Peter Navarro](#). It's available for download [here](#). The subtitle is "[What China's Militarism Means for the World](#)," and Navarro scoped out a grave analysis of an aggressive China and a high risk of war before he had become a member of the Trump team.

Read the full article at [Bloomberg.com](#).