

# Turandot

Giacomo Puccini set China as the venue for his famous opera Turandot. Opera buffs will know it well. Anyone not familiar with this intriguing romantic opera is certainly invited to experience it.



Why do I start a commentary about China and the Trump Trade War by invoking an opera to serve as a metaphor? The reason is that there is a history lesson.

Puccini wrote the entire opera except for the final duet. He died on November 29, 1924, before completing the text. Franco Alfano was commissioned to complete the opera, but conductor Arturo Toscanini did not like the result. At the opera's premiere on April 25, 1926, Toscanini stopped in the middle of the third act and announced to the audience, "Here the opera ends, because at this point the maestro died." (Source: Richard Russell, executive director of Sarasota Opera)

The operatic drama underway features Trump and Xi. The setting is China and also Washington. Instead of the three riddles of Turandot, we have tweets back and forth between the US and in China. Sadly, though, the current version is not a comic opera. The closing duet is not yet written.

We may still end up with a settlement and the reduction of tariffs or their elimination. That is the benign outcome. Many market agents still hope for it.

To us, the evidence suggests the contrary. The final act of this performance may turn out as badly as Toscanini thought that Alfano's ending did.

Look at the actions of China and not at the tweets in English

in the US. Read the English translation of China's draft "Measures for Data Security Management," published May 24th. Here is an article about that document: <https://www.scmp.com/tech/policy/article/3011655/china-cybersecurity-laws-may-be-used-block-us-tech-firms-national>. The draft itself is available here in PDF form: [https://www.insideprivacy.com/wp-content/uploads/sites/6/2019/05/Measures-for-Data-Security-Management\\_Bilingual-1.pdf](https://www.insideprivacy.com/wp-content/uploads/sites/6/2019/05/Measures-for-Data-Security-Management_Bilingual-1.pdf).

To get a sense of what the stakes are for China and for its leader in particular, peruse this piece from Bloomberg News: "Xi Has Few Good Options After Trump's Ultimatum on G-20 Meeting," <https://www.bloomberg.com/news/articles/2019-06-11/xi-has-few-good-options-after-trump-s-ultimatum-on-g-20-meeting>.

And for deeper analysis, let's turn to Geopolitical Futures. In a piece titled "The Fog of Trade War: Can China Outlast the US?", GPF notes that China has been ramping up rhetoric that suggests "Beijing expects the trade war to devolve into a protracted, bloody slog." However, GPF thinks conditions are still ripening for a partial deal on trade that ends tariffs; but "when it comes, it will hinge foremost on two of the trickiest geopolitical elements to forecast – the exact timing of the next U.S. recession and the mood of U.S. voters ahead of the next election."

On balance, GPF concludes,

"Most likely, the White House will blink first, given the economic and political toll the tariffs will take on the United States. The U.S. tariffs alone won't tip the economy into recession. If the current 25 percent duties on \$250 billion in Chinese goods remain in place, most estimates expect an annual 0.3 percent-0.5 percent hit to gross domestic product and the loss of up to a million jobs....

"[T]he U.S. has been overdue for a downturn ... and the tariffs are certainly capable of accelerating its arrival."

As GPF notes, "None of this would matter if the tariffs were bearing fruit in the Trump administration's two main goals: extracting major concessions from China and bringing jobs back to the U.S. But these don't appear to be the case. Rather, while the costs of U.S. tariffs are increasing, the returns may be diminishing."

We strongly recommend that readers study this entire excellent commentary from Geopolitical Futures, and we thank George and Meredith Friedman for permission to link to their website. Go to

[https://geopoliticalfutures.com/the-fog-of-trade-war-can-china-outlast-the-us/?utm\\_source=affiliate\\_cumber.com&utm\\_campaign=unvsl\\_affiliate\\_postid87866\\_cumber.com\\_2019-06-10&utm\\_medium=referral\\_unvsl](https://geopoliticalfutures.com/the-fog-of-trade-war-can-china-outlast-the-us/?utm_source=affiliate_cumber.com&utm_campaign=unvsl_affiliate_postid87866_cumber.com_2019-06-10&utm_medium=referral_unvsl)

At Cumberland, we believe that the US-China dispute is not a shorter-term nor a temporary item. We believe this is a long-term geopolitical conflict and a substantial one.

We still have a cash reserve in our US ETF portfolios.

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