

Hello Everyone,

There is an old saying...

- *Watch your thoughts; they become words.*
- *Watch your words; they become actions.*
- *Watch your actions; they become habits.*
- *Watch your habits; they become character.*
- *Watch your character; it becomes your destiny.*

America's destiny and China's destiny are on a collision course. That does not mean there must be a war, but our thoughts, words, actions, habits, and character are not the same. I believe you all know that.

Oh, and when I say China, I am referring to the Chinese Communist Party and Government.

Today we will close out the China series--- for now. I have no doubt, however, it will be the subject of future missives.

Until then, I can't tell you how blessed I feel to have been born an American. Despite our flaws...well, you know the rest! :>)

Signed, Your In-The-Mood-Before-To-Be-Thankful-Before-Thanksgiving Financial Advisor,

Greg

KKOB 11.04.2019 US vs. China---The Heart of the Matter

Bob: So, Greg, I know we are on the "US vs. China" theme. And what I have learned is the stakes are higher than I thought. My belief now is the competition isn't just economic---- it's really for global supremacy.

Greg: That's my take, too. These tensions go far deeper than the immediate trade deal Wall Street focuses on.

The foundational issue is this. We really have a battle between ideologies...and this dictates how each side thinks and behaves. And, yes, this dynamic will affect your investments. Let me explain.

When the US supplanted Britain as the world's super-power 100 years ago, we (the US) were big proponents of free trade. Of course, we wanted to export American products, but we also wanted to use trade to promote freedom, democracy, and human rights. The Chinese communists were always suspicious of this.

Nevertheless, in the 1970's President Nixon cracked open the trade door just a little. And, in the 1990's, Bill Clinton threw that door wide open with horribly one-sided trade deals. The damage Clinton did is hard to overstate. Then neither George W. nor Obama did anything to reverse course.

Bob: And we all know what happened, our factories moved to Asia, jobs fled, and China rose to be a world power in a few short decades.

Greg: Right. What we were very late in grasping was China embraced the free-trade part, but wanted nothing to do with the freedom, democracy and human rights parts. To them, communism would rule...but now with lots of money.

Thus, our competing values weren't remotely compatible. The way they viewed free-trade went something like this: "*stealing patents and intellectual property? Sure. If you're stupid enough to send us your stuff, don't blame us for copying it. If you want to*

build factories here, great! But don't blame us when we reverse engineer them and then put you out of business. Oh, and if you want us to build components for your weapons, don't be surprised if we sabotage them."

The point is, they translated freedom as license to do what they wanted. And while they politely acknowledged freedom, democracy and human rights, they always knew they would toss those ideals aside.

Bob: So, why didn't we stop it? I mean at some point we must have known. So why didn't we regroup and change the rules?

Greg: well, they used our greed against us. And, greed is a word they understand very well. Now I believe President Trump is trying to rewrite the rules, but it would have been far easier 10-15 years ago.

Bob, think about where we are.

If you even talk about Chinese human trafficking, the multi-billion-dollar organ harvesting cabals, or the intellectual property and national defense thefts, you are called a racist.

Oh, and if you bring up the tons (!) of fentanyl being shipped here resulting in tens of thousands of US deaths, they just smile and mention the British and the Opium wars of the mid-19th century. Payback baby.

Bob: You're right. I'm seeing all this...and it's pretty sobering.

Greg: It is. I'm just tired of hearing the apologists say everything is OK, when clearly it isn't. I prefer reality. You'll make better investment decisions based on harder truths over comforting lies.

So, with that said, do not expect any China Trade deal to result in better relations. The tensions and competition will be with us for the long haul.

Super-advanced technologies and new energy sources are the current battle ground for global supremacy. China does not have to be an enemy, but never think of China as our friend. And, the sooner we recognize that (and stop arguing about Trump's tax returns) the better off we'll be.

The good news is, we are an incredibly creative and industrious people. We have many advantages. If we can get past the Team Red vs. Team Blue thing, I have no doubt we'll win in the marketplace of ideas and products. Sorry about the rant.

Bob: Interesting -----and thought-provoking as always. How do people reach you?

Greg: My number is 508-5550. Or go to my website at zanettifinancial.com

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