

Trump tech war with China changes the game for US business

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President Donald Trump's war on Chinese tech firms aims to protect American interests but could end up having negative consequences for the US economy, say some analysts

President Donald Trump's war on Chinese technology firms has changed the ground rules for global business, underscoring a new political reality that could have negative repercussions for American firms.

The White House moves against the popular Chinese-owned apps TikTok and WeChat and the tough sanctions on tech giant Huawei highlight the struggle for technology supremacy between the two economic giants, under the guise of national security.

The economic relationship has been roiled by an unprecedented campaign by Trump that has included tariffs, threats of bans and economic sanctions on Chinese tech firms.

"At the heart of it is a struggle to dominate emerging technologies," said Doug Barry of the US-China Business Council.

"The country that succeeds will realize huge economic and geopolitical benefits."

But many analysts argue that Trump's actions could backfire on the US tech sector and other American businesses by encouraging China and other countries to respond in kind.

Trump's moves on TikTok and other Chinese firms "are eroding confidence in US leadership," said Darrell West, who heads the Brookings Institution's Center for Technology Innovation.

"There was little process associated with his (TikTok) executive order and the company's forced sale to American investors sets a bad precedent for other countries. It likely will embolden them to retaliate against US companies and demand payments for the ability to operate within their own borders."



Huawei, the Chinese tech giant which is a major player in smartphones and 5G wireless networks, is among the firms being targeted by President Donald Trump, citing national security

Moving toward cronyism

More ominously, Trump appears to be moving toward "crony capitalism" by brokering deals that benefit his friends and allies such as Oracle, whose founder Larry Ellison is major fundraiser for the president.

The Wall Street Journal, despite its support for the president on other issues, posted a scathing editorial this month of the proposed deal to

transfer control of TikTok from its Chinese parent to Oracle and Walmart.

"Maybe the deal will protect national security as the Trump administration claims, but it reeks of corporate cronyism that will damage the US government's credibility and reputation for free-market rules," the business daily said.

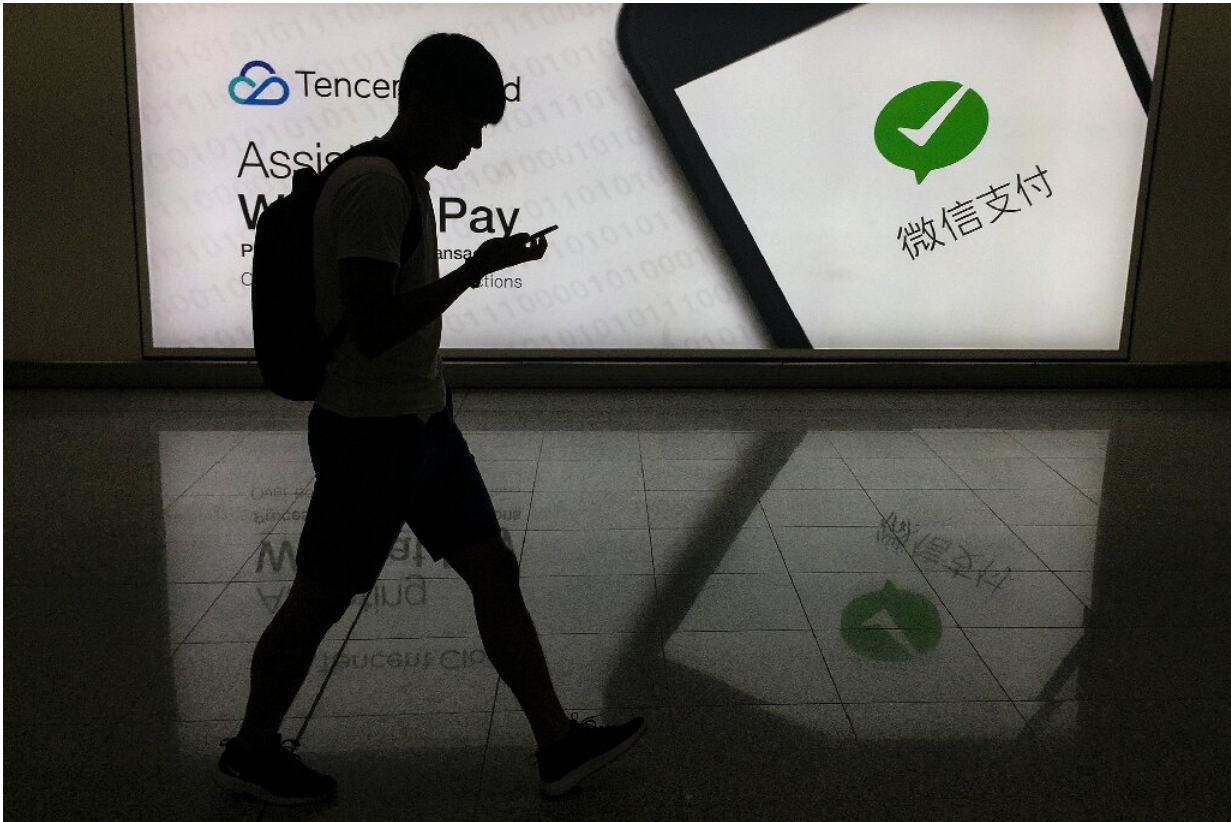
Benedict Evans, a venture investor who blogs on the tech industry, said the complex TikTok deal being promoted by the Trump administration has pushed national security into the background, making the whole saga a "farce."

"Setting aside the chaos—what does this solve?" he wrote.

"This is a shakedown, but it's also a climbdown. (Russian President Vladimir) Putin does this in Russia all the time, but manages it much better."

Businesses fret

The new ground rules have sparked concerns among business leaders forced to adapt to a new political landscape.



The US administration is seeking to ban the popular Chinese multipurpose app WeChat, a move which could impact iPhone sales in China

"Once you start tossing this grenade about protectionism and once you start turning these things into political questions (the change) prevents natural commerce," Barry Diller, chairman of the tech holding firm IAC, told CNBC television.

Edward Alden, a senior fellow at the Council on Foreign Relations, said the drama could harm US interests by discouraging foreign investment.

"The deal for TikTok was done among friends of the president, and with none of usual transparency and regulatory consistency that historically characterized the US treatment of foreign investors," Alden said.

"That may also worry investors from other countries, who will fear they no longer know what the rules are in the US."

Roger Kay, analyst and consultant with Endpoint Technologies Associates, said American technology firms have long benefitted from free trade and global supply chains, and that these are being disrupted by the US-China battle.

"There are a lot of intertwined webs that have been disturbed by the war on China, which to me seems badly conceived," he said.

"My view is that [free trade](#) is the right trade and we've already lost a lot of that through tariffs and other matters, and this (action by the president) ultimately impoverishes everyone."

One consequence of the conflict: the US move to ban WeChat—the massively popular Chinese multipurpose app for messaging, shopping, payments and other services—could likely see a dent in iPhone sales in China if Apple is forced to remove it from its online marketplace.

Cornell University economist and trade policy specialist Eswar Prasad said the conflict appears likely to escalate, noting China's latest moves to restrict certain technology exports.

This suggests that "the two countries are going to use every available tool to advance their commercial and technological interests, and all companies operating in this space are at risk of getting caught up in these bilateral hostilities," Prasad said.

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