

Chinese technology vs US government debt

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With the end of autumn, the contradictions between China and the United States are again aggravated. Now in the high-tech sector.

Washington states that Chinese developments pose a threat to national security. Therefore, they are blocked and not allowed on the American markets. China, as the main response, reiterates the possibility of selling US government bonds.

Beijing holds about a trillion dollars in US government bonds. A massive sale of these assets will inevitably lead to a sharp drop in the dollar and negatively affect the global economy.

At the beginning of this year, the parties tried to end the trade war. A bilateral agreement was concluded aimed at the gradual restoration of trade relations.

But the coronavirus pandemic has made its own adjustments to the reconciliation process that has begun. US authorities have accused China of spreading the infection. And then the US withdrew from the World Health Organization, claiming that it was helping China.

Joe Biden's victory in the presidential election could make a difference. The incumbent President Donald Trump blames Chinese companies for damaging the American economy. In his words, technological secrets were stolen during the production of American goods in China.

In addition, White House officials have repeatedly accused China of meddling in the election campaign through social media. In this regard, President Trump even wanted to block the operation of the Chinese application TikTok in the United

States. The Chinese government's ability to access data on American citizens registered in the application was named as an argument.

The Chinese government is unlikely to stand up for the social network, since it is believed that it does not correspond to the values of socialism. But one of the largest technology companies in the country, Huawei, will definitely be protected from sanctions. The primary measures were threats to ban foreign companies from accessing technology that could pose a "threat to national security."

Beijing cites the possibility of selling US government debt as its most serious argument. The Chinese portfolio of US bonds is \$ 1.08 trillion. In the first half of the year, Beijing demonstrated the seriousness of its threats and sold 106 billion worth of Treasuries, a record figure for the past five years.

China is the largest holder of US government bonds and has the ability to bring down the dollar, starting their volume sales.

However, this step is not beneficial for Beijing itself. If the value of the American currency falls, this will lead to a decrease in the value of external assets and reserves of China itself. In addition, the depreciating dollar will lead to an increase in the value of Chinese exports. And the funds received from the sale of American assets will need to be invested somewhere, which is not easy in our time.

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