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Dace Blaskovitz: Welcome back to Money and Politics in Delaware. One of my favorite people, one of my favorite interviews, personal friend, Delawarean Dr. Dennis O'Brien . Welcome back to the program.

Dr. Dennis O'Brien : Always great to be on your program. I really enjoy it.

Dace Blaskovitz: And let's see, how to word this. Dennis O'Brien , Dr. O'Brien is a China expert. Delawarean, but a China expert. And in the intro today we're gonna focus on those China credentials. Dennis walk us through them.

Dr. Dennis O'Brien : Well it's funny, but in 1991 I was working with China Daily. It lost all its assets, both personal and information when the towers came down, they were in the towers in 9/11. And they asked me if I would join them to restart their American strategy, which I did. I became a foreign correspondent, basically writing a lot of finance and economic articles and op-eds. And then I became the American Editor of China Daily's Business Week. The China Daily by the way, is the largest English newspaper in China, probably the world.

Dr. Dennis O'Brien : After that I got very familiar with the higher-ups in China, having interviewed most of them. I was asked to become the Chief American Economic Advisor to the State Information Center. The State Information Center is the most powerful Think Tank in China. It guides and writes the five-year plan for the National Development and Reform Commission, NDRC, which by far is the hot post. It's the most important ministry in China. In that capacity I really got involved in the detail workings of how China puts together their economic policy and trade policy and industrial policy. That led to me creating a company called China Monitor, which was based here in Delaware and a joint venture with the State Information Center. I subsequently sold that back to the Chinese and became the advisor, I guess you could say, and then member of the Board of Directors of the China Economic Information Network. The CEINet is the largest information company in China, economic and information company.

Dr. Dennis O'Brien : I've stayed current with the Chinese economic activities for a lot of reasons. Not the least of which is PRC Macro, which is sort of spun out of China Monitor. It's really one of the foremost American, Chinese information companies here in the United States and China. They have lots there in Beijing as well. And secondly, Liu He, who became the Vice Premier of China was the former head of the State Information Center. His number two was Li Keqiang who effectively was an achieved economist in China and is one of my closest friends. He was just over at our house five weeks ago talking about what was going on with the tariff negotiations. And of course Liu He up unit a month and a half ago was the head of the Chinese delegation doing the tariff negotiations, but he's no longer that because effectively he failed negotiating with Trump. That's been taken over by the head of the Chinese Commerce Department now. Anyway.

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- Dace Blaskovitz: Let me do 30 seconds for the soccer moms out there. Make sure everybody's going to play along, and then I'm going to turn you loose. I guess my five comments or five sentences would be pretty much straightforward. The world is flirting with disaster. The world has two superpowers which are China and the U.S., and their trade war is crippling global growth. For instance here in the U.S. longer interest rates are around 30-year lows, and it gets more complicated real fast. President Trump fashions himself as the ultimate deal maker, but history suggests he can overplay his hand. I think he had five bankruptcies in Atlantic city at the same time. The Premier of China reportedly is a big fan of Chairman Mal, communism over capitalism. Chairman Mal would of course starve millions of people. Plus China suddenly has a myriad of crisis. In particular, the protestors and the Hong Kong airport. Dr. O'Brien, what's going on in China?
- Dr. Dennis O'Brien : Well, let me say this. Art Laffer, the famous guy for the Laffer curve who by the way, was one of the first Americans in China. He preceded Henry Kissinger and President Nixon by about a month. He was the advance man, if you will, for Kissinger. Art Laffer is obviously one of the senior most economists in the United States. Conservative economists I might add, and just received the Presidential Medal from Trump. He's listened to by Trump. He's also on my wife's board of advisors. Art and my wife and myself are friends, close friends. Art said something that's really brilliant. He said Trump should simply end the tariff war now because the issues that he's negotiating with the Chinese...which they are having a hard time with, that is theft of intellectual property etc. He doesn't have to have it done tomorrow. He can do that next year after the 2020 election. If the tariffs and the fight with China were to end today.
- Dr. Dennis O'Brien : Robert Fry and I both agree that the economy, the GDP would grow by about 3.2% over the next nine or ten months before the election. According to Robert and Ray Fair, if you had that kind of growth, there would be no doubt that Trump would get re-elected. So I think that Trump will back off this tariff war they're having right now, and President Xi needs that. He needs that for a host of reasons, not the least of which China's growth is the lowest it's been in 30 years. That growth is critical to stability in China. China needs about a six percent growth, 6.2, in order to keep ahead of the demographics. Last year 8.3 million Chinese graduated from college and are having a really hard time getting jobs. For an interesting reason by the way, in 2010 there were 1,000 universities in China. Today there are 2,700 universities that grant degrees, and most of them are papermills. Okay? And the Chinese students are having a real hard time finding jobs now in China. By the way, that's going to be the case in the United States too, and largely that's because of automation and computers.

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Dr. Dennis O'Brien : At any rate, they need that kind of growth. Now President Xi grew up in a communist society. His father was either the Vice Chairman or President of the PBC, the People's Bank of China. By the way, both his father and he because he was a teenager at the time, were sent-down. That means they were sent for re-education during the Cultural Revolution. He's both a princeling, but he's also a guy that's pretty wise. He is a communist at heart. He believes in it, but he also is very pragmatic. He knew that unless someone got control of the provinces that China would be out of control in terms of the kinds of things that the Chinese invested. When he assumed power about five years ago, the Chinese began to have huge underutilization of their industrial capacity, using the old SIC codes, manufacturing codes, SIC 2239. They were about 70% capacity utilization.

Dace Blaskovitz: Hang on...hang on. We have a hard close and for the audience we've got to go to a commercial in just a couple seconds and then we come back and do another full ten minutes with Dennis. Let me clean up a couple things. Dennis mentioned his wife. She's a prominent money manager. Fry is Robert Fry, a regular to the program. Former economist at DuPont. What we're gonna do is take a short break, very short break. Dennis stays with us, and we will be right back.