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## Look to Beijing

By Zachary Karabell  
Sunday, March 29, 2009; Page B01

A hundred years ago, London would have made sense as the spot where the world's leaders should gather, as they will this week, to grapple with a spreading economic crisis. The city was the early 20th century's nexus of finance and power, and Britain straddled the globe as the only true superpower. But we're in the 21st century now, and the G20 heads of state should not be plotting in the shadow of Big Ben. They should be sitting across from Mao's Tomb, near the Forbidden City, in the meeting halls off Tiananmen Square in Beijing.

The first G20 meeting, last fall, appropriately took place in Washington. But holding this second conclave in Beijing would have signalled a clear recognition that the Washington-Beijing axis is the most important relationship in the world today; it is the X factor in the quest to rescue the global economy. If the two powerhouses work together, the world may yet emerge prosperous and stable. If they work at cross purposes, the world's future will be as grim as the gloomiest doomsayers forecast.

Can they do it? Some look at the relationship and see only complications, worrying that if China sells off or stops buying U.S. bonds, the American economy could sink even deeper, leaving us like England at the end of War World II, a broke and broken hegemon, dependent on an upstart power. The parallel overlooks one critical difference: Today, China needs the United States as much as the United States needs China. This isn't codependence; it's interdependence, especially since the rest of the world needs both of them equally.

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For Beijing and Washington to pull the world out of this Great Recession, they must overcome both mutual suspicion and self-perceptions that are quickly losing validity. China is no longer as poor as it claims; the United States is no longer as rich as it acts. This transition will be tough for both. China is a bit like a newly muscular adolescent; it is gaining power but doesn't yet know how to wield it or to what purpose. As for Washington, it must learn to use muscles it hasn't stretched for many years, muscles that are adept at collaboration rather than dictation, that are flexible rather than simply big.

Former national security adviser Zbigniew Brzezinski has remarked that the world should focus less on the G20 and more on a "G2" of China and the United States. In many respects, the two nations have become a single economic system; historian Niall Ferguson has even coined the term "Chimerica" to describe their symbiosis. In 2008, before the storm hit, China and the United States accounted for more than half of all global economic growth. This year, even in a worst-case scenario, China will probably grow 7 percent as the world economy contracts and the United States suffers through at least two more quarters of deep recession. At the end of last year, John Lipsky, the deputy director of the International Monetary Fund,

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predicted that emerging economies would provide 100 percent of the world's growth in 2009. Given that China is the linchpin of the emerging world, it could well account for much of global growth now, much as the United States did in its mid-20th century heyday.

China and the United States are the two nations taking the most active measures to halt the slide. The United States has announced stimulus plans amounting to trillions of dollars, easily exceeding one-tenth of its gross domestic product. China has announced a \$600 billion spending plan, which, relative to the size of its economy, surpasses even Washington's -- although there are legitimate questions about how much of that spending is truly new. Still, these measures contrast with the tepidness of European spending efforts and dwarf the means of other nations.

Both countries recognize their unique positions and are generally saying the right things. In Washington recently, Chinese Foreign Minister Yang Jiechi called on China and the United States to "weather the storm together" and described the pair as "two big engines" pushing the global economy forward. And in Beijing last month, his counterpart, Secretary of State Hillary Clinton, offered almost the identical sentiment: "I don't think it's realistic to expect that we will see a global recovery without Chinese and American co-operation and leadership."

Such rhetoric is encouraging, but so recently has the U.S.-Chinese relationship become central to global stability that neither side has fully shifted its mindset. America's political class, long accustomed to military and economic predominance, tends to view any reliance on a foreign power as a sign of weakness. In its annual report to Congress last week, the Pentagon said that China is seeking technology and weapons to counter the traditional advantages of U.S. forces, and that the secrecy surrounding the country's military goals creates the potential for miscalculation on both sides.

China, meanwhile, long accustomed to watching the Western world -- and the United States in particular -- govern the globe and accrue the material benefits, seems to be of two minds about the crisis. On the one hand, China's leaders hide behind the assertion that they still have hundreds of millions of citizens living in poverty. At the same time, there's a certain triumphalism emerging from Beijing as the West's financial systems implode. Premier Wen Jiabao blamed the United States for the financial crisis in January, and just last week China's top central banker suggested replacing the dollar as the world's reserve currency with one that the IMF would issue.

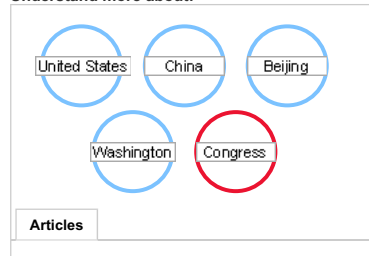
Yet reality allows neither China nor the United States the luxury of their illusions. China has become the world's second largest economy in a few short years, but it still relies on exports for a significant portion of its economic growth. The U.S. economy is no longer self-sufficient, nor can the United States act unilaterally in matters of money. That need not foreshadow a decrease in U.S. affluence, but it does mean a relative decline in influence, a development Washington considers undesirable and dangerous.

Some of this mutual distrust emerges from the domestic politics of both countries. Chinese officials are rightly nervous that, having invested so much -- politically and financially -- in the United States, they will be held accountable if the relationship turns sour or if U.S. economic weakness exacerbates problems within China itself. At a news conference on March 13, Wen went so far as to ask Washington for assurances that China's holdings of roughly \$1 trillion in U.S. government debt will be safe. For their part, Americans have long watched the rise of China's industrial power with unease, worried that every gain for China is a commensurate loss for the United States.

These perceptions, however, don't alter the reality of interdependence. Let's say that China's leaders wake up one day and are so discouraged by a sagging U.S. economy that they decide to unload their holdings. To whom would they sell and at what price?

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**Look to Beijing**

Beijing desperately needs a functional U.S. market. Trade with the United States remains one of the bright spots of the Chinese domestic economy; China registered a hefty \$260 billion trade surplus with the United States last year. And although recent headlines have emphasized a sharp contraction in bilateral trade, China still had a \$20 billion monthly trade surplus with the United States as recently as January.

Even more to the point, China's domestic economy is in many ways fueled by U.S. companies. From its leading consumer brands -- including Procter & Gamble's Oil of Olay and the hugely popular KFC franchises -- to high-end industry, China's internal development relies on foreign businesses. The ultimate goal may be to learn from these Western firms, copy what they do and how they do it and then wean the economy from such dependence, but for now that remains a distant hope.

For the moment, the attitudes of officials such as Clinton and Yang should allay earlier fears of trade wars and protectionism. Traditional Chinese distrust of U.S. motives has been muted, and even Congress has been noticeably silent of late, perhaps recognizing that attacking one's primary creditor at a time of fiscal need is not particularly smart. Even the recent face-off between Chinese and American naval vessels in the South China Sea -- reminiscent as it was of Cold War contretemps over Taiwan -- didn't lead to any breakdown in communications.

The real test will come after the global crisis is past. These days, pragmatism and need are in the ascendancy, but what happens on the other side, as the crisis eases and national interest reasserts itself? If Congress and popular sentiment in the United States reverse, the relationship will again be strained. If that happens, the now-dormant suspicion of the United States and its motives may again rise to the fore in Beijing.

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**THINK**

America must learn to separate its need to be the indispensable nation from its desire to remain powerful and prosperous. Since the end of World War II, there has been no distinction. Today, there is. Continued prosperity requires the United States to share the global stage with China. And though it is easier to be rising than declining, how will China handle its new power? Will its leaders be gracious on the way up, or will their newfound success foster delusions of grandeur?

Washington cannot halt Beijing's rise, nor can it extricate itself from this relationship. We can embrace it and

shape it -- or we can reject it, and then all that debt and all that historical distrust may haunt us. We have a choice, and at least for the moment, we seem to be making the right one.