

## Amid the economic and political storms, China and the US must realise they are inextricably bound together

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Comment\Insight & Opinion

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*Tom Plate says the pair will have to learn to better manage their differences, to keep the peace*

China, it seems, cannot win for losing. Exports-predator China is always "beating us", bombastic billionaire businessman Donald Trump declaimed yet again on the campaign trail. But his timing on this point could have been better as last week was not exactly the best possible moment to hold up China's economy as any world-beater. What with the mainland's growth rate slowing and its stock markets roiling, the panda seems to be heading in a direction more lumbering bearish than takeover bullish.

It would have been more far perversely astute to point out that, even when the panda is hurting, the US somehow still takes a "beating". By the end of last week's China slide, the Dow Jones followed in step, falling to its lowest level since 2011. (This was not due to Greece!) Suddenly, the US Federal Reserve has to rethink its plan to push abnormally low interest rates onto a higher shelf. So we conclude that, no matter what China does (shine or slump), its "beating" of America proceeds apace.

Let us not replace irrational exuberance with irrational pessimism. How to foment a historic Sino-US partnership that could save us all a lot of grief? For that, we reach back through history for a consultation with Niccolo Machiavelli, historically cunning adviser, who always tells leaders to look at the world as it is, not as they might like it to be. Sure, some Americans would only be comfortable in a world dominated, as it were, by one huge Trump Tower, looking down on the globe's minions, including all 1.4 billion Chinese and a billion-plus Indians. But this is not the world as it is, or as it will be - ever.

## Ill winds of all kinds travel in both directions: What our Fed does next will be felt in Shanghai

The world as it is, and as it will remain for the foreseeable future, is one vast network of co-dependencies (environmental, economic, health) plugged into a common fate. But, judging from the warrior-like roars wafting up from the pit stops of the US presidential trail, adjustments may prove even harder for America than China in the attitude department. "We are now all in the soup together," muttered one of my smartest friends, an international barrister, reacting to the latest Sino-US market mash-ups.

China is not going to vanish, no matter how much its markets stumble or its yuan tumbles. Its economic downdrafts will be felt as tornado-like downpours in places as far away as Oklahoma, just as its cheap exports have put smiles on the faces of children under Oklahoma's Christmas trees for years. Ill winds of all kinds travel in both directions: What our Fed does next will be felt in Shanghai.

So, what do we mean when we talk about a better Sino-US relationship, especially in the middle of this uncertain economic turn? Almost no one offers clearer thinking than George Yeo, the former Singapore foreign minister, who in his just published book, *Bonsai, Banyan and the Tao*, writes: "The two countries are now bound together at so many points, a serious rupture is almost unthinkable. But it is going to be a very difficult relationship; it will be the single most important relationship for both countries in this century. If it's badly managed there could be war; if it's properly managed there will be another generation of peace."

Without hysteria, we need to accept that this "shotgun" geo-political marriage (forced, rather than loving) will be an inconvenient affair, at times stormy, but at all times so desperately necessary. Both parties will need to make adjustments in attitude as well as policy, and they will have to do it on their own, together. For, where will they find a "couples counsellor" with experience of this extraordinary kind to mediate competently?

Might there be some silver linings in the current economic clouds? Here's one possible sliver: maybe both sides tamp down grandiose plans for endless defence spending. Competing choices have to be made, tough priorities set. The US must accept that if it tries to do too much globally, it may accomplish little anywhere. Beijing must accept that if it bets half the Bank of China on a dumb fleet of aircraft carriers, it will sink the ideal of lifting up all its people, not just the elite's yachts.

A keen observer of our oddest couple is Hugh White, of Australian National University, whose provocative 2013 book *The China Choice*, made the case for a US resizing of its Asia profile. The professor still holds this view, as he told me last week: "As the seriousness of China's challenge to US primacy in Asia becomes clearer to Washington officials, the choice in how to respond becomes starker. The more they understand the huge costs and risks of containing China, and the better they see the scale of concessions needed to accommodate its ambitions, the more likely they will find themselves drifting towards an option of accepting a much reduced strategic role in Asia. Yet each continues to assume that the other will give way so they can get what they want without having to confront the other militarily. Each is almost certainly wrong."

Politicians on either side of the Pacific who propose to "beat" the other offer an unrealistic option, a potentially tragic vision and a loser's game plan. America must accept the validity of China's strength, as it overcomes setbacks and grows, and not foolishly imagine its rise to be little more than the product of an American decline. Beijing must keep its silliest generals quiet and contain its naval build-up that's eating away at its future. Both sides need to accept their limits so as to expand their possibilities. When push comes to shove, real trouble will always (pardon the verb)

trump imagined trouble; and of real trouble there will be plenty. Threat invention, on the campaign trail or inside governments, is quite unnecessary.

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