

The US and China: A close – but complex – relationship

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No relationship in the world is more important than that between the US and China – so at least runs the message the Obama administration has sent since taking office.

Despite unease in both countries about the mutual dependence that exists between them – unease stoked by the populism of hard economic times – each acknowledges that it cannot tear away from the other's grudging embrace.

That interdependence will be highlighted by the G20 summit and the meeting on its margins between Presidents Barack Obama and Hu Jintao. Already, some analysts have called for a G2, of the US and China. Although falling far short of such a model, the Obama-Hu summit highlights the degree to which each country sees co-operation with the other as essential.

Eswar Prasad at the Brookings Institution, a former head of the International Monetary Fund's China division, points out that the US accounts for about \$260bn of China's total trade surplus of about \$295bn, so representing by far the most important market for Chinese goods.

Meanwhile, China's purchase of US Treasuries is significant not just in its own right, but as the bellwether for the rest of the market – increasingly important as US deficits soar beyond even the capacity of Beijing to finance.

The US and China have other common interests, to a degree unthinkable just a few years ago. And yet the differences between a communist one-party state and the world's most powerful democracy, together with the two countries' contrasting perceptions of their interests and their differences on Taiwan, make the relationship a supremely complicated one.

A prime example of those complications came when Hillary Clinton, Mr Obama's secretary of state, told journalists ahead of her arrival in Beijing in February that issues such as Tibet and human rights should not interfere with co-operation on the economy and climate change.

Mrs Clinton also mentioned a possible trilateral forum including China, the US, and Japan. But her words, on her inaugural trip in her new post, were not enough to dispel Japanese fears that Beijing, not Tokyo, was the focus of US interest.

Indeed, just days before, a senior state department official had argued that, without Chinese-US co-operation, no progress on a replacement agreement to the Kyoto protocol on climate change was possible. "This problem will not be solved unless we get together," he said, referring to the fact that the two countries between them account for 40 per cent of greenhouse gas emissions. "It is just that stark and that simple."

On her trip, Mrs Clinton sought to reassure China that it was still safe to buy Treasury bonds; Beijing is also hugely important in the US campaign to persuade the world's big economies to step up government spending and bolster IMF funds.

But strains have already appeared in the relationship during the two months since the Obama administration took office, emerging in defining moments of their own.

One such moment was when Tim Geithner, US Treasury secretary, repeated Mr Obama's campaign language accusing [China of manipulating its currency](#).

Although officials scurried to make clear that his language fell far short of being an official Treasury designation, the economic tensions his words highlighted and exacerbated were all too obvious.

And if Washington is still nervous about terms of trade with Beijing, China is deeply concerned about the status of its investments in the US.

"We lent such huge funds to the United States and of course we're concerned about the security of our assets and, to speak truthfully, I am a little bit worried," said Wen Jiabao, China's prime minister, in another defining moment in March. For good measure, he added that no other country had the right to put pressure on China to devalue or appreciate its currency.

Just a day before, Mr Obama had met Yang Jiechi, China's foreign minister, in the Oval office, discussing issues

ranging from the international financial crisis to North Korea, Afghanistan and Pakistan, and the situation in Sudan.

But despite such far-reaching ambitions, the meeting was overshadowed by an old fashioned international incident – a confrontation, in waters that formed part of a Chinese economic zone, between the USNS Impeccable and five Chinese vessels.

Mr Obama himself suggested increasing military-to-military contacts as a means of avoiding similar incidents. Previously, China had broken off the contacts in protest at US arms sales to Taiwan.

Indeed, the recent history of such links shows both how close US-China relations have become and how tortuously complicated they remain.

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