

China knows the time for lying low has ended

By Ian Bremmer

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With [Google pulling out of China](#) and US senators urging the White House to exert pressure for a [renminbi](#) revaluation, friction between the world's great powers seems depressingly normal. Sadly the reality is even worse.

The mutual dependence of America and China is grounded in commercial ties, and the two sides will be doing business for decades to come. But a new conflict is unfolding that could be more dangerous even than the cold war. Soviet economic decisions had little impact on western standards of living. But today, globalisation means there is no equivalent to the Berlin Wall. Nothing can insulate China and America from each other's turmoil.

The list of irritants in US-Chinese relations reaches beyond the current rows over Google and the renminbi, to include broader cyberattacks, disagreements over [Iranian sanctions](#), China's failure to protect intellectual property, and trade disputes over tyres and steel pipes. There are other nascent conflicts, too – from control of natural resources to the militarisation of the Indian Ocean.

These problems are symptoms of an illness that has progressed further than most observers realise. Put bluntly, Beijing no longer believes American power is indispensable to Chinese economic expansion and the Communist party's political survival. China's leadership has begun to consider a gradual [shift in its global strategy](#). Though this will not be easy to carry out, it is now quietly embarking on political and economic "decoupling" from the US.

This rethink began when the (western) financial meltdown put millions of Chinese out of work in early 2009. The shock undermined a number of Beijing's basic assumptions. Most significantly, China had "coupled" its growth to the west, becoming an export powerhouse to ensure ever rising standards of living.

This strategy lasted for 20 years – but is now coming to a close. To the careful observer, the signs have been clear for some time. We glimpsed a new standpoint at December's climate change summit in Copenhagen and in the strong reaction last month to America's announcement of arms sales to Taiwan and to US president Barack Obama's meeting with the [Dalai Lama](#).

A change of heart can also be seen in signs of coming economic reforms – but in this case Washington's problem might be that change does not come fast enough. China is signalling that it wants its model of growth to rely more on its growing consumer base. Some Chinese officials predict Beijing can create a truly consumption-driven economy in only five years. But it will not happen this rapidly, for political and structural reasons. For minimum industrial disruption, this plan must be undertaken with great care.

More significantly, Chinese officials argue that their country's resilience in the face of America's meltdown has vindicated China's "state capitalist" system. As a result, the commitment to building national champions is intensifying, and international companies are decrying Beijing's preferences for domestic rivals.

The shift is also visible beyond China's borders. While China will not mount a military challenge to the US any time soon, its ambitions to extend its influence in Asia and its plan to do business in far-flung places have given new momentum to its military plans. Military spending is thought to have gone through double-digit growth every year for the past decade – indicating a potential regional arms race. A broader shift in the balance of power is also likely to empower Chinese hawks to call for greater resistance to US pressure in places such as North Korea, Burma and Sudan.

What should America do? The answer is politically deeply problematic. China once saw the US as indispensable to its rise. It no longer does. So Washington must press harder for a sustainable, interconnected global recovery, while avoiding undue barriers to Chinese trade and investment in America. The US must also drive the participation of like-minded countries when engaging China on key diplomatic and economic issues. Avoiding a trade war is vital, as it would bolster China's notion of US dispensability even more.

The extent of China's change hit me most clearly during the Copenhagen talks, when He Yafei, Chinese vice-foreign minister, dressed down Mr Obama during a meeting that Premier Wen Jiabao was expected to attend. It brought to mind Deng Xiaoping's famous dictum that China must "keep a low profile and never take the lead". Now Beijing thinks the time for it to lie low has ended. The west must respond with wisdom and a firm hand, or low rumbling tensions will quickly grow into something much more damaging.

The writer is president of Eurasia Group and author of 'The End of the Free Market: Who Wins the War Between States and Corporations?' A longer version of this article appears in this month's [Prospect magazine](#)