

Nov 04, 2016 by **Peter Herford**

## **PRC less critical of US than many countries; it's all about the almighty yuan** <sup>[1]</sup>

China, is an excellent example of the complexity of the American image abroad. U.S. China relations are intertwined at every level of politics, economics, and society and becoming more so daily.

Let me put this in a factual context.

China is now the seventh largest economy in the world. Within five years it is likely to be the fourth largest.

China is already the third largest automobile market in the world behind the U.S. and Japan, having just passed Germany. But most important, and likely what you read about most is the debtor-creditor relationship between the U.S. and China. A vast imbalance that obscures an important fact.

China has fallen into and out of international debt herself in the past few years. While the U.S. shortfall with China is expected to reach \$ 57 billion in 2004, China's trade balance is expected to come in at only \$ 3 billion. Why? That's because China herself is a debtor in much of the world. Particularly in Asia.

While many things in your home and the clothes on your back may say "Made in China," all that manufacturing requires raw materials - materials that China has had to buy on the international market at rapidly inflating prices. As an example China's demand for oil this year has increased by 40%. She is the world's largest importer of scrap metal to make steel. (And most of that scrap metal comes from the U.S.)

But the critical bottom line is that China has also become George Bush's banker. Every day, the Chinese and the Japanese combined buy 40% of the U.S. debt - American T bills. No single country - indeed, no two countries - even come close to these percentages. Without this daily flow of capital, the U.S. economy would suffer an instant economic earthquake. That one fact underlies much of the relationship between the two countries.

For example, when President Chen Shui-bian of Taiwan was making aggressive noises toward China during his recent Presidential campaign, Beijing was very unhappy. Chairman Hu Jintao made a long-scheduled trip to the U.S. and sitting beside the President in the White House listened with a smile on his face while the U.S. President chastised the Taiwanese President and suggested that the rhetoric be toned down. You don't believe President Bush would have volunteered that on his own if his banker had suggested the script?

We all recently saw how important China is to the U.S. when it comes to North Korea. The President's insistence on multi-lateral negotiations with the North Korean, led by the Chinese and Japanese, permits the administration to try to keep a lid on nuclear proliferation while fighting its battles in Afghanistan, Iraq, Israel and Palestine. And lest we forget, American troops are still stationed in the Balkans and will be needed in places like the Sudan. In short, the U.S. needs China's money and her clout.

All this said what is the Chinese view of the U.S?

China's position on Iraq is clear. "Wrong war in the wrong place at the wrong time," as someone recently said. But the Chinese press, radio and television are not beating up on the U.S.

See for yourself: Chinese TV is now on cable and satellite television throughout the world, including in millions of households in the U.S. China Central TV's Channel 9, their International Channel in English which is a mix of news and information, has been playing the Iraq situation straight down the middle. The channel is the voice of Beijing and reflects Chinese policy, but these are not cold war times with cold war rhetoric. The reporting tends to be balanced. Spokespersons for the U.S. policy and view are seen and heard. Academics debate the Iraq war and other US-China issues. China is becoming a sophisticated media market, while still holding to a government and party-controlled monopoly.

But inside the country, the truth is the average Chinese doesn't think that much about the U.S. The war in Iraq is not front page news every day or dinner table conversation every night. The U.S. political campaign was background noise in China.

Meanwhile, the media monopoly game is changing: Within two years 400 million Chinese will have mobile phones. The country is already the world's largest mobile phone market. About 320 million Chinese have cell phones today, more than the total U.S. population. A billion data messages pass through the system every day, most of them short messages. Internet access is exploding, and while you read of monitoring activities by the Chinese government, that same government is spreading fiber and Internet access faster than you can count.

There is a vast flow of information, albeit not entirely free. But any picture of China as a controlled information society is oversimplified and false.

I don't know any educated Chinese who thinks the Iraq war was a good idea or that U.S. Middle East policy makes sense. If anything, the Chinese dismiss U.S. foreign policy as overly belligerent and hypocritical. U.S. insistence on the values of Human Rights pale in the face of Abu Gurayb prison. That story was as prominently displayed in China as it was around the world.

No one I know of in China hates the U.S. or even less hates Americans. U.S. tourists come back from China with a lot of good feeling for the way they were treated. It is likely the U.S. traveler is more warmly received in China these days than he or she is in Europe.

But the overall U.S. image here is not good. George Bush is not a popular president in China, though not as unpopular as elsewhere. His down-home, good-ole-boy Texas image doesn't fly in Shanghai, Guangzhou or Hong Kong. But the president's image better is in Beijing, where

the Chinese leadership knows it has a strong bargaining hand with Washington.

Remember the banker relationship. Why do you think Beijing has been able to firmly, but politely, fend off all the pressure to revalue the Yuan? It's because the debtor doesn't usually get to tell the lender how to run the bank.

The Chinese mantra vis-à-vis the U.S. today is business. It's far more important to the Chinese that they are now players in the WTO. The Chinese are now a member of the club. WTO doesn't mean much in the U.S. but is critical in China. Every Chinese seems to know the meaning of WTO. Try asking about WTO on Main Street USA.

A recent meeting of the G-7 is a clear indication of Chinese economic clout. The Chinese came as observers and made it clear that they did not feel themselves ready to join the G-7.

Remember, China is now the seventh largest economy in the world and growing. G-7. If the Chinese are seventh and growing, what's going on? Here's what's going on: China is still classified as a "developing" country, and gets enormous economic benefits from that categorization. Why give it up?

And not incidentally, the Chinese are proud of their economic and social accomplishments. They want to be invited to the G-7, not have to ask their way in.

To the extent the Chinese think about the U.S. they are puzzled about US policy abroad. The Chinese are not emotionally involved in the Israeli/Palestinian struggle. Their interest in the Middle East is their critical need for oil, along with the rest of the industrialized world.

China's focus now is more on India and Pakistan, the latter an ally, if not a client state. India is becoming a much more important player on the Asian and world stage.

The U.S. seems to be blissfully unaware of the rapprochement between China and India. Two of world's fastest growing economies represent 40% of the world's population. India is finally taking steps to end its long-standing feud with Pakistan (and don't think the Chinese are not brokering help). Trade between these three behemoths will only accelerate their development at a time the U.S. seems to be becoming more and more mired in a narrowly focused war on terrorism.

Terrorism is not a major threat in China. It is not even a minor threat. The irony is that China has become the bastion of free market capitalism. OK, maybe that's a bit of an exaggeration, but not by much.

The real issues for the Chinese are business issues. Will the new rules for textile imports to the U.S. hurt or help the Chinese economy? Will the U.S. obsession with the Middle East cause a recession and hurt Chinese exports? Will the U.S. obsession with national security close its borders to Chinese travelers? Those are issues that upset many Chinese.

The Chinese middle class is the fastest growing sector of the society. Yes, it is equally true that rural poverty in China has been acknowledged by Chairman Hu as a major priority of his administration. And yet he has just as large a problem trying to keep his hot economy from

overheating. The divide between rich and poor is a common problem in both the U.S. and China, and India for that matter.

Most Chinese have never left China on holiday. It's a big country with a lot to see and do. Anyone who traveled in China during the Autumn Festival knows the vast movement of people traveling home to their families or touring their country. But the growing Middle Class wants to stretch its legs and see the world.

25 million Chinese tourists flew abroad this year. That figure will double within three years, according to the travel industry. The U.S. gets only a drop in the bucket, because a U.S. visa has become more than hard to get: it is almost impossible to get. The U.S. tourist industry is suffering. Signpost up ahead: Chinese tourists went from relatively inconsequential in France to the number one tourist group during the summer of 2004.

I know hundreds of Chinese graduate students who have been accepted to U.S. grad schools yet they cannot come because they cannot get a visa. The beneficiaries are Australia and the UK whose schools have opened to the Chinese. The European Union has issued Shengen visas to Chinese for the first time, opening 15 EU countries to Chinese visitors.

Chinese students seeking graduate education abroad are among the best brains in China. The U.S. says it fears they will overstay their visas, so the U.S. doesn't give them visas anymore. It doesn't make much sense to the educated Chinese when they run into policies like this. I expect it doesn't make much sense to American businesses that would like to have access to those brains.

The number one exporter in the U.S. is Boeing. Those expensive aircraft account for as much as 20% of U.S. exports in a good year. And yet there are new Boeing aircraft sitting on the ground in Washington State because they cannot be delivered to the foreign airlines that have bought and paid for them. Why? The ferry pilots cannot get visas.

The US has lost tens of millions of dollars in contracts to train foreign commercial pilots on American simulators because those pilots, too, cannot get visas. The Australians and the British have been taking up the slack, and they are delighted with the business.

While the U.S. turns away business, the Chinese ethic has increasingly turned to:

"How can I get a piece of this growing economy?"

"Where is my better paying job going to come from?"

And most important of all, "When will I have enough money to buy my first car?"

### **Archived Comments:**

**Desmond Smith on January 16, 2005 @ 8:45 am:**

Boeing of course is copeting very hard with Airbus. There was a long pieced in the Times recently about the fight but no mention at all of Boeing's inability to get their planes to their customers. Can this really be true? I had always thought that If the U.K. or Italy or China wanted to buy a Boeing or an Airbus they would send their own air crews to ferry the plane home, usually after a quick refresher on all the new gizmos on the latest model. Am I wrong?

cheers desmond and thanks for most interesting story.

**peter herford on January 21, 2005 @ 12:51 am:**

You're right Des, the system is as you describe and it worked fine for years. Then the US got security conscious and stopped giving foreign pilots visas, even when their mission was obvious: oick up a paid for airplane for their company. They eventually get delivered but it has cost foreign airlines dearly as well as Boeing. And when it comes to sales just one more reason to buy airbus.

cheers

peter

**Tom Southwick on January 31, 2005 @ 2:08 pm:**

Hello Peter. I hope I have the right Peter Herford. If so, you and I are cousins. My grandmonther Hanna Goldstein Heider and your father Juli were siblings. My mother, Susan Southwick, passed away a few years back and I have inherited a batch of photos, some of you and some of your father and his parents.

If you are interested, I would like to send you some of the originals of these, keeping copies for myself.

I have also begun to contruct a bit of a family tree and jot down some stories I can recall. I would very much welcome any contributions you might care to make to this effort.

I know of your career from the attached bio. I have followed a somewhat similar path. I also worked much of my life as a journalist with detours into politics. I even wrote a book on the cable industry. Currently I am senior vice president for corporate communications for Starz Entertainment Group, the premium television service based here in Denver.

Was in China in August with my boss, John Sie, chairman of our company and a Chinese American. Wish I had known you were there as well.

Let me know if you have interest in the photos and if you might be willing to contribute some memories to my project. One possiblity is to send you the rough draft of what I currently have and ask you to add and subtract where you see fit.

Also very interested in your observatoins above. My belief is that the growing financial imbalance between China and the US is the most important economic story of our time, certainly the most under reported. One reason the Bush tax cuts failed to spur the US economy and job growth is that most folks took the money and bought suff, stuff which used to be made in the US but is now made in China. And the Chinese buying our bonds enables us to fund the tax cuts. In the business world they call this vendor financing, where the vendor lends you the money to buy his goods. It cannot go on forever, it seems to me. But there seems to be little political will on this end even to recognize the problem, let alone fix it.

Hope all is well with you and that this was an appropriate way to communicate. Best. Tom Southwick tom.southwick@starz.com 720-825-5821.

**anni (Ann Coletta Doyle) on February 9, 2006 @ 10:28 pm:**

Hello Peter,

I just finished listening to your interview with Yang Rui. It was so clear and to the point. You are a great defender of your craft, Journalism. When I heard you are the former producer of 60 Minutes I realized I was listening to the best.

I am a seasoned Montessorian who wanted to set up a bi-lingual class for twenty years. Little did I know it would be China who would answer my call. Of course, I am happy to be here and

joyful with the progress of the Children.

My first e-mail was not delivered because the machine told me I had an invalid address. It will try again. Wo zhidao nin tai mang. Do you ever have speaking engagements in Shanghai? I would like to share my ideas about East-West and how the world turns.

Anni

P.S. I worked for Airbus before the first model ever got off the ground, a bellyfull of stories.

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