

# Biden's visit to China underscores America's decline

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24 August 2011

US Vice President Joe Biden's four-day visit to China last week was centrally focussed on reassuring America's largest creditor that, in the words of Bloomberg.com, "your money is safe with us." Holding \$1.16 trillion in US Treasury bonds, Beijing has clearly been spooked by the recent unprecedented downgrade by Standard & Poor's of American debt.

In a keynote speech at Sichuan University on Sunday, Biden stressed that Washington had "an overarching interest" in protecting China's investment in US debt. He told his audience: "The United States has never defaulted, and never will."

The very fact that an American vice-president had to make such a statement speaks volumes for the nervousness in China and internationally about the US financial system, as well as the shifting relations between the US and China, now the world's second largest economy. For decades, the American dollar has been termed "meijin" in Chinese, signifying that it was as good as gold. Now that is in question.

The issue is not so much whether the US will default, but Washington's deliberate weakening of the dollar, which is eroding the value of China's dollar investments. The US policy of "quantitative easing" effectively involves the printing of billions of dollars. Like other US officials, Biden called on China to revalue its currency. But it was a pro-forma statement. Through quantitative easing, the US is carrying out its own revaluation of the yuan.

Biden met with his Chinese counterpart, Vice President Xi Jinping, amid the stock market turmoil last week produced by deep concerns about the European debt crisis and slowing European and American economies—China's

major export markets. Both men offered bland reassurances aimed at steadying the volatile markets.

Biden told Xi: "I would suggest that there is no more important relationship that we need to establish on the part of the United States than a close relationship with China." World economic stability, he said, rested on "cooperation between US and China" that "affects every country." Xi voiced his confidence in the ability of the US economy to "adapt and rebound" and praised its "resilience."

These empty statements only underline the fragility of the world's two largest economies. The US is now the world's largest debtor and heading toward recession. Its policy of quantitative easing aims at lessening its debt burden and boosting exports at the expense of its creditors and rivals. Pumping US dollars into the global financial markets is contributing to inflationary pressures in countries like China, threatening economic and social stability.

For its part, Beijing is watching with trepidation as its mountain of American debt falls in value. While Chinese officials appeal for harsher US austerity measures to reduce debt, Beijing has no alternative but to buy more US bonds. By recycling dollars earned from exports to the US, China keeps the yuan from rising in value too rapidly and thus maintains export competitiveness. What Beijing fears above all is a new round of factory closures and job losses—as took place at the height of the financial crisis in 2008-09—and working class unrest.

Social turmoil in China would have profound implications for American capitalism. A key meeting of Biden and Xi with US and Chinese business leaders underscored the huge American corporate interests in

China. On the same day, Coca-Cola announced a further investment in China of \$4 billion from 2012. Caterpillar, the world's largest manufacturer of heavy machinery, plans to "aggressively" expand in China, on top of its 16 existing facilities. Apple, which has surpassed Exxon Mobil to become the world's largest corporation by market capitalisation, depends on Foxconn's gigantic sweatshops in China to churn out its iPhones and iPads.

Far from lessening tensions between the two countries, their economic interdependence only heightens their rivalry in every sphere. Since its installation, the Obama administration has aggressively intervened in Asia in an effort to undermine Beijing's growing influence. While American economic power is declining in comparison to China's, Washington has not hesitated to exploit its still overwhelming military might to reassert its strategic hegemony.

In his speech at Sichuan University, Biden pointedly declared: "The United States—and I realise this occasionally causes some discomfiture—but the United States is a Pacific power, and we will remain a specific power—a Pacific power." Referring to America's dominant role in the Pacific for 60 years, he added: "I'd respectfully suggest that has been good for China, allowing China to focus on domestic development and to benefit from a growing market."

As Beijing is well aware, Biden's image of the US magnanimously guaranteeing the security of its Asian rivals is far from the truth. The Obama administration has just given a bitter lesson to Beijing in Libya, where the US and its European allies have used military means to install a client regime, effectively shutting China out of Libyan oil markets and annulling billions of dollars of Chinese investment.

In the Pacific, American naval strategists have since the end of World War II focussed on maintaining control over key strategic choke points such as the Malacca Straits and thus the ability to control the flow of goods, particularly oil. China's massive manufacturing expansion is heavily dependent on imports of energy and raw materials, especially from the Middle East and Africa. Not surprisingly, Beijing has been unwilling to leave its vital supply lines under US sway, and prone to US pressure, and is building its own blue water navy to defend them.

As a result, US-China tensions have flared over the past year in the South China Sea and East China Sea—that is, in waters close to the Chinese mainland. In the words of US Secretary of State Hillary Clinton, the US is "back in South East Asia." With Washington's support, Vietnam and the Philippines have taken a more strident stance in their rival territorial claims with China in the South China Sea.

Vietnam is just one example. Prior to Biden's visit, the US signed its first military agreement with Hanoi since the end of the Vietnam War. While the arrangement on medical cooperation was largely symbolic, it clearly signalled closer US ties with Vietnam at China's expense. To drive home the point, senior Vietnamese officials were invited on board the nuclear-powered aircraft carrier USS George Washington on August 14. China responded in kind to the signs of an incipient US-Vietnam partnership, conducting a major military exercise near its southern border with Vietnam from early August.

Biden's public statements in China were of course couched in the diplomatic language of peaceful cooperation. Nevertheless, as both sides are only too well aware, economic tensions and rivalry, which have been exacerbated by the worsening global financial crisis, are leading to confrontation and ultimately conflict and war. The only progressive alternative to such a disaster is the revolutionary unification of American and Chinese workers, along with the entire international working class, to abolish the profit system that is the root cause of suffering and war.

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