

## **Bush Behind the Smiles**

### **His Asian tour won't narrow a growing split between America and the world's most dynamic region**

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Oct. 27 issue - On his 10-day trip to Asia this week, President George W. Bush is likely to get a polite reception for his ambitious agenda. He wants to rally allies to the war on terror, the confrontation with North Korea and the expansion of transpacific trade. He'll be asking Japan and China to allow their currencies to get stronger, so they will find it cheaper to buy more goods from struggling U.S. manufacturers (and give American exports a boost just as the U.S. presidential-election season is gathering steam). Neither the Japanese nor the Chinese will say no outright, but they won't say yes, either. Below the polite ambiguities, something disturbing is happening, at least from an American viewpoint.

FOR ALL ITS MILITARY power, political clout and economic might, America could be losing its influence in what is arguably the most dynamic region of the world. Big changes are happening in Asia, for which America's policies are increasingly out of step. Washington's preoccupations—the mess in Iraq, the jobless recovery and the escalating fiscal deficit at home—are not Asia's preoccupations. When Bush looks into the future, he sees an American Century with a troubled story line dominated by the fight against terror. When Asians look into the future, they see an Asian Century dominated by rising prosperity and the emergence of China as a superpower, with terror a minor subplot.

Asians will say the right things about helping with the war on terrorism in order to extract concessions from Bush—more military aid here, a bilateral free-trade agreement there, less serious arm-twisting on currencies in a third instance. But this won't change the basic problem. Asia's main global interest is in international economic policies that help sustain its ongoing boom. And on that front, U.S. leadership is now much weaker than Asians expect.

Yet Asia can push only so hard. The ties among countries in the region are growing stronger, but there is no equivalent to the European Union, and each country sees its relationship with the United States as equally important to those with its neighbors. Each badly needs access to American markets. Most Asian leaders are deeply opposed to the unilateral, pre-emptive way that Washington went to war in Iraq, but they are less bitter about it than Europeans are. Moreover, most Asian leaders want attention from Uncle Sam but not too much—lest Washington become overbearing. For many of them, 10 days of President Bush's hopscotching across the region, shaking hands and giving toasts to no real effect, might be just about right.

The Asian future looks bright even if nothing comes of the Bush trip. Japan may be at last emerging from a decade of recession and seems poised to seek greater political and even military status around the world. China is growing at breakneck speed and, as so nicely symbolized by its successful space launch last week, is making world-class technological strides. The countries hobbled by the financial crisis of the late 1990s—Thailand, Malaysia, Indonesia and South Korea—have rebounded, and they

are more skeptical now of listening to the American free-market policy prescriptions that many feel got them into trouble in the first place. There's lots of talk of free-trade pacts in the region and closer security arrangements. Hundreds of millions of new — Asian consumers with spending power are entering the global market, and the supply systems of virtually every major multinational company from the United States and Europe are more and more dependent on their Asian networks.

Increasingly, Washington's policies are falling short of the leadership that the world has a right to expect from America. Take trade. Throughout most of the 1990s, Washington pushed hard for multilateral agreements that lowered barriers and created dispute-settlement mechanisms for all countries, capped by the creation of the World Trade Organization in 1994. Soon after, Washington led an international effort to get China into the WTO. No one would say that the accords were perfect, but the United States was building a system in which Asian economies would prosper.

Today U.S. interest in building global institutions has clearly waned. Washington seems more interested in concluding bilateral free-trade agreements, often with political allies. Asian nations will sign these accords because they want access to the American market any way they can get it. But over time, so many different arrangements, each with different provisions and wrinkles, will fragment the global trading system as much as open it up. On his trip, Bush will be accelerating this process by advancing new bilateral-trade deals from Australia to Thailand.

He'll also be trailing the specter of rising protectionism in America. There is quite legitimate fear in the United States that the "jobless" recovery may not be a temporary phenomenon and that at least part of the problem may be the outsourcing of millions of jobs, particularly to China and India. That fear has inspired calls for sanctions against Asian imports, and the pressure on Tokyo and Beijing to allow their currencies to appreciate in value. From the Asian standpoint the risks of upwardly floating currencies are too great, and therefore Washington is banging on a closed door.

Japan, for example, is unlikely to allow a stronger yen to impede its recovery. China fears that floating the yuan could worsen the bad-debt problems in its banking system and precipitate a financial crisis. In both cases, while currency appreciation could help American exporters somewhat, Americans and Asians would benefit far more from a change in Asian economic strategy that places less emphasis on exports for growth and much more on domestic consumption. That's the big, chronic economic problem in U.S.-Asian economic relations, but it's unlikely to be discussed.

Ironically, President Bush will arrive in Asia as the embodiment of the world's only true superpower, but one that has become dependent on Asia. Asian nations are amassing huge trade surpluses with the United States. Their central banks are investing their excess cash in U.S. Treasury securities, thereby keeping down American interest rates. American budget and trade deficits have become so large that there is no substitute for these foreign funds. But if its economic growth rates continue to rise as projected, Asia may find that it can invest these funds more

productively at home. This tender and precarious mutual dependence ought to be front and center in America's discussions with Asia. But it won't come up on this trip, because it is not like the Bush administration to think in terms of American vulnerabilities.

And perhaps it's unfair to think that a 10-day whirlwind tour might begin to deal with so many fundamental questions. But it's hard not to feel that there is a missed opportunity for Washington to build more meaningful ties to Asia, based on a more thoughtful discussion about mutual economic dependencies. If the diverging interests of U.S. and Asian leaders are ignored on this visit, they will come back at some other time, and probably in even more troubling ways.

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