

Biden tells China's Xi cooperation key for global economic stability
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BEIJING (Aug 18, 2011): Global economic stability rests on the United States and China working together, US Vice-President Joe Biden told China's president-in-waiting Xi Jinping, in talks seeking to shore up confidence in the dollar and bond with Beijing's next leader.

"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," Biden told Xi at the start of talks on Thursday in the Great Hall of the People, a cavernous ceremonial chamber in central Beijing.

"I am absolutely confident that the economic stability of the world rests in no small part on cooperation between the United States and China," he said.

Biden's visit is more about building trust than striking deals.

Vice-President Xi (pronounced "Shee") is overwhelmingly likely to succeed Hu Jintao as Chinese President from early 2013, when he will also inherit responsibility for his country's vast, sometimes troublesome relationship with the United States.

Both sides cast a warm glow on relations at the start of their talks, which reporters were allowed to briefly observe.

"I too believe that under the new conditions China and the United States have ever more extensive common interests and we shoulder ever more important responsibilities," Xi told Biden.

"We would like to work with your country to promote the development of relations between our two great nations."

Biden will be looking for signs of how Xi, 58, intends to handle relations, which span currency and trade ties and tensions, US arms sales to Taiwan, diplomatic disputes from Sudan to North Korea, and contention over human rights.

"Foreign policy is more than just one visit, it's about establishing relationships and trust," Biden told Xi, a tall, fleshy son of a revolutionary veteran. "It is my fond hope that our personal relationship will continue to grow as well."

For China, Biden's five-day visit that began Wednesday is a chance to test the Obama administration's intentions on US debt and possible fresh arms sales to Taiwan, the self-ruled island that Beijing calls an illegitimate breakaway province.

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Xi will burnish his profile through his several meetings with Biden, as well as through a visit to the United States, possibly early next year. But he will also have to show he can navigate these and other minefields in the relationship.

Beijing wants Biden to assure it, and a nervy Chinese public, that its vast holdings of dollar assets and US Treasury debt remain safe, despite Standard & Poor's recent downgrade of the sovereign credit rating of the United States, official Chinese media have indicated.

Chinese official media coverage of the fractious US debt debate and sluggish growth has exuded a sense that, after years of lectures from Washington about the yuan currency, trade gap, intellectual property piracy and human rights, Beijing now occupies the moral high ground.

Since the Standard & Poor's ratings downgrade in August, Chinese state media have accused Washington of reckless fiscal policies that have created uncertainty about Beijing's big holdings of dollar assets.

Analysts estimate Beijing has put about two-thirds of its US\$3.2 trillion (RM9.6 trillion) in foreign exchange reserves, the world's largest, in dollars and is the biggest foreign creditor to the United States.

"US desperate for vote of confidence from China," said the headline of a report about Biden's visit in the Global Times, a popular Chinese tabloid that dwells on nationalist themes.

In an interview done before his arrival in Beijing, Biden told a Chinese magazine, Caijing, that the Obama administration was "deeply committed to maintaining the fundamentals of the U.S. economy that ensure the safety, liquidity, and value of US Treasury obligations for all of its investors."

Despite the downgrade from S&P, one of the three big ratings agencies, investors have poured funds into US treasuries as a safe-haven amid turmoil in global equity markets and doubts about the strength of European growth.

US arms sales to Taiwan also remain a volatile issue – one brought a sharp cooling of ties early last year, when Beijing curtailed military ties with the US to protest an American arms package for Taiwan.

Now the Obama administration is considering a fresh arms sale to the island, which could include new Lockheed Martin F-16 C/D fighter jets. Sources have told Reuters that sale is appears unlikely to go through, although no final decision has been reached.

"The US has to respond to Chinese concerns on debt issues and arms sales to Taiwan seriously and sincerely," Gao Zugui, at the China Institutes of Contemporary International Relations in Beijing, told the English edition of that paper.

"Otherwise, we can't expect the bilateral relationship to be stable in the long term." – Reuters

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