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Conflicting Agendas Doom Summits

- By IRWIN STELZER



Last week's effort of the G-20 to bring some sense to the world currency and trading systems reflected a kind of charming persistence. No matter how many meetings fail to do more than set the stage for the next meeting by avoiding a communiqué that says, "We have failed to reach agreement," the world's finance ministers, central bankers, heads of state and of government, and assorted hangers-on—some 90 in all—greet, meet, eat and retreat to their respective homes.



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While the G-20 talks, Chinese exports, such as trucks in Lianyungang, continue.

There is, fortunately, an occasional glimmer of light. At last week's meetings Robert Zoellick, president of the World Bank, put forward some interesting ideas about containing the volatility of food prices in order to reduce the impact of these fluctuations on the very poor of the world—the sort of idea that just might, after a lengthy gestation period, give birth to sensible policy.

But all in all, these meetings have no hope of arriving at some deal between nations running large trade surpluses and those running deficits. In part this is because the issue cannot be confronted in its purest, uncluttered form. There is always some major player, in this case French President Nicolas Sarkozy, who uses the issue of imbalances to pursue a not-so-hidden agenda—in this case pervasive regulation of financial and commodities markets, and the dethroning of the dollar as the world's reserve currency. That frightens off the Americans, and even the Chinese, who share that goal, but have a longer time horizon and a different end point: the renminbi, not the euro, as the dominant currency.

An even more important reason for the inevitable failure of these meetings is the widely varying circumstances of the participants:

- The Americans are in the untenable position of defending runaway fiscal deficits, exacerbated by President Barack Obama's latest plan to pour more red ink over the nation's ledgers, and Federal Reserve Board Chairman Ben Bernanke's high-speed printing presses.
- The Germans have to avoid committing themselves to writing a blank check to their southern profligates.
- The developing countries have to retain the option of imposing capital controls to avoid an influx—and eventual sudden outflow—of hot money.
- Finally, there is China, playing a different game entirely.

While its negotiating partners concentrate on rejiggering this or that aspect of the financial system in a futile hunt for Bretton Woods II—John Maynard Keynes no longer being available to work his magic—China concentrates on its goal of overtaking America as the world's pre-eminent technological and military power. The Western nations think either of how to push a free-trade agenda, or what bits of protectionism might shield them from the onslaught of imports, while China sees trade as a means of effectuating a great leap forward.

Westinghouse might please the White House by selling nuclear stations to China, thereby helping Mr. Obama to reach his stated goal of doubling exports in the next five years. But the Chinese pursue

their more important goals by insisting that this and other deals include a turnover of all technology. They have been successful with this policy not only in the nuclear-energy field, but also in the manufacture of solar panels and wind turbines. In the latter case they demanded as a price of access to their market that GE build its turbine plants in China, and very soon Chinese-built plants sprang up to serve the needs of state-owned companies, which are required to direct their orders to the hometown boys, and with those orders in hand can compete for business with GE in the U.S. market.

The G-20 negotiators might huff and puff about an undervalued renminbi, but the Chinese know two things: they must keep their export machine operating at full tilt to provide jobs for their people lest they question the legitimacy of the regime, and some day they will have to allow their currency to rise, which is why in the end they withdrew their opposition to including exchange rates as a factor to be considered in assessing external imbalances.

But by the time that vague agreement is converted into a tool to put real upward pressure on the renminbi, China will have a sufficient store of U.S. IOUs to give it significant influence over American foreign policy. "How do you deal toughly with your banker?" Hillary Clinton once asked Australia's then-Prime Minister Kevin Rudd. His answer remains unrecorded.

There is worse. It took two years for President Obama to decide to press his Democratic Congress to approve trade agreements with Panama, Colombia and Korea. The deals have yet to be approved because congressional Democrats refuse to defy their trade-union supporters. Meanwhile, China is negotiating with Colombia to construct a rail alternative to the Panama Canal, investing in Latin American ports that will facilitate the shipment of energy and other resources to China, and even offering support for the bonds of Europe's troubled Club Med countries.

China's leaders are also using the proceeds of trade to finance the construction of a military machine that will include aircraft carriers and submarines, as well as stealth fighters to enable China to project power and back its territorial claims in the South China Sea. It is that global, long-term agenda that China has in mind, and why it is

delighted that the G-20 is content to discuss arcane memoranda dealing with indicators to measure imbalances in the global economy. Such matters generate considerable sound, occasional fury, and when all is said and done signify very little.

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