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## China: Scapegoat or Sputnik

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As I was saying, Mr. Rove, Americans aren't as stupid as you think.

Now that we've settled that, and now that we've had an election that clarified which country is most important in shaping U.S. politics in 2006 — Iraq — I've come to visit the country that's most likely to shape U.S. politics in 2008: China.

The civil war in the Republican Party, which you are about to see, will be all about Iraq — whom to blame and how to withdraw before the issue wipes out more Republican candidates in 2008. But the coming civil war among the Democrats will be all about China.

I still believe that when the history of this era is written, the trend that historians will cite as the most significant will not be 9/11 and the U.S. invasions of Afghanistan and Iraq. It will be the rise of China and India. How the world accommodates itself to these rising powers, and how America manages the economic opportunities and challenges they pose, is still the most important global trend to watch.

It really hits you when you see the supersize buildings sprouting in Shanghai, or when you look at the world through non-American eyes. Kishore Mahbubani, the dean of Singapore's Lee Kuan Yew School of Public Policy, told me the other day that Asia right now "is the most optimistic place in the world." More people have come out of poverty faster there — particularly in India and China — than at any time in the history of the world, and as a result, he notes, more people in Asia than anywhere else in the world today "wake up every morning sure that tomorrow is going to be better than yesterday."

But one person's optimism can be another person's flat wages. And that is why the Democrats and China are almost certain to butt heads. The Bush team's focus on Iraq and terrorism, coupled with the Democrats' lack of control over either house of Congress, has kept China-U.S. relations largely out of the headlines and on a relatively even keel during the Bush II years.

But two things will change that. One is the Democrats' return to control of both the House and Senate — powered by politicians like Nancy Pelosi, who has long taken a hard line vis-à-vis China on both economics and human rights, and Sherrod Brown, the newly elected senator from Ohio, who comes to D.C. with strong protectionist leanings from a state that has lost thousands of manufacturing jobs to Asia.

The other is the mood reflected in a Nov. 2 analysis in The Financial Times, headlined: "Anxious Middle: Why Ordinary Americans Have Missed Out on the Benefits of Growth."

Technology and globalization are flattening the global economic playing field today, enabling many more developing nations to compete for white-collar and blue-collar jobs once reserved for the developed world. This is one reason why growth in wages for the average U.S. worker has not been keeping pace with our growth in productivity and G.D.P.

“Economists call this phenomenon median wage stagnation,” noted The Financial Times. “Median measures give the best picture of what is happening to the middle class because, unlike mean or average wages, median wages are not pulled upwards by rapid gains at the top. As the joke goes: Bill Gates walks into a bar and, on average, everyone there becomes a millionaire. But the median does not change.”

Many Americans lately have started to get that joke, and it is one reason that with this new Democrat-led Congress we are likely to see a surge in protectionist legislation, more Wal-Mart bashing, a slowdown in free-trade expansion and increased calls for punitive actions if China doesn’t reduce its trade surplus — which surged to a record in October.

China, in other words, is inevitably going to move back to the center of U.S. politics, because it crystallizes the economic challenges faced by U.S. workers in the 21st century. The big question for me is, how will President Bush and the Democratic Congress use China: as a scapegoat or a Sputnik?

Will they use it as an excuse to avoid doing the hard things, because it’s all just China’s fault, or as an excuse to rally the country — as we did after the Soviets leapt ahead of us in the space race and launched Sputnik — to make the kind of comprehensive changes in health care, portability of pensions, entitlements and lifelong learning to give America’s middle class the best tools possible to thrive? A lot of history is going to turn on that answer, because if people don’t feel they have the tools or skills to thrive in a world without walls, the pressure to put up walls, especially against China, will steadily mount.

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