

Leading the Way

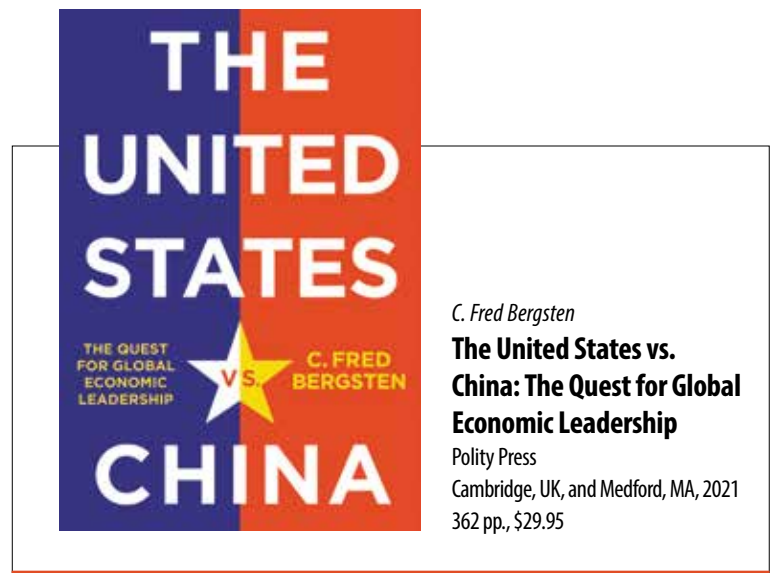
CHINA'S DRAMATIC GROWTH and its implications for the world economy have fueled new books at a pace commensurate with the subject. A recent wave includes an important book by C. Fred Bergsten, founder of the Peterson Institute for International Economics and an established Washington elder, on global economics.

Bergsten focuses on what China's growing role in the international economy means for US leadership in the post–World War II global economic order, whose pillars are cooperative international institutions (including the IMF), avoidance of beggar-thy-neighbor policies, and reliance on markets and the rule of law.

Bergsten argues that the United States inevitably will have to share global economic leadership with China. He rejects as fanciful such notions as “containing” China or persuading China to adopt Western views. The relevant question is which shape a sharing of leadership may take. Bergsten proposes an approach he calls “conditional competitive collaboration,” comprising collaborative US-China leadership on key global economic issues, conditional on each country's fulfilling its obligations in the international economic system. The countries should consult closely on systemic matters involving global public goods (such as climate change), be flexible about the balance of leadership on specific issues (with China having greater sway on development finance, for example, and the United States on international financial and monetary issues), and differentiate between the global and regional arenas.

Bergsten recommends the United States seek to uphold, with other major countries, the collaborative international economic system. Economic leadership should be decoupled from issues such as national security and values, traditional alliances should be restored to strengthen the international consensus on key global matters, and a multilateral trade reform package should be completed with China involved in writing the rules.

Regarding international financial institutions and cooperation, Bergsten envisions a need eventually for broad equivalence between China and the United States at the IMF, including on quotas and voting parity, with countries accepting related



C. Fred Bergsten

The United States vs. China: The Quest for Global Economic Leadership

Polity Press

Cambridge, UK, and Medford, MA, 2021

362 pp., \$29.95

obligations and requirements. He discusses several relevant questions for the Fund, including its location, governance, and the role of the IMF's Special Drawing Rights (SDRs) in global finance. Bergsten supports US integration into China-led institutions (such as the Asian Infrastructure Investment Bank) and vice versa, and—perhaps presciently—a complementary rather than confrontational approach to projects such as the Belt and Road Initiative.

The book calls for domestic reforms to underpin the outward orientation of US economic policy and its global economic role, including stronger social safety nets and mechanisms to address the inequalities associated with globalization, which provides large aggregate gains but distributes them unequally.

Bergsten's book is important for its breadth of perspective and depth of knowledge. While it deals extensively with foreign policy and history, it is on international economic issues that it is most insightful and perhaps most relevant for F&D readers. A caveat is that the issues are seen from an essentially US perspective. The lay of the land may look different when viewed from China or, for that matter, Europe, Japan, or elsewhere. There is much to learn from the literature that has emerged around the world on these issues by Yukio Hatoyama, Robert Kagan, Yan Xuetong, and others, and Bergsten's book is a good addition. **FD**

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