

Barack Obama's loss on the cards in Chinese poker. By Maurice Newman, The Australian, 17 November 2014.

FOLLOWING President Barack Obama's recent climate "deal", *The Washington Post* ran a cartoon depicting Obama playing poker with Chinese President Xi Jinping. Obama is down to his underwear, while Xi not only has the American President's clothes but all his gambling chips.

The truth is China has been beating the US at diplomatic poker for decades. Unlike Washington, Beijing operates quietly behind the scenes, always putting economic self-interest first. For example, on the UN Security Council where it has veto powers, Beijing frequently abstains. It leaves to Uncle Sam the unpopular role of global policeman and, while America becomes entwined in expensive and emotionally draining wars, China curries favour with Washington's enemies and the unaligned.

When America's foreign incursions and undisciplined fiscal policies at home result in the US Treasury running dry, China lends it money, subtly pushing up the US dollar in the process and selling more, even cheaper goods. Not only does Beijing buy US bonds but it invests in American industry. Chinese companies are global players with 100 now among the Fortune 500. And, while America's gaze has been distracted by wars and "progressive" issues, China has been making massive investments in the Middle East, Africa, Papua New Guinea and the Pacific, turning many mendicant states into de facto protectorates.

Having watched President Obama play his domestic big government cards, the Chinese have seen him and raised him by declaring last November that they would concentrate on deepening all-round reforms that would allow the market to play the "decisive" role in economic life. They are deregulating the financial system and will allow farmers to sell their farms, a significant break with the past. State-owned enterprises will be shaken up and will co-invest with the private sector. Utility prices will be set by the market. Some sections of the Chinese media are even suggesting that China is now on track to become a true laissez-faire state where the government is essentially a night watchman.

That's a big call, but while Obama believes in more bureaucrats, regulators and social engineers, China is focused on smaller government and economic growth.

While Obama may have noble intent, his latest climate "deal" with China reveals faulty judgment and dangerous naivety. As *The Wall Street Journal* editorialised on Thursday, "The Chinese no doubt saw how much the President wanted an agreement and that he would accept nearly anything that could pass as one. Mr Xi must have been delighted to see a US President agree to make America less economically competitive in return for rhetorical bows to doing something some day about climate change."

Not so delighted was senator Mitch McConnell, the future Republican Senate majority leader. He said, "I was particularly distressed by the deal (Obama has) reached with the Chinese on his current trip, which, as I read the agreement, requires the Chinese to do nothing at all for 16 years, while these carbon emission regulations are creating havoc in my state and other states across the country." Chinese newspapers agree that Beijing will not make any dramatic cuts to its emissions regardless of pressure from the US and Europe.

Of course anyone who has visited China will know it really does suffer from carbon pollution. You can see it. This is not to be confused with CO₂ which is colourless and not a pollutant. Rapid industrialisation and economic growth have been the abiding priority, but now, given the prevalence of serious respiratory disease, measures are being taken to clean up the air. But this has nothing to do with Obama's initiative. China had already committed to shifting 20 per cent of its energy production to non-fossil fuels. This means more nuclear power and replacing dirty coal-fired generators with modern, cleaner plants. Renewables will be around 3 per cent of the mix. Deng Xiaoping famously said, "Whether a cat is black or white makes no difference. So long as it catches the mouse it's a good cat."

Well, Xi's cat is a good one. It seems to have effortlessly caught three mice at once. It has signed a meaningless agreement to the rapturous acclaim of the world's climate cheerleaders, desperately wanting to build momentum ahead of the Lima and Paris conferences next year. It has potentially inflicted harm and slower growth on the US economy and ensured renewed hostilities between the Obama administration and the new majority Republican lawmakers, when the American people had hoped that political gridlock was behind them.

Agreement or no agreement, for China it will be business as usual. But for the US it will mean working out how to cut its emissions by 26 per cent below 2005 levels without slashing coal-fired electricity output by 75 per cent by 2025. Senator James Inhofe, who is likely to chair the Senate's Environment and Public Works Committee, has called the deal "a non-binding charade. The American people spoke against the President's climate policies in the last election. They want affordable energy and more economic opportunity," he said. House majority leader John Boehner suggested he would move legislation to further limit President Obama's ability to deliver the emission cuts he promised.

At home, the Labor Party, the Greens, the media and academics herald this non-deal as a triumph. Opposition Leader Bill Shorten said the agreement was "historic and ambitious" and claimed, "At the G20 this week Australia will hold the embarrassing title of being the only nation going backwards on climate change."

Really? Rather the Abbott government is displaying real leadership, insight and backbone in calling this agreement what it is — one that neither signatory will honour.

We are left with the impression that it is not only President Obama who would fare poorly in a game of poker with the Chinese.

Maurice Newman is chairman of the Prime Minister's Business Advisory Council. These views are his own.