

Fears of Asian economic slowdown, US debt default hit APEC summit

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World leaders from the Asia-Pacific region are gathered in Bali for the three-day 2013 Asia-Pacific Economic Cooperation (APEC) summit, which ends today. President Barack Obama, who cancelled his travels at the last moment to deal with negotiations over the US government shutdown, is pointedly absent.

A sense of economic crisis and geopolitical tension pervades the proceedings of the summit. A dismal World Bank report released on Monday highlighted the region's economic slowdown. Moreover, the current standoff over the US government shutdown threatens to escalate into a US government default on its debt, if the impasse is not resolved prior to the October 17 deadline for lifting the US debt ceiling.

The World Bank (WB) reduced its 2013 growth forecast for every country in East and Southeast Asia, except the Philippines. The WB report cut the expected growth rate for "emerging economies" in the region to 6 percent, down from the projected 6.5 percent growth rate in April.

China's predicted growth rate was slashed from 8.3 percent in April to 7.5 percent. The decline in expected regional growth was driven by the slowdown in the Chinese economy. Despite its economic slowing, the World Bank noted, that Asia is still "leading global growth," giving an indication of the crisis besetting the world economy.

This found expression in all of the public statements at the summit. Indonesian President Susilo Bambang Yudhoyono stated that APEC's 21 member economies continued to "feel the pain" of the global economic crisis. Chinese President Xi Jinping said the "world economy has entered a period of deep readjustment."

The deepest concern expressed at the APEC summit was that Washington might default on its debt. Mexican President Enrique Peña Nieto stated that a default

would affect "the entire planet, and not just those countries with a strong geographical and economic linkage to the US."

Russian President Vladimir Putin told the summit: "The dollar of the United States is still the biggest reserve currency in the world, so it is of utmost importance to all of us."

The pervasive pessimism and concern in Bali found expression in a leaked draft of the final summit declaration, which is scheduled to be released today. It concluded that "global growth is too weak, risks remain tilted to the downside, and the economic outlook suggests growth is likely to be slower and less balanced than desired."

President Obama's absence was keenly felt at the APEC summit, as regional powers looked to a strong delegation from Washington to give assurance of expanding American economic interests in the region. Singapore Prime Minister Lee Hsien Loong described Obama's absence as "a very big disappointment to us."

He continued, "Obviously we prefer a US government that is working to one that is not. And we prefer a US president who is able to travel and fulfill his international duties to one who is preoccupied with national domestic preoccupations."

Fears over the possibility of a US default on its debt were expressed by nearly all participants at the summit.

China, the third-largest holder of US government debt, issued the strongest statement. Zhu Guangyao, Chinese vice-finance minister issued a statement warning that "the clock is ticking" on the deadline to lift the US debt ceiling. He bluntly told Washington to "ensure the safety of Chinese investments... As the world's largest economy and an issuer of the world's major reserve currency, it is important that the US take credible steps to address its dispute over the debt

ceiling in a timely fashion and avoid a default.”

US Secretary of State John Kerry’s attempts at reassuring the summit of US economic stability amounted largely to bluster. He stated that “those leaders” who were critical of the deadlock in Washington “know well enough that in terms of the long term, this will end and the United States will have a budget. And the United States will still be the strongest power in the world.”

Washington was not alone in attempting to assuage concerns at the summit; Beijing was compelled to respond to the World Bank downgrade of China’s growth forecast. President Xi Jinping explained the slowdown in the Chinese economy by pointing to the ongoing wave of privatization of state assets and free market “reforms” in the country, saying: “China must undergo structural reforms, even if it involves a sacrifice of speed.”

“China’s reforms have entered the deep water zone,” he continued, if Beijing failed to “transform the economy,” the consequences would be “beyond remedy.”

Washington is still pushing ahead with plans to ratify the Trans-Pacific Partnership (TPP) regional trade agreement. US Trade Representative Michael Froman, head of TPP negotiating team in Obama’s absence, said: “Our message is, ‘let’s get this done as soon as possible.’” He described the previously set goal of December 31 ratification is “ambitious, but it’s doable.”

The TPP has developed as an initiative by Washington to dictate the terms of trade in the region and to undermine China’s trade partnerships. The drive for the speedy ratification of the TPP is hitting a number of hurdles, the result of concerns over the White House’s ability to get the agreement through the US legislature in the face of the ongoing impasse in Washington and Obama’s cancelled trip.

Japanese Prime Minister Shinzo Abe announced that he would delay the implementation of “reforms” to the labor sector required for entrance into the TPP. Malaysian Prime Minister Najib Razak said that there were “serious structural difficulties” facing Malaysia’s implementation of the demands of the TPP. And South Korean President Park Geun-hye, who was expected to announce that Seoul was ready to join the TPP negotiations, is now reported to not be planning such a

declaration at Bali.

The economic tensions at APEC are inseparably bound up with the military drive of US imperialism against China in the Asia Pacific region. The military and political escalation of Washington’s agenda will find its sharpest expression in two days when the delegates at APEC leave Bali and travel to Brunei for the East Asia Summit.

Already however, in the sidelines of the APEC summit, Kerry held a “trilateral meeting” with his Australian and Japanese counterparts. They issued a statement clearly targeted at Beijing, denouncing “coercive or unilateral actions that could change the status quo in the East China Sea.”

Chinese Foreign Ministry spokeswoman Hua Chunying responded: “The alliance between the US, Japan, and Australia should not be used as an excuse to interfere in disputes over territorial sovereignty ... We urge these countries to respect facts, tell right from wrong, be discreet.”



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