

China-US rivalry simmers at APEC summit

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9 October 2013

The Asia Pacific Economic Co-operation (APEC) summit in Bali that concluded yesterday was dominated by the barely-disguised rivalry between the United States and China and their competing economic and trade agendas.

The intensifying competition is being driven by the worsening global economic breakdown. As the summit's joint statement declared: "Global growth is too weak, risks remain tilted to the downside, global trade is weakening and the economic outlook suggests growth is likely to be slower and less balanced than desired."

Hanging over the summit was the looming threat of a US default if the Congress fails to lift the ceiling on government debt. This has potentially catastrophic implications for world finance and trade. Chinese deputy finance minister Zhu Guangyao yesterday pointedly warned the US to "take credible steps to address its dispute over the debt ceiling in a timely fashion and avoid a default."

APEC's joint statement made an appeal for an 11th-hour attempt to salvage the failed Doha round of multilateral trade talks, but the focus of the leaders at the summit was to boost their own trade through bilateral and regional deals at the expense of their rivals.

The US president's non-attendance at the APEC summit, due to the ongoing standoff with Congress over the government shutdown, only underscored the intense rivalry with China. Obama had been seeking to use the gathering to cement the US-centred Trans Pacific Partnership (TPP)—a trade bloc aimed at undermining China's expanding economic influence in Asia and internationally.

Washington has promoted the TPP as the means for pushing its trade agenda in Asia—including strengthening intellectual property rights, weakening the role of state-owned enterprises and opening up

government contracts to foreign competition. All of these conditions are pointed against China, which is not part of the TPP grouping.

Washington's exacting trade demands have, however, produced opposition from other TPP partners, including close US allies such as Japan, which is reluctant to open up its agriculture, insurance and auto sectors to foreign competitors. In Obama's absence, US Secretary of State John Kerry failed to make any substantial headway towards finalising a deal in TPP talks held yesterday.

Writing in the *Business Spectator*, Asia commentator Peter Drysdale pointed out: "The real problem is not Obama's no-show in Asia itself but what it says about the state of American governance. If the foundations of a functioning government are compromised at home, as they are so obviously now, America's allies, friends and opponents alike must naturally question the credibility of its commitments around the world... The goings-on in Washington make the TPP look suspiciously more and more like a dead cat that no one in Congress will want to pick up any time soon."

The US push for the TPP on the sidelines of the APEC summit clearly irritated the host country, Indonesia, which is not part of the grouping. Indonesia's trade focus has always been on the Association of South East Asian Nations (ASEAN), which has its own free trade arrangements with China and other countries.

Yesterday afternoon's TPP meeting was relegated to a hotel outside the official venue. "We mind, actually, and one of the reasons, at the very least, is we don't want any coverage [of the TPP] to overshadow APEC," one Indonesian government official told AFP.

The new Chinese leadership of President Xi Jinping and Premier Li Keqiang have launched their own diplomatic offensive to counter the Obama administration's aggressive efforts over the past four

years to undermine Beijing's position in Asia. Before attending the APEC summit, Xi made state visits to Indonesia and Malaysia, where he signed a raft of economic agreements and investment deals. Like their counterparts throughout the region, both Indonesia and Malaysia are attempting to balance between their economic dependence on China and strategic relations with the US.

Jakarta's developing ties with China were underlined by the fact that Xi became the first foreign leader to address the Indonesian parliament. Xi announced Beijing's plans to set up a \$50 billion investment bank to fund infrastructure projects in Asia. He also signed off on a \$20 billion currency swap agreement with Indonesia, along with other projects. In Kuala Lumpur, Xi set the target of expanding bilateral trade to \$160 billion by 2017. Trade between the two countries is set to reach \$100 billion this year, which will make Malaysia China's third largest Asian trade partner after Japan and South Korea.

At the APEC summit, Xi promoted his call for an expanded ASEAN-China free trade deal as part of a maritime Silk Road. "China cannot develop in isolation of the Asia-Pacific, and the Asia-Pacific cannot prosper without China," he declared. In an implicit criticism of the US-led TPP, he told the APEC business forum: "China will commit itself to building a trans-Pacific regional framework that benefits all parties."

Reporting on Xi's speech, the state-owned *China Daily* bluntly commented: "The Trans-Pacific Partnership, featuring confidential talks and the highest free trade standard beyond mere lower tariffs, is widely considered a new step for the US to dominate the Asia-Pacific region."

In a comment in the same newspaper, Wang Yusheng, China's former APEC representative, declared: "One of the US' main purposes is to impose its value and market standards on other APEC economies for entry into the [TPP] forum it has created to suit its own interests. This is preposterous."

The impact of Obama's cancelled trip to South East Asia has clearly raised concerns in the US. In an article entitled "Chinese media crow over Xi's 'star' performance, Obama's no-show", the *Washington Post* declared that "Xi saw an opportunity to press his country's credentials as a business partner to its neighbours" and noted that the Chinese press "gloated"

over his role at the APEC summit.

The APEC summit is being followed by two days of top-level talks, today and tomorrow, in Brunei where leaders will attend meetings convened by ASEAN, including the East Asian Summit. Kerry will again stand in for Obama, while China will be represented by Premier Li.

The Obama administration has used previous East Asian Summits to stir up maritime disputes in the South China Sea between China and its neighbours, including the Philippines and Vietnam. While Beijing has been involved in regional talks over the past year in an attempt to defuse the issue, Kerry will undoubtedly exploit the issue in a bid to counter what the press has referred to as China's "charm offensive."



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