

Trade splits emerge at APEC meeting

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The meeting of Asia Pacific Economic Cooperation (APEC) trade ministers held in Hanoi, Vietnam, over the weekend was the third major international meeting to abandon a commitment to resist protectionism, following similar decisions at G7 and G20 summits over the past two months.

Like the earlier decisions, the statement issued by the 21 APEC trade ministers was a response to the “America First” program of the Trump administration in the US. Since coming to office Trump has scrapped the Trans Pacific Partnership (TPP) and demanded the renegotiation of the North America Free Trade Agreement (NAFTA) with Mexico and Canada.

After somewhat tense back-and-forth negotiations on the wording of the text, leading to conjecture as to whether there would even be a statement, the meeting simply called for officials to “deepen APEC’s structural reform agenda to remove barriers to trade and investment.”

It was very different from the statement issued at the last APEC meeting held in Peru in November last year.

That statement had declared: “We reaffirm the pledge made by our leaders against protectionism through a standstill commitment that we recommend be extended until the end of 2020 and to roll back protectionist and trade-distorting measures, which weaken trade and slow down the progress and recovery of the international economy.”

What has changed between the two meetings is the coming to power of the Trump administration in the US and its insistence that international agreements, including the operations of the World Trade Organisation, have disadvantaged the US. The White House wants to pursue bilateral agreements, rather than all-embracing arrangements and commitments.

The role of the US at the meeting, which was attended by trade representative Robert Lighthizer, was the subject of some pointed remarks by Russia’s

economy minister Maxim Oreshkin.

In an interview with *Bloomberg* on Saturday, in the midst of discussions over the text, he said there was a risk there may not even be statement as there was one country opposed to a commitment to fight protectionism. “When there were talks about the memorandum of the forum, there were 20 countries that agree on everything and one country that has not agreed on anything,” he said.

Asked what country that was, he replied: “You can guess.”

Lighthizer said the US faced a huge trade deficit and it would fight against what he called “unfair trade,” reiterating the commitment to pull out of the TPP.

“This does not mean we will not engage in this region,” he said. “The president thought it was so important that I come here and demonstrate to this region how important it is to the US to be involved.”

Trade talks and economic arrangements, however, have been thrown into disarray because no one is sure how the “America First” agenda of the Trump administration will play out and what exactly it is demanding.

“It’s not only us, it’s everybody on this forum wants to get clarity on what the US thinks about its trade policy,” Oreshkin told *Bloomberg*.

These views were echoed by He Weiwen, a former Chinese trade diplomat in San Francisco and New York.

“They claim that US policy is free trade but what they say they want is what they call fair trade. They haven’t explained what fair trade really is and are just claiming that it is something different. This is certainly not workable. It won’t help APEC, the G20 or the whole course of the global economy. It is a pretext for protectionism.”

There were other expressions of concern. Vietnam’s industry and trade minister Tran Tuan Anh told a press

briefing that the APEC group strongly support a multilateral trading environment, and warned of “signs of protectionism.”

Some countries tried to avoid the threat posed to the trade environment posed by the US administration, and downplay the significance of the scrapping of the commitment to resist protectionism.

Canadian trade minister Francois-Pilippe Champagne said the focus should be on actions rather than statements and that economies have agreed to maintain rules-based, open and free trade. It was necessary to look at the “big picture,” he asserted, and the countries represented at the meeting had expressed a desire to strengthen the system that exists in the Asia-Pacific.

The New Zealand trade minister, Todd McClay, said that “we should not become overly concerned where we can’t reach agreement on a statement, clearly and quickly, at every meeting.” There would only be concern, he said, when countries were not willing to come back and talk to each other.

He said the US had “different views” about what fairness in trade meant and “from what I have seen I have a lot of sympathy for the view that seems to be forming in the US.”

Notwithstanding such attempts to downplay the significance of the Trump agenda, the divisions are widening. The commitment to resist protectionism was introduced at the G20 heads of state meeting which followed the global financial crisis of 2008. It was endorsed in recognition of the enormous dangers of a return to the kind of beggar-thy-neighbour policies which played such a disastrous role in the Great Depression.

Now such a commitment is not able to be made at any major international economic gathering. It is a sign of the growing division of the world into rival trade groups and the abandonment of a multilateral approach.

On the sidelines of the meeting, Japan held talks with other members of the TPP in pursuit of its push to make the agreement effective even without the participation of the United States. The Japanese desire to continue with the agreement, which excludes China, signifies an intention to advance its interests against the growth of Chinese economic power.

China held discussions at the conclusion of the meeting with the 16 members of its proposed Regional Comprehensive Economic Partnership. Beijing is

presenting itself as the champion of free trade against the growing protectionism emanating from the US.

Oreshkin, who warned protectionism was the greatest threat to global growth, said he had not approached Lighthizer about a meeting and that “it’s more important to contact our Asian partners rather than the US.”

For the US part, Lighthizer held discussions on the sidelines of APEC with individual countries, in line with the Trump administration’s pursuit of preferential bilateral deals.

While the global economy continues to operate under the multilateral agreements that characterised the post-war international economic order, the APEC meeting was another indication that it is starting to fracture.



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