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APEC Summit Over: Hobbled Hegemon and Assertive Leader

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The dialogue between the US and Chinese leaders was a major event at the recent APEC summit that wound up last week.

Before that the US President visited China in 2009. A lot of things related to the bilateral relationship have changed since then - with its global clout grown, China has become increasingly confident and assertive.

The title of the article A Beleaguered Barack Obama Goes to Meet a Confident Xi Jinping at APEC published by US weekly Times mirrors the things almost precisely as they are.

The plan for deeper greenhouse emissions reductions, that President Obama unveiled at the summit, sounded rather impressive but immediately went under harsh criticism by US Senate now under the Republicans' control. It's not the only thing that makes the US President weak.

The summit made clear the nature of relationship between the two leading powers. In a nutshell, it's a stand-off between a hegemon and a leader demonstrating two absolutely different policies and approaches to the problems of contemporary world.

One party strives to preserve its position and the possibility to impose its will on others while the other is obviously inclined to change this world, and what is important – it can really do it. It wants the world to become better, or, at least, adapt to the historic changes and new reality

The US-China rivalry is an important factor to influence the APEC agenda, but the relationship does not boil down to economic or geopolitical competition only. The two different civilizations are divided by a wide gap in approaches to economic development and international economic cooperation.

The US policy in the Asia-Pacific region is aimed at making the America-dependent countries join the group where the members play by the already established rules with possible changes introduced by Washington according to its interests. Beijing by and large abides by the rules in force at global and regional level. At the same time it believes that the existing pattern does not facilitate economic growth. China realizes that the relationship based on the balance between the groups of states is of discriminatory nature and in many instances may lead to the loss of economic independence. It makes China put forward concrete initiatives to broaden the prospects for all states of the Asia-Pacific region, including providing them with an opportunity to independently choose the right strategies for development and tools to implement the plans.

It would be right to say that Washington holds on to the past while Beijing looks to the future making its policy more realistic.

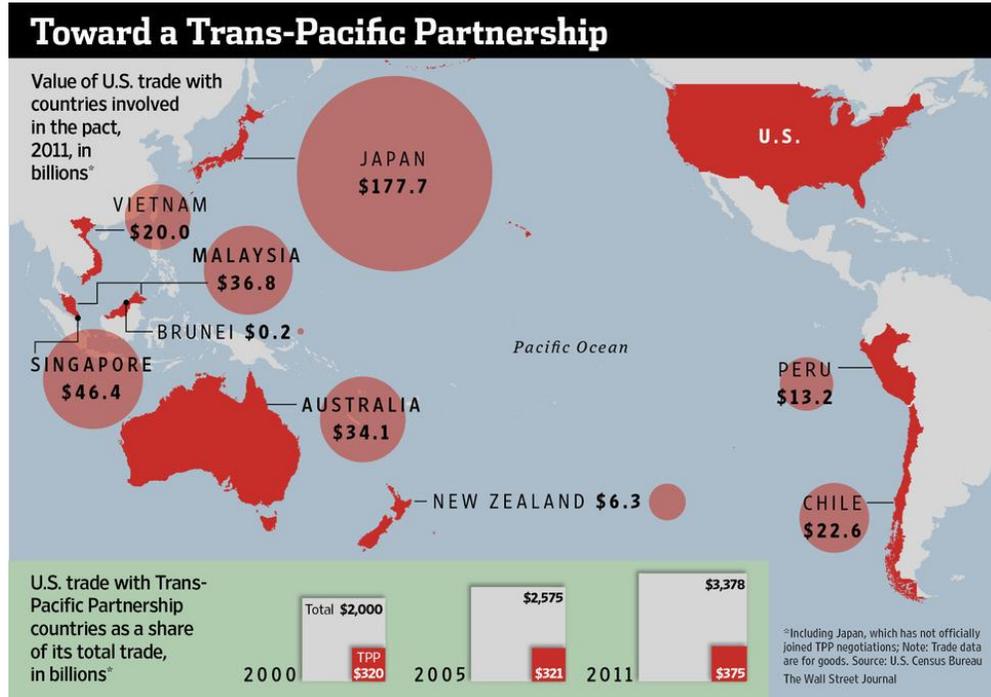
With the financial crisis over, the West faces the end of globalization along with the emergence of multipolar world. Fruitful interaction is rapidly developing between newly emerged world actors making the relationship with old centers of global influence based on more equal footing.

China is comparable with the United States in many areas. Its growing commercial, economic, financial and technological strength is viewed by many countries as a counterweight to balance the influence of the overseas partner. It's no wonder that Beijing took the baton from the West to adopt free trade rhetoric. China has reasons to rebuke the West of protectionism and does it with spectacular propaganda effect.

One can definitely say that the Washington-proclaimed Asia pivot and the Trans-Pacific Partnership - TTP (a proposed regional free-trade agreement leaving out China) do not match reality and have a dim chance for success.

Having a look at prospects for economic growth even tried friends do realize that by going too far in their loyalty to Washington they risk to miss out on the opportunities offered by

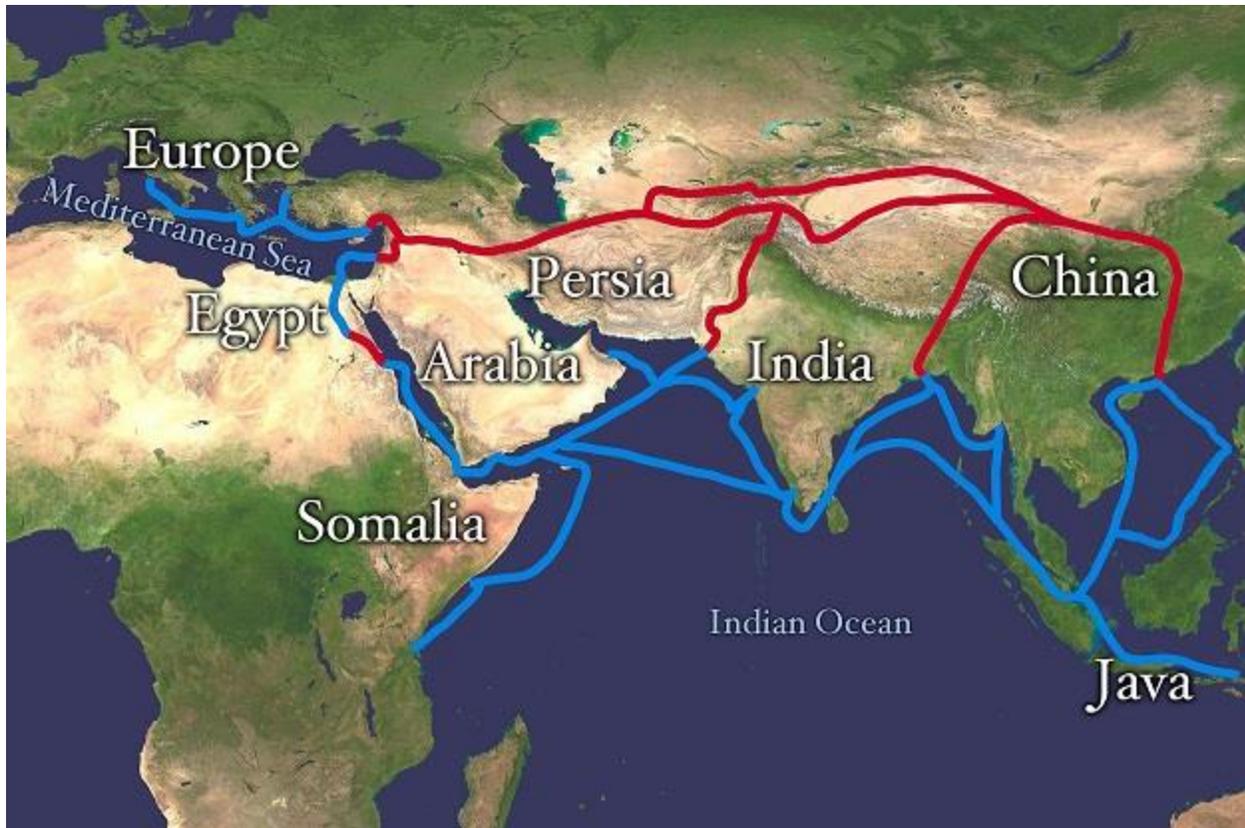
dynamically developing Chinese market.



For instance, four TTP founding states: New Zealand, Singapore, Brunei and Chile view China as a more important trade partner than the United States. Three out of them (excluding Brunei) believe that China is an important trade counter agent. China is also an important trade partner for the five states that have joined the Trans-Pacific Partnership talks: Australia, Japan, Malaysia, Peru and Vietnam. Taiwan is another party to the talks with its economy almost integrated into China. Only three participants in the negotiation process (the United States, Canada and Mexico) consider China to be the second most important trading partner.

It should be noted that the talks on the initiative to create the Trans-Pacific Partnership are held in great secrecy. At the APEC summit the idea came under perfectly organized two-frontal attacks launched simultaneously by Beijing. China finalized and signed two bilateral free trade agreements with the Republic of Korea (South Korea) and Australia. Besides, Beijing insisted that the initiative on the creation of free trade zone in the Asia-Pacific be included into the final declaration of the forum.

Unlike the Trans-Pacific Partnership, the Beijing-backed agreement is not of discriminatory nature. Looks like the talks on the free trade zone proposed by China will be more open.



Beijing came up with other important proposals. China plans to establish a new bank to fund development of the "New Silk Road" pouring 40 billion dollars into the project besides the China-launched Asian Infrastructure Investment Bank (AIIB), an international financial institution that has already been provided \$50 billion – half of the start-up capital.

No need to say that the funds allocated for long-term projects are crucially important for many Asian states and their implementation would have multiplier effect. Beijing allocates enough funds to improve the lending standards, including for credits granted from other sources and not in Asia only. It's worth to mention the negative reaction of the United States. Washington believes that the China-initiated projects lack transparency. Actually the United States can see a clear threat to the international banks it controls.

Other financial news before and after the APEC summit also had evident political connotations. In early November China reached an agreement with Qatar on the use of yuan for trade transactions and investment projects. On November 8, a similar agreement was concluded with Canada. On November 13, another financial agreement was signed with Malaysia. With all these agreements in force the influence of the dollar in global markets will decrease.

The trend is quite stable and indicative.