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G20: Xi says rising protectionism threatens world economy

By Kevin Yao and Nathaniel Taplin

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The global economy is being threatened by rising protectionism and risks of high leverage are accumulating, Chinese President Xi Jinping said at the open of a two-day summit of leaders from G20 nations.



*Leaders pose for pictures during the G20 Summit in Hangzhou, Zhejiang province, China
September 4, 2016*

His warning on Sunday followed bilateral talks with Barack Obama that the U.S. president described as “extremely productive”, but which failed to bring the two sides closer on thorny topics such as tensions in the South China Sea.

With the summit tucked in between Britain’s surprise vote in June to exit the European Union and the U.S. presidential election in November, G20 leaders are expected by observers to mount a defence of free trade and globalization and warn against isolationism.

But some of the G20 leaders have begun drawing battle lines in disputes over issues ranging from trade and investment to tax policy and industrial overcapacity.

The global economy is “at a crucial juncture”, Xi said, hemmed in by sluggish demand, financial market volatility and feeble trade and investment.

“Growth drivers from the previous round of technological progress are gradually fading, while a new round of technological and industrial revolution has yet to gain momentum.”

Other leaders attending the summit in the eastern Chinese city of Hangzhou include Russia’s Vladimir Putin, Japan’s Shinzo Abe, Britain’s Theresa May, Germany’s Angela Merkel, France’s Francois Hollande and India’s Narendra Modi.

Security was extremely tight in Hangzhou, with parts of the city of 9 million people turned into a virtual ghost town as China seeks to ensure that the G20 summit is incident-free.

Obama, who arrived on Saturday, held talks with Xi that ran late into the night. He urged Beijing to uphold its legal obligations in the disputed waters of the South China Sea, and stressed U.S. commitments to its regional allies.

Xi said China would continue to safeguard its sovereignty and maritime rights in the South China Sea.

But China is keen to keep the summit focused on economic issues and to prevent other disputes from overshadowing it.

BATTLE LINES

On Sunday, Xi held talks with Australian Prime Minister Malcolm Turnbull and told him he hoped Australia would continue to provide a fair, transparent and predictable policy environment for foreign investors.

China was angered when Australia blocked the A\$10 billion (\$7.7 billion) sale of the country’s biggest energy grid to Chinese bidders last month.

China has accused Australia of bowing to protectionist sentiment in blocking the bid for Ausgrid, as well as an earlier one by a China-led consortium to buy cattle company Kidman & Co.

Beijing has also criticized Australia, a staunch U.S. ally, for running surveillance flights over disputed islands in the South China Sea.

Meanwhile, European Commission President Jean-Claude Juncker said on Sunday China must set up a mechanism to address its problem of industrial overcapacity, saying it was “unacceptable” the European steel industry had lost so many jobs in recent years.

“Overcapacity is a global problem but there is a particular Chinese element,” he told a news conference.

Britain’s future after its departure from the European Union was also subject to discussion.

Obama reassured Prime Minister May that Britain’s closest political, commercial and military ally would stand by her, but did not shrink away from his stance that Brexit was a mistake and that London would not be able to jump the queue to arrange a bilateral deal.

Juncker said that if Britain wanted access to the European Union’s common market, it needed to respect the rules of the common market.

Turnbull, meanwhile, said Australia wanted an early free trade agreement with Britain so markets could remain open between them when Britain formally left the European trading bloc.

Obama, now in the last five months of his presidency, is using the visit to put a final stamp on his signature policy shift toward the Pacific, setting the tone for his White House successor, who will be elected in November and take office on Jan. 20.

His visit began chaotically at the Hangzhou airport, where his staff argued with Chinese security over media access. He was also not offered a staircase to disembark at the front of Air Force One, and staffers had to scramble to find an alternative exit.

Obama said on Sunday he “wouldn’t over-crank the significance” of the airport events.

“None of this detracts from the broader scope of the relationship (with China),” he told a news conference. “The bilateral discussions that we had yesterday were extremely productive and continue to point to big areas of cooperation.”