



Publication: Bloomberg

Date: 8 October 2013

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By Shamim Adam - Oct 8, 2013 12:00 AM GMT+0800

The U.S. and China both touted their partnership credentials to Asian leaders meeting in Bali as they vie for greater economic and strategic influence in a region where trade and growth potential remains high.

Speaking at the Asia-Pacific Economic Cooperation forum yesterday, U.S. Secretary of State John Kerry -- standing in for President Barack Obama -- and Chinese President Xi Jinping each pledged to work with countries to boost trade and investment. APEC leaders wrap up their meeting today, with most moving on to Brunei for a summit of the Association of Southeast Asian Nations.

Major powers are asserting themselves in Asia as they hunt for new sources of growth, while assuring leaders they are not trying to dominate smaller countries or contain each other. China has softened its tone in recent months after disputes over waters in the South China Sea rich in oil, gas and fish raised tensions with countries such as Vietnam and the Philippines.

"I want to emphasize that there is nothing that will shake the commitment of the United States to the rebalance to Asia that President Obama is leading," Kerry said at the APEC CEO summit. Xi told the audience that "the Asia Pacific is a big family and China is a member of this family." "China cannot develop in isolation from the Asia Pacific, while the Asia Pacific cannot prosper without China," Xi said.

Obama's cancellation of a four-nation Asia trip to seek an end to the impasse with Republicans in Congress who are demanding changes to his health insurance legislation has raised question about whether the U.S. can maintain its commitment to prioritize its ties with Asia.

Malaysian Prime Minister Najib Razak said yesterday that Obama had missed "a golden opportunity for America and for President Obama himself to show leadership in that context of the new emphasis towards Asia."

U.S. Pivot

Kerry reiterated that the partial U.S. government shutdown is "a moment in politics." "I guarantee you we will move beyond this and we will move beyond it with strength and determination," he said. Russian President Vladimir Putin said in Bali he understands why Obama skipped the meeting and added leaders are eager for the "quickest possible resolution" of the U.S. shutdown.

U.S. officials have sought to assure their Asian counterparts that plans for large-scale Pentagon spending cuts over the next decade won't detract from an economic and military "pivot" to the region.

"We are seeing more economic diplomacy at work because of competition among the powers that are seeking a slice of the action here," said Eugene Tan, an associate law



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professor at Singapore Management University. "Everyone is putting their best foot forward and playing nice rather than try to impose their economic desires or plans on these countries which have no shortage of suitors."

Growth Concerns

APEC leaders are discussing ways to bolster their economies as a patchy global recovery and volatility in financial markets constrain growth even as Asia shows relative resilience. The Bali summit has included talks on a key 12-nation trade pact, the Trans-Pacific Partnership, with the completion deadline at risk of being pushed back from the end of the year.

Najib said the deadline is not set in stone and warned that some areas of the talks are cause for "great concern" for his country. The accord, which involves countries such as the U.S., Australia, Japan, Malaysia and Vietnam, would link an area with about \$28 trillion in annual economic output.

While the APEC meetings have focused on economic and trade links, territorial disputes have cropped up in bilateral talks. Japanese Prime Minister Shinzo Abe told Vietnam's president during a meeting that he's concerned about China's attempts to change the status quo by force, Kyodo News reported. Japan and China both claim islands in the East China Sea, known as Senkaku in Japan and Diaoyu in China.

Japan's Role

A strategic alliance between the U.S., Japan and Australia shouldn't be used as an excuse to interfere in territorial disputes, China foreign ministry spokeswoman Hua Chunying said in a statement posted yesterday on the ministry's website.

"The vast Pacific is free of natural barriers so we should not raise any man-made ones," Xi said in his speech in Bali.

Abe also stressed Japan's increased involvement in the region. Japan has been building strategic ties with countries such as the Philippines as a counterweight to China's assertiveness.

"Japan is determined to become deeply interlaced with the economies of APEC while sparing no effort to move the surge of our activities further forward still," Abe said in a speech at the APEC CEO forum yesterday.

The U.S. and China both have crucial roles to play, Vietnamese President Truong Tan Sang said in response to written questions from Bloomberg.

Protectionism Warning

"It goes without saying that cooperation and competition are two sides of the same coin when it comes to international relations, particularly those amongst the major powers," Sang said. "For the time being, peace, stability and cooperation for development represent the common trend."



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A common theme at the meetings, which kicked off last week with gatherings of trade and foreign ministers, has been vigilance against protectionism.

“Some are witnessing protectionism in some economies,” Indonesia Trade Minister Gita Wirjawan told Bloomberg Television in Bali yesterday. “The spirit of fighting against protectionism is highly up there in the past couple of days.”

APEC ministers said Oct. 5 they will recommend leaders extend through the end of 2016 a commitment to combat protectionist measures and roll back such policies that exist.

Economic nationalism is a big challenge for APEC, said Tony Fernandes, group chief executive officer of AirAsia Bhd. (AIRA), Asia’s biggest budget carrier. “Everyone benefits by opening up,” Fernandes said in a panel discussion in Bali.

Growth Risks

Global growth will probably be slower and less balanced than desired, as the world economy is too weak and “risks remain tilted to the downside,” trade and foreign ministers from the 21-member grouping said in a statement Oct. 5.

TPP member countries are pinning hopes on the trade deal to help shore up growth. Japan became the latest nation to join the talks when it formally entered discussions in July.

U.S. Trade Representative Michael Froman said Oct. 5 the “finish line is in sight” and TPP officials are trying very hard to complete the deal this year.
'Great Concern'

Speaking at the APEC CEO summit yesterday, Najib said “we do have a few areas of great concern” in the TPP talks, particularly the inclusion of issues such as intellectual property and labor.

All the TPP countries are members of APEC, set up in 1989 to advance free trade and investment in an area that accounts for half of the world’s total gross domestic product and 45 percent of global commerce. China, the second-biggest economy among APEC members, isn’t part of the TPP. Indonesia is still evaluating whether to join, Wirjawan said.

While finishing the accord this year may be “ambitious,” it is important to set deadlines, and trade agreements should have high standards, U.S. Commerce Secretary Penny Pritzker said in an interview with Bloomberg TV in Bali on Oct. 6.