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Obama's APEC Summit Does Not Dispel China's Misgivings

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Cai Penghong, Senior Fellow at the Shanghai Institutes for International Studies, reports that “For Chinese observers, the Obama administration wants to build a new trans-Pacific alliance in the Asia-Pacific along the lines of the US-led trans-Atlantic military alliance, NATO.”

US President Barack Obama's APEC summit in Hawai'i clearly speeds up the tempo of the US “back to Asia strategy.” It is obvious that no other region of the world, in Obama's mind, is more vital to the long-term interests of the United States than the Asia-Pacific. Speaking in his childhood hometown of Honolulu, his focus was targeted directly on US exports to the region and creating employment on the home front. This policy is backed up by his hardworking team including Secretary of State Hillary Clinton and Secretary of Defense Leon Panetta, who respectfully emphasized the thrust of continued US diplomatic and military forward-deployment throughout the Asia-Pacific.

However, intensifying the military presence of the United States in Asia actually intensifies pressure on China. For Chinese observers, the Obama administration wants to build a new trans-Pacific alliance in the Asia-Pacific along the lines of the US-led trans-Atlantic military alliance, NATO. This was the policy explained by Secretary Clinton in her “America's Pacific Century” speech at the East-West Center in Honolulu just prior to the summit. However, NATO was conceived and aimed directly at the former Soviet Union in response to the Cold War; the current US-led designed trans-Pacific alliance is obviously directed against no other country but China.

While China can accept the United States as a Pacific power which subsequently will play some regional leadership role, China cannot tolerate a new NATO style military alliance right at its front door. Of late Beijing has been concerned about external hostility towards Chinese Communist Party (CCP) rule in China. Therefore this new concept of establishing a US-led Asian version of NATO is perceived as a direct threat to the Chinese system under the leadership of the CCP, and therefore an existential threat to the CCP itself. Any goodwill remarks American officials made at the APEC forum cannot dispel these Chinese misgivings. Thus, it seems natural for Chinese President Hu Jintao to remind President Obama that China's interests have to be respected because they do matter.

Even within the realm of trade, China met challenges at the APEC summit from President Obama. China was censured for its style of conducting business, with President Obama insisting that China “play by the rules.” The United States in the aftermath of the recent global financial crisis has its own domestic economic issues to address, and needs China, along with other Asian nations, to extend a helping hand. But it is hard for China to understand why on the one hand the United States wants Chinese assistance, but on the other hand is prepared to criticize the Chinese. These different explanations are a result of different levels of understanding, and the regulations and rules proposed by the United States are very difficult for China to



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implement at this moment. Furthermore, China has its own pragmatic thinking and approach to enhance its bilateral trading relationships with individual APEC members, which it believes will spur China’s economic growth and is in the country’s best interests.

President Obama has privately and publicly discussed the issue of the Chinese currency, the Renminbi (RMB), with President Hu. Obama has pressed China to revalue the RMB only for political reasons in order to enhance his bid for reelection next year, because of the fact that this is a contentious issue in Congress and with Republican presidential candidates. President Hu has explained that the currency issue has been politicized and has repeated that the US trade deficit and unemployment problems will not be solved by China appreciating the RMB. Furthermore, the domestic fiscal and financial problems that the United States is currently facing are a result of deeper American structural problems.

Another significant outcome from this year’s APEC summit is the official announcement on the “broad outlines” of the framework regarding the Trans-Pacific Partnership (TPP), even though it appears that the momentum the TPP negotiations exhibited early last year are somewhat impeded now. There was not an official TPP agreement at the APEC summit as President Obama had envisioned two years ago, thus the nine countries involved in the negotiations could only agree on a broad outline. Clearly, the TPP aims to create a high standard Pacific regional trade agreement for the twenty-first century, and in theory a large free trade zone is better than a small one.

It is obvious that US participation in this endeavor has been stimulated for economic reasons after the 2008-09 global financial crisis. According to media reports, the TPP is unique because it aims to reduce tariffs to zero within five years and stimulate services trade to a new level. In addition, the Obama administration has emphasized that the TPP would promote trade and investment in innovative products and services, and would be a living agreement that could be updated to address trade issues that emerge in the future. President Obama would like the TPP agreement to be signed within one year, but some observers maintain that next July would be a good time to complete the agreement.

The significance of Japan’s intention to join the TPP negotiations should not be underestimated. Prime Minister Yoshihiko Noda announced that Japan would join TPP just one day before the APEC summit opened. There have been heated debates about Japan’s participation in the TPP negotiations, and finally now Japan has stated its intention to join. However, it now seems that Japan will not be able to take part in the next round of negotiations scheduled for December. The reason is that Japan has to be interviewed individually by all nine negotiating countries, and also needs approval from the current US Congress. According to US regulations, Congress will have a 90-day approval period once President Obama submits a formal request for Japan to participate. It seems that Japan’s entry will still present some challenges for the TPP talks.

The Japanese announcement stirs the waters of the Asia-Pacific, as this move influences China. Some observers urge China to take steps to apply for entry into the TPP negotiations. Others maintain that China should remain calm and wait to see what will happen. However, as the TPP is still dominated by the United States with its intention to replace the East Asia track—ASEAN Plus Three, ASEAN Plus Six and the China-ASEAN FTA—China’s misgivings remain. While it may be structurally difficult for China to join the TPP negotiations at this moment in time, one thing is for sure and that is that the TPP will be incomplete without China’s participation.

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