APEC summit and its concerns

Why in news?

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The U.S.-China discord at the recently held APEC summit highlights the dangers of their tariff war between the trading nations.

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What are the concerns with the latest summit?

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- For the first time in APEC history, the summit closed without a joint statement from the leaders.
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- The economic rivalry between US and China appeared to have fractured the 21-nation summit into two segments.
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- The source of the friction stemmed from the “America First” policy, under which U.S. led the charge on “unfair trade practices”.
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- This was an implicit accusation that China was not levelling the playing field in global trade.
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- The U.S. has been urging China so far –
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1. To increase market access and grant intellectual property protections for American corporations
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2. Cut back on industrial subsidies
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3. Bringing down the $375-billion trade gap
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- US also implicitly warn Pacific nations off accepting financial help from China.
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- It says that the infrastructure loans, which have been deployed by China with Pacific countries, had “opaque” terms, and threatened the sovereignty of small nations and could leave them in a debt trap.
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- Also, the Belt and Road Initiative of China has worried smaller Asian nations and the U.S., particularly given that China views the Asia-Pacific landscape as a means to secure economic predominance worldwide.
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What are the effects?

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- The trouble between the two nations began when both started taxing $50 billion worth of the other’s imports.
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- This was followed by the U.S. slapping $200 billion of Chinese exports with a 10% tariff, to be increased up to 25% later.
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- China, on its part, retaliated with a promise to impose reciprocal taxes to the tune of $60 billion.
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- The tariff war has resulted in the IMF downgrading its global growth outlook for this year and the next to 3.7%, down 0.2 percentage points from an earlier forecast.
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- If this continues, eventually global supply chains may be hit, and shrinking trade volumes may cause companies to seek out new trading routes and partners.
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- Institutionally, multilateral rule-making bodies such as the WTO may lose their authority which ensured a consensus-based approach in the world trade since World War II.
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- This will result in an interlocking system of bilateral trade treaties and punitive sanctions networks among the trading nations.
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- Despite these concerns, Australia, the US, New Zealand and Japan announced in the summit they would invest in Papua New Guinea to bring

electricity to 70% of people in the country.
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- The US also announced it would partner with Australia and Papua New Guinea to upgrade the Lombrum Naval Base on Manus Island, which could hand them another crucial strategic outpost in the Pacific.
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- Thus, Asia will be at the heart of this war of attrition because strategic control of its high-value maritime trading routes is the key to China’s dreams of global trade dominance.
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- The world is still poised on the edge of the trade war vortex after the APEC summit.
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- The forthcoming G20 meeting in Argentina should offer an opportunity to pull back from this brink.
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Source: The Hindu

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Quick facts

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Asia Pacific economic co-operation

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- It is regional economic forum of 21 Pacific Rim member economies that promotes free trade throughout the Asia-Pacific region.
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- These 21 member countries collectively account for nearly 50% of world’s trade and about 57% of GDP.
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- It was established in 1989 in order to leverage growing interdependence of Asia-Pacific region’s economies and promote free trade in the region.
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- The 21 Members Economies are Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States, Taiwan, Hong Kong, China, Mexico, Papua New Guinea, Chile,

Peru, Russian and Vietnam.
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- India is an observer of APEC since 2011 and has applied for its membership.
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