

## **Significance of APEC-Beijing and Post-APEC Agreements between the U.S. and China**

### **Mainstream and Organic**

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APEC Beijing has just been concluded. As the 25<sup>th</sup> anniversary event, it is understandable that the 2014 APEC showed a bit more of extravaganza than prior conferences. China as the host did a fantastic job in welcoming the top leaders, ministers and business executives of the 21 Asia Pacific economies with manicured accommodations, services and personal gifts, awe-inspiring, lavish and sumptuous State Dinner, and splendid, impressive and entertaining art performance. The Mayor of Beijing, by administrative measure of traffic and air pollution control, even managed to offer the APEC guests blue sky during the week of their stay. Beijing citizens rarely could see blue skies, hence pleasantly called the color of their sky APEC Blue during the November month. However, the grandiose happenings in Beijing were not the real significance of 2014 APEC. The significance is in the expectations and goals that are created by the APEC leaders and the immediate post-APEC agreements that have been reached between the U.S. and China.

The 68-point leaders' Declaration made in the 2014 APEC was not only a continuation but also the expansion of the scope and pace of reaching the goal of Free Trade Area of the Asia Pacific (FTAAP). The leaders set the following focuses:

1. Advancing regional economic integration,
  2. Promoting innovative development and economic reform and growth, and
  3. Strengthening comprehensive connectivity and infrastructure development.
- The emphasis is to bring vision to reality on FTAAP.

The significance of 2014 APEC was first demonstrated by the fact that the key economies, the U.S., China, Japan, Russia and India, all had been cordially making commitment to the APEC goals. The competing (and distracting) topics such as Trans-Pacific Partnership (TPP) did not come up openly during the APEC meeting; they might not even have occurred in private discussion since there was no post-APEC grapevine report on them. The 21 economies had appeared to be on the same page in charting the economic course of Asia Pacific.

Prior to APEC, the Japanese PM, Abe Shinzo had made concessive agreement to recognize the historical accords regarding territorial disputes between Japan and China in order to obtain a meeting with China's leader Xi Jinping. This is a significant development for Japan and China to thaw their icy relation ever since Abe visited the Yasukuni Shrine to worship the WW II war criminals. Another significant break-through was that the South Korean President Park Geun-Hye and China's President Xi Jinping agreed to sign a free trade agreement (FTA) (which had been in negotiation for two years) at the APEC summit. Immediately following APEC, the U.S. President Obama made a formal State Visit to China; what is surprising and newsworthy was that Obama

and Xi held long personal talks lasting two hours beyond their scheduled two and half hours private meeting. Obama claimed he had for the first time learned so much about the Chinese Communist party and its governing philosophy from Xi. The most significant outcome, which surprised the world, was the agreements they announced.

While the news media were busy reporting on the details of APEC meetings, President Obama of the U.S. and President Xi of China took the spotlight again immediately after the APEC summit. Post-APEC during Obama's state visit, the U.S. and China announced the following significant agreements:

1. Climate Change - The United States would cut between 26-28% of the level of her carbon emissions set in 2005 by 2025, and China would regulate her carbon emission to peak before 2030, a welcome surprise to the world and to the International Climate Conference to be held in Paris next year.
2. Military Protocol - Rules of conduct regarding military encounters and exercises to avoid accidents to occur. This agreement certainly will reduce the tension in Asia Pacific Air and Sea.
3. Visa Requirement - Both countries will offer broader and longer visa to their business people and citizens to facilitate easier interaction and cultural exchange.
4. Tariff Reduction - Drop of tariffs on a range of tech products possibly covering \$1 trillion in trade, a significant agreement to be ratified by WTO in Geneva next month.

The climate change agreement, containing several action plans to achieve the goal, is a big deal, since both countries have groups opposing any effort in reducing emission and climate control, in the U.S. for fear of losing economic competitiveness and sacrificing life style and in China for fear of limiting her economic development and hampering her citizens' desire of higher standard of living. The fact that the efforts do not solely depend on government agency (EPA, in the U.S.) as much as private enterprise efforts in research and development and implementation of green energy initiative, is also significant. The agreement will transcend beyond Obama's tenure to 2016 (facing a possibility of Republican taking over the White House) and even beyond Xi's tenure to 2022 when PRC is likely to change her top leadership.

The world must congratulate the APEC leaders for making a broad declaration and the leaders of China and the U.S. for making the above agreements. The world stands to benefit. However, the real significance of the events taken place pre-APEC to post-APEC is the fact that the U.S. and China finally engaged with each other in a two great nations relationship. China has voiced before her desire to enter such a Two-Great-Nations Relationship with the U.S. when Xi visited Obama at the Sunnylands, Rancho Mirage, California, but the U.S. had not figured out what did that mean. Throughout the APEC conference, China had acted as a confident host, not only as the world's second largest economy but also had taken charge of the responsibility of a great nation. Prior to APEC, China initiated the idea of establishing an Asia Infrastructure Investment Bank (AIIB), implemented an anti-graft proposal, announced a \$40 billion Chinese-financed fund to improve trade links among Asian economies as

well as approved a plan to open Chinese stock markets wider to foreign investors by linking exchanges in Hong Kong and Shanghai. During APEC, China, in addition to being a gracious and generous host, was able to bring forward her ideas into implementation plans as seen by the adopted action plans to strengthen comprehensive connectivity and infrastructure development and advancing regional economic integration. China has exhibited her confidence in realizing her China Dream by calling for an Asia Pacific Dream.

The Post-APEC agreements made with the U.S. further provide evidence that China is now acting as a great nation cooperating with the U.S. in facing the world challenges together. The intimate interactions between Obama and Xi had clearly revealed that the two leaders now had understood each other much better and the U.S. had come to realize what did the two-great-nations-relation really mean. From Obama's speeches, it seems that the understanding, respect and trust between the U.S. and China have opened a new page, that is, when the U.S. and China work together, the world stands to benefit! So one can say the most significant impact of APEC and Post-APEC events is that the two great nations relation is now understood and working.

Of course, two great nations will always have differences and each has its own legacy. In diplomatic relations, protocol and face (West and East all have face issue, it was never an East monopolized characteristics) are always critical; it is more so for two great nations. Interpreting the APEC impact from a two-great-nations-relation point of view, it may be said that it is a win-win situation for the two nations. China has succeeded in demonstrating her confidence as a rising great nation, capable and willing to assume more world responsibilities, certainly able to start from Asia Pacific. China's status as a great nation has been demonstrated and will be there whether other countries recognize it or not. She has brought her ideas to APEC and promoted them into action plans. She has made the 21 Asia-Pacific economies to realize that China is a great nation in AP and her success will be the success of the entire AP region. On the other hand, the U.S. has demonstrated that as a superpower, she has always carried the world responsibilities and she is a pragmatic great nation. After being absent for two APEC meetings, Obama has recognized the value of APEC and the damage from being absent. By participating again with vigor, the United States has demonstrated that she is a part of AP. She has been able to influence China to respect the world order and the existing rules that have governed international relations. **Both the U.S. and China can claim credit to the evolvement of 2014 APEC resolution; and indeed, only when they can work together, then Asia Pacific benefits and the world benefits.**

As an observer of APEC from afar, I can see all the positive effects pointing to a bright future for the two great nations, the Asia Pacific and the world. Hence, I am optimistic about the two great nations being able to work together and handle whatever differences there may be. The other economies will play in this new order so long as the two great nations are willing to honor the two-great-nations relationship. In fact, **many Asia pacific countries do not wish to take sides; they rather see the two great nations work well together!**