

Summits or talk shops?



By T K JAYARAMAN

The year 2009 is the year of summits.

The venues have been changing. From Philadelphia in June, Istanbul in October, and St Andrews and Singapore, both in November. This week in Rome, there was a World Food Summit too.

The mother of all 2009 summits will be on climate change, which is scheduled in December in Copenhagen.

The law of diminishing marginal utility applies to summits too.

A cynic has already

defined, "Asia Pacific Economic Cooperation (APEC) Summits discuss everything under the sun, but decide nothing!"

Sanitised Communique

The leaders at the latest Singapore APEC Summit said they would work towards an 'ambitious outcome' in Copenhagen.

French Philosopher, François Marie Arouet de Voltaire, wrote, "One great use of words is to hide our thoughts."

The final communiqué at APEC went one step ahead.

They deleted what they wrote in their draft.

They dropped a target to halve greenhouse gas emissions by 2050, which was outlined in an earlier draft.

The reference to 'market-oriented exchange rates' also disappeared. That was also to please China, the biggest creditor to America.

The earlier draft, agreed to by finance ministers of APEC's 21 members, wanted the exchange rate to 'reflect



US President, Barack Obama

underlying economic fundamentals.'

That is, if you export more than you import and build up exchange reserves, your currency goes up in value and under free market conditions, your currency should appreciate.

It was a signal to China to upvalue its exchange rate. All along, the undervalued yuan (Chinese currency) helped China to build up export surplus with the United States.

Since yuan is pegged to the US dollar, depreciation of the US dollar in recent months also led to depreciation of yuan vis-à-vis other currencies. That made APEC also uncomfortable, as Chinese exports to them also rose.

Art of the possible

On Saturday, flying into Singapore, US President, Barack Obama, made a very conciliatory speech, using to the fullest extent, his charm and skills of persuasion.

In Japan, he made it clear that his trip to Asia was to strive towards 're-balancing world growth with greater consumption in China and greater savings in the US.'

That relation with China has reached the 'inflection points in history where we have the opportunity to take a different path.'

China is growing in financial power.

Chinese economy is 33 percent of America's compared with 12 percent in 1990s. That was the

reason behind replacing the exclusive rich club of G-8 with the more inclusive G-20 as the permanent body of economic cooperation.

Obama stressed that the US does not want to contain China but wanted China to grow and be prosperous.

Did not Voltaire advise statesmen: "It is not enough to conquer; one must learn to seduce."

The hardened communist China will not fall an easy prey.

They know that a debtor when approaching his banker cannot afford to carry a stick.

With America's budget deficit soaring to a yearly record of \$1.42 trillion, China the biggest lender is worried that the falling

price of the dollar reduces the value of its US holdings. On the other hand, American manufacturers are angry that the low yuan resulted in loss of 5.6 million jobs.

China wants US to arrest the fall in US dollar value to ensure its US \$797 billion (FJ\$159b) investment in US treasury bills safe and sound.

Usual assurances

On Tuesday, both presidents assured the world that they would work together for economic recovery and are looking for a comprehensive deal in December Climate Summit.

Differences persisted: China wanted the US to lift tariffs on Chinese car tyres and steel tubes; the US wanted an exchange rate to upvalue its currency.

With economic topics 'settled,' they will shift to Copenhagen.

Robert Kagan, of Carnegie Endowment for International Peace, wrote in his 2003 *Of Paradise and Power: America and Europe in the New World Order*: "On major strategic and international questions today, Americans are from Mars and Europeans are from Venus."

They agree on little and understand one another less and less."

If nothing gets done beyond usual assurances, Kagan in his next edition would add 'Chinese from Moon' to the list.

● Dr Jayaraman teaches at USP. Views expressed do not reflect those of USP and this newspaper.

start small... **THINK BIG!**

FDB 2009 SMALL BUSINESS AWARDS

ENTER NOW!

BISINISI LAILAI PAISA ACHAA!

Entry form available from any FDB branch, sponsor locations or download from www.fdb.com.fj or call 3314866 ext 218

Entries close **18th December 2009**

PROUDLY SPONSORED BY:

Fintel connect Sūn NEW INDIA ASSURANCE

Help us to help those in need in Fiji

THE SALVATION ARMY

Please give generously to the Salvation Army Street Appeal November 27-28

Fiji SUN RAZOR movingpictures mailtv