ASEAN tells Biden: Stop trying to split us!

By Elisa Barwick

A 23 May joint statement for the Indo-Pacific Economic Framework for Prosperity (IPEF) issued by the USA, Australia, Brunei, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam was little more than a series of platitudes about growth, competitiveness and inclusivity. Launched by US President Joe Biden in Tokyo, Japan, the platform invites "other interested Indo-Pacific partners" to join discussions on the four "pillars" of trade, supply chains, clean energy/infrastructure, and tax/anti-corruption measures. But the real story is revealed by the fact that China was not invited as an initial partner, and that three of the ten Association of Southeast Asian (ASEAN) countries, Cambodia, Laos and Myanmar, were excluded.

Addressing the 27th International Conference on the Future of Asia in Tokyo, 26-27 May, Japanese Prime Minister Fumio Kishida hailed IPEF as reaffirming the "economic engagement of the US with the Indo-Pacific region" and Japan's role "as a bridge between the US and Asian countries" in the mission of "upgrading capitalism to meet the challenge from authoritarian regimes". The responses of all ASEAN leaders present at the event, hosted by Japanese news service Nikkei on the theme "Redefining Asia's role in a divided world", made abundantly clear this undertaking is unwelcome.

Former Malaysian Prime Minister Dr Mahathir Mohamad told the Future of Asia forum that "The US will always want to use groupings like this in order to isolate China. Many countries recognise that this is not an economic grouping but it is truly a political grouping." Speaking about the broader global breakdown of international relations, the senior statesman said that the approach of the US is "always to apply pressure to force regime change". Noting that China's economic rise had occurred under conditions of peace, he noted that "For China, peace is useful, war is not useful."

Malaysia's current Prime Minister, Ismail Sabri Yaakob, told the conference: "These initiatives need to be more inclusive and no longer be partisan in terms of geopolitical interests as the major powers have done over the past decade."

Singaporean Prime Minister Lee Hsien Loong warned that "difficult relations between the US and China will directly affect the Asia Pacific region". If this continues, "it will lead to further bifurcation of technology and splitting of supply chains, or even worse unintended consequences". Countries must be willing to show restraint, accept differences and live with compromises, or an escalation can be triggered by mishap or miscalculation, he added.

Mutually beneficial economic cooperation is a crucial complement to security cooperation, Lee said, and actions by nations to "cut off countries that are not allies or friends", with exclusive supply chains or decoupling, serves only to "shut off avenues for regional growth and cooperation, [to] deepen divisions between countries, and may precipitate the very conflicts that we all hope to avoid."

Praising the Belt and Road Initiative, Lee said that China's growing economic influence in the region is a natural extension of its own development, and it is "far better that China's economy be integrated into the region, than for it to operate on its own, by a different set of rules. … There will be no good outcome if Asian countries are split between two camps".

ASEAN nations. Photo: Wikipedia

Vietnam's Deputy Prime Minister Pham Binh Minh told the forum that amid intensifying geopolitical competition, "present circumstances are becoming more unstable and unpredictable". The balance of power "is rapidly shifting towards a multicentre model", in which Asia is an integral player. Putting aside differences to ensure a peaceful environment, he stressed, is crucial to the development of all nations and Asia is a key driver for global development: "As Asia enjoys the harmonious resonance of fundamental global values, and constitutes the intersection of trade flows, capital flows, infrastructures and peoples, this region thus possesses important foundations for growth." The world is at a turning point, said Minh, and "Vietnam enacts the foreign policy of independence, self-reliance, diversification and multilateralisation of relations".

Indonesia's President Joko Widodo contrasted the IPEF with actual trade agreements and stated that as this year's Group of 20 head, "Indonesia wants to make sure that the G20 will serve as a catalyst for global economic recovery." The 30 May *Jakarta Post* cited Widodo's suggestion of rapid implementation of the Regional Comprehensive Economic Partnership (RCEP) instead of IPEF, "to strengthen a mutually beneficial regional economic integration". RCEP is a trade agreement that includes all of ASEAN, China, Japan, South Korea, Australia, and New Zealand but not the USA. "The implementation of RCEP has a potential to lift regional trade by 10 per cent in the next five years". Likewise, Lee said IPEF is not a substitute for a trade agreement; Minh observed that trade agreements including Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP will be greater drivers of economic recovery and growth.

Biden's US$150 million investment pledge for IPEF, the *Jakarta Post* continued, made at his 12-13 May US-ASEAN summit held in Washington, is a miserable counter to China's US$1.5 billion offer of ASEAN development assistance made in November 2021. The *Post* article said Asian nations copped a lecture from Biden "aimed at distancing them from China, their most important trading partner"; there were no "concrete economic advantages" proposed. "Come on, Biden", wrote the paper's managing editor, "Indonesia and ASEAN need market access and not indoctrination. ... Biden's IPEF was probably born dead. ... Biden persuaded Indonesia and other nations to join his multilateral campaign to isolate

China. But what he offers is too poisonous to accept. Sorry to say, the IPEF has become a laughing stock in the region."

At the Tokyo forum, Cambodia's Prime Minister Hun Sen called on all nations to "respect each other's sovereignty", saying that "fierce competition between superpowers" was causing "disunity" and "coercing small states" to choose sides. He refuted the accusation that Cambodia was subject to a Chinese "debt trap". Cambodia's borrowing rate stands at 23 per cent of gross domestic product, well below its legislated ceiling of 40 per cent; furthermore, the Chinese debt represents the building of infrastructure: "If we don't have investment from China, what source of electricity can we have?" Asked about the fact that the USA refused to invite Cambodia, Laos and Myanmar to attend the Tokyo IPEF meeting, Hun Sen wondered aloud if IPEF would have "the same destiny as the Trans-Pacific Partnership".

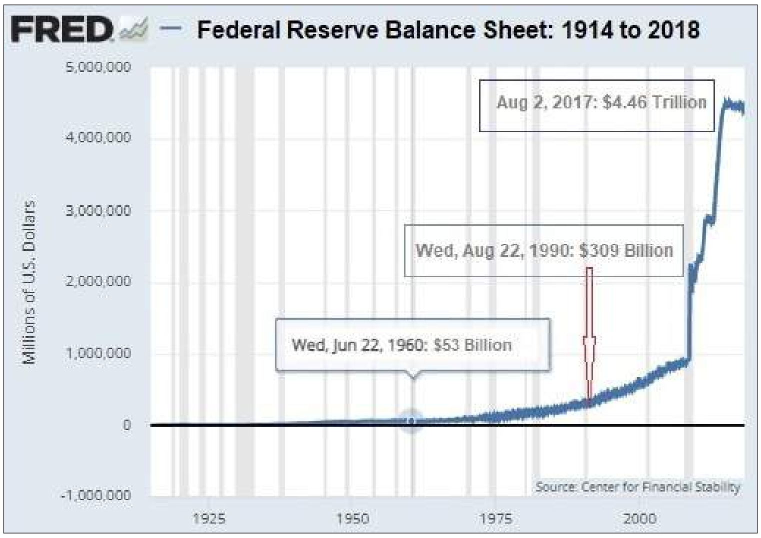
Dr Seun Sam, policy analyst at the Royal Academy of Cambodia, asked in the *Khmer Times* on 30 May, "How can the US claim to be working to strengthen ASEAN's centrality while paying attention to some ASEAN members and ignoring others? This is a kind of disbanding of a group, not a show of solidarity. ... [T]he US does not pay honest attention to those who may require their assistance, instead ignoring them and accusing them of being too close to their competitors." Sam cast the new IPEF arrangement in the same league as AUKUS and the Quad.

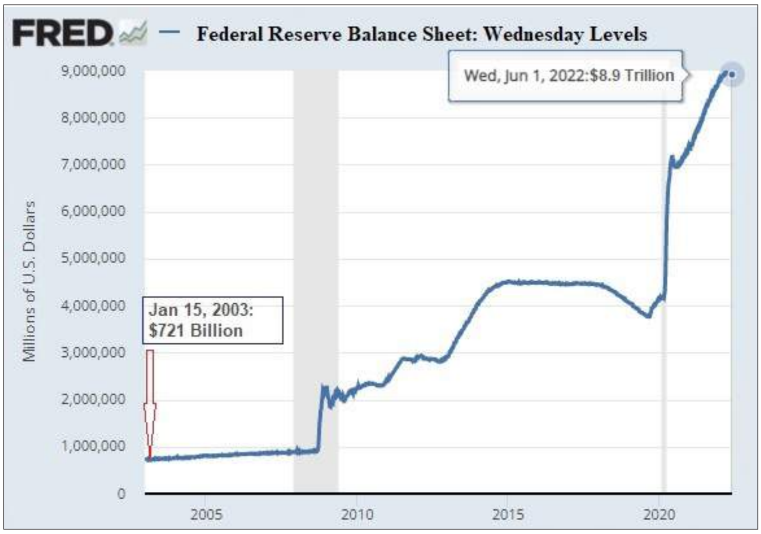
Thai Prime Minister Prayat Chan-o-cha said Thailand will continue to support a multilateral system. Laotian President Thongloun Sisoulith told the Future of Asia forum that economic sanctions and embargoes "will not make our world a better place." Asia, he said, "is advancing toward a comprehensive development path" that is unprecedented. "We should not lose this rare opportunity, or [allow] it to be shattered or destroyed easily. We should protect and prevent it from rolling into disaster. ... We have a clear foreign policy direction. Laos will not take sides in today's conflicts and disputes. Our country is taking a role of centrality, [as] a core value in the foreign policy."

The seismic explosion in the Fed's balance sheet

By Pam Martens and Russ Martens,
Wall Street On Parade

6 June—Last month the Federal Reserve Bank of New York released its 2021 annual report from its "Markets Group". That's the group that operates a trading floor (complete with speed dials to the trading houses on Wall Street) at the New York Fed, located not far from the New York Stock Exchange, as well as another trading floor on the premises of the Chicago Fed, which is not far from the futures exchanges in Chicago. That report showed that despite all of the recent talk about the Fed dramatically shrinking its balance sheet from its current size of US$8.9 *trillion*, the internal Federal Reserve plan for the balance sheet is actually this: "After declining by about US$2.5 trillion from the peak size reached in the first half of 2022, the portfolio stops declining in mid-2025, at which point it is held constant at US$5.9 trillion." It is thereafter projected to start growing again in line with GDP.





The charts (pictured) show that the Federal Reserve was able to get through World War I, the Great Depression, World War II, the Vietnam War and the stagflation of the 1970s, without an explosion in its balance sheet. But since Ben Bernanke, Janet Yellen and Jerome Powell have, in turn, sat at the helm of the Federal Reserve, there has been unprecedented growth in the Fed's Balance Sheet.

For example, from June 1960 to August 1990, the Fed's balance sheet increased from US$53 billion to US$309 billion—an increase of 483 per cent in 30 years. But during the tenures of Bernanke, Yellen and Powell, the Fed's balance sheet has exploded from US$880 *billion* in May 2008 to US$8.9 *trillion* in May of 2022—an increase of 911 percent in just 14 years.

There are a number of factors to explain this unprecedented growth in the Fed's balance sheet. Chief among them are the following:

The Federal Reserve Board of Governors has outsourced its open market operations to the New York Fed, which is, *literally*, owned by a handful of Wall Street megabanks.

Congress has failed to separate the giant federally-insured banks from the Wall Street casino (trading houses), by restoring the *Glass-Steagall Act*. This lack of Congressional action has led to the perpetual giant bailouts of Wall Street banks, which have exploded the Fed's balance sheet through so-called Quantitative Easing (a.k.a "bailout") measures.

The advent of the 401(k) plan which incentivises US workers to save for retirement through investments in the stock market (or to a much smaller extent, the bond market). This removes much of the public outcry to Congress when the Fed bails out Wall Street because tens of millions of workers feel that their retirement savings are also being bailed out.

Read the full article at wallstreetonparade.com