Remarks by Ambassador Karan K. Bhatia
Deputy U.S. Trade Representative
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Thank you very much for that warm welcome. It's a pleasure to be here in Manila this morning. And I want to thank APCAC and the U.S. Chamber of Commerce for inviting me to this conference. More generally, let me thank the business community represented here today for all the support you have given to our trade agenda.

I am particularly happy to be with you this morning, because this is the first stop on a trip that will take me to a number of countries across East and Southeast Asia over the next ten days to meet with my counterparts and interact with many of the businesses that are driving international trade in the region. Although I've been in the Bush Administration since 2001, I am relatively new to USTR, having joined last October – a few months after Ambassador Portman was confirmed as the Trade Representative.

USTR is an exciting place to be right now. There is a lot of midnight oil being burned, not only to advance the Doha Round of multilateral trade talks – a once-in-a-generation opportunity that we cannot miss – but also to move forward an ambitious bilateral agenda.

Today what I'd like to do is talk to you about that agenda with respect to Asia – specifically, about why we believe that deepening and strengthening our economic relationships in the region are so important, what we are doing to fulfill that goal, and what challenges we face.

The Importance of Asian Trade to the United States.

Let me start with an unequivocal statement: I believe that there is no region of the world today on which the United States is more economically focused than Asia.

I know that, in certain circles, it is conventional wisdom that the United States is overlooking Asia. With all due respect, I believe the conventional wisdom is wrong – both from the perspective of what's going on in the markets and what's going on in government policy. Certainly it is not true in the realm of trade and trade policy.

The U.S. and the nations of Asia already have strong and growing trade relationships. U.S. goods trade with South and East Asia today accounts for one-third of total U.S. trade – up almost 70 percent over the past 10 years. U.S. investment in the region has more than tripled in that time frame. Few major U.S. companies today do not have an Asia strategy. Many have offices, operations or substantial sales in the region, and business plans that call for significant expansions.

The relationship is based not on geographic proximity or, in many cases, common language, or even the strongest historical ties. Rather, it is based on something deeper and ultimately more durable – a shared belief that economic growth and prosperity are driven through open trade, competitive markets, and hard work. With many Asian countries, we share a common understanding that we live in a competitive, dynamic world in which people, capital, goods and ideas generally should be allowed to move quickly to find their best and highest use. That to compete successfully in this environment requires government policies that encourage competition, innovation, the rule of law, and stable economic growth. That growth is stimulated when tariffs are cut, non-tariff barriers are reduced, regulatory barriers are eliminated, and measures are instituted to enhance transparency and improve the investment climate.

This common vision – and the growing flows of goods and investment that it is generating – underlie a U.S. conviction, common in business and government alike, that we will have no more important or potentially valuable set of economic relationships in the 21st century than those we have with Asia.

U.S. Engagement and Economic Opportunities in Asia.

Accordingly, the U.S. Government is actively engaging with our Asian trading partners to create the regimes that will support growing trade and investment. Whether one wants to measure engagement by visits by senior administration economic officials, by interagency strategy meetings, or by the amount of time one spends answering questions from Congress, Asia is figuring prominently in people's thinking in Washington. More significantly, it's featuring prominently in the day-to-day work of our trade negotiators. Let me give you a tour d'horizon of our efforts.

Southeast Asia. It is fitting to start with Southeast Asia. After securing Trade Promotion Authority in 2002, one of the first free trade agreements President Bush pursued was an accord with Singapore. Since that agreement went into effect in 2004, U.S. exports have jumped 10 percent each year.

Shortly after concluding the Singapore FTA, in October 2002, the President announced the Enterprise for ASEAN Initiative. This initiative aims to deepen our trade relationship with the countries of Southeast Asia by creating a network of bilateral FTAs with those ASEAN economies with which we have Trade and Investment Framework Agreements (or "TIFAs"), and that are willing to enter into comprehensive and rigorous bilateral free trade agreements.

Under the Enterprise for ASEAN Initiative, the U.S. concluded a TIFA with Thailand and launched FTA negotiations in 2004. While we still have work to do to conclude these negotiations, we have made progress, and hope to resume our work after the Thai elections.

After concluding a TIFA with Malaysia in 2004 and engaging in wide-ranging bilateral discussions over the past year, we have recently launched FTA negotiations with Malaysia. A U.S.-Malaysia FTA makes sense for both countries. Malaysia is a nation of 27 million people – an important voice of moderation in the Muslim and developing worlds, with a strong economy that is supported by stable democratic institutions. With economic growth of over 5 percent a year and a GDP of $248 billion in 2005, Malaysia is America's tenth largest trading partner. Two-way trade amounted to more than $44 billion in 2005. Those are impressive numbers – but we want them to be even higher. And with an FTA, we believe they will be. Indeed, our National Association of Manufacturers has estimated that under an FTA – and given current economic growth – two-way trade could more than double by 2010.

Meanwhile, we have been working hard to strengthen our economic relationship with the other ASEAN economies. We have intensified our work under our TIFA with the Philippines. The dialogue has successfully addressed issues both large and small. For example, the Philippines has lifted its ban on US beef, passed new IP legislation and increased coordination among its IP agencies, and addressed U.S. concerns on planned increases in auto tariffs. While we continue to work on addressing issues that are a high priority to U.S. companies, including financial services companies and investors, the dialogue has benefited both countries.

We have been intensifying our work with Indonesia, a key player in the ASEAN region. While working with Indonesia's new government to support post-tsunami reconstruction, we have also reenergized our work under the TIFA, and are currently seeking input from the business community on three potential bilateral initiatives: (1) the negotiation of sectoral or other agreements with Indonesia that will facilitate trade and investment in the near term and serve as building blocks for the negotiation of an FTA in the future; (2) an agreement on illegal logging – the first ever negotiated between the U.S. and another country; and (3) the addition of a private sector component to our TIFA.

Brunei has not been forgotten either. We negotiated a TIFA with Brunei in 2004, and have used the dialogue to discuss bilateral market access issues and to support Brunei's efforts to diversify its economy away from oil.

As for the newer ASEAN members, we are working to advance our relations with them as well.

I know that many of you are following Vietnam's WTO accession negotiations closely, and we appreciate your support on this effort. We have made substantial progress in these negotiations, which both Vietnam and the United States would like to see concluded as quickly as possible. As you know, these negotiations are conducted on two tracks – bilateral and multilateral. We are close to concluding our bilateral negotiation following the visit of our negotiating team to Hanoi in January. The next round of both bilateral and multilateral negotiations will be held later this month in Geneva, and we are hopeful that we will see further significant progress so Vietnam can accede to the WTO this year.

We have supported Cambodia's successful efforts to accede to the WTO, and are negotiating a TIFA with them now. And we are supporting Laos' efforts to join the WTO as well, and hope to see that process move forward.

And – while working one-on-one with the economies of Southeast Asia – we are mindful of the importance of regional actors such as ASEAN and APEC. ASEAN countries together ranked fourth as an export market for the United States, and our fifth largest supplier of imports. We are thus looking to support ASEAN integration and to institutionalize our relationship with it – hopefully through the conclusion of a TIFA and through agreement on a work plan with concrete initiatives aimed at promoting trade and investment in specific sectors. We are also engaging vigorously with APEC, developing trade initiatives in areas ranging from customs facilitation to IPR guidelines. I know Ambassador Michalak will describe those efforts this afternoon.

Japan. Let me move north, and turn to Japan. For years, the United States and Japan have had a strong economic relationship, and Japan continues to be one of our largest trading partners. As Japan's economic recovery continues, trade and investment is growing between our countries, and we are looking for ways to ensure that this continues. The Economic Partnership for Growth launched by President Bush and Prime Minister Koizumi has helped to stimulate senior level, strategic dialogue about growing our economic partnership. The constituent parts of the EPG – including the Regulatory Reform Initiative and the Trade Forum – have created fora to address discrete impediments to trade and investment. Through these and other channels, we are working to help create a level playing field in such areas as financial services and express delivery services, encouraging Japan to open its markets further, and working closely to fight global counterfeiting and piracy.

Korea. Last month, we launched negotiations for a free trade agreement with Korea. This is a tremendously exciting development – and will be the most commercially significant free trade negotiation launched in 15 years. Korea is the world's 10^{th} largest economy, with an annual GDP rapidly approaching $1 trillion. Its 49 million people enjoy a high standard of living and its economy has averaged a growth rate of nearly five percent a year for the past ten years.

Korea is already our seventh largest trading partner with two-way trade amounting to roughly $73 billion a year. U.S. exports of goods to Korea have grown 53 percent over the ten years since the WTO was established. U.S. exports in services have nearly doubled over the period. Several recent academic studies indicate the agreement will boost the incomes of both countries by several billions of dollars. This is a win-win proposition.

Taiwan. We have a good and strong economic relationship with Taiwan. Through our TIFA, we are engaging with Taiwan to address challenges and discuss how best to deepen and strengthen our trade and investment ties.

India. Let me also mention India. I recently accompanied Ambassador Portman and President Bush on the President's trip to India. The changes afoot in the world's largest democracy are certain to have a major impact on the global economy, and it is encouraging that the economic dimension of the U.S.-India relationship featured prominently in the President's visit. It is a relationship that we at USTR are working hard to grow – as evidenced by the launch last year of a ministerial level trade policy forum and the recent actions by both countries in reducing bilateral barriers to trade and investment.

China. Let me end my tour d'horizon with China. (If there was ever an appropriate time for the phrase "last but not least"…!) It will likely not surprise any of you to know that China attracts more of my time and attention than any of the 60+ other countries in my portfolio. China has captured the attention of both businessman and policymaker – for the substantial changes it has already gone through, the potential it continues to hold, and the challenges it poses.

In 1978, China accounted for less than one percent of the world's economy, and its total trade was about $20.6 billion. Today, China is the third largest economy in the world in terms of purchasing power, and our second largest trading partner. It accounts for four percent of global economic activity with foreign trade approaching $1 trillion annually – over $300 billion of which is with the United States.

The United States and China share extensive – and growing – commercial ties. Both countries clearly derive substantial benefits from this relationship. Fueled in no small part by its access to the U.S. market, China's annual growth rate has exceeded nine percent for over 20 years – often ten percent or more – and some 350 million people have been lifted out of poverty. Since 1990, over $500 billion in foreign direct investment has flowed into China. The United States played a leading role in encouraging China's economic revolution and in bringing it into the WTO. U.S. exports to China have increased by more than 20 percent over the last three years and China has changed hundreds of statutes to meet its WTO obligations. The United States continues work with China to support its integration into the global economy.

Clearly, however, there are challenges. Last month, the United States unveiled a top-to-bottom review of our trade relationship with China. It was a tough and comprehensive assessment that concluded that, with the end of China's WTO accession period, the United States needed to reorient its trade policy towards China to treat it as a mature trading partner and strengthen our focus and capacity to ensure that China complies with its commitments.

China needs to do more to open its markets, reform policies that skew markets, and abide by its WTO commitments, particularly in the area of intellectual property rights enforcement. In short, China must bear responsibilities that are commensurate with the benefits it has obtained from participation in the international, rules-based trading system.

Challenges

Having covered (1) why we are focused on Asia, and (2) how we are engaged throughout the region, let me now turn to the subject of challenges that confront us as we seek to strengthen and deepen our relations. Let me discuss three in particular.

The first is the challenge of negotiating and completing meaningful, high-quality agreements – particularly when it comes to FTAs. Let there be no doubt – the standard for FTAs that our Congress has established is a demanding one. The U.S. model FTA is comprehensive, cutting-edge, and tailored for today's high tech world. In a world increasingly populated by so-called FTAs, our FTAs remain the gold standard in bilateral trade liberalization.

Agreements like the ones we have concluded with Singapore, Australia or our other FTA partners are hard to negotiate. They require a heck of a lot of effort and often some political courage on both sides. And at a time when trade promotion authority is running out, some might be tempted to lower their standards. We won't. Holding out for high quality FTAs is worth it – for the United States and for our trading partners. Cutting tariffs on goods is important, but is relatively easy. Today's diversified economies demand pacts that open and liberalize services and investment, strengthen intellectual property rights, and address other issues fundamental to enhancing efficiency, lowering the cost of capital, and creating the economic conditions for businesses to compete effectively.

The second challenge is the threat of protectionist sentiments – in Asia and perhaps to an even greater extent in the United States. As evidenced in some of the recent public discussion in the United States on the issue of foreign investment, political support for free trade is weaker than it has been in many years. Many of you watched or were active in arguing for congressional passage of CAFTA last year – an agreement whose benefits were unassailable, but which became a highly charged, partisan fight. With respect to China, some have advanced legislation that would seek to roll back the clock and close down the U.S. market.

In a way we have not seen for years, economic isolationists on both ends of the political spectrum are reasserting themselves. Even at a time when record numbers of new jobs are being created, commentators on radio or nightly news shows are stoking unsubstantiated fears about job losses, national security or simply the unknown.

It is our responsibility – all of our responsibility – to shatter these myths. To evangelize trade. The evidence is unassailable that America has benefited enormously from trade liberalization – that exports have created many more jobs than they have displaced, that export-related jobs tend to be better paying and more rewarding, and that trade has stimulated innovation and competition, resulting in lower costs and more choices for consumers. The evidence is also unassailable that strong economic partnerships – partnerships built on trade and investment – bring durable political relationships – relationships that carry over into security partnerships.

We are working to try to change the political climate on trade. Ambassador Portman is working very hard to reach out to members of both sides of the aisle to support our trade agenda. We were very encouraged to see a great turnout of lawmakers from both the House and Senate – Democrat and Republican – when we launched FTA negotiations with Korea and Malaysia in the past few weeks. And President Bush is showing tremendous leadership on the issue of trade. The issue featured prominently in his recent State of the Union speech where he said, “In a complex and challenging time, the road of isolationism and protectionism may seem broad and inviting – yet it ends in danger and decline. The only way to protect our people, the only way to secure the peace, the only way to control our destiny is by our leadership -- so the United States of America will continue to lead.” He reiterated this message two weeks ago in India, when addressing the issue of outsourcing.

But – to all the American companies and citizens here – we need your help on this. We need you to evangelize trade – to spread the word in your meetings with business and civic groups, in your face-to-face meetings on Capitol Hill, and through the local and national media – that that the benefits of opening markets and liberalizing trade far exceed the downsides that come with change. Most importantly, share your success stories with your shareholders and workers, who need to know that they are stakeholders and beneficiaries of a global trading system – not victims of it.

The third challenge is to ensure that those – on both sides of the Pacific – who would seek to exclude the United States from being actively engaged in Asia don’t succeed. Nearly a generation ago, then-Secretary of State James Baker viewed with concern the potential emergence of a Pacific trading bloc that would exclude the United States and famously urged the nations on both sides of the ocean not to draw a line down the middle. We are fortunate that his warning was heeded and that, instead, Pacific Rim nations have forged commercial ties with each other that have helped to drive unprecedented economic growth and political reform.

But those ties cannot be taken for granted, as the risk of new lines being drawn always remains. There are those in the United States who would urge that U.S. resources and energies currently being directed to Asia be focused elsewhere. And there are some in Asia who would prefer that the U.S. do just that. It is counsel that must be vigorously resisted. The United States has played a constructive role in the development of the Asia we see today, and Asia has played a constructive role in the development of the United States. We must safeguard that relationship, and work vigorously to create even stronger commercial and political ties in the years to come.

Thank you.