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**Seizing the Moment: Reasserting U.S. Economic Leadership in the Asia Pacific
October 2010**

The United States' future economic well-being will be shaped by the strength of its economic relationships with Asia, above all other regions. To that end, President Obama and his Administration must act decisively to strengthen the United States' economic position in Asia. The President has before him two opportunities to do just that: the ongoing Trans-Pacific Partnership trade negotiations and the U.S. hosting of the Asia-Pacific Economic Cooperation forum (APEC) in 2011. His Administration should seize both.

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Enhanced engagement in Asia offers significant opportunities to stimulate U.S. economic growth and job creation. APEC's 21 members together represent approximately 2.5 billion consumers and around 60% of global income. According to most recently available data, at least 58% of total U.S. exports go to fellow APEC members, and over the last 5 years U.S. exports to APEC have grown by almost 10%. According to some estimates APEC economies have generated 195 million new jobs and 70% of the overall increase in global economic growth over the past decade. Simply stated, the economies represented by APEC increasingly represent the global economy of the 21st Century.

Opening these markets to U.S. producers will help to restore growth at home, solidify our economic recovery, and most importantly, serve as an engine for domestic job creation for years to come. Indeed, as the President noted in his State of the Union address, while committing the US to the goal of doubling exports in five years: "...we need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America... We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores."

While Asia Pacific markets have never been more important to US economic growth, the United States' position in the region is increasingly challenged. The United States' competitors, both inside and outside the region, have recognized the need to better integrate with or within Asia, and are moving forward. Bilateral trading agreements are proliferating across the region as major economies, including Japan, China, ASEAN and the EU, seek to capitalize on this growth. Competitors and trading partners are pursuing independent efforts to secure market share, cement access and relationships, and establish rules that govern trade that will hinder the ability of U.S. companies to compete. As these new agreements that exclude the U.S. come on line, they will create a trading environment that forces major U.S. exporters to relocate production from the U.S. to countries that are parties to these deals.

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Meanwhile forward-looking U.S. economic engagement with the region has been limited. Current trends in security dynamics, political development and economic relationships are creating an historic inflection point, and the U.S. must act quickly and decisively or run the risk of being marginalized or even excluded from emerging regional architectures.

This is not to say the United States does not continue to be a decisive force in the region. The U.S. is unambiguously the guarantor of regional security, ensuring the stable international environment essential for the kind of growth the region is experiencing. Even competitors in the region acknowledge the importance of U.S. presence and leadership. Economically the U.S. remains an indispensable trading partner and driver of growth, even with reduced consumption.

But as the economic clout of other actors, such as ASEAN, India and especially China continues to grow, the U.S.' own ability to secure access and establish systems favorable to the United States will be further constrained. The next two years may represent a crucial turning point in the role of the United States in Asia's economic integration.

The administration still has the ability to influence these trends in a direction favorable to the long-term interests of the United States, but Asia is not waiting for the U.S. to act, and each day that the United States remains disengaged, its influence diminishes. The U.S. should act now to ensure that the regional economic architecture and trading environment that emerges in Asia is one consistent with our core values such as transparency, good corporate governance, respect for the rule of law, and free and open trading regimes.

Two such opportunities are immediately available, and the Administration should act quickly on them. The first is U.S. entry into the Trans-Pacific Partnership. The Administration should strongly support this effort, lending its visible and consistent support to USTR and providing a strong advocacy on the Hill. This agreement has the potential to lay the foundations for a transformational economic integration effort in the Asia-Pacific, linking both sides of the ocean and promoting a vision that is U.S.-led and consistent with our values and priorities. This will be welcomed by many of our most important trading partners, especially as an antidote to other, less desirable alternatives. The ambitions and scope of the content of any agreement should be calibrated appropriately to successfully achieve a workable agreement that brings the benefits of trade to the signatories in the near term, and not reduce the participants to engaging in perpetual ongoing negotiations aimed at achieving a gold standard at the expense of practical results.

The Administration should also give consideration to the expansion of TPP membership to include other key economies in the region, including Malaysia, Korea and Japan. The inclusion of these additional economies would not only add significant economic heft to the agreement and concomitant benefits to the US, but would also go a long way to creating a Free Trade Area of the Asia Pacific – a clearly-stated US goal – and fulfilling APEC's long-term goal of promoting regional economic integration. We are mindful, however, of the importance of securing speedy ratification of the Korea-US Free Trade Agreement, and agree any TPP expansion should only occur at a time and in a manner that does not detract from that immediate priority. We are also mindful, with respect to Japan, of the need for a strong signal of Japan's political commitment to this process, given the importance of opening Japan's agriculture market and eliminating non-tariff measures that impede access to Japan's manufacturing and services sectors.

This linking of TPP to the overall regional integration agenda ties in closely with a second great opportunity for the Administration, the U.S. hosting of APEC in 2011. As host of the premier forum for addressing economic and trade cooperation in the region, the U.S. has the opportunity to transform APEC in a lasting way, as it did when last it hosted in 1993. Under a committed and forward looking U.S. leadership, 2011 can be the year APEC takes on new life as the driving force and preferred vehicle for pursuing economic integration and cooperation in the region. APEC is the only regional forum on trade and economic matters where U.S. leadership is not only possible, but actively sought and expected by our partners within Asia— and the U.S. must make the most of this. The Administration should move without delay to establish a strong leadership group to begin the planning process for APEC 2011, and also begin working with Congress to ensure the event is funded and supported in the best possible way. How the United States manages its Chairmanship of APEC in 2011 will be central to the long-term standing of APEC, as well as the United States' ability to harness Asia's growth in support of jobs and growth at home, in the years and decades ahead.

The United States stands now in a position in Asia that if lost will be extremely difficult, if not impossible, to regain in any reasonable timeframe. There are of course myriad challenges facing the U.S. government, but the Administration should embrace the near and long term role that active and committed U.S. leadership in the economic integration of Asia can play in achieving the central goal of restoring growth and jobs to the United States.

Quite simply, strong economic engagement in Asia, as a region representing the strongest growth globally and the largest potential market for U.S. exports, is clearly in the national strategic interests of the United States. APEC in particular presents great opportunity as a forum which the U.S. will host in 2011 and in which it already has full membership and a long history of strong leadership. APEC and TPP together should be viewed as key vehicles for pursuing this strategy. We strongly encourage the Administration to act quickly and decisively to signal strong support for both and put in place the leadership team and resources necessary to ensure these opportunities are realized to their fullest.

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