

**Testimony of Kurt Tong, Acting U.S. Senior Official for APEC**  
**“The Future of APEC”**  
**House Foreign Affairs Subcommittee on Asia, the Pacific and the Global Environment**  
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Thank you, Mr. Chairman, Mr. Manzullo, and Members of the Subcommittee. It is an honor to appear before you today, along with my colleague and friend Wendy Cutler of USTR to talk about the importance of the Asia Pacific Economic Cooperation forum, or APEC, for U.S. engagement in the Asia-Pacific region.

One month from now, President Obama will make his first trip to Asia since taking office and will attend his first APEC Leaders Meeting in Singapore. His attendance at the meeting demonstrates and reinforces America’s strong ties with the Asia-Pacific region.

This event will mark APEC’s 20<sup>th</sup> anniversary, as well as the beginning of an important two-year period for U.S. economic relations with the Asia-Pacific – one that starts with Japan hosting APEC next year and culminates in the United States hosting APEC in 2011, the first time that our nation has hosted the forum in 18 years. Hosting APEC will be a tremendous opportunity for the United States to promote U.S. business and investment opportunities, which will benefit American workers, farmers and businesses of all sizes. It will also be an important opportunity for the United States to define a new, 21st century economic policy agenda for the Asia-Pacific region.

I would like to discuss with you today why APEC is such a valuable asset to the United States, and what we envision for APEC in the years ahead.

**Why is APEC important?**

APEC is strategically important to the United States because it is a primary venue for multilateral engagement with the Asia-Pacific on economic and other key interests. APEC’s growing economic importance is clear. The 21 APEC members account for 55 percent of world GDP; 45 percent of global trade; and 40 percent of the world’s population. Sixty percent of U.S. goods exports go to APEC economies. Five of America’s top seven trade partners are APEC members.

Moreover, the Asia-Pacific economies are leading the global recovery, with recent forecasts suggesting that emerging Asian economies could grow by at least 5 percent in 2009 while the G-7 economies contract by 3.5 percent.

APEC is the only forum in the region that meets annually at the head of state level and includes the United States, providing our country a crucial opportunity to lead as a full member of the Asia-Pacific region. APEC brings together senior and working level officials, including from both China and Taiwan, several times every year to tackle an array of important issues in practical ways. APEC’s partnership with the region’s private sector – including many of its leading companies – ensures that its initiatives are focused, constructive, and of tangible benefit to U.S. businesses.

APEC's role is particularly important in the current economic environment. Although nations on both sides of the Pacific have taken individual steps to respond to the economic crisis, President Obama has emphasized that concerted action is needed to get the global economy back on track and to pursue the reforms needed to protect against future crises.

APEC is unique in that it already has the tools and focus to ensure regional economic prosperity by promoting policies that will spur long-term economic growth, and ensure all our citizens have the opportunity to thrive in the global economy. It promotes free and open trade and investment, and initiatives to build healthy and resilient economies by tackling such issues as energy security, food security, and preparing workforces for an increasingly competitive global economy.

I note that there has been a proliferation of pan-Asian institutions such as the ASEAN+3 process and the East Asia Summit. The United States does not want or need to be a member of every organization, and we support Asia's efforts at multilateral cooperation. But given the trans-Pacific nature of economic affairs in the region, we believe that effective regional economic institutions must include members from both sides of the Pacific. We also believe that truly effective institutions must not only be a forum for high-level dialogue, but they must also be geared toward producing tangible progress in addressing the challenges facing the Asia-Pacific region. On the economic front, we believe APEC provides the best and most established regional mechanism for practical cooperation and action, in no small part because the United States is an active and contributing member.

### **The APEC Agenda**

Mr. Chairman, we have a unique opportunity over the next two years to advance APEC's work and take APEC to the next level.

Our friend and ally Japan will host APEC in 2010, followed by the United States in 2011. There is much that our two economies hold in common, in terms of our vision for APEC and the future of the Asia-Pacific. Both the United States and Japan are already working closely to coordinate and reinforce our host year priorities. Our combined leadership gives us two solid years to shape a strong agenda that would ensure long-term, sustainable, and inclusive prosperity in the Asia-Pacific region.

There are several major priorities and themes that are shaping up for 2010 and 2011:

First, concerning APEC's trade and investment agenda, which is at the heart of APEC's efforts and ambitions, it is critical that the United States remain a leader in strengthening economic integration in the Asia-Pacific. This will lead to more exports for our competitive goods and services, and thus more jobs for Americans. I will defer to my colleague Wendy Cutler to address this issue in detail, but I would note that America risks becoming disadvantaged economically if we do not participate constructively in the process of economic integration that is already underway in the region. By utilizing the tools and opportunities provided by APEC, we can ensure that our country will continue to be a part of the dynamism of the Asia-Pacific in a way that benefits American workers and entrepreneurs.

Second, and closely related, the United States can and should bolster APEC's contributions to the promotion of global economic recovery. With almost half of the G-20 being APEC members, the United States believes that APEC has an important role to play in supporting, reinforcing, and implementing G-20 principles for global economic recovery and future economic growth. This includes the pledge to avoid protectionist measures that would only exacerbate economic distress. We look to APEC to continue to be a strong voice in support of an ambitious and balanced conclusion to the WTO Doha Round Negotiations.

The G-20 and APEC can co-exist and reinforce each other through coordination and cooperation. Like passing a baton back and forth, efforts made in the G-20 can be backed up and emphasized in APEC, while APEC can help forge and influence global consensus in the G-20. In addition, APEC can support the work of the G-20 by undertaking practical implementation of the G-20's principles and goals, including in such niche areas as energy efficiency, food and product safety, disaster preparedness, and public health.

APEC is already leading efforts to facilitate reforms that will prevent future crises and improve the business environment throughout the region. Reform efforts include initiatives aimed at improving corporate governance and promoting regulatory reform. APEC is also using the World Bank's "Ease of Doing Business" indicators to spur progress on making it faster, cheaper, and easier to do business in APEC economies, covering such areas as starting a business, obtaining credit, the efficiency of conducting trade, and enforcing contracts.

Third, we are working with APEC members on robust efforts to promote "balanced, sustainable and inclusive" growth. Each of these calls for some explanation.

Regarding balanced growth, at the recent G-20 Summit in Pittsburgh, President Obama and other G-20 Leaders pledged to work together to establish a pattern of growth across countries that is more balanced and less prone to destabilizing booms and busts. APEC can play an important role in implementing this commitment, leveraging both its economic clout – including nine G-20 countries – and a diverse membership that includes economies with sustained external surpluses as well as those with sustained external deficits. APEC provides a forum for leaders of these economies to coordinate on macroeconomic, financial and structural policies that will promote strong and balanced global demand, led by thriving private sectors.

Regarding sustainable growth, including efforts to stem the impact of climate change we see an increased role for APEC in advancing energy security and "green" development. The challenge of how to achieve both significant greenhouse gas reductions and strong economic growth is particularly acute in the Asia-Pacific region. The APEC region accounts for over half of global energy consumption and demand is predicted to continue rising rapidly. APEC members are already examining ways to promote greater energy trade and investment, as well as foster development of new energy sources and advanced technologies. There is a lot of opportunity for Japan, a recognized leader in energy efficiency, and the United States to advance this issue further within APEC. Progress on liberalizing trade in environmental goods and services is also a high priority in this area.

Under the rubric of inclusive growth, which refers to efforts to ensure that all of our citizens have the opportunity to thrive in the global market economy, initiatives in APEC will include efforts to create more adaptable workforces, flexible labor markets, well-designed social safety net programs, and investment in education and training. We see APEC putting more emphasis on the importance of fostering an environment conducive to innovation as a critical ingredient for economic growth, such as promoting green technologies, fostering digital prosperity through the use and development of information and communications technologies, and cultivating an educated workforce for sustaining a knowledge-based economy. Inclusive growth also means creating an environment that encourages entrepreneurship and development of new ideas, including though enhancing access to credit, including microfinance, and fostering the development of small businesses.

Finally, the United States believes that APEC's "human security" agenda can make a vital contribution to ensuring the prosperity and resiliency of societies against a multitude of threats.

For example, with active U.S. leadership, APEC has established a strong, internationally-recognized public-private partnership to enhance food safety that provides critical training to growers, manufacturers, and government regulators. APEC also has initiatives aimed at improving toy safety and cracking down on counterfeit drugs and medical devices.

In the wake of the spike in food prices in 2008 and long-term challenges to the regional food supply, the United States led efforts to update and strengthen APEC's food security agenda. Japan plans to make food security a major priority next year, which includes hosting an APEC ministers-level meeting on the issue in October 2010.

With the recent natural disasters in Samoa and Southeast Asia, I want to highlight APEC's work on disaster preparedness. APEC is fostering closer collaboration among regional emergency management agencies, examining the impact of climate change on disaster management, and helping school children prepare for disasters. Going forward, APEC will continue to strengthen public-private partnerships and capacity building for emergency preparedness.

APEC is also working to protect the region's financial and economic system from attack and abuse by terrorists. This past year, for example, APEC sponsored initiatives on combating terrorist financing; protecting the food supply from terrorist contamination; and exploring ways to quickly revive trade in the aftermath of a terrorist attack. The United States is also leading new APEC initiatives to enhance air cargo security and better protect port facilities.

### **Commitment to the Asia-Pacific and to APEC**

Mr. Chairman – I would like to conclude by underscoring the Obama Administration's clear commitment to the Asia-Pacific region. Secretary Clinton's first trip abroad was to Asia. And as I indicated earlier, President Obama has announced his intention to attend the APEC Leaders Meeting in Singapore in November.

The United States brings tremendous capability and creativity to bear on the enormous challenges that the region – and the world – faces today. In hosting APEC in 2011, we have an

opportunity to advance a 21st century economic agenda for the Asia-Pacific region. It is an agenda that promotes reforms that will bring about greater, more inclusive, and more sustainable economic growth.

But we cannot realize this vision, nor can we confront challenges, alone. By working together as a community with other APEC members to substantively and tangibly address these and other issues, we can achieve greater growth and prosperity in the Asia-Pacific region for years to come.

Of course, the Administration also cannot realize this vision without the strong support of Congress. I look forward to consulting closely with you and your colleagues on how APEC can further meet the needs of the American people and how we can make APEC 2011 a success for our country.

Thank you for this opportunity to testify before you this afternoon. I look forward to answering your questions.