

# US Perspectives on APEC

By Shay SINGH



Author Shay Singh

Since assuming office in 2009, President Barack Obama's primary challenge has been to grow the US economy and create jobs following the financial crisis of 2008. A key aspect of the Obama administration's agenda in this area has been its effort to increase US exports through programs such as the National Export Initiative. At the same time, the strength of the economies in Asia, combined with the marked downturn of those in Europe, has led the administration to increasingly focus its attention toward the Asia-Pacific.

US involvement in Asia is by no means a new phenomenon. However, the US is increasingly looking across the Pacific for economic opportunities. Speaking at the US Chamber of Commerce on October 26, 2011, USTR Ron Kirk explained that the Obama administration is "putting great focus on the Asia-Pacific, because that's where the world's most dynamic economies are expanding rapidly and creating significant opportunities to increase US exports and jobs." As a result, regional groupings such as APEC and other regional trade initiatives, such as the TPP, are increasingly at the center of US global growth strategies.

In addition to economic interests in the Asia-Pacific, the Obama administration continues to underscore longstanding US security and political interests in the region. The administration has worked to reinvigorate the US presence as a "Pacific nation" as well as a "Pacific economy," two ideas that are closely linked.

- Under the Obama administration, the US has become more active in regional economic and security initiatives in Asia and has pledged to continue to do so.
- In this regard, US efforts under APEC and TPP, while primarily trade-focused, cannot be separated from broader, strategic US perspectives and positioning in the region.

## Obama Administration Agenda

### - Growing the US Economy through Ties to Asia

President Obama's efforts to enhance the US trade position in Asia can be traced back to the very beginning of the administration in 2009.

- One of its first actions was a "thorough review" of the Bush administration-negotiated KORUS FTA (specifically "concerns" regarding autos and US beef). These "concerns" proved to be difficult issues that delayed the two countries in signing the FTA legal texts until February 2011.
- In the meantime, the administration also began to pursue regional avenues for increasing US trade in Asia, including joining the TPP in November 2009. A month later, USTR Kirk wrote to Congress that the TPP would "create a potential platform for economic integration across the Asia-Pacific region, a means to advance US

economic interest with the fastest-growing economies in the world, and a tool to expand US exports...."

- These objectives subsequently were integrated into the President's National Export Initiative (NEI) and tied to the goal of doubling exports in five years. In September 2010, the administration's Export Promotion Cabinet identified the TPP as a primary method for reducing barriers to trade. The group reported that the administration should conclude the TPP to enhance US access to key markets in the Asia-Pacific and then should work to expand the Agreement.

These priorities came together at the APEC Trade Ministers' meeting in May 2011, when USTR Ron Kirk called engagement with Asia-Pacific partners "a major component of the US trade agenda," specifically noting APEC, the KORUS FTA, and the TPP talks as "fundamental pillar(s)" of US trade engagement. He stated, "Because the markets of the Asia-Pacific are so large and so dynamic, [the region's] importance to the United States will only increase." Kirk said the US viewed its APEC host year as "a critical juncture to keep APEC's trade and investment agenda on the cutting edge for the next 20 years."

## US Builds APEC Agenda on Improving Ease of Doing Business in Region

In 2010 in Yokohama, APEC leaders reiterated their vision for APEC to strengthen regional economic integration. The primary trade-related goal for the US in 2011 was to achieve concrete deliverables to build on that vision. The US agenda included reducing barriers to trade for environmental goods and services; promoting innovation policies that encourage competition and open markets; and improving countries' regulatory systems.

The US business community was a key driver of the US APEC agenda. Administration officials have emphasized that they received comments from the business community suggesting that the efficiency and ease of doing business in Asia could be improved through government action, such as reductions in NTBs and tariffs and in increased regulatory cohesion and compliance amongst member states. USTR Kirk commented that the US business community had noted "existing trade rules haven't kept up with the rapidly evolving realities of 21st-century commerce."

Obama administration officials regarded the deliverables of the US APEC host year as a success and as a validation of APEC's importance and relevancy. The 2011 APEC agenda formed a baseline from which member countries not only can cooperate, but can converge. The US worked to take steps towards creating regulatory coherence between APEC member countries and to reduce "behind the border" barriers to expand trade between member economies.

### US Works to Materialize APEC Aspirations for Integrated Regional Economy

The Obama administration also utilized its APEC host year to deepen regional economic ties, most significantly through the Trans-Pacific Partnership (TPP). The Obama administration identifies the TPP as a significant step on the path to a potential future free-trade area of the Asia-Pacific (FTAAP), which APEC identified as a goal in 2006. Speaking on November 11, 2011, at the APEC Trade Ministers' Press Conference, USTR Kirk acknowledged that "many of us believe that TPP can be the basis for a long-term APEC goal: a Free Trade Area of the Asia-Pacific."

- Obama administration officials have said they hope to use the TPP as a "pathfinder" to "pull" other economies into the agreement.
- The administration believes increasing TPP membership will continue to encourage more countries to join as they weigh the benefits of being an "early adopter."
- Administration officials have commented that APEC's bottom-up, non-binding approach makes discussion and problem-solving of trade issues more participatory and allows members to discuss "cutting-edge" topics.
- The administration has said it wants to translate that APEC spirit into a "living" TPP agreement that it hopes will continue to accept new members and to grow as trade-related demands require.

### New Members Could Significantly Enhance TPP's Prestige

Japan's interest in joining the TPP talks adds a substantial level of prestige to the agreement. Previously looked upon as a US-led agreement largely with existing smaller trading partners, the addition of Japan (as well as Canada and Mexico) would give the TPP the clout of including the fourth (Japan), 12th (Mexico), and 15th (Canada) largest global economies (CIA 2010 estimates by GDP, considering the EU as one economy).

- Were South Korea also to join (as US officials hope it will), the TPP would add the 13th largest global economy.
- With these 13 prospective members, the TPP would include six of the top 20 economies (the US, Japan, Mexico, South Korea, Canada, and Australia) and 12 of the top 50 (adding Malaysia (#30), the Philippines (#34), Singapore (#41), Vietnam (#42), Peru (#43), and Chile (#46)), leaving New Zealand (#63) and Brunei (#123) as the only TPP member economies not in the top 50 global economies.

From a strategic perspective, the US is very supportive of expanding the TPP as a regional trade agreement. However, at the same time, the US government believes that the prestige of expanded potential membership needs to be balanced with the goal of forward movement on the agreement. The US has repeated its position that all member countries must subscribe to the agreement's high level of ambition to protect against allowances for any one country creating a "domino effect" of exceptions that would cause the ambition of the agreement to crumble.

- Washington is aware that such high levels of ambition will make accession difficult for more developed economies in some cases, and for lesser developed economies in others.
- Speaking to these types of issues, USTR Kirk has said "We understand there will be areas where we don't maybe reach as high [a level of ambition] as we thought we would, but we have not been bashful about putting those issues, and why they are important to our economy, on the table."

The fact that there is notable domestic opposition to the agreement within Japan has not gone unnoticed in the US. Washington itself is intimately familiar with the effects that domestic politics can have on trade policy, as illustrated by the Obama administration's effort to move forward on the KORUS FTA. In recognition of the significant step taken by Japan, President Obama said he was "extremely impressed with the boldness" of Prime Minister Noda's action. USTR Ron Kirk commented that Japan's interest in the TPP "demonstrates the economic and strategic importance of this initiative to the region."

### US Security Interests in Asia-Pacific

In addition to US economic interests in the Asia-Pacific, the Obama administration continues to underscore the longstanding US security and political interests in the region and has worked to reinvigorate the US presence in Asia. Touring the region in November 2011, President Obama emphasized "The United States is a Pacific power, and we are here to stay." Although many in Washington would argue that the US has consistently maintained its focus on Asia, many media outlets reported President Obama's November 2011 trip as a "return to Asia" (as they also did following his earlier 2009 trip).

During its first two years, the Obama administration arguably focused on trying to work more constructively with China and trying to persuade North Korea to end its nuclear programs. These efforts, however, arguably effected little change in China or North Korea. However, at the same time, there is a belief in Washington that:

- The perspectives of the US and some Asian countries have converged on issues such as maritime security and the South China Sea.
- The US and its allies in Northeast Asia have solidified their mutual goals on regional security through mechanisms such as the Six Party Talks.

Looking forward, the Obama administration is increasingly focused on the goals and opportunities the US shares with its partners in Asia. This shift is bringing the US closer to its traditional allies, Japan, South Korea,

# US State Department chart adapted from August 4, 2010 CSIS article, "A New Paradigm for APEC?"

and Australia, as well as to newer regional partners such as Indonesia, Vietnam, and Malaysia. This shift has also helped facilitate movement in US-Burma relations (which has been a key impediment to the US position in Southeast Asia), as demonstrated by Secretary of State Hillary Clinton's December 2011 trip to that country.

## US Role in Regional Security

Analysts in the US have noted an increasing disconnect in Asia between China as the primary driver for economic growth and the US as the primary guarantor of security. This growing divergence of economics and security has shifted the strategic matrix within the region in ways that have posed challenges for all countries involved.

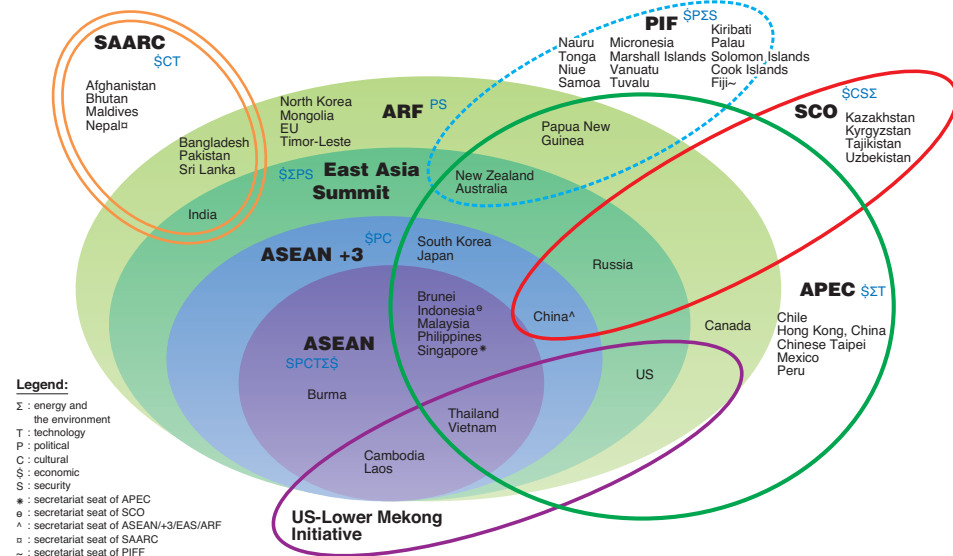
The Obama administration has repeatedly stated that the US does not oppose China's "peaceful rise." However, it also has made clear that a rising power should observe international rules and norms and should contribute to regional and global security and stability. Speaking on November 13, White House Deputy National Security Advisor Ben Rhodes commented that the President's recent Asia trip "is very much about extending a clear signal that the United States is going to be fully present in the economic, security and political future of the Asia-Pacific region, and it takes place in the context of a rising China." He added, "The nations of the region very much want us here."

From Washington's perspective, greater economic engagement and the pursuit of security objectives are closely linked. Increasing US economic involvement in the region is underpinned by a strong US security presence in Asia. From Washington's perspective, speaking as a member of APEC, the TPP or the EAS gives the US greater credibility than it would have voicing its concerns outside of such fora. However, at the same time, US membership in these fora does not necessarily assuage other members' concerns regarding US motives either. The view in Washington is that countries in Asia want to balance the influences of both China and the US in the region, and at the same time have little interest in escalating tension between the US and China.

## The Question of China

The recent US Asia-Pacific agenda (to include the US APEC agenda, the TPP, President Obama's November 2011 Asia trip, the announcement of the deployment of US marines to Australia, US overtures towards Burma, and US attendance at the EAS) underscores an increasing US commitment to the region within the context of China's growing power and position. These actions have raised concerns in Beijing that the US is trying to "encircle" and contain China.

Obama administration officials argue that US activity elsewhere in Asia is not related to US policy towards China and that the US can pursue better relations with countries in the region and with China simultaneously. Still, there are lingering questions within the US regarding China's claim of a "peaceful rise." Inflammatory



Source: US State Department

statements regarding China's commitment to international norms, to respect international laws, or to abide by international rules lead countries around the world to question China's goals and intent.

## Conclusion

Statements that the US is "pivoting" towards Asia ignore the fact that the US has been integrated into the security structure of the Asia-Pacific for decades. At the same time, the entire global community, to include the US, is turning towards the economic strength of Asia for solutions to economic problems. As the global economic focus shifts to the Pacific, APEC is faced with a unique opportunity to significantly strengthen the global economy.

- APEC and the TPP now are poised to play pivotal roles in drafting the trade rules for a new century. By pushing for a yet-unseen level of ambition in the TPP and adding issues not addressed by older agreements, APEC and the TPP are shaping the way trade agreements will look and function in the future.
- Furthermore, if the TPP pulls more economies into a modern trade agreement, it has the potential to form a multilateral alternative to the failed Doha Round.

For its part, the US will continue to seek to balance the twin aims of expanding the TPP negotiations while also pressing for higher levels of ambition in the agreement, as well as other regional regimes. The US goals in the TPP are indeed closely tied to the Obama administration's trade policy objectives, but also connected to broader strategic interests as well for maintaining security and stability in the Asia-Pacific in the short term and the long term. In the end, such efforts can serve to increase trade liberalization in the Asia-Pacific and globally as well as lend a new legitimacy to APEC well into the 21st century. **US**

*Shay Singh is a senior analyst at International Technology and Trade Associates, Inc., a consultancy based in Washington, DC, where she focuses on trade, economic and security issues in the Asia-Pacific region.*