

Written Testimony of

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Chairman Salmon, Ranking Member Sherman, and Members of the Subcommittee, thank you for the opportunity to testify on the recently concluded Asia-Pacific Economic Cooperation (APEC) Economic Leaders’ Meeting held in the Philippines and on APEC’s importance for U.S. economic and trade engagement in the Asia-Pacific region.

The Asia-Pacific region continues to be a dynamic and growing part of the global economy. The United States’ active involvement in the region’s economic expansion is critical for our continued economic growth. Indeed, the 21 APEC economies account for nearly 60% of global GDP and international trade (57% and 59%, respectively), and are home to 2.8 billion consumers, 40% of the world’s population. Since APEC’s inception in 1989, Asia-Pacific trade with the world has grown to over \$20 trillion, with U.S. goods and services trade with APEC economies totaling \$3.0 trillion in 2014. With respect to services trade, the U.S. had a trade surplus with APEC economies in 2014 of over \$126 billion.

U.S. engagement in APEC plays an important role in helping to secure the economic benefits offered by the Asia-Pacific region and to address the challenges we face there. APEC remains the premier regional forum through which we are able to advance policy objectives that strengthen our economy and expand our economic relations with its 20 other diverse members. It is the key organization in which we can play a significant leadership role in addressing trade and investment issues that specifically affect this region. It is also a forum where we are able to promote American values and support economic growth that is sustainable and equitable. With other economic powers vying for influence in the region, U.S. active engagement remains essential.

The unique characteristics of APEC make it an effective forum to advance work on emerging issues in the trade and economic arena. First, given how much the region has benefited from trade, APEC economies generally embrace open markets and ideas that advance free trade. The 1994 “Bogor Goals” to liberalize and facilitate trade and investment among APEC economies have served as the guiding principles of APEC and underscore the organization’s strong commitment to advancing free and open trade in the Asia-Pacific.

Second, APEC outcomes are non-binding and voluntary in nature, thus allowing APEC economies to be more forward-leaning and open-minded when exploring new issues, in contrast with other venues where achieving consensus is more difficult.

Third, APEC initiatives can take a variety of forms with varying levels of participation by

economies. This flexibility allows for more creative and diverse approaches to new and emerging issues, and for economies with differing views to build bridges as they work together to develop a path forward and test various policy approaches.

Finally, APEC has a diverse membership, including major economies like China, Korea, Russia, and Japan as well as key developing economies in ASEAN, and some FTA partners in the Americas. As a result, initiatives that emerge from APEC carry significant weight in other fora. When 21 economies as diverse and dynamic as those in APEC have forged a common understanding and approach to an issue, this can be used as a building block to a binding commitment in other institutions.

Indeed, initiatives undertaken in APEC have led the way to expanding trade liberalization in the broader multilateral trade system, particularly in recent years. For example, the World Trade Organization Information Technology Agreement (ITA) and its subsequent expansion has its origins in APEC. Through APEC's efforts and U.S. leadership, the negotiations to expand the ITA are moving toward the conclusion of the first tariff-cutting agreement at the WTO in 18 years.

Similarly, the 2011 commitment by APEC Leaders to reduce tariffs on environmental goods gave impetus to the launch of the WTO Environmental Goods Agreement. APEC's long-term work on supply chain facilitation, helped lay the groundwork for the WTO Trade Facilitation Agreement (TFA). APEC economies continue to demonstrate leadership on this issue, with 11 APEC members notifying the WTO of their acceptance of this agreement. APEC economies already are getting a head start on implementing TFA commitments through capacity building work specifically geared towards meeting those commitments. At the same time, APEC continues to push towards achieving its goal of a 10 percent improvement in supply chain performance by reducing the time, cost, and uncertainty of moving goods and services through the Asia-Pacific. These are concrete ways in which APEC has served as a catalyst for improving the business environment and facilitating trade both in the region and globally.

APEC continued its work to improve the business environment in the Asia-Pacific and facilitate trade in 2015 with the Philippines as host. Work advanced on several initiatives intended to deepen regional economic integration, foster small and medium enterprise (SME) participation in regional and global markets, invest in human capital development, and build sustainable and resilient communities. This work culminated in a number of outcomes at the November 18-19, 2015 Leaders' meeting, including on topics of great interest to U.S. stakeholders, such as environmental goods, the digital economy, services trade, electric vehicle standards, trade in healthcare products, advertising standards, trade secrets protection, and others.

With respect to environmental goods, APEC Leaders reaffirmed that they would reduce applied tariffs on the APEC List of 54 Environmental Goods by the end of this year. APEC economies are on track to meet this groundbreaking commitment first made in 2011 when the United States hosted APEC.

Also in Manila, APEC Leaders endorsed substantive work on facilitating the Internet and digital economy. The United States has been a leader in recognizing the importance of the Internet and

data flows to trade in the future, as businesses throughout the world increasingly rely on the Internet to stream music, videos, and applications, link to global supply chains, and sell their innovative goods and services directly to customers in other markets. APEC is now in a position to pursue work on identifying and avoiding unnecessary barriers to digital trade, such as data flow restrictions and data and server localization policies. APEC Ministers likewise endorsed a Digital Economy Action Plan for Micro, Small and Medium-Sized Enterprises, which identified specific ways in which individual economies could integrate SMEs into the global economy through e-commerce and the Internet. SMEs account for one-third of the \$1.6 trillion in annual goods exports from the United States, yet less than 5% of SMEs currently export goods. Thus, initiatives like those underway in APEC provide a good opportunity to facilitate greater involvement of our SMEs in global export markets.

APEC Leaders also endorsed the APEC Services Cooperation Framework and instructed officials to develop by the end of 2016 a roadmap for actions and targets in the services area. These outcomes elevated APEC's focus on services trade in recognition of this sector's increasingly important role in contributing to economic growth and development. The United States is a leading world exporter in services, and working through APEC to secure an open and liberal services trade regime will have tangible benefits to U.S. service suppliers and consumers.

APEC Ministers at Manila welcomed progress towards developing APEC Best Practices in Trade Secrets Protection and Enforcement and pushed for early conclusion of this work.

Finally, APEC Leaders also noted the recent conclusion of the Trans-Pacific Partnership Agreement negotiations. The TPP announcement has made a significant impression on countries around the world, and in particular, APEC economies. All 12 TPP members are in APEC, and most other APEC economies have expressed an interest in the agreement. Given this connection, the United States and other APEC members have a real opportunity over the coming years to educate APEC members about the benefits of adopting policies that will meet the requirements of high standard agreements like the TPP. Thus, in addition to the direct, concrete benefits APEC provides U.S. stakeholders through its various initiatives, U.S. engagement in APEC will further serve to support the objective of creating a rules-based trading system for the Asia-Pacific region.

Looking ahead to 2016 when Peru will serve as APEC host, the United States will have an opportunity to push for significant outcomes on digital and services trade, as well as on trade secrets protection and enforcement. APEC will assess progress on its target of improving supply chain performance by 10 percent and look beyond that target. We will continue to explore ways to ensure that the benefits of economic growth extend to businesses of all sizes through SME-related work, which will be one of Peru's priorities.

In pursuing work in these areas, we will continue to work closely with all stakeholders to ensure that the APEC agenda covers issues that are relevant to their interests. One of APEC's successes lies in its mandate to engage with the business community. The APEC Business Advisory Council plays an important role by providing its views and priorities to APEC officials throughout the year. In the United States, we have a longstanding and close working relationship with the National Center for APEC. We will also continue to consult with

Congress, as we plan our agenda for APEC in 2016. We are grateful for the interest of this Committee in this regard.

In conclusion, I want to thank you for the opportunity to discuss the outcomes of the APEC Leaders' meeting and the importance of APEC to U.S. engagement in the Asia-Pacific region. As that region continues to grow in economic and strategic importance, U.S. leadership in APEC will be increasingly vital.