APEC 2007: ADVANCING U.S. EXPORTS TO THE ASIA–PACIFIC REGION

HEARING

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APEC 2007: ADVANCING U.S. EXPORTS TO THE ASIA–PACIFIC REGION

TUESDAY, SEPTEMBER 25, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA, THE PACIFIC,
AND THE GLOBAL ENVIRONMENT,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:06 p.m. in room 2172, Rayburn House Office Building, Hon. Eni F.H. Faleomavaega (chairman of the subcommittee) presiding.

Mr. FALEOMAVAEGA. The Subcommittee on Asia, the Pacific, and the Global Environment, the hearing will come to order.

I do want to thank our distinguished witnesses for taking the time to be away from their busy schedule to come and share with us their insights and views concerning this important subject that we are about to deliberate in our hearing this afternoon.

I do want to thank my good friend, the distinguished ranking member of the subcommittee, the gentleman from Illinois, my good friend, Mr. Manzullo, for being here and also the gentleman from I was going to say California, but he looks more like he is from Arizona, the gentleman from Arizona, Mr. Flake. Pretty soon my colleagues from California will be here I am sure.

But I would like to begin this hearing this afternoon by presenting an opening statement, and then I will give time to my ranking member for his statement. And Mr. Flake is more than welcome to join us as well if he has an opening statement.

The Asia-Pacific Economic Cooperation, or APEC as it is generally known, is a cooperative forum in which members arrive at decisions by way of consensus. Some say it is the Pacific way of doing things, by consensus. All commitments are made by members, are voluntary. APEC has no formal enforcement mechanisms to compel members to comply with any trade liberalization policies previously declared at APEC meetings.

Critics argue that the nonbinding nature of APEC trade liberalization commitments make them easy to delay or to avoid. They maintain that without some sort of compulsion and in some cases punitive measures in trade agreements, there is little incentive for countries to reduce trade and investment barriers.

For this administration, the APEC meetings provide an opportunity to reiterate its interest in forming a Free Trade Area of the Asia-Pacific region and to hold bilateral talks with a number of important Asia-Pacific leaders which for the most part exclude the South Pacific Island nations. During the APEC meetings held in

Sydney earlier this month, Australian Prime Minister John Howard and President Bush signed the U.S.-Australia Defense Trade Cooperation Treaty. Also during his speech at the APEC summit meeting, President Bush proposed to create an Asia-Pacific Democracy Partnership.

However, some APEC members were critical of the departure of President Bush and Secretary of State Condoleezza Rice prior to the end of the leaders' meeting. The early departure of both Secretary Rice and President Bush from their respective meetings was heavily discussed by the media. The decision by President Bush to depart after the first day of the 2-day leaders' meeting came only a few days before the start of the APEC meetings and was considered by some commentators a blow to relations with Australia and certainly counterproductive to United States ambitions to forward its agenda during the event. According to some analysts, Bush's early arrival did little to counter the negative impact of the early departure.

In the weeks prior to the APEC meetings, the media ran stories indicating that many of President Bush's top advisors were recommending that he not attend APEC meetings at all. The perceived slight was compounded in view of critics by President Bush's misstatements, in which he referred to APEC as OPEC, which OPEC is the oil-producing states—Overseas Private something Energy Council or Corporation. How does that sound? Well, it is a lot better than saying OPEC. It should have been APEC, right?

And his comments about visiting Austrian troops in Iraq, which he meant Australian troops, hmm. In addition, Secretary Rice's decision to depart with President Bush as well as her decision not to attend the recent ASEAN meetings added to the existing regional concerns that the Bush administration is not giving adequate attention to the Asia-Pacific region.

For years I have stated that I believe the U.S. does not pay enough attention in this part of the world, and the policy of neglecting the Pacific Island nations is quite obvious.

This year President Bush hosted New Zealand's Prime Minister but could not be bothered to meet with 18 Pacific Island heads of state and prime ministers who traveled to Washington for a historic visit. What message does this send to our long-time allies? What message does it also send when APEC members agree to take four specific actions on climate change on a voluntary basis? Are we serious about addressing climate change? If we are, why do we hesitate to enter into binding agreements and encourage other nations to do the same?

To date, the United States has not ratified the Kyoto Protocol. And as a result, the world community does not take the U.S. seriously when we speak of global climate change.

I am interested in hearing from our panelists this afternoon, whether they agree with the assessment of Australia, the Bush administration and whether APEC's joint declaration on climate change was a significant outcome of the Sydney meetings.

I would also be interested to know why there has been a trend for APEC to take up nontrade activities. I would like to know what the administration can do to enhance United States participation

in APEC and forestall the efforts of some nations to form an all-Asian trade association which would exclude the United States.

I do want to welcome our distinguished visitors, our panelists rather. And I would like to give this time to our distinguished senior ranking member of the subcommittee for his opening statement.

[The prepared statement of Mr. Faleomavaega follows:]

PREPARED STATEMENT OF THE HONORABLE ENI F.H. FALEOMAVAEGA, A REPRESENTATIVE IN CONGRESS FROM AMERICAN SAMOA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA, THE PACIFIC, AND THE GLOBAL ENVIRONMENT

The Asia Pacific Economic Cooperation (APEC) is a cooperative forum in which members arrive at decisions via consensus. All commitments made by members are voluntary; APEC has no formal enforcement mechanisms to compel members to comply with any trade liberalization policies previously declared at APEC meetings.

Critics argue that the non-binding nature of APEC trade liberalization commitments make them easy to delay or avoid. They maintain that without some sort of compulsion and, in some cases, punitive measures in trade agreements, there is little incentive for countries to reduce trade and investment barriers.

For the Bush Administration, the APEC meeting provide an opportunity to reiterate its interest in forming a Free Trade Area of the Asia-Pacific (FTAAP) and to hold bilateral talks with a number of important Asia leaders, which for the most part exclude South Pacific Island leaders. During the APEC meetings held in Sydney earlier this month, Australian Prime Minister John Howard and President George Bush signed the U.S.-Australia Defense Trade Cooperation Treaty. Also, during his speech to the APEC Business Summit, President Bush proposed the creation of an "Asia Pacific Democracy Partnership."

However, some APEC members were critical of the departure of President Bush and Secretary Rice prior to the end of the Leaders' Meeting. The early departure of both Secretary Rice and President Bush from their respective meetings was heavily discussed by the media. The decision by President Bush to depart after the first day of the two-day Leaders' Meeting came only a few days before the start of the APEC meetings, and was considered by some commentators a blow to relations with Australia and counterproductive to U.S. ambitions to forward its agenda during the event. To some analysts, Bush's early arrival did little to counteract the negative impact of the early departure.

In the weeks prior to the APEC meetings, the media ran stories indicating that many of President Bush's top advisors were recommending that he not attend the APEC meetings at all. The perceived slight to APEC was compounded in the view of critics by President Bush's misstatement in which he referred to APEC as OPEC, and his comments about visiting "Austrian troops" in Iraq when he meant "Australian troops."

In addition, Secretary Rice's decision to depart with President Bush, as well as her decision not to attend the recent ASEAN meetings, added to existing regional concerns that the Bush Administration is not giving adequate attention to the Asia Pacific Region. For years, I have stated that I believe the US does not pay enough attention to this part of the world, and has a policy of benign neglect to the South Pacific Island nations. This year, President Bush hosted New Zealand's Prime Minister but could not be bothered to meet with 18 Pacific Island leaders who traveled to Washington for an historic visit. What message does this send to our long-time allies?

What message does it also send when APEC members agree to take four specific actions on climate change on a voluntary basis? Are we serious about addressing climate change? If we are, why do we hesitate to enter into binding agreements and encourage other nations to do the same? To date, the US has not ratified the Kyoto protocols and, as a result, the world community does not take the US seriously when we speak of global climate change. I am interested in hearing from our panelists on this point. Do you agree with the assessment of Australia and the Bush Administration that APEC's joint declaration on climate change was a significant outcome of the Sydney meetings?

I would also be interested in knowing why there has been a trend for APEC to take up non-trade activities. I would also like to know what the Administration can do to enhance U.S. participation in APEC and forestall the efforts of some nations to form an "all-Asian" trade association that would exclude the United States.

I welcome our Members, and I thank you for being with us.

Mr. MANZULLO. Thank you, Mr. Chairman. Thank you for taking our suggestion when our staff worked with yours to set up a hearing on Asia-Pacific Economic Cooperation (APEC) forum.

This is probably the first time in recent history that a hearing with the administration and the APEC Business Advisory Council is being held by the Foreign Affairs Committee. I want to thank you for your willingness to hold this hearing and for your continued leadership.

The true value of our participation in APEC is a story that has yet to be told. APEC represents over 60 percent of American exports, 60 percent of global gross domestic product, contains close to 3 billion consumers. It is also the only multilateral organization in Asia that meets annually at the Presidential level and the only organization that includes both the People's Republic of China and Taiwan as members.

Given the size and scope of APEC, it is vitally important to pay more attention to what it does. It provides a very convenient forum for getting things done at sometimes almost an informal basis.

This hearing cannot come at a better time given President Bush's recent visit to Sydney, Australia, for the APEC Leaders' Summit in early September. The summit produced a number of notable deliverables, not including the misquotes, Mr. Chairman. But those were notable, weren't they? That included increased trade liberalization, intellectual property rights protection, climate change, et cetera. It was also announced that the U.S. would host APEC in 2011.

Finally, I was delighted to hear that the U.S. announced its intent to join the APEC Business Travel Card Program last year. I believe there are 15 other countries that are involved in it. When I chaired the Small Business Committee, we actually brokered the multi-visit annual visa for Chinese business visitors to come to the United States. We look forward to working on this APEC Business Travel Card, because it has been very difficult to get especially Chinese people who are interested in buying American products into this country.

In fact, several years ago, Ingersoll Milling Machine before it went under was trying to sell a most commoditized three-axis milling machine, and we couldn't get six Chinese people interested in buying the machine to get visas to come to the United States. That was an $11 million deal and it fell through, and not too long after that, Ingersoll went bankrupt. So we have become our own worst enemy when it comes to something as simple as bringing in customers, and this wasn't even a controlled item.

So that is why I was very excited to find out the APEC Business Travel Card Program has been set up. And I think it is because this organization has the ability to cut through a lot of government red tape, recognizing the absolute necessity of getting trade involved. That is why I am thrilled to have them here with us today.

The Congressional District that I represent is the second most intense in manufacturing jobs. One out of four jobs is directly related to manufacturing in Rockford, Illinois. We have over 70,000 manufacturing workers, and Illinois companies exported more than $26 billion worth of goods to APEC countries in 2006.

Also with regard to the environment, I am heartened to see that APEC takes leadership in adopting common-sense measures to attack the global pollution without compromising economic growth. I started following APEC a lot more closely since I came back onto the committee after being gone for 6 years and chairing the Small Business Committee. But I am very much interested in APEC because of their ability to tackle problems, cut through politics and since it is a voluntary organization, they have the ability to do this. So thank you for calling the hearing. I look forward to the testimony.

[The prepared statement of Mr. Manzullo follows:]

PREPARED STATEMENT OF THE HONORABLE DONALD A. MANZULLO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for holding this important hearing on enhancing America's export opportunities through the Asia-Pacific Economic Cooperation (APEC) forum. This is probably the first time in recent history that a hearing with the Administration and the APEC Business Advisory Council will be held by the Foreign Affairs Committee. So, I thank you Mr. Chairman for your willingness to hold this hearing and for your continued friendship.

The true value of our participation in APEC is a story that has yet to be told. APEC represents over 60 percent of American exports, 60 percent of global gross domestic product, and contains close to 3 billion consumers. It is also the only multilateral organization in Asia that meets annually at the presidential level, and the only organization that includes both the People's Republic of China and Taiwan as members. Given the size and scope of APEC, it is vital that we pay more attention to what it does.

This hearing cannot come at a better time given President Bush's recent visit to Sydney, Australia for the APEC Leaders' Summit in early September. The Summit produced a number of notable deliverables that includes increased trade liberalization, intellectual property rights protection, and fighting climate change. It was also announced that the United States will host APEC in 2011. Finally, I was delighted to hear that the U.S. announced its intent to join the APEC Business Travel Card program last year. The Business Travel Card is an innovate program that if implemented correctly can make America a preferred business travel destination. Legitimate and secure business travel to America means billions of dollars for our businesses.

Boosting America's competitiveness overseas is one of the most important jobs that I have as a representative serving the hard working people of the 16th Congressional District of Illinois. Northern Illinois is home to over 69,000 manufacturer workers who are all doing their best to compete against competitors in countries such as China and India. I have dedicated my entire service in Congress to promote products made in America and to keep jobs at home. Strengthening APEC is an important part of enhancing U.S. exports. For example, Illinois companies exported more than $26 billion worth of goods to APEC countries in 2006. This represents an amazing growth rate of over $10 billion from 2002 to 2006. I want to see this trend continue.

With regard to the environment, I am heartened to see APEC take leadership role in adopting commonsense measures to tackle global pollution without compromising economic growth. This initiative fits more in line with the thinking behind the amendment I offered last May in the full committee mark-up to the energy bill that we should all work together to find practical solutions to combat climate change and other global environmental challenges rather than create more bureaucracy and more spending. I am particularly pleased that China has finally joined in this effort so that America's manufacturers will not be unilaterally disadvantaged.

I look forward to hearing more about APEC and the Administration's efforts to boost trade through APEC. I am particularly interested in hearing how the Administration intends on proceeding with the idea of a Free Trade Area of the Asia-Pacific (FTAAP). The APEC Travel Card is also an important topic that I hope you will address.

Mr. FALEOMAVAEGA. I would say to the gentleman that, to his credit, I could not find a greater partner and member to work with in this subcommittee, and not only as a great advocate of free trade

but the fact that we should promote as much as possible our nation's position on export markets.

I think, one, that I want to tell my good friend that we on this side of the aisle also believe in free market systems. It is not just beholden only just to the Republican members, but we on this side of the aisle also believe absolutely the same way.

And exporting more goods from our country means more jobs, economic growth, and we all believe in that same principle. And I just think that this hearing was timely. We need to pursue further. And I would say that while the APEC organization is somewhat loose to the extent that there are no rules to go by, but that very reason, for being somewhat loose, allows the leaders from the APEC, Asia-Pacific countries, as well as our nation to freely be able to discuss and to meet not only on bilateral terms but also discussing issues that affect the entire Asia-Pacific region as well as our country.

I have said over and over through the years since I first became a member of this committee, I know that to be a member I knew then, 19 years ago, nobody wanted to be on the Asia-Pacific Subcommittee on Foreign Affairs. It was the pits. The whole focus in Washington's mentality was Europe and the Middle East.

And when we talk about Asia-Pacific, it is almost like, what planet is that on despite the fact that two thirds of the world's population resides in the Asia-Pacific region. Our trade with the Asia-Pacific region far surpasses any other region of the world.

And so I could not think in better terms. It has only been in the last 3 or 4 years that we have finally come to grips with the fact and reality the Asia-Pacific region should be just as important as any other region, more so because of our trade relations and the potential in terms of how much we trade with countries of the Asia-Pacific region.

So I want to note that in my consultations with the gentleman from Illinois that this is a reason why we held this hearing. He felt it was important, and I felt it was true, that we need to hold a hearing on this very important regional organization and for whatever weaknesses or strong points that it may have. And this is the reason why we are having this hearing.

My good friend from Arizona for his opening statement, Mr. Flake.

Mr. FLAKE. I have no opening statement. I just look forward to the witnesses.

Mr. FALEOMAVAEGA. My good friend from New Jersey for his opening statement.

Mr. SIRES. I don't have an opening statement, but I don't have a problem being on this committee. Thank you very much.

Mr. FALEOMAVAEGA. Thank you, sir. And my good friend from California, Mr. Rohrabacher, for his opening statement.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. Let me just note that I represent the Ports of Los Angeles and Long Beach, and we have a huge relationship with the Asia-Pacific. I mean, we are talking as you go down through my district, you see tens of thousands of containers that are shipped through our ports and then going inland from there to the rest of America.

The only problem is that 90 percent of the containers going through my ports are going in and only 10 percent are going out. And those things that are going out are not necessarily filled with manufactured goods. They are filled with raw materials half the time. So something needs to be done about that disproportionality.

We have played the sucker for countries in Asia and the Pacific in terms of development. We let Japan get away for a long time with inequitable trading policies in order to build up their economy after the Second World War because we were concerned about what was going on during the Cold War.

And then, of course, the Japanese became, surprise, surprise, huge competitors, which is all right now because they have begun to adjust, and I think there has been a lot of progress in Japan.

But then, when you deal with Korea, which was the same situation, and we see—but the granddaddy of them all, of course, is Beijing and the Communist government in China. For whatever reason, we have had policies that promote the development of economics and their economic well-being in China. Manufacturing isn't going over there from the United States because they like the weather. They are going over there, they are going to China, because the fundamental ground rules that we have agreed to are encouraging the deindustrialization of America and the modernization and industrialization of China.

That is so out of proportion today that it is dangerous to the people of the United States and damaging to the well-being of our country. And we need to talk about it. We need to find out what we can do and some of the facts. And I appreciate you taking the leadership of holding this hearing so we can discuss it today.

Mr. FALEOMAVAEGA. I thank my colleague from California. And I also note with interest he does have the largest seaport in the whole United States, which is at Long Beach in Los Angeles.

I might also note with interest that the seaports of Hong Kong and Singapore are probably the two largest in the world. Hong Kong alone I think ships out almost 20 million containers of goods, just Hong Kong alone. I think if my readings are correct, last year China exported over $342 billion worth of goods to the United States, and we exported to China much less. So we do have a trade deficit with China.

And I would say to my good friend from California, I wonder, is it the fault of the Asia-Pacific country, or is it because of our policies in terms of how internally we have made decisions that have caused this imbalance? I wonder.

Mr. ROHRABACHER. You are absolutely right.

Mr. FALEOMAVAEGA. All right. I do want to welcome our distinguished witnesses this afternoon. We have Ambassador Patricia Haslach, who is the senior official representing our country at the APEC organization. She is a Senior Foreign Service Officer, started her career say in the mid-1980s—will I say it safely that way, Madam Ambassador?—and is currently the U.S. Senior Official for APEC under the Bureau of East Asia and Pacific Affairs.

Ambassador Haslach also is a former Ambassador to Laos for 3 years. And then before that, she served in Afghanistan, Pakistan, India, Nigeria, even in Indonesia. A native of the great state of Oregon, graduated from Gonzaga University and earned a master's

degree in international relations from Columbia University. And fluent in French, Italian and Indonesian. Now that is about as great a Senior Foreign Service Officer that I would ever introduce. And I think that maybe this is something that our military forces need to take is more foreign languages given the problems that we are faced with in Iraq at this time.

Ambassador Haslach has a keen interest in education in the areas of the Asia-Pacific region, and we are very happy to have her here this afternoon.

Also with us is Wendy Cutler, the Assistant U.S. Trade Representative for Japan, Korea and APEC Affairs. She was the chief negotiator for the Korea-U.S. Free Trade Agreement which was signed by President Bush in June of this year. This U.S. Free Trade Agreement with Korea is considered probably the most significant free trade agreement that the United States has concluded in over 15 years, what I would call a multibillion-dollar trade package that we have with Korea.

She also became Assistant U.S. Trade Representative for Japan, Korea and APEC Affairs 3 years ago. Done a lot of negotiations. Very, very expert in her expertise in negotiating bilateral agreements in a wide range of areas, including telecommunications, insurance transparency, semiconductors, the problems of international property. Ms. Cutler received her master's in foreign service agreements from Georgetown and George Washington Universities.

I want to personally thank them again for being here this afternoon and would now like to turn the time to Ambassador Haslach for her statement. And without any opposition, the statements of both gentleladies here before us will be made part of the record, and any other extraneous materials you want to add on will be made part of the record.

Thank you.

STATEMENT OF THE HONORABLE PATRICIA HASLACH, SENIOR OFFICIAL, ASIA–PACIFIC ECONOMIC COOPERATION (APEC), BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador HASLACH. Thank you, Mr. Chairman, Ranking Member Manzullo and members of the subcommittee. It is an honor to appear before you today, along with my colleague, Wendy Cutler, of the U.S. Trade Representative's Office, to talk about the Asia-Pacific Economic Cooperation (APEC) forum. I am also pleased that later today Karl Ege is here to testify for the APEC Business Advisory Council (ABAC).

Less than 3 weeks ago, President Bush——

Mr. FALEOMAVAEGA. I am sorry. Is Mr. Ege here?

Ambassador HASLACH. Yes, he is.

Mr. FALEOMAVAEGA. Oh, please. What happened? Why aren't you on the panel?

Mr. EGE. I am a different panel.

Mr. FALEOMAVAEGA. It doesn't matter. No, no, no, no. Come on over. We are not prejudiced. Come on over. Yes, it is all right. I thought maybe Mr. Ege couldn't make it to the hearing. I apologize.

Ambassador HASLACH. A key partner for us in APEC, the Business Advisory Council.

Mr. FALEOMAVAEGA. All right. Thank you. Please proceed.

Ambassador HASLACH. Less than 3 weeks ago, President Bush and senior United States officials met with their APEC counterparts in Australia, where they advanced many of America's priorities in the region. I would like to share with you some of the outcomes from that meeting and discuss why APEC is such a valuable asset to our country.

APEC is strategically important to the United States because it is a primary venue for engaging the Asia-Pacific on economic and other issues. APEC is composed of 21 member economies that together account for 60 percent of U.S. exports, 60 percent of global GDP and 50 percent of world trade, not to mention nearly 3 billion consumers. It is the only forum in the region that meets annually at the head-of-state level and includes the United States. APEC also brings together top officials several times a year to address an array of important issues.

While these facts alone demonstrate the significance of the organization, APEC is more than the sum of its statistics. APEC has quietly done very important work to promote economic growth, open markets for U.S. business and enhance security. APEC is a vibrant organization that actively works to enhance the well-being of the United States and the Asia-Pacific in practical and tangible ways.

The APEC framework enables us to promote U.S. exports and economic growth in several ways. APEC initiatives make commerce easier and more efficient. For example, it is working to streamline the submission of Customs information for conducting trade. This saves the private sector time and money and makes trade easier for businesses of all sizes.

APEC also facilitates travel of senior business executives and government officials throughout the region, using the new APEC Business Travel Card Program. This program provides qualified individuals with speedier processing at airports and visa lines.

In addition, the United States made important progress in Sydney in addressing an array of issues, including intellectual property rights, food and product safety and the development of high-quality trade arrangements, including a Free Trade Area of the Asia-Pacific as a long-term prospect. I will let my USTR colleagues talk more in-depth about these efforts.

I would also note that there are many things that need to be improved in our trade relationship with Asia. However, America risks becoming disadvantaged economically if we do not participate constructively in the process of regional economic integration that is already underway. 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.

At the same time, working on economic issues alone does not guarantee growth. We must also foster an overall environment where prosperity can occur. That is why APEC is helping economies to build effective regulatory institutions, combat corruption and promote education.

Additionally, APEC has made important contributions to protect the region from security threats that could harm economic growth. APEC has helped to improve port security, prevent bioterrorism and confront the threat of Avian Influenza.

In Sydney, APEC also took steps to contribute to the global response to climate change. APEC focused its work in the economic area and developed concrete goals to improve energy efficiency, promote alternative fuels, grow the region's forests and encourage development and trade of clean technologies.

President Bush also announced in Sydney that the United States will host OPEC, APEC—oh, see, easy mistake to make—in 2011. [Laughter.] This is a tremendous opportunity for our country. As the host economy, it will be a great chance to promote U.S. businesses and investment opportunities and to find an agenda for regional prosperity and peace that reflects our values and concerns. This will be a major undertaking, and we look forward to working with Congress to make this important event successful.

More immediately, we are looking forward to next year when APEC will be hosted by Peru. The Peruvian Government will focus on how to ensure that all members of society can benefit from the opportunities afforded by globalization. We believe that Peru's year will help demonstrate that prosperity is best achieved by reducing barriers to trade and investment, increasing opportunities, and promoting trans-Pacific economic integration between Asia and the Americas.

Mr. Chairman, Ranking Member Manzullo, APEC is a truly unique and irreplaceable asset to the American people. APEC has a great story to tell, having made important contributions to prosperity and peace in the region. Many of these contributions have gone relatively unnoticed, and I hope that this hearing and other public events will encourage others to take a closer look at the work of APEC.

I look forward to consulting more closely with you and your colleagues on APEC and how the organization can further meet the needs of the American people. Thank you for this opportunity to testify before you this afternoon. I look forward to answering your questions.

[The prepared statement of Ms. Haslach follows:]

PREPARED STATEMENT OF THE HONORABLE PATRICIA HASLACH, SENIOR OFFICIAL, ASIA–PACIFIC ECONOMIC COOPERATION (APEC), BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Thank you, Mr. Chairman, Ranking Member Manzullo, and Members of the Subcommittee. It is an honor to appear before you today, along with my colleague Wendy Cutler of USTR to talk about the Asia Pacific Economic Cooperation forum, or APEC. I am also pleased that Karl Ege will also testify on behalf of the APEC Business Advisory Council.

Less than three weeks ago, President Bush and senior U.S. officials met with their APEC counterparts in Sydney, Australia, where they made important advances in promoting regional economic growth and integration. I would not only like to share with you some of the outcomes from that meeting, but also discuss why APEC is such a valuable asset to the United States on economic and other issues.

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 is composed of 21 economies that account for 60 percent of U.S. exports, 60 percent of world GDP, 50 percent of global trade, and nearly 3 billion consumers (that's 40 percent of the world's population).
- It is the only forum in the region that both meets annually at the head of state level and includes the United States.
- APEC also brings together top officials, including officials from China and Taiwan, several times every year to address issues affecting regional prosperity and growth.
- Furthermore, APEC directly engages the private sector in designing and implementing policy initiatives, using a special body called the APEC Business Advisory Council (ABAC). APEC also engages the business community through industry dialogues and various initiatives. The active participation of the American private sector through such groups as the U.S.-APEC Business Coalition is very important, as it allows APEC to directly address the real needs of U.S. companies that export to and invest in the Asia-Pacific.
- APEC is the only trans-Pacific organization that brings government and business together around a common agenda. The Pacific Rim is increasingly a source of economic dynamism and innovation for the U.S. and the world, and APEC is a cornerstone of this emerging trans-Pacific community.

While these facts alone demonstrate the significance of the organization, APEC is more than the sum of its statistics. APEC has quietly done very important work to promote economic growth, lower trade barriers faced by U.S. exporters, enhance security, open markets and improve conditions for U.S. investment, and build healthy, better-governed societies. There may be some who mistakenly think that APEC is merely a "talk shop," but I can tell you from my own hands-on experience that this is simply not the case. APEC is a vibrant organization that is actively working to enhance the economic well-being of the United States and other member economies in practical and tangible ways.

PROMOTING U.S. EXPORTS AND ECONOMIC GROWTH

The APEC framework enables the Unites States to promote U.S. exports and economic growth and to protect U.S. citizens in several ways:

- APEC initiatives serve to make commerce easier and more efficient, including for small and medium-sized businesses. For example, each APEC economy currently requires businesses to submit differing, frequently lengthy and duplicative customs information in order to conduct trade. This makes regional commerce cumbersome and expensive, so APEC economies are working to develop national "Single Window" initiatives to streamline trade. "Single Windows" allow businesses to submit standardized information and documents at a single entry point to regulatory requirements for conducting import, export, and transit. This saves the private sector time and money, and makes trade easier for businesses of all sizes.
- APEC also promotes greater commerce by expediting the movement of senior business executives and government officials—eventually, including Members of Congress—throughout the region through the APEC Business Travel Card initiative. This program provides eligible, pre-vetted individuals with speedier immigration processing at airports and quicker approval of visas. The U.S. recently joined the initiative as a transitional member and is currently working on plans for issuing APEC travel cards to qualified U.S. citizens in the near future.
- In addition, the United States utilizes APEC to protect the interests of U.S. businesses by strengthening protection and enforcement of intellectual property rights. To protect consumers, APEC Leaders in Sydney directed the organization to begin work on improving food and product safety, an issue of increasing regional concern given recent headlines. I'll let my colleague from USTR discuss these efforts in greater detail.
- APEC also stands to help U.S. businesses and workers by exploring the establishment of high quality trade arrangements, including a Free Trade Area of the Asia Pacific as a long term prospect. Again, I will let my USTR colleague talk more in depth about these efforts.

I would note that while there are many things that need to be improved in our trade relationship with Asia, we should also be mindful that America faces the risk of being disadvantaged economically in the region if we do not participate constructively in the process of regional economic integration that is already underway. Sit-

ting on the sidelines would also undermine our leadership in this strategically vital part of the world. By utilizing the tools and opportunities provided by APEC, we can ensure that our country will continue to be a part of the economic dynamism of the Asia-Pacific in a way that benefits American workers and entrepreneurs.

SECURING ECONOMIES AND BUILDING SOCIETIES FOR PROSPERITY

Working solely on economic issues alone does not guarantee growth. We must also foster an overall environment in which prosperity can occur. This is why APEC is working to build healthy and responsible trade partners, from providing technical assistance to economies for constructing effective regulatory institutions to combating corruption. APEC also promotes education and workforce training, which are vital to sustaining economic growth in this era of globalization. We utilize a portion of the East Asian and Pacific Regional Foreign Assistance funds to support carefully selected APEC projects that we believe will have the greatest impact.

Additionally, APEC has made important contributions to protecting the region from threats to economic well-being, including terrorism, while making commerce more efficient. In cooperation with the private sector, APEC has worked to improve port security by helping to improve security procedures and facilitate training. APEC has also helped member economies to devise export controls to curb the spread of WMD and related items, protect their food supplies from bio-terrorism (food defense), and confront the threat of avian influenza. The continuing enthusiasm of agencies such as the Department of Homeland Security in participating in APEC activities demonstrates that the organization is a valuable tool for advancing many of our security interests within and beyond the economic sphere.

In Sydney, APEC took steps to contribute to the global response to climate change and energy security. APEC recognizes that other organizations are better positioned to deal with the complicated aspects of overall climate policy. Accordingly, APEC focused on its strengths in the economic area and developed concrete goals to improve energy efficiency by at least 25 percent by 2030, promote alternative fuels, increase the coverage of the region's forests by at least 20 million hectares by 2020, and encourage development and trade of clean technologies. APEC also endorsed President Bush's initiative to convene a group of major economies to discuss a post-2012 climate change global framework. The group meets this week here in Washington.

LOOKING TO THE FUTURE

While APEC has made many contributions to regional prosperity and peace, there is still much more that we want it and need it to do. To this end, the President committed last year to increased U.S. funding to APEC, including for APEC-sponsored capacity building projects. In Sydney, APEC members decided to increase their annual contributions to APEC's operations by 30 percent each, starting in 2009. This increase represents a needed infusion of assessed contributions, which are currently at their 1998 level. At the same time, we recognize that APEC needs to step up its game if it is to reach its full potential. To this end, we are pleased that APEC economies agreed with our recommendation to link budget increases to continued efforts to reform the organization and enhance its efficiency, professionalism, and overall capabilities.

President Bush also announced in Sydney that the United States will host APEC in 2011. This is a tremendous opportunity for our country. As the host economy, it will be a great chance for us to promote U.S. business and investment opportunities. The meetings of leaders, ministers, and other top officials will offer us a unique opportunity to define an agenda for economic growth and peace in the region that reflects our values and concerns. This will be a major undertaking, and we look forward to working with Congress to make this important event successful.

More immediately, the United States looks forward to next year, when APEC will be hosted by Peru. The Peruvian government plans to focus on ways to ensure that all members of society can benefit from the growth in their economies. This approach will be beneficial to both developed and developing economies as they address the concerns of their citizens about globalization. We believe that Peru's APEC year is a unique opportunity to demonstrate that prosperity is best achieved by reducing barriers to trade and investment, increasing opportunities, and promoting trans-Pacific economic integration between Asia and the Americas.

CONCLUSION

Mr. Chairman, Ranking Member Manzullo—APEC is a truly unique and irreplaceable asset to the American people. APEC has a great story to tell, having made important contributions to prosperity and peace in the region. Many of these contributions and the tremendous value APEC provides to our economic and other in-

terests in the Asia-Pacific have gone relatively unnoticed, and I hope that this hearing and other public events will encourage others to take a closer look at the work of APEC. I look forward to consulting more closely with you and your colleagues on APEC and how the organization can further meet the needs of the American people.

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

Mr. FALEOMAVAEGA. Thank you, Madam Ambassador.

Ms. Cutler for her testimony. Is the mic working there?

STATEMENT OF MS. WENDY CUTLER, ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR JAPAN, KOREA AND APEC AFFAIRS, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Ms. CUTLER. APEC aptly deserves the spotlight this hearing is shining on it today. The Asia-Pacific region is of critical importance to the United States. Ambassador Haslach has already given you some of the impressive numbers on the APEC markets, but the bottom line is that we must remain actively engaged in the region to advance our strategic and economic interests.

We face challenges as we pursue this objective, one of which is the emergence of several groupings in the Asia-Pacific region which exclude the United States. Whether it be ASEAN+3 or ASEAN+6 or the East Asian Summit, these groupings are attempting to put their own imprint on the evolving economic architecture of Asia-Pacific.

We also face challenges of a growing number of lower-standard free trade agreements which fall short of the high-quality FTAs that the United States is pursuing in the Asia-Pacific region and around the world.

We have been working hard to conclude the Doha Round and to open markets bilaterally. Among our 20 APEC counterparts, we have FTAs in place with five of them and have two more agreements ready for Congressional consideration: Korea and Peru. We look forward to working closely with Congress to secure approval of the Peru and Korea FTAs as well as Colombia and Panama. All four of these agreements are strongly in our national interest.

It is our active participation in APEC, however, that gives us a tremendously important presence in the region to effectively shape the architecture of the Asia-Pacific, strengthen the quality of FTAs and open markets to further our commercial interests.

APEC brings together a group of countries with which we do a tremendous amount of trade, and these economies have benefitted enormously from international commerce. Thus, they have a huge stake in further opening markets and for the most part are eager to work with us in APEC to do that.

Let me just briefly give you some concrete examples of what we really do in APEC and why it is such a useful forum for the United States. Over the years, APEC has offered strong support to concluding the Doha Round of multilateral trade talks, especially at critical junctures, and once again, APEC has stepped up.

Earlier this month, leaders in Sydney issued a strong statement underlining their determination to bring the Doha development agenda to an early and successful conclusion while endorsing the current drafts on agriculture and industrial goods as the basis for resumed negotiations in Geneva.

Another strong outcome in Sydney was agreement that APEC should be front and center in the trend toward economic integration in the Asia-Pacific region. The leaders endorsed a report on regional economic integration with actions ranging from initiatives to streamlined patent procedures to creating a single Customs window. This leaders' report demonstrates APEC's preeminence in promoting economic integration in the Asia-Pacific.

Also included in the report is a mandate for APEC to intensively explore the prospect of a Free Trade Area of the Asia-Pacific (FTAAP). In pursuing this ambitious and visionary goal, our strategy is to lay the groundwork for an FTAAP through incremental steps that provide us first with a better understanding of what an FTAAP could look like and two, the hurdles we would need to overcome to achieve it.

Let me stress that FTAAP is a long-term vision. We fully recognize the planets are not currently aligned for this to come together now, but we believe the time has come to start looking at it.

As I have suggested, the United States has serious concerns with the quality of some of the free trade agreements being concluded in the region, and for the past several years, we have been using APEC to promote high-quality model measures for individual FTA chapters.

As you know, Mr. Chairman, trade in counterfeit and pirated goods is a serious threat to business innovation and economic development in the region. To address this, the United States, with help from Japan and Korea, has led in APEC an effort to establish numerous guidelines intended to reduce trade in counterfeit and pirated goods, to protect against unauthorized copies, prevent the sale of infringing goods and to improve IPR border enforcement.

Making it easier for our companies, including small- and medium-sized enterprises, to do business in the region has been central to our work in APEC, and it is an area where the organization has been quite successful. In 2006, we wrapped up a 5-year effort to reduce trade transaction costs by 5 percent, and we agreed to move to another 5 percent reduction by the year 2010.

Let me just conclude by saying Australia provided superb leadership in shepherding APEC 2007 to a successful conclusion. Peru's decision to host APEC in 2008 demonstrates its eagerness to assume a leading role in fostering free trade and investment in the Asia-Pacific. It also highlights the truly trans-Pacific nature of APEC, and we look very much forward to working with our stakeholders and cooperating with our friends in Peru to secure yet another strong year for APEC in 2008.

Again, thank you for highlighting APEC at today's hearing. APEC stands as an invaluable trade tool for the United States to influence and shape the evolution of the region and advance our strategic and commercial interests.

Thank you.

[The prepared statement of Ms. Cutler follows:]

PREPARED STATEMENT OF MS. WENDY CUTLER, ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR JAPAN, KOREA AND APEC AFFAIRS, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Thank you, Mr. Chairman and Mr. Manzullo, for convening this hearing today. I am Wendy Cutler, Assistant U.S. Trade Representative for Japan, Korea and

APEC Affairs. I very much welcome this opportunity to provide testimony on the Asia-Pacific Economic Cooperation (APEC) forum, which the U.S. Government values highly and which aptly deserves the spotlight this hearing is shining on it today.

With dynamic economies, growing technological sophistication, increasingly skilled workforces, and greater openness, the Asia-Pacific has become a driver of global economic growth and will continue to play this role in the foreseeable future. Today, APEC economies account for nearly 60 percent of global GDP, roughly 50 percent of international trade, and are home to 2.7 billion consumers. Since 1990, total trade in goods by APEC economies has grown by 300 percent. Global investment in the APEC economies has grown by over 400 percent.

The Asia-Pacific is of critical importance to the United States. We must remain actively engaged in the region, using a diverse array of trade tools to further our strategic and economic interests.

We face challenges as we pursue this objective, one of which is the emergence of several all-Asia groupings in the region, such as the East Asia Summit, the ASEAN+3, and the ASEAN+6. These groupings, which do not include the United States, are attempting to put their own imprint on the evolving economic architecture of the Asia-Pacific.

We face another challenge. As you know, in recent years there has been a dramatic increase in the number of bilateral and plurilateral free trade agreements (FTAs) globally and in the Asia-Pacific. At last count, roughly 50 FTAs in the region have either been completed, are under negotiation, or are under consideration. This is sometimes referred to as the "noodle bowl" effect on the other side of the Pacific and the "spaghetti bowl" effect on this side of the Pacific. Some of these FTAs are lower-standard, providing substantial carve-outs for sensitive sectors and only locking-in existing access through preferences. Unlike fully-liberalizing agreements, they do not generate new trade or greater economic growth. Furthermore, these lower-quality preferential trade agreements may complicate U.S. efforts to conclude high-standard, comprehensive trade agreements in the future, and negatively impact U.S. commercial and strategic interests.

We are addressing these challenges in a number of ways. We have been working hard at the multilateral level to conclude the Doha Round, which we believe would have a profound and positive impact on how trade is conducted in the Asia-Pacific. I should add that we also use the WTO dispute-settlement mechanism against countries that violate the rules-based international trading system. Take, for example, the four WTO disputes with China we have pending in Geneva on issues ranging from market access to subsidies to IPR concerns.

We have also been tireless in our efforts to open markets bilaterally and have been working hard to forge FTAs with economies in the region. Among our 20 APEC counterparts, we have FTAs in place with five (Canada, Mexico, Chile, Singapore, and Australia) and have two more agreements ready for congressional consideration (Korea and Peru). We are also continuing our FTA negotiations with Malaysia and look forward to the restoration of democracy in Thailand that will permit us to revisit those FTA talks as well.

We look forward to working closely with Congress to secure approval of the Peru and Korea FTAs, as well as the Colombia and Panama FTAs. All four of these agreements are strongly in our national interest.

It is our active participation in APEC, however, that gives us a tremendously important presence in the region to more effectively shape the architecture of the Asia-Pacific, influence the quality of trade agreements, and open markets to further our commercial interests.

Beyond being the only economic grouping in the region in which the United States is a member, why is APEC so vitally important to us?

First of all, it brings together a constellation of countries with which we do a tremendous amount of trade. U.S. goods exports to APEC markets account for nearly two-thirds of our overall global exports. In 2006, we sent $645 billion in goods to our APEC partners, up 12 percent from 2005—and up nearly 100 percent from 1994.

Second, this is a grouping of economies that has benefited enormously from trade, which has lifted millions of people out of poverty in the region. These economies have a considerable stake in further opening markets and for the most part are eager to use APEC to do just that.

Third, as Ambassador Haslach has mentioned, because APEC has institutionalized annual meetings of the leaders of the 21 member economies, we can on a regular basis bring high-level attention to bear on the initiatives we are pursuing to liberalize trade.

Fourth, because of APEC's non-binding, voluntary nature, we can obtain consensus from members on difficult problems that would be hard to achieve in a setting requiring binding outcomes. APEC acts as a kind of proving ground where solutions to sensitive issues can be tried out and advanced. We have also found that peer pressure in APEC works surprisingly well in compelling members to do what they have agreed to do.

And fifth, APEC is the only trans-Pacific grouping of economies that links this side of the Pacific with Asia. We must be mindful that the strategic center of gravity in the region does not shift to the other side of the Pacific, which means it is incumbent upon us to maintain and strengthen our trans-Pacific linkages—exactly what APEC helps us achieve.

Allow me now to give you some concrete examples of what we really do in APEC and why it is such a useful forum for the United States. Perhaps the best way to do this is to provide you with the many strong trade outcomes we obtained earlier this month at the APEC Leaders' summit in Sydney.

SUPPORTING THE DOHA NEGOTIATIONS

Over the years, APEC has offered strong support to conclude the Doha Round of multilateral trade talks, especially at critical junctures. Most recently, the Leaders in Sydney this month issued a strong statement underlining the critical importance of the WTO rules-based, global trading system and their determination to bring the Doha Round to an early and successful conclusion. In that statement, the APEC leaders put forward a challenge to the rest of the world by pledging to show the ambition, political will, and flexibility necessary to achieve success. Importantly, the APEC leaders also called on others to do the same, while at the same time endorsing the current draft texts on agriculture and industrial goods as the basis for the resumed negotiations in Geneva.

DRIVING REGIONAL ECONOMIC INTEGRATION

Another strong outcome memorialized in Sydney was agreement that APEC should be front-and-center in the trend towards economic integration in the Asia-Pacific, a critical component of the region's emerging architecture. The leaders in Sydney endorsed a 25-page report that included numerous agreed actions designed to keep APEC squarely in the middle of the regional economic integration game. These actions range from an initiative to simplify customs procedures across the region to an initiative to streamline patent procedures to a new framework for developing cross-border data privacy rules. Each of these initiatives is intended to provide concrete benefits to the private sector and improve the environment for doing business in the region.

Also enshrined in that Report, is a mandate for APEC to intensively explore the prospect of a Free Trade Area of the Asia-Pacific (FTAAP). This is an ambitious and visionary goal intended to more closely knit together the economies of the region in ways that are strategically significant and commercially valuable. Our strategy is to begin to lay the groundwork for an FTAAP through incremental steps that provide us with a better understanding of what an FTAAP would look like, possible implications of such an agreement, and the hurdles we would need to overcome to achieve it.

Let me stress, however, an FTAAP is a long-term vision. We fully recognize the planets are not currently aligned for this to come together now, but we do believe that with the many other efforts now underway to integrate the region, the time has come to seriously consider how we might further this idea. I should add that work towards an FTAAP is strongly supported by U.S. businesses, which, together with their APEC counterparts, believe it "serves both the objectives of addressing the proliferation of free trade agreements (FTAs) in the Asia Pacific region as well as promoting a higher level of convergence and consolidation of FTAs in a comprehensive and WTO-plus manner."

ENCOURAGING THE DEVELOPMENT OF HIGH-QUALITY FTAS

The United States has serious concerns with the quality of some of the trade agreements being reached in the Asia-Pacific region. For the past several years, we have been working in APEC to try to address this problem. Specifically, we have spearheaded an effort to develop sets of "model measures" for individual FTA chapters. The model measures are comprised of essential elements contained in FTA chapters needed for them to be both comprehensive and high-quality. The primary purpose of this model measures exercise is to guide APEC economies as they press forward with new free trade agreements.

It has not always been easy, but in cooperation with our APEC counterparts, we succeeded in 2005 and 2006 in assembling seven sets of model measures, including model measures for market access, trade facilitation, government procurement, and transparency. In Sydney, we added another three sets of these measures to the growing list: sanitary and phyto-sanitary measures, e-commerce, and rules of origin. This is valuable work APEC plans to continue in the coming year.

STRENGTHENING ENFORCEMENT AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Mr. Chairman, APEC has also proven itself to be a valuable forum for strengthening intellectual property rights protection and enforcement. As you know, trade in counterfeit and pirated goods is a serious threat to business, hampering investment, innovation, and economic development in the region. We have been using APEC to encourage members—some of whom have major IPR enforcement problems—to put in place legal regimes and enforcement systems designed to better address this serious challenge. Both Japan and Korea have been extremely helpful APEC partners in this regard.

The United States led an effort in 2005 to launch the APEC Anti-Counterfeiting and Piracy Initiative that has since led to the establishment of numerous guidelines intended to reduce trade in counterfeit and pirated goods, protect against unauthorized copies, prevent the sale of infringing goods on the Internet, keep business supply chains free of counterfeit and pirated goods, and raise public awareness on the importance of protecting IPR.

Building on this work, the United States successfully championed efforts this year to improve IPR border enforcement, address the growing problem of notorious marketplaces that sell infringing goods, and undertake work in APEC on satellite and cable signal theft which costs copyright owners and the cable and broadcast industries untold dollars.

FACILITATING TRADE AND INVESTMENT

Making life easier in practical and concrete ways for our companies to do business in the region has been central to our work in APEC. We refer to this as trade and investment facilitation, an area where APEC has been quite successful. In 2006, APEC economies successfully wrapped up a five-year effort to reduce trade transaction costs by five percent. This target was met by streamlining customs, increasing alignment of national standards with international standards in areas such as electrical and electronic appliances, food labelling, and machinery, as well as steps to facilitate e-commerce. Building on this success, APEC Leaders endorsed an action plan that includes a commitment to achieving yet another five percent decrease in trade transaction costs by 2010. That action plan includes development of a single customs window initiative that will allow businesses involved in trade and transport to electronically submit standardized information and documents at a single entry point in each APEC economy.

While intended to help all companies, this single window project should be particularly useful to small- and medium-sized companies (SMEs) that are less able than large firms to chart the sometimes complex bureaucracy of international trade. I should add that are we are big supporters of APEC's work designed to raise the awareness of protecting intellectual property among SMEs and to help them better utilize intellectual property to their benefit. We also support APEC's work to help SMEs be better prepared for pandemic outbreaks.

APEC has also been stepping up work to improve the business environment in the region for investment. In Sydney, APEC Ministers endorsed a plan to develop an Investment Facilitation Action Plan in 2008 intended to reduce impediments to investment in the Asia-Pacific. We are also working to improve the quality of investment agreements in the region. In fact, APEC has recently approved a U.S.-led project to educate APEC members on modern high-quality investment agreements.

ADVANCING STRUCTURAL REFORM

APEC is stepping up its focus on broader structural reform issues that hinder trade and limit growth. As traditional trade barriers have fallen, burdensome and inconsistent legal and regulatory frameworks have emerged as major impediments to trade and investment. These systemic impediments are often referred to as structural or behind-the-border barriers. We have been cooperating with our counterparts in APEC to advance new work in areas related to corporate governance, regulatory reform, competition policy, public sector governance, and economic and legal infrastructure. This work is, by nature, broad in scope. Our approach will be to develop targeted initiatives that seek to achieve real, concrete outcomes.

FOSTERING PRODUCT IMPORT SAFETY

The emerging and serious problem of product import safety was also an issue much discussed in Sydney by the APEC Leaders. APEC has already been undertaking work to harmonize food safety regulations with international standards and improve food safety. Indeed, more needs to be done.

During the meetings in Sydney, the APEC economies responded to the call for more attention to this issue and agreed to expand APEC's work not just on food safety, but on the safety of all traded products. More specifically, they agreed to deepen cooperation, improve on current standards and practices, and strengthen scientific risk-based approaches to food and other product safety to facilitate trade and ensure the health and safety of consumers. This complements efforts the Administration is undertaking to address this serious problem.

WORKING TO BRING DOWN TARIFFS ON ENVIRONMENTAL GOODS AND SERVICES

The United States also launched an initiative this year on environmental goods in APEC. The work is focused on building a better understanding throughout the region of cutting-edge environmental technologies—for example, solar panels, air pollution filters, and wastewater treatment equipment—and building momentum for WTO trade liberalization in this important, growing sector.

In 2005, APEC exports of environmental goods to the world totaled $221 billion, and over 75 percent of those exports—totaling $168 billion—went to other APEC economies. APEC is therefore an excellent forum to promote further liberalization of trade in environmental goods and services, and to support our WTO efforts.

LOOKING FORWARD TO ANOTHER STRONG YEAR IN PERU

Mr. Chairman, I cannot close without underscoring that an enormous amount of credit for our successes in APEC goes to the private-sector stakeholders that are active in the region. We rely on them heavily as we develop and implement initiatives. These stakeholders are integral to our APEC strategy. The National Center for APEC, in particular, plays a continuing and essential role in helping us advance our work in APEC.

U.S. companies are also helpful in advancing our initiatives in the APEC Industry Dialogues, where we are facilitating customs procedures for low risk shippers, enhancing IPR awareness in the auto sector, standardizing labeling of chemical products, working to reduce adverse trade impacts of EU chemical regulations, and promoting research, innovation, and regulatory reform in life sciences.

I also want to note that Australia provided superb leadership in shepherding APEC 2007 to a successful conclusion in Sydney. The trade outcomes were many and impressive. But, we are just as excited about the coming APEC year, which Peru will host. Peru's decision to take on this monumental year-long task demonstrates its eagerness to assume a leading role in fostering free trade and investment in the Asia-Pacific, as does its pursuit of a free trade agreement with the United States. It also highlights the truly trans-Pacific nature of APEC. We very much look forward to cooperating with our friends in Peru to secure yet another strong year for APEC in 2008.

In conclusion, I want to express my deep appreciation for this opportunity to outline for you how important APEC is to the United States. The economies of the Asia-Pacific are undergoing a period of significant change and development. It is in this dynamic environment that APEC stands as an invaluable trade tool for the United States to influence and shape the evolution of the region, and advance our strategic and commercial interests. Thank you.

Mr. FALEOMAVAEGA. Thank you, Ms. Cutler. Before allowing Mr. Ege to provide his testimony, I would like to share with my colleagues Mr. Ege's distinguished background.

He currently serves as vice chairman and senior advisor to Russell Investments. He served previously for some 15 years as General Counsel to Russell Investments, very actively engaged. He served as a member of the senior law firm of Bogle and Gates in the State of Washington for some 20 years.

A native of New York—is it New York or New Jersey? I am trying to figure that.

Mr. EGE. Depends on where I am. I guess I am from New York, but I grew up in New Jersey. [Laughter.]

Mr. FALEOMAVAEGA. He did his undergraduate study and majored in chemical engineering for Princeton University. A Naval ROTC graduate and U.S. Marine Corps officer, a Vietnam veteran. A graduate of Cornell Law School. And such a distinguished record of community service and certainly in his capacity as someone who understands investments and financing.

Mr. Ege for his statement.

Oh, and before I turn the timer on, Mr. Ege, I do want to recognize we have just been joined by another distinguished colleague, a member of our subcommittee, the gentleman from Indiana, Congressman Burton.

Dan, did you have an opening statement you wanted to share with us before?

Mr. BURTON. I am here to learn and listen.

Mr. FALEOMAVAEGA. I appreciate that. Mr. Ege.

STATEMENT OF MR. KARL EGE, VICE CHAIRMAN AND SENIOR ADVISOR, RUSSELL INVESTMENT GROUP

Mr. EGE. Thank you, Mr. Chairman, Mr. Manzullo, members of the committee. I am delighted to be here today to share with you the businessperson's perspective on APEC.

For the last 2 years I have been an alternate member of ABAC. ABAC is the APEC Business Advisory Council. The Business Advisory Council is comprised of three individuals selected from each of the 21 APEC economies to bring a business perspective to the APEC dialogue. In that capacity, I have attended six separate ABAC meetings over the last 2 years, including the two leaders' summits, 2006 in Hanoi, Vietnam, and 2007 in Sydney, Australia.

As a member of that delegation, I have been intimately involved in decisions with my business counterparts from each of the 21 economies that are represented in APEC, focusing on issues that are critically important to U.S. business: Trade liberalization, intellectual property protection, financial markets development and other matters that are critically important to the business agenda of American businesses.

It is clear from those discussions in my view that APEC and ABAC play a vital role in improving the economic climate throughout this important region, thus creating opportunities for American business.

I would like to highlight a few of the things that we do in ABAC. Each year the National Center of APEC hosts an executive roundtable at the beginning of the APEC year. And during that event, U.S. ABAC members and members of the APEC Business Coalition, which comprise a wide variety of industries, receive input from companies on the key issues of importance to them in the Asia-Pacific region, some of which have been mentioned today by Member Rohrabacher and others.

These suggestions are incorporated into a focused and prioritized agenda for us to discuss with our business colleagues throughout the APEC region. The ABAC group together comes up with its recommendations to leaders, which are consensus recommendations. Our role as U.S. ABAC members is to protect and advance the interests of U.S. business within those meetings and deliberations.

In addition to the executive roundtable, we have continuing dialogue between our members and the broader U.S. private sector. We have direct communications. The National Center for APEC organizes regional meetings, and we provide companies updates on what is happening during each of these meetings during the year, encouraging and facilitating their participation in our events.

Traditionally one of the three U.S. members of ABAC has been from a small- or medium-sized enterprise. That person plays a lead role in finding ways to encourage small- and medium-enterprise participation in the global trade environment as well as making sure that those initiatives of greatest importance to SMEs are given high priority in our dialogue and discussion.

I think that even though we wish there were more U.S. exports, I believe that APEC is an effective forum for the process of promoting our exports.

APEC makes possible direct dialogue between United States leaders, diplomats and trade negotiators and their counterparts from across the Asia-Pacific region. It ensures that the trade liberalization agenda supports U.S. business and U.S. economic interests in a part of the world that, as we have heard, represents a significant portion of trade GDP and U.S. exports already. It is the only forum in that critical part of the global economy where the U.S. has a seat at the table as a full member. In the others, as has been noted by my colleagues, we are excluded.

It is a critical forum where ABAC members, those of us in the business community, have a chance to communicate at the highest level our concerns and priorities with the leaders. During the leaders' dialogue at the APEC leaders' summit, ABAC members are given the opportunity to speak directly with leaders from the 21 APEC economies. This is done in roundtable discussions for over an hour.

In addition, the U.S. APEC Business Coalition, which is a group of businesses focusing on Asia, organizes private meetings with selected APEC leaders. These meetings allow ABAC members and their business colleagues to discuss with the leaders of those countries matters of critical importance to businesses.

At the most recent APEC meetings in Sydney, U.S. ABAC members and other business executives had separate private meetings with the leaders from Singapore, Thailand, New Zealand and Vietnam as well as with senior trade ministers from China and Korea. This is unprecedented access for us to express our business concerns to the leaders of those countries. Similar meetings were held at the 2006 APEC meetings in Hanoi, Vietnam. I understand before my involvement in ABAC, those meetings were held in years prior as well.

U.S. ABAC, with funding from the U.S. Trade Development Agency, has facilitated several important public-private partnership projects that have further facilitated U.S. exports and business throughout the region. These include a model port project in Shanghai, a supply chain security project in Thailand, and a customs modernization project in Vietnam. These all represent vehicles for United States business to give them access to Asian markets.

APEC, as we know, is a consensus-based organization. And that is sometimes frustrating, but I believe it represents the appropriate approach for us to achieve trade liberalization throughout this region.

It is a forum involving 20 other economies, straddling two hemispheres, encompassing economies at widely divergent stages of development. And the nonbinding, consensus-driven nature of APEC provides the only realistic way for advancing goals that otherwise might be blocked by members who are less enthusiastic for free trade.

Those of us who have been involved in Asian business for many years know that the unique nature of Asian diplomatic and business culture places a premium on negotiation and consensus-building and relies less on formal binding agreements.

Our company has been operating in Asia-Pacific for over 20 years with considerable success, and I have been personally involved in those efforts for the last 15 years. I can attest to the importance of relationship-building, consensus decision-making and building mutual trust and confidence as key ingredients to successful business relationships.

I believe those processes and principles apply equally to the strategy the United States should follow in promoting its trade and commercial goals in the Asia-Pacific region. It will take time, but I believe that APEC in its basic format in my view represents our best bet for enhancing economic participation by United States businesses in this region.

There is also the nonbinding format of APEC which allows economies and especially the United States to propose new and innovative solutions to trade liberalization, using vehicles called Pathfinder Initiatives and other pioneering approaches. Because these are voluntary and nonbinding, these proposals are often able to attract support and acceptance from a wide range of economies that might otherwise be hesitant to commit if it was a more formally structured process.

The APEC dialogue is not limited to the APEC Leaders' Summit, which gets all the publicity, but continues throughout the year, focusing on dozens of other more prosaic issues directly affecting United States business and its activities in Asia, including business mobility; industry-specific dialogues, such as energy, agriculture and so forth; health and human safety issues; business disaster preparedness, such as the SARS epidemic, for example; and a host of other subjects. These low-level dialogues have achieved concrete benefits for U.S. companies, which demonstrates the effectiveness of APEC, but they do not receive the publicity that the leaders' summit and the leaders' declaration receive.

In closing, I want to emphasize a very important point. It is very important for the United States to continue its active engagement in APEC. First and foremost, the administration should continue to support the APEC dialogue by ensuring that the President, the Secretary of State and other key officials attend the annual APEC Leaders' Summit as well as other APEC ministerial meetings. When the U.S. is absent, it is noted. Also, the administration should continue to make public statements in support of APEC, underscoring its importance to the U.S. economic and foreign policy.

I am delighted that President Bush has announced that the United States will host the APEC meetings in 2011. It is 18 years since we hosted the last meetings in Seattle, which was the first meeting when the APEC leaders met, and they have been meeting every year since. It is critically important that we remain engaged in APEC both in the public and the private sectors as we lead up to our hosting of that meeting in 2011.

There have been proposals for increasing the contributions to APEC's operating costs. I think that those proposals have sent a very positive message to the region and represent a visible sign of continued U.S. support and confidence in APEC.

We have had extraordinarily good cooperation from the U.S. Government, from the trade representative and from Ambassador Haslach and her predecessor, Ambassador Michalak. They have been very supportive of the business community and what we are trying to do from a business-to-business standpoint.

It is also heartening to know that our message to the leaders, the points that we try to make from the business community, are incorporated in the leaders' statements, that they are reflected in the leaders' statements when they are made. For example, the business community unanimously agreed that it was time to address climate change in its business ABAC message to leaders in Sydney. And of course we have now seen the first statements being made by the leaders on that subject.

The members of U.S. ABAC participate in these deliberations on a purely voluntary basis, devoting a considerable portion of our valuable time and talent at their own expense to this important initiative. The U.S. National Center for APEC is funded solely through voluntary contributions from U.S. businesses.

Those businesses recognize that economic growth in the APEC region represents the most important future opportunity for the United States, its business community and its citizens. Only through prosperity and economic growth can APEC and our nation truly secure its economic and physical security. And we, the members of U.S. ABAC, ask only that the administration and Congress give due recognition to the importance of APEC to bring peace, prosperity and hope to this important region.

Mr. Chairman noted earlier that initially no one wanted to be on this subcommittee because it focused on the Pacific Rim; it didn't mean anything. This morning in a private meeting, I noted that the map that we normally see, the flat map, has the Atlantic Ocean as the center. Well, in my office, I have one with the Pacific Ocean as the center. Most of us now realize that the Pacific Rim is where today's current action is and where the action will be for the next generation, for the next several generations. That is why we spend our time and talent and effort in trying to promote our interests, our United States economic interests and business interests, in this region.

Thank you for allowing me to speak today. I am honored to be here and am prepared to respond to any questions you might have. Thank you, Mr. Chairman.

[The prepared statement of Mr. Ege follows:]

PREPARED STATEMENT OF MR. KARL EGE, VICE CHAIRMAN AND SENIOR ADVISOR, RUSSELL INVESTMENT GROUP

My name is Karl Ege, Vice Chairman of the Russell Investment Group, a global investment firm headquartered in the United States, and with operations throughout the world, including the Asia-Pacific region. For the last two years I have been an Alternate Member of ABAC, the APEC Business Advisory Council, and have attended six separate ABAC meetings, including the last two APEC Leaders Summit meetings—2006 in Hanoi, Vietnam and 2007 in Sydney Australia.

As a member of the U.S. ABAC delegation, I have been intimately involved in discussions with business contemporaries from each of the 21 economies represented in APEC covering issues critically important to US businesses, including trade liberalization, intellectual property protection, and financial markets development. It is clear from those discussions that APEC and ABAC play a vital role in improving the economic climate throughout this most important region.

I have been asked to address a series of questions of interest to the Subcommittee. The first of these is the role of ABAC in promoting greater U.S. private sector participation in APEC, particularly among small and medium sized businesses. In my view ABAC is an effective vehicle for the voice of U.S. business to be heard in the APEC dialogue. I would like to highlight a few of the activities of ABAC that facilitate such participation.

- One of the primary vehicles for promoting private sector participation in the APEC process is the Executive Roundtable held annually at the beginning of the APEC meeting cycle. During this event the U.S. ABAC members, in conjunction with the National Center for APEC and the U.S. APEC Business Coalition, receive input from companies on the key issues of importance to them in APEC. These suggestions are incorporated into a focused, prioritized agenda for U.S. private sector engagement in APEC for the coming year. This agenda allows U.S. ABAC members to protect and advance U.S. business interests within ABAC's meetings and deliberations.
- In addition to the Executive Roundtable, the National Center for APEC facilitates an ongoing dialogue between U.S. ABAC members and the broader U.S. private sector, providing companies with updates on APEC activities and helping identify, encourage and facilitate U.S. business participation in APEC events throughout the year.
- ABAC members conduct a number of outreach events during the course of the year in major U.S. cities, including Washington, New York and Chicago, to encourage direct dialogue with U.S. businesses, including small and medium enterprises, and to solicit input from them to help ABAC accurately represent their interests in APEC.
- Traditionally, one of the three U.S. ABAC members has been from a small or medium sized enterprise; that member plays the lead role in finding ways to encourage SME participation in APEC events, as well as advocating within ABAC and APEC with respect to those initiatives of greatest importance to SMEs.
- In addition, ABAC members have in the past written articles and editorials and conducted interviews with major media outlets to raise awareness of APEC activities and stimulate private sector interest and input.

As a result of those activities, I am of the view that the interests of small and medium sized business enterprises from the U.S. are well-represented in the ABAC and APEC dialogues. An example of this is the recent discussion of the complex "rules of origin" provisions contained in trade agreements. These provisions often pose significant practical barriers for small and medium sized businesses that wish to participate in global trade. U.S. ABAC and ABAC in general is committed to rationalizing the rules of origin provisions in trade agreements to reduce the costs of compliance for small and medium sized enterprises.

Another question of interest to the Subcommittee is whether it is likely APEC will meet the Bogor Goals for trade liberalization established by APEC in 1994. In response I offer the following observations:

- The Bogor goals were not well defined when adopted, and are open to differing interpretations, thus making their achievement or the likelihood of achievement difficult to quantify. That said, ABAC remains of the view that the Bogor Goals are relevant and achievable. The three aims of APEC—liberalization, facilitation and capacity building—remain as relevant today as they were in 1994 when the Bogor Goals were announced by the APEC Leaders.

- A number of economic events with global impact have occurred in the 13 years since the Bogor Goals were declared. These include the Asian financial crisis, the bursting of the internet bubble, the September 11 terrorist attacks and the subsequent global war on terrorism, the serious failures of corporate governance in businesses across the region, health related incidents such as the SARS epidemic, and most recently the sub-prime mortgage and related credit crisis. These events have changed considerably the landscape of the APEC region. ABAC recognizes that although these factors have not led to major reversals in reforms and openness, they have constrained the pace at which some economies have been able to continue with the domestic reforms necessary to reach the Bogor goals.
- APEC has seen major progress in trade and investment liberalization since the Bogor Declaration. Average tariffs have declined significantly; the average most favored nation tariff among APEC economies today is roughly 5%, as compared with 12% in 1994. Further, over the last decade APEC economies have generated nearly 70% of global growth. Exports (in goods and services) throughout the region have increased by 113% to over US$2.5 trillion, and foreign direct investment in the APEC economies has grown by 210% during this period.

Clearly the basic premise and focus of the Bogor Goals remain relevant today. The specific goals of free trade among the developed economies by 2010 and among the developing economies by 2020 remain aspirational. However, with diligence and commitment by all APEC economies, those lofty, yet necessary, goals will eventually be reached.

The Subcommittee has also asked whether APEC remains an effective forum for promoting U.S. exports. I believe that APEC indeed is an effective forum for promoting U.S. exports; consider, for example, the following:

- By making possible direct dialogue between U.S. leaders, diplomats and trade negotiators and their counterparts from across the Asia-Pacific region, APEC ensures that the trade liberalization agenda supports U.S. business and economic interests in a part of the world that currently accounts for approximately 60% of total U.S. exports.
- APEC is the only senior-level forum in this critical part of the global economy (representing 50% of total global international trade and 60% of world GDP) where the U.S. has a seat at the table as a full member.
- Due to the unique role of the ABAC, APEC is also crucial as a forum where members of the APEC Business Advisory Council from each of the APEC economies have a chance to communicate directly to economic leaders their concerns and priorities related to trade liberalization and facilitation. During the Leaders' Dialogue at the annual APEC Leaders Summit, ABAC members are given the unique opportunity to speak directly with the leaders from the 21 APEC economies. In addition, the U.S. APEC Business Coalition organizes private meetings with the leaders of selected APEC economies; these meetings allow the U.S. ABAC members and their U.S. business colleagues to discuss with these leaders matters of critical importance to U.S. businesses. At the most recent APEC meetings in Sydney, Australia, U.S. ABAC members and other senior U.S. business executives met separately with leaders from Singapore, Thailand, New Zealand and Vietnam, as well as with senior trade ministers from China and Korea. Similar meetings were held at the 2006 APEC meetings in Hanoi, Vietnam.
- APEC focuses not only on the export of goods, but on services as well. Services currently represent nearly 80% of U.S. GDP and APEC is a key forum for facilitating U.S. companies' exports of this most important sector of our economy. APEC also serves to promote U.S. companies' investment in equities and debt markets, infrastructure projects, and other FDI projects throughout the APEC region which result in increased profits remitted to the U.S.
- With support from U.S. ABAC and funding from the U.S. Trade Development Agency, APEC has also facilitated several important public-private partnership projects, that have further facilitated U.S. exports and business throughout the region, including a model port project in Shanghai, a supply chain security project in Thailand, and a customs modernization project in Vietnam. Such APEC and TDA-enabled projects represent important vehicles for U.S. business to access markets, to demonstrate their products and services, and to cooperate with both U.S. and foreign governments to improve business conditions for U.S. companies.

The Subcommittee is also interested in my views on whether the non-binding nature of APEC is a benefit or a detriment to achieving U.S. trade and commercial goals.

Although the non-binding nature of APEC and its consensus-oriented processes are, on occasion, frustrating, I believe that APEC, on balance, represents the best way for the U.S. to achieve its trade and commercial goals throughout the APEC region. The reasons for my views are based on the following observations.

- In a forum involving 20 other economies, straddling two hemispheres and encompassing countries at widely divergent stages of development, the non-binding, consensus-driven nature of APEC provides the only viable way for advancing goals that might otherwise be blocked by less enthusiastic members.
- The unique nature of Asian diplomatic and business cultures places a premium on negotiation and consensus building, and relies on considerations of 'peer pressure' and the social dynamics of concepts such as 'saving face' and 'shame' to act as 'soft' enforcement measures. Within Asian societies, such subtle inducements are often preferred to binding agreements and formal punitive mechanisms for ensuring behaviors. Our company has been operating in the Asia-Pacific region for over 20 years with considerable success. I have been personally involved in those efforts for the last 15 years and can attest to the importance of relationship-building, consensus decision-making, and mutual trust and confidence in building a successful business in the region. Those processes and principles apply equally to the strategy the U.S. should use in promoting its trade and commercial goals in the Asia-Pacific region. These are part of the basic format of APEC and represent our 'best bet' for enhancing the economic participation by U.S. businesses in this important region.
- In contrast, many of the 'Western' APEC countries, such as those in the Americas and Australia, prefer more formal binding instruments. APEC's less structured formula is in my opinion an effective vehicle for bridging this gap between the informal and consensus-based decision-making of the 'East' and the formality of the 'West' and is the best way at present to pursue U.S. trade and commercial goals in the region.
- Importantly, the non-binding nature of the forum allows economies, especially the U.S., to propose new and innovative solutions to trade liberalization and facilitation problems, through 'pathfinder' initiatives and other pioneering means. Because they are voluntary and not binding, these proposals often are able to attract support and acceptance from a wide range of economies that might otherwise be hesitant to commit to new proposals if they were more formally structured.
- Finally, it is important to note that the APEC dialogue is not limited to the annual APEC Leaders Summit, but continues throughout the year, focusing on dozens of other, more prosaic issues directly affecting U.S. business within the region, including business mobility, industry-specific dialogues, health and human safety issues, business disaster preparedness, and a host of other issues. These lower-level dialogues have achieved concrete benefits for U.S. companies, demonstrating the effectiveness of the APEC model even though they do not always receive the recognition and publicity of the more prominent Leaders Summit meetings and Leader Declarations.

Finally, the Subcommittee has asked what more can be done to enhance U.S. participation in APEC. This is a very important issue and one on which I offer some specific suggestions.

- First and foremost, the Administration should continue to support the forum by ensuring that the President, the Secretary of State, and other key officials continue to attend the annual APEC Leaders Summit, and to continue to make public statements in support of APEC, underscoring its importance to U.S. economic and foreign policy. I am delighted that President Bush has announced that the United States will host the APEC meetings in 2011, 18 years after the first APEC Leaders Summit, which was held in Seattle in November 1993. It is critically important that the U.S. remain fully engaged in APEC in both the public and private sectors as preparations begin for the 2011 meetings.
- The Administration and the Congress should continue to promote APEC as the premiere forum for U.S. economic engagement in the Asia-Pacific region.

- The substantial increase in U.S. contributions to APEC's operating costs, announced by the Administration and supported by many members of Congress, has sent a very positive signal throughout the region. Such support represents a visible sign of continued U.S. support for, and confidence in, the APEC forum.
- The members of U.S. ABAC participate in the ABAC and APEC deliberations on a purely voluntary basis, devoting a considerable portion of their valuable time and talent at their own expense to this most important initiative. The U.S. National Center for APEC is funded solely through voluntary contributions from U.S. businesses. Those businesses recognize that economic growth in the APEC region represents the most important future opportunities for the United States, its citizens, and its business community. Only through prosperity and economic growth in the APEC region can we secure the economic and physical security of our Nation, our children and our grandchildren. We, the members of U.S. ABAC, ask only that the Administration and Congress give due recognition to the importance of APEC to bringing peace, prosperity and hope to this most important region.

Thank you for allowing me the opportunity to speak to you today. I am prepared to respond to your questions.

Mr. FALEOMAVAEGA. I wanted to say, Mr. Ege, as a proud American whose roots are from the Asia-Pacific region, I try to tell my colleagues you better get with the program. The Asia-Pacific region, we ought to get serious in our dealings diplomatically, politically, economically, socially, whatever way. I think we cannot emphasize enough the importance of this region.

Ambassador, Ms. Cutler, Mr. Ege, we have three votes coming up. I would like to indulge and ask you if you could just be patient maybe for the next 20 minutes, that we need to run to the floor and cast my symbolic vote while my colleagues cast their real votes. This is what we call democracy here in America. And we will come right back. And I know we have a whole bunch of questions we want to raise with you if you could just bear with us at this time.

Okay. We are at recess.

[Recess.]

Mr. FALEOMAVAEGA. The subcommittee hearing will continue now. I will first apologize to the members of our panel for this disruption. I will try as best as I can not to detain you more than necessary, but I thought that your testimonies were very, very critical and important. I think some of the data and information that you shared with the subcommittee members and also for the public reemphasize again how important the Asia-Pacific region is and how this impacts our own economic interests throughout the world.

I am quite certain that my colleagues are on their way now coming back to the committee hearing. Maybe I will start the questions and then proceed from there unless my friend from New Jersey, did you have some questions?

Mr. SIRES. I will wait until you ask the questions. Then I will weigh in.

Mr. FALEOMAVAEGA. All right. I think one of the questions raised in this whole nature of APEC organization being said, that the organization is a nonbinding organization where they don't have any real rules to commit or to require member countries to do certain things. And I wonder if because of the nature of the organization, maybe that is a plus also, because it adds more flexibility, especially to the fact that these are the top leaders of these 21 nations that come and meet and in a very open and fashionable way, that

they conduct both bilateral and multilateral meetings, as has been, as it was intended.

And I wanted to ask the members of the panel, I know that Mr. Ege has given a very positive statement about the nature of the organization being a nonbinding one. And maybe it is a plus factor that we don't get to the point where it becomes how most organizations are when they go by rules and regulations. You are bogged down by details, adding to the whole problem of not solving the problems and the purpose why we are there.

And I would like to ask the members of the panel for that, for their response to the idea of the nonbinding nature of APEC. Is that good or bad for the way of conducting relations, especially among the 21 member countries, including our country? I wanted to ask the members of the panel for their response to that question.

Ambassador HASLACH. Well, I would just briefly say, Mr. Chairman, I think it is the strength of APEC when you can bring together economies that are developed like the United States and Canada, along with ASEAN countries that are less developed, and big developing countries like China where we can sit down and we can get them to agree. I think if it was actually binding and we had to sit down and really negotiate, I am not sure we would be able to accomplish as much as we have been able to accomplish.

And you did mention in your opening remarks about the climate change statement. I, in fact, thought that that was one of the key successes that came out of the Sydney meeting. The fact that both the United States and China have agreed to aspirational goals to address climate change for the first time was a very significant development. So I think it is a positive aspect of APEC.

Mr. FALEOMAVAEGA. Ms. Cutler.

Ms. CUTLER. Let me echo that as well. I believe that APEC serves as a useful kind of proving ground where new disciplines and cutting-edge issues can be addressed in a regional forum and countries are more comfortable agreeing to take on issues, new issues. And sometimes, whether it be on IPR or an issue regarding technology or customs, we have actually seen some of the issues that APEC has dealt with actually turn into binding commitments, perhaps a couple of years later, in the WTO. So we find the voluntary nature of APEC to actually be one of its strengths.

Mr. FALEOMAVAEGA. Mr. Ege.

Mr. EGE. I would concur, Mr. Chairman. The devil is always in the details. And the problem with the details, and having practiced law for 36 years, you often get bogged down in the details, you lose sight of the big picture.

What APEC does is to get the leaders on the same page and ministers on the same page on the big-picture issues and on a statement of principles that is then left over time to develop the details. But having that statement of principles, when the leaders come out and say we agree that it is time to address climate change, that is a huge statement. There has been a lot of criticism that there weren't any details and no specifics. The specifics will come.

The ABAC group in its message to leaders said the time has come to address climate change without a disagreement as a basic principle, with a focus on technology, a focus on efficiency and a focus on pollution reduction. That was then taken. The leaders had

their own statement. That is a huge step forward on a basic principle that all these 21 economies agree we have got to address the issue.

The details will happen over time. And I think that has been the strength of APEC. It has been able to agree on broad principles and then leave it to the ministers and the negotiators to deal with the details.

Mr. FALEOMAVAEGA. I notice with interest Ms. Wendy Cutler's statement saying to the effect that U.S. goods exports to APEC markets account for nearly two-thirds, two-thirds of our overall global exports. That is just with 21 countries in the Asia-Pacific, two-thirds of our overall global exports.

Last year we sent $645 billion in goods to our APEC partners, up from 12 percent in 2005 but nearly 100 percent since 1994. I don't know how we can compare that statistic with other regions that we trade with. I have always said that APEC and our trade with the Asia-Pacific region I believe is four times greater than our trade with Europe. Correct me if I am wrong on that, Ms. Cutler.

The question I wanted to lead to this is that, okay, so we are dealing with 21 countries. But I believe the total number of countries in the Asia-Pacific region numbers about 60 to 70. And I wonder, if I remember correctly, we had a little problem when we hosted APEC in Seattle to the extent that there were a lot of misgivings amongst some of the countries who were not up to being an industrialized or developed country. The problem with the scales of economy: What do you do with poor countries, whether it be with APEC or other regions, especially Africa? Where does the equity come into place and say well, great, I am all for free trade, but how do these trading partners or these countries help countries that have no commercial, or there is no viability of their capacity or ability to do commercial trade like we do with China or Japan or Korea? These are the big players in this region.

I make a reference specifically to the small Pacific Island nations whose economies no way compare to what we are talking about. It only happens that Australia and New Zealand export over $2.5 billion worth of goods, $3.5 billion worth of goods to these island nations, but very little going back to New Zealand and Australia by way of exports coming from these island nations. What do you do?

And I might also note that Papua New Guinea is the only specific island nation that is a member of APEC. What do we do with the other countries that are part of this region? Should we just dismiss them and not make them part of a family of countries, the haves, in trying to be helpful to the have-nots? Response.

Ambassador HASLACH. Well, at first, you mentioned that one specific island economy, Papua New Guinea, is a full member of APEC. In addition, the Pacific Island Forum Secretariat is one of the three official observers in APEC. And our ABAC, our Business Advisory Council, and the Pacific Islands private sector organization also have a relationship.

We think that there is room for both developed and developing countries within APEC, and as you already know, a number of the ASEAN countries are what we would consider developing countries. So there is room in the organization.

Currently we are looking at discussing lifting the moratorium on membership probably in the year 2010. Our hope is that we can deepen some of the reforms of APEC before we consider new members. But there is nothing that says that the Pacific Island countries couldn't someday apply to become members of APEC.

Mr. FALEOMAVAEGA. I once heard it said that if you are not on the negotiation table, you will be on the menu. I don't know if there is any truth in that, but I think there is some truth in that. If you are not with a group, you are going to be definitely put up for bid by way of other countries taking advantage of you.

I am sorry. Ms. Cutler.

[No response.]

Mr. FALEOMAVAEGA. No comments. Okay. Let us just shift them out. Mr. Ege?

Mr. EGE. Well, as Ambassador has said, there has been a moratorium on membership, and that was set by the leaders some time ago. And they have now agreed that in 2010, we will take a look at it again.

I do agree with you that there is a large part of the Pacific Rim, the smaller countries, that are not included. Laos, Cambodia, Myanmar are three right off the bat. Those are mainland economies not included, in addition to the Samoa, the Fiji, Tonga and other Pacific Island nations.

I think, though, that I would hope that we wouldn't characterize those not at the negotiating table as being not on the menu, but rather on the menu; I think there is a healthy regard for the interests of economies large and small. Papua New Guinea, which is a full-fledged member and has an equal seat with the United States at the table both on ABAC and on APEC, is not shy on looking out for the interests of itself and its neighbors.

Just as those of us, as the three ABAC members representing the entire panoply of U.S. businesses, put our own personal interests aside and try to represent the U.S. business community in the discussions at APEC, I do hope the smaller nations and even the larger nations are looking out for their brethren in the region as well, because it is the economic growth of this region that we are all about.

ABAC it is led by the developed countries: The United States and Japan and now increasingly China and Australia and Canada. And the developing nations are coming along. A significant number of people have been moved from subpoverty level to working-wage level in those countries in the last 15 years or so since APEC has been underway. I think it is a great achievement, and not all of that has just been in the APEC nations but even in the island nations.

So I would hope that there is a sensitivity to all the people of the region, even those not at the table.

Mr. FALEOMAVAEGA. I note with interest that the President had a multilateral meeting with members of the ASEAN countries. He has personally invited members of the ASEAN nations to his farm ranch in Texas. Does this include Burma? The fact that we are about to impose sanctions again on Burma, will they also be invited to the farm or to the ranch in Texas? Ms. Haslach, any word on that?

Ambassador HASLACH. I will leave that to my colleagues who work on ASEAN. I work on APEC. But we can certainly get back to you with a response.

Mr. FALEOMAVAEGA. My friend from New Jersey has some questions.

Mr. SIRES. Thank you, Mr. Chairman. Madam Ambassador, members of the panel that are here today, thank you very much for being here. I represent the district in New Jersey where it has the two ports, the main ports, Newark and Elizabeth, and I represent the district which at one time was called the embroidery capital of America.

The imbalance of trade, this is where I am going. We have a situation now where the imbalance is so great that the containers that come in, we can't send it back, so we don't know what to do with these containers. So we stock them up along the New Jersey Turnpike. And as everybody sees, it is a symbol of the imbalance that we have.

Although we do almost like $1 billion worth of exports to Japan and about $875 to Korea, what I am getting at it, I noticed you just said at your opening statement that you work quietly to open the doors for American goods.

Wherever I attend a meeting, Madam Ambassador, it is not quiet. Wherever I go, I get beat up on the fact that we import all these goods, and yet when we try to go to China, we can't even get into their financial service. We can't get into the insurance.

So I don't know if quietly, I would use that word, because I think people are pretty fed up. I mean, the district that I come from is where people step off Ellis Island, used to work in embroidery, used to come in and for years, those jobs. What do I go back and tell my district? That you are working quietly?

Ambassador HASLACH. Well, we work on different levels, let me say first of all. Also, I am very familiar with your port system. When I graduated from graduate school, the first job I had was working for the Department of Ports and Terminal in New York City. So we worked very closely with the Ports of New York and New Jersey, and I am very familiar with the containers piling up there.

We address trade issues on a number of different levels, and I am going to let my colleague from the U.S. Trade Representative's Office also answer your question.

We address it at the multilateral level, we address it at the bilateral level, and we address it at the regional level. APEC is just one of the organizations where we try to engage our trading partners. We find that getting 21-member economies to sit down and to agree to opening up markets, to regional economic integration, to looking at model measures for chapters to free trade agreements, to opening up financial services, to agreeing to reducing trade and transaction costs, to opening up the regulatory environment in specific areas, to be just one area where we can engage our partners and where we can hope to right the imbalance. So it is just one venue.

Mr. SIRES. Ms. Cutler?

Ms. CUTLER. Let me agree with that. I think in APEC, the informal, quieter approach tends to work. But let me assure you, at USTR, we are never accused of being quiet. In fact, some of the

countries I have worked with, mainly Japan and Korea, the last thing they would call me would be a quiet negotiator.

We use all types of means to open up markets. And if that requires a more public stance, whether it be enforcing our trade agreements and taking a very public case against a trading partner in the WTO Dispute Settlement mechanism, whether it means leading a delegation to a foreign country and asking them to open up their markets because their barriers are unfairly shutting our exports out, we are willing to do that, and we are committed to doing that.

Let me also just say I noted that you mentioned in your district you have exports valued at a little less than $1 billion to Korea, and you mentioned insurance as one area that is of interest in your district.

The ITC, the International Trade Commission, just came out with a report last week on the Korea FTA, saying that our exports under the Korea FTA would increase by approximately $10 billion to $11 billion a year exports of goods, and that doesn't include services. And if you talk to some of your insurance companies and financial services companies, they say basically this is the best deal that we have gotten for them in any free trade agreement.

So we are committed to trying to open up these markets and using various different tools to achieve this, whether it be in a quieter setting like APEC or whether it be louder and shriller or whether working in a different mode and at different levels. We are committed to opening these markets for U.S. exporters and really leveling the playing field so our exporters who export the most competitive products in the world have a fair shot at selling their goods and services in these markets abroad.

Mr. SIRES. Thank you. Can you comment on that?

Mr. EGE. I am well aware of the port issue. I live in Seattle, the other great port, the Seattle-Tacoma International Port Facilities. My son is in the shipping business and is shipping goods all over the world, both in-bound and out-bound. So I am keenly aware of the challenge that we have in the goods arena with an import imbalance. Hopefully the steps that are being taken will change that, and some of the policies and agreements made by USTR and by the U.S. Government will help to change that imbalance.

There is also the issue of currencies and whether the currencies are artificially set to exacerbate the imbalance. I will leave that to the policy people as well.

On the services side, we are seeing an opening of the markets in Asia. Slowly but surely, the regulatory barriers and the artificial barriers that have prevented one of the strongest sectors of the American economy—and you know it well in the New Jersey and New York area and certainly in California and elsewhere—that is our services sector. We are the best in the world by far. We are gaining more and more access all the time to the markets in Asia—to the wealth markets, the pension markets, the insurance markets; but it is going to take time. These are embedded national treasures in many respects. But it is happening. And those represent tremendous opportunities for U.S. businesses that employ a significant number of people in this country and also remit lots of profits back to this country from those activities.

We are opening an office in Korea next month. It is our first office outside of Singapore and Tokyo, but we have opportunities with the Korean Government and with the change in the regulatory environment to provide investment services, mostly to pension funds in Korea. We see it as a huge market opportunity for us and for others similar to us in the future.

Mr. SIRES. I just had a thought. Culturally, how do you deal with these countries? Are they offended if you go public and say listen, you are closing our ability to come in? Or how do they react to public statements? When they read about the imbalance, how do they react?

Ambassador HASLACH. Well, APEC member economies are a real mix. We have Latin American representatives, we have North American representatives, and we have many Asian representatives. And we find that in APEC, the best way to deal with an issue is to deal with it quietly and privately.

But as my colleague from USTR said, if we don't get anywhere with that particular approach, we are not going to shy away from putting the spotlight on it.

Mr. SIRES. I know a little bit about the Latin American culture, so they tend to be——

Ambassador HASLACH. Well, there are two, currently two South American members, Peru and Chile. And then, of course, Mexico, the United States and Canada are also APEC member economies.

Mr. SIRES. Just curious. Thank you very much. Thank you.

Mr. FALEOMAVAEGA. I would like to say to the gentleman that our most successful companies that do very well in these Asian countries businesswise, you never hear from them because they don't talk about it.

I might also note that of the $342 billion of export goods that come from China, a lot of that percentage comes from American companies who manufacture products and goods in China and they just turn around and export it back to the United States. I want to share that with my colleagues here.

And let us face it. One problem why so much of the labor market goes to these foreign countries is because they are cheap labor. And I don't know how we could, maybe Ms. Cutler can help us with that, but I will withhold my questions, my good friend from Illinois, for his questions.

Mr. MANZULLO. Well, I want to thank you guys for coming, especially you, Mr. Ege. You came all the way from Seattle to—what, did you catch an early-morning flight, about 1 o'clock this morning, or did you come in last night?

Mr. EGE. No. I have been here over the weekend. I am going back early tomorrow morning.

Mr. MANZULLO. I appreciate your coming in.

The area that I represent has a huge amount of industries. Yesterday I visited four more factories. I have visited hundreds of factories. I have lost track to tell you the truth not only here in the United States but in China and Japan and in Europe.

It really came home over the mismatch in the Chinese currency when I was talking to one of the guys. We have about 17 or 18 shops that have screw machines. They don't make screws, but they are called screw machines because they feed a wire, a spool wire.

They make all kinds of things out of them. One of the guys lost quite a contract to China, and the differential was 7 percent. And the imbalance between the RMB and the U.S. dollar is anywhere from 20 percent to 35 percent depending upon whose figures you are using. I know there has been "progress" made in the last year or so.

But I find it, as a person who has voted for every free trade agreement there is, and yet I am an original co-sponsor of Ryan-Hunter, because I believe somebody really has to do something significant with the Chinese to let them know that we cannot continue to have this trade imbalance.

If you are losing sales toe to toe, that is one thing. But when you are losing them because somebody has cooked the currency, that is something else. I know that Treasury Secretary Paulson, in fact he left the private sector to get involved in this very issue because, in his own words, he sees a train wreck coming.

My guys can only do so much. They are little guys, and when they take a hit on the chin like that, it is extremely significant. One out of four people in McHenry County and Winnebago County, Illinois, is directly employed in manufacturing. We are right behind Wayne County, which is where Detroit is. We may be number one because of what has happened to them.

But as you visit these factories, you have got to be there. You actually have to be there and see what they are making, to see with your own eyes the fact that when they lose the contracts to the Chinese by such a small margin, you know very well that if all else were equal, that stuff wouldn't go overseas.

I guess I can use your rhetorical question because it is valid. What do I tell my small manufacturers who would otherwise be competitive when I don't see any movement going on? In fact, I see recoiling by the administration at Ryan-Hunter. I think sometimes you have got to bang the heck out of the Chinese just to let them know that we are not going to put up with this crap anymore.

I mean, I can only lose so many manufacturing jobs. Manufacturing jobs, just as agriculture, are going down naturally because of high productivity. But to have people lose their jobs based upon China cooking their currency, what more can be done here? Ambassador? Ms. Cutler? Mr. Ege?

Ambassador HASLACH. Well, first of all, currency issues are generally addressed within APEC. Our U.S. Treasury takes the lead on currency issues. In fact, we are represented at the APEC Finance Ministers' meeting, and of course this issue does come up. It comes up especially in our bilateral dialogue with the Chinese officials. We have a United States-China strategic economic dialogue where this subject is front and center.

But we do not directly within APEC tackle the issue of a member's currency exchange rates, except in the Finance Ministers' meeting. But we certainly can bring the message back.

Mr. MANZULLO. All we hear is messages. My people want to see something done. Ms. Cutler, I will give you the opportunity.

Ms. CUTLER. I have similar talking points.

Mr. MANZULLO. Throw away the talking points. I mean, you can understand the position we are in.

Ms. CUTLER. We are not personally responsible for this issue.

Mr. MANZULLO. Right. I know that.

Ms. CUTLER. Yes. And, believe me, as someone who works at USTR, we know this issue is of great concern to U.S. industry, to U.S. Congress. This is an issue that Secretary Paulson is personally engaged on. Our China office works very closely with Treasury on this issue and other issues.

And so like Pat, I will take the message home. But we do understand the seriousness you attach to it. And I just listened carefully to what you said with respect to just visiting these factories and seeing what that margin means in terms of competitiveness against their Chinese——

Mr. MANZULLO. That is a pretty small margin to lose a contract like that. Mr. Ege?

Mr. EGE. Again, this is a matter for Treasury. But my personal view——

Mr. MANZULLO. Good. Thank you.

Mr. EGE. Okay. Personal view. Not my company's view or anyone else, my personal view is that I favor free-floating currencies. Let the markets determine where a currency lies. History has shown that where currencies are pegged they distort the market factors—and we may be seeing that right now—that a pegged currency, with the Chinese currency and other currencies pegged to the United States dollar, we are not getting an accurate market reaction.

If they were freely floating, they would float differently. Just as the dollar has depreciated against the pound and the euro; travel to Europe lately, and it is a shocking experience. But what has happened is we get a lot of European visitors to the United States right now spending euros in the United States and helping a little bit toward our currency imbalance, our trade imbalance.

But free-floating currencies should be the game in my view, my personal view, around the world. We don't have it now and it distorts the picture. History has shown that it has always distorted the picture in trade.

Mr. MANZULLO. China isn't the only country that has pegged its currency to ours, is that correct?

Mr. EGE. There are others as well. Thailand sort of, they like to try to peg it. Hong Kong has pegged its currency for many years. And there are some others. But China of course is the largest one. Well, it has moved it a little bit, but it is really relatively pegged against the dollar.

Mr. MANZULLO. I have another question, but let me ask it after Mr. Rohrabacher or whatever you want to do. Thank you.

Mr. FALEOMAVAEGA. The gentleman from California.

Mr. ROHRABACHER. Thank you, Mr. Chairman. Let me just note that I think that our two representatives to the administration have to understand that you and the people before you have failed the American people. I mean, that is as simple as it comes. You have failed the American people. You are not watching out, for if you were watching out and doing a good job, we would not be, I believe, experiencing some very harmful economic trends that are going against the interests of the American people.

Mr. Ege, I understand your group is engaged in supporting the interests of American business. American business is not always in

the interest of the American people; it is in the interest of American business.

Mr. EGE. Well, I would hope that the two are aligned.

Mr. ROHRABACHER. No, no, no. I am asking you to take a look. Don't we have American businessmen over there making huge amounts of money now at the expense of the American people? Don't we have people who will in order to make 3 percent more or 5 percent more profit in China put all their employees who have been working for them for 20 years out of work and then take all their know-how over to China?

And we have been adjusting our policies in the United States to kowtow not to the Chinese but to these American businessmen who don't care about our own people. Am I being too harsh on America's business community?

I mean, American people are beginning to understand that they care a lot about the flag and they care a lot about the country, but American businessmen don't give a damn about America. And they go over to China or other dictatorships and make a huge profit for a few years and then fade off with their profits while the American people end up without jobs, or lower-paying jobs, or having competitors who they wouldn't have otherwise. Is that unfair?

Mr. EGE. I don't think that is a fair statement, Your Honor.

Mr. ROHRABACHER. Okay. Then please argue with me.

Mr. EGE. American businesses who have been committed to Asia and elsewhere around the world have not cut and run. They have significant investment in those regions. They employ significant people here who support those regions.

Mr. ROHRABACHER. Okay. How about——

Mr. EGE. If I could finish, please?

Mr. ROHRABACHER. Okay. How about Mattel?

Mr. EGE. U.S. pharmaceutical companies that have pharmaceuticals manufactured and sold in those countries, the research and development is done here. All of those high-tech, high-paying jobs are here in the United States. The license fees are paid back from those subsidiaries back to the United States to support further R and D that benefits our own people as well as the people in those countries. Sure, there may be people who have made a quick profit and cut and run, but I think those are the exception, not the rule.

Mr. ROHRABACHER. Let me give you an example. In my district, Boeing Corporation, biggest employer in my district. Now Boeing, in order to sell planes to China, they are going to do what? They are going to help build up an aerospace manufacturing foundation in China. Now that may make them a lot of money for about 5 or 10 years. After that, people who should be getting jobs in the aerospace industry in the United States are out of luck, because after that we have transferred the know-how, the manufacturing technology and the capabilities as well as made the major capital investment over there, so they now have new capabilities.

Mr. EGE. Boeing still employs 77,000 people in the Puget Sound region that are doing all of the assembly work of the component parts.

Mr. ROHRABACHER. Yes, right now.

Mr. EGE. And they are made not just in China, but they are made in Italy, they are made in Great Britain. They are made in countries where they are selling their airplanes.

Mr. ROHRABACHER. Okay. And what do you think is going to happen when the Chinese start being able to do that job, because Boeing is investing in creating that over there?

Mr. EGE. I can't predict what can happen in the future any more than you can, Mr. Rohrabacher.

Mr. ROHRABACHER. Yes, I can. You can predict exactly what is going to happen in the future. The same thing that has been happening for the last 20 years. A massive out-flow of good jobs from this country over to China and over to other Asian dictatorships because our Government isn't watching out for the American people. Our Government is watching out for the interests of the business community, which is representative of a few people at the top.

And I would suggest, Mr. Chairman, that the American people aren't going to put up with this forever. Asian governments have to understand the American people have so much patience, but their patience is at the breaking point now in terms of these relationships.

We not only end up sending Mattel toys, which used to be made in southern California, over to China, but then they have what? We get back Mattel toys where my little kids can't kiss Barbie on the lips because it is lead-based paint now and might hurt my children's health.

Our trade relationship, I mean, I am sorry, but our Government and you folks have not been doing your job. And I know that other people aren't going to say this. Nobody wants to come out because the big businesses that are making so many billions of dollars have such an influence on our policymakers. I don't blame the Chinese and I don't blame the Vietnamese who are now engaged in another type of huge transfer over to Vietnam, another dictatorship. Yes, I blame our Government, and I blame the people who run our corporations who are looking for short-term profit.

And Mattel went over there. I will give you one example. In my district, Coatings Resources Paints had 85 employees in the year 2000. They provided Mattel with all the coatings for their Barbie dolls. Coatings Resources now has 35 employees. Thirty-five employees. People say, well, maybe they are selling Barbie dolls someplace. No. They are out of work or they have lower-paying jobs because now Coatings Resource doesn't do the coating for Barbie dolls.

And what happens with Barbie dolls now? We end up having Barbie dolls sent back with hazardous material as part of the product. I guess what I should just ask in leading up to this is, what about the quality from Asia? What about this problem? People now don't even know that the citric acid in their vitamin capsules, what used to be manufactured here in the United States is now manufactured in China, because China, what? Undercut all the production of citric acid? And probably there was an American businessman helping the Chinese develop the strategy. Undercut them over a 10-year period, put them out of business. And now they are charging more money for citric acid than before the whole process started. But the profit is being made in China.

How do we know that citric acid in our medicines now or in our vitamins is not filled with some contamination? Is this a legitimate fear? I guess I should ask our trade rep. Is it a legitimate fear that we have from China and some of these others, like Vietnam and these other dictatorships in Asia, that they are sending us substandard and maybe even hazardous products now that we are dependent upon them?

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. ROHRABACHER. Sure. I hate for being so aggressive on this. I just went to see that factory, and I know some of the people who were put out of work, and I don't see them now living a better life after 10 years.

And Coatings Resource, let me note for you, was given the award by Mattel as their best supplier in the year 2000. By 2005, the company had been cut in half. This is not a unique story. We are talking about companies all around southern California and probably in your districts too.

Mr. FALEOMAVAEGA. I just want to say to my colleague that his points are well taken if this was the Federal Drug Administration. I suspect that our witnesses are focused specifically on APEC issues and dealing with trade with these 21 countries in Asia-Pacific, which does relate to the toys and the drug industries.

And maybe this is an issue that Ambassador Haslach can give us some perspective, if these issues are not seriously taken by the countries that make up APEC, including our own, if these issues are seriously discussed with these countries.

Ambassador HASLACH. Food safety was in fact an issue. If you look at the leaders' statement, food and product safety is something that has been addressed, and we do have a work program now to have discussions within APEC about this. There are numerous committees, working groups and task forces that deal with all aspects of this issue. And of course, we are also dealing with it on a bilateral level as well.

We share your concern about product safety. We want to make sure what doesn't happen is that it becomes a barrier to trade without justification. So we are trying to work with member economies on the issue.

The other issue is with regard to training. Many of these countries need assistance in how to regulate and how to take care of their industries. And I will point out that the Chinese, both at the Leaders level and at the Ministers level, did acknowledge that they are ready to cooperate with us on both food and product safety. And I will let my colleague from USTR also comment.

Ms. CUTLER. If I can add that when the administration was putting together its strategy to deal with this very serious issue, both Pat and I were called on to think of ways that APEC could contribute to this issue. We put our heads together with our staffs and tried to find out what would be the value-added that APEC could provide, particularly given that China is a member, and other economies in APEC frankly are facing the same problems vis-à-vis China.

I must say, with respect to this issue, we raised this just about two meetings ago in APEC. And within two meetings, we got a very strong statement coming out of the Leaders and Ministers set-

ting forward ambitious work that we can do in APEC that our other APEC economies supported in China as well.

So that is APEC's value-added and how we fit in. And I would just add that the whole training aspect in holding workshops and trying to get the actual experts involved and the regulators so they can see how we regulate and learn from us—it is called capacity-building—it is a very important aspect of APEC.

Mr. ROHRABACHER. Well, Mr. Chairman, again, as something you mentioned, which is we cannot blame the Chinese or Vietnamese or other countries for taking advantage of wedges that we have provided them to come into our system and exploit the United States by basically exploiting the greed of our senior business community, we can't blame them for doing that.

We have to blame ourselves for providing too much attention to a few businessmen who are making billions of dollars rather than paying attention to American working people and their long-term interests rather than just short-term profit.

We have had, for example, I disagree—well, I agree with you philosophically—we should have currencies, for example, that float. I have been paying attention to the argument from the business community about free trade all of this time, but we don't have free trade. And there is no free currency floating over there.

They are controlling the currency. They are controlling access to their market. They have impediments to their market. And they are controlling the value of their currency in a way to manipulate us. And we put up with it. We have put up with this. And we put up with the transfer of technology.

We have been putting up with economic, you know, let us just let sleeping dogs lie, let us not cause a real problem. We have been letting them steal our technology that we put billions and billions of dollars of investment into. And then they steal the technology and use it against us. And because there are a few very wealthy businessmen who are making a fortune over there, I don't see our Government having it as a high priority to deal with this type of I would say attack on the well-being of America.

And I am just saying American people aren't going to put up with it much longer. I would hope in this Presidential election, we get a candidate who will stand up for our people and tell these billionaires that they better start acting like Americans instead of just capitalists.

Mr. FALEOMAVAEGA. I want to assure the members of the panel that you could not find a greater advocate of free market system than my good friend from California. But he is very upset, along with many of my colleagues, to the extent that as much as we want to do the free market system, I guess the other word that comes along with it, is it fair for our people here as well?

I think that is where the balance, the fulcrum seems to sway. As I said earlier, the fact that we have such a tremendous amount of trade coming from the Asia-Pacific region, are we doing enough, both the Congress and the administration, to ensure the standards and the quality of the products? Obviously some loophole has gone by here.

And if you are to blame the manufacturers from China and Mattel, I would think the responsibility should be on the corpora-

tion or the American company that does business with a country like China, to export or to get these imports, toy imports, that brings harm to American children. I think that is an obvious situation.

But I want to ask these members of the panel, what are your recommendations of what Congress can do to kind of put a close on this loophole, if you will? Let us face it. Over the years, what really is the number-one motivating factor that has caused many of our businesses and corporations to do business outside of the United States? It is cheap labor. If that is not one factor, please tell me I am wrong.

And because of this factor of cheap labor, mainly to enhance the dividends and the profit margin of these American corporations that want to do business in foreign countries.

What is another incentive that causes these corporations to do business in foreign countries? I suspect that there are other standards that we have which are high that they just don't want to comply with, whether it be labor standards, health standards. Of course, this is the factor that for this side of the aisle has always made very strong points about the protection of the rights of working people in those countries, just as we have tried very earnestly on the principle of collective bargaining between labor and management.

And I want to ask Mr. Ege, I like the idea that we have a business, corporate members of this portion of the APEC. My question is: Do we have a labor leadership also as part of advocating, making sure that the rights of working people in those countries as well as our country are protected? Not only protected, but are they given adequate leeway so that they are not disadvantaged? They don't get to the point where slave labor exists in these countries that produce. If I am correct that some of these countries, why, they are paid about 50 cents. And by the time that Nike shoe reaches the markets here in the U.S., they end up $30, $40, $100 a pair.

Somewhere along the line, I am not an economist, but I would welcome your comments on this concern.

Mr. EGE. Well, I will defer to our friends from USTR on the labor standards that are embedded in our trade agreements that we have begun negotiating recently.

But I do want to respond to Mr. Rohrabacher's comments.

Mr. FALEOMAVAEGA. Please.

Mr. EGE. If you think for 1 minute that Mattel is happy about what has occurred in China and what it is doing to their reputation and their market share in the United States or anything, believe me, you are mistaken. I am confident that they regret some of the decisions made and the quality controls that they probably do not have in place that they wish they had in place.

Your statements cast aspersion on the ethics of the entire American business community, and they were unfair, inaccurate and I think wrong. Most American businesses operate with a long-term view to the future, not short-term profits. We invest heavily in their people; we invest heavily in our businesses. In my own company, more than 50 percent of our revenues and profits come from outside the United States, but three-quarters of our people work in

the United States and support those operations. The essential core technology is here and is spread throughout the world. And I think that that is the model that most of us try to use.

Yes, inexpensive labor has caused many companies to look elsewhere to provide the type of goods that the American public wants and is willing to pay for. What would the cost of goods be at Wal-Mart if they did not source their goods from outside the United States? It is a dilemma.

I do think that the root cause of the problem in China and elsewhere has been a currency issue, where there is an artificial mispricing of the accurate cost of those goods in those communities. But I think it is very unfair to characterize the entire American business community as being short-term focused and venal in their attitude toward their employees, toward their customers and toward the world at large.

Mr. ROHRABACHER. If the chairman would indulge me.

Mr. FALEOMAVAEGA. Please.

Mr. ROHRABACHER. Well, first of all, I respect having a back-and-forth, don't get me wrong. I respect people's opinion, but we disagree. I think someone was sitting right in your seat less than a year ago, was sitting there from a major computer corporation, telling us how they helped the Chinese establish, I think it was—what was the company now? Anyway, in their computers, they helped set up the Chinese so they could actually track down any dissidents or religious people who were utilizing the Web.

These are American citizens trying to tell us they are helping a Chinese dictatorship track down religious believers. That wouldn't meet your standards, would it? I mean, that obviously is someone who doesn't understand what America is supposed to be all about.

I have had American businessmen come into my office constantly saying, "Well, the reason we don't worry about dealing with China was the more we trade with them, the more they are going to have contact and the more liberalization will take place." I mean, how many times have we heard that? It is what I call the "Hug-a-Nazi, Make-a-Liberal" theory. All we have to do is hug them and they are going to get better.

Well, every one of those businessmen, I am talking about hundreds of businessmen, have told me this, who have been in China. And I have asked all of them, "Have you ever discussed religious freedom with any of the people within the government people that you deal with in China?" Not one has ever discussed religious freedom.

Now I would suggest that America is more than just making money. And I am in favor of making. I am a capitalist. My motto is free trade between free people. And so I am not casting aspersions on the idea of making money. But that is not the only thing America is about. America is about freedom of religion, about the dignity of people. People have a right so their children aren't going to be facing a life where they are stunted in their growth because they got toxic waste being put into their products.

We believe in the dignity of man here and we believe in the fundamental liberties. That is part of what being America is about. And it is not just making money. And listen, you fought in Vietnam. My hat is off to you. That was part of your résumé. Our

chairman was a soldier in Vietnam. You obviously are a patriot and I am not talking about you. But I believe there are a lot of businessmen who are not, who are discarding some of the fundamental values in order to make short-term profits. But feel free to respond. And then I won't refute.

Mr. MANZULLO. Who has the floor?

Mr. FALEOMAVAEGA. I think I have the floor, but——

Mr. MANZULLO. Would you be willing to yield to the gentleman from Illinois?

I have got a meeting back with the freight forwarders and they are in my office. I spend about 75 percent of my time working on manufacturing issues, and sometimes I feel more comfortable on the floor of the shop than I do on the floor of the House. At least the machine oil is a lot more real there than it is here.

And as much as I love my brother from California, he certainly doesn't lack the ability to express his thoughts. [Laughter.] But if you just close your eyes, you can hear his words echoed in the voices of our constituents. What has amazed me in dealing with the Chinese such as a mistake in instruction on the side of a crib, which could happen to anybody. But the use of lead paint, I mean, something that has been outlawed in this country since 1978. If that country's productivity is outpacing its ability to sell safe products to this country, then I think it is the obligation of those in authority to say, wait a second, I know you have 100 million peasants that you need to put to work, but there has to be a threshold somewhere where you can rely upon products being safe.

I don't think the American taxpayers should have to pay more money to have more government workers at the borders checking containers for safety. I mean, I don't buy that argument. You would think that in an age where so many Chinese have gone to our universities, they knew better than to use lead. That is not through ignorance.

I chaired the U.S.-China Interparliamentary Exchange for years, and now I am vice chair. But there is this statement that comes out from the Chinese that says, Well, take it easy on us because we are still a nonmarket economy and we are trying to learn. Many of those guys graduated from the same universities we did. They have been over here for years. They fully understand some basic safety.

I was telling Congressman Burton that my 18-year-old cat died. She had gotten in a cat fight and had lost an ear and most of her tail, and I was looking at this cat food. I wondered, Did this cat food kill my 18-year-old cat?

But you would think that something as basic as cat food, can you trust anything that is coming from the Chinese? There are a lot of pharmaceuticals that are manufactured in China and shipped to this country, isn't that correct? I mean, at what point do the American people have a legitimate right to say can we trust any stuff coming from China?

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. MANZULLO. Well, I will yield back to you. It is your floor.

Mr. FALEOMAVAEGA. I thank the gentleman, not only to solicit the comments from the members of the panel, I do want to go back to, I think it adds onto the concerns of my good friend from Illinois.

Let us just say the whole fault is our Government, both the administration and the Congress. I am asking the members of the panel, what would your recommendations be of what Congress can do to close this loophole to the inequities existing and this trade imbalance that we now have with certain countries of the Asia-Pacific region?

Mr. Ege?

Mr. EGE. Well, as I mentioned before, I believe that the principal problem aside from the health and safety issues, and that should be an FDA or other agency issue in setting standards—and I agree with you that products should not come back into this country that do not meet the standards that we have come to expect from those that are manufactured here.

Mr. FALEOMAVAEGA. Any country for that matter.

Mr. EGE. Any product. I remember as a child in the fifties that "Made in Japan," remember? "Made in Japan" was a symbol of——

Mr. FALEOMAVAEGA. Cheap, cheap. Cheap products.

Mr. EGE. Yes, cheap products. Does anyone think "Made in Japan" today is a symbol of something cheap and shoddy-made or inexpensive? No. It is the highest-quality manufacture there probably is. And so when you paint broad-brush about Asia, we have to be careful that Japan was once that nation that produced the cheap toys; the cheap things were made in Japan.

But I think that the quality must come in at a level that we expect and that our American consumers expect and have trusted. I do think that the currency issue has distorted what would be normal trade flows. And again, that is from the economics. I am not an economist either, but my personal view is that that is the largest single issue today that is distorting the trade picture. That does give perhaps an unfair advantage to certain countries where their currencies are either pegged or through central bank intervention are kept at an artificially low currency exchange rate.

Mr. FALEOMAVAEGA. If I could just get the views of Ms. Cutler and Ambassador Haslach, and then my friend from New Jersey also has a question.

Ms. CUTLER. I have to believe as a mother that the American consumer will vote with their pocketbook and that mothers are just not going to buy these toys right now until it is demonstrated to them that China has or any country has lived up to the standards that we expect so our children have safe toys.

So I think the government has a role, but I also think that the American consumer is not stupid. And American mothers are pretty smart and they are about their kids. So I have to believe that China is going to get and has already gotten a wakeup call. But that call is going to get stronger and stronger.

Mr. FALEOMAVAEGA. Ambassador Haslach?

Ambassador HASLACH. Well, I am also a pet owner in addition to a mother, and I have a good recipe for homemade dog food, so maybe that might be one way. I don't buy Chinese dog food.

I would just like to maybe for a second address——

Mr. FALEOMAVAEGA. Please.

Ambassador HASLACH [continuing]. A related issue that both you and Congressman Rohrabacher brought up, and that is I think the issue of human rights. I would just like to point out that human

rights is an important issue, and it is reflective of our values of a free and democratic nation.

And given APEC's mission and core expertise, we focused on these human rights issues where the organization would have the most impact, mainly those in the economic area. And if I could just point out for you a couple issues, and it relates back to, Mr. Chairman, your comment about cheap labor.

APEC has been very active in promoting women's economic empowerment so that women in the region have the freedom to improve their lives through access to the opportunities afforded by the global trading system. We also know that access to a good education and skills is a fundamental human right, and we have been trying to advance that also within APEC. And just so you know, Peru plans to hold a ministerial this year on education because education is one of the key areas for improving human capacity.

And we are also fighting corruption. We are fighting to get rule-based societies where everybody gets a fair chance and a fair opportunity. So I don't want to leave you with a picture that APEC is just an organization that focuses on reducing trade barriers; it is also focusing on raising human capacity in the region.

And with regard to companies seeking cheap labor, I have to just tell you about an experience I had. A week after being in Sydney, I went to Konsai Region in Western Japan to the capital of Osaka, where I participated on a panel with five representatives from their states or prefectures and five lieutenant-governors from the United States, each of them competing for investment in their particular states and looking for high-quality workers, looking for education systems, looking for research and development opportunities.

And one of the reasons that the Konsai area has become a big pharmaceutical-producing area is because they focus on high quality, because they focus on research and development and education. And I think that is where the development really is. It is not in the cheap labor. Like my colleague, Mr. Ege, said, they can only live with that for so long. It is really looking to advance and to improve the human capacity within the Asia-Pacific region which will lead to further economic growth for all of us.

Mr. FALEOMAVAEGA. I might also want to note that I think of the 500,000 foreign students that attend American colleges and universities, 100,000 are from China and I think 90,000 are from India and another 80,000 or 60,000 are from Taiwan. They are all from the Asia-Pacific region, so there is no question about the importance of education.

The gentleman from New Jersey.

Mr. SIRES. Mr. Ege, you keep talking about the currency and the imbalance in the currency. I just want to ask you, if there was an adjustment in the currency, would you have established a business in China?

Mr. EGE. Well, we don't have a business in China.

Mr. SIRES. Oh, I am sorry. You said you opened an office——

Mr. EGE. No, no, we don't. We have Korea and Singapore and Japan. And we have some business out of Singapore in Thailand and in Taiwan. We don't have any business in China, but we look at China as a future place that we might do business at an appropriate point in time. So I really can't respond to it in that way.

Mr. SIRES. But would it make it attractive then to open business in China?

Mr. EGE. We would to look at it. The real issue for us is the openness of the financial markets and if they open their financial markets and allow us to participate as full equal partners with their institutions in vying for business from Chinese institutions and individuals, to invest their assets, to provide security, so on and so forth. That is the most important thing. This is regulatory reform.

And then you look at the cost of doing business there and the opportunities and come up with a matrix and decide whether or not it is wise to have a business presence there. But until a regulatory environment becomes more stabilized or more open, you stay away. And that has been the situation in Korea as well as in China.

Mr. SIRES. Thank you.

Mr. FALEOMAVAEGA. For years and years, New Zealand and Australia have always been considered nothing more than an extension of the European market. But it has only been in recent years, Australia was one of the co-founders of APEC, in fact. There is a major trend in change now with both New Zealand and Australia to do more trade, more relationships, with the Asia-Pacific countries. Very interesting, which leads me to my next question. The perception, it seems that China and India are now the two black holes. All of the Asian countries are focusing in terms of future trade relationships and a closer, a much tighter fitting, if you will.

And I just wanted to ask you, with all this ASEAN+1 and +3 and +6, is the United States really serious about being there when we are needed, or are we just going to come and go, passive, indifferent, in terms of the issues that do affect the Asia-Pacific region? Do you perceive that there is going to be more and more of the idea that the United States really is not part of the Asia-Pacific culture when it comes to doing business or as a regional organization or a play-maker for that matter? Our ties have always been to Europe for years and years. But now this is the 21st century. This is supposed to be the century of the Asia-Pacific region.

And I just wanted to ask you or share with you this ASEAN+1, 3 and 6, I don't see the U.S. included in this little mathematical calculation. ASEAN, where is the U.S.? Do I get a correct picture that more and more of the Asian countries would rather deal among themselves, especially with India and China now, as the two titular points of base simply because of the populations? We keep talking about China, but let us not neglect India now also as a major economic player not only in the region but also in the global market system. Please.

Ambassador HASLACH. Well, we are an active member of APEC, and we will continue to be an active economic member of APEC. And as we pointed out before, it is the one regional organization that is trans-Pacific where the United States is a member. And I think our agreeing to host in 2011 is probably the best indication that we intend to be pretty active at least through 2011. So I am willing to go out that far for you. So, yes, I think APEC is a preeminent organization for us to be a member. We will continue to do so.

Mr. FALEOMAVAEGA. Ms. Cutler?

Ms. CUTLER. Let me just offer a view having worked so closely with Korea over the past year and a half. A couple of years ago, China became Korea's largest trading partner, and China was pushing Korea to do a free trade agreement with Korea. And if Korea wanted to go ahead and negotiate with China, the door was open to do so. But interestingly enough, it said no to China and it said yes to the United States.

And so I would put forward that the suggestion that I think a lot of these countries, while they have a lot of ties and they are interested and they recognize that India and China are formidable factors and forces in the region, they also want close ties to the United States. They want to see a United States that is firmly engaged in Asia, and as you said, not just today but for the months and years ahead.

And through the Korea FTA, through other initiatives we have going on in the region, through hosting APEC in 2011, I am a firm believer we are in Asia, we are there to stay.

And I would also just conclude by saying I have been at USTR about 20 years now. Twenty years ago everyone was working on Europe. And when Europe went on vacation in August, we basically closed down. And we worked 12 months a year, 24 hours a day, because while we sleep, Asia is awake. So there was a real change in USTR where the resources are going and, I would suggest, where our future economic growth lies. And so I think the Asia Region is here to stay. And I think a lot of people are going to be envying your job up here in Congress in the months and years ahead.

Mr. FALEOMAVAEGA. Mr. Ege?

Mr. EGE. I will only echo what has been said, that APEC is the only vehicle now where we have a seat at the table. We are not in the ASEAN, ASEAN+3, ASEAN+6. Those really are East Asian organizations. So APEC is, as I said in my remarks, our best bet for engagement. And it is the only way we are going to deal with the issues, the important issues have been brought up by Congressman Rohrabacher, by Congressman Manzullo and yourself and others and Congressman Sires, is through engagement and discussion. And APEC today is the only vehicle to do that.

Mr. FALEOMAVAEGA. I have 100 more questions, but I want to ask the gentleman from California if he has any more questions.

Mr. ROHRABACHER. Well, thank you very much. Just a couple points. Mr. Chairman, I think I have a disagreement with you about education. And let me just note that I don't see any reason why the United States of America should be imparting to tens of thousands of Chinese and other people from Asia who end up being our competitors technology information that we have spent hundreds of millions and billions of dollars developing. And we just equip them to go back and set up their factories and set up their manufacturing systems based on the knowledge that we taxpayers have paid for, and they can then compete with us on a level field.

I don't want them to be competing with us on a level field. If we invest in technology development, it should be American people who benefit from that. And I see a lot of what we are doing in education now, they don't send over people to learn about literature or

history; they send people over to learn our technical secrets, and we give it to them. And let us just look.

And in terms of corporations, points that I made before, I represent a lot of aerospace people in my district. And it is just very difficult for me to forget that Hughes and Nortel Corporation ended up transferring to China information about rocket technology that we of course as taxpayers have spent billions of dollars developing. And now the Chinese have that rocket technology and they go up and they destroy a satellite. We go, oh, they destroyed a satellite. Now look at their capabilities. Well, why are we surprised at that? Is that in America's interest?

It was certainly in the interest of Hughes and Nortel for a short-term profit at the time that they were involved with the satellite sales to China. But in the end, it has turned into a national security nightmare for the United States, because I will never forget talking to an engineer who told me he just got back from China, and he said he worked for Hughes Corporation. He said, "Those Chinese didn't even know anything about stage separation before we got there, and they only had one payload on these big rockets." I said, "You mean you helped fix it?" Yes, yes, sure.

And I went to the company that provided the exploding bolts for the Chinese, which we have developed here in the United States. And the Chinese ended up with perfect stage separation, and now their rockets can carry two or three payloads. Wonderful. Isn't that wonderful?

There are a lot of national security interests that have to be taken into consideration in terms of technology that may be also market-oriented. And I think that that, coupled also with protection for our consumers against hazardous products and then coupled just specifically about the fact that by treating a dictatorship like China and like Vietnam as if they were a free country, the same type of free trade concepts, will not work out in the interests of people of either country in the long run, because you have a group on the one side of it manipulating that.

So Mr. Chairman, I am very concerned that we have not done our job in terms of making sure that our own corporations are doing things that are in the interest of the general population. We have not fought through the currency—Mr. Ege is right about this—where the currency is a huge component of what I am talking about. And we have let that go. And the fact that no one here can say when we were at this meeting, we just really leveled it to them and said either that is going to be solved or we are going to have this and this ramifications, we didn't hear that today. We should have if it is so important, and it is.

So we have market access that has been limited in China. And worse than that, Mr. Chairman, again, we have a system in which we have guaranteed many of the investments of our business community that go over to China and these dictatorships.

So these are all things that I think the American people have a right to be outraged. And just again, the people in Asia have got to understand that the patience of the American people for having these basically unfair, an unfair and a one-sided economic relationship with these countries, that is coming to a close. And whatever the future brings, I am in favor of economic relationship between

free people, but I think we have to watch out for the interests of the American people when we have that type of flow of technology and capital to these other countries. How is it going to affect us in the long term?

So thank you very much, Mr. Chairman. I hope, Mr. Ege, I didn't mean to insult you, and I am sorry if any of my remarks did insult you. They were not intended. You are obviously a very patriotic person, as I say. But I notice some people in the business community, very top people in the business community, who do not have patriotism or the concern for the American people in their heart when they are doing business with countries like China. So that is what concerns me.

Thank you very much, Mr. Chairman.

Mr. FALEOMAVAEGA. I thank the gentleman from California. And with all due respect, I do have a very different sense of opinion about education.

Whatever technologies that are being stolen or taken away are not just China or other countries. I am not going to address that. But I honestly believe that education I think has been the very basis of the foundation why this country is so great and why it has been the focus of the entire world, with the amount of knowledge and understanding that we have, whether it be in business or whatever it is, that students from all over the world have an opportunity to come and seek an education. I think this is something that I consider a tremendous blessing not only to the American people but I think also a desire of the American people to share that knowledge, to share that sense of values, to share an understanding of what democracy is all about.

And I think education is not just to provide this concern that you pointed out about our secrets or trade secrets or technology being transferred out of the country and being made use for weapons.

I might note also the gentleman's comment about China firing this missile. Anyway, it was a Chinese satellite. China sent this missile, satellite was traveling about 18,000 miles an hour. And what this proved is that China has the capability of doing this.

But the fact of the matter is the former Soviet Union and the United States had this technology since the 1980s. So it seems to me that all China was trying to do was to catch up with the technology that other countries might have and its capabilities. For good or for evil, I cannot make that judgment. But I think that the fear and the concerns that the United States and the Soviet Union had is that all we need now is warfare up in space. And for the fact that I think all China is saying if you are serious about having any concerns about war in space, China should be a player as well.

Now years ago, we don't look at China and India with any sense of seriousness about being an economic entity as we now look at, as much as we did years ago with Europe. I think now, as I said earlier, the world has changed entirely, a different set of standards, a different set of principles that countries abide by.

But I honestly believe that education to me is something that this country is a tremendous, I consider it our asset, the fact that we are able to share this knowledge and share the understanding and know-how, whether it be technology, business, even on principles of democracy. I believe this country has been a tremendous

contributor in helping other nations who may not look at human rights as a serious issue, as they do now.

So with all due respect to my good friend, and I want, to Mr. Ege and Ms. Cutler and Ambassador Haslach, know that please, this is not in any personal aspersions to you. As my good friend from California said, what is it, attack the sin but not the sinner, right? And you are certainly not a sinner, Mr. Ege, I didn't mean it that way. But I do want to say that your comments and your statements have been fantastic. And we need more of this dialogue not only with the business community but with the administration.

But as I said earlier, we need your input. With a 19 percent approval rating as an institution the Congress has by the American people, is it any wonder, Mr. Rohrabacher, maybe we are at fault? We may be failing in doing our part.

So I said if we blame the institution, not just the administration, I think we are just as responsible for the problems that we are faced with in being able to do more not only to help our business community, but my gosh, how can we also help to make sure that the working average American person out there is also getting the same benefit?

And I am happy to hear that your corporation employs more, a lot more than what is actually the sense of perception, unfairly saying that the movement of labor in foreign countries is not necessarily with all U.S. companies that do business in the foreign countries. It actually helps us as well.

I have taken your time, too much time. But I want to thank you for being so patient. I believe I have some kind of a vote, or maybe I may not vote, but I do want to thank all of you for being here this afternoon. And hopefully there will be another hearing on this very issue in the Asia-Pacific region, not just on APEC but on other issues that I think will definitely have an impact on what we may be doing.

And please, again, I would welcome any suggestions or comments that you might want to make on how we as an institution could also be a help and not as an obstacle in promoting better relations between our country and the countries that make up the APEC organization. So with that, thank you so much. The hearing is adjourned.

[Whereupon, at 5:10 p.m., the subcommittee was concluded.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE ALBIO SIRES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Thank you, Mr. Chairman. I'd like to thank our witnesses for coming to testify today and I'm looking forward to hearing their testimony. This hearing is very timely. The United States must explore ways to improve our exports to the Asia Pacific region, so that we remain competitive in the global market. With the increase in our trade deficit to China and other countries in the Asia Pacific region, U–S businesses must be looking for new sectors where we can invest to remain competitive. Trade with the Asia Pacific region is very important to my home state of New Jersey. As an example, last year, exports from New Jersey to Japan totaled $1.2 billion and exports from New Jersey to Korea totaled $849 million. These exports are important to the economy of my state and our overseas exports are important to the U–S economy. I look forward to questioning our witness regarding our recent F–T–A with Vietnam and the upcoming Korea F–T–A. We must look for ways to expand U–S exports to the region and the U–S MUST continue to be an export leader in the global market.