ECAT
Emergency Committee
for American Trade

900 17th Street, N.W.
Suite 1150
Washington, D.C. 20006
202.659.5147
ecattrade@ecattrade.com

Testimony of Calman Cohen, President of the Emergency Committee for American Trade (ECAT)

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Thank you for the opportunity to appear before you today on behalf of the Emergency Committee for American Trade (ECAT). ECAT is an association of the chief executives of leading U.S. business enterprises with global operations that was founded more than four decades ago to promote economic growth through expansionary trade and investment policies. Today, ECAT's members represent all the principal sectors of the U.S. economy – agriculture, financial, high technology, manufacturing, merchandising, processing, publishing, retailing and services. The combined exports of ECAT companies run into the tens of billions of dollars. The jobs they provide for American men and women – including the jobs accounted for by suppliers, dealers, and subcontractors – are located in every state and cover skills of all levels. Their annual worldwide sales exceed $1.6 trillion, and they employ more than 6.2 million persons.

ECAT and ECAT companies have played an active role on policies, negotiations and legislation related to U.S. commercial and economic policy in the Asia Pacific. ECAT co-led the Business Coalition for U.S.-China Trade that worked to ensure normalized economic relations with China and China's accession to the WTO on commercially meaningful terms that would benefit the United States. Since China's accession, ECAT has worked to promote an improved economic relationship with China, including with respect to WTO and non-WTO economic issues. ECAT worked in support of strong outcomes in the Australia and Singapore free-trade-agreement negotiations and supported passage of both agreements by Congress. ECAT currently serves as the Secretariat to the U.S. Business Coalition for TPP, to seek a strong and commercially meaningful outcome in the Trans-Pacific Partnership (TPP) negotiations. ECAT is also working extensively in support of passage this year of the U.S.-Korea Free Trade Agreement, as well as the pending trade agreements with Colombia and Panama.

Importance of the Asia Pacific to U.S. Economic Growth

U.S. trade and investment with Asia and the Asia Pacific have expanded significantly over the last decades, and the United States has entered into two major free trade agreements with our 15th- and 21st- largest trading partners – Singapore and Australia. U.S. goods exports to the Asia-Pacific Economic Cooperation (APEC) forum members have more than tripled from $228 billion in 1990 to $774 billion in 2010. U.S. imports from these countries have also grown from $312 billion to $1.2 trillion over the same period.

This dynamic region boasts 32 percent of the world's population and 28 percent of its purchasing power. Over the next five years, this region is expected to grow economically faster than anywhere else in the world.

Nevertheless, U.S. exports represent a declining portion of Asia's imports, as other countries have pursued a much more aggressive policy of entering into new arrangements with our Asian and Asia-Pacific trading partners. The U.S. market share in Asia dropped from 15 percent in 2000 to less than 10 percent in 2009. By contrast, over 50 percent of all Asian trade is intra-regional.

If the United States is to remain competitive in one of the fastest-growing regions of the world, the United States must pursue much more active economic engagement through existing bilateral relationships and agreements, but also through new agreements such as the Trans-Pacific Partnership (TPP) negotiations and bilateral investment treaties with China, Vietnam and India and beyond.

TPP Negotiations Are Vital to Spur Increased U.S. Engagement in the Asia Pacific

In March 2010, eight countries formally began the TPP negotiations – the United States, along with Australia, Brunei, Chile, New Zealand, Peru, Singapore and Vietnam. Malaysia became the 9th negotiating partner in October 2010.

The key data points for the United States' eight negotiating partners are:

- a combined population of 196 million;
- a combined GDP of $2.6 billion; and
- combined trade flows with the United States of $171 billion – equal to our 4th largest trading partner, Japan, with U.S. exports of $89 billion and U.S. imports of nearly $82 billion.

The sixth round of negotiations are currently ongoing in Singapore.

ECAT and the broader business community represented by the U.S. Business Coalition for TPP strongly support the negotiation of a comprehensive, high-standard and commercially meaningful TPP by the time of the APEC Leaders' Meeting in Hawaii in November of this year. This negotiation provides an enormous opportunity for expanding U.S. economic engagement and improving U.S. competitiveness in the Trans-Pacific corridor. While the United States already has trade agreements with several of these countries separately (Australia, Chile, Peru and Singapore), this multilateral agreement could have substantial additional benefits by opening new markets, harmonizing key rules and providing important strategic benefits.

For the United States, negotiating and entering into a commercially meaningful TPP will enhance U.S. engagement with the economically and strategically important Asia-Pacific corridor. Rather than being on the sidelines as many Asian nations conclude their own trade and investment agreements, the United States will be an equal and active participant in the most important new trade-liberalization effort in the region. This will provide important economic growth benefits to the United States through enhanced trade and investment, while also promoting broader U.S. national interests.

The recent completion of the EU-Korea free trade agreement, the ASEAN-Australia-New Zealand free trade agreement, and the China-New Zealand free trade agreement are just three examples. Perhaps even more important are recently completed agreements between ASEAN and China and ASEAN and India, reflecting the deepening of commercial ties between key emerging-market partners across Asia, which leave the United States at risk of being excluded from these vital growth markets. It should be noted that these

agreements fall short of the strong and comprehensive type of trade agreement that the United States negotiates, including with respect to such issues as services liberalization, intellectual-property protection, investment protections and competition policy. A high-standard TPP would create the basis for the United States to seek partnerships with these and other countries at some later date on the basis of a high-standard, comprehensive 21st-century TPP. Indeed, from ECAT's perspective, the TPP should be viewed as a building bloc that could eventually bring other major trading nations, including Canada, Japan, Mexico, and Korea, into a common set of rules and market openings that will provide even greater benefits for the United States.

The TPP also represents an important opportunity to strengthen alliances with each of these countries. In turn, these alliances will aid the United States as it seeks to advance other important priorities that are beyond the scope of a trade agreement.

From the beginning, the TPP negotiators embraced the goal of achieving an agreement that would not be written with rules for the past century, but would reflect the increasing economic integration of the region through multiple production and sourcing networks and promote the competitiveness of the individual TPP countries. It is a negotiation that seeks to create rules that address the issues and challenges we have now and will have in the years and decades to come.

I have appended to my written testimony a summary of key negotiating outcomes that ECAT and the Business Coalition for TPP are seeking from these negotiations. I would like to focus on just five issues this afternoon:

- First, the TPP must create new market openings among the negotiating partners. The final TPP agreement should be comprehensive (covering all sectors and subsectors, goods and services, and digital and traditional trade), incorporate flexible rules of origin and result in major new and meaningful market access. The agreement should not roll back existing access for U.S. industries in any of these markets.

- Second, the TPP must simplify trade throughout the Asia Pacific. Negotiators indicate that they are seeking a 21st-century agreement to address today's and tomorrow's challenges. For many of us that includes addressing the day-to-day costs and delays that companies with global supply chains and global operations face every day. A successful TPP, therefore, must truly be a regional agreement, seeking to achieve key common elements, but particularly supply-chain facilitation. We don't just need to see port-to-port facilitation with mutual recognition of entry documents, but rather facilitation all the way from sourcing and production to the customer. Work on addressing conflicting and duplicative standards must be part of the mix. To be successful, the TPP needs to create a regulatory environment among the TPP countries that builds public confidence and effective, enforceable and mutually coherent regulatory systems to promote the safety of products through risk- and science-based analyses. To achieve these results, we need new thinking, new commitments and new modes of collaboration between different government agencies in each of the TPP countries.

- Third, the TPP must achieve high standards on all core issues including intellectual property and investment. Obtaining such high-standard outcomes, with strong and binding enforcement mechanisms, is important not only with respect to the countries already at the negotiating table, but also with other major economies in the Asia-Pacific region that are likely to join this agreement at a

later point. The rules that the TPP sets now could very well establish the template for the U.S.-Asia-Pacific trading relationship for decades to come.

In this regard, I would emphasize intellectual property and investment standards. Intellectual property (IP) is a major contributor to U.S. economic growth and employment in IP-dependent industries that span every sector of the U.S. economy. It is vital, therefore, that the final TPP agreement provide the highest IP protections for all industries in order to produce effective and transparent enforcement of IP rights in the TPP countries. Importantly, IP protections should build off of, but not diminish, IP protections found in each of the existing U.S. trade agreements with TPP countries and the currently pending U.S.-Korea FTA**.** We in the business community see major challenges in the protection of intellectual property among several of our TPP negotiating partners. In last year's Special 301 Report by the Office of the United States Trade Representative (USTR) on intellectual property rights protection, Chile was listed on the priority watch list. In addition, industry is concerned by actions in New Zealand and potentially other countries, such as Australia, that would weaken strong intellectual-property regimes. Industry is strongly seeking a final TPP agreement in which all the negotiating partners agreed to high-standard intellectual-property protections and effective enforcement for all sectors, including through trademark, patent and copyright protection.

With regard to investment protections, it is important to note that U.S. foreign investment is a key driver of U.S. exports and access to foreign markets, as well as promoting economic opportunities and good wages in the United States. A successful TPP agreement should incorporate strong investment protections, market-access provisions and investor-state and state-to-state dispute settlement to create the type of secure, predictable and non-discriminatory legal environment for U.S. investment abroad that foreign investors already enjoy in the United States through our Constitution and laws.

- Fourth, the TPP has the potential to create a living framework both in terms of membership and activities that will expand its reach and make it relevant for years and hopefully decades to come.

  With regard to membership, the intention of the negotiating parties is to expand membership beyond the original eight, now nine, countries to other major economies in the Asia Pacific. Canada and Japan have both expressed strong interest in joining. In addition, by creating a living, not a static, agreement, the TPP countries should be able to address jointly new regulatory, trade-facilitation and other issues that will arise in years to come.

- Fifth, the TPP must be concluded as quickly and as smartly as possible. Many, starting with an initiative of our TPP Coalition, have called for a TPP agreement to be reached by the November 2011 APEC Leaders' meeting. While meeting such a deadline will require focused and intensive negotiations, we believe it is an achievable outcome and will avoid these negotiations dragging out for years and becoming a talk-fest, like the Free Trade Area of the Americas negotiations.

We at ECAT and the broader TPP Business Coalition are working hard to ensure these strong results.

Bilateral and Multilateral Improvements in U.S. Commercial Engagement in the Asia Pacific Provides Growth Opportunities for the United States

Beyond the TPP negotiations, the United States must continue to advance its economic engagement with leading countries throughout the Asia Pacific through both multilateral and bilateral avenues.

Doha Development Agenda Negotiations

Multilaterally, a strong, commercially meaningful outcome in the Doha Agenda negotiations of the World Trade Organization (WTO) remains a top priority and could provide substantial new access and economic opportunities in the Asia Pacific. Binding provisions reducing and eliminating tariffs and non-tariff barriers to U.S. agricultural and manufactured goods and services are critical, particularly among key growth markets, including many in the Asia Pacific. These negotiations remain ongoing in Geneva and have the strong support of the U.S. business community.

Asia Pacific Economic Cooperation (APEC) Forum

The United States' hosting of APEC this year provides an important opportunity to advance APEC's work and U.S. engagement in the region. Created in 1989, the 21-member[1] APEC has proved to be a useful forum to develop new ideas and promote best practices in a number of areas throughout the Asia Pacific. Its members accounted for 43 percent of world trade and 55 percent of global GDP in 2009. While APEC seeks the creation of a Free Trade Area of the Asia Pacific that would actually eliminate barriers and ensure strong rules among the APEC economies, negotiations have not started in earnest. The United States has focused on several priorities within APEC this year beyond regional integration:

- Improving and streamlining the supply-chain performance.
- Advancing innovation and trade in technology.
- Promoting green economic growth, including through eliminating barriers that limit trade in environmental goods and technology.
- Improving regulatory cooperation and coherence, including by strengthening the implementation of good regulatory practices.

Bilateral Engagement

Equally important to spur economic growth opportunities and broader American objectives is the United States' economic and commercial engagement with many Asia-Pacific partners not already included in the TPP negotiations, including most importantly China and Japan.

1. China

For the United States, China is both a major market and a major competitor. China's accession to the WTO represented the culmination of years of effort to encourage China's commitment to the basic rules of the

[1] Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, United States and Vietnam.

global trading system. The terms for China's WTO accession were generally higher than for any other acceding country. In large part as a result of these commitments, U.S. commercial participation in the Chinese market has grown exponentially. U.S. exports to China have quadrupled since 2000, making it America's fastest-growing export market and our third-largest export market in the world. Benefits are also evident from increased U.S. sales in China and increased investment that acts as a magnet for U.S. exports. Even imports from China – much critiqued – have helped keep inflation low and provide consumers with enormous choices.

While China has made great strides towards opening its economy, that opening has not fully occurred and in some cases has been actively thwarted by other Chinese policies, including a number of the industrial policies that favor state-owned and other domestic entities over foreign entrants. The United States has sought to address many of these issues and, in a subset of these areas, the United States has initiated WTO dispute-settlement cases that successfully resolved several issues. Among the key issues on which ECAT and ECAT companies are focused are the following:

- China's Indigenous-Innovation Policies that Restrict Market Access. These policies represent one of the most important challenges for the United States in its economic relationship with China and need to be addressed quickly and comprehensively. We were pleased to see that China committed to delink indigenous-innovation policies from its procurement going forward during the Strategic and Economic Dialogue (S&ED) last fall, but will continue to follow this issue closely to verify that China fulfills that commitment.
- Intellectual-Property Protection and Enforcement. While China's laws on the protection of intellectual property have been improving over time, there remain major areas where the standards for protection need to be improved and substantial problems in China's enforcement of existing protections.
- Government-Procurement Restrictions and Discrimination. While negotiating entry into the WTO Government Procurement Agreement, China has been systematically making its government-procurement rules more restrictive, contrary to the basic principles of WTO negotiations.
- Industrial Policy. China's continued governmental intervention in the marketplace to the advantage of domestic companies is exemplified in many sectors throughout the economy, from unique standards to discrimination in the auto, information technology and telecommunications sectors. More broadly, ECAT is also concerned by a growing series of localization measures that require local content and local ownership and make other restrictions limiting participation in the Chinese market.
- Other areas. Other areas of great concern include barriers in the financial-services sector; discriminatory and non-transparent standards and certifications, such as the China Compulsory Certification, investment restrictions, and other barriers.

To promote U.S. economic growth and broader national interests, the United States must work to maximize the economic opportunities that U.S.-China relations present and address effectively the economic challenges that China poses. To do so, the United States must adopt and implement a comprehensive, coordinated, sustained and multifaceted approach to improving the U.S.-China economic relationship both within and outside the WTO.

Within the WTO, the United States should focus on promoting stronger WTO commitments and responsibility by China through the Doha and GPA negotiations and enforcing current WTO commitments. It is very clear, however, that the WTO is not sufficient to address all of the barriers and challenges within

the U.S.-China economic relationship. Therefore, ECAT strongly supports the coordinated use of other key mechanisms, including:

- U.S.-China bilateral investment treaty (BIT) negotiations that have the ability to address key barriers in China's market. U.S. investment overseas is a magnet for U.S. exports and helps generate and support American jobs and investment in U.S. research and development.
- Continued U.S. engagement through various dialogues, such as the Joint Commission on Commerce and Trade (JCCT), the S&ED, the G-20 and elsewhere to promote the resolution of short- and long-term trade and economic issues.
- High-level and focused efforts to address key issues, such as China's indigenous-innovation policies and continued failure to enforce effectively intellectual property rights.

2. Japan

As Japan, with the help of the United States and countries from around the world, seeks to recover and move forward from the horrific earthquake and tsunami, as well as address its nuclear crisis, we are even more mindful of the special relationship that we have with Japan. Our commercial and economic relationship deserves much more focus than it has received in recent years, and we look forward to working with all of you, the Administration and the Japanese government on ways that we can enhance and deepen our relationship as Japan recovers. The only point that I would make at this time is that before the recent shocking events, Japan had been actively engaged in considering joining the TPP negotiations. That focus was predicated on decisions within the Japanese government to address longstanding agricultural issues. We look forward to hearing more from the Japanese government at the appropriate time on its continued interest in these negotiations.

Trade and investment between the United States and Japan remain very substantial, with significant integration into each other's supply chains. Total U.S.-Japan goods trade totaled $180.6 billion in 2010, with U.S. goods exports of $60.6 billion in 2010, still reflecting a drop from their peak of nearly $70 billion in 2008. U.S. goods imports from Japan equaled $120 billion in 2010. Japan was the fourth-largest U.S. export market in 2010, behind Canada, Mexico and China. Japan is also the United States' fourth-largest trading partner in goods overall. For Japan, the United States is now its second-largest export market, after China, and its second-largest source of imports, after China. U.S. services exports to Japan equaled $41 billion, and U.S. services imports from Japan totaled $21 billion in 2009. U.S. foreign direct investment in Japan totaled nearly $104 billion in 2009, with annual flows of $6.1 billion. The stock of Japanese foreign direct investment in the United States equaled more than twice the amount of U.S. investment in Japan, at $264 billion in 2009, with annual flows that year of $4.4 billion.

Conclusion

America's role as the world's economic leader is being put to a difficult test in the Asia Pacific. Expanding our network of commercial engagements through regional and bilateral trade and investment agreements, as well as the APEC forum and other activities, must become a top priority to ensure American goods, services and investments grow strongly in the burgeoning Asia-Pacific market and can help sustain and grow American jobs.

United States House of Representatives
Committee on Foreign Affairs

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, per House Rules.

1. Name:	2. Organization or organizations you are representing:
Dr. Calman J. Cohen	Emergency Committee for American Trade
3. Date of Committee hearing:	
March 31, 2011	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?**
☐ Yes ☒ No	☐ Yes ☒ No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: Calman J. Cohen	

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