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ADVANCING U.S. ECONOMIC INTERESTS IN ASIA

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ADVANCING U.S. ECONOMIC INTERESTS IN ASIA

THURSDAY, MAY 14, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:08 a.m., in room 2172, Rayburn House Office Building, Hon. Ed Royce (chairman of the committee) presiding.

Chairman ROYCE. This hearing will come to order. Today we will hear from the State Department regarding the positive impact American trade with Asia has had—and promises to have—on our economy and, additionally, on our national security. That is if we are willing to put in place smart and fair policies to tear down trade barriers overseas to better sell U.S. products to the world.

For most of the last century, the United States-led system of open global markets has dramatically increased our prosperity, and it has lifted more than 1 billion people out of extreme poverty in the last 20 years alone. More than 1 billion people lifted out of poverty, greatly serving our economic, political, and humanitarian interests worldwide, including our interest in Asia.

The benefits of trade cannot be taken for granted. We have reached an important decision point. A strong Trans-Pacific Partnership agreement would bolster our economic and political standing in a growing and increasingly important part of the world, that is, in Asia.

To negotiate a strong Trans-Pacific Partnership or TPP, as we are calling it, Trade Promotion Authority is needed. TPA will establish high standards for the TPP, and it will strengthen the hands of U.S. negotiators to strike an effective and an enforceable deal. And if the White House strikes a bad deal with TPA, Congress is still positioned to reject it.

TPP could be enormously beneficial, potentially adding trillions of dollars to the world economy. TPP would give U.S. exporters better access to 1 billion consumers. International trade currently supports 38 million American jobs, and TPP and the trade agreement additionally being negotiated with Europe could add over 1 million more, helping build a healthier economy.

Of course, there are concerns about the U.S. trade deficit. But much of that is due to our large oil import bill, which is dropping as domestic production increases. And the fact is that we have a trade surplus with our 20 current trade agreement partners. In manufacturing alone, we have a $55 billion surplus with these

countries, over double from only a few years ago. Yet of the 75 trade agreements in Asia since 2000, we were a party to three of them, just three.

We cannot be sidelined. Good agreements create enforceable high standards for trade and help level the playing field for our American companies. It is us who have the most to gain from them as our exporters face far higher tariffs than their competitors do here.

Meanwhile, Beijing is making rapid anticompetitive moves that are throwing the world trade system off balance. These include issuing regulations to make it easier to steal intellectual property from American companies operating overseas. Beijing also is creating its own parallel institutions. The Regional Comprehensive Economic Partnership and the Asian Infrastructure Investment Bank are designed to shut out the United States. TPP strengthens the U.S., not the government in Beijing.

Beijing is pressing its neighbors to choose U.S. or them. Partner with one or the other. Asia is far too important economically and geopolitically for us to disengage, not being part of its economic fabric, which TPP will define.

We are members. We are a Pacific country after all. Let's remain one.

And I will now turn to the ranking member for any opening comments he may have, Mr. Elliott Engel of New York.

Mr. ENGEL. Thank you, Mr. Chairman. And thank you for convening this morning's important hearing. Assistant Secretary Russell, Assistant Secretary Rivkin, welcome. Thank you for your testimony today, for your service to our country, and for keeping American foreign policy focused on our many interests across the Asia Pacific.

This year, we mark 70 years since the end of World War II. In that time, American leadership has been indispensable in rebuilding the global economy and establishing the modern-day global economic order. American engagement has underpinned seven decades of relative stability and growth in Asia, growth that has benefited all the countries in the region as well as our own. But much work remains to be done, and many opportunities remain unexplored. Due to a thriving middle class, the Asia Pacific is the fastest growing region in the world. In the years ahead, we need to do everything possible to ensure that growth in Asia translates to growth and job creation here at home.

We have already made much progress. The 10 countries of the Association of Southeast Asian Nations, ASEAN, are the fourth largest export markets for American goods and service. According to the Commerce Department, our trade with ASEAN countries supports nearly ½ million jobs. This success is no accident. The United States has long encouraged countries throughout the Asia Pacific to play by the same set of rules. We have driven this message home to the Asia Pacific Economic Cooperation Forum, or APEC. The 21 members of this group on both sides of the Pacific accounted for 58 percent of global GDP in 2014.

At the same time, we know that American economic engagement in the Asia-Pacific region is an ongoing challenge. We continue to run large trade deficits of many Asian economies, including a staggering $327 billion deficit with China. And American companies

are running up against nontariff barriers and other unfair practices by Asian governments that make real competition in Asian markets impossible.

So, today, I would like to hear from our witnesses about what we need to do to stay on the right track in Asia. How do we advance what the President called a global economic order that continues to reflect our interest and values and can succeed against alternative, less open models?

As China pushes one of those alternative models, how are we using the tools at our disposal to set new rules of the road, strengthen our partnerships, and promote inclusive development?

From a geopolitical perspective, it makes sense for the U.S. to look at free trade, to pursue free trade. I think that is important. However, we would do well to listen to those who are fearful that the current TPP as written will drive down wages and cause the U.S. to lose jobs. I think we have to listen to everybody's voices.

So how are our efforts being perceived in the region? In my view, two questions should guide our trade and investment efforts in Asia. Do they benefit American workers? Do they open new markets to the makers of American goods and services? If the answer to either question is no, we put the progress we have made in Asia, along with the paychecks of American working families, at risk. We need to bring that perspective to individual cases, including the Trans-Pacific Partnership talks. An acceptable TPP agreement must advance peace and prosperity in Asia while, at the same time, creating new exports and export-related jobs for Americans. The TPP is a work in progress. But if an agreement is reached, we will have to take a hard look to make sure it measures up to those standards.

Regardless of the outcome of TPP, America will continue to play an important role in Asia. The United States is a Pacific power. We need to keeping building on the legacy of the last 70 years, both to advance our own interests and promote our values in a way that benefits countries and individuals across the region and, of course, in a way that benefits ourselves.

Thank you, again, Mr. Chairman. I look forward to the testimony of our witnesses.

Chairman ROYCE. Thank you, Mr. Engel. So this morning we are pleased to be joined by senior representatives from the State Department. We have Mr. Charles Rivkin, Assistant Secretary of State for Economic and Business Affairs. He leads a bureau which includes the responsibility of managing trade negotiations and investment treatise. Mr. Rivkin served for over 4 years as Ambassador to France. And we thank you both for being with us today.

Mr. Daniel Russel is the Assistant Secretary of State for East Asian and Pacific Affairs and is a career member of the Senior Foreign Service. Previously, Mr. Russel served at the White House as the National Security Counsel Senior Director for Asian Affairs.

So without objection, the witnesses full prepared statements will be made part of the record. Members will have 5 calendar days to submit any statements or questions or extraneous material they may have for the record.

And, Mr. Rivkin, we will begin with you. Thank you.

STATEMENT OF THE HONORABLE CHARLES H. RIVKIN, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador RIVKIN. Thank you, Chairman Royce, Ranking Member Engel, and members of the committee. And I appreciate the opportunity to testify before you about—today about our economic engagement in Asia.

In my 15 months as Assistant Secretary of State, I visited the region four times, and I will be going back again in 2 weeks to mark the 20th anniversary of our normalization of relations with Vietnam. Five visits to eight nations in this short span is no accident.

Our economic engagement is an Obama administration priority for the opportunities that it will bring to our investors, entrepreneurs, workers, consumers, and for the security that it will underwrite for all American citizens.

Few geographical regions offer greater market opportunities. It has some of the fastest growing economies, a third of the global population, a rapidly expanding middle class and more governments becoming democratic.

By supporting economic growth, we will not only create economic opportunity, we will solidify our own strategic interests. One of the most effective ways we could accomplish this is through the Trans-Pacific Partnership, or TPP, whose 12 participants account for over 40 percent of global GDP. This high standard and ambitious deal will level the playing field for our businesses and investors and promote the values we live by and hope to see across the region. Those include a system for trade, an investment that is open, free, transparent and fair. Open to all comers from both inside and outside the region. Free from unwarranted at-the-border or behind-the-border barriers to international economic activity. Transparent so that all players can understand the rules, and fair so that no entities have any improper advantage, whether based on ownership or political relationship or any other consideration.

A successful trade deal will also assure our allies and our partners that our long-term commitment to the region reaches beyond security and into the economic realm.

During my recent visit to Japan, I spoke to government officials, businesses, and the media about the importance of a free and open Internet. Three billion people are currently connected to the Internet, and trillions of devices are set up to join them in the upcoming Internet of things. Now, that connectivity holds the potential to reduce poverty, formalize the informal economy, increase the efficiency of supply chains and worker productivity, raise wages, and make possible activities that we have not even begun to imagine.

Small- and medium-sized enterprises can especially benefit. Digital technologies enable the smallest companies and entrepreneurs to become micro multinationals and conduct business across borders. In emerging and developing nations whose small businesses are so often the backbone of their economies, this global access can have dramatic results. From trade agreements to building infrastructure to protecting intellectual property, we work to create environments that will enable small- and medium enterprises to flourish and get their goods to market.

One of the most effective ways to open markets is through open skies agreements where my Bureau takes the interagency lead. By eliminating government interference, these agreements enable commercial carriers to provide affordable, convenient, and efficient air service to consumers that promotes increased travel and trade and spurs high-quality job opportunities and economic growth.

No discussion about the Asia Pacific should ignore China, with whom we account for a third of global GDP, 600 billion of trade between our countries, and 40 percent of recent global growth. We believe that seeking practical and tangible cooperation on challenges that face both nations, while managing our clear differences, is central to our bilateral engagement with China and our wider engagement in the region.

On the economic side, we have seen signs of real success and potential. Last November on President Obama's trip to Beijing, we agreed to expand visa validity for business visitors to 10 years. And through the WTO's information technology agreement, we agreed to eliminate tariffs on next generation ICT products, like advanced semiconductors and high-tech medical equipment.

Also, in November, I joined Secretary Kerry in Beijing to meet 10 of the most important CEOs in China, major companies that all of you, I am sure, have heard of and who are doing extraordinary work, and they are investing in the United States. Secretary Kerry used this CEO roundtable, as he does with businesses around the world, to send a clear message that the United States provides an open and reliable investing environment.

Our bilateral investment treaty or BIT negotiations with China offer great potential to unlock new opportunities for U.S. firms and promote a more level playing field for U.S. investors in China's market. We are pressing China to provide a narrow negative list with greater openness to foreign investment, and we are also pressing for more progress on economic reform including stronger investor protections that support transparency, predictability, and rule of law. And next month, I will join Secretary Kerry and Secretary Lew in the strategic and economic dialogue where we will have another important opportunity to move our mutual objectives forward.

In conclusion, ultimately our economic engagement with the Asia Pacific fulfills two fundamental foreign policy objectives, to create prosperity for Americans, and to make them safer. We must continue to define standards, open markets, create jobs, and strengthen our alliances and partnerships. With sustained commitment, we can build an even greater architecture of prosperity and security for generations to come. Thank you.

[The prepared statement of Ambassador Rivkin follows:]

Testimony of Charles H. Rivkin
Assistant Secretary for the Bureau of Economic and Business Affairs
May 14, 2015
Written Testimony for the House Foreign Affairs Committee

Thank you, Chairman Royce, Ranking Member Engel, and Members of the Committee. I appreciate the opportunity to testify before you with Assistant Secretary Russel about our economic engagement in Asia.

During my confirmation hearing I said that the Bureau of Economic and Business Affairs does two things: it creates jobs for Americans and keeps our country safe. Today, I want to show you how our economic engagement in Asia is accomplishing both of these goals.

In my 15 months as Assistant Secretary, I have already visited the region we call East Asia and the Pacific four times, and I will be going back again in two weeks to mark the 20th anniversary of our normalization of relations with Vietnam. Five visits to eight nations in this short span is not an accident. I am well aware of the importance of the region to the United States and the dynamic role the region is playing in the future of economics and business.

Asia and the broader Asia-Pacific is a diverse and vibrant region that is full of potential for the U.S. economy. Economic growth in the region has lifted millions out of poverty, and the region includes some of the fastest growing economies on the planet. East Asia and the Pacific is home to more than one-third of the world's population, a growing percentage of which is middle-class, and many nations there now enjoy democratic forms of government.

These are all reasons why this Administration is committed to advancing our economic engagement with Asia. Our commitment to the region is deep, enduring, and expanding, covering many more issues and programs than we are able to fully discuss today.

Our bilateral trade in goods and services is at an all-time high, reaching over $1.4 trillion in 2013. U.S. businesses remain the largest source of foreign investment in East Asia and the Pacific. We also provide hundreds of millions of dollars in assistance each year to developing East Asia, training thousands of officials on issues vital to our interests such as trade facilitation, financial regulation, energy efficiency, environmental governance and resources management, and disaster preparedness.

Our Vision for the Asia-Pacific Region

The United States has a strong commitment to promoting Asia's economic growth and prosperity. The reason for these efforts is obvious. A prosperous Asia will not only be more peaceful – it will create greater opportunities for the United States to benefit. We are a leading trader and investor in the Asia-Pacific, and this supports high-paying jobs and raises incomes here at home. The Obama Administration is focused on increasing economic opportunities in the region, for ourselves and for others.

Through our engagement, we aim to build a system for Asia-Pacific trade and investment that is open, free, transparent, and fair. Open to all comers, from both inside and outside the region. Free from unwarranted at-the-border or behind-the-border barriers to international economic activity. Transparent – so that all players can understand the rules. And fair – so that no entities have any improper advantage, whether based on ownership, political relationships, or any other advantages.

Trans-Pacific Partnership

At a time when the Asia-Pacific region is in flux, the Trans-Pacific Partnership (TPP) is a powerful manifestation of our strategy towards the Asia-Pacific region.

The TPP initiative – whose 12 participants account for over 40 percent of global GDP – embodies and codifies the values that we want to see prevail in the Asia-Pacific region. It is all about America working with its partners to establish high standards that reflect our own.

The fact of the matter is that the rules of the road are up for grabs in Asia. If we do not take the lead, others will. And they do not necessarily share our interests and values.

As Secretary Kerry recently stated, "the United States should be deeply engaged in helping to write the rules for trade." In the Asia-Pacific, TPP is our chance to do just that. Ultimately, this agreement establishes a framework that enables countries throughout the region to grow together – in a way that will benefit us for generations to come. It will ensure that we focus not just on whether our economies grow, but how they grow. Through the TPP, the United States is at the

center of shaping the high standards on labor, intellectual property, and the environment that will establish a level playing field for American businesses, workers, farmers, and innovators.

We know that TPP will unlock vast new opportunities for American businesses where they currently face barriers. But TPP is not just a technical trade agreement, it is a strategic opportunity for the entire region. The TPP represents a cornerstone of the President's vision for maintaining the strength of U.S. leadership in the Asia-Pacific, reinforcing our relationships, and demonstrating our long-term commitment to the region.

It will assure our allies and partners that our long-term commitment to the region reaches beyond security and into the economic realm. It will add a new, critical dimension to our strong and enduring presence in Asia.

And with four of our TPP partners in the western hemisphere, the agreement is equally important to our relationships and our economic strategy on this side of the Pacific.

TPP will also have a broader effect on the region, even beyond its current membership, by encouraging non-members to commit to open, fair, and transparent trade and investment policies, so they can be seen as high-standard economic partners for international traders and investors. The TPP example will spur them to make reforms like lowering tariff and non-tariff barriers to trade and investment. And in doing so, it will increase the number of countries that support the ideals of a liberal and open global economy, as well as promote economic growth in the region.

So my team at the State Department, and our Ambassadors and officers overseas, continue to work hard to support Ambassador Froman and his team in enshrining in TPP the core economic values that we want to see prevail in the Asia-Pacific – values like fair labor standards, environmental protection, open investment climates, and the protection of intellectual property rights. These standards reflect our values and interests as nations committed to dynamic, just, and rules-based economic practices.

The Internet Economy

Another key American value we promote through trade agreements and other means is the protection of the free flow of information across the digital economy,

which is a critical source of American innovation and prosperity. As the Assistant Secretary for Economic and Business Affairs, I am deeply involved in our initiatives related to Internet governance. Unlocking the promise of e-commerce, keeping the Internet free and open, promoting competitive access for telecommunication suppliers, and setting digital trade rules of the road is central to U.S. competitiveness in the future.

Three billion people are connected to the Internet today and trillions of devices are set up to join them in the Internet of things. Together, that connectivity holds the potential to lift people out of poverty, formalize the informal economy around the world, increase the efficiency of supply chains, increase the productivity of workers, and in turn raise wages and make possible activities that we have not even begun to imagine.

Economically, companies of all types and sizes share in these benefits– not just companies that we think of as digital. A McKinsey study, for example, highlighted how 75 percent of the Internet's positive impact is realized by "traditional industries" like oil and natural gas, or manufacturing and retail companies.

The Internet Economy holds special promise for small and medium-sized enterprises (SMEs). Digital technologies enable even the smallest companies and entrepreneurs to become "micro-multinationals" – selling products, services, and ideas across borders. In emerging and developing nations, whose small businesses are so often the backbone of their economies, this access to global markets can have dramatic results.

In recent years, we have helped to successfully oppose data localization and restrictions on cross-border data flows in foreign jurisdictions that would unnecessarily impede the digital infrastructure vital to U.S. commercial interests – big and small – and to open flows of information across borders. During my recent visit to Japan, I discussed this very issue with government officials, businesses, and the media.

We have also led the effort to advance U.S. priorities on Internet governance in international fora. And we are leading the U.S. push to expand spectrum for mobile broadband and pave the way to command remotely piloted aircraft at the International Telecommunication Union's (ITU's) World Radiocommunication Conference (WRC-15) later this year, seizing the opportunity to advance U.S. innovation, economic growth, and national security. In multilateral discussions of ICT issues – and in our robust dialogues on Internet Economy issues with key

partners such as Japan, the Republic of Korea, China, and others through APEC and ASEAN – the United States incorporates both government and industry voices to ensure that U.S. business and other stakeholder views are considered in policy discussions. Just last month, we worked with Telecommunications and Information Ministers from 19 APEC economies to conclude a strategic plan aiming to expand broadband access and make our digital economies more resilient and inclusive.

Entrepreneurship

I have mentioned small and medium-enterprises (SMEs), entrepreneurs, and innovation. These themes are at the heart of the work we do every day. From trade agreements to infrastructure to intellectual property, the work we do promotes environments that enable entrepreneurs and the benefits that stem from their businesses and innovations. At its heart, our work on entrepreneurship is about spurring economic growth and stability in the region.

Through the Global Entrepreneurship Program (GEP) we are promoting and spurring entrepreneurship by catalyzing and coordinating private sector and U.S. government programs to support entrepreneurs around the world. Under the GEP we have numerous programs and initiatives to improve enabling environments and to make tools and networks available to individual entrepreneurs.

The GEP culminates in the annual Global Entrepreneurship Summit, which demonstrates the Administration's continued commitment at the highest levels to encouraging and supporting entrepreneurship around the world.

To foster this entrepreneurial spirit, we have launched programs like the Women's Entrepreneurial Centers of Resources, Education, Access, and Training for Economic Empowerment, or WECREATE, which will have centers in Vietnam and Cambodia, among other locations. The Centers will build the capacity of established and emerging women business owners, and will support them as they transition from operating in the informal economy to formally registered companies, generating momentum for measurable economic and societal change.

GEP has had an Entrepreneur in Residence in Jakarta since 2011. Since inception, the Global Entrepreneurship Program Indonesia (GEPI) started an incubator and organized a business angel investor network that has grown to 50 active investors, 18 of whom are women. The network has invested $1 million to date. GEPI is organizing its second Regional Entrepreneurship Summit from November 6-8 and

our GEP team is recruiting American entrepreneurs and investors willing to fund themselves to speak at Summit workshops.

I personally engage on entrepreneurship whenever I travel. For instance, later this month in Vietnam, I will speak at an entrepreneurship conference as part of the Young Southeast Asian Leadership Initiative.

Aviation

Another way we are supporting entrepreneurs and businesses of all sizes is by making it easier for them to get their goods to markets all over the world. As the U.S. government lead for negotiations of Open Skies agreements, the Bureau of Economic and Business Affairs expands international passenger and cargo flights by eliminating government interference in commercial airline decisions about routes, capacity, and pricing. This frees carriers to provide more affordable, convenient, and efficient air service to consumers, promoting increased travel and trade, and spurring high-quality job opportunity and economic growth

Open Skies agreements expand cooperative marketing arrangements, liberalize charter regulations, improve flexibility for airline operations, and include provisions committing both governments to observe high standards of safety and security. These agreements also produce countless new cultural links worldwide.

We have Open Skies agreements with 14 countries in the Asia-Pacific, including with major economies like Australia, the Republic of Korea, and Japan, and several smaller countries, such as Singapore and Laos. We also have a restricted aviation agreement with China.

Asia is a key market in the global business strategies of most major U.S. airlines, and U.S.-China traffic in particular is growing rapidly. Cargo operations are extremely important for healthy trade partnerships, and liberal aviation agreements are critical in facilitating efficient cargo operations. U.S. cargo airlines now operate hubs in China, through which they are able to reach smaller markets beyond the major hub cities. U.S. cargo airlines also have extensive networks not just between the United States and Asia, but between Asia and other regions of the world – networks made possible by Open Skies and other liberal aviation agreements.

China

We face a challenging environment in China for various aspects of our economic agenda. But we believe that expanding the areas where the United States and China can work together, while managing our clear differences, is central to our engagement with Asia. We seek a relationship with China defined by practical and tangible cooperation on challenges that face both of our nations.

On the economic side of the ledger, we have marks of real progress as well as real potential. During President Obama's trip to Beijing in November, we agreed to expand visa validity for business and leisure visitors from one to 10 years, a win for the U.S. tourism industry and a win for U.S. companies with interests in China. We also achieved an important bilateral understanding with China to expand the WTO's Information Technology Agreement (ITA), which will eliminate tariffs on next-generation ICT products such as advanced semiconductors and high tech medical equipment. We subsequently had a setback and there's still a lot of work to do, but we remain hopeful that we will be able to conclude negotiation of the ITA.

Also in November, I joined Secretary Kerry in Beijing for a meeting with ten of the most important CEOs in China, major companies that all of you know and have heard of, who are doing extraordinary work and are also investing in the United States. Secretary Kerry used that CEO roundtable to send a clear message that the United States provides an open and reliable investing environment. Together, the United States and China account for a third of global GDP, $600 billion of trade between our countries, and 40 percent of recent global growth. It is clear from these numbers that we have an enormous stake in each other's economic success.

Presently, negotiations on a Bilateral Investment Treaty (BIT) with China offer tremendous potential to unlock new opportunities for U.S. firms and promote a more level playing field for U.S. investors in China's market. A high quality BIT would provide strong investor protections for U.S. investors that support transparency, predictability, and the rule of law. We will continue to press China to provide a narrow "negative list," reflecting a high level of openness to foreign investment.

In our engagements with the Chinese, we have made clear that we would like to see additional progress on the ground in terms of economic reform. We have also encouraged China to do more to welcome American businesses and reassure them that foreign firms won't be subject to discriminatory trade regulations.

Next month, Secretary Kerry and Secretary Lew will lead the United States in the Strategic and Economic Dialogue (S&ED), and we will have another important opportunity to move our mutual economic objectives forward. I look forward to participating in those discussions and hope that we can make real progress through the S&ED. Through these regular interactions we are continually moving the ball forward with China and ensuring that U.S. economic objectives in Asia are fulfilled.

Conclusion

My testimony has only hinted at the breadth and complexity of our economic engagement with the Asia-Pacific. It is as diverse and vibrant as the region itself. Beyond the areas I've discussed today we are engaged on intellectual property rights, development finance, and sanctions, to name but a few more issues. Through this all-encompassing web of economic initiatives we and our regional partners are building a stronger region that is even more vibrant and dynamic.

Under wise leadership, the economies in the Asia-Pacific can continue to grow and prosper together. This requires seeing past short-term special interests and pursuing long-term benefits. By focusing on these opportunities, we can define standards, open markets, create jobs, strengthen our alliances and partnerships, and keep our country safe.

Thank you.

Chairman ROYCE. Thank you, Secretary Rivkin.

Now we go to Secretary Russel.

STATEMENT OF THE HONORABLE DANIEL R. RUSSEL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. RUSSEL. Mr. Chairman, thank you very much. Ranking Member Engel, members of the committee, I appreciate the committee's strong support of our work in the Asia-Pacific region and for the opportunity to testify today with my friend and colleague, Assistant Secretary Charlie Rivkin, on U.S. economic engagement in the Asia-Pacific region.

Assistant Secretary Rivkin has just spoken to the economic relationship and interests that we have in the region. I would like to speak to the broader strategic context. The U.S. is a Pacific power. The U.S. is a trading nation, so the Asia Pacific is hugely consequential to the United States, both to our security and to our economy and the importance will only continue to grow.

Over the last 6 years, the President's rebalanced policy has established a new normal of relations marked, first, by sustained engagement with the region by the President, the Secretary of State, and other cabinet officials; and, second, by unprecedented extensive collaboration with Asian allies and partners on the full range of global challenges that we face.

The results of this policy and the benefits to the American people are clear: We are safer, our economy is stronger, the region is more stable, and regional institutions are more robust as a result.

Now, concluding the Trans-Pacific Partnership negotiations is the single-most important thing we can do this year to continue that progress. The TPP is essential both to our economic and to our strategic relationships with the Asia-Pacific region. Let me explain why. The simple fact, Mr. Chairman, is that stability nurtures prosperity. That is why we have invested in our security alliances in the region and reinforced our security partnerships, and that is why a strong focus on getting our relationship with China right is also a key part of the rebalance.

Strengthening regional institutions, another central tenet of the rebalance, is also key to shared prosperity. Businesses invest and commerce grows when there is dependable rule of law, and the disputes that do arise are managed or resolved peacefully. That is why we work to elevate the East Asia summit to bolster the Asia-Pacific Economic Cooperation Forum, APEC and that is why we support ASEAN and the emerging ASEAN economic community that is being formed in 2015. These institutions promote standards and they promote rule of law, just like TPP will. And all of that is good for America and good for American businesses and jobs.

But make no mistake, without TPP, our credibility and our ability to lead are put at risk. Countries across the region look to us to help establish fair rules, open markets, and effective safeguards.

Moreover, the 2008 recession and the loss of U.S. market share in Asia to China feed an inaccurate perception of U.S. economic decline. The region worries about our staying power as both a trading partner and an economic leader. Failure to complete and improve

TPP this year would feed those fears and set back confidence in the United States.

Conversely, TPP is a golden opportunity to reclaim the initiative and reaffirm American leadership. The alternative to TPP isn't the status quo. If we don't move forward, we will lose ground. Environmental and labor protections will diminish. Unfair competition from state-owned enterprises will increase. Obstacles to a free and open Internet will multiply. In other words, we will find ourselves on a skewed playing field where we struggle to compete.

Mr. Chairman, I have, from my experience serving overseas, immense faith in American business. And I am particularly proud, as a regional Assistant Secretary, of the extraordinary diplomats who work overseas to facilitate our commercial and economic interests.

Our system supports entrepreneurship. Our universities, our legal system, our venture capital system, our tradition of corporate social responsibility, all of these are part of what I call the American brand; and our brand in Asia is strong. I have seen that with my own eyes. And with continued leadership and engagement, we will keep it that way.

Thank you very much.

[The prepared statement of Mr. Russel follows:]

Statement of
Daniel R. Russel
Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

Before the

House Foreign Affairs Committee

May 14, 2015

Advancing U.S. Economic Engagement in Asia

Chairman Royce, Ranking Member Engel, and Members of the Committee:

Thank you for the opportunity to appear before you today to testify with my friend and colleague Charlie Rivkin, our Assistant Secretary of State for Economic and Business Affairs, regarding U.S. economic engagement in Asia. I would also like to thank the Committee for its leadership in supporting and promoting our work with the Asia-Pacific region.

As I've testified before you previously, the Administration's sustained *rebalance* to the Asia-Pacific has, over the last six years, established a "new normal" of extensive collaboration with Asian allies and partners on important global issues and a high tempo of engagement by the President, Secretary Kerry, and other Cabinet and senior officials.

Promoting prosperity is at the core of the rebalance. Assistant Secretary Rivkin will testify about the economic aspects of the rebalance in detail. So, I would like to speak about the broader strategic context in which our shared prosperity has blossomed, because security and strong institutions are the foundation for lasting economic growth.

America's alliances and partnerships guarantee security within the region, as they have for decades. That security has helped the region's economies grow, along with our own. The simple fact is that conflict and trade do not mix. That's why we've redoubled our commitment to the region's security by enhancing and modernizing our security alliances with Japan, South Korea, the Philippines, and Australia. That's why we've reinforced partnerships with Indonesia, Malaysia,

Singapore, Vietnam, the Association of Southeast Asian Nations, and others—both to advance our interests and to enhance the entire region's ability to address shared challenges. And that's why a strong focus on getting our relationship with China right is also a key part of the *rebalance*.

Strengthening regional institutions, another central tenet of the rebalance, is also essential to shared prosperity. Businesses invest and commerce grows when there is dependable rule of law and disputes that do arise are resolved or managed peacefully. That is why we've worked hard to elevate the East Asia Summit to make it the premier forum for dealing with political and security issues throughout the region. We are bolstering the Asia-Pacific Economic Cooperation (APEC) forum as the premier organization in the region for advancing free and open trade and investment, as well as for fostering cooperation in promoting sustainable and equitable growth. We continue to work with the 10-member Association of Southeast Asian Nations (ASEAN) by promoting good trade, investment, and energy policies and support ASEAN as it prepares to launch the ASEAN Economic Community later this year.

The United States' prosperity and Asia's prosperity have been shown to be inseparable. The region is home to both the world's two largest economies, excepting the United States, and has many of the world's fastest growing economies as well. The UNDP estimates that the Asia Pacific will be home to two thirds of the global middle class by the year 2030, and the OECD predicts the region's middle class consumers will number 2.7 billion by then.

We're all aware of the region's spectacular growth in recent decades, and analysts predict significant growth for years to come. Access to U.S. markets and investment has been crucial for the region's economic growth and development. Besides growing trade flows, with bilateral trade in goods and services now at an all-time high, is the commitment U.S. business has made as the region's biggest source of foreign direct investment for decades, with over $620 billion in investment stock in the region reported in 2013.

For this growth to continue, concluding the Trans-Pacific Partnership (TPP) negotiations remains the single most important thing the United States can accomplish in its economic and strategic relationship with the Asia Pacific this year. There's an urgent question of which future will define East Asia and the Pacific for the century to come. Will the Asia Pacific reaffirm, strengthen, and expand the open, transparent, and rules-based system that has been the foundation of the region's peace, stability, development, and prosperity? Or will it engage

instead in a near-sighted race to the bottom, with arrangements that do not promote shared and sustainable economic growth?

Our credibility and our ability to lead are at stake. Countries in the region look to us to help establish the rules and set high standards. While the region seeks greater U.S. economic engagement, the steady loss of U.S. market share in recent years to Asian competitors, particularly China, feeds an inaccurate perception of U.S. economic decline. Put more bluntly, the region still welcomes U.S. leadership, but it also still worries about our economic staying power. Failure to complete and approve TPP this year would be a setback to confidence in the United States.

We say TPP will be a 21st century agreement, and we mean it. TPP will certainly address traditional trade issues such as tariffs, market access, and investment. But, TPP also gives us the opportunity to protect workers and the environment with the highest and most enforceable standards of any trade agreement ever. And it will allow us to tackle a number of issues that have never been addressed in trade pacts -- for instance, it will put disciplines on state-owned enterprises and help ensure a free and open Internet.

That's why TPP is not just an important trade agreement for the Asia Pacific region. TPP is an important environmental agreement. TPP is an important labor agreement. TPP is an important transparency and anti-corruption agreement.

As President Obama has repeatedly noted, if we cede leadership, if we do not set the rules of the road, our competitors surely will. If we don't lead through TPP, who will maintain a free and open Internet or promote innovation by protecting the intellectual property that innovators have developed? How will companies be protected from unfair competition by state owned enterprises? Where will the protections and enforcement of workers' rights or environmental interests come from?

Again, TPP is the most important step we can take in the Asia Pacific this year, both strategically and economically. Nonetheless, the TPP is by no means the only part of our economic policy. This year marks the 10th anniversary of the Australia-U.S. Free Trade Agreement, a high-standard agreement that has nearly doubled bilateral trade and underpins $160 billion in U.S. investment in Australia and $44 billion in Australian investment here. Likewise, we have doubled trade under our Free Trade Agreement with Singapore; and we continue to make gains under the Korea-U.S. (KORUS) Free Trade Agreement.

We are aggressively negotiating a high-quality Bilateral Investment Treaty with China that, under a "negative list" approach, holds the promise of opening up China's highly restrictive markets to foreign investment.

Through the Lower Mekong Initiative (LMI), we have worked with our donor partners and the five countries of the Lower Mekong sub-region -- Burma, Cambodia, Laos, Thailand, and Vietnam -- to support continued economic growth in a manner that protects the fragile Mekong River ecosystem and helps prevent future conflicts over resources.

Working bilaterally, we have worked with Burma to modernize and strengthen legal and regulatory regimes, helping set the stage for major U.S. companies like GE, Ford, Chevrolet, Coca-Cola, and Colgate-Palmolive to enter the market.

In Indonesia, our Embassy and the Export-Import Bank helped secure a credit agreement in 2013 worth over $90 million to finance the export of 50 GE locomotives. And, Ambassador Blake and our Embassy in Jakarta continue to engage with the new Jokowi Administration to promote the inclusion of U.S. companies in Indonesia's plans to address its critical infrastructure needs in energy and transportation.

As a result of the work of our Embassy in Ulaanbaatar to improve the regulatory framework in new energy sector areas, Mongolia included international standards in its 2014 amended petroleum law. Special Envoy Amos Hochstein in Mongolia last month pledged to continue this regulatory support and extend it to Mongolia's nascent renewables sector.

Beyond what we're doing is how we do it, and how this reflects who we are. In our global economy, the true wealth of a nation lies not in its territory or simple industrial output, but in its ability to maximize its human resources—to help its people to reach their full creative and innovative potential. This requires training and education. It requires the free flow of ideas and information. It requires the rule of law, the protection of intellectual property. And it requires that governments protect the universal rights of their citizens.

The United States does not have an array of state-owned enterprises that can be directed to build and invest regardless of profitability. Our approach is different, but it reflects our strengths. First, the United States' steady, sustained commitments and engagement over many decades, and our hard work to build fair, inclusive rules that lead to shared growth and opportunity, may not be flashy, but

they have helped maintain peace, lift hundreds of millions of people out of poverty, and protect our national interests.

Second, the value of what I call the "American brand" has held its own despite the historic challenges that have faced our own economy dating to the global financial crisis of 2008.

American investment in the Asia Pacific isn't just quantitatively larger, it's qualitatively better. Thousands of U.S. companies have invested in the Asia-Pacific, bringing technology, innovation, transparency, the ability to mobilize capital, and often better working conditions. U.S. investors often partner with local firms, particularly small and medium sized enterprises (SMEs), providing tools such as financing, training, and logistical support that build their capacity and skills. U.S. companies help fight corruption and environmental degradation, and make investments that have broader positive impacts on the local economy. In a classic case of doing well by doing good, this investment not only improves local development and governance but also fosters critical distribution networks and growth needed to support our own increased exports.

For example, U.S. companies working in the Asia-Pacific represented two of three firms the Secretary recognized in 2014 with the State Department's Award for Corporate Excellence (ACE). Wagner Asia Equipment in Mongolia, a heavy equipment dealership, was honored for its commitment to public-private partnerships with Mongolia's local and national governments to protect the environment, including through planting more than 900 trees; conducting workshops for students on environment and ecology; implementing a project to build a community garden; and rehabilitating a toxic waste site. Wagner employs persons with disabilities and provides employees with medical care and generous financing for housing. The Coca-Cola Company in the Philippines received its award for providing disaster relief services to areas devastated by Typhoon Haiyan. The company also improved water quality through its efforts to support watersheds, increase access to safe water, and educate communities on water conservation. Additionally, the company partnered with the Philippine Department of Education to increase access to primary education for more than 60,000 disadvantaged children. Two more U.S. companies operating in the region, Chevron in Burma and Linden Center in China, were 2014 finalists. And this is just a small sampling from just one year; there are countless other examples of why Secretary Kerry has said, "American businesses are some of the best Ambassadors our country has."

In the United States, entrepreneurship and innovation are part of our DNA. America's experience, like many others, teaches us that fostering entrepreneurship is not just about crafting the right economic policy, it's about creating an entire climate in which innovation and ideas flourish. While no two countries do it exactly the same way, there's a common thread through all those that have succeeded in fostering innovation and entrepreneurship.

It takes a legal system that is fair, transparent, and predictable. A system where the judges are not corrupt, where you know the contractual agreement you've made will be upheld and protected, where you can take a chance starting a business and bankruptcy doesn't risk prison. It takes a system that protects and justly rewards the creators and owners of intellectual property. It takes a society that empowers women, because innovation and entrepreneurship thrive when a society engages its entire people, not just half. It takes an education system that is universal and trains people to be skeptical. And, it takes political systems with the rule of law and protection of civil liberties.

Yet, despite these strengths of the "American brand," we can't assume that other countries will adopt our free, open economic model and our values. The major question facing both the United States and the region is where do we go from here? I believe the United States and the other economies of the Asia Pacific will continue to grow and prosper together. That's the future we can build together. But it depends on wise leadership that reinforces our values, reflected in the "American brand" that I've described above. That is why all of our economic policies in the region – from TPP to APEC, to the Lower Mekong Initiative, to supporting ASEAN, to our bilateral work with key allies like Korea and the Philippines and new partners like Indonesia – promote those values. America's engagement with the Asia Pacific reflects the simple fact that the United States is a Pacific nation. Our work supports security and prosperity, which are inherently linked and inseparable. Our commitments to these goals, while not always headline grabbing, are longstanding and have stood the test of time.

Chairman ROYCE. Thank you, Mr. Secretary.

Let me ask Ambassador Rivkin a question because for many of the members on this committee over the last 3 years, we have had four trips to Asia. And if the members could focus on this for a minute, one of the things that we have found is that a typical southeast Asian country imposes tariffs that are five times higher than the U.S. average. At the same time, we have duties on our agricultural products that frankly are triple digits. I mean, it is a very different circumstance. And that is without going into the nontariff and regulatory barriers that exist today that could be eliminated in an agreement. Those block market access in many of these countries to our exports. Now, we know that.

So the United States already has among the lowest tariff rates in the world. So the one compelling argument here, the first argument made by TPP advocates, is that if it doesn't pass, that means that a lot of these goods from southeast Asian countries, they will keep selling them in the United States; and we can't effectively sell to them. And that is a huge argument in favor of trying to negotiate something where we have lowered the tariffs to the equivalency.

So what specific role would TPP play in lowering tariffs, increasing jobs here in the United States, strengthening our exports, deepening our production networks? And I would ask that of you, the Ambassador.

Ambassador RIVKIN. Thank you, Mr. Chairman, for the question. And the entire central focus of TPP is to reduce, not only the tariffs, but the nontariff barriers.

And with your permission, Mr. Chairman, just to speak to that, a little known fact is that 98 percent of our nearly $19 trillion economy comes from small and medium enterprises. And of that 98 percent, which generate more than two-thirds of net new job creation—of that 98 percent, only 1 percent export. And of that 1 percent, 60 percent or so goes to Canada and Mexico.

So imagine—you talked about tariffs, and they are reasonably low to begin with. But it is existential for a small or medium enterprise, in many cases, if you lower it even a little bit. And the other benefit is that—I used to be the CEO of a number of small medium enterprises. I know what it is like to meet payroll.

Chairman ROYCE. You are in California?

Ambassador RIVKIN. I am in California, southern California. And I have got to tell you, it is a pleasure to have business experience and have a chance to serve in policy in the U.S. Government because I know what this can do for the entrepreneur, the 28 million of them that exist in the United States. And if this deal passes, small and medium enterprises will have the chance to export for the first time. They will have a chance to access markets that they never believed they could access. And imagine what that could do for job creation.

And, sir, one last point: There is already 11.7 million jobs in the United States related to exports. I would argue that, with TPP, this number is going to dramatically increase.

Chairman ROYCE. Secretary Russel, your view on this?

Mr. RUSSEL. As you pointed out, Mr. Chairman, the U.S. market is already a wide open market. The countries that I deal with in

East Asia are asking themselves if the growth of China's economy means that, ultimately, there is only one game in town. There has been a proliferation of trade—so-called free trade agreements in Asia, but none of them reflect a low—a high standard or genuinely open markets. These are, by and large, least common denominator agreements.

In order to create choices for our Asian partners, in order to allow for economic diversity and in order to hedge against the risk of economic coercion or economic retaliation, linking these countries to a high standard free trade agreement with the United States, TPP, not only opens their markets, it gives them choices.

I would also add respectfully, Mr. Chairman, that there are tremendous nontrade benefits to the agreement that mean a great deal to us as Americans and to the region in terms of the environment, in terms of labor and labor standards, in terms of an open Internet and the free movement of data and ideas across borders. This agreement, even if it weren't an agreement that opened markets and lowered tariffs, brings tremendous benefits to the United States.

Chairman ROYCE. Well, then, I guess my follow-up question on that would be: How would the future look of the Asia-Pacific region if the future includes the passage of this, if it includes a U.S.-led rules for trade basically versus an alternative model? What would you see play out? Mr. Russel.

Mr. RUSSEL. Well, Mr. Chairman, the anxiety that I regularly hear from my interlockers in Asia, as I mentioned in my statement, is that the United States' best days are behind us; and that is simply not true. The proof point, in the eyes of so many of our Asian friends, is whether we remain committed, whether our economy grows, and whether we stay engaged present, active, and accounted for in the Asia-Pacific region. And many of them, to be frank, Mr. Chairman, look on TPA and TPP as the telltale, the litmus test, the bellwether of both our ability to get things done in Washington and our determination to remain active in the region. This has a strategic and symbolic importance above and beyond all the practical benefits.

Conversely, if we succeed, as I personally am very confident we will, in completing this agreement in the course of 2015, we will have, not only advanced the substance of our trade agenda, we will be exporting the values that Americans hold so dearly; the values of transparency, the values of fairness, the sanctity of contracts, environmental responsibility, good labor standards, good governance. Those are values that the region cherishes. They want us there and they want us to lead.

Chairman ROYCE. Mr. Russel, my time has expired.

Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman.

Let me ask you a TPP question. Obviously, the Vietnamese Government is eager to see a successful conclusion to the TPP agreement, and some civil society groups have asserted that the negotiations provide us sufficient leverage to encourage the Vietnamese Government to take positive steps on human rights issues.

So I would like to ask either one of you: To what extent do you think this is true? What steps do you think the government will

take in advance of the agreement? How can we ensure that they continue to make progress after the agreement is signed? And do you think that similar progress on human rights is possible for other countries like Malaysia and Brunei?

Mr. RUSSEL. Thank you very much, Congressman Engel. I will begin, if I may.

The first thing to consider is the alternative. It has been my experience, working the Asia account for 4½ years from the National Security Council and here at the State Department for almost 2 years now, that without the leverage and the traction that we have gained through the TPP negotiations and the powerful interests, in the first instance of Vietnam, to accede to this agreement, we would not have made a fraction of the headway, nor would we have seen the progress in terms of loosening of constraints on civil society in Vietnam that we have seen.

Now, many members of the committee have visited Vietnam in the last year or 2. No one now who goes to Vietnam can fail to see the tremendous flourishing of ideas, of communication, of expression, of openness. Now, don't get me wrong. Vietnam is led by a Communist government. There are a large number of repressive and troubling policies. These are things that we raised at high-level dialogues. In fact, we just recently held a high-level human rights dialogue with Vietnam. And when President Obama has met with top leaders, when Secretary Kerry meets with them, he raises these issues head on.

But we have seen positive steps. We have seen the release of prisoners. We have seen Vietnam accede to the U.N. Convention Against Torture and the Convention on Disabilities. We have seen a number of institutional reforms, including the ongoing revision of their criminal code and criminal penal code. That would not happen absent the TPP negotiations. And when TPP is concluded, the variety of safeguards and enforcement mechanisms that are part and parcel of this trade agreement will apply on areas such as labor standards.

This agreement will bring Vietnam up to International Labour Organization standards. Now, we will not let off the gas in pressing for human rights progress in partner countries.

Mr. ENGEL. If you—I am told that if you form an independent labor union in Vietnam, you are thrown in prison for 4 years. Is that not true anymore?

Mr. RUSSEL. Under the TPP agreement, the Vietnamese—and they understand this—are obligated to accept labor unions and the right of assembly and the right to organize.

I am not going to go public with the details of the negotiations and the commitments, but the binding labor rights elements in the TPP agreement, which the Vietnamese understand they will have to accept, are transformative in terms of allowing for labor organizing in Vietnam.

Mr. ENGEL. Let me also ask you: You know, organized labor has been fighting this tooth and nail. I have not seen such vehemence from them since the days of the NAFTA treaty. They claim that it will be a race to the bottom and that it will wind up being a downward spiral, loss of American jobs because of cheap labor in Asia

and Vietnam and something that would generally be not good for U.S. labor. How do you refute that?

Mr. RUSSEL. Under this agreement, we will be able to do things like assist union officials and help them to develop practical knowledge and the skills to support grassroots union organizations.

We will be able to improve labor rights information and access to legal aid for workers. We will be able to identify and assist children who are being trafficked or who are being at risk of being trafficked.

Mr. ENGEL. How about the downward spiral? The fact that they believe very vehemently that this will cause a loss in American jobs and a lessening of wages, because if you—you can't compete against wages from a country like Vietnam because they are so cheap and the net result will be a loss of American jobs or a downward spiral of what Americans will get paid. How do you account to those?

Ambassador RIVKIN. Well, I would like to add to Assistant Secretary Russell's testimony by saying, in answer to your question, in terms of labor, this is—and this will be—the largest expansion of enforceable labor rights in human history, increasing from 133 million covered outside the United States workers to 588 million. And in terms of jobs, trade is a job creator, and the jobs that trade creates generally pay 18 percent higher than other jobs. TPP will grow the economy, the global economy, and it will generate jobs for Americans.

Chairman ROYCE. We will go to Mr. Chris Smith of New Jersey.

Mr. SMITH. Thank you very much, Mr. Chairman. Welcome to our two distinguished witnesses.

You know on that issue that you just mentioned, the highest labor standards or however it might be articulated by the administration, Mr. Richard Trumka addressed that in his testimony in the latter part of April before the Senate, and he said the problem with language such as "highest labor standards ever" is that the point of comparison is so low. Even after the highly touted labor action plan in Colombia, workers continued to be killed, beaten, and threatened for exercising basic rights like organizing with fellow workers for better wages and working conditions.

You know, before the bilateral trade agreement was agreed to by the U.S. during the Bush administration, I and others raised many serious questions about the religious freedom or the lack thereof. The human trafficking, I believe that on trafficking, especially labor trafficking, Vietnam ought to be a Tier 3 country. I wrote that law, and I have had many hearings on it, and I am appalled that the administration has not designated Vietnam a Tier 3 country.

In like manner, CPC, if you try to practice your religion in—and that goes for the Buddhists who aren't part of the official Vietnamese Buddhist church, they are thrown into prison. And I have met with many of these people under house arrest, tried to meet with them when they were in prison, and to no avail.

And the point of my comments is that the day after the bilateral trade agreement, there was a snap back and the Vietnamese Government basically said, "These are internal affairs, and you will have nothing to say about it." They were removed from the CPC,

as you know, by the Bush administration in anticipation of benefits that would flow. None of it flowed. It has gotten worse. So I—you know, the new normal, as you talk about, is a near total decoupling in real terms of universally recognized human rights and the respect for it, especially in the nation of Vietnam.

So, you know, those human rights dialogues at times, they have been suspended in the past. Because, like with China, they are a vetting session and it does not go up the chain of command to the policy level.

For example, if Vietnam continues to incarcerate labor rights organizers, what does that do to the trade agreement? Are they out of it? Bill Clinton delinked most favored nation status and human rights on May 26, 1994. On a Friday afternoon when most of us had gone home, I went and did a press conference because I happened still to be in Washington, and that was the end of our meaningful leverage with China on the human rights issue.

And they have gone from bad to worse, not just on intellectual property and all of those issues, but especially on the human rights basket of issues that we care about. There are no labor unions in China, and there are no independent labor unions in Vietnam. So I am very disappointed. And maybe you could tell us what happens when these labor leaders continue to be incarcerated and tortured, what happens? Are they out of the agreement?

And, secondly, since the textiles will malaffect our friends in Central America as well as in the Carolinas, has there been a study to determine—I mean, a good, empirical study to determine the job loss potential to American workers and, also, to those in Central America?

I yield.

Mr. RUSSEL. Thank you very much, Congressman.

Please let me assure you that human rights is a central tenet of our approach to Vietnam. It is not decoupled. It is central to our engagement and the——

Mr. SMITH. Let me go on. Will you then support legislation, bipartisan legislation, I will be marking up today in my subcommittee called the Vietnam Human Rights Act? So there, at least, is a list of benchmarks. The administration has been against it in the past. And I would hope that with this probably going to go through, that you would at least say there is a safeguard set of protections when it comes to human rights in Vietnam.

Mr. RUSSEL. Congressman, the critical phrase that you used is "point of comparison." And the question is, what is the—what are the two alternative futures facing us? A future in which Vietnam joins TPP and is subject to the enforcement mechanisms, to the dispute resolution mechanisms is obligated by treaty to honor and abide by ILO standards and principles, ILO conventions. They are binding on Vietnam. That is the future that we want for——

Mr. SMITH. How is it enforced?

Mr. RUSSEL [continuing]. Interest of human rights.

Mr. SMITH. Are they out of the treaty? Are they out of the benefits that will be gleaned from by being in the treaty?

Mr. RUSSEL. The treat it itself like——

Mr. SMITH. Because WTO has not done that—sorry.

Mr. RUSSEL. It has sanctions, it has enforcement mechanisms, and it has dispute resolution mechanisms.

Mr. SMITH. What are the enforcement mechanisms and how quickly can they be actuated?

Mr. RUSSEL. Well, I will take that question and get you an answer, Congressman.

Mr. SMITH. I know I am out of time.

Mr. RUSSEL. But there will be no enforcement mechanisms and no standards without TPP.

Mr. SMITH. Oh, but there will be. If we had human rights-linkaged language, like our Vietnam Human Rights Act, a total bipartisan piece of legislation, we would have leverage. And two Congresses in a row have passed it. Hopefully, it passes again. We want your support for it. And, again, in both of your testimonies, there was not one mention of human rights.

Chairman ROYCE. And, Secretary Russel, we will pass that out of this committee and off the floor with a large bipartisan majority. And I intend to see it passed out of the Senate. So that will give us additional leverage, Mr. Smith, on the human rights issue.

We are going to go to Mr. Brad Sherman of California.

Mr. SHERMAN. Mr. Russel, that legislation that chairman spoke of, is the administration going to veto it or can't you tell us?

Mr. RUSSEL. I cannot—I can't——

Mr. SHERMAN. Thank you.

Mr. RUSSEL [continuing]. I can't speak to that.

Mr. SHERMAN. Thank you.

I agree with the chairman, we need a smart fair trade policy. We have the largest trade deficit the world has ever seen 20 years in a row. That is right. The best workers, the best entrepreneurs, the best scientists, the most vibrant economy loses to every nation 20 years in a row.

Why do the best lose? Because we—for 20 years, we have had the worst trade policy in the world, and now we are asked to double down on it. We are told that our trade deficit gets better with free trade agreements. That is simply false.

I ask to put in the record this statement from public citizen that shows a chart that supports the statement that trade deficits surge under FTAs. U.S. trade deficits have grown more than 425 percent with FTA countries, while declining slightly with non-FTA countries.

Now, what is the confusion on the numbers? The proponents ask us, when we calculate the effective FTAs, to ignore NAFTA. That is like going to the zoo and ignoring the elephants. The fact is, when you include all our FTAs, including NAFTA, we have seen a 425 percent increase in our trade deficit with FTA countries.

The other—NAFTA is the biggest thing we have done perhaps in trade. The other biggest almost equally big thing we have done is MFM for China. We were told that would have de minimus effect on our trade deficit. The administration at the time told us a $1 billion increase; they were off by 30,000 percent.

Every lobbyist in Washington whose job it is to create higher profits is telling us to vote for the deal, and every Representative in Washington whose job it is to create higher wage is telling us to vote no on the deal. Maybe they are right.

We are given the straw man that the choices between the present system where we go into negotiations with the lowest tariffs in the world, or get going with a trade deal that is even worse. Real trade negotiation would be you start and you go in and you threaten to increase our tariffs. You put us on an equal playing field in the negotiations. You don't re-announce your surrender.

Now we are told in Vietnam that we are going to get free access to their markets, except they don't have freedom and they don't have markets. We are told that they will change their tariffs. The Communist Party of Vietnam controls every importer. There is not a single decision that will be made according to published rules or free access rules. Every decision will be made based on Communist Party policy; and they will buy our goods to the extent they choose to, and it will have nothing to do with this agreement.

We are told that they will have a right to organized labor unions, because you can't arrest them for organizing a labor union. All you have to do is plant drugs on them and arrest them for that. Do we really believe that the Vietnamese Government isn't going to plant drugs or come up with some other criminal charge against any effective labor leader?

And then, Mr. Smith, imagine how difficult it is going to be to get U.S. support to enforce these labor agreements when you have the Nike lobbyist on the other side? This is the end of a chance for free labor unions in Vietnam.

But we are told by Ambassador Rivkin not to ignore China and we shouldn't. What does China get in this agreement? They get a deal that says "never look at currency in trade agreements." But they get more. Go to the basement, look at the rules of origin. Goods that are admitted to be 50, 60, 70 percent made in China, finished in Vietnam or Japan, come into the United States on a fast track duty free. And that is when they admit they are 50, 60, 70 percent made in China. Obviously, the businesses are going to bring in goods that are 70, 80, 90 percent made in China. They slap a "Made in Japan" sticker on it, bring it to the United States.

What could be a better deal for China than free access to our markets and they don't even have to sign an agreement, which they wouldn't adhere to anyway.

This is a deal worthy of a country that for 20 years has had a trade policy capable of mutilating our trade flows, even though we have the best workers, the best entrepreneurs, and the best businesses in the world. I yield back.

Chairman ROYCE. Ambassador Rivkin.

Ambassador RIVKIN. Congressman Sherman, I couldn't agree with you that we have the best workers in the world, and all we are asking is a level playing field where we can let our workers complete evenly around the planet so that we can win. And we will win when given the chance.

Sir, I would like to address your comment about trade surpluses and deficits. For the record, in my mind, NAFTA is not an elephant in the room. In fact, no countries in the world buy more made-in-America products right now than Canada and Mexico. There is a $56 billion trade surplus in goods and services with NAFTA partners in 2013. This excludes energy. There is a three times surplus—three times more than before NAFTA.

Mr. SHERMAN. Ambassador, if I can reclaim my time.

You can't exclude energy. If we send $1 billion to Mexico for oil, that is $1 billion they could spend in the United States. Can't ignore NAFTA. You can't ignore energy.

If we are able—why not—you can't ignore agricultural. You can't ignore cars. That would be—the fact is that our trade deficit with Canada before the deal was $23 billion and after 58. Our trade deficit with—we had a surplus with Mexico before the deal. Now, we have a $98 billion trade deficit. Those are the facts.

You can hide NAFTA. You can hide oil. But the fact is when we ship money out to buy oil, we have got to be able to export something and you can't say oil doesn't count.

Ambassador RIVKIN. If I may respectfully, sir, oil is as much about geography as it is about trade. But I hear you.

You talk about agricultural. NAFTA has a $3 billion surplus in agriculture. And agriculture exports are four times what they were before NAFTA went into operation. Services with NAFTA, $44 billion surplus. Manufacturing, U.S. manufacturing exports went from $126 billion to $473 billion in 2013 between '93 and——

Mr. SHERMAN. Ambassador, we are both products of the LA schools. Where I went to school, they taught us to both add and they taught us to subtract. If you increase exports by $2 billion and you won't tell us that you increase exports by $4 billion and you have increased the deficit by $2 billion and that that costs 20,000 Americans their jobs and costs them the American dream, then, you know, yes, you are going to increase exports, but you are going to increase imports more. And that is why our trade deficit with Canada is now $82 billion. It used to be 23. With Mexico, it is $99 billion. It used to be a positive 2. It has gotten $160 billion worse.

And all you can do is say, oh, but we are increased agriculture exports by $1 billion or $2 billion. That is part of the $160 billion worse. Look at the bottom line.

Ambassador RIVKIN. And I would, sir, respectfully argue that the trade deficit is obviously extremely complicated and is not solely directed to trade deals. There is a lot of other factors that go into that deficit——

Mr. SHERMAN. Ambassador, if proponents of the deal cite the number——

Chairman ROYCE. In terms of the time—in terms of the time limit.

Mr. SHERMAN. My time has expired?

Chairman ROYCE. I think your time is far——

Ambassador RIVKIN. I think your time has expired.

Mr. SHERMAN. I think my time has expired as well.

Chairman ROYCE. All right. All right. We are going to go to Ileana Ros-Lehtinen of Florida.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman.

Yes, we must counter China's expansion and increasing aggression whenever and wherever possible. And we must have freedom of navigation, free flow of commerce by pushing back against China's territorial claims and its manmade islands in the South China Sea.

However, as we negotiate trade deals like the Trans-Pacific Partnership, TPP, we must not lose sight of the values that we are try-

ing to protect, like human rights as we achieve trade pacts with responsible nations. And that is why I oppose TPP because of the inclusion of Vietnam in the deal.

The people of Vietnam are living under a brutal Communist regime, which is imprisoning thousands of political dissidents, prisoners of conscious, and ethnic and religious minorities. In Vietnam, violence and discrimination against women and minorities are common, and the judicial system is corrupt. Violations of religious freedom are so prevalent that the U.S. Commission on International Religious Freedom is recommending that Vietnam be added to the State Department's list of countries of particular concern, something the Commission has done since 2001.

In Vietnam, there is no rule of law. There is no freedom of the press. There is no freedom of speech. There is no freedom of assembly, and access to the Internet and information are all severely restricted. Child labor and forced labor continue in conditions that are already poor, and sex and human trafficking remain horrendously rampant. And this is a country we want to call a trade partner?

In addition to the human rights abuses, there are reports that TPP would allow Vietnam and China, using Vietnam as an access point, to do serious harm to the textile industry in nations in Central America with which we already have free trade agreements. There are estimates that Vietnam and China subsidized textiles would put hundreds of thousands of people in Central American nations and the Dominican Republic out of work. Rights that we are—right when we are dealing with enormous social and security problems in our own region.

According to some of the CAFTA–DR countries, if Vietnam gets its way, the combination of its own massive state-owned textile and apparel countries and subsidized inputs from China may come in duty free into the United States. This could wipe out most of the textile and apparel industry in our Western Hemisphere. I am concerned that the loss of this sector to China would result in mass unemployment, increase social problems and mass migration.

Free trade agreements, especially with worthwhile partners in Asia, are needed in order to secure U.S. economic interests and to strengthen our alliance to counter Chinese aggression. But they must not come at the expense of human rights and they must take into account the interest and the obligations we have with our free trade partners, especially in our own hemisphere.

So following up on the points that Congressman Smith and Ranking Member Engel made, I was disappointed that neither of you mentioned human rights a single time in your written testimony. How important are human rights to the administration's trade agenda? What have you communicated to the Vietnamese regime about its human rights practices? What repercussions will the regime suffer under TPP if it continues to violate the human rights of its people?

You testified that TPP has enforcement mechanisms for violation of labor standards. What are they and what about other human rights? What mechanisms are in place to flag those violations?

And, lastly, will TPP allow state-subsidized Vietnamese and Chinese textiles to enter the market? And what impact would this have on a textile industry in CAFTA countries?

Mr. RUSSEL. Thank you very much, Congresswoman Ros-Lehtinen. I will begin and then turn to Charlie Rivkin on rules of origin and textiles, if I may.

First and foremost, human rights is central to our foreign policy and central to our Vietnam policy. It is a key element——

Ms. ROS-LEHTINEN. But it is not in your testimony?

Mr. RUSSEL. Well, my testimony addresses U.S. values. And the values component includes rule of law, includes transparency, includes good governance, includes labor standards, includes anti-trafficking. And that is what we are working on with Vietnam. That is what we seek to advance through TPP.

When the President of Vietnam was in Washington, President Obama and I were there. The two leaders agreed, in a joint statement, that protecting and promoting human rights will be a key element of the U.S.-Vietnam comprehensive partnership and——

Ms. ROS-LEHTINEN. Excuse me. But you realize that when you come and you testify and we have the written testimony and your oral testimony and it is not mentioned, I think that that telegraphs a very strong message to the folks overseas. They hear what we don't say as well.

Mr. RUSSEL. Congresswoman, I am and certainly Secretary Kerry and President Obama are abundantly on record. There should be no doubt that human rights is central to our foreign policy. And in Vietnam in particular, we push for lifting restrictions on freedom of expression, we advocate for the release of prisoners of conscience, and we push for all Vietnamese to be able to express their opinions.

I believe that TPP does not come at the expense of human rights. TPP is a driver for human rights in Vietnam.

Ms. ROS-LEHTINEN. And what about the enforcement mechanisms? You say we have it for labor standards. What about other human rights? What are the mechanisms that we have enforcement?

Mr. RUSSEL. Well, if I may, before I get to enforcement, let me tell you—may I share one episode. There is currently a Facebook campaign underway in Vietnam called "I Hate the Communist Party Because," and it shows individual citizens, Vietnamese citizens standing up and holding placards that are posted in Vietnam on Facebook with their objections to the Communist Party's Policies. This has been going on for months. The government accepts it. It is a direct function of the government's determination to do what it has to in order to join TPP. That is enforcement mechanism number one.

Beyond that, within the agreement is——

Ms. ROS-LEHTINEN. So let me get this straight——

Chairman ROYCE. Well, wait. Wait.

Ms. ROS-LEHTINEN. That is okay. Thank you, Mr. Chairman.

Chairman ROYCE. Could we just hear the witness finish because we are out of time and then we will go to the next question.

Mr. RUSSEL. The binding enforcement elements of the trade agreement are similarly binding on the provisions regarding labor

rights, standards, government transparency; and they create opportunities for either dispute resolution under the TPP mechanisms, or even for sanctions and the suspension of the benefits that accrue to Vietnam as a trading partner under TPP.

Chairman ROYCE. Okay. Okay. We are going to go to Mr. Gregory Meeks of New York.

Mr. MEEKS. Thank you, Mr. Chairman.

And I want to give the witnesses some more chance to answer some of the questions. But, you know, it is hard to constrain oneself, especially, you know, because there is no one more for human rights, environmental rights, environmental standards than I am.

I think doing nothing doesn't improve anything. It is being engaged is what will make an improvement. To sit back and do nothing doesn't change anything. And folks look at us, if we sit back and do nothing. Geopolitically, there is a big question of whether or not we should be engaged in the region or not.

Now, I recently traveled to the region. I have had conversations with several different heads of states in the region, asking them what do they think? And let me tell you, they are focused in what we are doing in Congress. And, quite frankly, they say very clearly, whether the Congress does not give the President first TPA authority, number one, we don't get the best deal, because we are not going to be able to negotiate the best deal because they will think that Congress will just come back and not have an up-and-down vote or we know—you know, whatever, try to put 1,000 amendments in, and we know that we know how to put poison pills in to kill a bill.

So the question is, do we engage in the region or not? And I think others are looking and because—I believe China is licking its chops, hoping that we don't engage because then it can engage, as it is doing now. And they are setting up various trade agreements with countries in the region.

And, believe me, if you look at those trade agreements, there are no environmental standards, there are no labor standards, there is no anything about—anything about helping human beings get a lift, a hand up.

So the question is, if we really want to get involved in trying to say that we want what we believe in and lifting our standards—and I have got to say this, too, because always I love my country. This is the greatest country that this planet has ever seen, in my estimation. But we have come a long way as a country. Because the fact of the matter is, we have learned from our mistakes, our mistakes. When we were a developing nation, we didn't have these rules. When we were building, we built a lot of our country on slave labor.

We have more people incarcerated in the United States right now than any civilized nation. So we need to engage. We need people to learn from our mistakes, admit that we have made mistakes, because there is no one that is perfect and move from there.

There is no question that we have lost a lot of jobs. But I say, if you look at the jobs that we have lost, it is because of our great technology and innovation. We have lost more jobs. I just went to the supermarket the other day, no longer do there need to be—

young people used to be at the counter, you know, counting. You just check yourself out.

So where do we go to gain more jobs? Well, we are told that 40 percent of the market is now part of this trade agreement. I am told that by the year 2020, 1.2 billion middle class folks will be in Asia. So it would seem to me to make sense, as we are talking about the future, we want to make it here and be able to sell to that 1.2 billion middle class folks that is going to be in Asia and other parts of the world. That is why we have to do TPP, also. We only represent 5 percent of the world's economy—the world's buying population. So if we are going to create jobs we have got to do it outside of here and that is what this is all about. And I didn't want to take up all of my time talking, but I just did just about.

So my question is, though: If we do nothing—I mean, even with the geopolitical aspects of it, if we do nothing, what happens to our Nation and where do we go from there?

Mr. Ambassador.

Ambassador RIVKIN. Congressman, first of all, I wanted to thank you for everything you do for American businesses abroad. I had the chance to witness it firsthand when I served as Ambassador in Paris, the delegation that you led.

On your question about geopolitics, sir. Secretary Kerry, from the very first day of office, said that economic policy is foreign policy and foreign policy is economic policy. And this deal, this TPP, is as much strategic as it is economic. It gives us a chance to cement our geopolitical relationships with key allies around the world.

As you mentioned, sir, about the 95 percent of consumers outside the United States, the TPP zone alone is 30 percent of trade, 40 percent of GDP, and 50 percent of the future projected economic growth on the planet. America needs to be present. It needs to define these rules. It needs, as Assistant Secretary Russel said, our values need to be driving this process.

And if we don't write these rules, to your question, Mr. Congressman, I can assure you that somebody else will. When Secretary of Defense Ash Carter says that he would—values TPP as much as a new aircraft carrier, that says a lot from the Secretary of Defense. It shows you the geopolitical reality of trade.

And it is important more now than ever, given what you suggested about how there is 525 million middle class consumers in Asia now, that number is going to go to 2.7 billion by 2030, which will be six times the population of the United States. Now more than ever, we need to engage in that region and we need to set the rules for that region or someone else will, sir.

Chairman ROYCE. Mr. Rohrabacher from California.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman, and thank you for providing this forum for a lively discussion.

I would like to identify myself with Ms. Ros-Lehtinen's statements as well as Mr. Smith's statements.

Prior to this—let me ask both of our witnesses, I take it that both of you have—could you tell me just a yes or no, you have actually read this agreement, TPP, have you read the agreement?

Ambassador RIVKIN. Sir, my trade——

Mr. ROHRABACHER. May I have a yes or no?

Ambassador RIVKIN. I am fully briefed on the agreement, but I have not read——

Mr. ROHRABACHER. You have not read it. Have you read it? That is enough.

Have you read it?

Mr. RUSSEL. I have read the parts that are relevant.

Mr. ROHRABACHER. No you haven't. I am not saying the parts, have you read the agreement as it stands now? Neither one of them have done that. Let's be very clear, you have been here testifying about all these magnificent things and you haven't even read the agreement. Come off it. This is what we are getting here, ladies and gentlemen. All these wonderful, wonderful descriptions, and you haven't even read the treaty. You know what? The American people aren't permitted to read the treaty. And you are supposed to be giving us the information and you haven't even read it.

Mr. Chairman, I am dismayed by that answer and we have every American citizen—we have heard all of these predictions on your part and haven't bothered to read it. Now let me ask you this: Do you think that the agreements that we made with China—you know what, this is the big deal, I call it the "hug a Nazi, make a liberal theory" that we were just going to open up to China and they were going to then democratize. Do you think they got—let's put it this way: Do they have a rule of law now in China? No. Do they have free labor unions in China? No. Do they have opposition parties in China? No. And you think this is going to work in Vietnam, but it didn't work in China. Again, the contradiction between reality here and what we are being fed on this TPP is——

Okay, let me ask you again, from what you have read in this TPP, how does it affect intellectual property rights? Is there a provision now in TPP that you were advocating that tells us that we must publish our patent applications in the United States after 18 months whether or not the patent has been granted. Is that part of the TPP?

Ambassador RIVKIN. Sir, intellectual property rights are essential to any investment.

Mr. ROHRABACHER. I asked you a specific question on a specific part. Is there a provision in the TPP that mandates that intellectual property on the intellectual property rights area, that patent applications have to be published after 18 months, whether or not they have been granted—the patent has been granted?

Ambassador RIVKIN. The essence of investment has to do with transparency predictability and rule of law, and rule of law is clearly involved with intellectual property protections——

Mr. ROHRABACHER. Can you answer the question? I have given you a yes or no, you are here testifying about a treaty. I am asking you a specific on it, you have already told us you haven't even read it yet. Come on, is that part of the treaty?

Ambassador RIVKIN. We will get you a specific answer form USGR on your specific question.

Mr. ROHRABACHER. Well, I hope so, and I hope it is soon, because I have information, people have told me that something that we defeated here in this House 20 years ago, an attempt by huge multinational corporations to change our patent law, they are still trying do it, but what we defeated 20 years ago they are trying to sneak

into this treaty. And what it says, my fellow colleagues, is that after 18 months if we have an application for a patent, that patent has to be published whether or not it has been granted. I call that the Steal American Technologies Act, because it gives all of our competitors, all of these people that you had trust in with this TPP—the fact is all of them will have our utmost secrets, even before the patent has been granted and the person who has invented this has the right to defend that creation that belongs to him or her.

I am—again, that was a very specific question, it is very important, I expect to get an answer within 24 hours. It is a very easy one to confirm one way or the other.

Mr. Chairman, I think we have heard a lot of platitudes, we have heard how grandiose things this is going to be from people who have not even read the treaty. And I—and the American people are being denied the right to read the treaty. Let's not be so optimistic at a point when we know that the same approach has not worked with China and has not worked to make this a more secure world. Thank you very much.

Mr. RUSSEL. If I may put Congressman Rohrabacher's anxieties to rest on two important points. One, you associated yourself with the concerns expressed by Congresswoman Ros-Lehtinen about human rights. I would just point out in my written testimony I do, in fact, on page 6 speak directly to the American brand and promoting a political system based on a rule of law, protection of civil liberties, safeguards against corruption or the imprisonment of citizens for ideas. So even on the economically focused thing we are focused on human rights.

Secondly, with regard to——

Mr. ROHRABACHER. Do you believe there is a rule of law?

Mr. RUSSEL. And secondly, Congressman if I may say again, the issue is what are we choosing between. We, under TPP, will be able to obtain, and insist on, and enforce changes to IP rules and laws in other countries. Our laws will not change. We are raising their standards. We are, via TPP, making significant advances in terms of the ability to move data and move information and to protect it.

Mr. ROHRABACHER. So if we sign this treaty into law that this provision in the treaty does not apply to us?

Chairman ROYCE. No. I think what Mr. Russel was saying is it is presumed this that language is not in the agreement because what he is saying is that it is current U.S. law that would apply, and U.S. law is not so defined. We will get an answer, Mr. Rohrabacher, we will get an answer about whether or not this provision is there. But his answer implies that it is not changing the rules of the road with—and maybe we are going to get a further clarification right now. Do you have any additional information there, Mr. Secretary?

Mr. RUSSEL. We will provide a written answer.

Chairman ROYCE. Provide an answer to Mr. Rohrabacher and me on that issue.

Mr. ROHRABACHER. The one point this treaty it will apply to them but not will apply to us?

Chairman ROYCE. Well, what he is stating, what Mr. Russel is stating is that the language that you presume is in there. There

may not be the language in there—we need to get to the bottom of that and we will do that shortly, but in the meantime, it is Mr. Albio Sires of New Jersey's time and we recognize him.

Mr. SIRES. Thank you very much. You know, we have this strong, vibrant trading relationship with Taiwan, and we send most of our agricultural products—we have a good break exporting to Taiwan. Where do they fit in all this? Are we just going to forget that they have been our friends for all these years or how do they fit in this TPP? I give you a nice easy question, I am not going to ask you if you read it. Thank you.

Mr. RUSSEL. Taiwan is a very, very important partner to the United States, we have thriving unofficial relations, and we are deeply committed under the Taiwan Relations Act to support for maintaining Taiwan's freedom from coercion and its ability to maintain and protect its democracy. Taiwan's economy is a central piece of that. It is also a glowing example of a free society, of an open society, of a free market society.

We are working hard with the Taiwanese now in TIFA talks to promote liberalization. We are also enjoying a renaissance of bilateral investment in each other's economies. In fact, a very significant delegation was recently in the United States to attend the Select America Commerce and White House-lead program on investment. We are looking at a bilateral investment agreement, something we are researching at the moment. And in principle——

Mr. SIRES. They are not included in this TPP, right?

Mr. RUSSEL. They are not a negotiating partner in TPP. They have informally expressed interest. We have informally welcomed their interest. Right now the focus of our negotiators is exclusively on the challenge of getting TPP done with among the existing——

Chairman ROYCE. If the gentleman would yield. The current conundrum is that the bilateral investment treaty has not been finalized between Taipei and Washington. And until that happens, this is held in abeyance. So when it happens, the presumption, I think it that Taiwan will have a seat at the table in the second round, correct, Mr. Secretary? If that happens? I have been led to believe that and I think Mr. Sires and I would like to know the answer to that.

Mr. RUSSEL. I would be getting ahead of myself, and the President, and the trade representative if I said that there is a presumption, but we have indicated that we welcome Taiwan's interest. And certainly Taiwan with an economy that adheres to the rule of law and an important partner and trading partner is the kind of country that we would give serious consideration to as a candidate, as I suspect most of the other 11 TPP members would.

Ambassador RIVKIN. To build on what Secretary Russel said, we not only appreciate their interest, but we are deeply engaged on an economic level. In fact, I am heading to Taiwan at the end of this month to discuss economic issues. And Mr. Chairman, for just 1 second I wanted to make sure that the record—I can correct the record a little bit about an allegation of transparency and whether or not Assistant Secretary Russel and I have read the agreement. I just want to point out that I have, in the Economic Bureau, some of the world's most expert foreign service officers and civil service officers on trade. My team will be at the next round of the TPP ne-

gotiations in Guam. I am briefed on a daily basis on what is happening on that deal.

Congress has the ability to see the deal, USGR's Web site is highly full of information. We consult industry representatives environmental groups, NGOs, labor. In order for the American people to get the best deal, the USGR needs some latitude negotiation. But certainly, I refute the idea that we aren't familiar with the Trans-Pacific Partnership. I believe that when you have 60 days before the President signs it available for the entire American public to see, you will be able to see whether we followed Congress's wishes, and certainly what Assistant Secretary Russel and I say today is accurate.

Mr. SIRES. May I ask another question now to clarify that?

Chairman ROYCE. Mr. Sires, it is your time, yes, sir.

Mr. SIRES. Thank you, you know, my concern with the question that I asked you is I know China continues to incite conflict and it keeps this region asserting itself. Won't they object to us to continue dealing with Taiwan? Especially on the economic level.

Mr. RUSSEL. We have a vigorous and a thriving, ongoing economic and trading relationship with Taiwan. That will not change. The leadership in Beijing is well aware of our determination and commitment to continue to build that economic relationship. China itself has a tremendously close intertwined economic relationship with Taiwan. Taiwan is heavily invested in the mainland. And I see no indication or evidence that the PRC seeks to, in any way, disrupt or preclude the Taiwan economy from continuing.

Mr. SIRES. My last question is with all these recent events with China, how have the other nations in the region reacted to this event?

Mr. RUSSEL. With deep concern, and by soliciting affirmation from the United States that we will continue to serve both as the security guarantor in east Asia and the Pacific, and also as the champion of the rules and the global norms that prevent large countries from bullying the small.

Mr. SIRES. There was just an incident yesterday or the day before yesterday, on the seas with one of our ships. I don't know if you—I just read that somewhere.

Thank you very much, Mr. Chairman.

Mr. SALMON [presiding]. Thank you. The Chair recognizes himself because I have been chomping at the bit. I actually just led a codel to Vietnam with Mr. Lowenthal, who, by the way, a Great American, and Mr. Emmer, who is another Great American. It was a real pleasure to be able to go with some really open-minded folks that actually want to learn something instead of having made already made up their minds, I really appreciate that.

Also we were accompanied on the trip by State Department personnel Julie Bulgrin. And if everybody was as great as her, I think that this world would be a lot better off. We really appreciated her great leadership and she represented the State Department very well. Then also from the full committee Brady Howell was there, and I just can't say enough positive things about Brady. What a great guy and we are really just fortunate.

Actually, I have gone into that secret room and I have gone through the agreement. And I know, you know, when you are talk-

ing about the agreement, it is a moving target, and things change as the negotiations change. And so, I think it was a bit of an unfair question to ask if you have read the agreement. Of course, you have read through the agreements, but when it gets right down it, it changes on a frequent basis. I have read through the agreements and I have looked at some of the piece parts that especially have concerned some of the members of this committee. Like the allegation that we can simply have a product that will be manufactured in China and then slap a Vietnam label on it and have it come into the United States.

Let me just state for the record there are very, very clear rules of engagement on rules of origin. And I think there are sufficient safeguards to make sure that something like that doesn't happen.

Also let me say for the record that after having gone to Vietnam, and seeing the animosity personally between Vietnam and China, it will be a cold day in hell before they would slap a label on something made in China in Vietnam. And they want those jobs in Vietnam, they don't want them in China, they want them in Vietnam. So the idea that they are going to slap some Vietnam label on something made in China is complete claptrap. So I think that that needs to be on the record.

Also on some of the human rights issues, knowing that the members of this committee that were with me on the trip placed human rights at the very top of the agenda, and every meeting that we had I think the very first question that came out of our mouths was regarding human rights, while I think that Vietnam that is a long way to go in terms of human rights. We have met with several of the dissidents, including we met with Patriarch Thich Quang Do of the United Buddhist Church of Vietnam, who is not just a hero in Vietnam, but is a hero in the world because he stands for the things that we all care about.

Mr. Lowenthal, who represents, I believe, the largest, if not the largest diasporas, Vietnam diasporas in the entire United States in his congressional district, was clear to ask those questions regarding labor, regarding human rights. And I believe that we have got answers that satisfies our questions. Now the answers to those questions weren't always the way we exactly wanted them to be, but almost to a tee, everyone of those leaders, including Patriarch Thich Quang Do.

When we asked them what they thought about TPP, whether it would help or hurt the situation, they all said that they believe that it would help the situation, and that it would be a positive thing for the U.S. to be constructively engaged. Because guess what? We export lots of things, but the most valuable thing that we export to these countries is our ideals. The things that we believe, the things that we stand for. And if we are not engaged, I think like Mr. Meeks said, if we are not having a seat at the table, then we are not going to impact anything. If we are just going to sit here and gripe from our Ivory towers here in Washington, DC. And not be constructively engaged don't expect anything to be change on the ground in Vietnam. But if we do have these kinds of constructive agreements, I think as was mentioned, it impacts so much more than just trend, it is a major geopolitical tool that

we have to try to influence that region for a very, very positive direction.

As for the comment that was made from one of the people on my side of the aisle, that you didn't read the agreements and the American people are never going to be afforded the ability to read the agreements. After having looked at some of the language myself, I know that that is also claptrap too, because after all is said and done, the American people are going to be given 60 days to review the agreement. I know that has all been made public. They are going to be given 60 days to review the agreement as are we as Members of Congress before we give an up-or-down vote. We have not abdicated our responsibility for trade under Article 1, Section 8 of the Constitution. It stays with us. And ultimately, it is us that will give an up-or-down on it after 60-day review. I don't know of any other trade agreement in the history of the United States that has afforded that much transparency to the American people to be able to see exactly what is going on.

So, I get a little hot and bothered too, but I get hot and bothered when I see things misrepresented for political expediency. And I belive that while I believe we have a long way to go in the region on some of the issues that we care about, we don't have a seat at the table, we don't have an ability to influence.

Okay, that is my diatribe.

Mr. CONNOLLY. Would my friend yield just for a second?

Mr. SALMON. Yeah, I sure would.

Mr. CONNOLLY. First of all thank you for your comments, very passionate and very eloquent. Just a little footnote to your point about the sort of, I think, pseudo argument about a secret, nobody can see it and nobody can read it. But I would hope that those critics would have——

Mr. SALMON. Would have read it.

Mr. CONNOLLY. No, but I would hope those critics would hold themselves to the same standard, because most of them have signed on in opposition without one word being seen or being made available. They didn't need to see it to decide they were going to oppose it. And you can't have it both ways. You can't insist that something not be "secret" when it doesn't matter whether it is open or secret apparently to you, you have decided to oppose it.

Mr. SALMON. I think you have made an excellent point. Right now, any Member of Congress, any Member of Congress can go into that top secret room, and they can look at the entire document. They can spend as many hours as they want in that room, reading every word, crossing every T and dotting every I. And if they don't want to do that, then they have nobody to blame but themselves, so I appreciate the comment.

I do have one question because I think it would be valid to get an answer, it is on immigration. Ambassador Rivkin, I am getting a few questions from my constituents concerned that TPP might hinder our ability to manage our international—excuse me, our national immigration policy, can you just speak to that concern?

Ambassador RIVKIN. Excuse me, but could you just clarify exactly how?

Mr. SALMON. Some of my constituents, in fact, many right now because apparently there is some kind of an email chain going out

there, are concerned that if we sign on to this agreement, that somehow we are going to be compromising our immigration standards and that our immigration standards will be ruled by that agreement rather than our own immigration policies.

Ambassador RIVKIN. I think there is a common misunderstanding about the part of TPP that is called ISDS, the investor-state dispute settlement, which may be where that is coming from. I want to assure you that ISDS, that no private company or individual can overturn domestic laws, or overturn regulation. President Obama would never sign any such deal.

Mr. SALMON. I read that section also, that is my understanding as well. Thank you very much.

The Chair would go to Mr. Bera.

Mr. BERA. I appreciate the comments of my colleagues from Arizona, Mr. Salmon. This is an incredibly important vote that will be taking on an important piece of legislation. Let's just look at our history as a Nation. If we look at the second half of the 20th century, America is a benevolent nation, and the would has benefited from American leadership, sometimes to our own detriment. We did not have to rebuild Europe post World War II, but we did, we did through economic development, we did Free Trade. We did not have to rebuild and help the nations in the Asia Pacific region, Japan and others become the economic powers that they are, but we did. Because it represents our values as Americans, we are a benevolent Nation.

But fast-forward to where we are today. These are competitor nations, and that is not a bad thing because we have lifted billions out of poverty; we have created stable democracies; we have created stable allies. But when we are looking at the rules of the 21st century, we are in a very competitive global marketplace, and it is a question of who is going to set the rules. I firmly believe, and I think the nations that are in the Asia Pacific region firmly believe that they want to play by the rules that the United States sets.

Here's an example, I had a chance to travel to China with some of my colleagues, including Mr. Salmon, when we are talking to business leaders in China, here are the rules that we have to operate under. We talk to one of our auto manufacturers, in order to do business in China, the Chinese state-owned auto industry has to own at least 50 percent of that business. They can't import cars to China because there is a 25 percent tariff there. And we can see the writing on the wall. What they are doing is they are learning how to manufacture cars. They are learning from the best in the world, our auto makers. And fairly soon, they will then say, we are going to buy the other 50 percent or 40 percent, kick us out, and start making those cars, taking our technology, taking our intellectual property. That is why this is so important.

And what is China doing with its economic power? We are seeing what is happening in the South China Sea, we are seeing the tensions that are rising there. We are seeing China pen deals with Pakistan to sell 8 submarines. They are not operating in a benevolent Nation. We are when we invest in Africa we are doing so to help the African countries grow and develop. When China invests in Africa, they are doing it for a singular purpose, to extract those minerals and so forth. And when they have taken what they can,

they move. They are not leaving behind better countries. So that is what is at stake here. This is as Secretary Carter said a geopolitical national security issue. I mean, this is a seminal issue of what the 21st century looks like. I think this is why this vote is so critical.

I will make one other point. To all my colleagues, what we are discussing in terms of our most immediate vote is giving the President the ability to negotiate the deal. Now that bill that is before us is not a long bill, everyone can actually access it, everyone in the public can read it, if they want. It is giving the negotiating parameters and it does give solid negotiating parameters. And I would encourage all my colleagues, I would encourage everyone in the American public to go read the bill and look at the parameters. Now if the President negotiates a bad bill, we will get a chance to vote on that. We will get to do our constitutional duties and vote on the deal. But right now, let's give the President, a Democratic President, the authority to go and negotiate this deal.

I would ask either one of our witnesses, my concern is certainly, if we create a fair playing field, I am not afraid that we will lose to China, that we are going to lose to other countries. We have the highest quality workers, we produce the highest quality products. We will win this, and we are already seeing manufacturing coming back to the United States, because they are seeing the quality of products that are being manufactured abroad, low cost, low quality. It isn't what the world wants. I think, according to the administration, we have created, since the recession, over 1 million manufacturing jobs here in the United States.

We can win this. You know, we have got an advantage on energy prices, we have got the highest quality workers. We can compete on the highest quality products. Let's win this thing, but let's do it on a fair playing field.

Ambassador Rivkin, I give you a chance to make some comments as well as Mr. Russel.

Ambassador RIVKIN. Well, Congressman, I really appreciate the chance to respond. And just to reiterate what you said and what President Obama recently said, you give the American people, the American workers, the chance to compete on a level playing field and we will win every time. And that is what these deals are about. He specifically talked about China. I am happy to say that we have a number of fora where we are engaging China, including the U.S.-China Joint Commission on Commerce and Trade, the JCTT, as well as the U.S.-China Strategic and Economic Dialogue, and we are pushing for a 19th round of our bilateral investment treaty. And it is our hope through this diplomatic engagement that we can further level that playing field with the second largest economy in the world.

Mr. RUSSEL. Thank you, Congressman. You mentioned two things that are critically important to the administration, to U.S. interest, and to the TPP agreement. Ideals and development. In terms of ideals, the TPP includes a chapter on good governance, provisions on good governance that includes transparency; it includes anticorruption, government accountability, public participation and decisionmaking, rules-based disputes, settlements. These

are critical elements to a civil society, to a stable society, to good governance.

Secondly, on development, sustainable and responsible development is an essential ingredient to promoting the global economy from which the United States directly benefits in addition to it being an intrinsic benevolence—to use your word—imperative for mankind. The TPP has the first ever chapter in a trade agreement on development. It is dedicated to promoting cooperative activity to promote broad-based growth and sustainable development. In addition and in a similar spirit, when Secretary Kerry travels to China this weekend, looking for working with the Chinese to encourage complementary and responsible, sustainable development, including in Africa will be high on his agenda. Thank you.

Mr. SALMON. Thank you. Mr. Weber.

Mr. WEBER. Thank you, Mr. Rivkin. Should we be concerned about the balance of trade?

Ambassador RIVKIN. Of course we should, sir.

Mr. WEBER. Mr. Russel?

Mr. RUSSEL. Yes, sir.

Mr. WEBER. Okay. So my colleague, Mr. Sherman, said that for 20 years it has been going in the wrong direction. Should we be concerned about that, Mr. Rivkin?

Ambassador RIVKIN. The reason we are trying to negotiate these deals is to strengthen our balance of trade.

Mr. WEBER. Do you agree with his assessment that for 20 years, it has been headed the wrong direction and we haven't been able to turn that around?

Ambassador RIVKIN. Sir, I——

Mr. WEBER. I mean, the numbers are either up or down, yes or no.

Ambassador RIVKIN. The numbers need to be parsed, because as I mentioned, when you take energy out of the equation, and we are in surplus in 17 out 23 trade deals that we have done.

Mr. WEBER. Okay. You said, oil is as much about geography as it is about trade. Would you agree with the statement that a country that doesn't have energy doesn't produce products, and doesn't remain nationally secure?

Ambassador RIVKIN. Repeat the question, please, sir.

Mr. WEBER. You said in your comments earlier that oil was as much about geography as it was about trade. Would you agree with the statement that the country that doesn't have energy, doesn't get to produce its products and is not going to be national—it is not going to be secure as a Nation.

Ambassador RIVKIN. No, of course not. And energy is critical and energy has been at the core of our current resurgence in the economy.

Mr. WEBER. Okay. Well, it is hard to take oil out of the equation.

Ambassador RIVKIN. Of course, it is part of trade, no question about it. But the point is it is important to learn from trade by parsing exactly what is driving job creation.

Mr. WEBER. Now I go back to my previous question, do you agree with Mr. Sherman's assessment that for 20 years, our trade deficit has been getting worse?

Ambassador RIVKIN. I would have to look at the statistics and get back to you.

Mr. WEBER. I have the Web site, I will get it for you in a little bit.

Mr. Russel, you actually read from a statement about human rights, you said the TPP doesn't come—and I watched you—at the expense of human rights, but it is a driver, it is like you had talking points on your list, okay?

Mr. RUSSEL. I wrote those points down when I was listening to some of the members speak.

Mr. WEBER. Well, I hope your handwriting is better than mine.

If that is true, then why is it that these other members bring up all of these human rights violations going back 20 years? Lay aside the question I had for the Ambassador about why haven't the numbers improved. Why haven't the human rights violations gone away? If it is a driver, it doesn't come at the expense of human rights, you said, but it drives it. And if human rights are not getting that much better in Vietnam, for example, does that kind of refute the statements you made?

Mr. RUSSEL. To the contrary, Congressman. I think that the prospect of joining TPP has been a driving force behind relaxation of repressive and draconian policies. This is a trend line, we are talking about change, we are talking about direction, we are talking about reduction of offenses and increases in civil society and space.

Mr. WEBER. Okay. Do you have children?

Mr. RUSSEL. Yes, sir.

Mr. WEBER. And Ambassador Rivkin, do you have children?

Ambassador RIVKIN. I do, sir.

Mr. WEBER. Have they ever lied to either one of you all?

Ambassador RIVKIN. My children would never lie to me.

Mr. WEBER. You have perfect kids. I am glad to hear that.

Mr. RUSSEL. I plead the Fifth Amendment.

Mr. WEBER. So what makes us think that a government who disrespects its citizens and has horrific human rights violations would not lie to us and disrespect any kind of agreements that we come up with, indeed dump cheap steel on the market, Lord forbid that that would every happen out of China. What makes us think they would honor, somehow—with all due respect to the acting chair, that we want to exploit our ideals, I get that. It would be better if they had their ideals or not. What makes us think that they are going to abide by those agreements and not do everything they can to mislead us? You have children who were gone around your rules, who have lied to you, and hopefully come back and seen the error of their ways. Do you think these human violating governments are going to do that? Do you honestly?

Mr. RUSSEL. Congressman, I think the same principles that apply in human nature apply in government in both directions. And the consequences that governments such as the Government of Vietnam face in terms of the loss of benefits they accrue under TPP constitute a very formidable disincentive.

Mr. WEBER. Has that been our history? The United States is great on country building and exporting democracy to Iraq and Iran and some of the other countries?

Mr. RUSSEL. We are breaking new ground, in my view, by taking a 21st century high standard trade agreement and negotiating it with safeguards, with enforcement mechanisms. I would add, Congressman, that there is also a very significant training and capacity-building component. We are helping Vietnam, we will be helping Vietnam to honor its obligations under the ILO, for example, and honor its obligations under the agreement in terms of wildlife trafficking and environmental management.

Mr. WEBER. Well, I would guess there are those who would admire your faith in them, and the faith that we have the chance to make that difference.

You said that the tenets of the agreement are enforceable. Do we really have the wherewithal to be constantly checking on them and making sure that they are complying with not only the tenets of the agreement, the trade laws, but also, hopefully, the decreasing the human rights violations? Can we police their country to that extent?

Mr. RUSSEL. We have a very significant monitoring presence in Vietnam, as do the international NGOs, the other governments who share our values and our concerns as does the international press. I mentioned, for example, Vietnam's own Facebook, and the access to citizens through Twitter, through Facebook gives us abundant windows into what is happening in this society. We are not saying that the Vietnamese are angels, nobody is.

Mr. WEBER. Just ya'll's children as you testified here earlier.

Chairman ROYCE [presiding]. Let's go to Mr. Connolly, if we could, of Virginia.

Mr. CONNOLLY. Thank you, Mr. Chairman. Thank you to your panelists. I think, Ambassador Rivkin, this is your maiden voyage testifying before Congress and you are doing just fine.

And I would say to my friend from Texas, he makes a point, but the analogy can only go so far. Nations are not children, and behavior among nations must be circumscribed by legal agreements that have to be enforceable. The record will never be perfect. The question for us, though, is shall we make perfect through the enemy of the good. Will we disengage? If we have any fighting chance to change behavior to norms closer to our own, is it better to write off countries and say because they cheat or because they don't share our values, we are going to write them up or is it better to engage? And what does the record show when we do that? That is, to me, the fair screen. The questions you raise are absolutely fair, but I am not sure the analogy can be taken too far. And I come down on the side of saying it is better to engage, we are far better off with the agreement that is emerging then not. And I think that is really the choice.

The choice in front of us, not that my friend from Texas was suggesting this, but some critics, if you listen to the rhetoric, as if the choice were we can create an ideal world only if we start all over again and reengage everybody, and that is just not the case. It is really a straw man.

In listening to my friend, Mr. Sherman from California, I think he is guilty of a logical fallacy, propter hic ergo hoc, before because of this, therefore that. So it has to be NAFTA. NAFTA is what caused a trade deficit among the three countries of North America,

and therefore it is bad. Now in order to believe that, you have got to take out some inconvenient facts like job growth. The same President who championed NAFTA and put it through, Bill Clinton, also oversaw one of the largest job growths in American history in the same time period.

So if I am going to buy into because of this therefore that, then I have, the same logical fallacy must say it must be NAFTA that created all those jobs. Are we only going to cite certain statistics that serve our cause and, you know, take out in convenient facts.

In the remaining time I really want to give both of you an opportunity to slay this dragon about NAFTA. Ambassador Rivkin, you were interrupted and now allowed to answer the question. Tell us again, my friend from California said there is a $98 billion trade deficit with Mexico. How much of that is, in fact, in the energy sector?

Ambassador RIVKIN. Thank you so much, Congressman. I would be honored to repeat some of the points that I made earlier. I didn't have the chance, as I was mentioning some of the strengths of NAFTA with Congressman Sherman, to mention that we have improved upon NAFTA with the TPP negotiation. President Obama, in his 2008 campaign, spoke about how he would improve certain aspects of NAFTA specifically labor and environment. And they are not separate chapters, fully enforceable, it is definitely an improvement. We learn from that.

Specifically the statistics I wanted to mention I mentioned to the congressman that more made-in-America products are sold in Mexico and Canada than any other country in the world. Fifty-six billion dollars trade surplus excluding energy in goods and service, it was just three times before NAFTA. Three billion dollars agricultural surplus.

Mr. CONNOLLY. How much of the $98 billion in the deficit net deficit is attributable to oil and gas?

Ambassador RIVKIN. Yes, sir, I am going to have to get back to you on the specifics amounts.

Mr. CONNOLLY. I just want to point out because I think the data you were just providing is very helpful and makes for a much more complex picture, but the United States consciously chose as part of NAFTA to use Mexico as a reliable supplier of energy and as a substitute for unreliable sources of energy such as the Middle East. Is that not correct, Ambassador Rivkin?

Ambassador RIVKIN. I believe that is true, sir.

Mr. CONNOLLY. So to simply cite the gross number in normative terms is bad, is to really distort a much more complex picture in terms of the two-way trade. Is it also not true, Ambassador Rivkin, that since NAFTA, trade among the three North American countries has quadrupled?

Ambassador RIVKIN. Yes, sir.

Mr. CONNOLLY. Are we to believe that let to a net job loss in America?

Ambassador RIVKIN. As I said, sir, it is my belief that trade deals done right generate jobs.

Mr. CONNOLLY. Right.

Ambassador RIVKIN. Generate high paying jobs, 18 percent more than average. So no, I don't believe that is the cause, sir.

Mr. CONNOLLY. So one of the criticisms of NAFTA is it did not codify integrally human rights environment and labor standards, and that is fair criticism perhaps in retrospect. Would you agree?

Ambassador RIVKIN. Yes, sir. And President Obama identified some of those himself before even becoming President.

Mr. CONNOLLY. Right, that is right. And now what is before us we can go read what is before us, as a matter of fact, rectifies and codifies that which one would think satisfies that level of criticism. Is that correct?

Ambassador RIVKIN. Yes, sir. These chapters are very strong and fully enforceable, something that might not have been imagined 20 years ago.

Mr. CONNOLLY. I thank you and I thank the chairman.

Chairman ROYCE. Mr. Lowenthal.

Mr. LOWENTHAL. Thank you, Mr. Chair. I think the last shall be first and first shall be last.

I—before I ask some questions, I had the good opportunity of traveling with Julie and the State Department and Chairman Salmon to engage in Vietnam last week, not only with government officials, but with business leaders, with human rights activists, people who had just been released from prison as pointed out, the patriarch Thich Quang Do, the government was very gracious. It surprised me because I will have to admit I left with tremendous misgivings about why we are rewarding a country that engages in such bad behavior as human rights and the lack of labor protections. And yet I came with—I learned a lot. I changed some of my perceptions, but I also maintained some perceptions that I really want to discuss with you.

On one hand, I think, as you pointed out, Mr. Russel, Vietnam has made some progress on human rights. There is, my understanding—is that there has been a moratorium on recent arrests of political activists who speak out against the government. Although on the other hand, there are still imprisoned large numbers of political activists who have spoken out.

One of the people that was just recently released from prison, the government allowed us to meet with and to visit who interestingly enough, although a great opponent of the government, and of their labor rights, and of their human rights did speak to us in favor of the TPP. I was very surprised that someone fighting against the government saw this as a positive step.

On the other hand, it was real clear to me there still remains not even a semblance of freedom of the press, it is just as troubling. There is not yet any kind of independent trade union allowed in Vietnam. And although I listen to and I really wanted to, and I do, hear the Vietnamese Government saying they are making movement in this direction, just shortly after we left, just a few days after we left, there was a Vietnamese activist, Mr. Tuyen Chi Nguyen, was beaten severely in Hanoi by allegedly five police officers not in uniform—and I make the word "allegedly," we don't know for sure. This is a person who spoke out against some of the environmental practice—spoke for environmental practices in Hanoi most recently, one of the leaders on that position and also against China. So on one hand, I am hearing that there are changes, the other hand just after we left, they beat up an activist.

And so my question is, you know, how do we know that these changes are really going to be institutionalized? Are we going to require Vietnam to actually require? And will there be a mechanism to ensure that there really be an independent trade union? Are these changes that we are seeing, maybe begrudgingly in human rights, are they just because we are initiating the trade package, the TPP, and that there is enough evidence to also indicate that the government is very frightened of these kinds of changes, and that they will not exist after we have done this? So I am kind of left with what is real and how much of these changes are real and how do we know that there is going to be trade? And as I say, there was no doubt by visiting Vietnam that there are changes occurring. The question is are they sufficient?

Mr. RUSSEL. Congressman, I very much appreciate your thoughtful questions and your willingness to travel personally to Vietnam and make your own assessment and see for yourself. But importantly to me as a diplomat for you to speak on behalf of the American people and the Congress directly to the leadership in Vietnam and to meet with civil society, the fundamental question here is, do we think of economic engagement as a reward or are we using it as a tool to try to shore up these principles and these ideals and to safeguard the fragile progress that has been made and to create incentives for further improvements?

Obviously, my bias is in favor of the latter. But we are very mindful of the need to build safeguards that ensure that there is a consequence to partner country in this case, to Vietnam for failing to honor the commitments that it makes, or to live up to high standards that are embedded in the agreement.

The question that it boils down to is how are we going to influence the decisions that will be made in the ongoing political debate and process in Vietnam? It is a long-term process, they are in a period of transition. There is an important party Congress coming up next year. As you heard firsthand, there is a surprisingly vigorous discussion and a multiplicity of ideas, even within the Communist Party.

TPP is not designed to replace governments or to unseat a ruling party in a partner country such as Vietnam. But it is designed to lift up the principles of transparency, of good governance and good labor standards. We want—we have seen many positive steps, but as you pointed out, we are also seeing significant backsliding and periodic episodes that violate the direction that we want Vietnam to move in.

We engage vigorously and directly in discussions with the Vietnamese on these subjects and these problems. And we are encouraging them to move forward on the institutional reforms, including the reforms of the criminal code, including relaxation of their restrictions on Internet use and on press freedoms. And we continue to call on the Vietnamese Government to release unconditionally prisoners of conscience.

I think—we think that the economic engagement that TPP brings, both the incentives and the enforcement mechanisms and safeguards will strengthen the rule of law. So this is, again, a relative question, will we be better off by following through and by

collecting Vietnam's commitments by building their capacity and by holding them to account? I am convinced the answer is yes.

Mr. LOWENTHAL. Well, thank you, and just as I yield back I have to say I want to believe what you are saying, but I also was shocked by what just took place after we left. When the government, which I think had our—was attending to what we said and then the juxtaposition of then the severe beating of an activist.

Chairman ROYCE. Mr. Lowenthal, it is shocking. When I was in Vietnam, the head of the Buddhist church the venerable Thich Quang Do was under house arrest, but I did talk to him about these trade agreements. He said it has the opportunity to bring the rule of law. It has the opportunity to bring that type of engagement. And as you begin to set up standards and the rule of law, that begins the process of empowering people. So you do have that perspective as well.

Mr. LOWENTHAL. I heard that very clearly, Mr. Chair.

Chairman ROYCE. Thank you Mr. Lowenthal. Well, I want to underscore some of the key points that have been made today, including in the colloquy between Chairman Salmon and Mr. Connolly, the TPA process is transparent. There are no secrets there, this is going to be publicized for 60 days, or for a period of time. You can correct me, Mr. Russel, but that will be not just before the Congress, but before the people. The Congress, under TPA, can vote down a bad deal. I am optimistic that we will get a good deal, but if we don't, Congress doesn't give up its right to approve or reject the Asia-Pacific arena here. So there is great potential here because we have trade surpluses with our trade agreement partners and manufactured goods when we look at the numbers.

Now, we don't necessarily have surpluses and manufactured goods with those who aren't partners, well, yes, because typically the tariffs are higher overseas and then they are here in the United States. This gives us in the United States an opportunity to equalize those tariffs. And when that happens it accrues to our benefit, because we are 5 percent of the world's market, but we are a bigger percentage of the world's export market. And so—5 percent of the world's population, I should say, and so this is an opportunity.

I want to underscore Mr. Sires' comments that we want our good ally, Taiwan, in the game and I think that is very important. And I want to thank the witnesses here, Secretary Russel and Ambassador Rivkin for your appearances, these are critical issues touching on our economic, political and security interests. And I think we aired some of the important issues here today. But as I said in my opening statement, we hope that we don't turn away from Asia, seating ground in Asia. We need a fair and enforceable deal. And if we get that, then American workers will absolutely excel and create a healthy economy.

I think one other point that was raised to those who raise the concerns about the laws changing in the United States. Just to quote the administration on this last week, no trade agreement is going to change our laws. We don't change U.S. laws as a result of a trade agreement. This agreement would make sure our companies aren't discriminated against in other countries. That is the whole point.

So I think the idea of bringing standards there to our higher standards, especially on the intellectual property, gives us a way forward that will open more markets. And with that, this hearing is adjourned. Thank you.

[Whereupon, at 12:08 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

May 7, 2015

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Thursday, May 14, 2015

TIME: 10:00 a.m.

SUBJECT: Advancing U.S. Economic Interests in Asia

WITNESSES: The Honorable Daniel R. Russel
Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

The Honorable Charles H. Rivkin
Assistant Secretary
Bureau of Economic and Business Affairs
U.S. Department of State

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Thursday* **Date** *5/14/15* **Room** *2172*

Starting Time *10:09* **Ending Time** *12:08*

Recesses *0* (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Edward R. Royce, Rep. Matt Salmon

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Advancing U.S. Economic Interests in Asia

COMMITTEE MEMBERS PRESENT:

See attached.

NON-COMMITTEE MEMBERS PRESENT:

None

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

SFR - Sherman
SFR - Connolly
QFR - Royce
QFR - McCaul

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:08*

Jean Marter, Director of Committee Operations

HOUSE COMMITTEE ON FOREIGN AFFAIRS

FULL COMMITTEE HEARING

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February 2015

Job-Killing Trade Deficits Surge under FTAs: U.S. Trade Deficits Grow More than 425% with FTA Countries, but Decline 11% with Non-FTA Countries

The aggregate U.S. goods trade deficit with Free Trade Agreement (FTA) partners is more than five times as high as before the deals went into effect, while the aggregate trade deficit with non-FTA countries has actually fallen. The key differences are soaring imports into the United States from FTA partners and *lower* growth in U.S. exports to those nations than to non-FTA nations. **Growth of U.S. exports to FTA partners has been 20 percent *lower* than U.S. export growth to the rest of the world over the last decade** (annual average growth of 5.3 percent to non-FTA nations vs. 4.3 percent to FTA nations from 2004 to 2014).[1]

The aggregate U.S. trade deficit with FTA partners has *increased* by about $144 billion, or 427 percent, since the FTAs were implemented. In contrast, the aggregate trade deficit with all non-FTA countries has *decreased* by about $95 billion, or 11 percent, since 2006 (the median entry date of existing FTAs). Using the Obama administration's net exports-to-jobs ratio,[2] **the FTA trade deficit surge implies the loss of about 780,000 U.S. jobs.** The North American Free Trade Agreement (NAFTA) contributed the most to the widening FTA deficit – under NAFTA, the U.S. trade deficit with Canada has ballooned and a U.S. trade surplus with Mexico has turned into a nearly $100 billion deficit. More recent deals have produced similar results. **Under the 2012 Korea FTA, the U.S. template for the Trans-Pacific Partnership, the U.S. trade deficit with Korea has already surged 72 percent.**

FTA Partner	Entry Date	Pre-FTA Trade Balance	2014 Balance	Change in Balance Since FTA
Israel*	1985	($4.0)	($16.2)	($12.2)
Canada	1989	($33.9)	($58.4)	($76.5)
Mexico	1994	$2.6	($99.8)	($102.4)
Jordan	2001	$0.3	$0.6	$0.3
Chile	2004	($2.0)	$5.8	$7.8
Singapore	2004	$0.8	$10.2	$9.4
Australia	2005	$7.4	$13.6	$6.2
Bahrain	2006	($0.1)	$0.1	$0.2
El Salvador	2006	($0.2)	$0.7	$0.9
Guatemala	2006	($0.6)	$1.5	$2.1
Honduras	2006	($0.7)	$1.2	$1.9
Morocco	2006	$0.1	$1.0	$1.0
Nicaragua	2006	($0.7)	($2.2)	($1.5)
Dominican Republic	2007	$0.6	$2.8	$2.2
Costa Rica	2009	$1.2	($3.2)	($4.4)
Oman	2009	$0.6	$0.9	$0.4
Peru	2009	($0.2)	$2.9	$3.0
Korea	2012	($15.2)	($26.3)	($11.1)
Colombia	2012	($10.0)	$1.2	$11.2
Panama	2012	$7.8	$9.4	$1.6
FTA TOTAL:		($33.7)	($177.5)	($143.9)
Non-FTA TOTAL:	[2006]	($829.3)	($734.2)	**$95.1**
FTA Deficit INCREASE: 427%			**Non-FTA Deficit DECREASE: 11%**	

*Source: U.S. International Trade Commission. Units: billions of 2014 dollars. (*Measured since 1989 due to data availability.)*

"Higher Standards" Have Failed to Alter FTA Legacy of Ballooning Trade Deficits

Some proponents of status quo trade have claimed that post-NAFTA FTAs have included higher standards and thus have yielded trade balance improvements.[3] But the Korea FTA included the higher labor and environmental standards of the May 10, 2007 deal, and still the U.S. trade deficit with Korea has grown over 70 percent in the three years since the deal's passage. Meanwhile, most post-NAFTA FTAs that have resulted in (small) trade balance improvements *did not* contain the "May 10" standards. The evidence shows no correlation between an FTA's inclusion of "May 10" standards and its trade balance impact. Reducing the massive U.S. trade deficit will require a more fundamental rethink of the core status quo trade pact model extending from NAFTA through the Korea FTA, not more of the same.

Corporate FTA Boosters Omit Imports, Use Errant Methods to Claim Higher Exports under FTAs

Members of Congress will invariably be shown data by defenders of our status quo trade policy that appear to indicate that FTAs have generated an export boom. Indeed, to promote congressional support for new NAFTA-style FTAs, the U.S. Chamber of Commerce and the National Association of Manufacturers (NAM) have funded an entire body of research designed to create the appearance that the existing pacts have both boosted exports and reversed trade deficits with FTA partner countries. This work relies on several methodological tricks that fail basic standards of accuracy:

- **Ignoring imports:** U.S. Chamber of Commerce studies regularly omit mention of soaring imports under FTAs, instead focusing only on exports.[4] But any study claiming to evaluate the net impact of trade deals must deal with both sides of the trade equation. In the same way that exports are associated with job opportunities, imports are associated with lost job opportunities when they outstrip exports, as dramatically seen under FTAs.
- **Counting "foreign exports":** NAM has errantly claimed that the United States has a manufacturing surplus with FTA nations by counting foreign-made goods as "U.S. exports." NAM's data include "foreign exports" – goods made elsewhere that pass through the United States without alteration before being re-exported abroad. Foreign exports support zero U.S. production jobs and their inclusion distorts FTAs' impacts on workers.[5]
- **Omitting major FTAs:** The U.S. Chamber of Commerce has repeatedly claimed that U.S. export growth is higher to FTA nations that to non-FTA nations by simply omitting FTAs that do not support their claim. One U.S. Chamber of Commerce study omitted all FTAs implemented before 2003 to estimate export growth.[6] This excluded major FTAs like NAFTA that comprised more than 83 percent of all U.S. FTA exports. Given NAFTA's leading role in the 427 percent aggregate FTA deficit surge, its omission vastly skews the findings.
- **Failing to correct for inflation:** U.S. Chamber of Commerce studies that have claimed high FTA export growth have not adjusted the data for inflation, thus errantly counting price increases as export gains.[7]
- **Comparing apples and oranges:** The U.S. Chamber of Commerce has claimed higher U.S. exports under FTAs by using two completely different methods to calculate the growth of U.S. exports to FTA partners (an unweighted average) versus non-FTA partners (a weighted average).[7] This inconsistency creates the false impression of higher export growth to FTA partners by giving equal weight to FTA countries that are vastly different in importance to U.S. exports (e.g. Canada, where U.S. exports exceed $260 billion, and Bahrain, where they do not reach $1 billion), despite accounting for such critical differences for non-FTA countries.

ENDNOTES

[1] Trade figures in this document use U.S. domestic exports and imports for consumption data from U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," accessed February 11, 2015. Available at: http://dataweb.usitc.gov/. All data is inflation-adjusted using the CPI-U-RS series of the Bureau of Labor Statistics. The average annual export growth comparison accounts for the entry of new FTA nations.
[2] The administration estimates that $1 billion in U.S. goods exports supports 5,400 U.S. jobs. Michael Froman, "2014 Trade Policy Agenda and 2013 Annual Report of the President of the United States on the Trade Agreements Program," Office of the U.S. Trade Representative, March 2014, 2. Available at: http://www.ustr.gov/sites/default/files/2014%20Trade%20Policy%20Agenda%20and%202013%20Annual%20Report.pdf.
[3] *See* Jim Kessler and Gabe Horwitz, "Are Modern Trade Deals Working?" Third Way, February 12, 2015. Available at: http://www.thirdway.org/report/are-modern-trade-deals-working.
[4] *See* U.S. Chamber of Commerce, "NAFTA Triumphant: Assessing Two Decades of Gains in Trade, Growth, and Jobs," 2014. Available at: https://www.uschamber.com/sites/default/files/documents/files/1112_INTL_NAFTA_20Years.pdf.
[5] *See* National Association of Manufacturers, "Manufacturing and Trade – Bilateral Trade," 2014. Available at: http://www.nam.org/Issues/Trade/Manufacturing-And-Trade-Bilateral-Trade.aspx.
[6] U.S. Chamber of Commerce, "Estimated Impact of the U.S. Trade Agreements with Colombia, Panama and South Korea for U.S. Merchandise Exports," September 2008. Available at: http://www.uschamber.com/sites/default/files/reports/0809_latin_tpes.pdf.
[7] *See* Laura M. Baughman and Joseph F. Francois, "Opening Markets, Creating Jobs," U.S. Chamber of Commerce, May 14, 2010. Available at: http://www.uschamber.com/sites/default/files/reports/100514_tfajobs_full_0.pdf.

Statement for the Record
Submitted by Mr. Connolly of Virginia

If the strategic rebalance to the Asia-Pacific is going to include strengthened economic ties to the region, those relationships must be built in a manner consistent with American values. The strength of the American democratic system is, and has always been, the United States' competitive advantage, and American values – our greatest export.

The U.S. is currently engaged in negotiations to complete a regional free trade agreement with 11 Pacific Rim countries. If the U.S. can negotiate a high-standard Trans-Pacific Partnership (TPP) agreement, we will have a valuable tool for instilling American values in the Asia-Pacific. The size of a potential TPP agreement, encompassing 40% of world GDP, means the reverberations from this historic trade agreement could be felt globally. Those driven by an ideological opposition to trade would have the U.S. leave the negotiating table altogether. With negotiations in their fifth year and potentially nearing an agreement, walking away from TPP at this time would be disastrous for U.S. credibility in the Asia-Pacific.

Instead, we should insist that negotiators draft an agreement with standards that are unprecedented and strictly enforced. A bipartisan coalition in Congress has put forward a trade promotion authority proposal to assert Congressional prerogative and insist that any ultimate agreement meet specific objectives on matters such as labor rights, environmental protections, and human rights. That legislation, the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (H.R. 1890), also provides for close Congressional consultation and public transparency throughout the agreement's review and approval process.

Adherence to international labor standards and environmental agreements will be new territory for some countries in the Asia-Pacific, but we must insist that this agreement break new ground. For the first time in history, the promotion of human rights has been elevated to a primary negotiating objective in trade promotion authority legislation. This will be an uncomfortable discussion for some parties to the agreement, but again, we will not negotiate away our values. There have been past agreements that have not lived up to these standards. With TPP, we must achieve a new type of trade agreement, and H.R. 1890 will ensure that we succeed.

Despite what some critics would have you believe, free trade is not the source of all economic woes in the U.S. There are many factors that act as disruptors in the 21st century economy, not the least of which is technology. Absent an ability nor willingness to wall off the U.S. economy from the 95% of the world's consumers who live beyond our borders, we should support measures that mitigate the inevitable effect trade can have on workers, such as the Trade Adjustment Assistance Act of 2015 (H.R. 1088), which provides training and resources to workers who have lost their jobs as a result of trade. We cannot use trade as a scapegoat, and ignore the realities of the globalized economy.

Nor can we expect trade to be a panacea for the Asia-Pacific. Trade with the U.S. will not proliferate American-style democracies on day one of a free trade agreement. However, it will give U.S. companies and U.S. citizens access to markets that are partly closed off to U.S. goods and services. It will provide an alternative to China, a country that has used its trade ties to put smaller countries into a vulnerable, defensive crouch on matters such as maritime disputes. And, yes, trade with the U.S. will come with strings attached. The alternative is ceding to China's standards, and they have none.

As the U.S. executes a strategic rebalance to the Asia-Pacific, strengthened economic ties to the region offer us the opportunity to cement our presence and demonstrate a multifaceted commitment to the Asia-Pacific that extends beyond regional security matters. Coalescing the Asia-Pacific around an economic system with clearly defined standards is an opportunity to demonstrate America's influence as the world's lone indispensable nation.

Questions for the Record Submitted to
Assistant Secretary Daniel Russel by
Representative Ed Royce
House Committee on Foreign Affairs
May 14, 2015

Question:
Assistant Secretary Russel stated in his testimony that Taiwan would be given serious consideration as a potential future Trans-Pacific Partnership (TPP) member. In a written statement on February 25, 2015, Secretary Kerry indicated that the State Department had begun the process of "sharing information on the objectives and standards of TPP and the kind of reforms that would likely be required for [Taiwan] to join." In what format and to what extent has this information been delivered to Taiwan?

Answer:
We welcome Taiwan's interest in the Trans-Pacific Partnership (TPP). As Taiwan considers whether to seek to join TPP, and studies whether it will be able to make the reforms necessary to be a part of the high-standard TPP agreement, we have sought to use the U.S.-Taiwan Trade and Investment Framework (TIFA) as a forum to resolve trade and investment concerns and to help increase U.S. stakeholders' confidence in Taiwan's reliability as a trading partner. Through the TIFA, as well as meetings in Taipei and in Washington, D.C., the U.S. Trade Representative (USTR) has updated Taiwan on the TPP negotiations, and USTR and State Department officials have urged Taiwan to accelerate economic reform efforts and address longstanding trade issues to increase its attractiveness as a potential TPP partner. We have also explained that decisions on TPP candidates are made on a consensus basis of all existing TPP partners, and we have encouraged Taiwan to engage with the other 11 TPP negotiating partners as well.

Question:
Assistant Secretary Russel stated in his testimony that the Administration was evaluating and researching the prospect of a U.S.-Taiwan bilateral investment agreement. What is the status of this research and will the Administration incorporate Congressional views into the process?

Answer:
We continue to look carefully at the potential for a bilateral investment agreement (BIA). We recognize a BIA would bring commercial benefits to both the United States and Taiwan, but are not yet prepared to move forward. We will continue to consult Congress as we consider this issue.

We encourage Taiwan to focus on resolving long-standing trade issues and honoring its international commitments, including with regards to U.S. beef and pork imports, and demonstrating its ability to adhere to high standards.

Questions for the Record Submitted to
Assistant Secretary Charles Rivkin by
Representative Michael McCaul (1)
House Committee on Foreign Affairs
May 14, 2015

Question:
Can you describe the Trans Pacific Partnership as it relates to the energy trade in the region? What sorts of messages are you hearing from our negotiating partners about their energy needs, in particular their desire for American energy?

Answer:
The Energy Policy Act of 1992 determined that the export of natural gas, including LNG, to a nation with which the United States has a free trade agreement is consistent with the public interest, and that applications for export to those nations should be granted without modification or delay. There are currently no restrictions on the export of refined petroleum products or condensates. Certain TPP partners have expressed an interest in gaining access to natural gas exports from the United States to diversify their energy supply and to increase energy security. We direct you to the Office of the United States Trade Representative for further information.

Question:
Can you please describe the significance of the Trans Pacific Partnership to the Rebalance strategy and to our economic interest as a whole? What would failure to complete negotiations on the TPP say to the international community and our negotiating partners?

Answer:
Lower barriers to U.S. exports, opportunities for new or expanded investment by U.S. firms, and greater regulatory coherence across the Asia-Pacific region offer obvious economic benefits to American workers, businesses, and farmers. Our current exports support approximately 11.7 million high-paying American jobs all over the country. Increased exports can only strengthen our economy while well-defined and enforceable rules can only help protect American workers. However, we must not overlook the fact that trade policy and foreign policy are inextricably linked. And it is difficult to overstate the strategic importance of countries with 40 percent of global GDP declaring that they support freer trade and more open and transparent rules for trade and investment.

The TPP will cement the strong alliance framework and partnerships that ensure the Asia-Pacific region's security and prosperity. The TPP will assure our allies and partners that our long-term commitment to the region reaches beyond security and into the economic realm. It will add another dimension to our strong and enduring presence in the Asia-Pacific.

With the TPP, we, along with our partners, will begin to build - in some cases rebuild – a stable foundation for trade in the Asia-Pacific region. Through TPP we can articulate the values that we want to see prevail in the region – values like fair labor standards, environmental protection, and laws updating intellectual property rights. The standards enshrined within this agreement reflect our values and interests as partner nations committed to dynamic, fair, and rules-based economic practices.

Right now, China and others are negotiating their own agreements. Those agreements do not protect workers' rights or environmental interests. They do not protect intellectual property rights or maintain a free and open internet. And they do not do anything about unfair competition from state-owned enterprises. While the United States currently has trade agreements with 20 countries, there are over 200 trade agreements in the Asia-Pacific region. If those become the model for the fastest growing region of the world, it will not only put our workers and firms at a significant disadvantage, it will result in Asian markets being carved up, removing us from supply chains, decreasing our linkages to important allies, and overall seeing our influence diminished.

Stakes are high, and this is an important leadership issue for the United States. We cannot shape outcomes if we are not involved in trade diplomacy. We must either lead or we will be left behind in the fastest growing region of the world if we allow other countries to set the rules.

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