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U.S. Asia Pacific Council

Washington REPORT

News and analysis from Washington, D.C. about key issues in U.S.-Asia Pacific Relations

Volume 5 September 2007

The Korean Peninsula: Progress or Illusion?

USAPC Interview with Ambassador Charles L. (Jack) Pritchard

Earlier this year, there appeared to be a breakthrough in the arduous Six Party Talks when North Korea agreed to a two-phase action plan that would culminate in its disabling all nuclear facilities. About six weeks later, the United States and South Korea concluded a landmark free trade agreement. And in early August, Seoul and Pyongyang announced the resumption of talks aimed at rapprochement.

Are peace, prosperity, and improved U.S. relations with both Koreas within reach? The dynamics on the Korean Peninsula make it all but impossible to answer this question with a simple yes or no. Charles J. (Jack) Pritchard, who served as ambassador and special enjoy for negotiations with North Korea from April 2001 to September 2003, examines the political, economic, and strategic issues that will continue to challenge Washington in its dealings with Seoul and Pyongyang in the weeks and months ahead.

USAPC: South Korean President Roh Moo-hyun and North Korean leader Kim Jong-il will meet October 2-4 in Pyongyang. What is the significance of this long-awaited summit?

Pritchard: There is both good and bad news with respect to the recently announced North-South summit. The good news is that it represents a continuation of a dialogue that began on June 15, 2000. That was the first meeting between Kim Jong-il and former South Korean President Kim Dae-jung in Pyongyang.

Some regional observers had hoped that the October 2-4 summit would be reciprocal and the two leaders would meet at a location in South Korea. But Seoul approached the summit very pragmatically. South Korean officials understood the importance of continuing the North-South

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Time Constraints, Other Issues May Affect Action On China Bills

Just before the August recess, two Senate panels approved separate measures aimed at pressuring China to liberalize its exchange rate policy. At about the same time, the House Ways and Means Trade Subcommittee heard testimony from 20 witnesses about the impact on the U.S. economy of China's "manipulated" currency and "trade-distorting policies." It certainly appeared that U.S. lawmakers were gearing up to pass a China currency bill before the end of the year.

Spending Bills/Iraq—In early September, however, the outlook was less clear owing to a jammed calendar of "must-pass" bills and a legislative turf dispute.

If the October 26 target date for adjournment holds, Members of Congress will have barely two months in which to complete action on a dozen FY08 appropriations bills—some of which include elements that may prompt a presidential veto, causing further delays.

In addition, lawmakers will be preoccupied with the politically charged process of evaluating the ex-

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Inside This Issue

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Official Washington

In each issue, Washington Report will provide the names and contact information for selected executive branch officials with jurisdiction over economic, political, and security issues important to U.S.-Asia Pacific relations. This issue will focus on pertinent personnel from the ***Commerce Department****.*

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dialogue and let it be known that President Roh was prepared to meet Kim Jong-il anytime, any place. So the summit will take place in Pyongyang again.

The bad news, if you will, is that North Korea's initiation of the summit has raised all sorts of questions about Pyongyang's motives. Conventional wisdom suggests that Kim Jong-il would not want to have a summit during the last few months of the term of a somewhat unpopular South Korean president. Kim could not count on the next South Korea president to implement fully whatever deal President Roh makes, particularly since polls indicate that Roh's successor may be from the more conservative, hawkish Grand Opposition Party (GNP).

So why did North Korea initiate the summit? It may be that Pyongyang is looking for an opportunity to lock Roh in on various agreements—whether for food, fertilizer, or joint ventures—that effectively would bind his successor, no matter what that person's party affiliation and propensity for engagement with the North.

USAPC: Some analysts have suggested that Pyongyang called the summit in an effort to meddle in South Korean politics.

Pritchard: Yes, that is another possible explanation. The North Koreans are notorious for using those tactics.

Kim Jong-il may view the summit as a means of boosting support for candidates of the liberal United New Democratic Party in South Korea's presidential election on December 19, 2007. The United New Democratic Party, which is an off-shoot of the liberal, ruling Uri Party, also would support policies aimed at developing relations with the North, while the GNP favors a harder-line approach.

Not surprisingly, the GNP argued soon after the two governments announced the summit that North Korea, indeed, was trying to affect the South Korean presidential elections. It remains to be seen, though, how South Korean voters will view the North's tactics and whether they will reward the United New Democratic Party accordingly.

USAPC: How might the North-South summit affect progress in the Six Party Talks aimed at ending North Korea's nuclear program?

Pritchard: Yet another worry is that the North Koreans may be trying to use the North-South summit to interfere with the Six-Party Talks. In recent months, there has been a meeting of the minds between Seoul and Washington on how best to deal with North Korea on the

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Congressional Watch

During the past month or so, Congress acted on the following bills relevant to U.S.-Asia relations:

- **Honda "Comfort Women" Resolution**— On July 30, the House of Representatives passed by voice vote a nonbinding resolution championed by Rep. Mike Honda (D., California). It expressed the sense of the House that the Japanese government should formally "acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner" for forcing thousands of women into sexual slavery during the 1930s and 1940s. (These victims are commonly referred to as "comfort women.") It is unlikely the Senate will pass a companion measure, which means that the Honda resolution, which attracted 167 cosponsors, will stand as a symbolic action by the House.
- **Saxton Resolution on Japan**—On September 5, the House passed by voice vote a nonbinding resolution introduced by Rep. Jim Saxton (R., New Jersey). The measure formally recognizes the "strong security alliance" between the United States and Japan, and expresses appreciation "for Japan's role in enhancing stability in the Asia Pacific region and its efforts in the global war against terrorism." The Saxton resolution, which garnered the support of Rep. Honda and other supporters of the "comfort women" resolution, presumably is aimed at easing strains in U.S.-Japan relations caused by House approval of the Honda measure on July 30. The measure also stands as a symbolic action by the House.
- **Extension of Burma Sanctions**—On June 23, the House passed a bill to extend by one year provisions of the Burmese Freedom and Democracy Act of 2003 that prohibit U.S. importation of any item produced in Burma. The Senate approved the bill the next day. President Bush signed it into law on August 1.
- **"South Pacific Economic and Educational Development Act of 2007"**—On September 5, the House passed by voice voice a bill to authorize spending to support South Pacific exchanges, provide technical and other assistance to countries in the Pacific region, and to provide Fulbright Scholarships for students there. To be implemented, sponsors ultimately would have to secure funding via the FY08 State, Foreign Operations appropriations bill, which could prove difficult at this stage.
- **CFIUS Reform Bill**—On July 26, President Bush signed into law the Foreign Investment and National Security Act of 2007. The new law revamps the process by which an interagency panel—the Committee on Foreign Investment in the United States (CFIUS)—considers the possible national security impact of foreign purchases of U.S. companies. It generally allows Congress and the business community greater access to the CFIUS review process, which they previously criticized as opaque. The new law grew out of lawmakers' acute concerns about the Bush administration's CFIUS review in early 2006 of the purchase of U.S. ports operator P&O by Dubai Ports World.

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China Currency Bills

tent to which political, economic, and military conditions in Iraq meet congressionally prescribed benchmarks.

Jurisdictional Issues—A disagreement between the Senate Finance Committee and the Senate Banking Committee over which panel has jurisdiction over the China currency bills has created a time-consuming complication. The Senate Finance Committee approved "The Currency Exchange Rate Oversight Reform Act of 2007," on July 26. The Senate Banking Committee reported "The Currency Reform and Financial Markets Access Act of 2007" less than one week later.

The Senate Finance bill would require the Treasury Department to negotiate with countries with "fundamentally misaligned currencies" and would impose trade-related penalties on countries that fail to take corrective action. The Senate Banking bill also aims to make it easier for Treasury to determine that China deliberately maintains an undervalued currency. However, unlike the Finance bill, it would require Treasury to seek remedy for currency manipulation primarily through the International Monetary Fund (IMF).

Senate Banking Committee Chairman Christopher Dodd (D., Connecticut) has argued that it is inappropriate for the Finance Committee to be acting on currency-related bills because his panel has principal jurisdiction over international monetary policy and central bank matters. Senate Finance Committee Chairman Max Baucus (D., Montana) reportedly has disagreed on grounds that his panel's bill includes trade remedies, which indeed are under the Finance Committee's purview. Both lawmakers have appealed to the Senate leadership to determine which bill, or elements of either bill, will move to the Senate floor.

House Inaction—In the meantime, House Ways and Means Committee Committee Chairman Charles Rangel (D., New York) has given no indication when his panel will consider China-targeted legislation or in what form. This is puzzling to some observers who assumed that the

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nuclear issue. There is a sense of solidarity between the United States and South Korea that has not existed for the past six years.

The North Koreans therefore may be trying to undermine this new U.S.-South Korean solidarity by trumping it with North-South rapprochement. If the summit significantly improves the tenor of North-South relations, it might then be difficult for South Korea to get tough with the North if the Six Party Talks hit a roadblock six or eight months down the road. We will not know Pyongyang's true motivation for some time.

I imagine the Bush administration is concerned. U.S. officials probably have mixed views, on the one hand, wanting to support the concept of North-South engagement, but on the other, worried that the outcome may affect the new-found solidarity of the United States and South Korea toward the North.

USAPC: With respect to the Six Party Talks, do you think implementation of the second, so-called "disablement phase" of the February 13 agreement (see box) will be completed by the end of the year as Christopher Hill, Assistant Secretary of State for East Asia and the Pacific, has predicted?

Pritchard: Ambassador Hill, to his credit, does a wonderful job of managing media expectations, but the disablement phase may not be completed by the end of 2007, even though there now seems to be an agreement to do so. Implementation of the second phase will be much trickier. Pyongyang will be required to disable the Yongbyon reactor. The North Korean government is prepared to do that because it has determined that the Yongbyon facility, whose condition is deteriorating, no longer provides any strategic benefits.

That also is why Pyongyang was willing to shut down and seal the Yongbyon reactor as called for in the initial action phase of the February 13 agreement. The North Koreans apparently felt they would not be losing much by giving up Yongbyon.

Nevertheless, Pyongyang undoubtedly will try to extract as much negotiating benefit as possible from the Yongbyon disablement. In my view, the North Koreans will come back to the negotiating table with even more demands—in addition to insisting on the provision of 950,000 metric tons of heavy fuel oil or its equivalent as stipulated in the February deal.

Pyongyang will want to be removed from the Terrorism List and have Trading with the Enemy Act sanctions lifted in parallel with its requirement to declare all of its nuclear programs and disable its nuclear facilities.

USAPC: You have hands-on experience negotiating with the North Koreans. What is it like to sit across the table from your North Korean counterparts and be told that you have a deal, only to learn the following day that, in reality, you do not have a deal because they have back-pedaled, changed the terms of the agreement, or otherwise tried to upend the process?

Pritchard: You are correct about the negotiating habits of the North Koreans. My experience, which was defined most sharply during the Clinton administration, involved intense negotiations on various subjects, each of which extended over several months.

The North Koreans have a distinct negotiating pattern. One day you seem to be moving toward mutually beneficial goals and objectives. On days like that, however, experienced U.S. negotiators often return to their meeting rooms feeling somewhat depressed. That is because they know that those gains will be erased the following day.

The North Koreans typically provide Americans with a taste of what could be possible—but then inform them that it will not work after all unless something else is addressed. By using this negotiating approach, the North Koreans try to maximize what little leverage they have.

It creates a very frustrating process—until the day when the North Koreans finally conclude that they cannot realize any better outcome. When what is on the table is acceptable to them and in accordance with their objectives, only then will the North Koreans make the deal.

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February 13 Agreement

On February 13, 2007, the Six Parties agreed to a two-phase action plan aimed at getting North Korea back on track toward implementing the September 19, 2005 agreement. That accord requires North Korea to abandon its nuclear weapons and its nuclear programs and to do so in a verifiable manner.

The February 13 deal established an initial 60-day "action phase," in which North Korea was obliged to shut down and seal its main nuclear reactor at Yongbyon and allow verification by International Atomic Energy Agency (IAEA) inspectors. During the same period, the other five parties were obliged to provide North Korea an initial shipment of 50,000 metric tons of heavy fuel oil (HFO) or its equivalent.

During the second, "disablement phase," North Korea is required to disable all existing nuclear facilities, including graphite-moderated reactors and reprocessing plants, and provide a list of all its nuclear programs to the other Six Party participants. If Pyongyang met its obligations under the second phase, the five other parties would provide an additional 950,000 tons of HFO or its equivalent.

Additionally, upon successful completion of the initial phase, the Six Parties were to hold a ministerial meeting to "explore ways and means for promoting security cooperation in Northeast Asia." At press time, the ministerial meeting had yet to be scheduled.

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USAPC: Will the Six Party Talks ever enable us to realize a Korean Peninsula free of nuclear weapons or a nuclear weapons-building capability?

Pritchard: That is now a very difficult question. There was a distinct period of time in the 1990s when the North Korean nuclear weapons program was captured in the truest sense of the term. That was because the North Koreans had made a strategic decision to go down the road to full denuclearization.

They gave up their nuclear facilities, which international inspectors verified. They canned and sealed spent fuel rods, which international inspectors also verified. Pyongyang certainly appeared to be moving toward finalizing the deal worked out under the 1994 Agreed Framework. Securing the end of North Korea's nuclear program was a feasible and achievable goal. But the deal fell apart in 2002, so I do not know if that is the case anymore.

Securing the end of North Korea's nuclear program was a feasible and achievable goal in the 1990s

In the past five years, a totally different North Korea has emerged. Pyongyang has taken risks that it never would have taken before 2002. In 1993-94, the Clinton administration established a very clear "red line" concerning the reprocessing of spent fuel into plutonium.

Former Secretary of Defense William Perry has indicated that the United States was prepared to take military action if North Korea crossed that line. The North understood that there would be war on the Korean Peninsula.

In March 2003, however, the North Koreans announced their intention to reprocess spent fuel. They then stepped over the red line—and did so yet again in May 2005 at about the same time as the fourth round of Six Party Talks.

By defying the United States, the North Koreans have produced a sufficient amount of plutonium to serve as a "deterrent," in their words, against the United States. They appear to have achieved what for them was an important objective. It will be even more difficult to take that capability away from Pyongyang since it decided on October 9, 2006 to detonate some kind of nuclear device.

USAPC: It sounds like you believe that U.S. diplomacy toward the North took a wrong turn in 2002 and we now are in a weaker negotiating position.

Pritchard: The United States is the "demander" now. We need something. The Bush administration needs success after having changed its North Korea policy in the beginning of 2007. The White House cannot reverse course again and deal with North Korea as it did for the first five years of the administration, which in my view was failed diplomacy.

The Bush administration must stay the course, but politically, it also must show some measure of success. The North Koreans fully understand that and, as I said earlier, they will try to take advantage of Washington's political needs in making new demands.

USAPC: And those demands may include provision of a light-water reactor?

Pritchard: Quite possibly. It is important to bear in mind that North Korea has the capacity to receive only 50,000 tons of heavy fuel oil per month. So during the four remaining months of 2007, North Korea could receive a maximum of 200,000 tons of fuel. But what about the other 750,000 tons promised to them under the February accord? When would that be delivered?

The United States would be naïve to think that the North Koreans would completely disable the Yongbyon reactor on the promise that at some point down the road they will receive the additional 750,000 metric tons of fuel. That is why I think North Korea will insist on further bargaining in order to move the Six Party process forward.

In particular, I think Pyongyang will demand accelerated discussion about the provision of a light-water reactor. The September 2005 agreement states that the Six Parties would discuss this matter "at an appropriate time." The Bush administration later explained that an appropriate time essentially meant "never." Nonetheless, the North Koreans likely will press for timely discussions about the light-water reactor.

The North Koreans will try to take advantage of Washington's political needs in making new demands

In addition, the shutdown and disablement of the Yongbyon reactor potentially could create an environmental nightmare. Pyongyang likely would argue that it cannot afford the clean-up, so the United States should assume that responsibility.

The North Korean government also may demand assistance from the other five parties with respect to re-employment of the scientists and other Yongbyon residents who support the reactor site but soon will find themselves without jobs.

All told, there are many issues that were not addressed in the February 13 agreement. North Korea may try to raise them in the months ahead, which could block

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further progress. There could be some fissures, not only between the United States and South Korea, but among the other Six Party nations about how to deal with the North.

USAPC: Another challenge in U.S.-South Korea relations will be to secure timely approval of the U.S.-Korea Free Trade Agreement (KORUS FTA) by each country's legislative body. What would it take to get the KORUS FTA through Congress this year?

Pritchard: The U.S. Trade Representative (USTR) and its South Korean counterpart negotiated a very good trade package, particularly given the time constraints created by the June 30 expiration of the U.S. president's Trade Promotion Authority (TPA). The KORUS FTA is not perfect, but no negotiation ever is from anyone's viewpoint. Nevertheless, it is an extraordinarily good agreement for both countries.

Compounding the crunch created by TPA's expiration was the separate agreement concluded by key Members of Congress and the Bush administration on labor and environmental standards that must be included in all FTAs. Washington imposed these standards on Seoul in a "take it or leave it" manner after the KORUS FTA was concluded.

The South Korean government certainly did not appreciate the "take it or leave it" approach, but ultimately agreed to the labor and environmental provisions. Seoul recognized that South Korea's own standards are so high that the actual impact of the new provisions on the KORUS FTA would be negligible or nonexistent.

Yet the KORUS FTA faces new hurdles in Congress. Senior Members of Congress—specifically, House Speaker Nancy Pelosi (D., California), House Ways and Means Committee Chairman Charles Rangel (D., New York), House Majority Leader Steny Hoyer (D., Maryland), and House Trade Subcommittee Chairman Sander Levin (D., Michigan)—issued a statement saying they would not support the KORUS FTA because of what they regard as deficiencies in provisions pertaining to auto trade. Ford Motor Company, in particular, has argued that the KORUS FTA does not eliminate some objectionable nontariff barriers, at least to its satisfaction.

Are the automotive provisions of the KORUS FTA perfect? No, but they certainly would improve the position of U.S. automakers in the Korean market. Without the agreement, U.S. automakers will continue to sell only about 4,000 cars annually in South Korea, while the South Korean automakers will sell 800,000 cars in the U.S. market. Is that an acceptable alternative?

USAPC In Action

Congressional Study Group on the Asia Pacific Economy:

"U.S.-China Strategic Economic Dialogue: Outcomes and Prospects"—On June 11, USAPC invited Eric Altbach, Deputy Assistant U.S. Trade Representative for China Affairs, and Daniel B. Wright, Managing Director for China at the U.S. Treasury Department, to brief congressional staff on the outcome of the May 22–23 meeting in Washington of U.S.-China Strategic Economic Dialogue (SED). Altbach and Wright said the SED is not intended to produce short-term results on contentious issues, like currency reform. Rather, the SED is long-term mechanism aimed at empowering existing bilateral initiatives aimed at reforming the Chinese economy.

Dr. Jeffrey Bader, Director of the John L. Thornton China Center and Senior Fellow at the Brookings Institution, provided a non-governmental perspective. He said that in order for the SED to be successful in the longer term, Washington must complement it with unilateral actions, such as filing trade cases in the World Trade Organization (WTO), among other actions.

Joint Congressional Study Group on Asian Security and the Pacific Islands:

"A Fresh Start For Timor-Leste"—On September 7, U.S. Ambassador Hans G. Klemm spoke about the efforts of Timor-Leste (formerly East Timor) to make good on the promise of independence. Providing an complementary, from-the-field view was Flynn Fuller of the U.S. Agency for International Development (USAID), who recently served as USAID Mission Director in Dili, Timor-Leste.

The East-West Center's Congressional Study Groups (CSG) provide fora for the dissemination of research and discussions of key issues in U.S.-Asia relations of potential interest to U.S. lawmakers. The program is chiefly for congressional staff.

USAPC: Even if a deal could be worked out via side letters that addresses the concerns of U.S. automakers, the fall legislative calendar is pretty crammed.

Pritchard: Yes. Congress has very limited time for votes on the FTAs. There are four FTAs ready for floor action, and congressional leaders have said they will be considered in the following order: the Panama FTA, the Peru accord, the Colombia trade agreement, and finally the KORUS FTA.

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Asia Pacific Dialogue

Asia Pacific Economic Cooperation (APEC) forum:

APEC Australia 2007, September 8–9, Sydney, Australia—The 15th meeting of the leaders of the 21 nations that comprise APEC examined such issues as support for the multilateral trading system, climate change, regional economic integration, and "behind-the-border" barriers to competition. See www.apec.org.

Preview of PECC's *State of the Region 2007–2008*, September 6, Sydney, Australia—Dr. Charles Morrison, Chair of the Pacific Economic Cooperation Council (PECC), told the trade ministers of the APEC economies that preliminary survey results of PECC's annual *State of the Region* report indicated that experts generally were optimistic about the economic outlook for the Asia Pacific. Some 60 percent ranked high energy prices as the gravest risk to economic growth for the next five years. Water pollution and water shortages ranked as the second-highest risk to growth in the coming three-to-five years. Respondents were almost equally divided on whether the size of the Chinese economy would surpass that of the United States by 2020.

PECC's *State of the Region 2007–2008* will be issued in late October. See www.pecc.org for details.

Important 'Track-Two' Products:

An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific—The Institute of Southeast Asia Studies (ISEAS) recently published this report, which presents the results of a study undertaken through PECC with the sponsorship of the APEC Business Advisory Council (ABAC). The study considers the political feasibility of a proposal to establish a Free Trade Area of the Asia Pacific as well as alternatives APEC could take to promote greater regional trade and investment. See http://bookshop.iseas.edu.sg/ to order.

Energy Market Reform and Energy Security—The Canberra-based Centre for International Economics conducted this study at the request of Australia PECC (AUSPECC) and ABAC. Among other things, the study points to important trade-offs between short-term measures to provide energy security and long-term incentives to change energy systems. The study maintains that the key to both lies in ongoing energy reform. Email info@pecc.org for a copy.

Other Official Meetings, September–October 2007:

- **Christopher Hill, Assistant Secretary of State for East Asian and Pacific Affairs** and **Kim Gae-gwan, North Korea's Vice Minister of Foreign Affairs** held bilateral talks aimed at normalizing relations and denuclearizing North Korea under the rubric of the Six Party Talks, September 1–2, Geneva, Switzerland.
- World leaders will gather for the opening of the 62nd session of the United Nations General Assembly, September 18, New York.
- The foreign ministers of the Group of Eight (G-8) nations will meet, September 20, New York.
- **U.S. Treasury Secretary Henry Paulson** likely will attend the meeting of the World Bank and International Monetary Fund, October 20–22, Washington, D.C.

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When you combine the constraint posed by the legislative calendar with the U.S. presidential election cycle and the fear of some observers that consideration of the KORUS FTA will become politicized, there is a very narrow window of time for Congress to vote on the Korea trade deal.

Some insiders speculate that the administration will send implementation legislation to Congress on the KORUS FTA in March or April 2008. But that prediction assumes that the presidential primaries that have been moved up to February 2008 will define clearly who the nominees will be for the Republican and Democratic parties so the normal drawn-out primary process would be behind us before the general election kicks off. There might be a window then—or maybe not.

Currently, administration officials are waffling about the timeline for a congressional vote, suggesting they would shoot for a period "before [they] leave office." But that would be an awfully long time for the KORUS FTA to sit there without a concerted effort by the administration and the business community to convince and educate Members of Congress about the benefits of timely approval.

If this debate is not engaged early enough, those who are opposed to the Korea FTA very well may have center stage long enough to create a political bandwagon that will be very difficult to overcome. Time is definitely working against us with respect to the KORUS FTA. ♦

Ambassador Jack Pritchard currently is president of the Korea Economic Institute (KEI) in Washington, D.C. An expanded version of this interview is available at http://www.eastwestcenter.org/ewc-in-washington/us-asia-pacific-council/. Click on newsletter link.

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China Currency Bills

Trade Subcommittee's exhaustive, day-long hearing on proposals related to trade with China would yield a legislative product.

The 20 witnesses who appeared before the panel on August 2—drawn from Congress, U.S. government, and American business—provided a range of views about the wisdom and need for legislation aimed at rectifying injury to U.S. economic interests allegedly caused by China's undervalued currency and unfair trading practices. Quite a few House members endorsed a bill that would make exchange rate misalignment a countervailable export subsidy. Virtually all of the administration witnesses spoke in opposition to that proposal on grounds that it would violate World Trade Organization (WTO) rules. (For a complete witness list and testimony, see http://waysandmeans.house.gov/.)

Outlook—Despite the get-tough-with-China rhetoric generated by the August 2 hearing, at press time, Rangel still was silent about whether his committee would act on a currency bill in the coming weeks. Importantly, the inertia in the House delays further Senate action. Insiders say the Senate leadership is reluctant to mediate the Finance/Banking Committee turf battle until it knows the likely substance of the House vehicle.

Contrary to earlier predictions, it now appears unlikely that Congress will have time to vote on China-targeted currency legislation before the clock runs out on the first session of the 110th Congress. The bills surely will be reintroduced in some form early in the second session. And as 2008 election pressures intensify, lawmakers probably will feel they should act sooner rather than later—particularly if, in their view, Beijing continues to lag in implementing economic reforms. ♦

Bipartisan U.S-China Competitiveness Agenda Proposed

Serving as a counterpoint to U.S. lawmakers advocating punitive action against China, the U.S.-China Working Group, a bipartisan group of at least 20 members of House of Representatives, unveiled August 1 the "U.S.-China Competitiveness Agenda." The four-bill package is aimed at expanding America's influence in China and increasing U.S. competitiveness in the global marketplace.

Representatives Mark Kirk (R., Illinois) and Rick Larsen (D., Washington), co-chairs of the Working Group, along with Representatives Susan Davis (D., California) and Steve Israel (D., New York) introduced legislation that would (1) expand the U.S. diplomatic infrastructure in China, (2) increase U.S. government support for small and medium-sized businesses trying to crack China's market, (3) boost domestic Chinese language study programs, and (4) expand U.S.-China energy cooperation.

"If we are serious about intellectual property rights, consumer product safety, and economic competitiveness, we need a diplomatic infrastructure in China that reflects those priorities," Kirk said. The "U.S.-China Diplomatic Expansion Act of 2007" would authorize the construction of a new consulate in Wuhan and 10 smaller diplomatic posts in cities with more than a million people.

Larsen's "U.S-China Market Engagement and Export Promotion Act of 2007" would help U.S. states establish export promotion offices in China and assist small businesses in undertaking trade missions. The "U.S.-China Language Engagement Act of 2007" would help rectify the U.S. "knowledge deficit" about China, Kirk maintained. Israel's "U.S.-China Energy Cooperation Act of 2007" would authorize new grants to fund bilateral energy and climate change education programs. ♦

USAPC News

USAPC Member Peter Petri Convenes *East-West Dialogue*, A New Interactive Project

The East-West Center (EWC) recently launched *East-West Dialogue*, a new project aimed at fostering discussion and debate of key issues in U.S.-Asia economic relations. Prof. Peter Petri, USAPC member, Senior Fellow at the East-West Center, and Carl J. Shapiro Professor of International Finance at Brandeis University, will serve as the convener.

The *Dialogue* seeks to develop and promote innovative policy, business, and civic initiatives aimed at deepening the transpacific partnership through region-wide discussion and debate.

In the first issue, Prof. Petri and EWC President Charles Morrison argued that the chemistry of U.S.-Asia relations is failing but could be invigorated by strengthening regional institutions and public diplomacy. Commentaries by Prof. Taeho Bark of Seoul National University, Prof. Peter Drysdale of Australian National University,and Prof. Shen Dingli of Fudan University supported the importance of the partnership but proposed different priorities.

USAPC members and other readers may offer their own critiques and commentaries at http://forums.eastwestcenter.org/eastwestdialogue/. Click on the "Comments" link on the right-hand side of the webpage.

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