



# Washington REPORT

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

Volume 5 September 2008

## Top Advisors Illuminate The U.S. Presidential Candidates' Views On Asia Policy

### Special Joint USAPC Interview with Randall G. Schriver and Michael Schiffer, Senior Advisors to Sen. John McCain (R, AZ) and Sen. Barack Obama (D, IL), Respectively

U.S. Defense Secretary Robert Gates recently described Asia as "the center of gravity in a rapidly globalizing world." The new American president who assumes the leadership mantle in January 2009 will inherit some difficult challenges but also potentially rewarding opportunities stemming from the region's remarkable transformation.

In the following special joint interview, Randall G. Schriver (for McCain) and Michael Schiffer (for Obama) provide insights into how their candidates would address key political, economic, and security issues in U.S.-Asia relations.

**USAPC:** As the region has become more integrated economically, the nations of Asia have been exploring the creation of new regional architectures that would exclude the United States. Is this a concern for your candidate, and how would he keep the United States engaged in the region?

**Schriver:** The priority in Asia, at the risk of sounding glib, is to make Asia a priority. Senator McCain understands the centrality of Asia to the future of the United

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## Lawmakers Ponder Future Of U.S. Trade Policy

Congressional action on key trade agreements and policy issues screeched to a halt in about mid-2008. Paralyzed by domestic political disagreements, lawmakers refused to act on legislation implementing free trade agreements (FTA) with Colombia, Panama, and South Korea. They also allowed the president's trade promotion authority (TPA) to expire. TPA enables the president to submit trade agreements to Congress for approval without amendment.

Trade policy hit an impasse on the multilateral front as well. On July

29, the seven-year negotiations in the World Trade Organization (WTO) totally collapsed—a development that has left elected officials, trade ministers, and trade policy experts the world over deeply concerned about the outlook for a rules-based global trading regime.

It is no wonder that even key trade legislators on Capitol Hill are struggling to make sense of the path forward. Senate Finance Committee Chairman Max Baucus (D., Montana) therefore held a hearing on July 29 to solicit the views and advice of former

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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 focuses on pertinent personnel from the Commerce Department.*

### Mailing Address:

Herbert C. Hoover Building (HCHB)  
1401 Constitution Avenue, N.W.  
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### International Trade Administration:

*Manages the non-agricultural trade operations of the U.S. government*

**Christopher A. Padilla**—Under Secretary for International Trade, HCHB 3850, 202.482.2867

### Import Administration:

*Enforces U.S. antidumping and countervailing duty laws and related agreements.*

**David M. Spooner**—Assistant Secretary, HCHB 3099B, 202.482.1780

**Joseph A. Spetrini**—Deputy Assistant Secretary for Policy and Negotiations, HCHB 3705, 202.482.2104

**Stephen Claeys**—Deputy Assistant Secretary for Anti-Dumping/Countervailing Duty Operations, HCHB 3099, 202.482.5497

### Market Access and Compliance:

*Provides analysis and information about the trade potential for U.S. products in specific regions and countries.*

**David S. Bohigian**—Assistant Secretary, HCHB 3868A, 202.482.3022

**Ira Kasoff**—Deputy Assistant Secretary for Asia, HCHB 2038, 202.482.4527

**Keith Roth**—Acting Director, Office of Japan, HCHB 2322, 202.482.2427

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### Bureau of Industry and Security:

*Oversees export licensing and investigates violations of U.S. export control laws.*

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States and the necessity of being engaged. The first response to new initiatives on regional architecture is to ensure the integrity of the existing architecture—namely, that our military alliances are healthy, that we continue to invest in alliance modernization, and that the regional organizations in which we currently participate are empowered to promote our interests.

Senator McCain often has noted that our policies should be informed first and foremost through our alliances. Exploration of broader regional and subregional cooperation would begin with a strategic dialogue with

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### *Sen. McCain has raised the possibility of a League of Democracies to explore how like-minded democracies can work together*

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allies and like-minded states.

Secondly, we won't persuade our friends in the region of our sincerity if our only response to new ideas is to complain that someone else is taking the initiative. Rather, we also should take the initiative to ensure that countries in the region see positive alternatives. Senator McCain has raised the possibility of a League of Democracies to explore how like-minded democracies can work together to achieve positive regional and global outcomes.

**Schiffer:** The United States has long been an Asia-Pacific power, and an important guarantor of peace, stability, and development in Asia through its comprehensive engagement in regional affairs. Given its substantial economic, political, and security interests in the region, this engagement must continue.

Senator Obama believes there remains a deep reservoir of support for U.S. involvement in Asia. He is com-

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### *Sen Obama believes that the United States has been asleep at the switch as Asia has begun to consider new vehicles for dialogue*

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mitted to enhancing and deepening the U.S. presence and U.S. partnerships with allies and friends to strengthen our involvement in this pivotal region.

At the same time, however, Senator Obama also believes that in recent years the United States has been asleep at the switch as Asia has begun to consider new vehicles for dialogue and cooperation and to address the many security challenges facing the region. While he recognizes we need not be a member of every institution that is created, he believes the United States should be actively engaged in both strengthening existing

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## Congressional Watch

- **Burma Human Rights**—On July 22, Congress sent to the President the “Tom Lantos Block Burmese Junta’s Anti-Democratic Efforts (JADE) Act,” named for its sponsor, the late Rep. Tom Lantos (D., California), who was chairman of the House Foreign Affairs Committee. President Bush signed it into law on July 29. The new law will prevent Burmese gems, including jade and rubies, from entering U.S. markets via third-party countries. The gem-mining sector has served as an important source of revenue for the repressive ruling junta. It also will make Burmese regime leaders, military officers, and their families ineligible for U.S. visas.

Also on July 29, the U.S. Treasury Department announced financial sanctions against 10 companies owned or controlled by the Burmese government or its officials. This follows up President Bush’s Executive Order of April 30, 2008, which blocked the property and interests in property of three Burmese state-owned enterprises in the gem and timber industries.

- **Trade Enforcement**—On July 17, House Ways and Means Committee Chairman Charles Rangel (D., New York) and House Trade Subcommittee Chairman Sander Levin (D., Michigan) introduced the “Trade Enforcement Act of 2008.” This is the House counterpart to legislation championed by Senate Finance

Committee Chairman Max Baucus (D., Montana). Although not entirely identical, both bills would limit the ability of the President to deny relief in “China safeguard cases.” They also would clarify that U.S. countervailing duty provisions may be applied to imports from nonmarket economies such as China.

Neither House will have time to vote on the bills in 2008. However, insiders expect both Baucus and Rangel to re-introduce the legislation in the 111th Congress. If, as some pundits predict, the November 4 elections produce larger Democratic majorities in both houses of Congress, the Baucus and Rangel bills may gain more traction in 2009.

- **Trade Adjustment Assistance**—Both presidential candidates have discussed the importance of improving the current Trade Adjustment Assistance (TAA) program to provide more effective help to workers displaced by the forces of globalization. Despite this high-profile attention, Congress will not consider a bill to overhaul TAA this year, according to its chief sponsor, Sen. Baucus. The reason is purely political. Senate Republicans demanded a guarantee of action on the Colombia Free Trade Agreement (FTA) in exchange for their support for TAA reform. Baucus has been adamant that no FTA would move to the Senate floor before Congress “does its duty” on TAA.

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## Future U.S. Trade Policy

U.S. Trade Representatives Charlene Barshefsky, William Brock, Carla Hills, and Mickey Kantor.

**Sowing Seeds for 2009**—It is unlikely that their comments will affect congressional action on trade issues in 2008. But the testimony of the former USTRs and their dialogue with committee members undeniably served to expand further their base of knowledge about the economic and job-related impacts of trade and U.S. relations with key trading partners, particularly in Asia. This, in turn, may influence how members of the 111th Congress try once again to tackle challenges to American competitiveness posed by growing transpacific economic relations.

**Trade Benefits vs. Trade Politics**—Virtually all of the witnesses, who served in both Republican and Democratic administrations, underscored that trade is part of the solution to current U.S. economic ills, not the problem. They cited studies showing that more than 30 million U.S. jobs are linked to trade and that it accounts for less than 3 percent of annual jobs losses. Nevertheless, as Amb. Hills noted, public anxieties about trade and global-

ization have never been higher, and the previous bipartisan consensus supporting open trade has all but evaporated.

Concerning the latter, all of the former USTRs decried the extent to which the trade debate on Capitol Hill has become polarized. Amb. Barshefsky, in particular, expressed alarm at how “mean, low, and ill-advised” trade politics have become in Congress. The decision of the House of Representatives in April to upend procedures for considering legislation to implement the Colombia FTA under TPA rules is indicative of this worrisome trend, she suggested.

Congress’ inaction on the Colombia FTA “will only serve as a boon to [Venezuelan President Hugo] Chavez and will not necessarily affect changes to Colombia’s labor policies,” Barshefsky said. “And I have never seen the United States move so close to a democratizing country only to repudiate them by rejecting the FTA.”

**Comprehensive Approach**—Just as important, such partisan tactics impede efforts to thoughtfully consider a comprehensive agenda to improve U.S. economic and competitiveness problems of which free trade would be one important element. All of the witnesses agreed that

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institutions and in the on-going discussion about, and development of, new institutions that supplement and complement already existing U.S.-centered regional security structures.

In order to maintain our viability in a steadily evolving security environment, Senator Obama believes that the U.S. should aim to participate in organizations that meet the functional challenges facing the region and that play the most important role in the region's political, economic, and security affairs.

**USAPC: Asia is home to the majority of the world's 1 billion-plus Muslims. What initiatives would your candidate undertake to improve U.S. relations with Asian Muslims?**

**Schiffer:** Senator Obama understands the need to engage more closely and directly with Asia's significant Muslim population. He is personally aware of the central role of Islam and Muslims in Southeast Asian affairs, having spent four of his first 10 years in Indonesia, the world's largest Muslim nation.

He also understands that the region has undergone an extraordinary metamorphosis over the past decade, maintaining a religiously tolerant orientation while accommodating increased religiosity in its many diverse societies. While there have been some radical manifestations of Islam, including terrorist groups such as Jemaah Islamiah, the overall nature of Islam in Southeast Asia has been an essential component of the region's on-going political and economic development in recent years.

To improve our relations with Asian Muslims, Senator Obama believes we must first reverse the widespread perception among them that the so-called U.S.

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*Sen. Obama believes that we must reverse the widespread perception in Asia that the so-called U.S. "war on terrorism" is a war on Islam*

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"war on terrorism" is a war on Islam. The Bush Administration's misguided war in Iraq and perversions of justice and the rule of law as symbolized by Abu Ghraib and Guantanamo Bay have contributed substantially to the terrible state of our relations and reputation with Muslims around the world, including in Asia.

While he will apply the full spectrum of U.S. power to the fight against terrorism, including military force when necessary, Senator Obama has made clear that he intends to bring the U.S. occupation of Iraq to an end,

close down the detention centers in Guantanamo Bay, and reestablish the rule of law to begin to restore the U.S. reputation around the world, including in Muslim nations.

Senator Obama understands that to the vast majority of Asian Muslims the extremists and terrorists are as big a threat to their well-being as to ours. As a result, he recognizes that we need to listen more to their perspectives on how to address this threat, align ourselves with their developmental interests, and contribute more of the resources they require to attack the extremist challenge from within.

While Asian Muslims may not always agree with U.S. policies, we can do much more to increase understanding and explain our policies to Asia's Muslim communities through increased and more effective public and private diplomacy.

**Schrivver:** Our relations with the Muslim world present a multi-faceted challenge that will require a multi-faceted response. Senator McCain has stated that our first

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*Sen. McCain understands that America's strengths are the same attributes that can appeal to the Muslim world if communicated properly*

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step to improving our image around the world must be to get our own house in order—and in this regard he has cited the need to close Guantanamo Bay and to end any blurring of lines on torture.

But Senator McCain also understands that America's strengths are the very same attributes that can appeal to the Muslim world if communicated properly. America's strong support for family values, our principled stand in welcoming people of all faiths in our country, and our strong international record in condemning religious persecution can all help form a foundation for improving our communication with Asia's Muslims.

Senator McCain also believes we can invest further in our relationships with key Muslim countries such as Indonesia and Malaysia in ways that reflect a genuine interest in their success as multi-ethnic, multi-religious democracies with majority Muslim populations.

**USAPC: A variety of free trade agreements (FTA) are being developed between and among Asian countries. How does your candidate feel about the United States being excluded from these deals? What initiatives would he undertake to address this problem?**

**Schrivver:** Senator McCain is a strong proponent of free trade. He believes that we should vigorously pursue free trade through multilateral mechanisms as well as

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through new bilateral trade agreements involving the United States. For example, Senator McCain has been a strong supporter of the U.S.-Korea Free Trade Agreement.

As president, he would seek the necessary authorities from Congress to continue trade liberalization, and he would seek to be involved in Asia's progress toward trade liberalization as an active participant driving the agenda.

**Schiffer:** Senator Obama believes that existing mechanisms, such as the Asia-Pacific Economic Cooperation (APEC) forum, are useful platforms for U.S. economic engagement with the Asian region.

Senator Obama believes that any trade agreements we negotiate must have binding labor and environmental standards, provide for effective access to foreign markets for American exports, and be rigorously monitored and enforced.

**USAPC:** How would your candidate secure denuclearization of North Korea? Would he continue the Six-Party process or something like it?

**Schiffer:** Senator Obama is committed to pursuing direct diplomacy in close consultation and coordination with our allies South Korea and Japan, and with the cooperation of China and Russia. In exchange for the complete, verifiable elimination of the North's nuclear weapons programs, the Six Party Talks offer North Korea the possibility of a bright future marked by economic assistance, sanctions relief, security assurances, and ultimately normalization of relations with the United States.

But the Six Party Talks by themselves are not enough. They must be accompanied by direct, principled, tough-minded talks with the DPRK [Democratic People's Republic of Korea]. While President Bush scuttled the

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*Sen. Obama believes that we must engage with North Korea not because we trust them, but because we do not*

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previous process of diplomatic interaction and refused to engage with North Korea in the first part of his administration, Pyongyang withdrew from the Nuclear Non-Proliferation Treaty (NPT), reprocessed its spent fuel, exported nuclear technology to Syria, tested long-range missiles, and ultimately tested a nuclear device.

And the bottom line is that President Bush's approach—an approach also advocated by Senator McCain in 2000 and 2003, when he spoke and wrote disparagingly of negotiating with North Korea—made the

United States and our friends and allies less safe and less secure. Only after the President changed course and authorized direct dialogue in December 2006 did the North shut down its reactor, accept international monitoring of its key nuclear facilities, and begin to disable them.

Senator Obama believes that we must engage with North Korea not because we trust them, but because we do not. We should proceed on the basis of action for action, fulfilling our commitments provided that the North verifiably dismantles all its nuclear weapons facilities, hands over its fissile material, and returns to the NPT.

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*Sen. McCain would seek a return to the core principles of denuclearization—CVID, or complete, verifiable, irreversible dismantlement*

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The DPRK's recent stated intention to rebuild its nuclear facilities at Yongbyon would be an unacceptable step backwards. Other issues must also be addressed before relations can be fully normalized, including the question of abductees.

As President Kennedy said, "We must never negotiate out of fear, but we must never fear to negotiate." Patient diplomacy is our best option. But Senator Obama will not allow Pyongyang to dictate or renegotiate the terms of our agreements, and does not believe we should take any option off the table should the North continue to threaten international peace through its pursuit of nuclear weapons.

**Schrivver:** Senator McCain supports diplomacy to resolve the nuclear issue on the Korean Peninsula, including multilateral diplomacy. He has expressed concerns, however, about the progress of our negotiations.

As president, Senator McCain would alter our approach in a few ways. First, he would seek a return to the core principles of denuclearization known as CVID, or complete, verifiable, irreversible dismantlement.

Second, he would work to improve our alliance with South Korea and our communication with Japan on these matters. Our approach to North Korea should be informed first and foremost by the views of our closest allies in northeast Asia.

And, third, he would seek to broaden our policy goals related to North Korea. Currently, we seem to have a de-nuclear policy only. Senator McCain would pursue policies that take into account human rights, illegal and illicit activities, economic and political reform, prolifera-

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tion, and reduction of the conventional military threat from North Korea.

**USAPC: The Bush administration created the U.S.-China Strategic Economic Dialogue (SED) as a way of addressing a variety of bilateral economic issues.**

**Does your candidate feel that the SED remains a useful vehicle for addressing U.S.-China economic issues? Are there alternative vehicles he would prefer using?**

**Schriver:** The key criteria to judging any particular forum are the results produced. Senator McCain is open to sustaining elements of his predecessor's policies if there is a proven track record of results that further American interests.

While he has not taken a position specifically on whether or not to continue the SED, he does feel that we need the right modalities for addressing challenges and opportunities in our very complex bilateral economic relationship with China. Senator McCain is hopeful that Secretary Paulson's next round of discussions with China scheduled for after our election will produce good results for our economy.

**Schiffer:** Senator Obama will assess the value of specific policy forums once he is president. In general, he believes that high-level dialogue with China is useful, and it is essential for our economic high-level dialogue to aim to create a more balanced economic relationship and address long-term challenges confronting our two countries.

We have many important issues to discuss, from encouraging China to rely more on domestic demand and less on exports for growth, to working together to tackle climate change.

**USAPC: U.S.-South Korea relations have been strained by economic disagreements. Relations likely will be tested further by base closures and relocations.**

**How do we repair relations with our longtime ally, but do so in a manner that also addresses the domestic political forces in both countries that have fueled these disagreements?**

**Schiffer:** Senator Obama believes that the first step to strengthening our relationship with South Korea is to recognize the tremendous strides that South Korea has made in recent decades. South Korea is not only a vibrant democracy boasting a world class economy, but also has been a tried and trusted ally of the United States whose contributions in the region and around the globe have not

been fully recognized or appreciated in recent years.

As our relationship continues to develop, it is more important than ever for the United States and South Korea to clarify mutual expectations and to craft a shared vision for the alliance that recognizes South Korea's enhanced capacity and extends beyond the defense of the Korean Peninsula.

In crafting such a vision and in forging closer cooperation in the global arena, Senator Obama believes that the United States should fully take into account the values, norms, and interests it shares with its Korean ally, and at the same time support South Korean-led efforts to promote inter-Korean rapprochement and reunification.

It is essential that our two governments strengthen prior policy coordination and deepen their bilateral dialogue on key foreign policy challenges including the

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## Future U.S. Trade Policy

current U.S. economic problems are best addressed through a careful mix of domestic and trade policy prescriptions.

"Trade won't solve all U.S. economic problems, but it is an important part of the solution," Amb. Kantor said. And the "solution," according to Kantor, should address improvements to the U.S. educational system, energy security and climate change, infrastructural improvements, science, research and development incentives — as well as trade liberalizing agreements, vigorous enforcement of trade laws, and expanding and improving Trade Adjustment Assistance (TAA) to help trade-displaced U.S. workers.

**Trade and Jobs**—With respect to TAA, the witnesses argued that expanding the program alone would not necessarily reduce trade-related job anxiety. Amb. Barshefsky called for "restructur[ing] our domestic social contract" to ease anxieties about potential loss of health care as well as "to spread the benefits more equitably and mitigate risks to individuals."

Amb. Brock and Hills concurred that TAA expansion alone was insufficient. They urged Congress to develop a form of wage insurance to help expedite the transition of workers from trade-impacted jobs to new positions in growth industries. "To preserve the benefits we gain from open markets . . . we should allocate some of the very substantial yearly gains we derive from trade to fund programs to help those who are adversely affected get back on their feet," Amb. Hills proposed.

**Education about Trade**—The former trade ambassadors further suggested that job-related assistance be complemented with initiatives aimed at educating the American public about trade. "Few [Americans] know

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### **Pacific Economic Cooperation Council (PECC):**

**Special Session on the Food Crisis Facing the Asia Pacific**—On July 25, PECC held a special session in Bangkok, Thailand alongside the Standing Committee meeting. It was aimed at providing objective analysis of the key issues underlying the rise in food prices. This analysis, in turn, will serve as the basis for input into PECC's annual *State of the Region* report as well as its statement to APEC and the media on this issue. Among other important insights, the presenters noted that a confluence of cyclical events and policies caused the sharp rise in food prices. These include stagnant rice yields, declining global stocks, infrastructural neglect, export restrictions, and diversion of grains to bio-fuels, and other issues.

**Joint PECC/ABAC Report On Demographic Change and Labor Mobility**—On August 23, representatives from PECC and the APEC Business Advisory Council (ABAC) jointly presented to APEC Senior Officials the findings of a report, "Enhancing Smart International Labor Migration Policies and Practices through Asia-Pacific Regional Cooperation." The report noted that demographic transformations, widening differences in levels of economic and educational development, and continued regionalization and globalization of industry, all suggest that Asia and Pacific countries almost certainly will require even greater international movements of human beings in the future.

The PECC-ABAC study team therefore developed recommendations aimed at addressing what they regard as a compelling need for regional cooperation as a vehicle through which both net origin and net destination countries can (1) maximize economic benefit from labor migration, (2) smooth economic and social adjustments for native citizens and immigrants, (3) share policy experiences, and (4) improve the protection and well-being of migrant communities and their host societies (see [www.pecc.org/labor](http://www.pecc.org/labor)).

### **Asia Pacific Economic Cooperation (APEC):**

**APEC Business Advisory Council (ABAC)**—ABAC held the third of its four meetings in 2008 in Hangzhou, China on August 5–6. Coming on the heels of the late-July collapse of the World Trade Organization (WTO) negotiations, ABAC not surprisingly devoted a good deal of attention to impact of this failure on the global trading regime. ABAC re-stated its support for efforts to secure a balanced WTO agreement. At the same time, though, the group proposed that the suspension of the global trade talks might be seen "as an impetus for APEC to proceed without reservation in advancing transpacific regional integration." ABAC confirmed that a Free Trade Areas for the Asia Pacific (FTAAP) remains a long-term goal.

### **Key Official Meetings, September–October 2008:**

- **U.S. Deputy Secretary of State John Negroponte** has been visiting Vietnam, Cambodia, and Hong Kong for discussions with his counterparts on a broad range of bilateral and global issues, September 10–18.
- **U.S. Trade Representative Susan C. Schwab** and **U.S. Secretary of Commerce Carlos J. Gutierrez** will meet **Chinese Vice Premier Wang Qishan** for the 19th session of the U.S.-China Joint Commission on Commerce and Trade (JCCT), Yorba Linda, California, September 15 week.
- **U.S. Secretary of State Condoleezza Rice** will meet her counterparts from various Asian nations on the sidelines of the 63rd Session of the United Nations General Assembly, New York City, September 21
- **U.S. Treasury Secretary Henry Paulson** may meet with selected Asian finance ministers at the annual meetings of the International Monetary Fund and the World Bank, Washington, D.C., October 13.

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that international trade has made the average American household richer by \$9,500 per year or that an agreement in the [WTO] negotiations that reduced barriers by just one-third would increase the average American's annual income by \$2,000," Amb. Hills pointed out. She proposed that leaders in both business and government should make it a priority to educate Americans about such facts so that U.S. citizens "understand why open trade and

investment are among the most effective tools our government has to generate economic growth . . ."

Amb. Barshefsky agreed, observing that "[many] Americans don't fully appreciate that the world now is not the world in which we grew up." The trade debate "must move out of its truncated, political nature so Americans can better understand the side issues versus the real issues in U.S. economic problems."

**U.S.-China Trade**—Not surprisingly, there was considerable dialogue about U.S.-China economic relations. Senator Jim Bunning (R., Kentucky) challenged Amb.

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Hills' assertion that much of the U.S. trade deficit with East Asia stems from a financial imbalance rather than from trade barriers. Bunning charged that China's weak enforcement of intellectual property laws has fueled the bilateral trade deficit by millions of dollars. He further ranted about the fact that he and five other U.S. senators were snubbed by China's trade minister during a recent visit.

Amb. Hills said that she certainly did not endorse the behavior of the Chinese trade minister. She further clarified that while China remains that largest contributor to a trade deficit between the United States and the region, that the total trade deficit between the United States and East Asia actually has decreased as bilateral deficits with Japan, South Korea, and Singapore have shrunk.

**China and Climate Change**—The witnesses cautioned Congress about using an ambitious get-tough

### WTO Negotiations: Background and Update

Following a nine-day marathon of negotiations, U.S. Trade Representative Susan C. Schwab confirmed on July 29 that the seven countries that comprised the 153-member WTO leadership group were unable to reach an agreement aimed at further liberalizing global trade. The talks deadlocked over the scope of a safeguard mechanism to remedy surges in imported agricultural products. China and India were the hold-outs.

Key trade legislators reacted to the news by rallying around the beleaguered U.S. trade ambassador. Senate Finance Committee Chairman Max Baucus (R., Montana) said that Schwab was "right to walk away from the negotiations" when it became clear that the talks would not produce a meaningful agreement for American agricultural producers and exporters. "I'll work with [Amb. Schwab] and with the next administration to get back to the drawing board . . . and lead these talks to a successful conclusion for American producers," Baucus said.

Amb. Schwab may re-visit the WTO breakdown with Chinese officials when she meets them in California during the week of September 15 for the U.S.-China Joint Commission on Commerce and Trade (JCCT). Joseph Glauber of the U.S. Department of Agriculture also reportedly explored the feasibility of reviving the multilateral negotiations at informal talks during the week of September 8 at WTO headquarters in Geneva, Switzerland.

### Regulatory Update

**WTO Case Challenging EU Tariffs on Certain High Technology Products**—U.S. Trade Representative Susan C. Schwab announced August 18 the effective escalation of the U.S.-EU dispute concerning tariffs on high technology products. The United States, together with Japan and Chinese Taipei, formally requested the World Trade Organization (WTO) to establish a dispute settlement panel to determine whether the EU is acting consistently with its WTO obligations. Consultations between the four parties under WTO auspices had failed to resolve the dispute.

**WTO Panel Finds Against China's Taxation of U.S. Auto Parts**—On July 18, USTR announced that the first WTO dispute settlement panel to address a dispute against China had issued a report finding that China's treatment of U.S. and other imported auto parts is inconsistent with China's WTO obligations. The EU and Canada joined the United States in pursuing this redress.

approach on U.S.-China economic issues, suggesting that this risked enflaming relations but accomplishing little. Amb. Barshefsky proposed narrowing the U.S.-China economic agenda to focus on addressing climate change, macroeconomic policy, and possibly three other issues. "We should focus on five issues persistently rather than trying to solve [a dozen or so] problems at once," she said.

Amb. Hills agreed that it would be mutually beneficial to engage China bilaterally on climate change. "We might start by creating a bilateral partnership with China to enable us to better understand how we can help each other address this problem," she said. This approach potentially would bear more fruit than "loading climate change onto other multilateral fora."

**WTO Negotiations**—All of the witnesses expressed grave concern about the implications of a collapse of the WTO negotiations, which, indeed, occurred only hours after the hearing. Amb. Hills stressed that it is imperative for the United States and other developed nations to bring countries "on the fringe of global trading," such as Bangladesh and other nations with large Muslim populations, into WTO-based system. If they remain "on the fringe" we could face security-related problems down the road, she said. Furthermore, Congress should not hinder the WTO talks by "burdening U.S. negotiators with various requirements." In the longer term, the broader goal of bringing Bangladesh and others into a rules-based trading system is far more important, Amb. Hills urged. ♦



## Joint Interview

North Korean nuclear program.

Finally, the United States needs to reinvigorate its public diplomacy in Korea in order to better explain U.S. policy to the Korean people, better understand their concerns, and better prepare a political foundation for the future of U.S.-Korean relations.

**Schrivier:** It is unrealistic to suggest we can eliminate domestic forces in either country who criticize the U.S.-South Korea bilateral relationship. But the best bet for garnering greater support for the alliance is to invest in it wholeheartedly and to give it long-term vision and direction so that it may remain relevant to addressing 21st century challenges.

Senator McCain believes our alliance with South Korea can modernize and evolve into a truly global alliance with a global orientation. As a like-minded democracy that largely shares our values, our work together on a global agenda will form the best argument for the importance of the alliance going forward. The basis for this positive future is clear in the numerous polls in South Korea that show the United States remains the most popular country in the world among the Korean people.

**USAPC:** *There continue to be tensions in U.S.-Japan relations arising from the Six-Party Talks. How would your candidate go about reassuring Japan of its importance as an Asian ally and strengthening U.S.-Japan relations going forward?*

**Schrivier:** Japan is our most important relationship in Asia and this should be demonstrated in word and deed. Senator McCain has stated explicitly that our policies in

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*Sen. McCain has stated explicitly that our policies in the region should be informed by the views of our allies first*

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the region should be informed by the views of our allies first. He also has noted our need to have Japan as a strong partner in addressing the various challenges associated with North Korea.

Senator McCain also believes the U.S.-Japan alliance has even greater potential than has been realized in its nearly fifty-year history. Having high aspirations for the alliance and challenging Japan to move toward full partnership not only supports U.S. interests, it also is another way of conveying to friends in Japan our confidence and support.

**Schiffer:** The U.S. relationship with Japan is the cornerstone alliance of American policy in Asia and close cooperation between the United States and Japan is the starting place for the maintenance of stability and prosperity in the region.

Senator Obama believes that close consultation and cooperation between the United States and Japan is vital if we are to be successful in addressing regional security challenges like North Korea's nuclear weapons programs, where the right mix of pressure and inducements and tough-minded dialogue will be necessary to resolve all

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*Sen. Obama believes that Japan and the United States have a significant opportunity to deepen and broaden cooperation to address shared global challenges*

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issues on the Six Party process agenda, including abductees.

The U.S. and Japan also should consult closely on the short- and long-term impact of China's rise and work to create an environment in which China makes the right decisions to move on a peaceful path.

In the years ahead Senator Obama also believes that Japan and the United States have a significant opportunity to deepen and broaden cooperation, based on shared values and common interests, to address not just regional issues but shared global challenges as well, including climate change, energy security, and economic development of the world's poorest countries.

Neither the United States nor Japan can afford to take the alliance or our broader relationship for granted. Close and constant attention to furthering a deep, genuine, and enduring collaboration between the United States and Japan will be a vital element in an Obama administration's efforts to build peace and prosperity both in Asia and around the globe. ♦

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*The views expressed in this joint interview do not necessarily reflect those of the U.S. Asia Pacific Council and the East-West Center.*



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