

## It's the Economy, Stupid

*Asia's leaders want to hear that America still believes in free trade.*

**By KARAN BHATIA and DAVID MCCORMICK**

Secretary of State Hillary Clinton's decision to visit East Asia this week in her first trip abroad sends a powerful signal to a region that has long felt underappreciated by American foreign policy makers. Armed with the support of a globally popular president as well as her personal credibility, Secretary Clinton has the opportunity to strengthen existing partnerships in the region and to build new ones.

She inherits a strong foundation. Whatever their policy differences in other parts of the world, both President Bill Clinton's and President George W. Bush's administrations worked steadily to grow ties with Asia, and pursued policies that were, in general, remarkably consistent. Both sought to strengthen strategic alliances with key allies Japan and South Korea, to usher China into the global community of nations, to manage regional security threats, and -- perhaps most critically -- to gird our relationship through strong economic ties based on free flows of goods, capital, people and technology.

It is this last area -- economic policy -- that may pose the greatest challenge for Secretary Clinton. We both know well from our contacts with senior Asian decision makers that they are acutely concerned about what they perceive as growing support for protectionist policies in the United States. Protectionist campaign rhetoric, featured prominently in last year's congressional and presidential campaigns, aroused profound unease in Asia that has yet to abate fully. Indeed, recent events -- including the protectionist "Buy American" provisions contained in U.S. stimulus legislation and tense exchanges between U.S. and Chinese policy makers regarding China's currency -- have only heightened those concerns.

President Obama and Secretary Clinton have made clear that they seek to usher in a new era of global American leadership. Such leadership will simply not be possible, however -- least of all in Asia -- without a clear U.S. commitment to maintaining markets at home and promoting markets abroad that are open to trade and investment. To that end, we suggest that Secretary Clinton do the following four things while in Asia:

First, she should acknowledge the importance of robust cross-border investment and capital flows to the near-term economic recovery and the long-term prosperity of the U.S. and Asia. Asian investors, stung by dramatic losses in their U.S. portfolios, will also wish to hear from her not only that the U.S. is taking steps to shore up its capital markets and economy, but that it remains committed to the open, dynamic and competitive markets that have made the U.S. economy so successful in the past. By voicing its strong support for current bilateral investment treaty negotiations with Vietnam and ongoing discussions with China and India, the new administration could signal the strength and substance of this commitment.

Second, she should use the opportunity to express strong U.S. support for the global trading system and, in particular, a renewed commitment to conclude the Doha Round of multilateral trade talks. Ideally, such a statement would be made in Beijing or in Tokyo, and would elicit a similar commitment from President Hu Jintao and Prime Minister Taro Aso. A joint pledge to remove barriers to trade would be a powerful demonstration of U.S.-Asia cooperation at a time of growing global unease over the spread of protectionism and the efficacy of multilateral trade talks.

Third, Secretary Clinton should affirm the new administration's commitment to economic engagement and integration in the Asia Pacific. More specifically, she should endorse the Asia-Pacific Economic Cooperation (APEC) forum as a critical vehicle for promoting economic integration across the region and set a goal of concluding the Trans-Pacific Partnership -- a free trade agreement among a subgroup of eight APEC economies -- by the time the U.S. hosts APEC in 2011. Secretary Clinton's personal vow of support to an institution whose goal is to create free trade and open investment in this crucial region would go far to reassure Asia that the Obama administration's commitment is real and durable.

Finally, when in Seoul, Secretary Clinton should communicate to the South Korean government that the Obama administration remains committed to ratification of the U.S.-Korea Free Trade Agreement. It is incomprehensible to most Asians that this agreement -- which would dramatically open Korea's economy to U.S. goods and services and came at significant political cost to Korea's leaders -- has yet to be ratified by the U.S. As the largest free trade pact in more than 15 years with one of the leading economies in Asia, the economic and geopolitical case for doing so could not be more compelling.

The world will be watching Secretary Clinton's trip very carefully. By taking these steps, the Obama Administration can show that in this period of humbling economic anxiety and turmoil, the U.S. will remain true to the principles that made our economy, until very recently, the envy of the world.

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