

# *Economic Statecraft and the New American Internationalism*

*Remarks by Senator Robert Menendez*

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## **Introduction - Acknowledgements**

Thank you – kam-SAHM-ni-da -- for inviting me to speak today.

Thank you, Chaibong, for that kind introduction. And thank you, MJ, for hosting me here today. The work you have done in building the Asan Institute these past several years has been truly impressive.

It is a pleasure to be in Seoul, South Korea with such a distinguished group of experts here at the Institute who are well-versed in Asia-American policy and who fully appreciate the need for a new era of Economic Statecraft to strengthen our ever-evolving relationship.

## **The Rise of Asia-Pacific/Challenges of Rebalance**

As I know many in this audience realize and appreciate, the rise of the Asian-Pacific region may well prove to be the single most transformative geo-political-shift of the twenty-first century...

...And the “Korean miracle” is a major part of that story.

In the past twenty years China and India’s share of the global economy has tripled....and by 2025 the Asia-Pacific region will account for almost half the world’s economic output.....

...In 2010, U.S. exports to the Asia-Pacific region totaled \$775 billion – up almost 26 percent from 2009... and in 2011, totaled \$895 billion,

accounting for 60 percent of our exports, creating and sustaining millions of U.S. jobs in sectors across-the-board – automobiles, power generation machinery, aircraft, and other vital sectors of our industrial economy...

...In just 3 years we've gone from \$775 billion in exports to the region – to almost \$900 billion... and we can assume that figure will be \$1 trillion in the not-too-distant future.

I think it is safe to say that -- for the rest of this century and beyond, much of the strategic, political and economic-future of the world will likely be shaped by the decisions made in Washington and the capitols in this region.

### **Three Steps to Constructing a Strategic Framework**

At the end of the day, the, the broader issue for U.S. policy is this: how should the United States go about constructing a strategic framework for our relationship with a dynamic and increasingly-important Asian-Pacific region?

So, here is how I see it:

First, we must continue every effort at economic statecraft that will rebalance our foreign policy toward the region, making sure that resources are there to work with allies and partners to shape the broader regional environment in the context of China's influence in the region.

Second, we must be clear in acknowledging those areas where our interests in the region rub up against each other – understanding that America – like every nation -- will always safeguard and promote its own national interests.

...And third – on this new roadmap to a fundamental shift in rebalancing our policies and priorities -- is a new rules-based order for the Asia-Pacific community built on open and inclusive institutions and procedures for diplomacy, security, and economic cooperation.

So the key challenge confronting us -- as we consider the re-balancing of our policies -- is how we reconceptualise the problems we face and turn them into opportunities...

...how we implement concrete policies that will give these ideas practical effect.

The over-riding U.S. objective for the Asia-Pacific region is the construction of a regional order that maintains peace and security, maximizes open economies and open societies – while, at the same time, growing human potential and respecting the fundamental issues of human rights...

...In the process, it is imperative that we preserve and promote the values and interests both our nations share.

The strategic decision by the Obama Administration described as the “rebalance to Asia” conveys a clear message to the entire region that America intends to be an active player in the Asia-Pacific region, and will remain so for the long haul. And that we seek to build a partnership with all nations of the region in the common enterprise of building an open, inclusive, transparent rules-based order for the region.

The fact is -- future US prosperity and security is intimately entwined with robust engagement on the full range of security, diplomatic, economic, and cultural issues and interests.

It will be sustained through the work we do with the most populous states on the planet -- as well as with some of the smallest...

...it must be broad enough and flexible enough to accommodate some of the most modern and advanced economies on earth – like Korea's -- as well as those taking the first steps toward the development of modern international trade and financial systems....

It will be founded on our close alliances and partnerships, retooled and renewed to meet the needs of the 21<sup>st</sup> century...

...It may require new models for new relationships with the region's emerging powers, but those new relationships must be forged and maintained.

What I am describing is a new era of American internationalism and economic Statecraft that will depend on partnerships with the business community to build trade and economic ties to ensure that the benefits of increased prosperity are shared by all...

...an era that will be greatly enhanced by new, ever-changing modes of communication, enhanced cultural exchanges, and shared educational opportunities... built on a strong foundation of universally held principles, the rule of law, and a core set of shared values.

I know there are those in the region who have questions about US endurance, US intentions, and wonder if they can continue to count on US creativity... the United States' dynamism... and on the robust American engagement that has underwritten the region's stability and growth.

Let me be clear... There should be no doubt -- either about the Administration or from Congress – about America's resolve or about our ability and willingness to continue to strengthen the rules-based-order and architecture of the Asia-Pacific region...

...And that full-throated commitment to an active, engaged, and enduring U.S. presence in the region is something shared by my committee, the Senate Foreign Relations Committee, as well.

It is an approach that starts with the fundamental strengthening of our alliances and partnerships in the region to construct a strategic framework that will last well into the future.

### **The US-ROK Partnership**

That brings me to the extraordinary relationship between our two nations, and the situation here on the Korean Peninsula...

In my years of public service in New Jersey -- and in the House of Representatives and the U.S. Senate --I've seen the deep and genuine connections between our peoples in my own state -- among friends and colleagues in New Jersey's Korean-American community -- reflecting the extraordinary bonds between our two countries and our deep and unshakable commitment to each other.

In fact, just last week, I met with members of the Korean-American community to hear their views before embarking on this trip and to talk to them about my visit here.

I've also seen the bonds in our men and women in uniform, like the American and Korean troops I visited yesterday... who reaffirm the promise that has been at the core of our alliance for sixty years: "katchi kapshida" [*cap-she cap-she-da*], we go together...

...Let me say, without equivocation -- the commitment of the United States to the defense and the security of the Korean people and the Republic of Korea will never waver.

But – with all that unites us -- perhaps the best measure of the strength of our relationship can be seen in the Korean miracle -- your transformation over the past six decades from a war-ravaged country with crushing poverty to one of the world’s most dynamic and innovative economies...

...a transformation from authoritarianism to democracy... to a “Global Korea” poised to help lead the region, and the world – with Korean- and New Jersey-based companies like Samsung – with its American corporate headquarters in Ridgefield, New Jersey -- that bring our people together to create, innovate, and lead the global economy.

It is that vision of a shared future that brings me here... a shared future and a partnership that is underscored -- this year -- as we recalled the 60<sup>th</sup> anniversary of the end of the Korean War on July 27<sup>th</sup>.

Looking out across the DMZ yesterday I was reminded -- as President Obama has said -- that the currents of history here on the Korean Peninsula cannot be held back forever.

We stand beside you in your desire to see the freedom and dignity enjoyed here in the Republic of Korea shared throughout this divided peninsula...and for the Korean people to be whole and free.

So long as Pyongyang continues to engage in provocations they must understand that there will be no rewards. The continued pursuit of nuclear weapons and advanced ballistic missiles will not produce security for the North, and will not drive a wedge the United States and the Republic of Korea.

Nothing will impede our joint vision for the United States and Korea ...deeper economic partnership...deeper security cooperation...and

deeper cooperation on such issues as energy cooperation through the extension of the 123 Agreement...

In fact, North Korean provocations, if they continue, will only result in a stronger US-ROK alliance and in stronger international sanctions on North Korea, and international condemnation.

As President Park made clear when she addressed a Joint Session of Congress earlier this year – an address that I was privileged to serve on the escort committee for, and which was very well received – with her “trustpolitik” initiative and her proposal for a Northeast Asia Peace Initiative, and now with an agreement to re-open Kaesong [*kay-song*] President Park, in a straight-forward determined manner, has presented Pyongyang with a clear path forward. Whether leaders in Pyongyang have the courage that President Park has demonstrated to pursue peace, and to allow the people of North Korea to build a better life for themselves and their families remains to be seen...

Let me just say -- from an international policy perspective -- this same principle applies with respect to Iran...and that is why Iran also stands alone, unable to convince the international community that its nuclear program is for peaceful purposes...and why the world has imposed unprecedented sanctions, slowing Iran’s nuclear program...

### **Starting in Korea**

Starting here in Korea, then, the Administration has strengthened key Pacific alliances – with Japan, Korea, the Philippines, Australia and Thailand -- to meet the challenges of a changing Asia-Pacific environment...

...and is seeking not only to further strengthen partnerships and alliances with others in the region, but also to strengthen cooperation between our allies.

This is the start of the “rebalance” to the Asia-Pacific region... and it is producing results beyond simply security...

...It is producing results in an area where we have made – and must continue to make -- significant investments to enhance our capacity in the region – and that is economic statecraft.

### **Economic Statecraft**

Clearly – here in Asia, in the America’s, Europe, Africa, and across the Middle East -- the power of underlying economic forces to transform political realities is becoming increasingly apparent.

We have seen economic crises topple governments. A fruit vendor in Tunis began a revolution that engulfed a region and sowed the seeds of the Arab spring...

In Europe, governments, institutions, as well as political Parties and philosophies are being tested...

...In Latin America, nations are gaining influence not because of the power of their military, but the strength of their economy.

...And here in Asia, all of us appreciate where American/Asian interests merge...and where they DI-verge...

...The question for the future is: what can we do to ensure the continuation of a mutually beneficial economic and security relationship for the people of the United States and the Asia-Pacific nations that minimizes the pitfalls and maximizes the vast potential for cooperation and progress.



Clearly, there is a nexus between economics and foreign policy and managing the turbulence at the confluence of those two forces requires Economic statecraft...

...It will require that the United States use every arrow in its quiver, that we project not only military strength when necessary, but the strength of our values and ideas...that we enable and draw together all the departments, agencies, and offices of our government...that we engage and lead the international organizations...help establish mechanisms and standards for free and fair trade...help develop a set of goals and standards for intellectual property, financial services and telecom issues, and that we ensure a set of international labor standards to protect workers everywhere so that the tragedies we have seen in Bangladesh never happen again.

This is what I mean by economic statecraft.

This year, President Obama articulated a policy of re-balancing our global position that focuses clearly on the growing importance of the Asia-Pacific region...

...In July, Vice President Biden added that re-balancing also includes a recalibrating our engagement in the Western Hemisphere. He said: *“You see that very concretely in the Trans-Pacific Partnership which included five countries in the Western Hemisphere... and you see it in initiatives within the hemisphere like the Alliance for the Pacific – a new group of free-market-oriented countries that are integrating their economies and looking west for trade and investment.”*

Building on the Vice President’s recent remarks, the strategic importance of the United States’ economic relationships in the Americas is a subject I have followed closely.

For two decades, the U.S. has worked tirelessly on those relationships and now has free trade agreements in place that stretch – uninterrupted – from Canada to Chile.

With few exceptions, Western hemisphere governments are free-market-oriented and are implementing policies that are lifting their people out of poverty.

In the past decade alone, the middle class in Latin America and the Caribbean grew 50 percent.

This growth and the growth of Latin American economies represents a tremendous opportunity, not only for the U.S. but also for all the countries of the Asia-Pacific region as well. One need not look any further than the fact that the total volume of trade between Asia and Latin America grew 700 percent over the past decade and now stands at \$367 billion.

To me, that inter-regional comparison underscores the importance of economic statecraft, increasing interconnectivity, and the opportunity to unite both the Americas and the Asian-Pacific nations economically that will build a strong middle class in both regions which, in turn, can increase purchasing power and economic growth -- and strengthen security.

For me, as Chairman of the Senate Foreign Relations Committee, it is an opportunity to promote the economic and national security benefits of a new American internationalism focusing more clearly on the Asia-Pacific region as well as Latin America – forming an economically-equilateral triangle of nations, each benefiting from the other.

That means economic statecraft – realizing the nexus between economic issues and foreign policy, and creating one between our national

interests, our security interests, and the aspirations of the people of Asia and Latin-America and the United States.

At the end of the day -- In both Asia and Latin America -- we need to create and enhance strong, long-term partnerships that help nations implement strategic policies and complete strategic projects that will help create jobs, wealth, and a middle class...

That is economic statecraft for the 21<sup>st</sup> century.

### **KORUS/TPP**

But let's be clear, economic statecraft in the 21<sup>st</sup> century will require breaking down existing barriers between nations...

...That means addressing labor and environmental issues so we can increase trade.

In fact, since the United States and Korea entered into a major high-level free trade agreement in March of 2012 – KORUS – we have seen a dramatic increase in U.S. manufacturing and agriculture exports to Korea.

It is a clear example of the benefits of free trade in the Asia-Pacific region, one which I was pleased to support and vote for.

On the other side of the equation, KORUS also supports job-creating investments by Korean firms in the United States like Samsung that has invested in creating jobs in New Jersey and other states as well, and we are grateful for that investment.

The success of this trade agreement renews our commitment to lowering trade barriers, opening economic ties, freeing commerce, protecting intellectual property rights, and enhancing investment opportunities throughout the region...

Breaking down trade barriers can mean more transparent and fairer system of trade and investment that promote higher labor, environmental and intellectual property standards.

At its foundation, trade is a two-way street, and I believe, the goal of the Trans-Pacific Partnership -- a comprehensive, high-standard trade agreement that aims to liberalize trade in goods and services and remove barriers to foreign investment – is to put us on that two-way street that will lead the United States and the region to greater economic prosperity.

The administration has set October 2013 as the target date to complete negotiations...

...I, along with my colleagues in the Senate, are awaiting the conclusion of negotiations so we can review the final agreement and see if it meets the goals we have set for a comprehensive, high standard, next generation regional agreement that is open and inclusive, and that addresses new and traditional trade issues and the challenges we will face in the 21<sup>st</sup> century.

### **China's Challenges**

As we consider the best pathway forward to build an economic and trade architecture for the region that will share the benefits of prosperity to all, we must also be aware that China's remarkable rise has not left it immune from its own challenges – challenges important for the region's, and the globe's, continued growth.

China's leadership faces a daunting task in reforming the export-heavy Chinese economy in a global context where there may be limited prospects for a rapid global economic recovery.

The challenges of sustaining high levels of economic growth needed to lift the hundreds of millions of Chinese who are still in poverty to a

better life; providing sufficient jobs and affordable housing for the tens of millions of young Chinese joining the labor market each year as they move from the countryside to cities...

...and addressing the on-going labor and environmental issues that China's rapid growth has created...

...the fact is: the United States, China, and the region all face fiscal and economic challenges that must be addressed.

The American Congress is looking at options on how to meet the challenges we face in immigration reform, tax reform, and fiscal policies that will sustain the progress we have already made.

Chinese leaders likewise understand that political reform of the past 30 years may not be sufficient to meet the needs or aspirations of the Chinese people and a rapidly growing middle class.

Reducing corruption, setting up a standardized institutional decision making process, and allowing people more freedom in their private lives is fundamental, but, in my view, it remains to be seen if it is enough...

...if China will ultimately engage as a partner in the shared challenge of building open, more inclusive – and, dare-I-say, more democratic -- mechanisms and institutions for the region...

Don't get me wrong, we welcome China's economic progress, but hope that it will also bring with it more individual freedom.

And on to the economic and trade front we need to be able to work together to address the very real challenges of intellectual property theft, tariff and non-tariff barriers, State Owned Enterprises -- and the cyber threat that many American companies face.

We must be clear-eyed and consistent in our approach to China: develop opportunities for cooperation on shared political, economic, environmental, and security objectives, while, at the same time exerting a firm insistence that China live up to its obligations to the international community and adhere to international norms, institutions, and the rule of law.

We need to be firm in pressing for greater protection of intellectual property rights, a level playing field for U.S. firms, labor standards and the promotion of worker's rights, and a range of other policy changes that would ultimately benefit firms and workers in both the U.S. and China.

### **Maritime Disputes**

This question of a rules-based order is not simply one that applies to economic and trade issues, however. It also applies to pressing security issues, including maritime issues.

The United States has deep national security interests in freedom of navigation in the South China Sea and the East China Sea, and supports the peaceful diplomatic resolution of maritime territorial disputes.

In the South China Sea the United States will continue to support a peaceful process to resolve these disputes consistent with the United Nations Convention on the Law of the Sea and the 2002 ASEAN-China declaration of principles in the South China Sea.

In recent weeks China has made positive statements about reengaging with ASEAN on the Code of Conduct, and we look forward to

successful and productive discussions between China and ASEAN to develop a binding Code.

...And in both the East China Sea and South China Sea – wherever maritime disputes simmer -- the United States calls on all parties to refrain from threatening or using force or coercion to support their claims.

We may not take a position on ultimate sovereignty in territorial disputes, but we certainly do take a position on acceptable behavior, and on the importance, for all, of free and open access and freedom of navigation.

These are real challenges to the region's shared economic prosperity... challenges which require us to work together to develop a shared approach based on common interests and concerns.

Congress has a vital role to play in addressing all of these issues -- in reviewing U.S. laws to determine where they need to be strengthened to protect against intellectual property theft and cyber espionage; in the development of standards to protect the computer systems that run critical sectors of the economy; in securing our networks and deterring attacks; and in treaties that will help resolve maritime territorial disputes.

### **Conclusion -- The American Economy**

Let me conclude by saying that – for the United States to successfully rebalance to Asia – we can best do it from a position of economic strength and must continue to put our economic house in order.

Re-invigorating the American economy remains fundamental to our economic statecraft and to all that I have proposed on the future of U.S.-Asia-Pacific relations.

Those who, in the past, have bet against America's ability to renew and remake ourselves have been wrong.

I am confident that continues to be the case as we reengage and rebalance in this region.

When we look at Asia today there are two conflicting drivers: the forces of globalization bringing our economies together, and ethnic and political nationalism threatening to pull our countries and our economies apart.

Constructive and strategic American engagement in Asia is -- in this sense -- in the interest of Korea and all nations in the region, especially if we can create ways, together, to institutionalize cooperation and manage competition creating a rules-based order for the Asia-Pacific region...

...That is what is needed as we work toward a mutually beneficial future for both our nations and for the world. It is a future within our grasp, and it is a future we must strive to realize.

Thank you very much... and now I will be happy to entertain questions.