

America's Renewed Commitment to Asia and What it Means for Hong Kong and Macau

Introduction

Good evening everyone. It is a pleasure for me to be with you here today at the Chinese University of Hong Kong. It really is wonderful to get away from the hustle and bustle of downtown Hong Kong and be up here on this beautiful campus. It's hard to imagine how any of you get any studying done in such a great location with such stunning views around you! I'd like to thank President Joseph Sung for inviting me here and giving me this opportunity to speak to all of you.

This evening I'd like to talk about America's "pivot" to the Asia-Pacific region, which is an expansion and intensification of our already significant role in the region. Having spent much of my professional career in Asia, and having witnessed many of the unprecedented changes that have occurred in this part of the world, I can tell you that this is truly an exciting time in history to be a participant in the Asia-Pacific century.

In my remarks this evening, I will speak to why the United States is undertaking this and discuss what Secretary of State Hillary Clinton in *Foreign Policy* magazine called the "Six Key Lines of Action" to achieving this goal. I will also talk about what this means for U.S. relations with Hong Kong and Macau, and the connection between President Obama's goals in Asia and the U.S. Consulate's work here.

Why a "Pivot" to the Asia-Pacific?

By virtue of its geography, the United States is both an Atlantic and a Pacific power. We are proud of the durable and consistent web of partnerships and institutions we have built across the Atlantic, such as NATO. Certainly those partnerships and alliances are enduring and receive much well-deserved attention.

It should not be forgotten, however, that the United States has been, and always will be, a Pacific nation. Asian immigrants helped build America, and millions of American families cherish their ties to this region. The United States has long been deeply engaged here. From the far-flung Pacific Islands, to the rice paddies and jungles of Southeast Asia, to the divided Korean Peninsula, Asia has seen generations of Americans serve and give their lives so democracies could take root and economic miracles could rely on open markets to lift hundreds of millions to prosperity. During his thirty years of military service, my father spent time in Japan, Korea, Taiwan, Vietnam, and Thailand. So I grew up well aware of the American stake in this part of the world. Small wonder that my own professional interests continued to focus a good deal of energy on the region, including fourteen years serving in the field! So I can confirm from personal experience that the U.S. commitment to Asia is long-standing and has played an important role in the region's success.

It is true though that, for the last decade, much of our focus has been elsewhere, with the wars in Iraq and Afghanistan demanding tremendous resources and attention. But now it is time for us once again to adjust our strategic focus.

The Asia-Pacific region, stretching from the Indian subcontinent to the west coast of the Americas, touching the shores of many proud civilizations, has – with the constant support of the United States – become a key driver of global politics and economics. This vast region, which boasts nearly half of the world’s population and more than half of the global economy, is increasingly linked by trade, investment, and the Internet. It is home to several of America’s key allies and important emerging powers including China, India, and Indonesia. Being part of Asia’s growth and dynamism is central to American economic and strategic interests and a key priority for President Obama.

And so President Obama has made a deliberate and strategic decision to highlight the United States’ greater long-term role in this region and its future, by upholding key principles and in close partnership with our allies and friends. Since the end of World War II, America has made a strong commitment to building comprehensive and lasting networks of institutions and relationships across both the Atlantic and the Pacific. While these investments have paid off many times over, and continue to do so, they must be continuously nourished and revitalized.

So what does this mean for this region? It means we seek security, which is the foundation of long-term peace and prosperity, and we seek an international order in which the internationally recognized rights and responsibilities of all nations and all people are upheld, where international law and norms are enforced, where commerce and freedom of navigation are not impeded, where emerging powers contribute to regional security, and where disagreements are resolved peacefully. That is what we have strived to achieve, and it is the future we seek to help consolidate for the Asia-Pacific.

So, how do we get there? Obviously our strategy must account for and adapt to the rapid and dramatic shifts playing out across Asia. With this in mind, our work will proceed along *six key lines of action*. They are:

- (1) strengthening bilateral security alliances;
- (2) deepening our working relationship with emerging powers, including China;
- (3) engaging with regional multilateral institutions;
- (4) expanding trade and investment;
- (5) forging a broad-based military presence; and
- (6) advancing democracy and universal human rights

Let me briefly address each of these in turn.

Strengthening Bilateral Security Alliances

Our treaty alliances with Japan, the Republic of Korea (ROK), Australia, the Philippines, and Thailand are the foundation of our Asia-Pacific efforts. These alliances have supported regional peace and security for more than half a century, providing the safety net that has made such a vital contribution to the region’s remarkable economic ascent.

But as successful as these alliances have been, it is not enough simply to sustain them – we need to update them for a changing world. We must continually ensure that the political consensus on the principal objectives of the alliances remains current. We have to make certain our alliances are nimble and adaptive in order to effectively address new challenges and seize new opportunities. We have to guarantee the defense capabilities of our alliances are able to deter provocation from state and non-state actors.

Our alliance with Japan, a cornerstone of peace and stability in the region, demonstrates how America's policy is giving these principles life. With Japan, America shares a common vision of a stable regional order with clear rules of the road. We have made progress on key issues associated with modernizing our defense relationship that will allow our alliance to better manage the complex evolutions in the Asia-Pacific strategic environment, as well as promote and protect the global commons. We have also concluded a U.S.-Japan Open Skies agreement to enhance access for businesses and people-to-people ties. We continue to work hand in hand with Japan as it plays a crucial role on the world stage; for example, as one of the two largest donor countries in Afghanistan, in counterpiracy operation off the Horn of Africa, and in providing humanitarian assistance and disaster relief in locations such as Pakistan and Haiti.

Similarly, our alliance with the ROK grows stronger and deeper, and we continue to develop our combined capabilities to deter and respond to North Korean provocations. This was highlighted by President Obama's late-March visit to the ROK for the Nuclear Security Summit. Economically, we are also making progress together. The landmark U.S.-Korea Free Trade Agreement (KORUS FTA) that entered into force last month will eliminate tariffs on 95% of U.S. consumer and industrial exports within five years and open up Korea's \$580 billion services market to American companies. This agreement will create substantial export opportunities for both our countries – boosting goods exported by billions of dollars annually for both sides – and support tens of thousands of new export-related jobs both in Korea and the United States. It will level the playing field so companies and workers from both countries can benefit! So, whether you are an American auto manufacturer or a Korean chemicals exporter, this deal has lowered the barriers to reaching new customers.

We are also modernizing our alliance with Australia. With our recently announced force posture changes in Australia, American and Australian military forces will work even more closely together and have new opportunities to train with other allies and partners from the Pacific to the Indian Ocean. This new posture will allow us to respond faster to the full range of challenges, including humanitarian crises and disaster relief. Indeed, our collaboration continues to grow, and we continue to welcome Australia's indispensable counsel and commitment to maintaining peace and security in the region.

We are also renewing and strengthening our relationships with longtime Southeast Asian allies, the Philippines and Thailand. In the Philippines, we are increasing our alliance activities such as joint training focused on humanitarian and disaster relief, and working to support Filipino counterterrorism efforts through our Joint Special Operations Task Force. Through this initiative, U.S. forces have provided key advice and training to Philippine counterparts in combating terrorism in the southern Philippines and providing humanitarian assistance to the conflict-

affected communities. With Thailand—America’s oldest treaty partner in Asia—we are working to enhance the region's network of humanitarian and disaster relief facilities.

Deepening Relationships within the Region

Even as we update our alliances to meet new demands, we are also deepening relationships with both emerging powers and longtime partners to help solve shared problems. Our outreach to China, India, Indonesia, Singapore, New Zealand, Malaysia, Mongolia, Vietnam, Brunei, and Pacific Island countries is a key component of our engagement with the region. We are asking these emerging partners to join us in shaping and participating in a rules-based regional and global order.

The largest of these emerging partners is, of course, China. It has now been 40 years since Air Force One touched down in Beijing and President Nixon reached across the decades to clasp Premier Zhou Enlai’s hand in a renewed friendship between two great nations and peoples. At that time China was firmly outside of the international order. Poverty was pervasive. The Cultural Revolution had banished nearly all foreigners, as well as foreign businesses, foreign books, even foreign ideas. When President Nixon’s motorcade drove through Beijing, the American delegation noted how eerily silent the city was. If any of you have been to Beijing recently, you know how different things are today!

But it was President Nixon’s mission to bring China in from the cold and to encourage it to join the international system. I am glad to say there has been a continuation of the spirit of that visit that has endured through both Republican and Democratic Administrations until this day, because the United States and all nations have a profound interest in the rise of a peaceful and prosperous China. We all are witness to the remarkable progress China has made in just a few short decades under Deng Xiaoping’s visionary policy of reform and opening up. Like so many other countries before it, China has prospered as it has become part of the open and rules-based system the United States helped to build and works to sustain.

In recent years, we’ve seen that China can be a partner in helping to reduce tensions on the Korean Peninsula and preventing proliferation worldwide. The United States seeks more opportunities for cooperation with Beijing, including greater communication between our militaries to promote understanding and avoid miscalculation. We will attempt to do this, even as we continue to speak candidly to Beijing about the importance of upholding international norms, meeting international commitments, and respecting universal human rights. All of these themes have played out recently during Vice President Xi Jinping’s visit to the United States and in meetings between President Obama and President Hu Jintao, the latest just last month during the Nuclear Security Summit in Seoul. We will continue to seek China’s cooperation and communication in these areas during the annual Strategic and Economic Dialogue in early May.

Engaging with Regional Multilateral Institutions

As the United States works to strengthen bilateral relations with its close allies and emerging partners, we have not forgotten the importance of multilateral cooperation. We believe that

addressing the complex transnational challenges of the sort now faced by Asia requires multilateral institutions and collaboration.

A robust and coherent regional architecture in Asia would reinforce the system of rules and responsibilities set out in the WTO, from protecting intellectual property to ensuring freedom of navigation, that forms the basis of an effective international order. Properly functioning multilateral institutions ensure that responsible behavior by individual nations is rewarded with legitimacy and respect.

This is why the United States has moved to fully engage the region's multilateral institutions. With the Association of Southeast Asian Nations (ASEAN), America signed the Treaty of Amity and Cooperation. We opened a U.S. Mission to ASEAN in Jakarta in 2010 and sent a resident Ambassador to ASEAN, David Carden. President Obama participated in the East Asia Summit last November, the first American president to do so, based on the premise that the East Asia Summit has the potential to be the region's premier forum to discuss political and strategic issues. At the same time, we are also committed to cementing APEC as the Asia-Pacific's premier regional economic institution, focused on advancing economic integration and trade linkages across the Pacific.

We have also worked hard to facilitate a number of smaller groupings of interested countries to tackle specific challenges. Meetings such as the Lower Mekong Initiative and the Pacific Islands Forum were launched to address issues such as education, health, and the environment. In all, U.S. officials and diplomats continue to respond to demand from the region that America play an active role in these institutions, to help forge a more responsive and effective regional architecture.

Expanding Trade and Investment

The United States views Asia as a key center of future economic growth. American participation in the region's multilateral institutions, particularly APEC and ASEAN, is in keeping with our broader commitment to elevate "economic statecraft" as a pillar of American foreign policy.

Trade with Asia is critical to the U.S. economy. Take for example our trade with APEC members. Six out of our top 10 trading partners are in APEC. U.S. trade with APEC members is over \$2.3 trillion a year, or 56% of our total annual trade. That trade supports five million American jobs. China is our second-largest trading partner. In 2011, total U.S.-China trade in goods surpassed \$500 billion. As the U.S. media is quick to point out, China is also the largest source of our goods trade deficit. But a more positive story that the media doesn't focus on is the trade success story right here in Hong Kong. Although its population is less than that of metropolitan Chicago, Hong Kong is amazingly America's 10th-largest export market for goods (surpassing Singapore) and 7th-largest market for agricultural products. As we strive to meet President Obama's goal of doubling U.S. exports by 2015, naturally we are looking for opportunities to do even more business and increase economic openness in the Asia-Pacific region.

How will we accomplish this goal? We are pursuing new cutting-edge trade deals that raise the standards for fair competition and open new markets, including the KORUS agreement that I mentioned earlier. We expect increased business opportunities to be generated by ASEAN's connectivity initiative, a key component of ASEAN integration.

We are also making progress in negotiating the ambitious Trans-Pacific Partnership, or TPP. This is going to be a high-standard, 21st-century regional trade agreement that will include traditional trade agreement issues, such as agriculture, textiles, intellectual property, and technical trade barriers. But it will also include new and emerging issues such as regulatory coherence among the member countries, helping small and medium-sized enterprises participate more actively in international trade and ensuring state-owned enterprises compete fairly with private companies. This is not designed to be a closed club.

Forging a Broad-Based Military Presence

Asia's remarkable potential for economic growth, however, depends on the security and stability that has long been supported by the United States. This is why President Obama has made continuation of the U.S. military presence in the region – including the 50,000 and 28,500 American servicemen and women in Japan and the ROK, respectively – a top priority and why he announced that reductions in U.S. defense spending will not come at the expense of our commitment to the Asia-Pacific region.

To this end, the United States is modernizing its basing arrangements with traditional allies in northeast Asia, while enhancing our presence in Australia, Southeast Asia, and into the Indian Ocean. In this way, we will be better positioned to support humanitarian missions and also work with more allies and partners to provide a robust bulwark against threats or efforts from whatever quarter to undermine regional peace and stability.

Advancing Democracy and Human Rights

But even more than our military might or the size of the American economy, our most potent asset as a nation is the power of the values to which we aspire – in particular, our steadfast support for the universal values of democracy and human rights. This reflects our national character as Americans and is at the heart of our foreign policy.

We do not aspire to impose our system upon others. History shows us that, over the long run, human rights and economic growth go hand in hand.

This is why as America deepens its engagement with partners in Asia, we will continue to encourage them to meet their international human rights commitments and embrace legal and other reforms that will improve governmental transparency and accountability, strengthen rule of law, protect human rights, and advance political freedoms. Reforms that support these goals give people a greater stake in the success of their nations, which in turn makes societies more stable, prosperous and peaceful. In the end, our goal is greater prosperity and freedom for all the people of the Asia-Pacific region.

Hong Kong

Now I would like to focus on Hong Kong for a moment, and highlight how many of the goals that I have mentioned are being furthered and fulfilled through our work here. Some of you may have noticed that Secretary of State Hillary Clinton's article, entitled "America's Pacific Century," in last November's issue of *Foreign Policy* magazine featured a picture of Victoria Harbor as the backdrop. I think this is a great indicator of Hong Kong's important position in the region.

The fact that so many Cabinet-level U.S. officials, such as Secretary of State Clinton, Treasury Secretary Geithner, Transportation Secretary LaHood, then-Secretary of Commerce Locke, and Attorney General Holder, have recently visited Hong Kong attests to the wide range of issues on which the United States and Hong Kong collaborate closely and the importance the United States places on our relationship. Let me highlight a few key areas of our engagement with Hong Kong.

U.S. officials and the Hong Kong government cooperate as full-fledged partners on a wide range of pressing law enforcement issues, including money laundering, proliferation of weapons of mass destruction, trade in illicit drugs and other contraband, and IPR violations. This cooperation is important not just for the United States and Hong Kong, but for the security and prosperity of the region as well.

At the same time, Hong Kong's long-standing commitment to free trade has resulted in a major presence here by the American business community. There are currently over 1,200 U.S. companies registered in Hong Kong, of which over 800 are involved in regional business. U.S. companies appreciate the city's free market orientation, transparent legal system, and well-established rule of law, which together provide a stable and predictable foundation for growth. Hong Kong's model is one that many economies in Asia could usefully emulate.

The strong American business presence here has also helped make Hong Kong an increasingly important market for U.S. exports of products and services, a key goal of our renewed focus on Asia. Currently there are an estimated 60,000 American citizens in Hong Kong, many of whom work in the financial services sector.

You have only to look at the expansion of *Renminbi* trade settlement, bank transactions, and investment to appreciate that Hong Kong offers a truly unique economic environment for U.S. companies and financial institutions. In addition to providing a vital link between Mainland China and international financial and commercial networks, Hong Kong is on the leading edge of the reshaping of global financial markets. The potential effect on the region could be enormous, and the United States will continue to assess the trends and take advantage of business opportunities.

In addition, Hong Kong plays an important role in APEC and serves as a model for the free-trade principles that we support for the organization. Hong Kong's membership in APEC, the World Trade Organization, Asia Development Bank, and Financial Stability Board is a concrete example of the success of "one country, two systems." We will continue to support Hong Kong's active participation in these organizations.

Given our goal of expanding trade and investment, it is natural for the United States to support the successful, open, and transparent economic integration of the Pearl River Delta (PRD). As Hong Kong and the Mainland continue to build stronger, more extensive ties – for example through the Closer Economic Partnership Arrangement (CEPA) and other frameworks – the United States hopes to play a role in the more liberalized cross-border services, education, and trade. This can help promote trade between and through Hong Kong and the world’s two largest economies. As Hong Kong looks to the PRD for growth opportunities, we are confident it will also continue to build upon its role as a regional and global hub. As the President of AmCham Hong Kong put it, a hub does not point in only one direction.

Under the Hong Kong Policy Act enacted by the U.S. Congress in 1992, the United States is committed to supporting Hong Kong’s autonomy and unique way of life, as guaranteed under the Sino-UK Joint Declaration and codified in the Basic Law. The United States continues to support “one country, two systems,” through which Hong Kong has continued to be a leader in protecting civil liberties, rule of law, and human rights. Hong Kong’s independent and internationally respected judiciary remains one of the most essential pillars of a society that has benefited from the free flow of information and respect for individual rights, including opportunities for people to protest and dissent.

Furthermore, long-standing U.S. policy has supported the express desire of the people of Hong Kong to participate in free elections by universal suffrage at the earliest possible date. We are often asked about what form that electoral system should take, and we continue to hold that that question should be answered through a broad and inclusive dialogue between the Hong Kong people, the political and civil society organizations the public has formed, and their government. With the question of the next Chief Executive now settled, we congratulate Mr. C.Y. Leung and look forward to watching this dialogue expand during his term in anticipation of full universal suffrage in the next Chief Executive election in 2017 and for the Legislative Council in 2020, in accordance with the Basic Law and the aspirations of the Hong Kong people.

Hong Kong’s dynamic free press caters to a market of sophisticated information consumers. That makes the media here an important platform for U.S. communication with people around the region on issues that matter far beyond Hong Kong’s borders. At the press events we host, I have been pleasantly surprised to see journalists from media outlets based in Korea, Japan, Taiwan, the Mainland, and other economies throughout the region. When Secretary Clinton gave a speech here last July, for example, over 160 journalists were in attendance. We celebrate Hong Kong’s thriving media community, and we strongly believe, as Secretary Clinton has said, that a free press is essential to an empowered citizenry, government accountability, and responsible economic development.

Macau

Let me now turn to the other SAR, Macau, where the United States is the second-largest foreign investor – after Hong Kong! American companies, particularly in the gaming and hospitality industry, have readily recognized the unique position of Macau and have responded by building new casinos, hotels and exhibition centers and employing tens of thousands of Macau residents. The number of U.S. citizens in Macau is now estimated at over 4,000. Clearly, U.S. engagement with Macau represents a significant commitment.

It is remarkable to consider that Macau has grown faster than any other economy in the world over the past several years. Macau's GDP per capita, at nearly US\$70,000, is now the highest in Asia. Obviously this rapid growth presents the government with significant challenges, and it must make important decisions about transportation, infrastructure, health care, labor, immigration, and the environment in order to make the growth sustainable. The United States will continue to work with the Macau government toward that objective.

Many of the major issues on which we are now furthering our engagement in the Asia-Pacific are also relevant to Macau. Promoting trade and investment opportunities and ensuring an equitable environment for foreign corporations are issues that we are continually assessing with our partners in Macau. As Macau seeks to diversify its economy, the potential for foreign investment is very promising. The government's plans to expand the tourism sector will create promising opportunities for public-private partnerships, and I expect that U.S. firms will actively pursue them, further strengthening our relations. To be successful, however, we continue to look to the government of Macau to ensure that all foreign investors, including those from the United States, are treated fairly and in a transparent manner, including in recruiting labor and guaranteeing investor rights.

Increasing regional economic integration and strengthening governance are all areas where we work with Macau. Our cooperation on law enforcement, in particular, has been excellent. We are committed to continue to provide training, information, and technology to help Macau strengthen the rule of law, provide an open and fair business environment, and enhance prosperity for the people of Macau.

Conclusion

As you can see, it is an exciting time for the Asia-Pacific region and for the continuing U.S. role here. From the shorelines of the United States, Peru, and Chile in the east, to the great cities of Tokyo, Hong Kong, and Sydney in the west, this vast region has limitless potential at the dawn of the 21st century. While the United States has never faltered in its commitment to and engagement with Asia, we are now striving to strengthen our relations in this region through a durable and consistent web of partnerships and institutions that embrace international standards of rights, openness, transparency, and fairness.

As I've mentioned, we hope to achieve this in multifaceted ways, but the United States cannot do this alone; it will require partnership with the peoples and governments of this region in order to be successful. Many of you in this room can be involved in this future.

The United States and the people of the Asia-Pacific can find more ways to work together to build a secure, open, free, transparent, and fair environment in this region. The effect will be enormous. The benefit to people, including those in Hong Kong and Macau, will see no limits.

Thank you.