

**Statement of  
Joseph Y. Yun  
Acting Assistant Secretary  
Bureau of East Asian and Pacific Affairs  
U.S. Department of State**

**Before the**

**House Foreign Affairs Committee  
Subcommittee on Asia and the Pacific**

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**The FY 2014 Budget Request for the Bureau of East Asian and Pacific Affairs**

Mr. Chairman, Ranking Member Faleomavaega, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to testify on the Bureau of East Asian and Pacific Affairs (EAP) Budget Request for Fiscal Year 2014. I would also like to thank the Committee for its leadership in supporting and promoting engagement with the Asia-Pacific region and advancing U.S. interests there. I look forward to working further with you and other Members of Congress to continue to expand our involvement in the region.

At the outset of his Administration, the President made a strategic decision to increase focus on the Asia-Pacific region and rebalance U.S. engagements, activities, and resources toward and within this vital region. The President's approach is grounded in a simple proposition: the United States is historically a Pacific power whose people, economy, strength, and interests are increasingly and inextricably linked with Asia's economic, security, and political development.

The Fiscal Year 2014 Budget reflects this strategic priority, sustaining key investments made throughout the President's first term and investing in new initiatives to expand and deepen a government-wide commitment across the region. Our budget request was crafted in full recognition of our current budgetary constraints as well as of the high expectations set by the American people to use their tax dollars wisely to meet clear foreign policy objectives and advance U.S. interests. As you consider our FY 2014 request, I am grateful for the opportunity to come before this Committee to discuss what is at stake in this vital region and

the impact we are making in a region with over half of the world's population and nearly half of the world's global trade.

First, State and USAID resources are funding efforts that create and sustain American jobs. Economic vitality in the United States in part depends on the ability of U.S. firms to tap the growing consumer base of the Asia-Pacific region. Through efforts sustained by diplomatic and development resources in the region, the State Department and USAID support U.S. jobs by promoting new and open markets for U.S. firms, protecting intellectual property, and helping U.S. businesses compete for foreign government and private contracts. U.S. exports to East Asia and the Pacific reached almost \$400 billion in 2012, up 26 percent since 2008. Through expanded engagement with China on investment, the value of Chinese greenfield investment and acquisitions in the United States has risen dramatically, from less than \$500 million annually prior to 2009 to \$6.7 billion in 2012. The Rhodium Group, a private research institute, estimates that Chinese investment supports 32,000 U.S. jobs, up from fewer than 10,000 five years ago. Public diplomacy and Consular operations throughout the Asia-Pacific region promote travel and exchange opportunities, including millions of tourists and foreign students who travel to and study in the U.S. each year. Students from East Asia contribute \$9 billion dollars annually to the U.S. economy. In Southeast Asia, the United States has launched the U.S.-ASEAN (Association of Southeast Asian Nations) Expanded Economic Engagement (E3) initiative – a new framework for economic cooperation designed to expand trade and investment ties between the United States and Association of Southeast Asian Nations, creating new business opportunities and jobs in all ten ASEAN member countries and at home. These efforts continue to directly advance the economic strength and well-being of our citizens here in the United States—in your districts and around the country.

Second, State and USAID resources in the Asia-Pacific region are helping to make the United States safer and more secure. In cooperation with the Department of Defense and other national security agencies, our diplomats and security assistance programs help to maintain peace and security across the Asia-Pacific, including through efforts to denuclearize North Korea and halt its proliferation activities, maintain freedom of navigation in the region's maritime spaces including the South and East China Seas, and promote increased transparency in the region's military activities. Our treaty alliances with Japan, the Republic of Korea, Australia, the Philippines, and Thailand are the cornerstone of our strategic position in the Asia-Pacific and continue to ensure regional stability and enhance our regional leadership. In response to the changing security environment in Asia, the United States is modernizing our alliances to provide the United States with the

flexibility to respond to a range of traditional and non-traditional security challenges. At the same time this type of engagement mitigates sources of conflict in the Asia-Pacific region, it also enhances our ability to defend against threats to the United States—keeping us safer at home.

Third, State and USAID resources are also expanding the ranks of democratic and prosperous states in the Asia-Pacific region by promoting our deeply held values of human dignity and rule of law. In just fifteen years, Indonesia has transitioned from an authoritarian regime to a thriving democracy. Timor-Leste, Southeast Asia's youngest democracy, is already a leader in voicing the concerns of fragile and post-conflict countries to shape discussions on the future of aid effectiveness and the post-2015 Development Agenda. The United States is supporting an historic political and economic transition in Burma and is taking an active role in a country in which we are seeing a great shift with regard to respect for human rights and good governance. Although many challenges remain in Burma, the country's nascent transformation demonstrates the possibility for significant change that exists in the Asia-Pacific region. Across the region, our diplomatic, public diplomacy, and development experts are promoting good governance, inclusive participation, and the rights of women and children as well as leveraging regional and bilateral approaches to advance the development of robust democratic institutions. Just as weak governance and rule of law, violations of human rights, and corruption are often root causes of conflict and depravity, strong democratic institutions and responsive governments provide the necessary framework for sustainable economic growth and stability in the region.

The President's Fiscal Year FY 2014 budget request for the Bureau of East Asian and Pacific Affairs sustains and broadens our coordinated efforts to unlock significant strategic and economic opportunities for the United States in this dynamic region. The overall FY 2014 budget request for the State Department and USAID provides \$1.2 billion in funding for East Asia and the Pacific, which reflects a 7.1 percent increase from FY 2012 in support of the East Asia rebalance—the largest growth rate of any region. The request is a reflection of our priorities and hard choices in a difficult fiscal environment, enabling us to work toward proactive diplomacy, effective development, sustainable prosperity, the search for lasting peace, and principled American leadership. It directly supports our key regional objectives, including strengthening ties with our allies, deepening our engagement with new partners and emerging powers such as China, shaping a robust regional architecture through the strengthening of regional institutions and processes such as ASEAN and APEC, expanding trade and investment, and promoting democratic values.

The request expands foreign assistance funding to the Asia-Pacific region to \$768.3 million, from \$715 million in FY 2012, reflecting a \$53.3 million overall increase. Our foreign assistance request expands funding for the region in five areas aligned with our broader rebalance policy: (1) strengthening regional security cooperation; (2) enhancing economic integration and trade; (3) expanding development in the lower Mekong region; (4) supporting democratic development; and (5) addressing war legacies.

### **Regional Security Cooperation**

The State Department will deepen bilateral security partnerships and military ties and expand confidence-building measures and preventative-diplomacy mechanisms to resolve underlying grievances and advance regional stability. FY 2014 funds will allow the Department to undertake a regional and bilateral approach to reforming security and justice sectors and build lasting force capabilities, particularly in Southeast Asia and the Pacific, that advance U.S. leadership within the security architecture of the region. These efforts will help us to deter and defend against military and non-military threats to the region and to the United States.

Specifically, the FY 2014 EAP request provides an additional \$23 million in Foreign Military Financing (FMF) for the Philippines to help build their maritime security capabilities, and \$5.6 million in additional International Narcotics Control and Law Enforcement (INCLE) funds to improve rule of law in the southern region. Overall, the request increases bilateral INCLE funding to key countries in the region by \$4.6 million, which represents an 18.6 percent increase over FY 2012 levels. These funds deepen our traditional security ties and build on our alliances to deter and defend against military and non-military threats to the United States and the region. They help fortify long-term relationships and demonstrate our lasting commitment to the Asia-Pacific region. Beyond the peaceful resolution of disputes and confronting emerging challenges together with our allies and partners, these funds build lasting ties with key leaders who are more capable and willing to work with us.

### **Economic Integration and Trade**

Opportunities for increased U.S. trade and investment in the Asia-Pacific region are constrained by weak legal and regulatory frameworks, limited trade capacity, and other pervasive issues, such as uneven governance, corruption, and lack of cooperation for human rights that limit the ability of U.S. enterprises to fully and

fairly compete in new and emerging markets. FY 2014 funds will enhance our engagement with key bilateral and multilateral partners through an ambitious economic integration agenda aimed at tapping the efficiencies of a larger market and unlocking new sources of prosperity for the United States through the expansion of U.S. exports and reducing barriers to investment to Asia and the Pacific. By harnessing the region's economic growth and dynamism we can promote U.S. economic and strategic interests at the same time as we increase regional economic integration.

The FY 2014 request provides a net increase of \$5.1 million over FY 2012 levels in Economic Support Funds (ESF) for key multilateral economic growth programs. This increase will expand programming in support of economic integration and trade capacity objectives within ASEAN and the Asia-Pacific Economic Cooperation (APEC) forum, as well as fund regional initiatives such as the Asia-Pacific Comprehensive Energy Partnership. The request also includes an additional \$22.29 million in bilateral funding to support economic growth and trade initiatives in Burma, Laos, Mongolia, the Philippines, Timor-Leste, and Vietnam.

### **Engagement in the Lower Mekong Region**

The United States has a significant interest in the emergence of a strong and integrated ASEAN that can effectively address complex transnational challenges and reinforce the global system of rules and responsibilities that will define the future of the Asia-Pacific region. ASEAN seeks to increase economic and political integration among its member states. However, integration will ultimately hinge on the ability of member countries to “narrow the development gap” between maritime Southeast Asia and the Mekong sub-region. Low levels of economic development in the Mekong sub-region, particularly within Cambodia, Laos, and Burma (intensified by Burma's decades of relative isolation) have made it particularly susceptible to external pressures. In addition, the lower levels of capacity among Mekong countries continues to hinder ASEAN's ability to respond in a coherent and consistent manner to pressing non-traditional security challenges in Southeast Asia.

The Lower Mekong Initiative (LMI) was launched in 2009 as a development-based initiative aimed at addressing these concerns about economic development in this region, and it continues to be the primary driver of Mekong sub-regional integration for the United States. We have a significant interest in fostering greater economic capacity in the countries economically dependent on the Mekong River,

while simultaneously supporting efforts to bring greater physical, institutional, and economic connectivity across regions. This effort is meant to supplement traditional U.S. bilateral assistance by building the capacity of Mekong countries to combat specific cross-border challenges, promote institutional and people-to-people connectivity, and address development challenges. Engaging all continental Southeast Asian states on a sub-regional basis is essential to address acute and pervasive transnational/boundary challenges that can hinder economic development in the longer term, such as emerging pandemic threats, the impact of hydropower infrastructure development, climate change, and environmental degradation.

Still in its early stages, LMI has made significant progress with the Lower Mekong countries. Plans of Actions for four of the six pillars have been finalized, and the fifth and sixth pillars on Agriculture and Food Security and Energy Security are under discussion. These plans of action set specific objectives and drive coordinated efforts among the LMI countries to bridge their own development gap within ASEAN, with a goal of realizing the ASEAN Economic Community in 2015, boosting our support for ASEAN centrality and helping open markets in Southeast Asia to U.S. exports and boosting export-supported jobs in the United States. The plans will also serve as the basis for the measurement of progress on LMI goals.

The FY 2014 request provides an additional \$15 million in ESF to support LMI. This effort is meant to supplement traditional U.S. bilateral assistance by building the capacity of Mekong countries to combat specific cross-border challenges, promoting institutional, professional, and people-to-people connectivity, and advancing efforts to address development challenges. These FY 2014 funds support part of a larger multi-year \$50 million LMI deliverable announced by Secretary Clinton at the ASEAN Regional Forum Ministerial Meeting in July 2012.

### **Democratic Development**

FY 2014 funds will support good governance and inclusive participation, promote the rights of women and children, and advance the development of robust democratic institutions. Our commitment to the expansion of democratic development and human rights in the region helps create responsible partners who share our most fundamental values. A key focus is supporting the political and economic transition in Burma.

Burma, a country crippled by decades of military rule and international isolation, is undergoing an accelerated, historic political transition marked by an expansion of civil liberties and human rights. The United States began normalizing relations in 2012 in response to the dramatic political, social, and economic reforms adopted by the Government of Burma. Burma remains important to U.S. interests as a demonstration of the benefits that accrue to a nation that pursues a progressive path to change. U.S. assistance builds on a long legacy of support for the aspirations of the people of Burma and focuses on new and expanded collaboration in key priority areas. The U.S. government is supporting and accelerating the political and economic reform process through targeted assistance to promote the rule of law, respect for human rights, a robust civil society, and the development of a transparent, accountable government that is responsive to the needs of the people of Burma and committed to inclusive, equitable, and transparent growth. In 2015, Burma will have its first opportunity in the post-military regime era to hold multiparty national elections that adhere to international standards. Through USAID, the U.S. government is providing critical support for preparations for a free and credible national election. In addition, one of Burma's most significant challenges is achieving the national unity that has eluded the country since independence. U.S. assistance is working to address the root causes of long-running conflicts and ethnic tensions. We will continue to provide humanitarian assistance to conflict-affected and vulnerable populations in border areas and the interior of the country and improve health, food security, and economic opportunity and livelihoods for all the people of Burma.

The FY 2014 request expands bilateral funding for Burma to \$75.4 million, an increase of \$28.8 million from FY 2012. FY 2014 funding will also support programs that aim to strengthen democratic institutions, good governance, civil society, rule of law and respect for human rights in Indonesia, Cambodia, Mongolia, the Philippines, Timor-Leste, and Vietnam.

### **Addressing War Legacies**

As the United States embarks on a renewed, deepened relationship with the Asia-Pacific region, we must continue to demonstrate strong leadership in helping affected countries overcome health, social and environmental challenges that remain perceived as legacies of war. The FY 2014 request will help Vietnam, Laos, Cambodia, and Pacific Island countries overcome lingering challenges threatening sustainable development by undertaking humanitarian efforts to reduce the effects of unexploded ordnance (UXO). The request provides an additional \$4 million for UXO clearance in Laos and an additional \$1 million for UXO clearance

in the Pacific Islands. The request also sustains UXO programming for Vietnam and Cambodia. Our FY 2014 request also maintains our firm commitment to remediate dioxin contamination at the former U.S. airbase in Da Nang, Vietnam. We have requested a total of \$12 million to support remediation and to fund broader health programs to help Vietnamese with disabilities, regardless of cause.

### **Diplomatic and Public Diplomacy Programs**

Beyond foreign assistance, the FY 2014 request also provides funds for additional personnel, operations, and public diplomacy to meet growing demands associated with our intensified focus in the Asia-Pacific region. For instance, our principled engagement strategy with Burma, after several decades of international pressure and sanctions, helped advance key reform efforts. Expanded engagement with ASEAN and other fora such as the Pacific Islands Forum and the Secretariat of the Pacific Community continues to enable our efforts to effectively tackle transnational priority issues such as transnational crime, counter-proliferation, and disaster preparedness. We will continue to intensify our engagement on the Trans-Pacific Partnership (TPP) and work within the Asia-Pacific Economic Cooperation forum to increase opportunities for trade and investment and reduce barriers—directly benefiting the U.S. economy. The U.S. rebalance demands increased people-to-people engagement with the region by expanding our outreach and educational and cultural exchanges, particularly with ASEAN countries. We expect this unprecedented level of engagement with our Asia-Pacific partners to further broaden as we implement the U.S. rebalance strategy for the region.

For this reason, the FY 2014 EAP request included funds to expand our diplomatic and public diplomacy platform in the Asia-Pacific region. Our State Operations request - which funds our personnel, operating costs, and public diplomacy programs in the region - provides an additional \$25.9 million for program and supporting costs, including funding to add 24 new positions to our existing 1,008 positions in order to fill critical needs at our embassies and in our regional bureau offices. Ten of these positions will be Washington-based, while the remaining 14 will be overseas. The overseas positions are for Burma (three positions), Australia (three positions), Korea (two positions), Jakarta (ASEAN, two positions), and one position each in Timor-Leste, Vietnam, Brunei, and New Zealand. Of the \$25.9 million, \$10 million is associated with public diplomacy funding and represents an 18 percent increase. This increase will help to continue our alumni engagement, English-language teaching and training, academic advising, and journalist training. Budgetary constraints have forced the Department to steeply reduce its request for



educational and cultural exchanges across the board, which will result in reduced funding for all regions, including the Asia-Pacific.

In every regard, Asia-Pacific countries are indispensable to addressing the transnational challenges and seizing the economic and strategic opportunities of the 21st century. At a time when the region is building a more mature security and economic architecture to promote stability and prosperity, effective and sustained U.S. engagement can have an unprecedented positive impact on developments in the region. U.S. leadership will help shape that architecture and will pay dividends for our security and prosperity well into this century, just as our post-World War II commitment to rebuild Europe helped to create a comprehensive and lasting transatlantic network of institutions and relationships. The time has come for the United States to make similar investments as a Pacific power. The United States must enhance and deepen its strategic engagement and leadership role in order to meaningfully shape the emerging Asia-Pacific century.

Thank you, Mr. Chairman, for inviting me to testify today on our FY 2014 budget request. I am pleased to answer any questions you may have.