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Before the

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

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The FY 2016 Budget Request for the Bureau of East Asian and Pacific Affairs

Chairman Salmon, Ranking Member Sherman, and Members of the Subcommittee: Thank you for the opportunity to appear before you today to testify with Jonathan Stivers, USAID Assistant Administrator for Asia, on the President's FY 2016 budget request for East Asia and the Pacific. 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.

Over the last six years, our rebalance to the Asia-Pacific has established a "new normal" of intensified engagement in the region. We are committed to extensive collaboration with Asian allies and partners on important global issues and a high tempo of sustained engagement by the President, Secretary Kerry, and other Cabinet and senior officials. Over the next year, we are planning 41 bilateral, 5 trilateral, and 54 multilateral dialogues and high level meetings with our partners in the Asia-Pacific on a range of policy issues.

The President's \$1.4 billion FY 2016 budget request for East Asia and the Pacific is also a reflection of this new normal. The overall request includes \$845.6 million for foreign assistance and \$584.1 million for diplomatic engagement, which reflects a \$75.4 million or 6 percent increase over FY 2014. This funding allows us to maintain a robust presence as a preeminent trade and investment partner, security guarantor, and supporter of democracy and good governance throughout the region.

This funding will also help support the multi-dimensional nature of the rebalance to advance mutual understanding, support regional public diplomacy priorities, and foster deeper people-to-people ties. Through programs such as the Young South

East Asian Leadership Initiative we will strengthen partnerships by building the leadership capabilities of youth in the region.

Recent Progress on the Asia-Pacific Rebalance

Mr. Chairman, before I get into specifics on the budget request, let me back up and highlight some of our significant accomplishments in the region, including expanding trade and investment, modernizing our alliances, deepening our engagement with emerging powers such as China, strengthening regional institutions, and promoting democracy and human rights.

Trade and Investment

Tapping into the economic dynamism of the East Asia-Pacific region is vitally important for U.S. interests. The most important thing we can do for our economic relationship with East Asia is to complete the Trans-Pacific Partnership (TPP) agreement – which also is critical to the future of our economy as it becomes increasingly linked to the region. A respected American think tank, the Peterson Institute, estimates that real income benefits of TPP for the United States will be close to \$77 billion per year. By 2025, a concluded deal will generate an additional \$123.5 billion in U.S. exports.

Through TPP, we can operate based on a shared vision of a range of important issues, including critical questions such as protecting intellectual property, setting the role of state-owned enterprises in our economies, and promoting digital trade.

The TPP is the economic centerpiece of our rebalance, but by no means the only part – we’re expanding economic ties with non-TPP members as well. The Asia-Pacific Economic Cooperation (APEC) forum has been critical as an incubator for new ideas that are now being incorporated into the TPP. We continue to bolster its role as the premier economic forum in the region for advancing free and open trade and investment and for fostering sustainable and equitable growth. We’re also helping Association of Southeast Asian Nations (ASEAN) improve its trade and investment environment as it prepares to launch the ASEAN Economic Community (AEC) later this year. We have supported the AEC, for instance by providing technical assistance to help develop the ASEAN Single Window customs project, which expedites the customs process and reduces costs for all businesses. We are also continuing negotiations on a U.S.-China Bilateral Investment Treaty and await China’s submission of what we hope will be a high quality negative list – narrowly tailored and widely open to foreign investment.

Modernizing Alliances

Over the past year, we have continued to make significant progress strengthening security ties with our Asia-Pacific allies and partners. Our alliances with Japan, the Republic of Korea (ROK), Australia, the Philippines, and Thailand underpin our strategic position in the Asia-Pacific region. They work alongside the United States on key regional issues such as curbing the Democratic People's Republic of Korea's (DPRK) nuclear and ballistic missile programs; promoting freedom of navigation and peaceful resolution of disputes in the South China Sea; and addressing international crises, including threats posed by the Islamic State of Iraq and the Levant (ISIL) and Ebola.

Last year, we completed a trilateral U.S.-ROK-Japan defense information sharing arrangement, allowing our governments to deal more effectively with DPRK nuclear and missile threats. Our alliances with the ROK and Japan also form the bedrock of the Six-Party Talks process, and thanks to our continued robust engagement with China and Russia on the issue, five-party unity has never been stronger. Our partners, along with the wider international community, have consistently made clear to the DPRK that it will not be accepted as a nuclear power.

Through the U.S.-Australia-Japan Trilateral Strategic Dialogue, we have been coordinating on nonproliferation, counterterrorism, regional stability, and sustained economic prosperity. Both the Japanese and Australian governments actively support Coalition efforts to combat ISIL and contributed to the fight against Ebola. By signing the Enhanced Defense Cooperation Agreement with the Philippines, we have strengthened the U.S. rebalance to Asia, boosted cooperation between our militaries, and ramped up our ability to provide rapid assistance following natural disasters in the region.

Strengthening Partnerships

Our engagement with key emerging partners is also yielding tangible benefits and advancing wide-ranging U.S. interests in the region. Twenty years after the normalization of U.S.-Vietnam relations, our Comprehensive Partnership is moving forward. Last year, for example, a bilateral civil nuclear agreement between the United States and Vietnam was entered into force. We have also improved coordination on key security issues, including through consultations on the South China Sea and by modifying our policy to allow transfers of defense

articles for maritime security purposes. Vietnam has made some progress on human rights, including jailed dissident releases. Administration officials at all levels regularly raise human rights concerns, and make the point that if we are to sustain and grow our partnership, Vietnam must do more to respect and protect universally-recognized human rights.

The United States and Malaysia recently launched a Comprehensive Partnership in April 2014. Over the past months, we concluded a Customs Mutual Assistance Agreement and are working on agreements for counter-terrorism information sharing (Homeland Security Presidential Directive-6) and Preventing and Combating Serious Crime. We cooperate on counterterrorism and counter proliferation issues in order to deny support for Iran's and the DPRK's nuclear programs.

The elections last summer in Indonesia were an example of really good news: about 140 million people turning out to vote in one of the largest – if not largest – single-day democratic elections in the world. The peaceful, active, and tremendously transparent process marked a continuation in a pretty remarkable transformation of Indonesia's dictatorship through major crisis to a vibrant democracy since 1998.

We've also made significant progress in enhancing cooperation with China as we influence its behavior to become a responsible actor on the world stage. In Beijing last November, President Obama and President Xi took a historic step forward by jointly announcing our respective climate change targets, where China announced a cap on greenhouse emissions over the next two decades. In addition, our militaries made an important stride toward building strategic trust by signing two Memorandums of Understanding (MOU): a Notification of Major Military Activities Confidence-Building Measures Mechanism, and another, for Rules of Behavior for Safety of Air and Maritime Encounters. These non-binding MOUs reinforce existing international law and practice, while managing risk with the objective of reducing the possibility of misunderstanding and misperception.

In recognition of the important role to be played by people-to-people ties in the U.S.-China relationship, our two governments also agreed to a reciprocal extension of visa validity of five years for students and ten years for tourists and business people.

Regional Institutions

The United States is also supporting the emergence of a strong and integrated ASEAN that can reinforce the international system of rules and responsibilities. To that end, we continue to invest in ASEAN, the East Asia Summit, and other regional institutions to strengthen their capacity to enforce regional norms and facilitate cooperation. We are working with ASEAN on regional security issues like the South China Sea, and we are now seeing ASEAN take a stand on issues of global importance such as ISIL and Ebola. We also have launched a large scale, people-to-people initiative that encourages Southeast Asian emerging leaders to work with ASEAN peers and the United States in ameliorating regional problems.

Democracy and Human Rights

Democratic practices and respect for human rights have gradually but steadily increased in East Asia and the Pacific over the past five decades, despite some setbacks, bolstered in part by the emergence of stronger civil society. Japan, the ROK, Taiwan, and the Philippines have maintained robust democracies within the region, while Indonesia, Mongolia, and others have more recently transformed into democratic partners. Democracy and human rights are part of the authentic 21st century Asian landscape, not impositions from the West.

With our assistance, the government in Burma has released more than 1,300 political prisoners, loosened restrictions on press freedoms, and opened space for civil society and the political opposition over the last three years. We continue to urge the interim Thai government to remove undue restrictions on civil liberties, such as limits on fundamental freedoms of expression and peaceful assembly, end the practices of trying civilians in military courts and detention without charge, institute a genuinely inclusive reform process that reflects the broad diversity of views within the country; and return the country to democracy.

Resourcing the Rebalance

As the region is building a more mature security and economic architecture, sustained U.S. commitment is essential to promote stability and prosperity. We have strategically planned our budget with fiscal constraints and competing interests in mind, while prioritizing programs that support American jobs and exports, protect the security of the United States and our allies, and promote democratic values. The FY 2016 request will provide additional diplomatic, public diplomacy, consular, development, and security assistance resources needed to

unlock significant strategic and economic opportunities for the United States in this dynamic region.

The \$845.6 million request in foreign assistance sustains and expands funding for the region in five areas aligned with our broader rebalance policy: (1) strengthening regional security cooperation, with a strategic focus on maritime security; (2) advancing inclusive economic growth and trade; (3) promoting democratic development; (4) strengthening regional institutions and fora; and (5) addressing war legacies in Southeast Asia and the Pacific.

In addition to foreign assistance, the FY 2016 request provides essential increased funding for personnel, operations, and public diplomacy to meet growing demands driven by our intensified focus on the Asia-Pacific region. The FY 2016 request will provide crucial personnel support, including the addition of 49 Locally Employed Staff positions and three U.S. direct hires in China, Burma, and Cambodia. This request enables us to advance U.S. values, including support for democracy and human rights, across the Asia-Pacific region.

Let me now share with you how the FY 2016 budget request will allow us to accomplish some of our top priorities in the region.

Improving Maritime Security

The Department of State leads the U.S. interagency effort to deliver targeted foreign assistance to Southeast Asian military and maritime agencies. Both Congress and the Administration have articulated an urgent need to improve maritime security capacity in Southeast Asia. Lack of maritime awareness encourages smuggling, crime, piracy, illegal fishing, and forcible assertions of contested territorial claims. The FY 2016 request therefore includes over \$64 million to build maritime domain awareness and law enforcement capacity in Southeast Asia. The Philippines, Vietnam, and Indonesia are the primary recipients of this assistance which addresses significant gaps in training capacity, information sharing, training curriculum, and surveillance capabilities.

Advancing Economic Growth and Trade

In order for the U.S. economy to continue to grow and create new jobs, U.S. trade and investment must keep pace with the exponential economic growth in the EAP region. U.S. businesses are continually seeking a level and predictable playing field in emerging markets in the Asia-Pacific region. Economic growth programs

in EAP will therefore continue to address weaknesses in legal and regulatory frameworks, limited trade capacity, uneven governance, and corruption. The FY 2016 request provides \$72.1 million, representing a \$20.8 million increase over FY 2014 levels, to expand U.S. engagement with key bilateral and multilateral partners through an ambitious economic integration and trade agenda aimed at tapping the efficiencies of a larger market and unlocking new sources of shared prosperity for the United States and the region.

In the Philippines, for example, FY 2016 resources will continue to support the Partnership for Growth (PFG) and help the Philippines broaden the inclusiveness of its economic growth. U.S. assistance will continue to complement the government's efforts to implement the U.S.-Philippines PFG Joint Country Action Plan. These interventions are accelerating the Philippines' growth trajectory by improving tax collection needed to support infrastructure and social investments, reducing court delay and docket congestion, improving the country's corruption perception score and competitiveness rankings, and increasing export growth and FDI. U.S. assistance will also strengthen the human and natural resource base of the country by upgrading the performance of institutions related to education, health, and environment in order to foster innovative and sustained economic growth.

The FY 2016 request will also support Vietnam's governance reforms that broaden economic participation and make growth more sustainable, facilitate engagement by the private sector and civil society, promote respect for human rights, and expand accountability and transparency. U.S.-supported governance reforms will broaden economic participation and make growth more sustainable, including through opportunities presented by TPP, facilitate engagement by the private sector and civil society, promote respect for human rights, and expand accountability and transparency.

In addition, U.S. assistance will consolidate economic reforms and competitiveness in countries that are emerging in the lower-middle income bracket and help the poorest nations in the region to reduce poverty. In Indonesia, funding will support policies that increase competitiveness across a number of sectors. In Cambodia and Timor-Leste, programs will promote agricultural production and enterprise development. By harnessing Asia's economic growth and dynamism, U.S. assistance will promote U.S. economic and strategic interests.

Promoting Democratic Development

U.S. assistance strengthens regional commitment to democratic development and human rights. The FY 2016 request includes \$133.8 million, an increase of \$68.5 million over FY 2014 levels, in funding for democracy programs throughout the region, with significant increases in Burma, Vietnam, Cambodia, Indonesia, and the Philippines. This U.S. commitment to the expansion of democratic development and human rights, including those of women and children, helps create responsible partners who share the United States' most fundamental values.

In Burma, while the government has undertaken a number of noteworthy reforms since 2011, significant challenges remain. Burma's parliamentary elections in 2015 will be an important milestone in the country's democratic transition and an opportunity to reaffirm for the world its commitment to further reform. The success of these elections will fundamentally shape our engagement with the Burmese government in 2016 and beyond. With the government and major ethnic armed groups taking very positive steps this year toward finalizing a ceasefire agreement (ending the world's longest—over a half century—civil war), U.S. assistance will support Burma's transition by promoting democratic values, stability, and national reconciliation, while supporting the country's future as a responsible member of the international community after decades of isolation. U.S. assistance will also continue coordinating efforts to build democratic institutions and civil society, strengthen rule of law, and reduce conflict in ethnic regions. Such interventions reinforce other investments that reduce poverty and improve the welfare and well-being of the people of Burma.

In Vietnam, the request will support programs that help the government implement new policies to strengthen the rule of law and respect for human rights. U.S. assistance will strengthen the capacity of Vietnam's National Assembly, key governmental and judicial institutions, and other actors to improve policy-making ability and accountability, oversight, performance management, and access to justice through civil society consultations with the Ministry of Justice on draft legislation, particularly revisions to the Criminal Code and Criminal Procedure Code, to implement the new constitution, annual policy forum on priority laws with National Assembly Deputies, and an annual young policy analyst seminar to increase the skills of mid-level officials from across the government.

While Indonesia has made significant progress since its transition to democracy in 1998, it still faces major governance and development challenges. The FY 2016 request continues to support Indonesia's commitment to public accountability and

rule of law, broad and robust civic participation on the part of Indonesian civil society, and the protection of the rights of all its citizens. Together this work deepens democratic consolidation and widens good governance achievements to all parts of the nation. As we continue our rebalance toward the Asia-Pacific region, such support is key to achieving our strategic objectives in the world's third-largest democracy, its largest Muslim-majority nation, and the largest economy in Southeast Asia.

Strengthening Regional Institutions

The United States seeks to shape the evolving regional architecture and deepen our engagement with various multilateral institutions and fora. Fostering the growth of a rules-based system in the region is a key national interest. The FY 2016 request provides \$30.5 million to continue capacity-building activities for key multilateral institutions and fora such as the ASEAN and fora including APEC, the ASEAN Regional Forum, and the Lower Mekong Initiative (LMI). The requested funds will support these multilateral institutions and provide platforms for dialogue that advance regional economic and political integration, security cooperation, and humanitarian relief.

For example, through the (LMI), the funding will provide assistance to the Lower Mekong Delta, which supports education, environment, health, food security, energy security, and connectivity in the Lower Mekong sub-region. LMI complements bilateral programs in Burma, Cambodia, Laos, Thailand, and Vietnam and elevates the profile of the United States in the region. Most importantly, LMI builds cooperation and trust between neighbors in the region, which is essential when addressing trans-boundary development and policy challenges. LMI programs are also helping to close the development gap within ASEAN and improving ASEAN economic integration by building the institutional capacity of the poorest ASEAN countries.

U.S. assistance will support sustainable development of the Mekong River and other transnational issues facing this dynamic sub-region – a waterway on which 60 million people depend for their livelihood. The request will fund projects that support the sustainable development of the Mekong River and assist the region to work towards a future in which economic growth does not come at the expense of clean air, clean water, and healthy ecosystems.

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 \$23 million for UXO clearance in EAP region, which includes \$21 million for Southeast Asia and \$2 million for the Pacific Islands. Our FY 2016 request also maintains our firm commitment to remediate dioxin contamination at the former U.S. airbase in Danang, Vietnam. We have requested a total of \$15 million to support remediation efforts in Vietnam.

Conclusion

Mr. Chairman and Members of the Subcommittee, the Department of State is fully committed to the Asia-Pacific rebalance and is dedicated to ensuring that our engagement with the region continues to be robust. A peaceful and prosperous Asia-Pacific region results in many benefits for the peoples of United States and of the region. We look forward to working with you and other Members of Congress to continue to build on our accomplishments in the region.

Thank you for inviting me to testify today. I am pleased to answer any questions you may have.