

**Statement of
Daniel R. Russel
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**

April 19, 2016

**FY 2017 Budget Priorities for East Asia: Engagement, Integration, and
Democracy**

Chairman Salmon, Ranking Member Sherman, and Members of the Subcommittee: Thank you for the opportunity to appear before you today to testify on the President's FY 2017 budget request for East Asia and the Pacific. I would also like to thank you for your leadership in supporting and promoting engagement with the Asia-Pacific region and advancing U.S. interests there.

The "Rebalance" to the Asia-Pacific reflects a profound recognition that our nation's security and prosperity will be largely defined by events and developments in the region over the next century. Home to the world's largest and fastest growing economies, East Asia and the Pacific offers growing opportunities and challenges for U.S. strategic interests. Harnessing Asia's growth and dynamism is central to American economic and strategic interests.

The President's \$1.5 billion FY 2017 budget request for East Asia and the Pacific reflects this recognition. The overall request includes \$873 million in foreign assistance and \$646.1 million for diplomatic engagement. This funding allows us to maintain a strong presence as a preeminent trade and investment partner, security guarantor, and supporter of democracy and good governance throughout the region.

Recent Progress on the Asia-Pacific Rebalance:

Mr. Chairman, before I go into specifics on the budget request, let me highlight some of our significant accomplishments in the region in support of the Asia-Pacific rebalance.

Deepen Security Ties and Alliances:

The United States is modernizing its treaty alliances to provide the flexibility to respond effectively to traditional and non-traditional security challenges. We seek to strengthen partner capabilities and policies to address shared challenges and bolster a rules-based order that operates in accordance with international standards. We have secured new agreements with Australia, Japan, the ROK, and the Philippines, while maintaining our long-standing alliance with Thailand.

We established a U.S.-Japan-ROK Vice-Ministerial dialogue, which has helped to spur concrete and practical cooperation on a wide range of issues between the United States and our allies. We are adjusting our posture in the region through the Enhanced Defense Cooperation Agreement (EDCA) signed with the Philippines in April 2014, the Force Posture Agreement (FPA) signed with Australia in August 2014, and the new Guidelines for U.S.-Japan Defense Cooperation issued in April 2015.

At the March U.S.-Philippine Bilateral Strategic Dialogue, the United States and Philippines announced five Enhanced Defense Cooperation Agreement (EDCA) “Agreed Locations” that can be used on a rotational basis by U.S. forces, and discussed next steps for EDCA implementation to help modernize the Armed Forces of the Philippines, develop maritime security and maritime domain awareness capability, and provide rapid humanitarian assistance.

We launched the Global Cooperation and Training Framework (GCTF) with Taiwan in June 2015 to strengthen cooperation on training and capacity building initiatives that benefit third countries and address global and regional non-traditional security challenges, such as public health and disaster relief.

Australia, Japan, the Republic of Korea, Malaysia, New Zealand, Singapore, and Taiwan are making important contributions to the global coalition to counter-ISIL. We are working through our trilateral partnership with Japan and Australia to share information and cooperate as force multipliers to increase security across the region.

Increase Economic Growth and Trade:

We concluded negotiations of the Trans-Pacific Partnership Agreement (TPP), a landmark agreement that establishes strong rules that will phase out tariffs and non-tariff barriers in other countries that impede trade; establish the highest labor and environment standards of any trade agreement in history, including ones to crack down on wildlife trafficking; address trafficking in persons; set high standards for intellectual property; and promote a free and open Internet for

participants. The global economic center of gravity is shifting to the Asia-Pacific, and the United States cannot afford to be absent from the region. We have worked hard in negotiating TPP to ensure that the United States remains firmly anchored in the region's economic dynamism and is a leader in developing the region's economic architecture. The TPP is critical for the success of the U.S. economy, and also a powerful signal of our commitment to the region as a concrete example of our rebalance toward Asia.

We are now working, under the processes set forth in the Trade Promotion Authority legislation from last year, to prepare TPP and its implementing legislation for Congressional consideration, which we hope will happen as soon as possible. TPP will include nearly 40 percent of global GDP and is estimated to provide real income benefits to the United States of \$77 billion per year and eliminate over 18,000 taxes on U.S. exports.

The arithmetic is simple. U.S. tariffs average 1.4 percent – some of the lowest in the world. For the other TPP countries with which we don't already have trade agreements, their average tariff rate can be more than double that, with tariffs significantly higher for some specific products that we export. When these tariffs move to zero, in tandem with commitments to address other non-tariff barriers, American business is the big winner. TPP is the centerpiece of our economic engagement with the Asia-Pacific, which aims at creating a system that is open, free, transparent, and fair, creates new opportunities for growth at home and in the region, and reinforces our strategic presence abroad. Our engagement helps to build more stable societies by encouraging governments to strengthen rule of law. It supports our trade and investment goals by promoting laws and institutions that secure property rights, enforce contracts, and fight corruption. It empowers citizens to hold their governments accountable on issues such as protecting the environment and product safety, which is also important to the health and wellbeing of our own people. It aligns American leadership with the aspirations of ordinary people in the region, and with values that they admire, thus distinguishing us from other great powers past and present.

The United States advances critical trade and investment liberalization initiatives at the Asia-Pacific Economic Cooperation (APEC) forum that increase trade and investment, promote economic integration, and contribute to economic growth in the United States and across the region. Recent successes include reducing tariffs on environmental goods and improving supply chain connectivity within APEC, as well as launching liberalization efforts for services and digital trade.

The United States is also working to strengthen economic ties with ASEAN. Under the U.S.-ASEAN Trade and Investment Framework Agreement, we are working to increase trade and investment relations. We are also supporting the development of the ASEAN Economic Community (AEC), which was formally launched by ASEAN members in December 2015. We are deepening our engagement through a new interagency initiative, U.S.-ASEAN Connect, announced by President Obama at the February 2016 Summit in Sunnylands, CA. Under U.S.-ASEAN Connect, we will advance existing economic programs and facilitate business ties out of our Connect Centers in Jakarta, Singapore, and Bangkok. These Connect Centers will launch new economic programs with the themes of business, energy, innovation, and policy.

Since the signing of a new Partnership for Growth (PFG) between the Philippines and the United States in November 2011, we have worked to address the constraints to economic growth and development in the Philippines. The PFG joint country action plan consists of development interventions around four inter-related themes: improving regulatory quality, strengthening rule of law and anti-corruption measures, improving fiscal performance, and promoting human capacity development. During this five-year agreement, the Philippine government has implemented major policy and institutional changes and strengthened its anti-corruption efforts. Although the agreement is coming to a close, programs in FY 2017 will continue to support PFG focus areas to ensure that the growth generated is inclusive, sustainable and resilient.

Strengthen Partnerships With Emerging Powers:

The United States is strengthening our partnerships with emerging powers throughout the region. We are fostering a more durable and productive relationship with China, by expanding areas of practical cooperation on global challenges, and constructively managing differences.

The annual U.S.-China Strategic and Economic Dialogue (S&ED) – last held in June 2015 – provides a unique platform to promote bilateral understanding, expand consensus, discuss differences, build mutual trust, and increase cooperation. The strategic track of the S&ED has produced benefits for both countries through a wide range of joint projects and initiatives and expanded avenues for addressing common regional and global challenges such as proliferation concerns in Iran and North Korea, the conflicts in Afghanistan and South Sudan, peacekeeping, climate change, oceans conservation, and global health security. We also hosted the Strategic Security Dialogue with China last June. While significant concerns remain regarding cybersecurity, during President Xi Jinping's visit in September 2015, we succeeded in obtaining a commitment from China to refrain from cyber

enabled theft for commercial gain, to investigate cybercrimes, and to hold senior-level dialogue on cyber-crime and cyber security. Finally, with China's constructive engagement, the global community came together in Paris in December to finalize a comprehensive agreement to combat climate change.

Indonesia, home to 240 million people, is the world's fourth-largest country and an emerging power located where critical trade routes connect the Indian and Pacific Oceans. Since 2010, we've had a Comprehensive Partnership. In October we upgraded it to a Strategic Partnership, which aims at greater cooperation on issues of regional and global interest, such as regional stability, climate change, and countering violent extremism – the latter a pressing challenge in the world's largest Muslim-majority country. As part of this upgraded partnership, we signed MOUs to enhance cooperation on defense, maritime affairs, energy, and civil aviation.

TPP will also strengthen our relations to Vietnam and Malaysia, two increasingly important partners in the region.

Support an Effective Regional Architecture:

We are expanding engagement with the Asia-Pacific's regional institutions, allowing for close collaboration on shared challenges, from preventing human trafficking to countering violent extremism, to stemming the flow of foreign terrorist fighters. Our work with ASEAN, the ASEAN Regional Forum (ARF), East Asia Summit, APEC, and the Pacific Island Forum helps them establish and implement rules and norms consistent with the international norms that promote peace and stability, spur greater economic growth and enable the region to respond more effectively to regional and global challenges like Ebola, nuclear proliferation, and climate change. As one example, we improved marine conservation by sponsoring the ARF Statement on Strengthened Cooperation on Marine Environmental Protection and Conservation, which was unanimously approved by all 27 ARF foreign ministers in August 2015. Through these organizations we also reinforce our bilateral relationships and advance our economic, political and security interests with regional allies and partners.

I also want to underscore how TPP will contribute to the regional economic architecture of the Asia-Pacific. Trade is more than just pure economic benefits – and the greatest export of TPP may be good governance. Through TPP's groundbreaking commitments, we will establish rules of the road for the global trading system, contributing to a regional architecture that is consistent with U.S. values and U.S. interests.

Expand Democratic Development:

We developed a regional component to the President's Stand with Civil Society Agenda and increased resources for civil society organizations under threat as part of our ongoing efforts to enable the growth of civil society. We are helping build capable and accountable institutions while also promoting democratic practices, access to information, transparent and responsive governance, and more inclusive participation by marginalized groups in politics and government.

We provided \$18 million to help Burma conduct historic elections on November 8 that saw millions of people voting for the first time and represented a historical leap forward in the country's democratic transition. We will continue to work with the people and institutions of Burma, including the new National League for Democracy-led government, to strengthen democratic institutions, help develop critically-important civil society, and promote inclusive economic growth and development.

In Indonesia, the world's third largest democracy and largest in East Asia, we have provided significant support for good governance, civil society and rule of law. We provided advice and counsel to Vietnamese legislators to help Vietnam revise its laws in line with its international commitments and new constitution, which includes a dedicated chapter on human rights. Regionally, we will raise labor standards through the high quality TPP trade agreement. Internationally, the United States has led the international community's condemnation of North Korea's nuclear test and deplorable human rights record.

Resource the Asia-Pacific Rebalance:

As the region builds a more mature economic architecture in the shadow of maritime security concerns, sustained U.S. commitment is essential to furthering stability and prosperity. The Asia-Pacific is vital to unlocking shared strategic and economic opportunities in this dynamic region. The President's FY2017 budget request includes \$1.5 billion overall in diplomatic engagement and foreign assistance funds.

The \$873 million foreign assistance request supports five key priorities: (1) strengthening regional security cooperation, with a strategic focus on maritime security around the South China Sea; (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. Mr. Chairman, let me now share with you some examples of how our FY 2017 budget request supports these five priorities.

Maritime Capacity Building:

Contested maritime claims in Southeast Asia and destabilizing actions such as Chinese land reclamation, construction, and militarization of disputed areas make it harder for countries in the region to resolve disagreements peacefully. Lack of maritime domain awareness also encourages smuggling, crime, piracy, and illegal fishing. We continue to work with regional partners to build their capacity to maintain free and open access to the maritime domain through enhanced maritime security capabilities and maritime domain awareness. For example, in 2015 we completed the construction of the Philippines' National Coast Watch Center (NCWC), a national command and control center for the National Coast Watch System. The NCWC will integrate national maritime information, improve maritime security of frequently trafficked maritime borders and strengthen WMD-proliferation prevention capabilities.

The President's FY 2017 request supports maritime domain awareness and law enforcement capacity in Southeast Asia. This assistance will address significant gaps in equipment, training capacity, information sharing, and surveillance capabilities. Our efforts focus on building the maritime domain awareness capability of civilian law enforcement agencies, especially coast guards.

Trade Capacity Building:

Trade capacity building will remain a major priority as we prepare for the implementation of the TPP agreement, especially in Vietnam and Malaysia. TPP countries have agreed to undertake historic reforms, but the successful implementation of these reforms will require a sustained program of technical assistance. The FY 2017 request includes \$22.8 million to help Vietnam undertake economic and governance reforms related to the TPP that will support labor and environment capacity building programs, customs administration, intellectual property rights, and reducing agricultural and industrial technical barriers to trade, among others. These programs build upon longstanding U.S. assistance programs in Vietnam that aim to advance governance reforms, 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. We are also working to raise standards for trade and investment through APEC, the key multilateral institution for advancing our economic priorities with economies in the Asia-Pacific. The FY 2017 request includes nearly \$7.5 million in foreign assistance for APEC programs that expand trade and investment in the region, help reduce barriers to business in the region by building good governance and transparency, and programs that seek to broaden economic participation and promote sustainable growth.

Democratic Development:

The United States remains committed to the expansion of democratic development and human rights, including those of women and children, to create responsible Asia-Pacific partners who share America's most fundamental values. The FY 2017 request to provide U.S. assistance in this area will advance the development of robust democratic institutions, including support for the political and economic transition in Burma. The United States has a critical interest in helping the region institutionalize these democratic gains and continue on the path toward effective and transparent democratic governance, including human rights and gender equality, rule of law, and vibrant civil societies. In Burma, programs supporting civil society, media, and microcredit institutions will continue to promote a democratic culture. In Indonesia and the Philippines, the FY 2017 request supports programs that will focus on tackling persistent issues in corruption and institution-building, including strengthening civil society, governmental bodies, legal institutions, political parties, and local governments.

Strengthening Regional Institutions:

Under the Obama Administration, the United States has strongly backed ASEAN's central role in the evolving regional architecture, as demonstrated by our commitment to the East Asia Summit and ASEAN. The FY 2017 request supports platforms for dialogue that advance regional economic and political integration, security cooperation, and humanitarian relief. The United States will also continue assistance to the Lower Mekong Delta region through the Lower Mekong Initiative (LMI), which supports education, environment, health, food security, energy security, and connectivity to sustain U.S. engagement and partnership with Burma, Cambodia, Laos, Thailand, and Vietnam. It also aims to bring the poorest countries in ASEAN closer to the ASEAN norm. The United States considers LMI to be its avenue and primary driver of Mekong sub-regional integration and seeks to align it with the Initiative for ASEAN Integration (IAI). LMI will supplement traditional U.S. bilateral assistance by establishing common standards and resolving cross-border challenges such as water management and infectious diseases.

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 are perceived as legacies of war and nuclear testing. The FY 2017 request will help Vietnam, Laos, Cambodia, and Pacific Island countries reduce the amount of unexploded ordnance (UXO). The request provides \$27 million for UXO clearance, of which \$25 million will go for Southeast Asia and \$2 million for the

Pacific Islands. Our FY 2017 request also maintains our firm commitment to complete dioxin remediation at the former U.S. airbase in Danang, Vietnam. The President's request includes \$10 million for remediation efforts in Danang.

Diplomatic Engagement:

In addition to foreign assistance, the FY 2017 request provides essential increased funding for personnel, operations, and public diplomacy to meet growing demands driven by the Rebalance. The \$646 million request for Diplomatic Engagement includes funding for five new positions, four on top of the existing 979 positions for the Bureau of East Asian and Pacific Affairs and one for the American Institute in Taiwan. This is in addition to 36 new consular positions added in FY 2015.

Conclusion:

Mr. Chairman and Members of the Subcommittee, the Department of State is making significant progress toward ensuring that the Asia-Pacific continues to be a peaceful, prosperous, and economically dynamic region. We urge your support for the FY 2017 EAP budget request, which recognizes that the United States is inextricably linked to the region and our key allies and strategic partner countries. 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.