

Statement of Gloria Steele
Acting Assistant Administrator, Bureau for Asia
United States Agency for International Development
Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific
“U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing”
Thursday, July 27, 2017

Chairman Yoho, Ranking Member Sherman, and Distinguished Members of the Subcommittee:

Thank you for inviting me to testify on the vital role of the United States Agency for International Development (USAID) in advancing U.S. foreign policy priorities in East Asia and the Pacific Islands. It is an honor to testify before this committee, and a pleasure to be here alongside my colleague from the U.S. Department of State, Acting Assistant Secretary Susan Thornton.

Development plays an indispensable role, alongside diplomacy and defense, in advancing U.S. national security and economic interests. With less than 1 percent of the fiscal year (FY) 2018 discretionary budget request, USAID’s programs help reduce poverty and promote economic growth, strengthen democratic institutions, and avert crises worldwide. Our efforts bolster self-reliance in developing countries, which helps them forge sustainable paths of progress that benefit us all by building stronger trade and security partners and a more peaceful world.

When it comes to Asia, a region of the world whose security and economies are intimately intertwined with our own, the region’s success directly impacts U.S. national security and economic interests. As the most populous, fastest-growing region in the world, Asia is one of the main drivers of the global economy and is hugely consequential to our own future. Asia is a leading destination for U.S. exports, which support some 3.4 million U.S. jobs. Vietnam is the fastest-growing market for U.S. exports in the entire world. By 2030, Asia will be home to more than half the world’s consumer class and account for more than 40 percent of global GDP. Half of the next billion people added to the world will be in Asia. Asia’s untapped, and growing, market potential presents tremendous opportunity to create U.S. jobs and support regional and global prosperity.

Yet, with rapid growth comes complex development challenges that threaten to derail this success story. Never before in USAID’s history has Asia accounted for such a large share of global wealth—and global extreme poverty. While Asia has enjoyed strong economic growth, that growth has largely not been inclusive. The income inequality gap has drastically widened over the past two decades, leaving about 240 million people in poverty, according to the Asian Development Bank. Asia is now home to nearly half of the world’s extreme poor, more than half of all yearly deaths of newborn babies, and more than two-thirds of the world’s undernourished children. Asia is also plagued by more than half of all natural disasters. The countries of Asia are under pressure to provide food, water, energy, health care, education, and jobs on a scale never before seen, outpacing the ability of governments to meet their people’s needs. Over the next 15

years, electricity demand will triple in the Lower Mekong countries (Burma, Cambodia, Laos, Thailand, and Vietnam) alone. As evidenced by recent events in the Philippines, the Islamic State of Iraq and Syria (ISIS) is seeking to increase its influence and territory in the region after having attracted hundreds of foreign terrorist fighters. A host of other development challenges hold the region back, from emerging pandemic threats that undermine global health security and disrupt economic productivity, to widespread human trafficking that breaks down the rule of law and corrupts global commerce.

USAID plays an important role in partnering with the countries of Asia. This engagement is key because the development decisions they make today will help realize the region's long-term success—success that is critical to our own security and prosperity. The President's FY 2018 budget request for Department of State and USAID-managed assistance in the East Asia-Pacific region is \$393 million. This request directs foreign assistance investments to approaches that have the most impact and are the most cost-effective in advancing U.S. national security objectives, while fostering economic opportunities for the American people and asserting U.S. leadership.

First, this budget request enables USAID to continue its vital role in strengthening U.S. national security. USAID helps counter threats to the homeland before they mature—whether violent extremism, transnational crime, or pandemics. We are focused on preventing radicalization to violence by ISIS and other terrorist organizations by addressing the underlying drivers of violent extremism, and building strong economic and political foundations that adhere to the rules-based international order, thereby advancing our national interests. In the Philippines, USAID is intensifying ongoing programs to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. In Indonesia, we are starting this work through adapting our existing programs and designing new programs to prevent radicalization to violence and support for violent extremism. We are leading regional efforts to combat human and wildlife trafficking, a lucrative source of funding for criminal and terrorist networks. We are also working to prevent health threats from reaching our country by addressing them abroad.

Second, this budget request enables USAID to continue its vital role in advancing U.S. economic interests. USAID fosters the elimination of non-tariff trade barriers and supports the emergence of a consumer class that can buy American goods and services. USAID encourages a level playing field for U.S. businesses by promoting international norms that enjoin others to follow international rules. We help to drive policy reforms that protect intellectual property and foster regulatory transparency—persistent areas of weakness in Asia. We also help strengthen regional bodies such as the Asia-Pacific Economic Cooperation (APEC) forum and the Association of Southeast Asian Nations (ASEAN) to achieve these objectives, at the same time that we work bilaterally with partner governments.

In Vietnam, for example, we have achieved tremendous success in improving the business enabling environment through a ratings system initiated by USAID and the Vietnam Chamber of Commerce and Industry that motivates provinces to outdo each other in welcoming investment. Vietnam is now helping 10 other countries replicate the system. In the Philippines, USAID's

work through the U.S.-Philippines Partnership for Growth with Equity has helped advance meaningful reforms that are fostering an environment that is more enabling for U.S. businesses, including the Customs and Tariff Modernization Act, which benefits American exports to the Philippines through streamlined procedures in cargo clearances, and the Philippine Competition Act, which regulates anti-competitive behavior and promotes a better environment for the entrance of new market players. The United States is now the Philippines' second largest trading partner and U.S. exports to the Philippines totaled \$8.2 billion in 2016.

Third, this budget request enables USAID to continue asserting U.S. leadership and influence in the region. We are leading the world on improving global health, with a focus on maternal and child health, HIV/AIDS through our PEPFAR-supported efforts, and the fight to control malaria and tuberculosis (TB). In Cambodia, USAID investments have yielded high returns, driving down infant mortality and malaria so much that USAID is now helping Cambodia take steps toward the elimination of malaria—a feat unthinkable just a decade ago. Across Asia, we are demonstrating leadership that reflects our core American values through life-saving humanitarian assistance when and where it is needed most. We also play a critical role in preventing humanitarian crises and other security threats from metastasizing in the first place, including by addressing and reversing the root causes of instability and irregular migration, such as poor governance, corruption, poverty, weak institutions, and human rights abuses. Our ongoing work to build responsive local governance continues in FY 2018 in Burma, Indonesia, the Philippines, and Vietnam.

Next, I will provide a brief country-by-country overview of the FY 2018 budget request.

Indonesia

We seek to expand our partnership with Indonesia, the world's largest Muslim-majority country and a G-20 member economy. USAID programs advance the core tenets of democracy, expanding tolerance and mitigating conflict over territory, religion, and resources. We are designing new programs to strengthen moderate voices in opposing violent extremist rhetoric, bolster social resilience, and help enhance Indonesian institutions. USAID's regional work supports policies to reduce barriers faced by American businesses and position the United States as the preferred economic partner in the region. Moreover, USAID's mission in Indonesia operates at the regional level to strengthen the institutions of ASEAN for good governance and economic integration.

Indonesia shares our concern about the evolving threats from returning foreign terrorist fighters. USAID is reorienting existing programs and designing new programs to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. Prevention activities will include assisting the justice sector in identifying linkages between corruption and violent extremism, countering messages of violent extremism in media and civil society, and piloting knowledge exchange visits for officials of Indonesia and other Asian countries. Our democracy and governance programming will complement these efforts by strengthening governmental and civil society institutions and community leaders on the frontline in countering violent extremist recruitment and upholding justice and rule of law. Interventions will include

raising awareness—especially among law enforcement and the justice sector—of funding flows to violent extremist groups; countering the trend of violent extremists infiltrating schools, universities, and workplaces; and building the resilience of migrant workers against violent extremist recruitment. The budget request also supports research into the enabling role of corruption, analysis of radicalization trends at the subnational level, and comparative analysis of interventions by Indonesia and other Asian countries as part of South-South cooperation. These bilateral efforts are complemented by regional programming that promotes the rule of law, youth engagement, and human rights in ASEAN institutions.

Our regional ASEAN efforts promote the development of an Indonesian market that is friendlier to U.S. businesses and investment. For example, we are helping to strengthen the policy and regulatory environment for Indonesia’s renewable energy market—a potential \$16 billion a year opportunity. American companies have a comparative advantage in providing high-quality, in-demand renewable energy technologies, and expertise. USAID will further support work to improve the business enabling environment for U.S. companies in Indonesia and throughout ASEAN by encouraging policies to reduce barriers to market entry, streamline regulatory requirements, and combat corrupt business practices.

Other efforts include: helping the world’s major tuna exporter sustainably manage its fisheries; reducing maternal and child deaths; strengthening Indonesia’s ability to better address its infectious disease threats by engaging U.S. companies like Cepheid and Johnson & Johnson; leveraging private sector support to help Indonesia achieve universal and equitable access to safe drinking water and safely managed sanitation services; as well as helping Indonesia strengthen its education system and provide opportunities for Indonesians to break out of the cycle of extreme poverty.

Philippines

The United States partners with the Philippines, our treaty ally, to promote regional security and economic prosperity. U.S. assistance supports mutual objectives to improve internal and external peace and stability, foster conditions for sustainable and inclusive economic growth, strengthen democratic processes, and increase transparency and respect for the rule of law and human rights. The budget request supports programs to counter violent extremism and trafficking in persons, reduce trade barriers, control TB, and strengthen environmental resilience.

The growing influence of ISIS is alarming in the southern region of Mindanao, where ungoverned areas and deep-seated grievances against the national government are exploited. In a significant shift, some local terrorist organizations have banded together, burying their differences in a unified call to action on behalf of the Islamic State. USAID programs help to alleviate poverty in Mindanao, which, in many areas, exceeds 70 percent. We are helping to improve access to better-quality health and education services in this region, and we are assisting the government with mobilizing domestic resources for infrastructure development. Furthermore, USAID is stepping up actions to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. In the most vulnerable parts of Mindanao, USAID is helping resolve non-violent disputes, engage citizens with their local governments to engender

mutual trust and improve service delivery, and bolster economic opportunities, especially among youth. Early-grade reading programs will similarly focus on Mindanao and other at-risk areas, while higher education funds will help university students at risk of terrorist recruitment develop a sense of belonging and gain meaningful employment. To advance the rule of law and protect human rights, assistance will intensify reform efforts to improve the efficiency of the court system.

The budget request enables USAID to continue working with the Philippines to stimulate inclusive economic growth and reduce barriers to trade. Through the Partnership for Growth with Equity, the U.S. and the Philippines have achieved success in supporting work to address the constraints to growth in the Philippines. This includes helping to promote substantial policy reform, including liberalizing foreign investment laws, establishing an antitrust body, and strengthening business contract enforcement by bolstering the capacity of the National Center for Mediation to adjudicate business disputes. American companies, such as GN Power and Applied Energy Services, received contracts worth more than \$3 billion as a result of USAID's support for more transparent and competitively-procured power supply agreements in the Philippines. Our programs support cities outside of the capital region—including three in Mindanao—to help spur economic growth outside of metropolitan Manila, which currently accounts for over 60 percent of growth generated in the Philippines. Assistance will also help the Philippine government mobilize domestic resources through stronger systems to collect taxes and manage expenditures.

USAID helps to strengthen the country's capability to prevent and control infectious diseases, particularly TB. Our partnership with California-based Cepheid is radically changing this fight through deployment of the company's rapid testing machines, which reduce the wait time for a diagnosis from weeks to hours. Impressed by the effectiveness of the technology, Philippine authorities procured 2,600 machines valued at \$20 million. USAID programs will also make fisheries more resilient to environmental degradation, reduce the risks of disasters, increase energy investment opportunities for U.S. companies, and make seafood safer. The request for the Philippines includes support to Pacific Island countries to strengthen their disaster preparedness, which lowers the cost of disaster response.

Burma

In Burma, our efforts focus on supporting Burma's transition toward democracy. The United States has an opportunity to help Burma demonstrate that democracy provides valuable economic and social dividends. To sustain the gains brought about by the 2015 elections, USAID will continue efforts to foster national reconciliation and peace to end ethnic conflict, maintain momentum for democratic and economic reforms, and improve the lives of the people of Burma by increasing their access to better health services, economic opportunities, and life-saving humanitarian assistance where needed most. We will continue to respond to the humanitarian needs of vulnerable populations throughout Burma, including the Rohingya, and will continue working toward a solution to the human rights violations and violence in Rakhine.

USAID is assisting Burma with modernizing and strengthening its civilian institutions to improve governance and increase trade and investment. Our efforts, which include strengthening both parliament and the judiciary, have improved the capacity of justice sector institutions to implement standards of due process in the legal system. We are helping to implement a modern and transparent commercial environment, including intellectual property rights protection, which will directly benefit U.S. firms doing business in Burma. In partnership with Burma's Ministry of Commerce, USAID established the country's first online trade portal, which fosters transparency on trade rules and regulations, making it easier for even the smallest U.S. businesses to enter Burma. We have also provided technical assistance on economic reforms and liberalization in foreign investment, finance, land use, and food safety.

To complement commercial reforms and help reduce poverty, USAID is working with farmers to increase incomes, reduce malnutrition, and connect them to American expertise and equipment that helps maximize high-value crop yields. About 70 percent of the rural population lives on an agricultural income of some kind, so our assistance to smallholder farmers can be transformative in the lives of average Burmese citizens and help reinforce the gains of the democratic transition.

Vietnam

Our assistance focuses on strengthening the U.S.-Vietnam diplomatic and economic partnership and helping Vietnam become more globally integrated, market-oriented and committed to good governance—which will help level the playing field for U.S. businesses. Addressing legacies of the Vietnam War is one of the means by which USAID strengthens U.S. ties with Vietnam and promotes goodwill between our peoples, enabling the U.S.-Vietnam partnership to move forward in other areas. Specifically, USAID has nearly completed remediation of Agent Orange and its byproduct, dioxin, at the Danang airport.

In recent decades, Vietnam has made the transition from an agricultural, relatively isolated command economy to an emerging, market-driven economy. Assuming strong GDP growth continues, Vietnam's consumer class is anticipated to double between 2014 and 2020 to 33 million people. Yet there are formidable hurdles ahead in achieving sustained and equitable growth, including Vietnam's weak and non-transparent legal and regulatory framework, which we are helping to address. Already, we have helped Vietnam rewrite over 160 laws and regulations affecting commercial activities and related judicial procedures, including the Civil Code, sale of real estate and dispute resolution, customs and tax procedures, and import/export regulations and trade fraud. Vietnam has improved in its "ease of doing business" ranking in the World Bank's annual *Doing Business* report, moving from 90th in the 2016 publication to 82nd in its 2017 edition. USAID also provides assistance to people with disabilities, and is supporting the Government of Vietnam in building a system to provide rehabilitation and direct services to persons with disabilities.

Cambodia

In Cambodia, USAID helps reduce poverty and strengthen Cambodia's economy and society by improving health services for vulnerable populations. We are working to combat malaria, HIV through our PEPFAR-supported efforts, maternal and child deaths, and TB. While the number of

malaria cases was almost halved between 2004 and 2014, the Cambodia-Thailand border remains an epicenter of drug-resistant malaria. USAID is strengthening the control, prevention, and surveillance of drug-resistant malaria. With our support, the Cambodia National Malaria Program has intensified malaria prevention and case management for high-risk populations. The program is also piloting an intervention near the border with Thailand that aims to accelerate elimination of malaria and drug-resistant parasites. Through our work under PEPFAR on HIV/AIDS, Cambodia is projected to be one of the first PEPFAR countries in Asia to achieve epidemic control and virtually eliminate new HIV infections by 2025, thereby greatly reducing a potent global health threat in this country.

Since 2005, USAID investments have helped drive down child mortality by 50 percent and maternal mortality by more than 60 percent. We assisted Cambodia in further reducing preventable maternal and child deaths by providing coaching and training to frontline health care providers. Our assistance has helped ensure access for 3 million poor Cambodians to high-quality health services, and developed the host government governance structure to manage and assume full fiscal responsibility by 2020 for sustaining and expanding this access. USAID is also helping Cambodia's national TB program more effectively stem the infectious disease. U.S. assistance has helped reduce the number of Cambodians dying from and living with TB by more than half.

Regional Development Mission for Asia (RDMA)

The budget request supports USAID regional activities that combat human and wildlife trafficking and illegal, unreported, and unregulated fishing. USAID counters human trafficking by reducing risk factors, protecting and assisting survivors, increasing prosecutions of traffickers, and strengthening the implementation of related laws and policies. USAID recently launched a new initiative tailored to the challenges and opportunities of the region to combat this estimated \$12 billion per year industry. USAID is also at the forefront of combatting illegal, unreported, and unregulated fishing in the region—an activity with serious ecological, political, and economic impacts that may also have negative effects on the enjoyment of human rights, and which is contributing to the unsustainable harvest of fisheries, which may have the effect of fomenting instability in Southeast Asia. USAID complements these efforts by strengthening regional integration and cooperation between mainland Southeast Asian countries on critical transboundary issues through the Lower Mekong Initiative.

Conclusion

Mr. Chairman: Investing in global development progress is in the U.S. national interest. In helping build more stable, open, and prosperous societies, we build stronger security and economic partners for the United States, while reducing the need to put our men and women in uniform in harm's way. With the FY 2018 budget request, USAID will continue achieving results in the East Asia-Pacific region through strong American leadership.

Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.