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Before the Subcommittee on Asia, the Pacific, and Nonproliferation
Committee on Foreign Affairs
U.S. House of Representatives

“U.S. Interests in East Asia and the Pacific and the FY20 Budget”
September 18, 2019

Chairman Sherman, Ranking Member Yoho, 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 Subcommittee, and a pleasure to be here alongside my colleague from the U.S. Department of State, Assistant Secretary David Stilwell.

USAID’s development and humanitarian assistance is key to achieving prosperity and stability for our partner countries, as well as for the United States. The President’s Budget Request for Fiscal Year (FY) 2020 for USAID’s development assistance in the East Asia-Pacific region is \$409 million. This represents an increase of \$168 million—or 70 percent—over the Request for FY 2019. In addition, USAID implements HIV/AIDS programming in the East Asia-Pacific region under the President’s Emergency for AIDS Relief (PEPFAR) that amounted to approximately \$50 million in FY 2018. \ The President’s Budget Request supports USAID’s bilateral development programs in Burma, Cambodia, Indonesia, Laos, Mongolia, The Philippines, the Pacific Islands, Thailand, Timor-Leste, Vietnam, and regional programs managed out of our Bangkok-based Regional Development Mission for Asia. Of particular note is our request for the Pacific Islands, which reflects the priority this Administration places on this region as a key part of a free and open Indo-Pacific. The President’s Budget Request for the Pacific Islands of \$20.5 million represents a 388 percent increase over the Request for FY 2019, and a 56 percent increase over the enacted level for FY 2018.

Spanning from the U.S. West Coast to India, the Indo-Pacific region is home to the world’s fastest-growing markets and offers unprecedented potential to strengthen the U.S. economy while improving lives in Asia and around the world. Yet, the region’s continued growth—and the ability of U.S. companies to compete in the Indo-Pacific region freely and fairly—faces deficits in citizen-responsive governance; the rule of law; and respect for human rights, fundamental freedoms, and democratic values. These conditions also compromise stability in a region of the world home to the majority of humanity.

Mr. Chairman: It is essential to our own prosperity and security for the Indo-Pacific region to be free and open. USAID is proud to be a major contributor to advancing this vision. Consistent with the U.S. Government’s focus on three pillars, Economics, Governance, and Security, USAID is pursuing three objectives of the *Indo-Pacific Strategy* we have identified for development assistance as having the highest potential to yield concrete, near-term results—including benefits to the U.S. private sector—to advance America’s vision. These objectives are strengthening democratic systems, fostering economic growth, and improving the management

of natural resources. With our limited taxpayer dollars, we are sharply focused within these three areas to counter the immediate- and medium-term effects of malign influences that contest our progress toward securing a free and open Indo-Pacific region. In support of our objectives, USAID is focused on designing and implementing development programs; taking a leading role in whole-of-Government initiatives; and coordinating with like-minded donor partners, including India, Australia, Japan, and the Republic of Korea. These objectives go hand-in-hand with our long-standing efforts to improve the lives and well-being of people across Asia as fundamental to creating the foundations for a free and open Indo-Pacific region.

At USAID, our ultimate goal for our partner countries is to see them progress from being aid recipients, to partners, to fellow donors. We look forward to the day when foreign assistance is no longer necessary. We call the path to get there, the “Journey to Self-Reliance,” and it defines and shapes USAID’s efforts in East Asia-Pacific and South Asia as part of the Administration’s approach to preserving a free and open Indo-Pacific region.

In support of self-reliance, USAID is realigning and reorienting its policies, strategies, and programmatic practices to improve how it works with governments, civil society, and the private sector to develop their capacity and commitment to drive, fund and manage their own development. This includes commitments to open, citizen-responsive accountable governance; inclusive growth; and the capacity to mobilize development funds domestically and through foreign direct investment. It also includes an emphasis on unlocking development driven by private enterprise to sustain progress.

For example, in the Democratic Republic of Timor-Leste, our support over the past 25 years has helped to seed and grow coffee into the country’s top agricultural export today. Over the past three years, we have also achieved significant progress in moving the country’s largely subsistence-agriculture economy toward commercial crops, which has resulted in significant gains in farmers’ incomes and improved nutrition. Annual incomes for participating farmers have skyrocketed from the 2015 baseline of \$235 to \$2,084 in FY 2018, while the percentage of target-range children who are receiving a minimum acceptable diet increased from 40 percent to 62 percent over the same period.

In the Pacific Islands, we are expanding our partners’ options for financing their development by helping them secure new international funding. Since 2016, USAID has mobilized over \$20 million in global financing and helped the governments of Pacific Island nations apply for an additional \$60 million from international funding agencies to boost their environmental resilience. Similarly, in Republic of the Philippines, where USAID has supported improvements in tax administration, including advancements in expanding e-filing, the Philippine Government has seen a \$20 billion increase in revenues between 2013 and 2018—which bolstered its capacity to fund infrastructure and other public works, reduce the country’s dependence on foreign aid, and attract legitimate private investors.

In the Socialist Republic of Vietnam, late last year, after more than 10 years of work, USAID successfully completed its first-ever cleanup of dioxin contamination—a byproduct of Agent Orange used by the U.S. military during the Vietnam War. As a result of this unprecedented clean-up—the largest of its kind ever conducted—Danang is now a cleaner and safer city with

nearly 75 acres of additional land around its airport primed for development. Our joint success has advanced the U.S.-Vietnam strategic partnership and promoted goodwill between our two peoples. Our next step, in partnership with the Vietnamese Government, is cleaning up Bien Hoa Airbase, the largest remaining hotspot of dioxin in the country. In partnership with a small business from Louisiana, USAID is currently designing the “master plan” for the clean-up of Bien Hoa, and we expect shovels in the ground sometime later this year.

USAID’s focus under the *Indo-Pacific Strategy*—on strengthening democratic systems, fostering economic growth, and improving the management of natural resources, as described above—is at the heart of USAID’s mission to advance self-reliance in our partner countries. In addition, USAID’s health and education programs—which focus on achieving longer-term goals—are important for creating the foundation for a free and open Indo-Pacific region in the long-run. For development journeys to be inclusive and sustainable over generations, we must also prioritize gains in health and education.

Strengthening Citizen-Responsive Democratic Systems

Over the last few years, democratic institutions across Asia have faced significant tests. In some places, malign influences have overtly and covertly intervened to exploit institutional weaknesses and spawn corruption, which consequently have undermined democratic institutions and the long-term stability of our partner countries. This reduces competitiveness and poses significant risks to sustainable development, sovereignty, and citizen-responsive governance.

USAID is at the forefront of the U.S. Government’s efforts to address these challenges, including through the whole-of-Government Indo-Pacific Transparency Initiative. We focus on strengthening democratic systems in support of sound, just, and responsive governance. Our activities include promoting the integrity of electoral processes; supporting the independence of media and the integrity of information; protecting human rights and dignity, including civil and political rights; fostering accountability and transparency, including by fighting corruption; strengthening the rule of law; and strengthening civil society.

We have achieved some notable progress to date. For example, in support of transparency and accountability that elicit high-quality investment, USAID’s assistance enabled the launch of a new system for vetting all major infrastructure projects proposed in Burma, known as the “Project Bank.” In The Philippines, where public frustration with a slow and inefficient court system has contributed to tolerance for a harsh anti-drug campaign, USAID has introduced an e-court case-management system now used in more than 300 trial courts, which accounts for nearly 25 percent of the country’s total caseload, and trained more than 3,000 judicial personnel—actions that are equipping the courts to handle cases more transparently, efficiently, and expeditiously. We have launched new programs in Burma and The Philippines to address eroding media freedom and expand public access to credible information. In the Kingdom of Cambodia, where the United States remains committed to protecting fundamental freedoms, USAID has provided legal counseling since September 2018 to around 40 human-rights defenders and land, environmental, and political activists subjected by the government to politically motivated charges for their work.

In Mongolia, we are helping up-and-coming local leaders—including students, academics, government officials, civil-society activists, and businessmen and women—understand and value democracy as they champion effective, citizen-responsive, and accountable governance.

In Timor-Leste, years of USAID’s assistance led to a significant breakthrough in 2017, when the country ran its elections for the first time in history without international supervision, and in 2018, when the country peacefully navigated its first snap election after the new Parliament was dissolved for failing to pass a budget. In the Republic of Indonesia, the number of people from marginalized communities who sought legal aid through USAID partners increased more than tenfold between 2018 and 2017 thanks to our advocacy and technical assistance, which contributed to expanded access to justice for the most vulnerable. We seek to build on successes like these with financial resources in FY 2020.

Fostering Economic Growth

A key constraint to the region’s continued growth is the tremendous financing shortfall it faces for its infrastructure needs. According to the Asian Development Bank, fiscal reforms could help bridge about 40 percent of Asia’s gap in financing for infrastructure. But the remainder depends on the private sector, which would need to increase its funding by about 300 percent compared to current levels. However, a number of conditions impede free and fair competition and unhindered market access for legitimate investors, such as inadequate fiscal space, weak policies, and corruption in government procurement.

USAID is helping to level the playing field for the private sector in the Indo-Pacific region, including U.S. firms, through funding programs that promote legal, regulatory, and policy reforms. Specifically, USAID’s assistance is developing the capacity of partner governments to enforce contractual agreements under international trade arrangements; meet internationally accepted standards for intellectual property, labor, and sanitary and phytosanitary measures, and address technical barriers to trade; and promote trade-facilitation by easing border controls and compliance requirements. USAID is also improving competitiveness through support for bilateral programs that reduce barriers to entry and market access by legitimate commercial investors; lower the cost of doing business by streamlining procedures and cutting red tape for obtaining permits and licenses, easing labor market restrictions, and strengthening the enforcement of contracts; and promote greater competition by reforming procurement rules to allow legitimate players to participate, strengthening antitrust and competition requirements, promoting conformance with standards following international best practices, and strengthening the enforcement of intellectual-property rights. Incentivizing greater private-sector investment helps unlock new financing streams—and greater choice of approaches and partners—for development.

As part of our efforts to unlock enterprise-led economic growth, we are helping to advance open, interoperable, reliable, and secure communications networks in partner countries through the Digital Connectivity and Cybersecurity Partnership. We also play a leading role in strengthening the ability of governments and the private sector in our partner countries to implement and manage sustainable, transparent, and high-quality infrastructure projects through the Infrastructure Transaction and Assistance Network. Our efforts under these U.S. Government

initiatives include advancing best-value analysis, open and transparent procurement processes, and adherence to international standards.

We are making significant progress. For example, in Vietnam, we are building on past success improving the business and investment climate through a new trade-facilitation program. Launched in July 2019, the program is building the capacity of Vietnam's customs department to comply with global trade norms, reduce the time and cost of trade, and increase capacity to address the inappropriate trans-shipment of Chinese goods through Vietnam to avoid U.S.-imposed tariffs.

We also are helping to advance the integration of the Lao People's Democratic Republic into the global market economy. USAID's support led to the approval by the Lao National Assembly of amendments to the Law on Intellectual Property that increase transparency and due process. For instance, the Laotian Government will publish applications for patents and trademarks electronically, which will allow access to this information by interested parties in a more readily accessible format.

In Timor-Leste, we have helped the customs authority cut clearance times in half at the seaport in Dili, and a national risk-management system for cargo inspection we introduced is moving the customs authority toward compliance with international standards required for accession to the World Customs Organization, the World Trade Organization, and the Association of Southeast Asian Nations (ASEAN).

In partnership with ASEAN, we are building on past success in developing the ASEAN Single Window (ASW), a tool to accelerate trade among the organization's 10 Member States, by working to link the last three Member States. We are also working with U.S. Customs and Border Protection to develop a clearance process for U.S. goods through the ASW.

In The Philippines, our long-standing relationships continue to pay dividends for U.S. companies. Previous USAID programming helped lead to the issuance of the Open Skies policy, which highlighted the increased demand for additional international airports in Metro Manila. In August 2019, Texas-based Jacobs was one of three companies selected to design and build the proposed \$14.7 billion new Bulacan International Airport, located outside of Manila.

Improving the Management of Natural Resources

The Indo-Pacific region is rich in forests, fisheries, and other natural resources, including energy, water, land, and clean air—all of which are vital for countries' long-term growth. The region's incredible biodiversity includes the world's largest concentration of marine life, and the world's largest area of mangrove forests.

Yet the sustainability of these natural resources—and the vulnerable communities that depend on them for their livelihoods—face the threat of irresponsible infrastructure development and reckless extraction of resources that ignore environmental and social safeguards. Furthermore, high rates of transnational crime in Asia are associated with illegal fishing, logging, and wildlife,

and contribute to rapid environmental degradation while also undermining the regional stability that underpins a free and open Indo-Pacific region.

USAID works with governments and civil society in countries across the region to strengthen the responsible management of natural resources. We help strengthen laws on the management of natural resources and promote the adoption and enforcement of international environmental standards. We foster engagement with the private sector on sustainable supply-chains and the transformation of the energy sector. We focus on supporting water and energy security, legal and sustainable fishing and timber-production, and efforts to combat transnational environmental crime.

For example, unsound infrastructure development along the Mekong River in Southeast Asia is causing irreversible damage to the Mekong ecosystem, which threatens the food, water and livelihoods of more than 70 million people. Last year, USAID launched a three-year project that aims to reduce the environmental impact of infrastructure development in the Lower Mekong region through the stronger, more consistent application of international environmental and social-safeguard standards. As part of the project, we are developing and gearing up to launch an interactive, web-based platform that will enable governments, policy-makers, researchers, and the general public to map visually the potential extent and range of socioeconomic and environmental impact of different infrastructure approaches.

To combat transnational wildlife crime, USAID is contributing to broader U.S. Government efforts, in partnership with INTERPOL, that are helping to dismantle cross-continental syndicates that traffic in elephant ivory and pangolin . Our partnership with INTERPOL is also disrupting illegal fishing networks, including the recent confiscation by Indonesian authorities of over 350,000 juvenile lobsters worth \$4 million that were en route to Singapore and Vietnam. In addition to this, to combat illegal, unreported, and unregulated fishing, USAID worked with a first group of 26 companies last year to roll out and test traceability technology in Indonesia and The Philippines—which has resulted in the successful tracking of 6,000 pounds of seafood from point-of-catch to export.

On energy, USAID plays a leading role in Asia EDGE (Enhancing Development and Growth through Energy), a U.S. Government interagency initiative that works to grow sustainable and secure energy markets throughout the Indo-Pacific region. As part of our contribution to Asia EDGE, we recently launched a partnership with the Asian Development Bank to mobilize \$7 billion of investment to accelerate the region’s transition to a sustainable, secure, market-driven energy sector. Alongside Australia, New Zealand, and Japan, we are also contributing to the U.S. Government’s efforts under the Papua New Guinea Electrification Partnership to provide electricity to 70 percent of that country’s population by 2030.

Our financial and technical support has contributed to critical steps forward in our partner countries. For example, in Vietnam, where the demand for energy is expected to more than double by 2030, USAID is working closely with the Government to develop and implement policies that support scaling up the generation of clean energy. USAID is also engaging with the private sector to accelerate clean energy and increase the deployment of new energy technologies. In May 2019, the Ha Do Group, one of USAID’s partners, completed construction

of its first solar-power farm in Vietnam by using services and advanced technology from SunPower, a U.S. leader in solar energy.

In Indonesia, in partnership with the California Independent System Operator, which manages about 80 percent of California’s electricity flow, and Indonesia’s national power utility, USAID is supporting the integration of variable renewable energy into Indonesian power grids. This work has paved the way for the development of Indonesia’s first two utility-scale wind farms—by Colorado-based UPC Renewables, and Vena Energy, a subsidiary of the New York-based equity fund Global Infrastructure Partners. During FY 2018, USAID helped 11 renewable energy projects in Indonesia get off the ground by mobilizing a combined \$806 million in investments from the public and private sectors. With funding in FY 2020, we plan to scale up successful efforts like these to further advance the objectives of the Indo-Pacific Strategy.

Supporting the Journey to Self-Reliance through Health and Education

Investments in health and education are foundational to USAID’s long-term development objectives. They are consistent with USAID’s framework for the Journey to Self-Reliance, which when combined with the *Indo-Pacific Strategy*, support a free and open Indo-Pacific region.

Health

Healthy populations are crucial to achieving household and national economic growth. Investments in effective health care are key to averting major health shocks that drain affected countries’ economies and impede growth. The President’s Budget Request for FY 2020 for health in Asia will focus support on strengthening health institutions; preventing the spread of infectious diseases, such as tuberculosis (TB), HIV/AIDS, and malaria; and strengthening maternal and child health.

The Budget Request for health in the Indo-Pacific Region will build upon our successes achieved to date. For example, in Vietnam, we are making significant progress under PEPFAR in transitioning the national HIV/AIDS response over to local authorities. In 2018, Vietnam achieved a key benchmark in this journey—assuming responsibility for procuring and delivering anti-retroviral (ARV) drugs entirely paid for by the Vietnamese Government to one-third of all HIV/AIDS patients in the country. The Vietnamese Government is on track to be able to finance 75 percent of all ARVs provided through the national health insurance system by next year.

In Cambodia, we are on track to conclude the transition of health care for more than 2.5 million of the poorest people to the Cambodian Government next year. USAID also handed over the management of several information systems to the Ministry of Health, which will allow it to track the care of its patients more effectively.

In Indonesia, which has the third-highest burden of TB globally, behind India and the People’s Republic of China, USAID is building local capacity to combat the disease effectively, including through partnership with U.S. firms like New Jersey-based Becton, Dickenson, and Company. Our financial and technical support is improving the quality of locally produced medicines for drug-resistant TB by helping two local drug manufacturers to obtain certification by the World Health Organization. USAID is also supporting the Indonesian Government to implement a

systematic and coordinated drug-testing policy that will ensure the recall of any medicines found to be sub-standard. In Burma, one of the countries in the region with a high burden of TB, preliminary findings from a new USAID-funded national TB-prevalence survey indicate an over 50-percent decline in the prevalence of the active form of the disease over the past decade.

In Laos, USAID has contributed to a decrease in stunting—from 44 percent in 2012 to 33 percent in 2018. USAID also assisted Laos and Cambodia to eliminate trachoma—the leading infectious cause of blindness worldwide—as a public health problem. In the entire world, only three trachoma-endemic countries achieved elimination before Laos and Cambodia.

USAID combats strains of influenza with pandemic potential by strengthening the ability of scientists to detect and contain pathogens before they threaten global public health. USAID's viral-screening techniques—now used in over 16 laboratories in 12 Asian countries to identify viruses of pandemic potential, such as Nipah in bats and traveler-imported Middle East Respiratory Syndrome-Coronavirus, a viral respiratory illness that is new to humans and can be fatal—tested the youth soccer team rescued in mid-2018 from a cave in the Kingdom of Thailand.

Education

Similarly, improving the reach, quality, and relevance of education is crucial to boosting household and national wealth, achieving inclusive growth, and helping achieve self-reliance. The President's Budget Request for FY 2020 for education in East Asia and the Pacific will support early-grade reading and numeracy, vocational education, and life-skills training; integrate science, technology, and mathematics in educational curricula; and improve the relevance of higher education to respond better to industry needs.

With financial resources in FY 2020s, we will build on past progress achieved. For example, in Cambodia, USAID's assistance strengthened early-grade reading by helping the Ministry of Education ensure that services and policies are more inclusive, relevant, and responsive to the needs of Cambodian children, in particular those with disabilities. In Indonesia, local governments have allocated nearly \$85 million to replicate and scale-up USAID-funded teaching models for primary and secondary students over a five-year period. Recently, a delegation from the Afghan Ministry of Education visited Indonesia to learn from Indonesia's experience in successfully replicating our innovative learning approach throughout the country. In addition, other donors, including Australia and private foundations, are incorporating USAID's best practices in basic education in their investments.

In Vietnam this month, we reached a turning point in that country's reform of higher education with the official launch of the undergraduate program at the USAID-funded Fulbright University Vietnam, the country's first fully independent, non-profit university. Modern, quality higher education is key to Vietnam's transformation to an economy that can engage in the opportunities of the fourth industrial revolution and sustain its economic growth.

Conclusion

Mr. Chairman, the East Asia-Pacific region is strategically important for the United States, with tremendous opportunity constrained by significant development challenges. If the region is to

increase its stability and realize its full economic potential, much depends on the development path it charts today. USAID's near- and long-term approaches to development, which address objectives that mutually reinforce the U.S. Government's *Indo-Pacific Strategy* and the Journey to Self-Reliance, will help foster stable, resilient, prosperous, and self-reliant countries. This is good for our partners around the world, our nation's security and prosperity, and the American taxpayer. With financial resources in FY 2020, we will continue to focus our efforts strategically where we can have maximum impact toward this goal.

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