

**U.S. ASSISTANCE IN EAST ASIA AND THE PACIFIC:  
AN OVERVIEW**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON ASIA, THE PACIFIC, AND  
THE GLOBAL ENVIRONMENT  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES  
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## **U.S. ASSISTANCE IN EAST ASIA AND THE PACIFIC: AN OVERVIEW**

**THURSDAY, SEPTEMBER 20, 2007**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON ASIA, THE PACIFIC,  
AND THE GLOBAL ENVIRONMENT,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:14 p.m. in room 2172, Rayburn House Office Building, Hon. Eni F.H. Faleomavaega (chairman of the subcommittee) presiding.

Mr. FALEOMAVAEGA. The hearing on the Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment will come to order. First, I want to offer my apologies to our distinguished witnesses this afternoon for the delay in the hearing, something that was beyond my pay grade to control. But at any rate we just adjourned. I just wanted to begin our hearing this afternoon.

I know my good friend, the distinguished ranking member of the subcommittee, Mr. Manzullo, the gentleman from Illinois, will be here in a short while. But I think it would be okay, and I will go ahead and make my opening statement and give you the opportunity for our two witnesses to present their statements for the purpose of this hearing.

The East Asia and the Pacific region remains the smallest region recipient of United States foreign aid, according to the documentation and information that has been received by my office, and the purpose of today's hearing is to find out why. Foreign aid to the region fell after the Cold War and has increased only since the year 2001, largely due to funding for primarily counterterrorism efforts in the Philippines and Indonesia, both of which are home to several insurgency movements and radical Islamist organizations with ties to al-Qaeda. While I support the counterterrorism efforts I will publicly state that the U.S. must focus more attention on its long-time allies, including the South Pacific Island nations.

In 1994, USAID closed its office for the Pacific region, citing budget constraints and shifting strategic priorities. However, at the time the U.S. was only spending \$12 million annually to meet the needs of the Pacific region, of the Pacific Island nations. With a budget of almost \$3 trillion, it seems preposterous to me that USAID had to close its doors in the South Pacific because the U.S. could not afford the \$12 million in aid they were shelling out annually to the people of the Pacific who fought side by side with U.S. forces in World War II. The United States used this area not only

as a major staging area during World War II, but also to conduct its nuclear testing site for the Marshall Islands, for which is another chapter in itself in terms of the problems that we are now having with the people of the Republic of the Marshall Islands.

I do believe that the United States should also step up assistance to Papua New Guinea. I was in Indonesia earlier this year and no doubt they want and need technical assistance from USAID to help the people of West Papua build their infrastructure so they can be self-autonomous.

While I often say that the United States has a policy of benign neglect toward the South Pacific Island nations and that we have relied too often on Australia, New Zealand to determine what United States foreign policy should be in that region, I want to commend Australia for contributing what will be an estimated \$872 million in 2007–2008 toward aid programs in Papua New Guinea and the Pacific region. And I believe New Zealand also is doing the same thing.

If Australia can do this, the United States certainly can do and should do better. Yes, the United States extended its Compact of Free Association with the Marshall Islands, with the Republic of Palau, with the Federated States of Micronesia, and in some respects the Commonwealth of the Northern Mariana Islands, but local claims are still in dispute, and until those are settled I don't think the United States has much to crow about.

Regarding the Millennium Challenge Account, I believe we need to find better ways to make this program work. Vanuatu is receiving more than \$65 million in aid while Indonesia and the Philippines have been identified as threshold countries, qualifying them for assistance to help them become eligible. What about everyone else in the East Asia and the Pacific region?

I am hopeful as a result of today's hearing we will find answers which will help us better understand why China and Taiwan are investing in the region while the United States seems to have little interest. I am also hopeful that we will touch on United States environmental aid programs in East Asia and the Pacific. Pacific Island countries are affected by rising sea levels. How can U.S. foreign aid help in this area?

While I have more to say about U.S. policy toward the region, I do want to personally welcome our two witnesses this afternoon, my good friend the—I was going to say Under Secretary, but Deputy Assistant Secretary, Mr. Glyn Davies, State Department, and also Ms. Lisa Chiles, Deputy Assistant Administrator for the Bureau of East Asian and the Near East USAID program. I want to personally welcome both of you, and I really, really appreciate you taking the time to be with us this afternoon. And I would like to ask, if it is all right with the Secretary, that Ms. Chiles begin. Is that all right with you, the gentleman and scholar that you are?

[The prepared statement of Mr. Faleomavaega follows:]

PREPARED STATEMENT OF THE HONORABLE ENI F.H. FALEOMAVAEGA, A REPRESENTATIVE IN CONGRESS FROM AMERICAN SAMOA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA, THE PACIFIC, AND THE GLOBAL ENVIRONMENT

The EAP, or East Asia and the Pacific, region remains the smallest regional recipient of US foreign aid. The purpose of today's hearing is to find out why.

Foreign aid to the region fell after the Cold War and has increased only since 2001 largely due to funding for counter-terrorism efforts in the Philippines and Indonesia, both of which are home to several insurgency movements and radical Islamist organizations with ties to Al Qaeda.

While I support counter-terrorism efforts, I will continue to publicly state that the US must focus more attention on its long-time allies including the South Pacific Island nations. In 1994, USAID closed its office for the South Pacific, citing budget constraints and shifting strategic priorities. However, at the time, the US was only spending \$12 million annually in the Pacific Island countries.

With a budget of almost three trillion dollars, it seems preposterous to me that USAID had to close its doors in the South Pacific because the US could not afford the \$12 million in aid it was shelling out annually to the people of the Pacific who fought side by side with US Forces during WWII. The US used the South Pacific as a nuclear testing ground and, for that alone, those islands deserve assistance for all time.

I believe the US should also step up assistance to Papua New Guinea. I was in Indonesia earlier this year and, no doubt, they want and need technical assistance from USAID to help the people of West Papua build their infrastructure so that they can be self-autonomous. While I have often said that the United States has a policy of benign neglect towards the South Pacific Island Nations and that we have relied too often on Australia and New Zealand to determine what US policy should be in the region, I want to commend Australia for contributing what will be an estimated \$872 million in 2007/2008 towards aid programs in Papua New Guinea and the Pacific.

If Australia can do this, the US certainly can and should do better. Yes, the US extended its Compact of Free Association with the Marshall Islands, Micronesia, Palau, and the Northern Mariana Islands. But nuclear claims are still in dispute and until those are settled, I don't think the US has much to crow about.

Regarding the Millennium Challenge Account, I believe we need to find better ways to make this program work. Vanuatu is receiving more than \$65 million in aid while Indonesia and the Philippines have been identified as threshold countries, qualifying them for assistance to help them become eligible. What about everyone else in East Asia and the Pacific?

I am hopeful that as a result of today's hearing we will find answers which will help us better understand why China and Taiwan are investing in the region while the US seems to have little interest.

I am also hopeful that we will touch on US environmental aid programs in East Asia and the Pacific. Pacific Island countries are affected by rising sea levels. How can US foreign aid help them adapt?

While I have more to say about US policy towards the region, for now I want to welcome our witnesses and thank them for joining us today.

Mr. DAVIES. We had actually worked it out that I was going to bat leadoff, but however you want to do it, sir. It is up to you.

Mr. FALEOMAVAEGA. I know you have a bigger picture. But she is the money lady and I thought maybe she might be able to get us started out. And besides, she is a lady, okay?

Ms. Chiles, please proceed.

**STATEMENT OF MS. LISA CHILES, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

Ms. CHILES. Thank you so much, Mr. Chairman. I appreciate the invitation to appear before the committee on behalf of the U.S. Agency for International Development to discuss United States assistance in East Asia and the Pacific.

Mr. Chairman, today I would like to highlight several key points on this topic and would appreciate it if my full written statement can be entered into the record.

Mr. FALEOMAVAEGA. Without objection.

Ms. CHILES. Thank you. It is certainly a pleasure for me to discuss with you the region of East Asia and the Pacific. My overseas career with USAID began 25 years ago when I was posted to Indo-

nesia. Since then I have served in the Philippines and Cambodia, where I was responsible for our programs in Vietnam, Laos and along the Thai-Burma border. I valued these experiences for the lessons that I learned about the region, the accomplishments, the potential of the region and remaining challenges and a very fond affection for the people who live there.

As we are all aware, East Asia and the Pacific is a region of contrasts. It contains a third of the world's population and some of the most rapidly expanding economies, alongside some of the very poorest and politically repressed countries. As growth and change have occurred in the East Asia-Pacific region, development priorities have also shifted, allowing USAID to adjust personnel and funding to meet evolving needs.

I believe we have met the challenge of maintaining an effective USAID presence in the region, one that is both bilateral and regional.

We operate programs in 11 countries, delivering assistance through individual country missions, the USAID Regional Development Mission Asia, which is in Bangkok, Thailand, and from our base here in Washington, DC.

These three operating platforms allow USAID's work to be conducted effectively and efficiently with host governments, with other international donors, and with Asian regional membership groups.

We are making good progress toward our foreign assistance framework goals. As examples, we are working to strengthen evolving democracies in Indonesia, Mongolia and Timor-Leste; focus on the rule of law, anti-corruption and human rights reforms in Cambodia and China; and prepare the next generation of citizens for a greater role in shaping their own futures through education programs, including President Bush's education initiative in Indonesia. We also improve health and delivery of related services in Vietnam and throughout the region through programs in disease prevention and treatment, HIV/AIDS, tuberculosis, avian influenza, malaria, dengue fever, and maternal and child health. In the Pacific region we also implement targeted interventions, such as HIV/AIDS prevention and care in Papua New Guinea, and reef restoration and security for women in Fiji.

These investments, coupled with others that also support economic growth on a sustainable basis, such as what we are doing in the Philippines in environmental management, trade competitiveness, aim to produce dividends in jobs, health and security that reach into all levels of society, and in so doing, reduce the likelihood of conflict and serve as a counter to terrorist propaganda.

It is also important to mention USAID's critical and sustaining role in responding to natural disasters in the region and helping countries prepare for them. USAID is continuing to help communities in Aceh Province in Indonesia to recover and rebuild after the devastating 2004 tsunami. More recently our regional mission in Bangkok has been assisting the Solomon Islands as it recovers from a devastating tsunami in April 2007. These are just two examples.

Mr. Chairman, we do recognize we are working in a very difficult budget environment with the need to fund national security priorities in Afghanistan and Iraq. And if I could just say, I myself, I

just returned from 3 weeks in Baghdad, where I was the Acting Mission Director. So I saw the needs firsthand there.

For the East Asian-Pacific region, we also recognize that the relative advancement of some states, such as South Korea, Malaysia and Singapore, have reached a point where the United States can serve as a partner rather than a donor. Our significant focus on Indonesia and the Philippines is to help those countries also reach the potential they have within their own borders and on the international stage.

We appreciate the support the Congress has provided to further our work in the East Asia-Pacific region. And we are leveraging funds with other donors and the private sector. This allows USAID to apply its resources, financial and human, as widely and as effectively as possible.

Finally, I would like to conclude by thanking the chairman for providing a forum today to discuss these important issues of East Asia and the Pacific. I look forward to your questions.

[The prepared statement of Ms. Chiles follows:]

PREPARED STATEMENT OF MS. LISA CHILES, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and other distinguished members of the committee, thank you for inviting me to appear before you today. I am pleased to have this opportunity to share the perspective of the U.S. Agency for International Development (USAID) on the subject of this hearing: *U.S. Assistance in East Asia and the Pacific: An Overview*.

Let me begin, Mr. Chairman, by saying that this hearing provides an important focus on a region of the world—East Asia and the Pacific (EAP)—that is both dynamic and evolving. The EAP contains a third of the world's population, some of the most rapidly expanding economies and some very poor and politically repressed countries. I think we would all agree that the region represents both opportunity and challenge for making the most of U.S. resources to advance policies and relationships throughout the region.

As growth and change have occurred in the EAP region, development priorities have shifted as well, allowing USAID to shift personnel and funding to meet evolving needs. The USAID presence in the region is both bilateral and regional. We operate programs in eleven countries, delivering assistance through individual country missions, the USAID Regional Development Mission Asia (RDMA) in Bangkok, Thailand and from our base in Washington, D.C. This combination of delivery mechanisms allows USAID to work effectively and efficiently with host governments, with other international donors and with Asian regional membership groups to fill gaps in services, care, skills and systems that keep societies from advancing. We are building social, political and economic foundations throughout the region that will support free, open, tolerant and participatory societies on a long term basis.

I believe we are making good progress. USAID financial and technical support is girding evolving democracies in such places as Indonesia, Mongolia and Timor Leste; playing a role in focusing rule of law, anti-corruption and human rights reforms in Cambodia and China; and, on improving the lives of refugees, migrants and internally displaced persons from Burma living along the border in Thailand. Our education programs in the region—including President Bush's education initiative in Indonesia—are helping to prepare both the current and the next generation of citizens for a greater role in shaping their own futures as members of their countries' workforces and electorates. Critical programs in disease prevention and treatment—HIV/AIDS, TB, avian influenza, malaria and dengue fever—and in maternal and child health—are improving health and the delivery of related services in Vietnam and throughout East Asia. These investments, coupled with others that support economic growth on a sustainable basis—such as USAID's assistance to the Philippines in environmental management, trade and competitiveness—aim to produce dividends in jobs, health and security that reach into all levels of society, thus reducing the likelihood of conflict and countering terrorist propaganda.

In recognizing that the East Asia and Pacific (EAP) region is prone to large-scale natural disasters that can cause serious setbacks to development, USAID is con-

tinuing to help governments and communities prepare for and respond to environmental calamities: in Aceh Province in Indonesia since the 2004 tsunami, in Vietnam, and more recently, by helping the Solomon Islands recover from its devastating tsunami last April and providing humanitarian assistance to N. Korea following the flood in August.

USAID's programming of approximately \$339 million in fiscal year 2007 concentrates assistance in Indonesia and the Philippines—key countries in the effort to reduce terrorist influence and build democratic states—and in Cambodia, a key, politically-fragile country. Smaller USAID bilateral programs in Mongolia and Timor Leste are important components for achieving U.S. foreign policy objectives, as are countries served by the regional mission in Bangkok such as Vietnam, Laos, and Burma. In Vietnam, for example, the USG has mounted one of its most concentrated efforts to prevent and treat infectious disease, including HIV/AIDS.

We are working in a difficult budget environment and recognize the need to fund national security priorities in Iraq and Afghanistan but other considerations also come into play, such as the relative advancement of countries within the EAP. It's important to point out that more than any other region in the world, the EAP is home to states like Singapore and Malaysia whose economies and societies have advanced to the point where the U.S. can serve more as a partner than a donor. We have significant assistance programs in Indonesia and the Philippines, two countries that have the potential to influence the entire region.

Generally, funding for foreign assistance programs in the EAP region allows USAID to mount interventions that will help to close the gaps that keep recipient countries from reaching their potential within their own borders and on the world stage. We leverage funds by coordinating with other donors and particularly with the private sector, thus allowing USAID to apply its resources—financial and human—as widely and effectively as possible.

The remaining portions of this statement will provide brief descriptions of country programs in the EAP region.

#### COUNTRY PROGRAMS

*Indonesia (\$137 million in FY 2007):* Indonesia, home to the world's largest Muslim majority, has emerged as a moderate Islamic, democratic state. To support conditions that will allow democratic processes to flourish, USAID invests in education, health care, local government accountability and business environment transparency. USAID is also continuing to provide humanitarian assistance to victims of the tsunami in Banda Aceh. Particular areas of effort and achievement include:

- Environmental programs to assist Indonesia in managing and conserving forests through greater transparency and local participation in resource management. In 2007, USAID launched a 3 year, \$8 million crisis program for orangutan conservation; and, the U.S. will provide seed funding for an initiative to preserve Indonesia's coral triangle, which contains over half of the world's coral reefs.
- In 2003, President Bush announced a five-year, \$157 million initiative to improve the quality of basic education throughout Indonesia. To date, it has reached over 300,000 students as well as 24,000 administrators and teachers in 1,500 Indonesian public and private schools; it is expected to have an impact on 650,000 students within the next three years.
- U.S. efforts to consolidate democratic reforms have helped 57 local governments to improve planning and management, provide services directly to citizens and involve them in government decisions that affect their lives.
- USAID is also bringing the action directly to the Indonesian people through projects that improve access to clean water and local level health service delivery, especially for maternal and newborn care.
- The USG provided key technical assistance to the Ministry of Women's Empowerment and Parliament on the development of anti-trafficking legislation. The bill was signed into law in 2007 and stands as a powerful tool in the effort to prosecute and convict traffickers.
- USAID's Avian Influenza *Participatory Disease Surveillance and Response* activities have produced the first systematic reporting of outbreaks among poultry in Indonesia. Teams, active in 166 of the highest risk districts nationwide, are finding and responding to poultry outbreaks.

*Philippines (\$64 million in FY 2007):* In the Philippines, USAID has joined with local officials and citizens to help governing units to become more transparent and

responsive to residents, to ensure that health care services—especially for combating infectious diseases—are more effective and accessible for everyone.

- By increasing the diagnosis and treatment skills of health workers and private providers, USAID programs have supported improved TB treatment success rates and have been instrumental in helping the Philippines move steadily toward eventual elimination of tuberculosis throughout the country.

USAID invests approximately 60% of its annual funding in conflict-affected areas of the southern island of Mindanao. Working closely with the Departments of State and Defense, the USAID program in that region delivers much-needed assistance aimed at increasing access to quality basic education and at expanding zones of socio-economic opportunity, peace and security. For example:

- In the 2006 school year, USAID provided 61,000 public elementary school students in eight Mindanao communities with workbooks in English and mathematics that featured exercises designed to take pupils to higher levels of learning; recent tests of reading achievement indicate that USAID interventions have reduced the number of non-readers from a high of 87% in 2005 to the current level of only 16% in 2007. School heads credit the materials with raising math scores and helping students make the transition from non-readers to effective, fast readers.
- Under USAID's economic growth initiative, 365,000 residents of Mindanao were provided access to micro-financing services through 330 rural banks—82% of the clients are women.
- USAID's partnership with the private sector *Alliance for Mindanao Off-Grid Renewable Energy* has improved lives and economic opportunities by providing solar power to over 12,000 households in 413 remote communities

USAID is also implementing the *MCA Philippines Threshold Program* on behalf of the Millennium Challenge Corporation, which focuses on fighting corruption and improving the revenue generation capacity of government agencies.

*Cambodia (\$50 M in FY 2007)*: In the last nine years, Cambodia has experienced steady growth and incremental progress toward political reform, though in both areas the country remains fragile. USAID is helping to lay the groundwork for political and human rights reform at all levels by combating corruption and opening doors to civil and political liberties, and working with local non-governmental organizations to improve health care, education and private investment.

- USAID is building political will for change by involving civil society organizations in educating citizens about the impact of corruption on their lives and engaging them in public advocacy for new laws. And USAID programs are educating local governments about standards of participation, transparency and accountability.
- As the major donor for HIV/AIDS programs, USAID has contributed to the reduction of Cambodia's prevalence rate from a high of 3% in 1997 to 0.6% in 2005. Most HIV positive Cambodians eligible for treatment are receiving appropriate care.
- Education programming is helping to close the literacy gap between men and women and to increase opportunity for more young citizens to gain a secondary education—this is essential access that will have a positive effect on workforce development and economic growth.
- USAID's investments in education, health and governance aim to establish conditions necessary for improving Cambodia's business climate and competitiveness in key industries. Programs strengthen productivity of micro and small enterprises; and, they train workers, including factory workers—the largest number of employees—in dealing with legal and labor issues.

*Timor Leste (\$19.8 M in FY 2007)*: Timor Leste gained its independence in 2002, after 24 years of Indonesian occupation. It is also one of the ten poorest countries in the world, affected by its limited trading capacity, island status and mountainous terrain, and poor infrastructure.

Despite these challenges, Timor-Leste made considerable progress in establishing a democratic state and revitalizing its own economy. In 2006, it was one of 23 countries worldwide designated as eligible for assistance from the MCA. However, in that same year, internal violence threatened this progress politically and resulted in a displaced population of 150,000 Timorese.

USAID is responding to the current political and security crisis by providing support for the humanitarian needs of the displaced population, while at the same time continuing to support the country's long-term development.

Programs are aimed at helping Timor-Leste revitalize its economy by assisting the government in drafting laws that will improve the environment for business start-ups and global trade and provide for uncontested property rights

- USAID provides training in management for businesses of all sizes and types, including, for example, farming, so that the farmers can move from subsistence to more commercially viable agricultural activities.
- U.S. technical assistance supporting Timor-Leste's 2007 presidential and parliamentary elections contributed to the first peaceful transfer of power in the country's history. Activities focused on training of election monitors, journalists, and party leaders, as well as assisting the independent National Elections Commission and the Government's Technical Secretariat for Election Administration. All international observers consider the elections to have been free and fair.
- USAID has helped support transparency in government through training of independent media groups and expanding the quality and reach of the public broadcast system. USAID support for the government's legal information campaign reached more than 10,000 citizens with information about new laws and their rights.
- In the health arena, USAID works to improve child and maternal mortality rates through programs to educate mothers and their children about best health practices. And USAID programs addressing prevention and control of the endemic diseases of malaria, TB, dengue fever, HIV/AIDS and avian influenza.
- With USAID support, the Cooperative Café Timor has become the largest producer and distributor of organic coffee in the country with more than 20,000 farm family members and more than 3,000 Timorese employees.

*China (\$13.8 million in FY 2007):* Consistent with congressional mandates, Development Assistance funding of up to \$5 million are provided for American educational institutions to initiate programs relating to the environment, democracy and the rule of law, subject to notification requirements; and in economic support funds, not less than \$4 million is provided for NGOs to preserve the culture and traditions and promote sustainability in Tibetan communities in China. Funds to Tibet are also permitted for health activities such as HIV/AIDS.

- USAID supports partnerships between Western Kentucky University, Southwest University of China and Anhui University of Science and Technology to analyze and develop new practices for addressing water quality protection and pollution from coal in southwest China.
- In Guangdong Province, Vermont Law School and Sun Yat-sen University establish environmental law clinics and employ public outreach to heighten awareness of environmental issues in China.
- A consortium of four U.S. universities and two Chinese universities are working in partnership to enhance human rights, contribute to political reform and counter corruption. This program provides for pairing of Chinese and U.S. law professors and for scholarships for students and teachers to visit U.S. universities to observe advocacy education.

Although China is not a focus country under the President's Emergency Plan for Aids Relief, the United States Government, through the Office of the Global Aids Coordinator and the USAID regional mission in Bangkok, is providing \$9.75 million in assistance in Fiscal Year 2007 for HIV/AIDS prevention and care. USAID's assistance focuses primarily technical support and the piloting of new approaches to stem the HIV/AIDS epidemic in Yuuan and Guangxi provinces.

*Burma (\$12.9 million in FY 2007):* The people of Burma suffer from human rights violations, poverty, inadequate education and limited health care services. USAID adheres to the restrictions imposed by the Congress on foreign assistance to Burma, providing assistance in the areas of humanitarian support and human rights. To this end, USAID programs focus on support for the health and sustenance of Burmese internally displaced persons (IDPs), migrants and refugees living in 10 Thai provinces along the Burma-Thailand border.

- Health programs provide basic medical care to IDPs, migrants and refugees in and outside refugee camps. In addition to immediate care, they also em-

phasize preventative care and increase the capacity of border clinics to deliver health services effectively. Within Burma, USAID supports a limited HIV/AIDS program to mitigate the spread of the disease in the country and throughout the region.

- USAID supports primary education, literacy instruction, English-language training, vocational skills training and higher education opportunities, and in planning for the future of Burma, trains teachers and community organizers in the development of national education strategies.
- USAID supports democracy activities that finance training for Burmese journalists and public information workers to improve the availability of quality news for Burmese, in and outside the country.

*Mongolia (\$6.6 M in FY 2007):* Mongolia is at a crossroads in its transformation from a Soviet-styled political and economic system. It has made good progress, but still faces formidable challenges of climate, geographic location, infrastructure and a small domestic market. To encourage continued transformation and development, USAID supports efforts to expand economic opportunity and improve governing capabilities.

- USAID encourages effective private-sector led growth in the Mongolian economy through programs on legal and regulatory reforms that support investment and enterprise development at the sector and firm level. Legislatively, USAID works to develop measures that support—on a bipartisan basis—tax reform and other legislation that strengthens the business climate.
- To ensure that the country's economic growth benefits all citizens, USAID is reaching out to the most disadvantaged citizens in Mongolia through programs in business training and employment services for the urban and rural poor. These newly engaged citizens also benefit from governance programs that encourage their participation in civil society.
- At the national level, USAID programs concentrate on judicial reform, political processes and reducing corruption. USAID launched a coordinated series of training initiatives that involved every judge in the country, and which resulted in improved case management, broader legal education exposure and a reduction of corruption in the legal system. The automation of all of Mongolia's courtrooms has increased dramatically judges' accountability as well as public access to case information.
- USAID efforts to promote sustainable economic growth are reaching at important enterprise sector that affects 75,000 Mongolian families. Programs assist cashmere producers to increase production through business planning and marketing. Five companies have joined together as the Mongolian Fibermark Society to promote their product.

*Vietnam (\$4.4 M in FY 2007):* Vietnam has sustained the second highest growth rate in Asia, spurring job creation and increasing trade with the U.S. and worldwide. Since a prosperous Vietnam—with its population of 84 million people—is vital to maintaining regional stability in Southeast Asia, USAID activities seek to accelerate the country's transition to an open market-based economy, while at the same time ensuring that environmental management and governance keeps pace with economic and social progress.

- Since 2001, USAID's successful *Support for Trade Acceleration (STAR)* program has assisted the Government of Vietnam in conducting comprehensive reform of laws and policies related to economic growth, including trade and investment, the U.S.-Vietnam Bilateral Trade Agreement, and Vietnam accession to the World Trade Organization. STAR operates as a client-driven project under Vietnam's Office of Government Steering Committee, which requested a five year extension in 2006 to assist Vietnam's full integration into the global economic system and bring reform to its legal, judicial, prosecutorial, and court systems. The program also assists the National Assembly with economic forecasting and provides expertise on mitigating negative impacts of globalization on vulnerable sectors and populations. To date, STAR has supported the drafting of 114 laws and regulations; staging of 317 workshops and seminars for 23,619 participants; distribution of 73,000 reference materials; and, organization of 34 study missions for 252 officials.
- In 2004, the President's Emergency Plan for AIDS Relief declared Vietnam a focus country. Working closely with the host government and other donors, USAID manages (\$32 million in FY 2007) large-scale activities to prevent,

treat and care for those affected by HIV/AIDS. The U.S. will also continue its efforts to help contain avian influenza in Vietnam.

- USAID activities also focus on increasing citizen understanding of and participation in civil society, as well as their access to education, health care and employment, where there is a special focus on reaching out to ethnic minorities and those with disabilities. We are working effectively with the Vietnam Veterans of America Foundation in the effort to improve access and services for disabled Vietnamese.
- USAID anti-trafficking interventions, including scholarships and vocational training, are targeted to young females throughout the country.
- USAID's promotion of public-private partnerships with such companies as MasterFoods and the World Cocoa Foundation has advanced production and trade in the Mekong Delta; and their *Last Mile Initiative* with Microsoft, Intel and Qaulcomm has increased internet communication technology access in schools and community centers.

*Thailand (\$2.3 million FY 2007):* In 2006, a military coup displaced the democratically elected government of Thailand, thus activating section 508 restrictions on foreign assistance in that country, to which USAID adheres.

USAID support in Thailand is focused on strengthening civil society and a free media to promote peace in southern *Thailand*; much of the assistance is programmed through the U.S. not-for-profit organization, Internews. USAID has notified Congress of its intent to invest \$990,000 to support Thailand's electoral processes. This assistance falls outside the sanctions applied to Thailand.

The USAID program in Thailand also supports activities to reduce the incidence and prevalence of HIV/AIDS and to mitigate its impact on people living with HIV/AIDS and their families. This entails reducing HIV transmission among high-risk populations in Bangkok, Chiang Mai and Chonburi.

*Laos (\$ 1.4 million in FY 2007):* Laos is an authoritarian, one-party state where the transition from a centrally-planned and controlled economy to a more market-driven one is very slow. Its economic growth is severely limited and the government is also limited in its ability to help its citizens, particularly in the areas of health, education and employment. USAID concentrates its modest assistance programs in these three areas.

- USAID focuses on improving the livelihoods of poor rural farmers in villages in northern Laos by providing technical assistance in silk production as a viable alternative to opium production. This effort complements the counter-narcotics collaboration between the USG and the Lao government that has successfully reduced poppy production.
- Other programs improve the quality of emergency orthopedic, rehabilitation and medical management services for victims of unexploded ordnance that remain from previous conflicts. USAID provides community education programs to reduce the number of injuries, and it develops resources to address rehabilitative requirements of districts and communities, as well as of individual social, education and employment needs.
- A goal of the USAID Avian Influenza program is to contain the virus by 2008. And through its regional health program, it seeks to reduce incidences of HIV/AIDS, TB, malaria and dengue fever.

*Pacific Ocean Region:* The USAID development presence in the Pacific is managed primarily through our regional mission in Thailand, which implements modest programs aimed at health, the environment and women's safety. As Deputy Assistant Secretary Davies' statement indicates, USAID, the Department of State and other USG agencies coordinate efforts to support security and development in the region, and through USG participation in transnational organizations, we interact regularly with other donors that are delivering needed services throughout the Pacific region, including the neighboring countries of Australia and New Zealand, both of which sponsor large-scale programs in the region.

USAID activities in the region include:

- In *Papua New Guinea*, USAID is currently implementing a \$1.5 million HIV/AIDS initiative. The program, for which we requested \$2 million in FY 2008, targets prevention, care and treatment among populations at high risk of infection, and assists the local government with coordinating its national response to the threat of infectious disease.

- In *Fiji*, the USAID regional mission has implemented two programs based on notwithstanding provisions that allow continuation of assistance despite section 508 restrictions:
  - A living reefs program that assists communities in conserving, managing and restoring the coral reef resources on which they rely. The program, implemented through a \$500,000 grant to Counterpart International, enables a unique public-private partnership to collaborate on preserving the environment and livelihoods.
  - A center to combat and reduce violence against women and to ensure the rights of the victims of violence, the USAID regional missions provides \$155,000.
- The USAID regional mission also stands ready to respond to disasters throughout the Pacific. In April of this year, for example, it provided a grant of \$250,000 to World Vision to help the *Solomon Islands* in Western and Choiseul Provinces recover from a devastating tsunami. Since 1995, USAID's Office of Foreign Disaster Assistance (OFDA), has supported the *Pacific Islands Disaster Program* that is implemented by the Asia Development Foundation to improve the disaster response and management capacity of Pacific nations. To date, USAID has invested \$3,906,813 in this program.
- USAID is currently preparing to assume disaster relief responsibility for the *Republic of the Marshall Islands* and the *Federated States of Micronesia*. We appreciate the Chairman's co-sponsorship of the conforming legislation, HR 2705 that will enable a smooth transition of authority from FEMA to USAID for disaster relief in the two countries and we look forward to working with this committee as we implement the transition plan.

TRANSFORMATIONAL DIPLOMACY IN THE REGION—THE FOREIGN ASSISTANCE  
FRAMEWORK

In FY 2007, USAID resources for the region were allocated as follows:

*Investing in People* receives the largest share of the foreign assistance request at 41%, primarily to fight diseases, educate people and support Presidential initiatives. The President's Education Initiative in Indonesia, health and education programs in Cambodia, family health and education activities in the Philippines, and region-wide work in health implemented by the Regional Development Mission for Asia showcase investing in people activities.

*Peace and Security* represents nearly 24% of the budget, directed largely by Department of State investments in issues such as counter-terrorism, but also includes those that address transnational crime such as trafficking in persons throughout the region.

At 22%, *Economic Growth* is reflected in robust programs such as those in Vietnam where the modernized legal and economic policy framework has helped to accelerate economic reforms and private sector development, benefiting citizens at all levels of the society and integrating Vietnam into the global economic system.

*Governing Justly and Democratically*—at 13% of the budget request—advances U.S. foreign policy objectives, for example, helping Indonesia become a democratic and moderate voice in the Muslim World. It also promotes political competition and consensus building in vital countries such as Indonesia, the Philippines, Thailand and Cambodia, and presses for democratic change in Burma.

Lastly, *Humanitarian Assistance*—smallest category in terms of percent of base funding (just under 4%)—the majority of these funds support assistance for displaced Burmese on the Thailand-Burma border and builds on past efforts to increase disaster response capabilities. I would note that this category primarily advances support to vulnerable populations in their current situations; it is not intended to provide for major disasters in the region, which are covered largely by other funding when needs arise.

Mr. Chairman, let me conclude by thanking the Congress for organizing this hearing today and providing a forum to discuss issues of importance to East Asia and the Pacific. We appreciate all that your committee does to support USAID's efforts to build foundations that will sustain democracy, peace and prosperity in the region. I look forward to taking your questions.

Mr. FALEOMAVAEGA. Thank you, Ms. Chiles.  
Secretary Davies.

**STATEMENT OF MR. GLYN T. DAVIES, DEPUTY ASSISTANT SECRETARY, AUSTRALIA, NEW ZEALAND, AND THE PACIFIC ISLANDS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. DAVIES. Thank you very much, Chairman Faleomavaega, for this opportunity and for inviting both of us here today. I am especially pleased to be able to do this hearing alongside my colleague at USAID, Deputy Assistant Administrator Lisa Chiles.

And with your permission, I would like to enter my written remarks into the record. I don't think anyone has 90 minutes to listen to me read all of them. But spend a couple minutes up front really hitting the highlights—

Mr. FALEOMAVAEGA. Without objection, both of your statements will be made a part of the record. And any other extraneous materials will be made a part of the record as well.

Mr. DAVIES. Thank you. The East Asian and Pacific region presents enormous opportunities for the United States Government to advance and protect fundamental American interests. Governments in the region have achieved notable successes in combating terrorists. We need to press on in support of their efforts.

Economically, East Asia's prominence in the world will continue to increase. There has been dramatic progress toward democratic development in several key countries. There have also been setbacks with some countries remaining mired in autocracy, corruption, poor governance, and unacceptable human rights practices. With these countries, we continue to press hard for fundamental improvements.

Strategically targeted assistance is one of the key tools we have available to shape how this region evolves. Of the 30 countries within my bureau at the State Department, 19 are recipients of fiscal year 2007 foreign assistance. In addition to the bilateral programs, many crucial assistance programs are carried out, as was just said, by USAID's regional development mission, Asia and Bangkok and via the East Asia and Pacific regional budget.

Mr. Chairman, let me first respond to the subcommittee's question about the foreign assistance process, the one that you highlighted second in your opening remarks.

The Secretary's Strategic Framework for U.S. Foreign Assistance, organized into five specific objectives, identifies the roadmap by which foreign assistance resources will be allocated and implemented. It focuses U.S. foreign assistance on the Secretary's transformational diplomacy goal, which is helping to build and sustain democratic, well-governed states that will respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.

The other thing you noted is that the East Asian and Pacific assistance budget is by far the smallest of the State Department's six geographic bureaus. Tough choices had to be made at the level of State Department leadership, and the Department's Office of Foreign Assistance has developed, we think, fair and appropriate rationales for making those choices.

The EAP region is fortunate to have avoided major conflicts for several decades. It has also witnessed dramatic sustained growth in many countries as well as important advancements in demo-

cratic governments. And of course it has to be said that events outside the region have had an impact.

The administration has determined that other demands and priorities, such as those in Iraq, Israel, Egypt, Afghanistan and Pakistan require greater resources to meet today's particular daunting challenges. Foreign assistance funding nonetheless provides us in the East Asian and Pacific region with the tools we need to pursue our objectives. I am confident that we have achieved solid results with the funds available and would like to mention a few notable examples.

In Mindanao, the Philippines, we have a well-integrated inter-agency approach to assistance that is yielding results both in reducing the terrorist threat and in improving livelihoods. Our assistance has increased access to basic education, provided skills for youth, and dramatically increased nontraditional farm exports.

ASEAN plans to become a single market and production base by the year 2015. We have used the EAP regional budget to support 114 activities on tariffs, services, a single customs window, and protection of intellectual property rights. Each of these activities will help facilitate U.S. exports and investment.

In Vietnam, United States assistance to implement the U.S.-Vietnam Bilateral Trade Agreement is fostering regulatory and legal changes that are helping lay the basis for stronger rule of law.

Elements of the Indonesian National Police, or the INP, trained with NADR-ATA funding, arrested two of the most prominent leaders of the terrorist organization Jemaah Islamiyah. INCLE funding, which is International Narcotics Control and Law Enforcement funding is being used to build operational effectiveness and transparency within the entire Indonesian National Police.

Now, overall our foreign assistance budget is concentrated in key countries, such as Indonesia, the Philippines, and Cambodia, which taken together receive nearly 69 percent of the total assistance budget. Sixteen other countries in the region receive some form of foreign assistance. We believe these relatively modest-sized programs also pay high dividends.

Mr. Chairman, I would also like to mention what you raised about the Pacific Islands, and I want to talk a bit about our support for initiatives in that very important part of the world. We appreciate your personal interest and the support you have given for these programs and your leadership; in particular, in helping the East-West Center and the State Department convene just this past May here in Washington the first-ever Pacific Islands Conference of Leaders in our capital city.

The EAP regional budget supports our Pacific Islands Fund grant program in 12 Pacific Island states. The projects include water and waste management, private sector development, coral reef and watershed conservation, and projects to assist women.

In 2006, the Department established a regional environmental hub in Suva. We have begun supporting environmental hub programs in such areas as wildlife preservation and marine conservation. We have also—and this is not new news. You have heard it before. But we have restored a regional public diplomacy operation in Suva to focus on educational and cultural exchanges. The State Department currently brings five students to the U.S. each year

through the South Pacific Island Scholarship Program at an annual cost of \$500,000.

You also in your letter to us requesting us to come today mention the subject of restrictions on funding, and where they exist. Burma, Fiji, North Korea, Samoa, China and Thailand are subject to United States foreign aid restrictions. FMF assistance to Indonesia has certification and reporting requirements. Each of these restrictions reflects efforts to pursue and promote U.S. policy objectives.

Mr. Chairman, in conclusion, let me reiterate our thanks to you for the assistance funding that has been made available to the East Asia and Pacific region and our conviction that we have used that funding both wisely and effectively.

Thank you very much for listening, Mr. Chairman, and thanks especially for this hearing as a way to get the word out about the work the United States is doing in such a pivotal part of the world. Thank you.

[The prepared statement of Mr. Davies follows:]

PREPARED STATEMENT OF MR. GLYN T. DAVIES, DEPUTY ASSISTANT SECRETARY, AUSTRALIA, NEW ZEALAND, AND THE PACIFIC ISLANDS, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Chairman Faleomavaega, Ranking Member Manzullo, and distinguished Members of the Subcommittee, thank you for inviting me to appear today to testify on U.S. Assistance in East Asia and the Pacific. I am pleased to appear again before the Subcommittee.

I am also pleased to appear in conjunction with USAID Deputy Assistant Administrator Lisa Chiles. The East Asian and Pacific Affairs Bureau and USAID's Asia Near East bureau have a close partnership in the planning and implementation of foreign assistance in the region, beginning with country teams, at the desk officer level, and at the senior levels in each organization.

I would like to make a few general points about the foreign assistance budget before addressing specific programs.

#### POLICY FRAMEWORK

The East Asian and Pacific region presents enormous opportunity for the U.S. Government to advance and protect fundamental American interests, while providing targeted assistance to encourage development and to strengthen our relationships. Governments in the region have achieved notable successes in combating terrorists. We need to press on in support of their efforts—building secure foundations for peace and security, transforming our alliance structures, and reforming defense forces in key partner nations.

Economically, East Asia already plays a major role in determining the course of the world's economy, and its prominence is poised to increase. By engaging adeptly, both bilaterally and through regional organizations such as the Asia Pacific Economic Cooperation (APEC) forum and the Association of Southeast Asian Nations (ASEAN), we can encourage the region to open its markets further, ensure its rapid growth is sustainable, promote more efficient use of energy, and highlight the importance of protecting natural resources. Success with these goals will increase prospects for continued U.S. growth and prosperity.

There has been dramatic progress toward democratic development in several key countries. There have also been setbacks, with some countries remaining mired in autocracy, corruption, poor governance, and unacceptable human rights practices. With these countries we continue to press hard for fundamental improvements. Our vision is to advance and consolidate democracy as the predominant form of government, help improve governance in those countries where democratic traditions are still forming or challenged, and deepen our collaboration with our democratic partners in the region.

Strategically targeted assistance, coordinated with other major donors to the region, such as Japan, the European Union, and Australia, is one of the key tools we have available to shape how this region evolves over the early decades of the Twenty-First Century. The East Asian and Pacific region is characterized by great disparities in population and development levels. Of the 30 countries covered by the Bureau of East Asian and Pacific Affairs, 19 are recipients of Fiscal Year 2007 For-

eign Assistance. Many assistance programs are carried out via USAID's Regional Development Mission Asia (RDMA) located in Bangkok. In addition, the East Asia and Pacific regional budget funds activities with multilateral organizations, as well as multilateral programs. We need to stay involved in the region and ensure that we use aid both to pursue bilateral policy objectives and to shape emerging regional institutions in a manner congruent with U.S. interests.

#### THE FOREIGN ASSISTANCE PROCESS

The Secretary's new Strategic Framework for U.S. Foreign Assistance identifies the roadmap by which foreign assistance resources will be allocated and implemented. It focuses U.S. foreign assistance on the Secretary's Transformational Diplomacy Goal—"Helping to build and sustain democratic, well-governed states that will respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system." The new Strategic Framework for U.S. Foreign Assistance is a tool to focus foreign assistance on the specific gaps countries face in achieving the transformational diplomacy goal. The Framework organizes all foreign assistance to meet five specific objectives—Peace and Security, Governing Justly and Democratically, Investing in People, Economic Growth, and Humanitarian Assistance.

Since the Secretary announced the launching of the new Foreign Assistance process, the Bureau of East Asian and Pacific Affairs has increased the extent of coordination and consultation with our counterparts in USAID on foreign assistance priorities. During the first year of the process, many procedures and relationships had to be worked out, as people gained familiarity with the new Framework based on the five objectives.

During Fiscal Year 2007, the second year of the process, the new Framework began to be integrated into the strategic planning process through the Embassies' Mission Strategic Plans and subsequent stages in the planning and assistance process. The Bureau of East Asian and Pacific Affairs, USAID's Asia Near East Bureau, and the Office of the Director of Foreign Assistance coordinated closely during all assistance formulation processes. We also put significant effort into providing a process whereby the various non-geographic (functional) bureaus had an opportunity to present their views on assistance priorities. While this new Framework remains a work in progress, it is already yielding results in terms of better aligning resources with priorities.

#### RESOURCES AVAILABLE

The assistance budget for the region, as you have noted, is modest in size and by far the smallest of the regional bureaus at State. This has long been the case with the foreign assistance structure.

In Fiscal Year 2006 the East Asia and Pacific bureau received an estimated \$519 million and in Fiscal Year 2007 an estimated \$531.1 million for programs in the region. The Fiscal Year 2008 Congressional Budget Justification request is for \$522.4 million (including \$18 million for the Tuna Treaty). This funding provides us with key tools to shape how the region emerges in the Twenty-First Century.

Each year's budget request reflects the existing budget environment and the Administration's assessment of how to most effectively distribute these resources to meet foreign policy objectives. As we all know, we are operating in a constrained budget environment. Tough choices have to be made, and the Department's Office of Foreign Assistance developed fair and appropriate rationales for making those choices. While cognizant of the importance of the East Asian and Pacific region, other demands and priorities, such as those in Iraq, Israel, Egypt, Afghanistan, and Pakistan, have required greater resources to meet current circumstances. We have many opportunities to provide assistance to the region to meet U.S. foreign policy objectives. That assistance has achieved remarkable results.

The size of the East Asian and Pacific budget does not reflect an assessment that we have run out of opportunities where assistance could be an appropriate and effective tool to pursue U.S. foreign policy objectives. The results achieved per dollar spent are quite impressive.

#### SUCCESS STORIES

The East Asian and Pacific foreign assistance budget supports many different programs. Nearly 40 percent of the \$454 million Fiscal Year 2007 appropriation falls into the Economic Support Funds account, close to 24 percent to Child Survival and Health, and slightly more than 16 percent to Development Assistance. Foreign Military Financing, Non-Proliferation and De-mining Related funds, International Military Education and Training, and International Narcotics Control and Law Enforce-

ment funding make up the remaining 20 percent of the assistance budget, in that order of magnitude. I would like to cite just a few examples of the results we have been able to achieve recently.

- In *Mindanao, Philippines*, we have a well-integrated, interagency approach to assistance that is yielding results both in terms of reducing the terrorist threat and improving livelihoods. Our assistance has increased access to basic education and provided livelihood skills for youth in areas of Mindanao most affected by poverty and conflict. United States Government assistance has also helped achieve a 400 percent increase in non-traditional farm exports from Mindanao.
- *ASEAN* plans to become a single market and production base by 2015. This enormous undertaking will be an important development for ASEAN and the world economy. Funding in our regional budget is used to support the Enhanced Partnership with ASEAN. As one part of the Partnership, the United States has supported 114 activities on tariffs, services, a single ASEAN customs window and other issues that will help facilitate U.S. exports and investment. Over 800 ASEAN officials, for example, have attended workshops, training and other activities on intellectual property rights organized by the U.S. Patent and Trademark Office with State Department funding.
- In *Vietnam*, U.S. assistance to implement the U.S.-Vietnam Bilateral Trade Agreement is fostering regulatory and legal changes that are helping lay the basis for stronger rule of law in Vietnam.
- On combating terror, our partnership with *Indonesia* is producing results. Elements of the Indonesian National Police (INP), trained with USG assistance, arrested two of the most prominent leaders of Jemaah Islamiyah, a serious setback for this terrorist organization responsible for hundreds of deaths. International Narcotics Control and Law Enforcement (INCLE) funding is being used to build INP institutions and systems in order to further operational effectiveness and transparency within the entire INP. So far this year, INCLE has funded the training of over 800 personnel and has been involved in major institutional changes. Non-proliferation and Demining-Related Anti-Terrorism Assistance (NADR-ATA) also builds on the INCLE funded work, training and equipping approximately 150 law enforcement officers a year in more specific counter-terrorism skills.
- On *Taiwan*, modest United States Government assistance is helping to improve local implementation of export controls on sensitive technology, an important goal that the U.S. must try to achieve through bilateral training efforts, given Taiwan's inability to join international treaty regimes.

#### SOME KEY BILATERAL PROGRAMS

Our policy priorities and our developmental goals have led to the concentration of our foreign assistance funds in a small number of countries. Indonesia and the Philippines, both key partners in efforts to defeat terrorists, one a treaty ally and the other a new democracy in the world's largest Muslim majority nation, together receive 56 percent of the total assistance budget. With Cambodia, our third largest recipient and a major focus of health programs, the total rises to nearly 69 percent.

In *Indonesia*, our assistance focuses on supporting that country's remarkable democratic transformation. The United States also supports Indonesia's imperative to address both immediate and longer-term security threats through stabilization operations and security sector reform, conflict mitigation and response, addressing transnational crime, counterterrorism, enhancing strategic trade control systems, and combating weapons of mass destruction.

We also seek to strengthen governance at both the national and local levels, strengthen the justice and legislative sectors, and ensure a democratic legal framework. We want to help Indonesia increase its ability to generate jobs and reduce poverty by improving the business climate and financial services sector, improving private sector competitiveness, increasing agricultural productivity, improving the soundness of the financial system, increasing trade and investment, and strengthening health services.

Furthermore, in Indonesia we are implementing the five-year, \$157 million initiative that President Bush announced in 2003 to improve the quality of basic education throughout Indonesia. To date, the revamped curriculum has reached over 300,000 students and 24,000 administrators and teachers in 1,500 Indonesian public and private schools. It is expected to reach 650,000 students within the next three years.

The *Philippines* is on the front lines in combating terrorism and is currently engaged in a sustained and successful operation against the al-Qaeda linked Abu Sayaf Group, while keeping Jemaah Islamiyah terrorists on the run. United States assistance focuses on 1) fighting terrorism by improving military and law enforcement capacity and fostering development in conflict affected areas, particularly the southern province of Mindanao, 2) promoting democracy and human rights, and 3) facilitating economic growth to foster long term stability. Our top priority remains defeating terrorists and fostering peace through stabilization operations and security sector reform. In addition to sustaining the Philippines' counterterrorism capability, our support for professionalizing the Philippine security services is crucial to preventing extra-judicial killings and prosecuting those responsible. Finally, greater prosperity can give people a reason to abandon violence in the long-term. U.S. funding will focus on increasing private sector competitiveness by addressing constraints to trade and investment, as well as sustainable employment growth.

In *Cambodia*, we seek to build a solid foundation on which to foster economic growth and good governance by strengthening democratic institutions, promoting judicial reform, and supporting the growth of a strong, independent civil society.

While Indonesia, the Philippines, and Cambodia are our most sizable programs, well over half of East Asian and Pacific countries receive some foreign assistance. We believe these relatively modest-sized programs often pay disproportionately high dividends in allowing us to advance diplomatic and development goals and are therefore important to maintain.

The *East Asia and Pacific Regional budget* allows us to pursue objectives that cross borders. Many of our foreign assistance priorities are regional in nature and require more flexibility than an individual country budget allows. Active U.S. participation and influence in the increasingly prominent multilateral structures in the region—ASEAN, APEC, and the ASEAN Regional Forum—are facilitated via funding from our regional budget. This budget also supports regional security initiatives, environmental programs, trade and investment promotion, and women's issues, among others. The East Asia Pacific regional program works closely with USAID's Regional Development Mission Asia (RDMA) to ensure effective pursuit of these objectives.

#### PACIFIC ISLANDS INITIATIVES

As I stated in March when I testified before this Subcommittee, in Fiscal Year 2006, assistance from all United States Government agencies to the Pacific Islands totaled over \$190 million. Of this amount, about \$150 million was comprised of grants from the United States to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau under the Compacts of Free Association administered by the Department of the Interior. The remaining amount is devoted to the rest of the Pacific Islands through such programs as the Peace Corps, military assistance (International Military Education and Training and Foreign Military Financing), counter-terrorism, and child health. We also provide, via an Economic Assistance Agreement associated with the South Pacific Tuna Treaty, another \$18 million annually to the South Pacific Parties to the Treaty for economic development purposes.

Separately (and thus not included in the above figure), the Millennium Challenge Corporation (MCC) is also working with Vanuatu on an assistance compact totaling over \$65 million. We are also working with the Department of Defense to ensure that citizens of the Freely Associated States and other Pacific countries benefit from the increased demand for labor as our military relocates troops and facilities from Japan to Guam.

Our regional budget also supports important programs in the Pacific Islands. Our Pacific Islands Fund is a small-scale, high-impact grant program that supports projects in 12 Pacific Island states. Projects include water and waste management, private sector/entrepreneurial development, coral reef and watershed conservation, and women's economic and health rights, among others. In 2006, the Department of State established a regional environmental hub in Suva. We have begun to put environmental funding in the regional budget to use in supporting program proposals made by the Suva Regional Hub. These programs focus on a wide range of activities from wildlife preservation to marine conservation.

As part of our effort to expand our engagement in the Pacific, we also reestablished a regional public diplomacy operation in Suva this past summer. This office will focus on educational and cultural exchanges. For example, the State Department currently brings five students (three graduate students and two undergraduates) to the United States each year through the South Pacific Island Scholarship Program at a cost of \$500,000 a year.

## RESTRICTIONS ON FUNDING

Burma, Fiji, North Korea, Samoa, Thailand, and China are subject to U.S. foreign aid restrictions. Foreign Military Financing aid to Indonesia is subject to certification and reporting requirements. Restrictions on assistance to Cambodia were lifted in the FY 2007 Continuing Resolution. Each of these restrictions reflects efforts to pursue and promote U.S. policy objectives.

The U.S. places multiple restrictions on assistance funding to *Burma* based upon concerns about human rights, the repressive political system, and trafficking in persons. We are authorized to use foreign assistance funds for humanitarian assistance, to advance human rights and democratization objectives, and, if certain certification requirements are met, to carry out counternarcotics programs. The State Department provides significant humanitarian assistance to support refugees who have fled Burma to seek refuge in Thailand, Bangladesh, and Malaysia.

Because of the military coup, assistance to the Government of *Fiji* is restricted, except for assistance to promote democratic elections or democratic processes.

For *Indonesia* there are certifications required for providing Foreign Military Financing and to license exports of lethal military articles to the Indonesian military. The Secretary of State is authorized to issue a national security waiver and has done so as part of a careful step-by-step expansion of relations with the Indonesian military. The Department continues to press at every opportunity for accountability for human rights abuses.

*North Korea* funding is subject to numerous foreign assistance restrictions, including restrictions due to its presence on the state sponsors of terrorism list, its detonation of a nuclear device, and a specific prohibition of direct assistance under section 507 of the Foreign Operations Appropriations Act. We provide limited assistance to promote democracy and human rights in North Korea. Since the passage of the 2004 North Korean Human Rights Act, the USG has expanded efforts to protect and assist North Korean asylum seekers; we continue to support the UN High Commissioner for Refugee's (UNHCR's) efforts to improve access to, protection of, and assistance and durable solutions for this vulnerable population.

The Nethercutt Amendment forbids Economic Support Funds assistance to the Government of *Samoa* because it has not signed an Article 98 agreement with the United States. The President waived this restriction for Samoa for Fiscal Year 2006 funding, using an authority provided in the Fiscal Year 2006 Foreign Operations Appropriations Act.

Because of the military coup, assistance to the Government of *Thailand* is restricted under Section 508, with the exception of assistance to promote democratic elections or public participation in democratic processes. The recent adoption of a new constitution and elections scheduled for December of this year may create circumstances that allow certification that a democratic government has been restored, which would permit resumption of assistance to the Thai government.

We have not provided foreign assistance to *China* absent a full notwithstanding authority. However, Congress has specifically provided notwithstanding authority to carry out activities through Democracy Fund appropriations, implemented by the State Department's Bureau for Democracy, Human Rights and Labor, to strengthen the rule of law, increase avenues for public involvement in government decision-making, and develop a vibrant civil society. Among other things, on the local level, these programs have made significant strides in refining laws to curb discrimination against women, opened new avenues of legal recourse for workers seeking just compensation, and provided formal procedures for public input into government regulations and legislative plans. Notwithstanding authority has also enabled USAID, in conjunction with the Global AIDS Coordinator's office, to implement programs to reduce the incidence and prevalence of HIV/AIDS and mitigate its impact on people living with HIV/AIDS and their families. The objective of these programs is to increase the use of effective responses to HIV/AIDS, focusing primarily on prevention but also including care, support, and treatment.

Mr. Chairman, in conclusion, let me reiterate our appreciation for the assistance funding made available to the East Asia and Pacific region and our conviction that we have used it wisely and effectively as one of our tools to advance U.S. goals.

Thank you. I would be happy to answer your questions.

Mr. FALEOMAVAEGA. Thank you, Mr. Secretary. You know, there is a saying, if you want to know the priorities of a government, whether it be at the national level or city or even county or state level, look at the budget. And I am very happy that both of you have given an agreement in my initial statement that in the budg-

et process East Asia and the Pacific is the lowest of all the budget allocations that my government provides for these two regions of the world.

So with that premise, I would like to initiate a dialogue with both of you. Maybe you could even help me. Maybe you might even say, well, we don't need money in this region, and maybe we need to be more creative, find out other ways that we can best utilize the funding that has been given.

But let me ask you both, like I said, if you want to know the priorities of any given situation, look at the budget. And I can fully appreciate the concerns in terms of our national interests. Obviously our whole focus right now is on the serious crisis and the problems, the war in Iraq as well as in Afghanistan. That is totally understandable since we have already expended well over \$600 billion in that terrible conflict, now spending some \$10 billion a month, I think, in that war, for which, by the way, we are not winning the war.

So any idea of, say, promoting democracy, and the reason why the Shiites and Sunnis are killing each other, not because of promoting democracy, but because of the religious and ideological differences that these two factions have had for the last 1,400 years, something that I think we never really paid that much attention in understanding the complexity, the complexity of a country like Iraq and the problems that they have become confronted with.

Nobody supports Saddam Hussein. I would be the first one to say he was a mean dictator. Killed over 300,000 Shiites. In the 30-year period, he was able to do all of this because of his dictatorial policies and he did tremendous harm to the Shiite people in Iraq. And which by the way the Shiites composed about 60 percent of the population of the Iraqi people, and there were only 20 percent Sunni, for which Saddam Hussein was a Sunni. And there is one contradiction that I think most Americans were never made aware of, the fact that Saddam Hussein was a Sunni, 20 percent of the population in Iraq is Sunni. And the Shiites have been subjected to this kind of abuse for some 80 years during that period especially for a country. So I can understand the priorities, why we are having to spend \$600 billion already for the mess that we created in Iraq.

So now when it comes down to allocations of what funding or foreign assistance programs can we give to other regions of the world, it just so happens that these two regions are the lowest in our priorities. So I am having a little problem here to suggest that if I were to meet with the political leaders of these countries that represent East Asia and the Pacific, how will I be able to tell them, by the way, you are the lowest of the bottom of the barrel as far as our national priorities if you expect us to give you any assistance in terms of the needs that you have. And compare that to the fact that China as well as Taiwan is providing tremendous assistance to these countries. I focus specifically on these island countries. And somehow we have the differences of priorities, I suppose you might say, that maybe it is not a high priority in our country to give attention to the needs and the problems of East Asia as well as the Pacific.

And Ms. Chiles, I might ask you, and I know it is in your statement but I just want to make this a part of the record. How much is the total funding that USAID is receiving to do your work in East Asia?

Ms. CHILES. That figure, 2007, is around \$340 million.

Mr. FALEOMAVAEGA. \$340 million. And how much of that goes to the Pacific? Or I should say, how much dollar value does USAID provide for the Pacific region? Mainly Pacific Island issues, if I were to be more specific. Doesn't have to be specific. Just wing it, about.

Ms. CHILES. Well, I am thinking there is the—about \$1.5 million that is going to the HIV/AIDS program in Papua New Guinea. They are also benefiting from some of the regional work that is being done on forest protection. I don't have a specific number.

Mr. FALEOMAVAEGA. Basically you don't have presence in the Pacific. I think we have to make that as a matter of record.

Ms. CHILES. That is correct.

Mr. FALEOMAVAEGA. So you don't really have to deal with the Pacific.

Ms. CHILES. Well, we do pay attention to the issues in the Pacific through—

Mr. FALEOMAVAEGA. But very, very minimal as far as the focus.

Ms. CHILES. It is modest relative to the rest of the region. That is correct.

Mr. FALEOMAVAEGA. You have given an indication, one-third of the world's population, that doesn't include India and China though, does it?

Ms. CHILES. It would include China.

Mr. FALEOMAVAEGA. That would give it that number as far as—

You said you have just returned from Baghdad?

Ms. CHILES. Yes. Yes, sir.

Mr. FALEOMAVAEGA. And we have got over 1,000 employees already in our Embassy, am I correct?

Ms. CHILES. I am not sure about the exact number. But I was filling in between—for the Mission Directors. It was a question of senior leadership at the post.

Mr. FALEOMAVAEGA. It is going to be our most expensive Embassy also in the whole world. We are spending \$600 million to build our Embassy in Baghdad. Okay.

How much assistance has USAID given to Indonesia specifically? I have very fond feelings for Indonesia, by the way. I am curious what programs are being made available for Indonesia as far as USAID is concerned.

Ms. CHILES. Let's see, the total amount for 2007 is around \$158 million. We have a major effort underway in terms of educational support, particularly the President's Initiative on Education, which is doing some very exciting work in schools. We are in about 1,500 schools right now. And the potential for replicating that is growing and growing quite dramatically. It is working with teachers, training teachers and school administrators as well as parents to improve the way education is conducted in Indonesia. That is becoming pretty effective.

Mr. FALEOMAVAEGA. And I can appreciate what our priority would be with Indonesia because it happens to be the most populous Muslim country in the world. It is the fourth most populous nation in the world with only 223 million people. You mentioned giving assistance to the development of Aceh Province.

Ms. CHILES. That is correct.

Mr. FALEOMAVAEGA. What about my favorite province, West Papua?

Ms. CHILES. Papua is included in the education program as well as—I think some of the reforestation work is going on there as well.

Mr. FALEOMAVAEGA. The forestation work?

Ms. CHILES. Well, in terms of the—

Mr. DAVIES. We have a relatively new illegal logging initiative.

Mr. FALEOMAVAEGA. Well, let me share with you, Mr. Secretary, the illegal logging that is going on right now in Indonesia, specifically mostly in West Papua, runs around \$600 million of illegal logging that goes primarily up to China and other countries there in East Asia. So that is not peanuts. Tremendous problem that the Indonesian Government is confronted with, with the illegal logging that is going on right now. So we are trying to help Indonesia curb its problems of illegal logging?

Ms. CHILES. If I could say on the illegal logging program, what has been very exciting about it is that we have brought in private sector, American private sector, companies as well as others to work on identifying what is legal wood as opposed to illegally logged wood in the marketplace. And that is a program that is working so well we are expanding it to other countries in the region as well.

If I could just say, it is one of the examples of how we can work effectively, even with a smaller amount of resources in East Asia-Pacific because we can have alliances with American companies and other companies working in the area. We can really leverage other funding to get much more happening. It is, you know, much bigger than our own aid—

Mr. FALEOMAVAEGA. Well, let me ask you this. I know we have the Overseas Private Investment Corporation, which sits on a \$6.2 billion pot. And you say there seems to be some encouragement of American businesses to come show a presence. Well, that is one of the main reasons for having this program, to allow U.S. businesses to obtain soft loans or even grants, perhaps to go and invest in foreign countries, provide jobs, economic development.

I am curious to ask, how much presence of OPIC is there in the East Asia?

Mr. DAVIES. I don't know the answer to that. I am happy to get back to you on that because it is not strictly speaking part of the assistance program. I don't know if we have that. If any of my colleagues do and they want to slip me the football from behind, I would be happy—

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM MR. GLYN T. DAVIES TO QUESTION ASKED DURING THE HEARING BY THE HONORABLE ENI F.H. FALEOMAVAEGA

OPIC's total project exposure in Asia amounts to \$1.19 billion, roughly half of the amount in insurance coverage and the other half in project finance. Of the total, ap-

proximately 55 percent supports projects in Southeast Asia, almost 40 percent to South Asia, and the remaining six percent to the Pacific Islands. I suggest you contact OPIC directly for more specific information on OPIC activities in the region.

Mr. FALEOMAVAEGA. It seems to me that, I mean Ms. Chiles' statement, that the encouragement of U.S. companies to come and be a part of this development process, it seems to me that OPIC would be the very basis and the reason why Congress passed law to provide for this corporation as conduit for our businesses or corporations to give them a—what do you call it?—an old push to encourage them to invest in foreign countries, especially like countries in Indonesia. But of course commonsense would tell me if I were a corporate leader, I would be very careful to see if a country politically is stable, economically, a free market system. All these factors play into it.

So we understand why there may be a limitation as to why some American companies are very careful not to go to any Tom, Dick and Harry country and expect that they are going to make a profit out of it. That is one of the problems that we are faced with, too, in finding countries that are stable enough that we can make investments from our private sector community.

Mr. DAVIES. No. That is a good point, but I would say what is interesting about this part of the world is actually, number one, the fact that they haven't had a major conflict in the last generation and, number two, that there is a democratization trend that is rather notable and dramatic. American companies are, it is our sense—I mean, I wouldn't liken it necessarily to the Oklahoma land rush or the gold rush, but they are going out there and they are finding opportunities to invest. And there is a very robust effort on the part of the U.S. companies to explore and exploit the economic opportunities that are out there.

So I mean yours is a good point on OPIC. We will look into that. But I think we are seeing a pretty positive trend in that part of the world. And of course we all know that what Uncle Sam can do with his funds is one thing, and that is important. But the real engine of growth in the world is of course private investment. So it is good that you make that point, and we are happy to come back to you with some thoughts on OPIC.

Mr. FALEOMAVAEGA. I want to thank you for bringing to the committee's attention the recent dialogue that took place among the several prime ministers and heads of state representing the Pacific Island nations who came to Washington. And I cannot thank you enough and also Secretary Rice for all the time and effort that the State Department made to accommodate and to meet and to hold counsel with those specific island leaders, even though I did express my personal disappointment in the fact that they were not able to even have a photo-op with our President. I just thought that maybe if it was possible for the Prime Minister of New Zealand and Australia to have a free—anytime they stop by, they can get wined and dined by our President at the White House. And yet when we have several prime ministers or heads of state from Pacific Island nations, he couldn't even give them a minute of his time to meet with them.

But that being said, as I just wanted to express concern that the leaders of these island countries are not being neglected, not by the

President of France who personally hosted them in Paris, not by the Prime Minister of Japan who personally hosted them in Tokyo, not by the Prime Minister of China who also personally hosted them. So how much higher do you think in terms of a sense of appreciation that our national leadership should have to look at the Pacific Island nations as something to take serious not only as a matter of protocol I would think. But I just would think that commonsense would dictate it. But I do want to say I thank you and Secretary Rice for making every effort at least in trying to get the White House to do our bidding.

But be that as it may, I just want you to know that the House has based a bill on a bipartisan basis that will direct the State Department to establish a USAID presence in the Pacific, secondly to increase the South Pacific scholarship program by another \$500,000 to make it a total of \$1 million, and third also to give opportunities, Fulbright fellowship program, which by the way years ago the State Department did provide. And somehow it trickled away and never seemed to show presence again.

And I sincerely hope, Mr. Secretary, that I would really appreciate the administration's support for this bill that just passed the House and we have every intention to pursuing this on the Senate side as well. And I think your support, I think, would be a welcome occasion.

And this is all as a result of Members of Congress meeting with these prime ministers and these heads of state that came and visited us here in Washington. It wasn't something that I dreamt up, Mr. Secretary. It was something that was part of the consultation that we had taken place when they came and met with the Members of Congress. And here again, I do very much appreciate what you and your associates and especially Secretary Rice, what she did to meet with those leaders.

We have a problem too in the sense that the media and other leaders of the Pacific have expressed the same concern to me about the checkbook diplomacy that is going on right now between China and Taiwan toward the Pacific Island nations. And my concern, as I expressed in previous—I don't know if—I am still learning English, Mr. Secretary. Is there such a word, wonderment?

Mr. DAVIES. I believe so.

Mr. FALEOMAVAEGA. At one time we sent boxes of \$8 billion in cash that we had personally given out to Iraqis and we are still looking for what happened to this cash share. So we did do checkbook diplomacy, but we did cash diplomacy to some of the problems that are now happening in this terrible war that we find ourselves in right now in Iraq.

Which draws me to my next question, Mr. Secretary, in financial assistance. I know you have to be creative for whatever you are given. I am not going to ask your opinion about whether or not we should increase the funding for these two lowest of low of all of the regions as far as foreign assistance is concerned. But I do need to make sure that our records are in order and make sure that if we do make a recommendation or request to increase the budgets, that—and maybe you could help me, Ms. Chiles. When the pot is given to USAID, you are then given discretion of how you would allocate the pot? Or is it earmarked? I hate to use the word “ear-

marked." It is a nasty word here on the Hill. Do you then do the allocations under your discretion, or is it specifically targeted from the appropriations law that we pass here?

Ms. CHILES. We have a collaborative process now under the new foreign assistance framework where we work very closely with the State Department in making our recommendations that then go forward to the Secretary of State. And the decisions in terms of our requests are made in that process. So that is how that works. It is not as if we get a sum of money and then allocate it ourselves.

Mr. FALEOMAVAEGA. So in other words, after the appropriations process, so a certain time period along the line, okay, Ms. Chiles, you have \$340 million to play with in your region, so then you run with it?

Ms. CHILES. Right. Unfortunately not. It doesn't work that way.

Mr. FALEOMAVAEGA. Well, what I meant is that you are given \$340 million, but there are also guidelines in terms of some of the policies and the priorities that Secretary Rice and the Department sets for you to do.

Ms. CHILES. That is correct.

Mr. FALEOMAVAEGA. That is what I meant. You have your own discretion of how you may want to do this.

Mr. DAVIES. Mr. Chairman, because you have asked a bunch of good questions and made some important observations. I just wanted to, before I lose the bubble, come back to a couple of them.

Mr. FALEOMAVAEGA. Make another bubble if you—

Mr. DAVIES. These are good bubbles that you are advancing here.

On the education front, this is an area of major agreement between you and your committee and the executive branch. We think that that is right. We need to try to provide lots of educational opportunities for the Pacific Islanders. And of course Fulbright is now back in the Pacific. One of the accomplishments we are proud of is the fact that we have re-established the Fulbright program there and that we now have this—we are continuing the South Pacific scholarship program with, at this stage, these five students who will be coming back to the United States. And in addition to that, increasing participation in what I think is our best people-to-people program dollar for dollar, which is the international visitor leadership program, which is a shorter sort of excursion for young and upcoming leaders from that part of the world who can come back and have very often a tailored program to take a look at specific issues in the United States and meet people in that field. And that is happening.

Mr. FALEOMAVAEGA. Is that the 30-day program where they come and visit the program?

Mr. DAVIES. In general, that is correct.

Mr. FALEOMAVAEGA. And they visit or whatever they want for that 30-day period?

Mr. DAVIES. It is pretty gold plated. They get exposure to leaders such as yourselves; they often get a chance to go to two, three, or four different American cities and pursue items often of interest to themselves. Also, there is now inclusion of the Pacific Island region in competition in the Hubert H. Humphrey Fellowship program, so that is also going on. That program brings mid-career professionals to the U.S. for an entire year of study and internships. And there

are some other things. We have got Pacific Island journalists coming back to the United States. Some came during the PICL, the Pacific Island Conference of Leaders, and they file reports back in the region. And that is a benefit.

You mentioned China, Taiwan, and the so-called checkbook diplomacy. That is a continuing area of concern for the United States. One of the things that we did in conjunction with having Pacific Island leaders come to Washington was we also invited relatively senior level officials from a whole range of countries. I mean, the usual suspects of who have an interest there, such as Australia, New Zealand, Japan. But then also we have European nations represented. We had China come. They sent a representative. And part of the purpose of course is to promote the notion that we should be more transparent, all of us, in what it is we do, and we ought to try to work on at least agreeing to a broad set of principles for providing assistance to the Pacific so that we can get away from some of this kind of pay packet development assistance, so-called, where in some cases moneys go directly to legislators and there isn't much transparency in sort of how it is done.

So we are working on all that. In some cases those aren't programs that require big budgets, it is simply using the diplomatic wherewithal of the United States to kind of weigh in and provide a forum to bring people together to try to reach agreement on these kinds of principles.

Mr. FALEOMAVAEGA. Mr. Secretary, you have hit a real sensitive nerve in me when you mentioned education because this is dear to my heart. If there is any program that anything that America can make as a most noble and important contribution to the world community, it is that of education. And I say this because I don't know if our fellow Americans realize that we probably have more foreign students attending American colleges and universities than any other country in the world. It is about over 500,000 foreign students attend our American colleges and universities. China being number one with about 100,000 students. And I believe India with number two with maybe about 90,000 students. So it goes down the line. And this is something that I have always felt is very, very important, that should be an integral part of our foreign policy, not to make Americans out of other countries, but to share with other countries our prosperity or our gains that we have made as a country, especially through education. And this is the reason why I push so hard to even initiate the South Pacific scholarship program.

I met a lot of resistance from the State Department because they said well, we tried it before, and it failed. I will tell you why it failed. We had that program I think instituted in Central and South America. But as it turned out, students that were being sent to get their education failed simply because they were the sons and daughters of politicians and heads of government that were totally unqualified academically. So to change that, we mandated that this scholarship program in the Pacific, the most perfect student is the one that is picking coconuts somewhere in some Pacific Island country. But the aptitude of that young man from that village is so much in terms of visibility, all they needed was just a resource and an opportunity.

In fact, I have a classic example. One of the students who completed a college education through this program was literally picking coconuts in one of those islands. But the kid had an aptitude, in high school level he was doing calculus. And yet he could hardly speak English. So that is the kind of ideal students that we are looking for, where it is not because of class or nobility but based on the merits. And that is the reason why I think the South Pacific scholarship program has been a tremendous success. And I am so happy to learn that the State Department is taking that as one of its signature programs because we made sure that students attending this program are going to graduate with Bachelor's and Master's and Doctor's degrees and, when they return to their own nation, sharing the wealth of information and knowledge that America wants to provide for the world community.

And if there is any area that I cherish so much personally and in every way possible to the State Department, and even USAID, will hold education as a high priority. Not these little programs, they come here for 2 weeks and they get a little certificate, coming here that they know how to press a button or learn how to type. I am talking about serious programs where these students get degrees from American colleges and universities. They know what happened in Indonesia with its economic problems, they sent the brightest students to the University of California Berkeley—that is my alma mater, by the way—to study financing and economics. And guess what, they went back to Indonesia. They were the miracle children. They call them the Berkeley Mafia because they literally turned around the economic situation of Indonesia. The free market system and all of what we are trying to preach to the rest of the world.

So I cannot say enough about the importance of the subject of education, Mr. Secretary and Ms. Chiles. And I am going to continue doing this in every way possible to share with the rest of the world the resources that we have, especially with our institutions. Oh, I get some nasty remarks from some of my cousins living in New Zealand and Australia. They tend to have a condescending attitude toward American universities, saying that they are better off and more classic. I said yeah, you are right. I said I think you need to look at it again, how many Nobel laureates that we have when you make comparisons in physics, and education, chemistry. Call it, name it, we have them. And all because of this one factor and important area that our country I think has been truly blessed because of its educational institutions. And where we don't have to be shooting each other, we are trying to educate each other and share with them the ability to live in a society where we can do what we are doing now as a country.

I am so happy that one of our most senior distinguished members has joined us for this dialogue, not only as a dear friend but as my mentor and as former Ambassador to the Federated States of Micronesia, my good friend and gentlelady from California, Congresswoman Diane Watson.

Ms. WATSON. I want to thank my good friend, the chairman, Mr. Faleomavaega. And I am really glad to see our witnesses here. I do have some interests that I would like to discuss with you. And you know, we are going to really have a challenge, and particularly

in the part of the world where I was, in Asia and North Pacific, because of the isolation of many of these areas.

And I would be interested in hearing—and I know you started a few minutes ago, and if I am going over turf that has already been addressed, just let me know. But I am interested in hearing what efforts we are taking to counter the threats of the radical ideologies and terrorism. You know, we tend to ignore places out in that area. But I don't trust that there are not elements that are trying to talk about a universal hatred and ostracism of America and America's values.

So I would like to hear what we are doing to counter these threats. And specifically, I am interested in finding out what efforts are being undertaken by the National Endowment for Democracy, the National Democratic Institute and the International Republic Institute to counter some of these ideologies.

I am also interested in knowing what presence VOA, Voice of America, has in the region as well as other programs for the region that administer to the Board of International Broadcasting.

And finally, as was said, I am a foreign Ambassador to the Federated States of Micronesia. And I am interested in knowing about what efforts are being made to help assure that the freely associated states obtain self-sufficiency.

As all of you know, in 2003, President Bush established trust funds for the Marshall Islands and for Micronesia as well. And these trust funds are designed to provide perpetual sources of revenue. And I would like to hear from you how this process is progressing nearly 4 years later. And I know that in Micronesia, entrepreneurship had to be built because the whole time I was there, the process, the progress was only 2 percent in terms of their economy, only a rise of 2 percent. And so if you could fill us in and just kind of bring us up to date, and what are we doing to counter the kinds of radical teachings that seem to be spreading globally? And that is just so disturbing to me.

Mr. FALEOMAVAEGA. Will the gentlewoman yield?

Ms. WATSON. Certainly.

Mr. FALEOMAVAEGA. I just wanted to also share with you the part of our hearing this afternoon was to bring the gentlelady, Ms. Chiles, representing USAID, and our good friend, Deputy Assistant Secretary Davies, representing the two regions that we have jurisdiction over, which is Southeast Asia and the Pacific. And one of the pointed questions that I asked both of our witnesses is, why in our foreign assistance program do these two regions happen to be the bottom of the barrel as far as the kind of assistance that we are giving as compared to other regions of the world?

So this falls right in line with your questions, Ms. Watson, in terms of maybe on how Secretary Davies and Ms. Chiles can help us. Along the lines of fighting terrorism, there seems to be the emphasis that the administration is making in terms of expending the funds that we are providing for these two regions of the world. So that is basically why we were having the dialogue before you came in. So I just wanted to share that with you.

Ms. WATSON. That is what happens when you are late.

Mr. FALEOMAVAEGA. Ms. Chiles and Secretary Davies.

Ms. CHILES. If I could just start, thank you very much for the question. The programs that we have, particularly in the Philippines and Indonesia, in southern Mindanao, are very much designed to help communities develop opportunities for their people that would really counter the extremist messages that they get and keep people from joining terrorist groups.

The education programs that we have in both Indonesia and Mindanao are extremely important in this. In Mindanao, for example, we are helping people get back into school who have been out of school. We have been working very closely with the Department of Defense. When they go in and build a school, we come in with the computers and Internet equipment to help that school really get started again as well as training teachers and so on.

And in Indonesia, it is very similar in the sense we want to make sure that the schools are there for all grades from elementary school and the junior schools, so students can be trained in an environment that gives them opportunities so that they can have jobs, that gives them the right kinds of skills for employment. We think this is very important in terms of countering the pressures particularly on young populations and countering those extremist voices.

Mr. DAVIES. On your questions, Madam Ambassador, if I can call you Madam Ambassador, that relate to the FSM and Palau and the Marshalls. Of course in Uncle Sam's army it is really the Interior Department that kind of walks point on that, though the State Department is in close support in these efforts of implementing the compact to try to help these countries develop the institutions to sort of get back on their feet.

Just by way of example, one statistic, in fiscal year 2006 almost \$200 million, about \$190 million, this is exclusive of the Vanuatu FCC money that went to all of the Pacific. One hundred and fifty four million dollars of that went to the FSM, the RMI and Palau under the Compacts of Free Association administered by Interior and they went for successor versions of the sorts of programs that you know all too well since you were on the ground really in charge of our effort, in one of those three, and that is education and health care and infrastructure, these types of programs that are meant to try to give them the wherewithal so that they will have the tools to be self-sustaining ultimately.

But you have been there, and you have seen the reality on the ground. You know that it is a very, very tough challenge, given the challenges they face in that part of the world, one of the greatest being the distance they face one state from another in the country where you represented America.

But we are working this very hard. I think it is fair to say that the relationship between Interior and State is probably closer now than it has been in recent years, and we are out there more often visiting these countries, working with them and trying to help them along.

Ms. WATSON. Mr. Chairman, if you don't mind me getting into dialogue here. You know what I have found, and I have seen the same thing in Iraq, is that the traditional beliefs, their customs trump what we do. Now we have a compact. And they have almost every program in their high schools that we have here in the States. And we expect them, as you know, to abide by the provi-

sions. Doesn't mean a thing unless you can get to their Nanmarki, that is the high priest, and sell him on the idea because they have traditions that are thousands of years old, and your tradition goes something like this: You take care of your family first, your tribe, your sect next, and then your village, your community, regardless of what we say, only people qualify this way can we see these benefits doesn't mean a thing.

And so what I found as the Ambassador on my little turf that was the United States is to reach out to the Nanmarkis, the high chiefs and discuss with them, would this work? We have got a cholera epidemic. And we were trying to say to them, don't drink the water because you defecate, urinate, bathe in it and so on. And it is carrying these germs. And we sent our people in from Guam, and they came in in fatigues. Then I heard back, it was a takeover by the Army. So I said, "You don't go in unless you go in with the chief." And you know—so what I would like to know from you: How much cultural training do we do in our programs before we send our people out and before we send our programs?

And I worked with the Department of Interior, and I said, you know, "Send me someone out here who can administer these programs according to what we expect and not what is traditional in this culture." Because right now the money we are sending in is not being used as it was intended. So we had to get over that before we could see results. And of course I had to leave. And then I am just wondering if the NGOs and you know, through our Department of Interior, and if we are getting enough people over there that can work with the traditional leaders. So their understanding, they will give the okay. And I think that Mr. Faleomavaega sees a lot of this in his islands—

Mr. FALEOMAVAEGA. Would the gentlelady yield?

Ms. WATSON. Please.

Mr. FALEOMAVAEGA. I want to compliment the gentlelady for her most meaningful insights about cultural barriers. I am a chief, but I am a very small chief. But I had better go through my chiefs if I want anything done because that is the culture that we have to work with and to appreciate. And I think this is probably one of the most serious problems that is affected in a very negative way are our problems needed with the current crisis in Iraq. Those people are killing each other not because of promoting democracy. It is because you killed my grandfather or my uncle or my tribe or my village. And the only thing in their minds is vengeance. You know? A tooth for a tooth. Is that what they say somewhere, or a tit for tat. We have it here in America. I mean, it is a human nature, behavioral situation. So you don't need to preach to them about democracy. All they care about, he did my cousin, and I am going to do him back. And that is what is happening in Iraq right now.

So any notion or idea that we are going to promote democracy in Iraq where a culture that has been there for 6,000 years and 1,400 years of ideological confrontation and absolute killings are going on between the Shiites and the Sunnis is something that I think we kind of missed the mark, and understanding and appreciating the fact that cultural understanding of any society, of any

country has to be taken seriously. We don't even have enough Arabists, people who can speak Arabic or—what is the other?

Ms. WATSON. There are only nine in our Embassy in the Green Zone when we started.

Mr. FALEOMAVAEGA. I didn't mean to get into the Iraq situation.

Ms. WATSON. May I just say one more thing, please, because I think it is really important and I am so glad you are here. These have been my concerns since I left there. But I found that when they come to the States, and we had the arrangement under the compact that they could come without a visa, and I think passports are required. They can go anywhere under the American flag. But they come over here and so much comes at them so quickly—it reminds me of one of the ads on television, life comes at you fast—comes at them, and they don't have the coping mechanisms because they don't discipline their children until they are 11 years old. You know, that is 0 to 5. These are developing stages. So what I found is that they commit suicide.

Do you know we have the highest suicide rate in the world in Saipan and within that area in the Pacific? They simply can't cope. And so what I did, I called Region 9 in San Francisco. I said, "Send me over some psychiatrists and psychologists." The day after Thanksgiving. I had five suicides on my watch, and one happened to be the Foreign Minister's son and the other one was the President's son. I said, "We have a real problem here."

So you know, what are we doing along those lines? We are trying to transition people over thousands of years. And as I said, we have these cultural barriers, and they address their cultures first. And we say, "This is what we would like you to do." They are not going to do it until it is culturally acceptable. So that is a real concern. We are losing lives from suicides and all.

Mr. DAVIES. Yes. These are the realities on the ground that make it very challenging, I think, for the United States to make any kind of rapid difference.

The only point I want to make is that I think one of the best things we do in that part of the world is the Peace Corps. And I think we now have about 300 volunteers throughout the Pacific. And what I have seen in my travels throughout the Pacific is that they do a terrific job because you know, to some extent they fly in under the radar of the power structures that are there, and they go into individual villages and they do relatively circumscribed sorts of things, the educational field, the health field, training and so forth. But they end up having a massive impact because they are able to make these people-to-people connections and I think able to help the people who are born and bred in that part of the world sort of understand what it is to be an American. But there is no simple answer to these problems that you raise.

Ms. WATSON. Exactly.

Mr. DAVIES. And having been an envoy on the spot, you know very often it is just a question of reaching out for the resources that you can get from Hawaii or the mainland and try to bring them in to deal with some of these issues.

But these are all questions that we ask ourselves continually within the executive branch. And we in the State Department are very, very—

Ms. WATSON. As information to you and talking from very real experiences, I love the Peace Corps. However, they can't do it by themselves, and they have to stay out far longer. And we had them out on some of the outer islands alone. I said, "We will never send young women out there." We had some things happen. One of our Peace Corps members fell down in a gully with a broken leg, was there for 5 days before she was found. I said, "We can't put them out there alone. We need to put them in there in twos." We, I think, don't focus enough on what we take our Peace Corps, the atmosphere that we take them into. We send them in for all the right reasons but what are they going to meet up with? And who supports them?

I remember in Thanksgiving I had all the Peace Corps volunteers come help me with a Thanksgiving dinner for 30. And they loved it because it is like going home to Mom's. But one came in and she was crying buckets. And I said, "What is wrong?" She said, "They ate the family dog." I said, "What?" She said when she got home, she found them—and they do eat dog there. In fact, some of my staff did when they got desperate for meat. Ships only came in once every 2 weeks, supplies. But anyway, she tried to tell them, "But you love the dog. You can't eat the dog." They said, "Why?" She said, "Because he was a pet." And they said, "Well, he was dead. A car hit him so we ate him." So she left, back home.

So we have a long ways to go. If we can break down that cultural barrier. You know, we can use ourselves as an example because you can go right down to the supermarket and buy your beef. It is not that easy there. I have seen them eat blue and green meat. And it is in the case. In fact, I took some things myself back to the market and all they did was fold them up, fold the box up and put it back on the shelf. So we really have to concentrate on the cultural barriers and how to overcome them, and we have to do more than just by example. It will take us too long.

I am just throwing that out as issues that we want to really place as a priority when we set up these trust funds and expect them to make progress. As I said, they only made 2 percent progress economically the whole time I was there. And I brought them all kinds of opportunities.

So we have to find a place where our beliefs, customs, principles intersect with their culture and work that way, you know, how do we help them make that transition?

Thank you, Mr. Chairman.

Mr. FALDOMAEGA. I just want to say that, as I have noted earlier to Secretary Davies and Ms. Chiles, that the four or five leading countries that have more foreign students attending American colleges and universities, as I said earlier was from China, from India, and the third I think is Taiwan. I want to ask Ms. Chiles, how many students from Southeast Asia attend American colleges, universities? Do we have any data or information on that?

Ms. CHILES. I will have to get back to you on that.

Mr. FALDOMAEGA. Could you please? I would like to make that a part of the world. How many people from the South Pacific, Pacific Island nations attend American colleges and universities?

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM MS. LISA CHILES TO QUESTION ASKED DURING  
THE HEARING BY THE HONORABLE ENI F.H. FALEOMAVAEGA

STUDENTS FROM EAST ASIA AND THE PACIFIC WHO HAVE STUDIED IN THE UNITED  
STATES

The attached summary page provides data for the number of students from East Asia and the Pacific who have studied in the United States with USAID funding. The data is for the period from 1994 through 2007.

### SUMMARY

#### USAID-SPONSORED LONG TERM TRAINING EAST ASIA AND THE PACIFIC 1994 – 2007

##### Overall numbers:

1,088 individuals trained in region during time period – in long-term academic and technical programs

425 in academic programs  
663 in technical programs

##### Countries: 6 East Asia countries were the source of trainees:

|                |          |
|----------------|----------|
| Philippines    | 495      |
| Indonesia      | 290      |
| Mongolia       | 272      |
| Cambodia       | 27       |
| Thailand       | 2        |
| <u>Vietnam</u> | <u>2</u> |
| TOTAL          | 1,088    |

##### Training Locations:

- 873 (of 1,088) individuals were trained in the *U.S* and received degrees
- 26 were trained in a *third country*
- 189 were trained *in-country*

##### Gender: (technical and academic training)

|              |       |       |
|--------------|-------|-------|
| Philippines: | F/293 | M/202 |
| Indonesia:   | F/136 | M/154 |
| Mongolia:    | F/108 | M/164 |
| Cambodia:    | F/15  | M/12  |
| Thailand:    | F/1   | M/1   |
| Vietnam:     | F/0   | M/2   |

Prior to 1994, 29 Individuals from Pacific Countries were trained in the U.S.

Mr. DAVIES. That is probably the sort of thing we can try to get you information on, but I bet nobody really knows ultimately. We can work on that and try to come back to you and let you know. Of course a lot of them come through channels that we might not have visibility on, like, for instance, people that would go back to say the Salt Lake area to university, they could well do it privately, through church groups or NGOs. But interesting question. We will try to get an answer for you.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM MR. GLYN T. DAVIES TO QUESTION ASKED  
DURING THE HEARING BY THE HONORABLE ENI F.H. FALEOMAVAEGA

Below is a breakdown on foreign student enrollment from the East Asia and Pacific region:

STUDENTS IN THE U.S. FROM EAST ASIA AND THE PACIFIC <sup>1</sup>

|                               | 2004/5  | 2005/6  | % Change |
|-------------------------------|---------|---------|----------|
| Total                         | 231,632 | 237,522 | 2.5      |
| <hr/>                         |         |         |          |
| The Pacific                   | 4,481   | 4,702   | 4.9      |
| Australia                     | 2,659   | 2,806   | 5.5      |
| Cook Islands                  | 3       | 12      | 300      |
| Fiji                          | 184     | 177     | -3.8     |
| French Polynesia              | 91      | 87      | -4.4     |
| Kiribati                      | 32      | 34      | 6.3      |
| Marshall Islands              | 91      | 90      | -1.1     |
| Micronesia, Fed. States of    | 128     | 156     | 21.9     |
| Nauru                         | 8       | 8       | 0        |
| New Caledonia                 | 9       | 21      | 133.3    |
| New Zealand                   | 900     | 929     | 3.2      |
| Niue                          | 6       | 5       | -16.7    |
| Norfolk Island                | 0       | 1       |          |
| Palau                         | 38      | 34      | -10.5    |
| Papua New Guinea              | 35      | 64      | 82.9     |
| Samoa                         | 123     | 87      | -29.3    |
| Solomon Islands               | 19      | 12      | -36.8    |
| Tonga                         | 146     | 168     | 15.1     |
| Tuvalu                        | 1       | 1       | 0        |
| Vanuatu                       | 7       | 9       | 28.6     |
| Wallis & Futuna               | 1       | 1       | 0        |
| <hr/>                         |         |         |          |
| East Asia                     | 192,561 | 197,576 | 2.6      |
| China                         | 62,523  | 62,582  | 0.1      |
| Hong Kong                     | 7,180   | 7,849   | 9.3      |
| Japan                         | 42,215  | 38,712  | -8.3     |
| Korea, Dem. People's Republic | 219     | 201     | -8.2     |
| Korea, Republic of            | 53,358  | 59,022  | 10.6     |
| Macau                         | 383     | 407     | 6.3      |
| Mongolia                      | 769     | 927     | 20.5     |
| Taiwan                        | 25,914  | 27,876  | 7.6      |

|                |        |        |       |
|----------------|--------|--------|-------|
| Southeast Asia | 34,590 | 35,244 | 1.9   |
| Brunei         | 18     | 12     | -33.3 |
| Burma          | 651    | 650    | -.2   |
| Cambodia       | 333    | 364    | 9.3   |
| Indonesia      | 7,760  | 7,575  | -2.4  |
| Laos           | 63     | 65     | 3.2   |
| Malaysia       | 6,142  | 5,515  | -10.2 |
| Philippines    | 3,531  | 3,758  | 6.4   |
| Singapore      | 3,769  | 3,909  | 3.7   |
| Thailand       | 8,637  | 8,765  | 1.5   |
| Timor Leste    | 16     | 34     | 112.5 |
| Vietnam        | 3,670  | 4,597  | 25.3  |

<sup>1</sup>The data was obtained from the most recent edition of the Institute of International Education's Open Doors Report.

Mr. FALEOMAVAEGA. I really would like to know simply because, as I say, this does have serious connection in terms of exactly how much we are really doing in pushing educational opportunities for students from these foreign countries. Are we serious about—not just to Americanize them but to educate them in areas of chemistry or physics or medicine, I mean, law?

I should think that we have just such a wealth of resources that we really ought to—and I always say, I say this to my people, I say this to Pacific Island leaders. Salvation of your people lies in education. I don't care how you cut it. I don't care what culture you come from. If you don't educate this generation of your people, then it is going to be that much more difficult for future generations to build upon in whatever it is that you want to provide, especially to provide stability, transparency and the kind of government they want to live or to serve in. And I think this has been the miracle, I believe, of our generation, is America's contributions in the area of education to the foreign countries.

Well, I know you know very well that because of our visa restrictions there has been a lot of complaints coming from foreign countries. Their students now would rather attend British and other countries' universities because of the restrictions that we are making on foreign students. And of course we are fearful that they may be al-Qaeda or extremists or whatever they may be. But I think as a whole, I think we ought not make restrictions because I really think we are going to come out short in having disconnection with this opportunity.

I always say if you educate a person here in America, the tendency of that person is going to take back American know-how, American—and connections too, whether it be in the corporate community, whether it be dealing with government associations, associating with the officials or private sector, community leaders in our country. It is all part of the process that I feel we should share with the rest of the world. And I think this is something that I believe that this is one of the foremost responsibilities of the State Department.

You say diplomacy. As you know, we always seem to have the problem whether we should emphasize knocking a guy with a hammer or shooting him down or using our military forces or to use diplomacy as an alternative. I always like to think that diplomacy

should always have a higher priority, and I believe that is the reason the Secretary of State is the number one member of the Cabinet of the President. Am I correct on that, Secretary Davies?

Mr. DAVIES. I think the State Department was the first Cabinet agency that was established.

On the education point, that is a good point. Two things, I am not an expert on this, but while there was a dip well known in the number of students coming to the United States after 9/11, I believe we now have surpassed—we are now back above the sort of foreign student levels in the United States. So that is a problem that we have worked at to try to reduce those kinds of fears, this aversion to the United States.

Mr. FALEOMAVAEGA. Can you research for me that in the State Department, can you give me some stats on that?

Mr. DAVIES. I am very happy to—

Mr. FALEOMAVAEGA. Because I really would like to know an update of exactly how we are dealing with these foreign students.

Mr. DAVIES. I also want to say that there are some very heroic efforts being done at more local levels. I know the University of Hawaii is active in bringing Pacific Island students there, and I think other institutions have such programs. So while, you know, it is obviously incumbent upon the U.S. Government to play a leading role in much of this, the great thing about the United States is so much done kind of locally on initiative locally. And governmentally, I know Hawaii is very active just an example on this front.

Mr. FALEOMAVAEGA. Congresswoman Watson had indicated earlier her concern about—and I think this is also reflected on the budgetary allocations or within the priorities of the administration—about combating ideological extremism, not just all over the world. And the concerns that I expressed is it seems that we always seem to stereotype. If you talk about a terrorist, he is automatically a Muslim, which is totally false. I think we ought to look at terrorism for whatever it is. The bombings that took place in other parts of the country aren't necessarily attributed to Muslims, extreme Muslims. And I think too often we provide that.

And the same thing that happened with the bombings in Oklahoma City. Unfortunately what happened? Our Government, the Federal Government and State officials, the first thing they did was to profile Americans who happen to have Arab surnames. And it turned out it wasn't even an Arab that did the bombing in Oklahoma City. It was an American extremist.

And I just wanted to ask the both of you, how serious is the problem of terrorism in Southeast Asia? Are you aware of any of that? I know the Philippines, I know Indonesia. But what about other countries in Southeast Asia?

Mr. DAVIES. It is an issue, obviously. But I mean the good news, just as a general proposition, is that there is headway being made, and it is being made by the Indonesians, by the Filipinos. Obviously the United States is there alongside them encircling the Philippines, Mindanao in the southern part of the country, we are working together. And I think some of the bad guys are getting rolled up. And I know the Indonesian forces have done a great deal on their own.

Mr. FALEOMAVAEGA. And by the way, I didn't mean to interrupt you, Secretary Davies. But it is my understanding Indonesia has just signed a \$1 billion arms agreement with Russia. And why wasn't it America?

Mr. DAVIES. That is right. Well, maybe that is a question better posed to the Indonesians. I don't know. But it is true that when President Putin went through Jakarta they were signing some large arms sales. I don't know the answer to that.

The general point to make about the region is it is in the global effort here against extremism and terrorism, this is relatively speaking, I mean it is always a work in progress but it is a bright spot and some progress is being made. And we can be proud of that. The State Department of course has for obvious reasons in the post-9/11 world focused to a great extent a lot of our effort on that problem in our bilateral ties. So I think the news is largely good. And I don't know that terrorism—while it is a bit of a problem in some of the other parts of Southeast Asia, the two main challenges really are in the Philippines and Indonesia.

Mr. FALEOMAVAEGA. Ms. Chiles.

Ms. CHILES. Of course the example of Aceh you mentioned earlier, and I don't think I answered you on that.

Mr. FALEOMAVAEGA. No, you didn't.

Ms. CHILES. It is really one of the success stories. We do have an active program there supporting the peace process. There is a new governor of the region who was elected recently in open election. We have someone who is actually working in his office. As you know, he is a former rebel who is now in the government. We are helping him with introducing a proper transparent and open government system, a local government system. So the work that is being done in Aceh and the progress that is being made there is quite compelling.

Mr. FALEOMAVAEGA. What I don't want to put out to the public is the fact that even though the budget allocation for these two regions of the world is among the lowest by our country, it kind of gives a message like these two regions are not important as far as our national interests are concerned. That is what I am concerned about. And rightly so. We have got other regions, other countries who literally are screaming, demanding U.S. attention. I can understand that. But what I don't want to put out is just to suggest that the countries coming from these two regions are not important, and that is what I am very, very concerned about.

And as I have said to you, Secretary Davies, you know where I stand on my criticism, specifically toward the Pacific region. We just haven't been giving enough attention. And I know it is your watch now that you have to see and see when I am wrong, see I am saying. And of course I can understand your position, you have to deal with what you are given and that is something that is beyond your saying, well, I can change it, because you have to answer to Secretary Rice and other officials in the administration.

But at the same time I have been dealing with these issues now for the last almost 19 years. In 3 months it will be 19 years. And I don't mean to suggest that just because I sit here for 19 years I have now become an overnight expert. But this is over a matter of observation for all these years, and of course being a back-

bencher for all this time until November of last year. Things now have changed, and a different focus, different priorities. And but I do want to thank both of you.

The gentlelady from California, if she has any further questions or comments.

Ms. WATSON. I was just saying to my staff that you know we have these kinds of hearings quite often, and the last one was on AGOA and the Millennium Account and the way we are focusing on helping developing nations in Africa. And I think the way these programs are set up might work, and we need to take a good look at them because we depend on the community, the state, the country, the village, and so on, to define their leadership, to put out the kinds of opportunities, and once they get all that put together then we will give them the moneys to move forward. And I think regardless of the compacts that we have continued for another 20 years, it was my experience that it was like, oh, let's just give them the money because we get strategic denial and don't really—in and out of the State Department like I come in and out of here. And it was like, you know, just don't really bother us.

But I think that if we make the kind of investment that we hope will bring about strong nations in the Pacific that can survive, sustain and protect not only their interest but our interests too, then we have to do a little more. And I think we can look at, Mr. Chairman, the way we set up AGOA and the Millennium Accounts and see what we can borrow as a framework for the Pacific. And I really feel, as the chair has said, we have kind of neglected this part of the world, and I think our intentions were good but we have got to do more in bringing the people along in a way that they can see clearly what their futures will be. And I think if we do more in that regard, our investment, and we like to say investment, will go further and be more meaningful and effective.

And I will just end with that, and thank you very much for giving me the time, Mr. Chairman.

Mr. FALEOMAVAEGA. Thank you very much. And I just want to note also the gentlelady's comments that the chair and the subcommittee will continue to pursue the question of the Millennium Account program and how Vanuatu was singled out as the most perfect example of how we could apply the Millennium Account program. But as you know, we had a hearing recently with the GAO, who conducted a study of the Millennium Account program, how Vanuatu had made the grade, so to speak, and other island countries could not. But I definitely will be in touch with you, Secretary Davies, on this issue, and Ms. Chiles, I want to thank you for all you do for our country, and especially with the important program of USAID and especially in Southeast Asia. I sincerely hope with Secretary Davies' support and endorsement that we will also have USAID presence in the Pacific region for our small island nations.

And with that—do you have any further comments?

Mr. DAVIES. I think that about does it. I just wanted to quickly say that I think we all have the same basic interests involved in the Pacific. The question really becomes how it is that we can work together to bring about some of these changes.

I also want to throw out one statistic that might end up being a bit of a debate between us because I know statistics can be a bit tricky. But there is a bit of a perception you know the United States could do more. I understand that. But I asked the question, well, comparatively, the United States, how would we do it in the Pacific vis-à-vis some other regions of great importance to the United States? One, for instance, is the Caribbean Basin. And what we came up with—I want to look at it more because I haven't looked at it closely enough—is that it could well be that we are actually providing more on a per capita basis than we are in the Caribbean Basin. Now to be continued perhaps. But you know, this is something—

Mr. FALEOMAVAEGA. I would say to the gentleman, let's continue the dialogue. Might I also add that may be something the administration may consider seriously, have a special division within the World Bank and Asian Development Bank for which we could contribute substantially to meet specifically the needs of these Pacific Island nations. We are not asking for \$1 billion each. Just something that would give them to allow them to see if they could be more self-sufficient.

Sometimes I think when we look at the global problems, we tend to forget those little islands, not island countries, any small state. You know there is an organization in the United Nations of small states. I think they number about 40 to 45 members. And that is a good chunk of votes there for the United Nations. And it may be in our own national interests for some of the things we may need their assistance and their vote and their support. This is how the game is played, as I understand it. They do that all the time in the U.N. and I think the U.S. ought to look into that situation as well.

Anyway, Ms. Chiles and Mr. Secretary, thank you so much for coming. The hearing is adjourned.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

