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RESOURCING THE PIVOT TO ASIA: EAST ASIA AND PACIFIC FY 2015 BUDGET PRIORITIES

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SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

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CONTENTS

Page

WITNESSES

The Honorable Daniel R. Russel, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State 6
Ms. Denise Rollins, Acting Assistant Administrator, Bureau for Asia, U.S. Agency for International Development 15

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Daniel R. Russel: Prepared statement 8
Ms. Denise Rollins: Prepared statement 17

APPENDIX

Hearing notice 40
Hearing minutes 41
The Honorable Gerald E. Connolly, a Representative in Congress from the Commonwealth of Virginia: Prepared statement 42
Written responses from the Honorable Daniel R. Russel to questions submitted for the record by:
The Honorable Dana Rohrabacher, a Representative in Congress from the State of California 44
The Honorable Matt Salmon, a Representative in Congress from the State of Arizona, and chairman, Subcommittee on the Western Hemisphere 45
The Honorable Brad Sherman, a Representative in Congress from the State of California 47

RESOURCING THE PIVOT TO ASIA: EAST ASIA AND PACIFIC FY 2015 BUDGET PRIORITIES

TUESDAY, MAY 20, 2014

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

The committee met, pursuant to notice, at 2 o'clock p.m., in room 2172 Rayburn House Office Building, Hon. Steve Chabot (chairman of the subcommittee) presiding.

Mr. CHABOT. Good afternoon. The subcommittee will come to order. This is the Subcommittee on Asia and the Pacific of the Foreign Affairs Committee. I am Steve Chabot, the chairman. I want to thank the gentleman from California, Mr. Bera, for serving as today's ranking member and I also thank our distinguished witnesses, Assistant Secretary Daniel Russel and Acting Assistant Administrator Denise Rollins, for being here this afternoon.

This hearing was called to assess the Fiscal Year 2015 State Department and U.S. Agency for International Development budget request for the East Asia and Pacific region. This region is receiving the single largest proposed spending increase—at 9.4 percent—compared to any other regional or functional bureau. Consequently, it is critical that we examine the administration's priorities in the Asia-Pacific and hear how this foreign aid budget will achieve the administration's key regional goals. Of particular interest are those nations receiving a significant increase in foreign assistance—notably Burma, Indonesia and the Philippines—and those countries where human rights abuses are thriving and political turmoil is surging—Cambodia, Thailand and, again, Burma, to name a few.

The United States has always recognized the Asia-Pacific region's political, economic, and security significance. Our long-term presence there is built on promoting stability, fostering respect for international law, advancing respect for human rights, and maintaining freedom of navigation and unhindered lawful commerce in the maritime regions. These objectives are fundamentally hinged on the United States' alliances with Japan, South Korea, Australia, Thailand, and the Philippines; our resilient relationships with Taiwan and Singapore; and our evolving relationships with Vietnam and Indonesia.

At the advent of the administration's foreign policy rebalance toward the Asia-Pacific region was the recognition that this part of the world is the future centerpiece of global commerce and security strategy. Many here in Congress supported this effort, and our al-

lies and partners in the region championed it. However, as we have seen over the past year, in particular, America's presence in the region is being challenged and growing tensions are threatening to undermine the administration's ability to achieve its strategic goals.

Other than the more enduring challenges in Asia such as nuclear proliferation, human trafficking, terrorism, widespread corruption, extreme poverty, and natural disasters, we are now faced with progressively more complex security threats rattling the region's stability. North Korea's crimes against humanity and nuclear ambitions continue unabated. A political crisis has pushed our ally, Thailand, to the brink of disaster. Reports indicate Burma shows signs of genocide against the Rohingya Muslim population. And a promulgation of clashes between China and its neighbors over sovereignty claims in the East and South China Seas have turned the maritime thoroughfares into dangerous hot zones of conflict.

Mr. Russel, the last time we saw you we were discussing this last issue, and I can tell you from conversations since then that many folks in the region welcomed the more steadfast assurance that America will stay engaged. However, I do not think these maritime disputes will go away, nor do I feel China will stop challenging America's role there. So maintaining a high level of engagement and directing American resources toward the region to manage these tensions will not get any easier, in my opinion, especially with other crises around the world rearing their ugly heads. The foreign assistance budget we discuss today needs to support a coherent and cohesive strategic plan for the region. At the same time, our strategy itself needs to be judicious and discerning—we should not be funding projects just because we can.

In Fiscal Year 2015, the administration is seeking an additional $69.6 million for the Asia-Pacific region. The total requested budget of $810.7 million will be directed toward pursuing five objectives, which I hope you will elaborate on this afternoon.

More specifically, the administration is proposing providing Burma with an additional $26.6 million. The total, $88.5 million, is a 90-percent increase in aid compared to Fiscal Year 2012 assistance levels for Burma. This committee has long taken an active interest in Burma and, as I have noted previously, we welcome the tremendous progress seen in that country over the past 3 years—U.S. involvement has been key. But today that progress has plateaued and is deteriorating in some areas.

I am concerned about the $250,000 in IMET assistance the administration plans to utilize to engage with the Burmese military. This military has not yet severed its ties with North Korea, has not halted its fighting in the ethnic areas, is complicit in abuses against the Rohingya and other ethnic minorities, and is preventing needed constitutional reforms. And despite these concerns, the administration has still not detailed a strategy for future engagement with the Burmese military, which is unacceptable. Allowing Aung San Suu Kyi to run in the 2015 election used to be a key benchmark, but now the fact that Burma can't manage chairing ASEAN and continue making reforms is enough for the administration to let this benchmark slide and be pushed down the road a few more years. Overall, I am disappointed by the administration's en-

gagement approach with Burma, and I hope that our witnesses will touch on those areas of concern today.

I am also troubled by the political impasse in Cambodia and the fact we are seeing very little return for the amount of aid provided there. The administration has been largely silent since last summer's election in Cambodia, and should be more vocal about pushing for an independent, internationally assisted investigation into the conduct of those elections. I also continue to be concerned about Hun Sen's brutal crackdown on protests and rampant land grabbing. In fact, over 2,000 families have been affected by "a renewed wave of violent land grabbing" since the beginning of this year. It is evident that our democracy programming in that country has not made sufficient progress, so I would like to know how those programs are being reassessed.

I also hope today's witnesses will touch on how the administration plans to deepen relations between our allies in East Asia and the signing of a new 10-year defense cooperation agreement with the Philippines. While I have other areas of concern, I will touch on those issues in my questions so we have time to recognize other members.

I look forward to hearing from our distinguished witnesses this afternoon and I now yield to Mr. Bera, the acting ranking member of the subcommittee, for his opening remarks.

Mr. BERA. Thank you, Chairman Chabot, and thank you for calling this hearing. Obviously, this is timely on the heels of the President's recent trip to Asia and outlining what our priorities are as well as the administration's priorities going into 2015.

One area that I remain very deeply concerned about is China's unilateral and nationalistic-fueled decrees. Particularly, we are watching what is happening in the South China Sea where China had expanded into territorially disputed waters with Vietnam and within the last month we have watched these maritime tensions increase, particularly with China's establishment of a state-owned oil rig in waters claimed, again, by both China and Vietnam.

The oil rig site also is being protected right now by a Chinese flotilla so I will be curious as to the administration's thoughts there, and there have been reports recently of Chinese vessels ramming into Vietnamese ships and water-shooting exchanges.

In addition, China has to be held to norms—international norms where they are coming and territorial disputes are being negotiated through international means, not through aggressive unilateral actions as the ones we are seeing in the South China Sea.

These actions are sparking anti-China protests in Vietnam where factories thought to be associated with China were burned, causing injuries and even death. And again, this is a time for us as the United States to stand with our allies, and as China enters the modern world it has to negotiate in more acceptable ways.

And, again, I am very interested in hearing the witnesses' thoughts on how we might work with our allies to do that. In addition, you know, we are watching this expansion into the Yellow Sea—into the East China Sea with unilateral expansions of the ADIZs.

Particularly of concern with some of our close allies—Japan, Taiwan, and Korea—with these unilateral expansions again, you

know, I am curious about the administration's priorities with regards to partnering with our allies there and sending a strong message that these unilateral expansions are not the way to go about territorial disputes but rather through more negotiated forms.

As the chairman mentioned, I am also very pleased with the 10-year defense agreement that was signed this past April with our close ally and friend, the Philippines. Enhancing security cooperation is a clear sign to our allies that the United States remains committed to our friends in the face of these external threats.

I also want to congratulate USAID on its invaluable role, closely coordinating with the Philippines Government in response to typhoon Haiyan. This was a great success story that demonstrates that investing in aid programs has dramatic and lifesaving results in post-disaster environments.

And as mentioned previously, I look forward to the testimony of the witnesses. I look forward to continuing to work with Chairman Chabot as we solidify and strengthen our role with our allies in this pivot to Asia.

And with that, I yield back.

Mr. CHABOT. Thank you very much for your opening statement. We will now yield 1 minute to other members who would like to make an opening statement. I will yield to Dana Rohrabacher of California, who is the chairman of the Europe, Eurasia, and Emerging Threats Subcommittee.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. Needless to say, this is a vital subject. If we are going to live at peace and prosperity in the United States we cannot lose focus of what is going on in China and in the Pacific.

The Chinese ocean and territorial claims just being claims should have been a tip-off that there was problems ahead. Well, now we see China beginning to reinforce those claims and which is leading to confrontations with Japan, Taiwan, the Philippines, even Vietnam, and let us note that China also has land claims—huge land claims against India.

This does not spell very good tidings—does not work out a very good tiding for the United States and the rest of the world who would like to live in peace and prosperity and stability not only in that part of the world but the entire planet.

China and radical Islam now represent the major threat to peace, stability and prosperity for the entire world and, unfortunately, in this effort we have seen China arming the mullahs in Iran. We have sent them give—provide nuclear weapons technology to North Korea and Pakistan.

These things suggest that the pivot to the Pacific should have happened a long time ago and the worst news of all is we may have, with a very not well thought out policy toward Ukraine, driven Russia into the arms of a dictatorial still-Communist China, which would be a catastrophe for the rest of the world in trying to obtain the peace and stability that we seek.

Thank you very much. I am looking forward to hearing the witnesses.

Mr. CHABOT. Thank you very much, and the gentlelady from Hawaii, Ms. Gabbard, is now recognized for the purpose of making an opening statement.

Ms. GABBARD. Thank you very much, Mr. Chairman. Welcome to both of you here today.

I had the chance just a few weeks ago to go on a congressional delegation led by the majority leader, Eric Cantor, to Japan, South Korea and China and it just so happened that we went on the eve of President Obama's visit and just want to highlight some of—I think one important takeaway that I got from that trip but from what I have seen, representing Hawaii and understanding a little bit about the Asia-Pacific region as a whole, is the importance of relationships and how nuanced our relationship is with each of these countries, both our allies and those who are emerging in many ways and how we have been able to avoid conflict for quite some time because of the investment in relationships and really proactive constructive engagement.

So I look forward to hearing from you as you talk about how some of the foreign aid dollars that we are investing in the region and the people in the region can seek to strengthen both the security ties that we have but also how this best sets us up for stability, peace and really exploring the potential of economic opportunity in the region.

And in order to do that, we have to understand the basics of these nuanced relationships that require a lot of sensitivity. So thanks so much for being here today.

Mr. CHABOT. Thank you very much.

I will now introduce the panel we have this afternoon. Not a stranger to this committee, Daniel Russel is the Assistant Secretary of State for East Asian and Pacific Affairs and is a career member of the Senior Foreign Service. Prior to his appointment as Assistant Secretary, Mr. Russel served at the White House as Special Assistant to the President and National Security Staff. During his tenure there, he helped formulate President Obama's strategic rebalance to Asia. Before joining the National Security Staff, he served as Director of the Office of Japanese Affairs and had other various assignments in Japan, South Korea, the Netherlands and Cyprus. He has also served as Chief of Staff to Ambassador Thomas R. Pickering and Assistant to the Ambassador to Japan, former Senate Majority Leader Mike Mansfield. Mr. Russel was awarded the State Department's Una Chapman Cox Fellowship sabbatical and authored the book, "America's Place in the World." Before joining the Foreign Service, he was manager for an international firm in New York City. Mr. Russel was educated at Sarah Lawrence College and University College, University of London, U.K. We welcome you here this afternoon.

We also have Denise Rollins, who has been a member of the U.S. Senior Foreign Service and has more than 25 years of international experience. She has served as USAID's Acting Assistant Administrator for the Bureau for Asia since September 2013. Prior to that, Ms. Rollins was Senior Deputy Assistant Administrator, where she was responsible for overseeing USAID's Asia portfolio. Prior to her appointment to the Asia Bureau, she was USAID's Mission Director in Bangladesh. She has additionally served as USAID's Deputy Mission Director in South Africa, where she oversaw development programs addressing health, education, local government, and private sector development. Before joining USAID, Ms. Rollins served

as the Senior Program Officer at the African-American Institute and a legislative assistant for two Members of Congress. She is a native of Detroit, Michigan and we welcome you here, as well.

I won't explain the 5-minute rules. I am sure you are familiar with our lighting system. You all get 5 minutes and we get 5 minutes up here. So without further ado, Mr. Russel, you have the floor for 5 minutes.

STATEMENT OF THE HONORABLE DANIEL R. RUSSEL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. RUSSEL. Thank you very much, Mr. Chairman. Thanks to the members of the subcommittee and thank you for the opportunity to testify today about the President's 2005 budget request for East Asia and the Pacific.

I appreciate very much your leadership and your strong support. I appreciate also the chance to testify alongside of my colleague, Denise Rollins, the USAID Acting Assistant Administrator.

Our strategy toward the Asia-Pacific region is built on a simple premise. As a resident Pacific power and a trading nation, the Asia-Pacific is hugely consequential to the United States, to our security and to our economy and that importance will only grow.

The rebalance strategy begun by President Obama in 2009 focuses on strengthening our alliances, building up the regional architecture and engaging emerging powers. We have coordinated and strengthened our ability to take joint action with our treaty allies in the region—Japan, the Republic of Korea and the Philippines—all of which President Obama recently visited just last month, as well as with Australia and Thailand.

Second, we are helping to build an architecture of regional institutions and agreements. We were the first nonmember to dedicate a permanent mission to ASEAN and President Obama participates annually in the East Asia Summit in U.S. ASEAN meetings and in AIPAC leaders meetings.

We have upgraded our economic engagement, focusing on the Trans-Pacific Partnership, TPP, which is an ambitious high-standard agreement that will create jobs and growth in the U.S. and in all member countries.

Together, those elements form a regional architecture of shared rules of the road that foster mutual understanding and help countries to resolve all types of disputes peacefully.

Third, we are engaging with emerging powers. We have regular high-level discussions with Indonesia, India and, of course, China on a wide range of bilateral and global issues. We have also deepened our engagement with existing and new partners like Singapore, New Zealand, Malaysia and Vietnam and we work with our partners both to form closer bilateral relationships but also to bring them closer to one another.

For instance, through the Lower Mekong Initiative, LMI, we are helping Burma, Cambodia, Laos, Thailand and Vietnam jointly to manage a watershed that is crucial to the prosperity, health and food security of all their citizens. From the environmental goals of LMI to people-to-people engagement such as President Obama's

Young Southeast Asia Leaders Initiative, our diplomacy and development work advances America's values.

Allow me to highlight a few specific examples of how the President's 2015 budget supports our broader policy priorities. The Fiscal Year 2015 request for the EAP bureau is $1.2 billion including foreign assistance and diplomatic engagement funds, all together up 5 percent from fiscal 2013. These additional resources will help us achieve our security goals, strengthen our economy at home and advance American values.

For instance, we are requesting $12.5 million of an increase for international military education and training, a 47-percent increase over 2013 spread throughout the region. This program builds our influence with the next generation of military leaders.

We are also requesting additional funds to build the maritime capacity of our allies and partners, for instance, by increasing foreign military financing to the Philippines by 57 percent to $40 million.

And as you noted, the request provides over $88 million, Mr. Chairman, a 43-percent increase to support Burma's democratic transition by strengthening institutions and addressing development challenges, and it supports disaster relief and recovery in the Philippines. To aid the ongoing rebuilding after super typhoon Haiyan, we are requesting an additional $20 million in mid to long-term development assistance. These are just a few of the ways our budget supports our interest in the region.

Before I close, two quick points please. First, I would like to take a moment during Asian-American and Pacific Islander Heritage Month to acknowledge the invaluable contribution of those millions of Americans.

Second, as you noted, Mr. Chairman, this hearing comes during a time of significant events in Asia. In the last few weeks, China's unilateral placement of an oil rig in disputed waters and the subsequent violence in Vietnam have stoked tensions between these neighbors.

Yesterday the Department of Justice indicted members of China's—of the Chinese military for cyber-enabled economic espionage and theft, and overnight the Thai military declared martial law.

So there is much to discuss. After my colleague has made her statement, I will be happy to take your questions.

[The prepared statement of Mr. Russel follows:]

Statement of
Daniel R. Russel
Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

Before the

House Foreign Affairs Committee
Subcommittee on Asia and the Pacific

May 20, 2014

The FY 2015 Budget Request for the Bureau of East Asian and Pacific Affairs

Mr. Chairman, Ranking Member Faleomavaega, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to testify on the President's FY 2015 budget request for East Asia and the Pacific alongside USAID Acting Assistant Administrator Denise Rollins. I would also like to thank the Committee for its leadership in supporting and promoting engagement with the Asia-Pacific region and advancing U.S. interests there. I look forward to continuing to work with you to build on our current strategic priorities in the region.

The rebalance is built on a simple premise: the Asia-Pacific is integral to United States growth and stability. For that reason, our continued engagement must not and will not waver. Secretary Kerry recently submitted to Congress a report on State Department and USAID's strategy in support of the U.S. rebalance to the Asia-Pacific region that clearly articulates that the future security and prosperity of our nation will be significantly defined by developments in the region. The economies of East Asia and the Pacific are home to nearly a third of the world's people and a quarter of global economic output. The region also boasts some of the fastest growing economies, which collectively accounted for over 40 percent of the growth in global GDP in 2013, steadily increasing this region's impact on the global economy.

At a time when the region is building a more mature security and economic architecture to promote stability and prosperity, sustained U.S. commitment is

essential. U.S. leadership will strengthen that architecture and pay dividends for our security and prosperity well into this century.

Recent Progress on Rebalance Strategy

During the first term of the Obama Administration, the President laid out a vision for the Asia-Pacific rebalance based on America's stake in a prosperous and stable region. In the second term, the Administration is continuing to build on those commitments to modernize our alliances, expand trade and investment, strengthen regional institutions and respect for rule of law, promote respect for human rights, and deepen our engagement with emerging powers such as Indonesia, Vietnam and China.

We have made significant progress. Our success is reflected by the strong support for U.S. engagement by our partners and allies in the Asia-Pacific. U.S. treaty alliances with Japan, the Republic of Korea, Australia, the Philippines, and Thailand form the strong foundation of our strategic position in the Asia-Pacific, ensure regional stability, leverage U.S. presence, and enhance our regional leadership. The President recently visited three of our five regional treaty allies—Japan, the Republic of Korea, and the Philippines—where he advanced our efforts to strengthen our security ties to meet key traditional and non-traditional security challenges of the 21st century. We also continue to develop our longstanding partnership with Singapore, deepen our comprehensive partnerships with Vietnam, Malaysia, and Indonesia, and expand ties with longtime friends such as Taiwan and New Zealand.

The President's April trip was part of a continuum of U.S. Government engagement that demonstrates the comprehensive nature of our rebalance, including an economic agenda for the region that combines expansion of trade and investment with greater regional economic integration. Negotiation of the Trans-Pacific Partnership (TPP) agreement remains the centerpiece of our economic strategy in the region. The completion of TPP will significantly advance our efforts to foster an open and inclusive economic order that will expand opportunities for U.S. firms to compete in the most dynamic regional market in the world.

The United States is also playing an active role in shaping a regional architecture comprised of robust regional institutions and multilateral agreements. The goal of these initiatives is to strengthen a rules-based regional order where principles, rules, and norms, not size, shape the behavior of all states. Enhanced and

multifaceted engagement with regional groupings such as the Association of Southeast Asian Nations (ASEAN), APEC forum, the East Asia Summit (EAS), the ASEAN Regional Forum (ARF), the Lower Mekong Initiative (LMI), and the Pacific Islands Forum reinforces America's role as a strategic partner and provides additional venues to pursue cooperation with partners in the region.

We are deepening our relationships with emerging powers.. We are seeking greater cooperation with China on the range of bilateral, regional, and global issues and constructive management of our differences. In the past year, President Obama launched Comprehensive Partnerships with Vietnam and Malaysia. These formalized partnerships provide overarching frameworks for advancing our bilateral relationships. At the same time, we continue to work to realize Indonesia's potential as a global partner. As a member of the G-20 and a large, majority-Muslim democracy, Indonesia is an increasingly important emerging power in the broader Asia-Pacific alongside China and India. We also are investing in developing our relationship with China, where we seek to expand tangible and practical cooperation on a range of bilateral, regional, and global issues, while also constructively managing our differences.

As we deepen our engagement with members of the region, we continue to urge them to embrace reforms that improve governance, protect human rights, and advance political freedoms. Across the Asia-Pacific region, the United States is joining with its partners to promote democratic practices, which are essential to regional prosperity and security.

Resourcing the Rebalance

At the outset of the President's first term, the State Department, in conjunction with our partners at USAID, looked at how U.S. Government resources were distributed and realized that the distribution of resources did not match the growing importance of the region and our goals there. The distribution was out of balance. Over the last five-plus years, in close coordination with Congress, we have worked to rebalance this distribution of resources.

These resources fund critical efforts that directly advance U.S. economic and security interests in the region. Within public diplomacy, for example, our programs with an English focus are paying great dividends across the region. There are 100 Fulbright English Teaching Assistants (ETA) placed throughout Malaysia. A recent survey revealed that these ETAs have directly engaged over 88,000 Malaysian youth, teachers, and community members.

Our Lower Mekong Initiative employs an innovative development-diplomacy model that advances U.S. policy goals in the region and supports a well-integrated ASEAN. LMI builds key relationships among senior officials, promoting regional stability and enabling governments to tackle contentious issues such as the sustainable development and management of the Mekong River.

With programs in Asia and the Pacific, a modest amount of money can go a long way. With an annual budget of less than $2 million, the Lao-U.S. International and ASEAN Integration program (LUNA), managed by USAID played a significant role in Laos' accession to the WTO. A new follow on program (LUNA-II) will strengthen trade-related economic governance by helping Laos fulfill the requirements for the Laos-WTO Accession Package and agreements in support of the 2015 ASEAN Economic Community. In the Pacific, funding for initiatives such as our Climate Change Adaptation Program for the Pacific is helping 12 Pacific islands nations cope with the impacts of climate change, which disproportionately threatens their future.

The Secretary's December 2013 announcement in Vietnam of expanded regional maritime capacity building assistance reflects our commitment to assist our ASEAN partners. The planned region-wide funding support for maritime capacity building exceeds $156 million for the next two years. In Vietnam, for example, the United States intends to provide more than $18 million in new assistance to enhance the capacity of coastal patrol units to deploy rapidly for search and rescue, disaster response, and other activities. The Secretary's announcement builds upon the longstanding U.S. commitment to support the efforts of Southeast Asian nations to enhance security and prosperity in the region, including in the maritime domain. Existing programs include efforts to combat piracy in and around the Malacca Strait, to counter transnational organized crime and terrorist threats in the tri-border region south of the Sulu Sea between the southern Philippines, Indonesia, and Malaysia, and to expand information sharing and professional training through the Gulf of Thailand initiative.

FY 2015 Budget Overview

The FY 2015 budget request reflects our interests in the Asia-Pacific region, by sustaining key investments made throughout the President's first and second terms in office and investing in new initiatives to expand and deepen our commitment across the region. The overall FY 2015 request for East Asia and the Pacific is $1.2 billion, which includes bureau-managed diplomatic engagement funds and

foreign assistance and reflects a 5 percent increase from FY 2013. Our budget request was crafted in full recognition of current budgetary constraints. We have also been mindful of the expectation by the American people that their government use their tax dollars wisely to meet clear foreign policy objectives and advance U.S. interests. The overall budget increase for the Asia-Pacific region was reached through considered analysis and entails difficult tradeoffs. It sends a clear signal of the importance of the rebalance and America's commitment to advancing our interests in the region.

Foreign Assistance to the Region

The request expands foreign assistance funding to the Asia-Pacific region to $810.7 million, from $741.1 million in FY 2013, reflecting a $69.6 million (9 percent) overall increase. Our foreign assistance request sustains and expands funding for the region in six areas aligned with our broader rebalance policy: (1) strengthening regional security cooperation; (2) enhancing economic integration and trade; (3) expanding development in the lower Mekong region; (4) addressing transnational challenges such as climate change; (5) supporting democratic development; and (6) addressing war legacies in Southeast Asia and the Pacific.

The State Department and USAID began expanding funding in these priority program areas in our FY 2014 budget. Today, I would like to focus on some specific examples of where the FY 2015 request further augments investments made to date.

Under regional security, for instance, the FY 2015 request of $12.5 million for International Military Education and Training (IMET) reflects a $4 million, or 46.7 percent, increase over FY 2013. The IMET request would straight-line or increase funding for efforts throughout the region. As we seek to build ties and influence in the Asia-Pacific, there is arguably no better program than IMET to ensure the United States is positioned for strong relationships with the next generation of military leaders. Our FY 2015 request recognizes that providing valuable training and education on U.S. military doctrine and practices promotes democratic values, builds capacity in key areas, increases the professionalization of the forces, and creates lasting military-to-military relationships.

The request also supports our maritime capacity building by increasing Foreign Military Financing (FMF) in the Philippines to $40 million, a $14.5 million (57 percent) increase over FY2013 levels. This assistance will expand our support for

the Philippines' efforts to improve its maritime security and maritime domain awareness, which is a U.S. priority.

On the development side, the FY 2015 budget expands funding for key economic governance programs. For example, the request further expands funding for the Governance for Inclusive Growth program in Vietnam, which was announced by Secretary Kerry in December 2013 in Ho Chi Minh City as a key program that will help Vietnam implement the important commitments it undertakes in the Trans-Pacific Partnership.

The budget provides $88.45 million to support Burma's political and economic transition, a $26.5 million (43 percent) increase over FY 2013 levels, to help to strengthen institutions, sustain reforms, and address challenges prior to and following national elections in 2015. Assistance programs in Burma, which Acting Assistant Administrator Rollins will discuss further in her testimony, provide an opportunity for the United States to help shape Burma's transition by promoting democratic values, stability, and development to secure the country's future as a responsible member of the international community after decades of isolation. Success in Burma depends on building the capacity of Burmese institutions to govern and on the strength of Burma's efforts to resolve existential ethnic, religious, and cultural identity questions. Assistance will continue to advance human rights and Burma's democratic transition by opening space for and strengthening civil society, ensuring broader participation by the people of Burma to shape and direct these reforms, and furthering reconciliation and an inclusive national identity.

The FY 2015 request for Burma also seeks funding and authorities to support measured and calibrated engagement with the Burmese military through Expanded IMET (E-IMET) training. This training will focus on reform-focused topics to support the peace process, civilian control, professionalization, accountability, transparency, and the protection of human rights. Voices from across Burmese society – opposition leader Aung San Suu Kyi and members of the National League for Democracy, ethnic minorities, former political prisoners, members of the 88 Generation Student group, and credible reformers within and close to the government – have urged the United States to engage with the Burmese military to improve its respect for human rights and help make it a stakeholder in the success of democratic reforms.

Finally, since Super Typhoon Haiyan made landfall near Tacloban, the United States has stood closely with our friends in the Philippines to offer assistance.

President Obama is committed to continuing to stand by the Philippines through the recovery process as it faces the many challenges associated with reconstruction. The FY 2015 request reflects this commitment by providing an additional $20 million in Development Assistance to support mid- to long-term recovery efforts in the Philippines. These targeted investments in our development and security assistance build on our full cadre of programming in the region to support our crucial policy goals.

Diplomatic and Public Diplomacy Programs

In addition to foreign assistance, the FY 2015 request also provides essential funds for additional personnel, operations, and public diplomacy to meet growing demands driven by our intensified focus on the Asia-Pacific region. Our nation benefits from additional resources to strengthen people-to-people ties with the region through expanded outreach and education and cultural exchanges, particularly with ASEAN countries.

Our FY 2015 Diplomatic Engagement request provides additional program and support costs for EAP, including funding to add three new positions to our existing 1,014 positions in order to fill critical needs at our embassies. These positions will support the Public Diplomacy operations and will be assigned to Jakarta, Indonesia; Ulaanbaatar, Mongolia; and Guangzhou, China. This increase comes on top of the 24 new positions requested in FY 2014 for the Asia rebalance. These resources must be accompanied by an increase in Educational and Cultural Exchanges funding for cultural and educational programs to reach a greater number of people throughout the region.

While the FY 2015 budget reflects a renewed commitment to the Asia-Pacific, it builds upon our active and enduring presence in the region as a Pacific nation. Our economic, diplomatic, and strategic ties in the region are stronger now than at any time in history. We look forward to building on that momentum in the months and years ahead.

Thank you, Mr. Chairman, for inviting me to testify today on our FY 2015 budget request. I am pleased to answer any questions you may have.

Mr. CHABOT. Thank you very much for your testimony this afternoon.

Ms. Rollins, you are recognized for 5 minutes.

STATEMENT OF MS. DENISE ROLLINS, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. ROLLINS. Thank you very much, Mr. Chairman, and members of the subcommittee. It is great for me to be here today with my colleague, Assistant Secretary Russel.

With your permission I would like to submit my written statement for the record.

Mr. CHABOT. Without objection, so ordered.

Ms. ROLLINS. Thank you. In recent decades, the East Asia-Pacific region has experienced an unprecedented period of prosperity that has lifted 845 million people out of extreme poverty and transformed the region into a key driver of global politics and economics.

Home to some of our closest allies and strongest trade partners and one-third of the world's population, the region still faces complex development challenges that threaten to derail committed progress—continued progress.

Our robust Fiscal Year 2015 request of $810 million enables USAID to continue laying the foundations for lasting progress in a part of the world vastly interconnected with ours.

Across the East Asia-Pacific, USAID has eight field missions that provide support to 22 countries. Through the promotion of inclusive economic, political and societal progress that creates pathways out of poverty with the world's most vulnerable people, USAID's assistance expands stable free societies, creates markets and trade partners for the United States and fosters good will abroad.

Our approach is fou fold.

First, we are advancing regional cooperation to address cross border challenges in the areas of trade and investment, agriculture and food security, environment and water and health. For example, we are supporting the ASEAN in achieving economic integration by 2015, which will expand opportunities for American businesses with our fourth largest export market.

Second, we are addressing regional development challenges through the three Presidential initiatives—global health, Feed the Future and climate change. An example is in Indonesia, which has one of the highest tuberculosis rates in the world. We have helped introduce a new technology that diagnoses drug-resistant strains in hours as opposed to weeks which is enabling more people to start treatment sooner, critical to preventing transmission and saving lives.

Third, we are leveraging science, technology, innovation and partnerships to achieve greater cost effectiveness and impact. For example, in Timor-Leste through a partnership with Conoco Phillips, we have doubled the number of farmers utilizing new horticulture techniques that have boosted incomes by up to 400 percent.

And fourth, in Burma we are supporting important upcoming milestones such as the scheduled 2015 national election that presents opportunities to catalyze the country's transition to a peaceful democratic society and market-based economy. We are empow-

ering civil society to engage with reform champions within the Government of Burma to deepen reforms and we are urging the Government of Burma to address violence and resolve humanitarian crisis in Rakhine State, which plays a key role in the country's transition.

In the Philippines, an important development, trade and security partner, we continue to collaborate through the Partnership for Growth to address the country's most binding growth constraints. The Philippines has made great progress, advancing 35 places in Transparency International's corruption perception index. We continue to support peace in six conflict-afflicted areas of Mindanao as well as the ongoing recovery in typhoon-affected areas.

In Indonesia, the third largest democracy, USAID is moving beyond the traditional donor-recipient model to an equal partnership that leverages greater resources from Indonesia to address development challenges within and beyond its borders.

In Vietnam, accelerating the country's transformation to a market-based economy is a U.S. priority. USAID is helping the Vietnamese Government develop legal and regulatory frameworks that meet global standards and trade commitments. We continue to support people living with HIV and AIDS while shifting our program to encourage the Government of Vietnam to take on more responsibility.

And finally, in Cambodia, USAID programs align with U.S. foreign policy to support respect for human rights and more responsive governance. For example, we helped launch an elections hotline that received over 600,000 calls, contributing to an unprecedented level of civic engagement during the run-up to the 2013 elections.

Mr. Chairman, stability and progress in East Asia and the Pacific matter far beyond the region. Continued USAID assistance is vital in order to sustain gains that contribute to increased security and prosperity in a region of the world closely tied to our own future.

I appreciate the opportunity to testify today and look forward to your counsel and questions.

[The prepared statement of Ms. Rollins follows:]

WRITTEN TESTIMONY
Acting Assistant Administrator for Asia
United States Agency for International Development
Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific
Budget Oversight: Examining the President's 2015 Budget Request for East Asia & the Pacific
Tuesday, May 20, 2014

Chairman Chabot, Ranking Member Faleomavaega and Distinguished Members of the Subcommittee:

Thank you for the invitation to testify today on the role of the United States Agency for International Development (USAID) in supporting U.S. foreign policy priorities and addressing development assistance needs in East Asia and the Pacific. I am pleased to be testifying alongside my colleague from the U.S. Department of State, Assistant Secretary Daniel Russel.

This afternoon, I want to share with you our perspective on the vital role of U.S. foreign assistance in this region and how USAID's development programs address regional challenges and advance American interests. Across the East Asia-Pacific, USAID has eight field missions that provide support to 22 countries. By nature of our mission, to end extreme poverty and promote resilient, democratic societies, USAID advances U.S. security and prosperity while furthering the core objectives of the Administration's Rebalance to the Asia-Pacific.

The President's robust Fiscal Year 2015 budget request of $810.7 million for Department of State and USAID assistance in East Asia and the Pacific enables USAID to continue helping to lay the foundations for lasting progress in the region. Asia has become a key driver of global politics and economics and is closely tied to America's security and prosperity. Over the past three decades, the East Asia-Pacific region has experienced an unprecedented period of prosperity, propelling roughly 845 million people out of extreme poverty. Home to nearly one-third of the world's population, the region in 2013 contributed well over 40 percent of global growth and accounted for nearly 40 percent of global exports growth—higher than any other region in the world, according to the World Bank. Growth in East Asia and the Pacific is creating new trade partners for the United States, which drives growth here at home. For example, between 2008 and 2012, U.S. exports to this region grew by more than 30 percent. A core component of President Obama's Asia-Pacific Rebalance strategy is ensuring the region continues on this path and contributes to greater stability and prosperity throughout East Asia and the Pacific—and beyond.

While the region is home to some of the United States' closest allies and strongest trade partners, it also faces unique development challenges that threaten to derail continued shared progress and sustainable growth, such as a lack of dependable access to clean water, infectious disease pandemics, environmental degradation, food scarcity, natural disasters, and weak systems of governance and a lack of respect for human rights. Roughly 250 million people still live in extreme poverty in East Asia and the Pacific, one of the most densely populated regions of the world and an emerging disease hotspot where more than half of all natural disasters occur. Many of these poor live in coastal areas that make them extremely vulnerable to climate change.

USAID assistance expands stable, free societies, creates markets and trade partners for the United States, and fosters good will abroad through the promotion of economic growth and democratic opportunity, investment in people and institutions, and strengthening of physical and human security for all ethnic groups, women and other marginalized populations. We are tackling complex regional challenges and advancing U.S. foreign policy through four development approaches: 1) Advancing regional cooperation to effectively address cross-border challenges—primarily in the areas of trade and investment, agriculture and food security, environment and water, and health—to contribute to greater regional stability and prosperity; 2) Addressing regional development challenges through the three Presidential Initiatives: the Global Health Initiative, Feed the Future and the Global Climate Change Initiative; 3) Leveraging science, technology, innovation and partnerships to extend our reach and maximize our impact, while driving down costs and yielding a better return for the American taxpayer; and 4) Supporting Burma's transition.

Advancing Regional Cooperation

In support of the Asia-Pacific Rebalance, we are working through the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) forum and the Lower Mekong Initiative (LMI) to magnify our efforts to drive progress and shape an effective regional architecture that strengthens regional stability and economic growth. Through USAID's Regional Development Mission for Asia, we are engaging ASEAN in such areas as supply-chain development, disaster risk reduction, human trafficking, human rights and combatting the illegal trade in wildlife. We are also supporting regional players in achieving ASEAN economic integration by 2015—an important milestone that will fuel further growth, create more middle class consumers and expand export opportunities for United States business within ASEAN, which already ranks as our fourth largest export market. USAID's five-year ASEAN Connectivity through Trade and Investment (ACTI) project supports this goal by providing technical assistance to improve ASEAN's regulatory framework for trade and investment and private sector competitiveness, in line with the U.S.-ASEAN Trade and Investment Framework and the Expanded Economic Engagement initiative.

As part of this, we are providing business development and market linkage support for small- and medium-sized businesses, which account for 96 percent of all businesses within ASEAN and represent the majority of domestic employment. We are targeting the vast youth population—which represents 60 percent of ASEAN's total population—as well as women and other marginalized groups for inclusion. To lower the cost of doing business across the region, we are supporting customs integration across all 10 ASEAN member countries to enable electronic exchange of data for cargo clearance, which accelerates the time to import and export, improves enforcement and compliance at the border, and reduces trade transaction costs and time. This 'single window' for conducting trade with ASEAN countries will also facilitate ASEAN's participation in global supply chains, creating opportunities for expansion for American business.

We are also working with the Office of the United States Trade Representative (USTR) and the Department of State to increase trade liberalization and ease business facilitation through APEC

as well as through the implementation of the World Trade Organization Trade Facilitation Agreement.

Through LMI, we are facilitating cooperation on transnational development challenges in the Lower Mekong sub-region, which includes Burma, Cambodia, Laos, Thailand and Vietnam. LMI focuses on six pillars: agriculture and food security, connectivity, education, energy security, environment and water, and health. For example, recognizing that infrastructure projects such as large-scale hydropower dams can disrupt the river's major fisheries and degrade the food security, livelihoods, water availability and transportation options for approximately 60 million people in the sub-region, we are working together with the Department of State, other donors and LMI countries to pursue energy and development options that are more sustainable for people, economies and ecosystems.

Addressing Regional Development Challenges through the Presidential Initiatives

The Global Health Initiative operates in countries across East Asia-Pacific to address regional health priorities, including ending preventable child and maternal deaths, preventing the spread of HIV among key populations through the President's Emergency Plan for AIDS Relief (PEPFAR), addressing artemisinin-resistant malaria through the President's Malaria Initiative, responding to the burden of tuberculosis and multidrug-resistant tuberculosis, as well as improving surveillance and response capacity for pandemic influenza and other emerging threats in line with the Global Health Security Agenda. Through sustained commitments to improving health systems, we've made progress encouraging governments to invest more in reversing poor health trends. For example, in Cambodia, the government has gradually increased its health spending to levels above average in the region. We're also improving the control of tuberculosis and multidrug-resistant tuberculosis using rapid diagnosis technology called GeneXpert. This technology dramatically reduces the time it takes to diagnose drug-resistant tuberculosis from weeks to just a couple of hours, which plays an important role in preventing transmission and saving lives by ensuring people receive the correct treatment regimen. Since introducing the technology in Indonesia, which has one of the highest burdens of both regular and multidrug-resistant tuberculosis, the number of individuals with multidrug-resistant tuberculosis beginning treatment within two weeks of diagnosis has increased by 35 percent.

The Feed the Future Initiative operates in Cambodia and Timor-Leste, with an emerging focus on Burma. In Cambodia, rice is the predominant food crop, grown on the majority of the country's cultivated land and mostly only during the wet season. As a result, farm families are deprived of a nutritious diet and often go without food for part of the year when their rice runs out. The lack of an established domestic supply of fruits and vegetables means that the market is dependent on imports from neighboring countries. USAID helps farmers increase their incomes and gain access to a more nutritious diet by introducing high value horticulture crops to their field rotations and linking farmers to buyers. At the same time, USAID engages the private sector in providing advisory services and agriculture inputs, such as fertilizers and farming tools. Through this focus on diversification of rural production and income, USAID has successfully created the beginnings of a viable and sustainable commercial horticulture sector. Many commercial farmers have more than tripled their incomes as a result of USAID assistance.

In February 2014, U.S. Secretary of State John Kerry highlighted the urgency of addressing climate change—particularly due to its implications on national security as well as economic opportunities. Through the President's Global Climate Change Initiative, USAID works with partners in Cambodia, Indonesia, Philippines, Timor-Leste, Vietnam and the Pacific Islands to reduce emissions from deforestation, promote sustainable and resilient societies, and foster low-carbon growth and clean energy. This is especially important as 10 billion pounds of airborne pollutants from Asia reach the United States annually. Sixty percent of the world's natural disasters occur in Asia, and the region is extremely vulnerable to the negative impacts of global climate change. With its 17,000 islands and 34,000 miles of coastline (almost three times that of the United States), Indonesia is particularly vulnerable to sea level rise, ocean acidification, and the increasing frequency and intensity of severe storm events. USAID partners with the Indonesian government to protect 20 million hectares—almost the size of Nebraska—of ocean and coastal resources that impact the food and economic security of 250 million people.

Leveraging Science, Technology, Innovation and Partnerships to Maximize Impact

In this constrained budget environment, USAID is utilizing a new model of development that promotes partnerships and harnesses science, technology and innovation to enhance development outcomes and maximize impact. In Cambodia, for example, USAID is utilizing mobile technology to help civil society more effectively deliver information and services to every corner of the country. USAID's programs supported the launch of an elections hotline that received over 600,000 calls from Cambodians interested in confirming voter registration and learning how and where to vote. USAID also developed an automated call-in system targeting garment factory workers, mostly young women, which provided information on their labor rights. The recently launched U.S. Global Development Lab will crowdsource scientific and technological research and open innovation to identify new solutions that increase the reach, speed and cost-effectiveness of development assistance, bolstering USAID's work in this area.

Throughout Asia, we are leveraging new talent and resources wherever possible—from the growing private sector to expanded donor collaboration. USAID committed to deepening bilateral cooperation on development challenges with Japan during the first U.S.-Japan Development Dialogue in February 2014. President Obama and Prime Minister Shinzo Abe reaffirmed this pledge to expand development cooperation in their April 25 joint statement. USAID is similarly increasing its cooperation with the Korea International Cooperation Agency through the signing of a memorandum of understanding in April 2014. With the ratio of foreign direct investment to official development assistance in East Asia and the Pacific standing at 43 to 1, we are taking advantage of a unique opportunity to leverage private sector resources. A prime example of how we utilize this approach is in Timor-Leste, where we saw a great opportunity to partner with ConocoPhillips and double the number of farm families we were able to reach with crop diversification training. As a result, farmers practicing new horticulture techniques have boosted their incomes by up to 400 percent.

To achieve greater program effectiveness and more measureable results, USAID has worked aggressively through its strategic planning process to focus resources in countries where they are needed most, to activities that are the most cost-effective, and to programs that enable USAID to have the most sustainable impact. As part of this, in Mongolia, USAID's presence and assistance

will draw down and transition after FY 2015 to a final program that builds on past USAID successes and investments and recognizes Mongolia's growing ability to meet development goals on its own.

Supporting Burma's Transition

Given the changing environment and expanding bilateral relationship following the re-establishment of a USAID mission in 2012, the United States is seizing an important opportunity to support a successful democratic transition in Burma, which will produce greater stability and increased economic opportunity regionally and for the United States. The robust FY 2015 request will enable USAID to continue supporting Burma on important upcoming milestones: the scheduled 2015 national election, advancing a durable peace settlement and meeting ASEAN 2015 economic integration standards. These issues present opportunities to achieve societal, economic and democratic progress and catalyze the country's reform agenda. Urging the Government of Burma to address and mitigate violence will play a key role in the country's transition.

Guided by the U.S.-Burma Partnership for Democracy, Peace and Prosperity, and consistent with the aspirations of the people of Burma, USAID strives to ensure that all of Burma's people play a vital role in their country's development and share a stake in its future. Specifically, USAID supports the ongoing peace process between the government and the country's ethnic minorities; bolsters Burma's transition to democracy; improves the health and economic well-being of the people of Burma, especially the 26 percent of the population estimated by the Government of Burma to be living in poverty; and integrates Burma into regional platforms that foster greater international cooperation and stability. USAID is poised to support the Burmese peace process as it reaches a critical stage along what is likely to be a long road to a lasting political settlement. Throughout this critical period in Burma's reform and opening, we are pursuing an approach that empowers civil society to engage with reform champions within the government to take advantage of opportunities to deepen reforms while guarding against retrenchment. Recognizing the long years of efforts and sacrifice of civil society actors in Burma, USAID seeks to increase our engagement with and support to those seeking to achieve a lasting peace. During the drafting phase of one piece of legislation—the draft Association Registration law, which concerns the registration of civil society organizations—USAID helped facilitate a much broader and inclusive consultation process between civil society and Parliament, which Parliament later characterized as "a model for future legislative drafting."

The U.S. Government regularly engages the Government of Burma, local leaders, religious leaders and civil society on resolving the humanitarian crisis in Rakhine State—a front line challenge during the country's transition. We are providing humanitarian assistance to vulnerable and internally displaced people, including over 1.6 million people in 2013, and we are working to address the root causes of long-running conflicts and ethnic tensions.

In Burma, more than one-third of child deaths are a result of under-nutrition and 70 percent of the population lives off the land. USAID will ensure that investments in agriculture, food security and health provide an opportunity to improve lives and expand economic growth, particularly in remote, rural areas. A key area of focus is increasing the productivity and

profitability of rural enterprises with an emphasis on small-holder farmers and the landless. USAID provided significant input into the recently enacted Farmer Rights Protection Act, advising lawmakers to include issues such as freedom of crop choice, ministry coordination, a focus on small-holder farmers and support for farmers in the event of crop loss. Also, USAID programming has resulted in more than 12,000 farmers utilizing improved agriculture technologies. USAID's ongoing activities to strengthen Burma's health system include working with the government and other development partners to develop a national supply chain system for essential drugs and health commodities and launching Burma's first Demographic and Health Survey to collect baseline data critical to policy-making and service delivery planning.

FY 2015 Highlights by Country

Philippines

The Philippines, Southeast Asia's oldest democracy, is an important development, trade and security partner to the United States. President Obama's April 2014 visit to the Philippines underscores the importance of the U.S.-Philippines partnership. With 18 percent of the population living in extreme poverty, according to the most recent World Bank data, USAID programs focus on accelerating inclusive economic growth, improving quality health access and education, democracy and governance, rebuilding in areas impacted by Typhoon Haiyan, and enhancing environmental resilience through global climate change programming. In six conflict-affected areas of Mindanao, USAID strengthens civil society's ability to address important social and political issues—ever important after the March 2014 signing of the Bangsamoro Peace Agreement.

The Philippines is one of four countries worldwide selected to join the Partnership for Growth (PFG). Under the PFG, USAID collaborates with 15 U.S. Government agencies and the Philippine government to address the country's most binding constraints to growth: weak governance, including issues in land rights; inadequate fiscal resources; lack of infrastructure; and weak human capacity. Since PFG commenced in 2011, the Philippines has achieved remarkable economic progress. Real GDP growth has averaged 7 percent per year, the country's competitiveness ranking increased by 28 places and the Philippines advanced 35 places in Transparency International's Corruption Perceptions Index. The Philippines has also made great progress in making its regulatory environment more business friendly, ranking in this area as the world's fourth top reformer in the World Bank and IFC's *Doing Business 2014* report. In 2010, USAID helped enact the Residential Free Patent Law, which streamlined the land registration process, and has supported its implementation by assisting in the creation of land management offices in over 100 cities and municipalities which have issued 59,000 residential titles a year on average. USAID also assisted the Philippine government's Office of the Ombudsman in devising and initiating a process to account for all pending corruption cases—estimated to be around 15,000 to 20,000—an unprecedented effort since the inception of the office roughly 25 years ago. To alleviate endemic poverty in most rural areas and foster a more inclusive development trajectory, USAID also supports efforts to transform second-tier cities to become effective catalysts for growth in the rural areas and in urban centers outside of Metro Manila.

For more than two decades, the U.S. Government has worked with the Government of the Philippines to strengthen its disaster management system and response capabilities through the development of early warning systems and evacuation plans, and the training of emergency responders. Such training helped the Government of the Philippines more effectively respond in November 2013 to Typhoon Haiyan. We continue to partner with the Government of the Philippines, the private sector, diaspora communities and civil society to rebuild typhoon-affected communities, with a focus on increasing resilience to future natural disasters and climate change. For example, through a public-private partnership with Proctor & Gamble and Coca-Cola, we are rebuilding up to 1,000 small businesses damaged or destroyed by the typhoon.

Pacific Islands

The Pacific Islands are on the front lines of a variety of global challenges, including global climate change, infectious disease and natural disasters. USAID focuses on issues that provide the greatest socio-economic support to Pacific Island nations: global climate change adaptation and mitigation, HIV/AIDS prevention and treatment, women's peacebuilding and support for survivors of gender-based violence in Papua New Guinea, and elections support in Fiji. We work closely with Pacific Island governments, bilateral and multilateral donors, the private sector and civil society organizations to ensure that USAID programs have the greatest possible impact. A key ongoing priority is building the resiliency of more than 120 coastal communities across the Pacific to cope with more intense and frequent weather events and ecosystem degradation in the short term, and sea-level rise in the long term, with an increased focus on increasing the capacity of local partners to address the negative effects of global climate change.

For example, in 2013 at the Pacific Islands Forum in Majuro, Marshall Islands, we announced a new Pacific American Climate Fund project to provide and monitor grants for climate change adaptation measures to qualifying sub grantees in the Pacific Islands region.

Indonesia

As the world's largest Muslim-majority nation and third largest democracy, Indonesia is a regional and global player growing in influence as well as a linchpin of regional security. Given Indonesia's middle-income status, USAID is moving beyond the traditional donor-recipient model to an equal partnership that leverages greater resources from the Government of Indonesia to address development challenges. Under the South-South and Triangular Cooperation Memorandum of Understanding, signed by Secretary Kerry in February 2014, Indonesia and the United States collaborate on the provision of assistance to developing countries in areas of mutual interest, such as disaster risk reduction and democratic governance. Within Indonesia, USAID helps meet the needs of the most vulnerable people—including the 16 percent of the population living in extreme poverty—with a focus on improving health care and primary education. USAID also tackles environmental and disaster readiness issues, addresses Indonesia's high youth unemployment rate through the modernization of higher education instruction, and strengthens a just and accountable democracy that is politically and socially stable.

The United States serves as a long-term partner in helping Indonesia conserve its biodiversity—the second greatest in the world. Through the Tropical Forest Alliance 2020, which the U.S Government created in partnership with the Consumer Goods Forum, a network of over 400 global companies, the Government of Indonesia is actively engaged in efforts to reduce commodity-driven tropical deforestation from soy, beef, palm oil, and pulp and paper—which account for nearly 40 percent of global tropical deforestation. Illegal and unsustainable deforestation not only puts vulnerable populations at further risk, but it also contributes to greenhouse gas emissions and the loss of endangered species, such as tigers and rhinos.

Vietnam

Accelerating Vietnam's transformation to a responsible, more inclusive partner and a market-based economy is a priority for the United States, particularly as Vietnam's influence grows throughout Asia. Vietnam has experienced rapid economic growth over the past 15 years and has risen to the status of a lower middle-income country. However, poor governance and other vulnerabilities, including an extreme poverty rate of nearly 17 percent, pose significant challenges to Vietnam's progress. USAID focuses resources to improve public participation and accountability in governance areas most likely to advance inclusion and well-being, such as in HIV/AIDS prevention and treatment, environment, economic reform and governance, social services for vulnerable populations, and higher education.

Enabling trade that benefits all citizens will help Vietnam continue its integration into the global economy. The United States Government has strongly supported Vietnam's economic governance over the past 10 years, and USAID assistance has been critical to the development of the legal and regulatory framework for a market economy in Vietnam. For example, USAID has a direct partnership with Vietnam's Chamber of Commerce and Industry to assess province-level competitiveness, drive regulatory reforms and improve the investment environment. Also, programming such as the Governance for Inclusive Growth program builds governance capacity to support successful implementation of Vietnam's trade commitments under the Trans-Pacific Partnership and other economic reforms that foster inclusive growth.

In support of greater inclusiveness, USAID helps persons with disabilities, regardless of cause, to integrate into society by improving access to health, education and employment, including through the Leahy War Victims Fund. Since 1989, USAID has provided more than 65,000 people with disabilities with skills training and job placement, corrective surgery, and prosthetic and orthopedic devices. Over 85 percent of provinces in Vietnam have drafted provincial disability action plans following USAID's engagement on the National Disability Action Plan. Also, USAID has helped expand access to lifesaving antiretroviral HIV treatment to roughly 45,000 of the 75,000 individuals who receive treatment in Vietnam. Under PEPFAR, USAID's programming is shifting to encourage the Government of Vietnam to take on more responsibility for treating and supporting those living with HIV/AIDS.

Vietnam is one of the most vulnerable countries to climate change. USAID programs focus on adaptation, sustainable landscapes and clean energy under the Global Climate Change Initiative, including increasing resilience in delta areas. Finally, noted as a priority in the joint statement issued by President Obama and President Truong Tan Sang in July 2013, USAID will continue

addressing legacies of the war between our two countries through the remediation of dioxin contamination. USAID will complete the clean-up of dioxin at the Danang Airport in 2016, and the U.S. Government has begun an environmental assessment of dioxin contamination at Bien Hoa Airbase.

Cambodia

After decades of war and conflict, Cambodia is at peace and achieving rapid economic growth as well as improvements in quality of life. Despite this progress, more than 18 percent of Cambodia's population lives in extreme poverty. USAID programs align with U.S. foreign policy to support Cambodia's transition to a sustainable and lasting democracy that respects human rights. USAID does not directly fund the Cambodian government. In support of the people of Cambodia, our programming focuses on improving maternal and child health; democratic governance, human rights and civic participation targeting women and youth; environmental conservation and global climate change; and agricultural production and food security. While the July 2013 Parliamentary elections saw an unprecedented level of civic engagement that led to a unified opposition party becoming a viable challenger to the ruling party for the first time, the ruling party continues to control the judicial system and has failed to protect freedom of expression and human rights. USAID continues to support peaceful civic activism, with a focus on the protection and promotion of human rights through support to civil society in order to mobilize communities around issues such as land tenure, gender-based violence, access to information, and the freedoms of speech, assembly and press.

Regional Development Mission for Asia

As the main hub for regional programming, USAID's Regional Development Mission for Asia (RDMA) serves as the forward-operating base of USAID Forward and the Asia-Pacific Rebalance through its robust engagement with governments, civil society, the private sector and regional institutions across 22 East Asia-Pacific nations. RDMA programs address critical development challenges related to environment and global climate change, health, agriculture, democracy and governance, and economic growth and trade—with a primary focus on the Lower Mekong region. RDMA is also working with regional donor partners, including Thailand, Malaysia and Singapore, to improve development results by pooling expertise and resources.

Conclusion

Mr. Chairman, Asia faces complex and integrated problems on a scale never before seen in history. In today's interconnected world, our success addressing these problems matters more than ever. Continued USAID assistance is vital in order to sustain gains and contribute to increased stability and prosperity in a region of the world closely tied to our own future.

I appreciate the opportunity to share what USAID is doing in East Asia and the Pacific and look forward to hearing your advice and counsel. I welcome any questions you may have.

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Mr. CHABOT. Thank you very much for your testimony. We appreciate both of you being here this afternoon and we will turn to our questioning now. I will start with myself.

I will begin with Burma first. I am troubled by the fact that Burma seems to get rewarded by the administration whether or not it actually honors or meets its past promises and pledges. It now seems certain that Burma's constitution will not be amended before the 2015 elections, which means provisions that allow the military leadership to dominate a civilian government—that will remain—including the military's power to appoint 25 percent of the parliamentary seats, dismiss the Parliament at will, and in effect, choose the President. Moreover, a provision will remain that disqualifies Aung San Suu Kyi from running or serving as President. So my question is, how can the 2015 election possibly be a complete and accurate expression of the democratic will of the Burmese people?

Also, the Secretary of State is traveling to Burma for ASEAN-related events this summer and President Obama is going there, I believe, in November. Will the administration express disappointment about this situation and how is the administration planning to ratchet up the pressure on the Burmese Government to follow through on their commitments to reform?

What they have committed to is great. We think it is wonderful. But the follow through, I think, is lacking in many instances. Mr. Russel.

Mr. RUSSEL. Thank you very much, Mr. Chairman. This is an incredibly important question and the United States is firmly and deeply committed to helping to ensure the success of the important political and economic reforms in Burma.

As you point out, Secretary Kerry will be traveling there this summer. President Obama is expected to go there in November, and the need for Burma to follow through across the board on its reform commitments, including the issue of building up a credible democratic process and democratic institutions, among other things, through elections in 2015 that are considered to be fair and equitable, is at the top of the list of U.S. foreign policy objectives.

These are issues that the Secretary and the President do and will raise. I myself was in Naypyidaw and had the opportunity to raise these and other issues, including the ones you mentioned in your opening statement, including the treatment of ethnic minorities, particularly the Muslim Rohingyas in the southwest directly with President Thein Sein.

At the same time, I would note, Mr. Chairman, that Burma and the success of Burma's reform efforts has great geostrategic importance for the United States, given Burma's situation between two important countries, India and China.

Mr. CHABOT. Thank you. Let me move on to my next question—Cambodia. I think you share the same concerns as many of us on the committee do about Cambodia's situation—the flawed 2013 election, the crackdown on opposition and dissidents, widespread land grabbing and the basic fact that Hun Sen has been in power for almost 30 years now.

Ambassador William Todd has spoken clearly about U.S. disappointments with the government and the political situation over-

all. What I want to ask you is, in the midst of all these concerns, why did the U.S. go ahead and carry out a joint military exercise and training session—Angkor Sentinel—with the Cambodian military including units like the military police, who have been engaged in the breakup of peaceful protests? And more worrying, why did the programing include training in what appears to be urban combat operations including storming buildings and stopping cars? It seems to me they have been effectively utilizing these methods to literally throw people out of their homes and off their land.

The Pentagon is either evading the law or has found a loophole to allow military training outside of the restrictions imposed by the 2014 omnibus spending bill passed by Congress and signed by the President in January 2014. So if you could respond.

Mr. RUSSEL. Thank you, Mr. Chairman. Well, we have, as you noted, consistently and forcefully expressed our concerns about the 2013 election and both our Ambassador, myself and other officials meet with both parties including recently opposition party leaders in Washington to urge reconciliation.

We were somewhat encouraged by the fact that regular dialogue takes place but not nearly satisfied. With respect to the exercise you are referring to, Angkor Sentinel, this is an annual exercise that is a key element in America's efforts to help build Cambodia's capacity to support international peacekeeping missions and to provide humanitarian assistance and disaster relief.

We train, for example, the Cambodian military on the handling of IEDs, which are a persistent threat in peacekeeping. We also provide training that has allowed the Cambodian soldiers successfully to protect themselves and innocent civilians.

We conduct this program fully in accordance with U.S. law and U.S. policy, including the Leahy amendment. We review carefully the practices of the units that may receive assistance and we do not provide assistance in cases where there is credible information that those units have committed violations of human rights.

Mr. CHABOT. Thank you. My time has expired. The gentleman from California, Mr. Bera, is recognized for 5 minutes.

Mr. BERA. Thank you, Chairman Chabot, and thank the witnesses again for your opening testimonies.

Secretary Russel, in your opening testimony you certainly touched on some of the increasing tensions in the South China Sea and, you know, these have been long-term territorial disputes that—you know, China has been provocative in the past but has never done something so bold as to actually move an oil rig and, you know, plop it down in these disputed territories.

It really is escalating tensions and from everything that I have been briefed on and have read, China has made every indication that they do not plan on backing down here. My question to you, Secretary, is what do you think the best course of action is at this juncture for the United States and for our ASEAN partners to help de-escalate these tensions as opposed to the opposite, from the administration's perspective?

Mr. RUSSEL. Well, thank you very much for the question, Congressman. It is an important one. We believe strongly that the best course of action for the United States, for China's neighbors and for China is a constructive diplomatic dialogue to manage disputes and

where possible to resolve them in ways that are consistent with international law.

There are two recent developments of particular concern, one of which you mentioned, which was the troubling and unilateral decision by China to introduce an oil rig and accompanying vessels—paramilitary coast guard vessels in waters disputed with Vietnam, and that strikes observers as part of a broader destabilizing escalatory pattern of behavior in which China is advancing its claims through nondiplomatic and extralegal means.

The second is, you may recall, that the Philippines have raised concerns about evidence that China is conducting large-scale reclamation on reefs in the South China Sea which, in our view, as a significant upgrade or potentially the militarization of a disputed land feature also has the potential to raise tensions.

We addressed these issues directly with the Chinese diplomatically. We have made no secret of our strong belief that China must use diplomacy, not brute force. We think the issue is not how strong is China.

We think the issue is how strong is China's legal claim in the territorial disputes, and we also take no exception to China's right to make a claim or for that matter the potential validity of the claim. We do take exception to behavior that is coercive, intimidating and nondiplomatic.

Mr. BERA. Well, and we would agree that what they are currently exhibiting is behavior that is coercive, nondiplomatic and so forth. So I think it is in our best interest as well as the interest of our friends both in the South China Sea, and with China exhibiting very similar moves in expanding the ADIZ in the East China Sea we may see this pattern occur once again around the Senkaku Islands and our friends in Japan as well as our friends in Korea and Taiwan.

If we don't respond and if we don't get China to step back and act in a diplomatic fashion with international norms, I do fear that this pattern would repeat itself also with the disputed territorial waters with the Philippines as well.

And, again, I think we have to send them a very strong message that this is not the way you operate in a modern world where you have international laws and international norms. What additional leverage do we have other than just our words?

Mr. RUSSEL. Well, Congressman, President Obama, through his recent visit to three U.S. treaty allies in north and southeast Asia and to an important partner, Malaysia, made very clear not only in word but in deed how committed the U.S. is to stability in the region and America's determination to stand by the principles of international law and rules and norms.

At the same time that he affirmed very clearly our commitments to our allies and our determination to maintain regional security, he also made clear how important the U.S.-China relationship is and how committed the administration is to promoting the peaceful rise of a stable China that is a net contributor to the well being and the prosperity of the region.

In addition to our diplomatic channels, the—a program and the criticism that emerges from the international community in response to unilateral and assertive behavior has without a doubt an

important effect on the calculations of the decision makers in Beijing, as well it should.

It is not lost on the Chinese that the demand signal for U.S. presence—economic, political and military—has increased in proportion to the troubling behavior that has strained China's neighbors with—China's relationship with its neighbors.

Mr. BERA. I think I could speak for all of us on this body and in this committee that we stand with our allies in sending a strong message that this type of behavior by China is unacceptable.

Mr. CHABOT. I would second that point of view. The gentleman from California, Mr. Rohrabacher, is recognized for 5 minutes.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. Let me just say that I, of course, was hoping that this so-called pivot to Asia was going to result in a much more aggressive and realistic policy toward what I see is the major threat to America's security and the free world security and stability and well being.

And what we have, from what I can see in terms of our response to these actually acts of violence and arrogant violence initiated by these—by trying to reinforce or enforce the claims over these island territories that we have seen in the last year, that our response basically has been to arrest five military computer hackers.

That is a joke. Five military computer hackers. I am sure that the gang—the clique that runs China, the dictatorial and brutal and murderous clique that runs China, is very impressed with the courage that we have in arresting the five military computer hacks.

China—the leadership of China, from what I have read, has been enriching itself dramatically, very much. How are they doing that? They are betraying their own people. They are accumulating—they are accumulating wealth.

Let me just add as my—just ask my first question which is is there evidence that they—that members of the Chinese Communist leadership who have been enriching themselves—we know how wealthy they are—have been involved with the theft of American technology?

Mr. RUSSEL. Congressman, I am not aware of such activity but with your permission I will take your question back, consult with my colleagues and provide a written response. I would add, if I might, in reference to the arrest of—or excuse me, the indictment against members of the Chinese military for cyber theft, this reflects not a response to China's foreign policy activities.

This reflects the strong commitment by President Obama in focusing on cyber security and cyber crime to address the challenge posed by Chinese Government-sponsored cyber-enabled theft of the trade secrets and sensitive business information——

Mr. ROHRABACHER. Well, I would say that he is sending the wrong message because arresting or indicting five military computer hackers is so—such a weak response. It will have the opposite reaction from dictators and brutal—the people who run China have betrayed their own people.

They are enriching themselves. They brutally stamp out any opposition. There are no opposition parties there. They still kill people for believing in God, like the Falun Gong, who they throw into prison and then have murdered in order to—in order to take their organs and sell them.

This is not a group of leaders of a country who would be impressed by the fact that five of their lower echelon have been indicted. Again, thank you for agreeing to at least look into that issue to see if the leadership of China are themselves enriching themselves.

But let us just note, I would hope that a pivot toward—back toward Asia means that we are pivoting back toward the people of Asia and not toward some sort of phony—a relationship that is phony but positive with people who rule the country like they do in Beijing.

There are—let me see what else I wanted to bring up here to you—in terms of the Chinese, how much have the Chinese increased their military power in the last 10 years? What would you label it? Substantial or medium or what would you say?

Mr. RUSSEL. Well, Congressman, the U.S. still vastly outstrips China in terms of all indexes of military capability and, certainly, military spending. That said, China has embarked in—on active military modernization program that is troubling in the respect that it is opaque and we and our allies have called on China repeatedly to show more transparency in its military planning and programs.

Now, as one step toward that transparency, when Secretary Hagel recently visited China he was taken to Qingdao and shown the new Chinese aircraft carrier. That is a small step in the right direction.

Recently, Chairman Dempsey hosted a visit by the—his Chinese counterpart, General Fang, with whom I had an opportunity to discuss the issues both of cooperation with China such as North Korea and areas of deep concern with China, such as their behavior in the South China Sea.

Mr. ROHRABACHER. One last point and that is showing that aircraft carrier to our person is not a good sign. It is a sign of arrogance. It is a sign of take a look, we are becoming powerful.

This is not something where oh, we are just showing how open we are. When you start trying to get into the mind set of a dictator you have to think more like—think of what that dictator is thinking, not what he would think if he was a democratically-elected government. Thank you very much.

Mr. CHABOT. Thank you. The gentleman's time has expired.

The Chair would note for the record that even though the United States certainly has a much more powerful military than the People's Republic of China right now, the administration has recommended a pretty significant decrease in our military forces to levels that are pre-World War II and has been pushing for reducing our number of carriers from 11 to 10.

That has apparently been put on the back burner for the time being. I think it would be a terrible move because U.S. power is projected around the world through our aircraft carriers and China has, by double digits, increased their military spending over the last 25 years. I think it is a particular concern.

I would now like to recognize the gentleman from Virginia, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman. I guess I would note respectfully, appropo the chairman's remarks, and China does not

have an element in its government that seems to know the cost of everything and value of almost nothing, wanting to shrink the size of government philosophically, wanting to slash investments and obsessed with the debt such that investments get starved.

That is unique to our Government. Chinese aren't plagued with that. So no wonder they can proceed apace with a military budget that has few constraints. And I might also say when I was listening to my friend from California, Mr. Rohrabacher, I thought he was describing the Russian Government.

But he is not here to respond to that so I will let it go. But let me ask you, Mr. Russel, I was heartened that the administration issued indictments on cyber theft—cyber security because, frankly, on a bipartisan basis for quite some time we have kind of winked and blinked at gross and fairly comprehensive and systematic Chinese intellectual property theft across the board, not just cyber issues but software, candy manufacturers, Starbucks coffee.

You know, I have met with so many American companies and manufacturers who have intellectual property theft problems that are just blatant. They don't even hide it.

So it is very heartening to have an administration to finally crack down and show some seriousness of intent. I assume from your remarks and from that indictment that is the beginning of a process, not the end of the process.

Mr. RUSSEL. Congressman, the fact of the matter is that it is not the beginning of a process. It is a step in a very well-developed ongoing process that is led personally by President Obama.

As a former staff member at the National Security Council, I had the experience of participating in many of his meetings with the Chinese. I accompanied the former national security advisor to China. I have been now several times in this capacity with Secretary Kerry.

Our concerns about China's transfer of technology, China's economic theft and disrespect for intellectual property rights but particularly, although there has been progress in many of these areas, the area of concern that we consistently flag has been government-sponsored cyber-enabled theft of U.S. corporate information that is then transferred to Chinese companies or state-owned enterprises and used for commercial gain.

Mr. CONNOLLY. Yes.

Mr. RUSSEL. This is not hacking. This is not cyber warfare. This is cyber economic theft and we have laid down firm markers in our diplomatic channels and now the Department of Justice has taken action based on a a long-standing investigation.

Mr. CONNOLLY. Good. My time is rapidly—but I applaud the administration for doing it and I hope we do more of it. I want a robust vibrant relationship between China and the United States.

I think it is vital for the world, as we move forward. We have to have a modus vivendi that works for both of us but that also means that we have to have rules of engagement and setting down some markers with respect to those rules is long overdue and I applaud President Obama and the administration for doing it.

I have one other question, given the time. What—you know, we look at what seems to everybody in the region including us to be deliberately provocative action against Vietnam, against the Phil-

ippines with respect to certain islands in the Pacific, in the South China Sea.

What is your sense of does Beijing ever stop and think about the risk of miscalculation, that with the best of intentions or not the best of intentions provocation leads to escalation, which leads to unanticipated consequences that weren't intended but can happen because things get out of hand? I worry about that and I know the United States Government worries about it but does Beijing worry about it?

Mr. RUSSEL. Well, it is daunting to be asked to speak for the Chinese and the Chinese leadership.

Mr. CONNOLLY. I was told you could.

Mr. RUSSEL. What I—what I can do, Congressman, is to attest to the fact that in my many conversations with Chinese officials and in the Secretary's conversations with Chinese officials this is precisely the point that we have raised.

Specifically, we have urged China to cooperate with its neighbors and with its ASEAN claimant friends to front load the slow-moving code of conduct negotiations by coming to an early agreement on mechanisms to prevent conflict or to manage incidents when they occur on the seas and we have offered our good offices and our experience from the Cold War, frankly, in avoiding undesired incidents at sea and the like.

At the same time, we have urged China not only to exercise the restraint that behooves a large, powerful and great country but also to make more rapid progress in its diplomatic negotiations.

The United States, as you said, Congressman, very much wants a positive and constructive relationship with China. We also want China to have good relations with all its neighbors.

Mr. CONNOLLY. Thank you, Chair.

Mr. CHABOT. Thank you. The gentleman's time has expired. The gentleman from Arizona, Mr. Salmon, who is the chairman of the Western Hemisphere Subcommittee, is recognized for 5 minutes.

Mr. SALMON. Thank, Mr. Chairman. Negotiation of the Trans-Pacific Partnership, TPP, agreement remains the centerpiece of the administration's economic strategy in the region. What are the administration's priorities with TPP at this point and when does the administration hope to conclude talks on TPP negotiations?

Mr. RUSSEL. Congressman, I cannot give you a time line and I will defer to my friend and colleague, Ambassador Mike Froman, for greater specifics.

But I had the honor of accompanying both President Obama and Ambassador Froman in the recent trip to Asia, to Japan as well as to Malaysia where the—where significant progress was made in the bilateral discussions of TPP, particularly with regard to market access.

In Japan, we announced a pathway forward on these bilateral issues and similarly in Malaysia the leaders affirmed their commitment to a high standard agreement as soon as possible.

I know that Ambassador Froman has just wrapped up a major ministerial TPP meeting in Vietnam where I believe they made considerable progress on market access. There is much more to be done including with Vietnam. In my recent trip to Vietnam, I reinforced the tremendous importance that the United States places on

Vietnam making progress with regard to issues regarding labor unions and freedom of association.

Mr. SALMON. Along those same lines, I know in the President's State of the Union Address this year he identified TPA as one of his top priorities and I believe that that is something that could be very easily accomplished in a vote here in the House but it is kind of dubious in the Senate right now.

Does the administration intend to flex a little bit of muscle to get that done or are they just going to let it go?

Mr. RUSSEL. Congressman, I know from Secretary Kerry and I know from Ambassador Froman and from the President himself that TPA is a top priority for the administration because it is a key part of the overall economic and strategic agenda.

Now, I also—I also recognize that TPA is not a requirement for USTR to negotiate and that is exactly what USTR is doing right now.

Mr. SALMON. Finally, Mongolia's Prime Minister unveiled a stimulus bill dubbed the 100-day action plan that will seek to revive the mineral-rich nation's flagging economy.

Prime Minister Norovyn's 50-point agenda promises to boost infrastructure, mining manufacturing and the development of small and medium-sized businesses. The bill still needs approval by Parliament and is part of a renewed drive to improve the economy after 2 years of slowing growth.

At a recent briefing, the Prime Minister said within these 100 days we believe we should reduce bureaucracy, increase mining, approve the reissue of exploration licenses and resolving a dispute over 106 cancelled mining licenses.

Assistant Secretary Russel, what are your thoughts on this proposed 100-day action plan? Is it a viable plan and is the State Department engaging with the Mongolian administration on this plan?

Mr. RUSSEL. Well, Congressman, we are closely engaged with the Mongolian Government and with important U.S. energy companies and other stakeholders in discussing the development of—the responsible development of Mongolia's natural resources in the Talon Tolgoi mines and elsewhere.

We believe that U.S. companies provide tremendous benefit not only in technical terms but also with regard to corporate social responsibility. With your permission, allow me to take back the specific question about the—about President Elbegdorj's new economic minerals initiative and provide a written answer for the record.

Mr. SALMON. That would be very helpful. I yield back.

Mr. CHABOT. Thank you. The gentleman yields back.

Let me follow up on the gentleman's point on TPP and TPA. During the President's recent trip to the region, enhancing trade and investment was on top of the agenda and negotiations for TPP were a key priority in the visits to Japan and Malaysia, in particular.

Unfortunately, it doesn't seem as though much progress was made. The U.S.-Japan joint statement noted that a path forward on important bilateral issues was identified but that a lot of work is needed to conclude the TPP agreement.

Mr. Abe wasn't willing to give way on sensitive areas for Japan and Malaysia, doesn't want to give up preferential treatment for

the ethnic Malays and, you know, expanding trade and investment is one of the administration's top goals to support the rebalance strategy.

So as Mr. Salmon mentioned, I think the President is going to have to really put forward considerable effort, maybe extraordinary effort when one considers that, you know, a significant member of my Democratic colleagues and a not significant minority of my Republican colleagues are opposed to it and I know the unions are quite opposed to it.

So it is going to take some real effort, and I think the effort is worth it but I would just encourage the administration to do everything possible. I know it is an election year and it makes it all that much tougher. But I think it is important for our economy and certainly important for the economies of these other countries.

We are both going to have to give a little, maybe give a lot in some instances, to accomplish this. So I would just urge you to take that message back to the administration and there are a lot of us willing to work with the administration on this one.

You know, we argue and fight and bicker about some things but this is one—he has a lot of allies on the Hill on this.

Mr. RUSSEL. Well, Mr. Chairman, thank you very much for that encouragement and that advice. This is a priority for the President personally and for the administration. We are all hard at work at it and the reason that it—the reason that it looks difficult is because we are committed to a genuinely high standard trade agreement.

Mr. CHABOT. Good. Thank you very much.

Let me turn to North Korea. Last month we held a hearing on the human rights situation in North Korea following the release of the U.N. Commission of Inquiry Report and I am sure you are well aware of the details of that report so I am not going to go into great detail about the crimes against humanity that are being committed against the people of North Korea by their own government.

However, I do want to discuss the administration's strategic patience policy toward North Korea, which has not impaired Pyongyang's nuclear ambitions nor decreased the extent of human rights violations committed by the regime. Evidently, our sanctions regime is being thwarted and consequently is quite ineffective. During President Obama's recent visit to South Korea, he suggested it might be an opportune time to have tougher sanctions. This committee's chairman, Mr. Royce, has introduced legislation to do just that, which many of us here support on both sides of the aisle.

I was wondering if you could clarify President Obama's comments regarding sanctions against North Korea and whether the administration will stand behind our efforts to hold the North Korean regime accountable by imposing the needed sanctions to cut off Pyongyang's currency supply, for example, and halt its nuclear ambitions.

Mr. RUSSEL. Well, thank you, Mr. Chairman. There is no question but the administration is committed to hold North Korea responsible for its threatening and troubling behavior.

The U.S., you know, both under Democratic and Republican administrations, has combined the imposition of sanctions and I

would add that the sanctions imposed in the last 5 years under the Obama administration are by far the most rigorous in history, but combine that also with an open hand to an offer to Pyongyang to improve its relationship with the United States, predicated on behavior.

And we have simply not see from North Korea behavior that offers a pathway to a negotiated settlement and for that reason and because we are not falling for old tricks or accepting North Korean IOUs we have maintained a increasingly firm line in close cooperation with our key allies, Korea and Japan, but importantly made cooperation with China on North Korea a key component of our bilateral relationship with Beijing.

Cooperation by China will be essential to any effort to strengthen the existing sanctions regime. The DPRK is one of the most heavily sanctioned countries on planet Earth and we have imposed two very significant U.N. Security Council resolutions in the last 5 years as well as using a number of domestic authorities.

So I can't speak to the draft legislation itself but we, on an ongoing basis in the U.S. interagency, consult and consider on a wide range of additional measures that the administration can take as well as working hard with partners to get enhanced implementation of the existing sanctions.

Mr. CHABOT. Okay. Thank you. I would also like to mention we appreciate you and your folks' cooperation and assistance as we travelled to the PRC and to Mongolia last week. Your people over there are top flight and we certainly appreciate what a good job they are doing for our country. So thank you very much.

Mr. RUSSEL. Well, I appreciate those words. I will pass them on and thank you, Mr. Chairman, for taking the time and trouble to visit. It, clearly, was very useful in terms of foreign policy and in the case of the Mongolian Government I can attest to their appreciation of your visit.

Mr. CHABOT. Good. Just for the record, so maybe people know we are not trying to make messes that you are going to have to clean up after we leave. We generally will talk to the Embassy personnel and your folks for the best questions and topics for us to bring up with the governments there because we want them to know that your policies are reflective of not just the executive branch, but the legislative branch as well. We want to help in your efforts over there, so thank you very much.

Mr. RUSSEL. We appreciate and welcome your efforts.

Mr. CHABOT. Thank you. The gentleman from California is recognized for 5 minutes.

Mr. BERA. Great. I thought we might shift to Thailand. Obviously, we are watching a rapidly evolving situation in Thailand and from your perspective, Assistant Secretary Russel, is there anything that you can enlighten us on in terms of what do you think the next steps are?

Mr. RUSSEL. Well, thank you, Congressman. The challenges in Thailand occupy my time and attention and that of Secretary Kerry and other senior officials both because Thailand is our oldest and one of our most important partners and allies in Southeast Asia.

But also because we are deeply concerned and troubled at the political crisis in an important democracy in Asia. Yesterday, as I am sure you are aware, the Royal Thai Army declared martial law.

The army has indicated that this is not a coup, that this is temporary imposition of martial law to prevent the growing threat of bloodshed and violence, that it will be in place for a finite period of time, and we have called on Thai's military in a strong statement issued at Secretary Kerry's request yesterday to exercise full regard both for the democratic process and democratic institutions but also for important freedoms including freedom of speech, freedom of the press.

We want to see the early restitution of full democracy in Thailand and our respect for Thailand's democratic institutions and we think that requires free and fair elections that enable the Thai people freely to express their political will.

Mr. BERA. Great. Thank you. And it is incredibly important to us, as you already mentioned. Thailand is one of our oldest geopolitical allies in the region. Talking about democratic elections and so forth, in that region in South Asia and India we just saw a remarkable showing of democracy in action with the recent elections, you know, with I think over 500 million folks casting ballots and, you know, I think there—you know, first off, I would like to take a chance to congratulate the new Prime Minister, Narendra Modi, and welcome, I think, this body's and the administration's call to renew this partnership in India as well, as we suggested a few weeks ago, in helping stabilize not just being a foundation for South Asia but certainly being a foundation with its partners in Burma and the surrounding countries.

And, you know, we look forward to working with India to address and resolve some of the territorial issues in the South China Sea and India's continuing emerging role as a major player in the world.

So we look forward to working with Prime Minister Modi as we address these issues in a regional manner and, as you have already mentioned, using international norms and international laws to address these and India certainly has a role. I might ask your perspective.

Mr. RUSSEL. Thank you, Congressman. In the Department of State, given our taxonomy, I am not directly responsible for India and South Asia west of Burma. However, I co-chair a regular U.S.-India dialogue on the Asia-Pacific region and just last month held those meetings.

I also participate with my Indian counterpart in the preparatory meetings for the larger ASEAN Plus meetings including the East Asian Summit and I respect and hope for increase in active Indian engagement in East Asia precisely for the reasons that you have mentioned.

Mr. BERA. Thank you, and I will yield back.

Mr. CHABOT. Thank you. The gentleman yields back. The gentleman from California, Mr. Sherman, who is the ranking member of the Terrorism, Nonproliferation and Trade.

Mr. SHERMAN. Which subcommittee is meeting now, hence an excuse not to be here for the entire hearing, and I can testify to the

chairman's effectiveness on his travels to Asia, having been with him on the trip before his trip that included Mongolia.

China has been manipulating its currency for many years. Our response is to whine and complain, and then when some ask that we do more I am told that well, they used to be taking 2 million jobs away from us through wrongful behavior.

Now it is down to 1.8 million so we have a great policy success. Now we discover that—we discover—we document that they have been hacking us for years. We found a new way to whine and complain.

We indict people who will never be here and who will never be extradited and thus our response to their hacking is to deprive a few military officers of an opportunity to visit Disneyland.

The powers that be in Washington don't want us to do any more but obviously if we designated China a currency manipulator that would get their attention. Depriving a few military officers of a chance to visit Disneyland will not change Chinese behavior.

The discussion of pivoting toward Asia is not just trade missions to Japan and teaching Mandarin in our schools. It is a refocus chiefly of our military and it is not surprising because we tried to meet the institutional needs of our large Washington institutions rather than the practical needs of the American people.

Since the 1890s, every time our military has confronted a non-uniformed enemy it has been a frustrating and terrible experience, and since the 1890s every time we have faced a uniformed military it has been a tremendous success, the most tremendous success of all being winning the Cold War without having to fight a major war.

So needless to say, we meet the institutional needs of our foreign policy establishment by abandoning the war against Islamist extremism, which is frustrating and long, and refocusing against a uniformed enemy, the Chinese, and we can confront them over a few specks by glorifying them and calling them islands and as true throughout human history dividing ourselves up into groups, finding something to fight about and then declaring that these few uninhabited islands—islands so useless that off the coast of a teeming continent no one has ever chose to live there—should be the focus of our military deployments.

So we are going to pivot toward Asia because we are done with the Middle East and North Africa. I think that is absurd. We aren't done. We have got a lot to do.

The protection of the United States from 9/11 attacks is probably more important than who controls islands which, up until this point in human history, have had absolutely no use whatsoever, and calling them islands is a wild exaggeration. We are talking rocks that barely protrude out of the ocean.

Now, as to this Trans-Pacific Partnership, if we negotiate with the same format that we used for the South Korean agreement, then goods that are 65, 75 percent made in China, then finished in Vietnam or Japan, will be able to enter the United States.

And that is if they admit that they are 75 percent made in China—if the importer admits that they are 75 percent made in China—they may well be 90 percent made in China—who would prove the difference.

What are we going to do, Mr. Russel, to make sure that this is not a boon to Chinese imports in the United States, knowing that nothing in TPP will get a single paper clip from the United States into China?

Mr. RUSSEL. You covered a lot of ground there. Let me mention two things before I address your TPP question.

Mr. SHERMAN. I have limited—why don't you address the question first?

Mr. RUSSEL. Well, the TPP negotiations are among 12 countries not including China that are seeking to institute very high standards to get——

Mr. SHERMAN. The question was specifically about rules of origin, goods that are 65, 75, 80, 90 percent made in China, then finished in one or more countries and brought into the United States.

What is in there that stops that other than vague rhetoric about how it is wonderful to have high standards?

Mr. RUSSEL. Congressman, in the interest of preserving the limited time, let me take that question and get back to you. But first say——

Mr. SHERMAN. Sir, you have got—you got to understand I have the limited time. I have yielded to you to answer the question that I have posed rather than to comment on something else you want to comment on.

Mr. RUSSEL. Fine. I will provide you, Congressman, with a well-considered written reply.

Mr. CHABOT. The gentleman's time has expired.

Mr. SHERMAN. Thank you.

Mr. CHABOT. Thank you very much. All time has expired and we want to thank the panel for their testimony here this afternoon. We thank those for attending.

Members will have 5 days to supplement their statements or ask questions. If there is no further business to come before the committee we are adjourned.

Thank you.

[Whereupon, at 3:24 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Asia and the Pacific
Steve Chabot (R-OH), Chairman

May 13, 2014

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on Asia and the Pacific in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at www.foreignaffairs.house.gov):

DATE: Tuesday, May 20, 2014

TIME: 2:00 p.m.

SUBJECT: Resourcing the Pivot to Asia: East Asia and Pacific FY 2015 Budget Priorities

WITNESSES: The Honorable Daniel R. Russel
Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

Ms. Denise Rollins
Acting Assistant Administrator
Bureau for Asia
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Asia & the Pacific* HEARING

Day *Tuesday* **Date** *May 20, 2014* **Room** *2172*

Starting Time *2:07 p.m.* **Ending Time** *3:24 p.m.*

Recesses [ ] (to) (to) (to) (to) (to) (to)

Presiding Member(s)
Chairman Steve Chabot (R-OH)

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:
Resourcing the Pivot to Asia: East Asia & Pacific FY 2015 Budget Priorities

SUBCOMMITTEE MEMBERS PRESENT:
Rep. Ami Bera (D-CA), Rep. Matt Salmon (R-AZ), Rep. Gerald Connolly (D-VA), Rep. Tulsi Gabbard (D-HI), Rep. Dana Rohrabacher (R-CA), Rep. Brad Sherman (D-CA)

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*
Ms. Denise Rollins' Statement
Hon. Daniel Russel's Takeback Questions
Rep. Gerald Connolly's Statement

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:24 p.m.*

Subcommittee Staff Director

Statement for the Record
Submitted by Mr. Connolly of Virginia

While the Administration's Asia-Pacific rebalance will devote more resources to new regional endeavors and further engage emerging markets and developing democracies, we should also expect it to strengthen traditional relationships that are in the strategic interest of the United States.

The Administration's FY2015 request for East Asia and the Pacific is for $810.7 million. Consistent with the rebalance, this would provide East Asia and the Pacific with the largest increase in funding over FY2013 levels of any geographic region. Beyond the budget figures, recent trips to the region by both President Obama and Secretary Kerry underscored the energy and assets the United States stands ready to invest in region.

In the coming years we will use the rebalance to enhance regional security, support economic integration and trade, strengthen regional institutions, encourage broad-based economic growth, and promote democratic development, good governance and human rights.

There is immense potential for U.S. foreign assistance in East Asia and the Pacific. The U.S. will encourage reductions in greenhouse gases in a region where it is estimated that more than one billion people are vulnerable to the negative impacts of climate change. The U.S. will wage prevention and awareness campaigns to end the criminal practice of human trafficking in a region where 56 percent of the world's human trafficking occurs. U.S. exports to East Asia and the Pacific account for 26 percent of all U.S. exports and support 2.8 million American jobs. However, the potential for growth remains as the region accounts for one-third of the world's population but only one-quarter of global GDP.

Within the rebalance we must strike a further balance to capitalize on the aforementioned opportunities, and at the same time honor existing commitments to regional partners and allies. Doing so will demonstrate the benefits emerging partners can expect from a successful relationship with the U.S.

U.S.-Republic of Korea relations certainly demonstrate that promise. Korea, a country that was once a recipient of U.S. foreign assistance, is today a donor country. In March 2012, the Korea-U.S Free Trade Agreement went into effect opening markets between nearly 370 million consumers. Korea is one of just twenty countries to have a Free Trade Agreement with the United States and it is one of only two in East Asia and the Pacific. The Mutual Defense Treaty that established the military alliance between the U.S. and Korea was signed during difficult times for both countries, but it remains the foundation for an alliance that has stood for over sixty years. Security priorities have changed during those sixty years, but the U.S. is as dedicated to the denuclearization of the Korean peninsula as it was to fending off Cold War threats. We can use our successful alliances in East Asia and the Pacific to send a clear message to the region that our presence and commitment is lasting and beneficial to our partners.

Taiwan offers an additional but unique opportunity to define the Asia-Pacific rebalance with consistency and sincerity. The Taiwan Relations Act (TRA), U.S.-PRC Joint Communiques and "Six Assurances" govern our unofficial relationship with Taiwan. Central to this relationship is maintaining the security of Taiwan while promoting a peaceful resolution to cross-strait relations with China. Earlier this year, the House of Representatives passed H.R. 3470 the Taiwan Relations Act Affirmation and Naval Vessel Transfer Act of 2014. The Act reaffirmed U.S. commitment to the TRA, supported Taiwan's procurement of weapons of a defensive character such as F-16 C/Ds aircraft and diesel submarines and authorized the President to sell four Oliver Hazard Perry class guided missile frigates to Taiwan. To the extent that the U.S. can demonstrate that the rebalance does not jeopardize our long-standing commitment to partners like Taiwan, we will find willing allies in East Asia and the Pacific.

I want to be constructive about the Asia-Pacific rebalance and examine our opportunities in the region, but I would also like our witnesses to provide us with an appraisal of hotspots that might deserve greater attention from the U.S. – including maritime disputes in the South China Sea, development needs along the Mekong River, tenuous democratic transitions in Cambodia and Burma, and our ultimate goal with respect to U.S.-China relations in the context of the rebalance. I thank you for your insight and look forward to hearing your testimony.

Questions for the Record Submitted to
Assistant Secretary Daniel Russel by
Representative Rohrabacher (1)
House Committee on Foreign Affairs
May 20, 2014

Rep. Rohrabacher: Is there evidence that members of the Chinese Communist leadership who have been enriching themselves – we know how wealthy they are – have been involved with the theft of American technology?

Mr. Russel: As the United States has consistently stated, reducing corruption is critical if China wants to achieve long-term growth, prosperity, and stability, and to realize the full potential of its people. We continue to encourage China to respect the rule of law and to protect the fundamental freedoms of its people. In keeping with our desire to see China succeed in its efforts to become a modern, innovative, information-based economy and society, we have urged China to take steps to protect trade secrets, intellectual property, and other sensitive business information from both conventional and cyber-enabled theft. We have consistently and candidly raised our serious concerns with the Chinese government on these issues, particularly when these actions seem to have been state-sponsored, and we have made clear that such activity is not acceptable and needs to stop.

Questions for the Record Submitted to
Assistant Secretary Daniel Russel by
Representative Salmon (1)
House Committee on Foreign Affairs
May 20, 2014

Rep. Salmon: Mongolia's prime minister unveiled a stimulus bill dubbed the hundred-day action plan that will seek to revive the mineral-rich nation's flagging economy. Prime Minister Norovyn [Altankhuyag's] 50-point agenda promises to boost infrastructure, mining, manufacturing and the development of small and medium-sized businesses.
The bill still needs approval by parliament and is part of the renewed drive to improve the economy after two years of slowing growth. At a recent briefing, the prime minister said, within these 100 days, we believe we should reduce bureaucracy, increase mining, approve the reissue of exploration licenses and resolving a dispute over 106 canceled mining licenses.
Assistant Secretary Russel, what are your thoughts on this proposed 100-day action plan? Is it a viable plan, and is the State Department engaging with Mongolian administration on this plan?

Mr. Russel: The Mongolian parliament approved Prime Minister Altankhuyag's 100-day plan May 8. The Prime Minister has briefed the diplomatic corps in Ulaanbaatar, the American Chamber of Commerce, and the U.S.-affiliated Business Council of Mongolia, so companies seeking to understand the intent of the 50-point agenda have received information directly from the highest levels of the Mongolian government.

The Prime Minister recently said that the government's goal within these 100 days is to set the right foundation and forge a path toward further

economic development by identifying mistakes and shortfalls and working with the private sector to address them. The U.S. welcomes Mongolia's recognition of the importance of market-oriented economic development.

We are committed to advancing trade and economic ties with Mongolia, one of the fastest growing economies in the world. We consistently note that open and transparent trade and investment policies will improve Mongolia's business environment and attract foreign investors. We engage the Mongolian government on a broad range of economic issues, many of which are encompassed by this plan.

For example, Mongolia took an important step to address transparency and corruption concerns in September 2013 when it signed an agreement with the United States to promote legislative and regulatory transparency in trade and investment. While the Mongolian Parliament still must ratify this agreement, once it is implemented, it should enhance trade and investment and create an even more attractive business environment in Mongolia.

Questions for the Record Submitted to
Assistant Secretary Daniel Russel by
Representative Sherman (1)
House Committee on Foreign Affairs
May 20, 2014

Rep. Sherman: Now, as to this Trans-Pacific Partnership, if we negotiate the same format that we used for the South Korean agreement, then goods that are 65, 75 percent made in China, then finished in Vietnam or Japan will be able to enter the United States, and that's if they admit that they're 75 percent made in China. If the importer admits that they're 75 percent made in China, they may well be 90 percent made in China. Who would prove the difference? What are we going to do, Mr. Russel, to make sure that this is not a boon to Chinese imports in the United States, knowing that nothing in TPP will get a single paper clip from the United States into China?

Mr. Russel: The TPP will include strong rules of origin that ensure that only goods produced in TPP countries benefit from preferential tariff treatment. The TPP will also include provisions to ensure that such rules are strictly enforced. We are also seeking strong customs cooperation commitments in order to ensure that TPP countries work together to prevent smuggling, illegal transshipment, and duty evasion, and to guarantee compliance with trade laws and regulations. I encourage you to reach out directly to USTR for further information on issues under negotiation in the TPP talks.

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