

# EAST ASIA IN TRANSITION: OPPORTUNITIES AND CHALLENGES FOR THE UNITED STATES

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## HEARING BEFORE THE SUBCOMMITTEE ON ASIA AND THE PACIFIC OF THE COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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# **EAST ASIA IN TRANSITION: OPPORTUNITIES AND CHALLENGES FOR THE UNITED STATES**

**WEDNESDAY, MARCH 8, 2006**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON ASIA AND THE PACIFIC,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:32 p.m. in room 2172, Rayburn House Office Building, Hon. James Leach, (Chairman of the Subcommittee) presiding.

Mr. LEACH. The Subcommittee will come to order.

I would like extend a warm welcome to Ambassador Christopher Hill, the Assistant Secretary for East Asia and the Pacific Affairs of the Department of State. We appreciate your appearance before us today, as well as your public service.

The purpose of today's hearing is review, with broad brush strokes perhaps, the fundamentals of the United States policy toward the peoples and countries comprise the vast reach of East Asia and the Pacific. There can be no more sweeping canvas in which to set forth the contours of an American grand strategy for the 21st century, nor is there any diplomatic landscape so fraught with opportunity and peril.

In the broadest sense, the shifting distribution of power in East Asia, symbolized by the rise of China, will likely present the largest geopolitical challenge facing the United States incoming decades. It is in this sobering context that the most important bilateral relationship of this century will be between China and the United States. If that relationship is ill-managed, the likelihood of conflict and economic trauma will be great. But if the relationship is managed well, the benefits in terms of economic prosperity and world peace will be commensurate.

Beyond Sino-American relations, the Subcommittee's interest in review today a number of areas with great import for American interests, but there is one issue I would like to dwell on for a moment this afternoon, and that relates to North Korea.

On September 19, 2005, China and Japan, North Korea, Russia, South Korea and the United States signed a joint statement of principles under which North Korea committed to abandoning all nuclear weapons in existing nuclear programs. In contrast to the hopes surrounding that pledge, the intervening 6 months have brought us no substantive progress toward that end, and the Six-Party process is beginning to appear moribund.

This circumstance is particularly regrettable because time is on no one's side. Every day of the status quo is another day for the

North Korean regime to produce additional fissile material, and another day for the people of North Korea to fall further behind the remarkable economic and social march of the rest of Asia. At the same time that the malfeasance of the North Korean government has brought us to this impasse, it remains in the interest of the United States to initiate additional dialogue, even if prospects for success are uncertain.

Alternatively, to continue to maintain a reactive approach—such as placing unrealistic conditions on high-level contacts and other forms of meaningful engagement with the DPRK—cedes too much control to hard-liners in the regime that does not yet feel sufficient pressure or incentive to denuclearize.

We must continually test the intent of North Korean and not miss any opportunity for progress, however improbable. We are also obligated to consistently demonstrate to other parties in the region that the intransigence impeding progress is not ours. Both of these priorities presuppose dialogue.

Because we control what we say, we ought not fear additional discussions or supplementary evidence of discussion. Conversation is never concession if one is speaking the truth, advancing the national interest.

At all levels of human interaction, including the international strategic level, there exists a significant psychological dimension: Between nations as between people, the stronger party has greater strategic confidence and thus capacity to take the first conciliatory steps when intransigent differences arise. Given the enormity of the stakes at issue, it behooves the United States to take advantage of the greater flexibility we possess to creatively explore possibilities for resolving the challenges posed by North Korea.

One has the sense that due to understandable frustrations relative to past North Korean actions, including cheating on international commitments, the White House has given exceedingly constrained options to our negotiators. But clear-headedness about the nature of the North Korean regime should not cloud the mind about devising techniques and processes to overcome difference.

We have many assets, not the least of which is our professional diplomatic corps. American professionalism is exemplified by our witness today, Assistant Secretary of State Hill, who has developed a constructive relationship with all of the parties to the Six-Party Talks, including North Korea. The case for sending him to Pyongyang to test the boundaries and push the implementation of the joint statement is compelling.

In particular, we should not be hesitant to begin considering the utility of negotiating a permanent peace regime on the Korean Peninsula at an appropriate separate forum as envisioned by the joint statement and the recent U.S.–ROK strategic dialogue. Taking the initiative to formally end the Korean War would underscore our peaceful intent in an unparalleled fashion, and remind the Korean people that the United States singularly and unequivocally supports the peaceful reunification of the peninsula.

There may be sequencing concerns but forging ahead in this aspect of the statement of principles may increase the willingness of the other parties to exert greater pressure to enforce its critical core—the denuclearization of the Korean Peninsula—and provide

North Korea greater psychological as well as strategic comfort to accede to concerns of the outside world.

While we speak directly to the North Korean delegation in Beijing at the Six-Party Talks and have certain contacts with the North Korean Ambassador to the United Nations, there is clearly a problem of communication between our two governments. Accordingly, it is time perhaps with appropriate quid pro quos, that we explore the feasibility of establishing liaison offices in our two capitals.

For the United States to continue to stand pat is to transfer initiative to others, indebting us to the diplomacy of countries that may have different interests, or simply enconcing the status quo.

It is time for this country to lead.

Ms. Watson.

[The prepared statement of Mr. Leach follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

On behalf of the Subcommittee, I would like to extend a warm welcome to Ambassador Christopher Hill, the Assistant Secretary for East Asian and Pacific Affairs at the Department of State. We appreciate your appearance before us today, as well as your public service.

The purpose of today's hearing is to review, with broad brush strokes perhaps, the fundamentals of United States policy toward the peoples and countries that comprise the vast reaches of East Asia and the Pacific. There can be no more sweeping canvas on which to set forth the contours of an American grand strategy for the 21st century; nor is there any diplomatic landscape so fraught with opportunity and peril.

In the broadest measure, the shifting distribution of power in Asia, symbolized by the rise of China, will likely present the largest geopolitical challenge facing the United States in coming decades. It is in this sobering context that the most important bilateral relationship of the 21st Century will be between China and the United States. If that relationship is ill-managed, the likelihood of conflict and economic trauma will be great. But if the relationship is managed well, the benefits in terms of economic prosperity and world peace will be commensurate. We look forward to a robust discussion with you of U.S. policy toward China, in all its extraordinary complexity.

Beyond Sino-American relations, the Subcommittee is interested in reviewing a number of other themes with great import for American interests: (1) recent developments and near-term trends in cross-Strait relations; (2) the importance of America's bilateral alliances in East Asia and how Washington is managing those relationships, particularly with respect to Tokyo and Seoul; (3) the implications for American interests of growing political rivalries in Northeast Asia; (4) how to more productively engage with ASEAN; and (5) America's posture toward the multitude of regional organizations suddenly appearing in East Asia, some of which include other major powers but exclude the United States.

But there is one issue I would like to dwell on for a moment this afternoon, and that relates to North Korea.

On September 19, 2005, China, Japan, North Korea, Russia, South Korea, and the United States signed a Joint Statement of principles under which North Korea "committed to abandoning all nuclear weapons and existing nuclear programs." In contrast to the hopes surrounding that pledge, the intervening six months have brought no substantive progress toward that end, and the Six Party process is beginning to appear moribund.

This circumstance is particularly regrettable because time is on no one's side. Every day of the status quo is another day for the North Korean regime to produce additional fissile material, and another day that the people of North Korea fall further behind the remarkable economic and social march of the rest of Asia. At the same time that the malleasance of the North Korean government has brought us to this impasse, it remains in the interest of the United States to initiate additional dialogue, even if prospects for its success are uncertain.

Alternatively, to continue to maintain a reactive approach—such as placing unrealistic conditions on high-level contacts and other forms of meaningful engagement with the DPRK—cedes too much control to hard-liners in a regime that does not yet feel sufficient pressure or incentive to denuclearize.

We must continually test the intent of North Korea and not miss any opportunity for progress, however improbable. We are also obligated to consistently demonstrate to the other parties in the region that the intransigence impeding progress is not ours. Both of these priorities presuppose dialogue.

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At all levels of human interaction, including the international strategic level, there exists a significant psychological dimension: Between nations, as between people, the stronger party has greater strategic confidence and thus capacity to take the first conciliatory steps when intransigent differences arise. Given the enormity of the stakes at issue, it behooves the United States to take advantage of the greater flexibility we possess to creatively explore possibilities for resolving the challenges posed by North Korea.

One has the sense that due to understandable frustrations relative to past North Korean actions, including cheating on international commitments, the White House has given exceedingly constrained options to our negotiators. But clear-headedness about the nature of the North Korean regime should not cloud the mind about devising techniques and processes to overcome differences.

We have many assets, not the least of which is our professional diplomatic corps. American professionalism is exemplified by Assistant Secretary of State Christopher Hill, who has developed a constructive relationship with all of the parties to the Six Party Talks, including North Korea. The case for sending him to Pyongyang to test the boundaries—and push the implementation—of the Joint Statement is compelling.

In particular, we should not be hesitant to begin considering the utility of “negotiat[ing] a permanent peace regime on the Korean Peninsula at an appropriate separate forum,” as envisioned by the Joint Statement and the recent U.S.–ROK strategic dialogue. Taking the initiative to formally end the Korean War would underscore our peaceful intent in an unparalleled fashion, and remind the Korean people that the United States singularly and unequivocally supports the peaceful reunification of the Peninsula. There may be sequencing concerns but forging ahead on this aspect of the statement of principles may increase the willingness of the other parties to exert greater pressure to enforce its critical core—the denuclearization of the Korean Peninsula—and provide North Korea greater psychological as well as strategic comfort to accede to concerns of the outside world.

While we speak directly to the North Korean delegation in Beijing at the Six Party Talks and have certain contacts with the North Korean ambassador to the United Nations, there is clearly a problem of communication between our two governments. Accordingly, it is time, perhaps with appropriate quid pro quos, that we explore the feasibility of establishing liaison offices in our two capitals.

For the U.S. to continue to stand pat is to transfer initiative to others, indebting us to the diplomacy of countries that may have different interests, or simply ensconcing the status quo.

It's time for the United States to lead.

Ms. WATSON. Thank you so much, Mr. Leach, and I appreciate having this time to sit in on this Subcommittee hearing.

East Asia is one of our Nation's most important strategic interest. Approximately one-quarter of the world's human beings live in China alone. China is in the ascendent. However, China is also the tale of two countries, one increasingly industrialized and wealthy; the other made up of a billion peasants.

Millions of Chinese continue to be displaced in order to make room for new development projects. We continue to read occasional reports in the Western press about the rising level of discontent in China's countryside; about massive strikes as well as harsh measures by the central government to restore order. We have serious issues of trade imbalances with China, as well as issue with China's intellectual property violations that cost American firms billions of dollars a year in lost revenues.



The Korean Peninsula remains highly unstable, and it does not appear that the Six-Party Talks with North Korea are resulting in resolution of the nuclear question with North Korea. One can only wonder if the Administration's nuclear agreement with China is having an impact on the Six-Party Talks.

Although there has been much discussion of it, yet South Korean and the United States recently announced the commencement of talks on a United States-South Korea Free Trade Agreement. If it comes off, it will be the biggest trade agreement since NAFTA. However, the FTA is beset with a number of important issues: Labor, automobiles, market access, trade deficit, as well as IPR issues.

Taiwan is never far from the surface of our conscience, and recently Taiwan's President has made a number of provocative statements.

As a Member of Congress representing the heart of the entertainment industry, I am particularly concerned about China's continuing IPR violations and the cost to the American entertainment industry, and would like to explore the issue with Ambassador Hill in further detail, so even after this hearing I would like to possibly write you my concerns, and have you respond back.

Again, thank you, Mr. Chair, for giving me this time.

[The prepared statement of Ms. Watson follows:]

PREPARED STATEMENT OF THE HONORABLE DIANE E. WATSON, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF CALIFORNIA

Thank you, Mr. Leach, for allowing me to sit in on this subcommittee hearing.

East Asia is one of our nation's most important strategic interests. Approximately one quarter of the world's human beings live in China alone. China is in the ascendent. However, China is also the tale of two countries—one increasingly industrialized and wealthy, and the other made up of perhaps a billion peasants. Millions of Chinese continue to be displaced in order to make room for new development projects. We continue to read occasional reports in the western press about the rising level of discontent in China's countryside—about massive strikes as well as harsh measures by the central government to restore order.

We have serious issues of trade imbalances with China, as well as issues with China's intellectual property violations that cost American firms billions of dollars a year in lost revenues.

The Korean peninsula remains highly unstable, and it does not appear that the Six Party Talks with North Korea are resulting in resolution of the nuclear question with North Korea. One can only wonder if the administration's nuclear agreement with India is having an impact on the Six Party Talks.

Although there has not been much discussion of it yet, South Korea and the U.S. recently announced the commencement of talks on a U.S.-South Korea Free Trade Agreement. If it comes off, it will be the biggest trade agreement since NAFTA. However, the FTA is beset with a number of important issues: labor, autos, market access, trade deficit, as well as IPR issues.

Taiwan is never far from the surface of our conscious, and recently Taiwan's President has made a number of provocative statements.

As a member of Congress representing the heart of the entertainment industry, I am particularly concerned about China's continuing IPR violations and the cost to the American entertainment industry and would like to explore the issue with Assistant Secretary Hill in further detail.

Again, thank you.

Mr. LEACH. Thank you, Ambassador Watson.

Mr. Chabot.

Mr. CHABOT. Thank you very much, Mr. Chairman. I will be very brief in my remarks.

I want to first of all apologize since unfortunately do I have this hearing but I have a hearing on the Middle East and the Palestinian situation at the same time, so both issues are very important, and I am going to be torn between the two hearing, but I just want to be very brief because I have a very keen interest in East Asia and what goes on there.

I couldn't help noting the gentlelady's comments about Taiwan because I must say that I disagree to some extent on what you mentioned relative to the provocative statements of President Chen of Taiwan. I would say that in my view the provocation has been on the other side, from the PRC, such things as continuing to increase the number of missiles that are facing Taiwan across the Taiwan Strait. So that, to me, would be provocation as well as passing the anticeSSION law some time ago. After being warned that that would be an act of provocation, they nonetheless went ahead with that.

I think it is provocation when Taiwan tries to do something as simple as to have observer status at the World Health Organization but year after year they are blocked by the PRC, even though they would be able to assist in health around the world so lots of people would benefit if Taiwan were able to be a member of that.

So I think that the provocation is on the side of the PRC and not Taiwan. I would note, however, I continue and many of my colleagues on the Congressional Taiwan Caucus continue to be very disappointed with Taiwan in that the defense modernization bill continues to languish in Taiwan, and with the provocation on the side of the PRC, I think it is in Taiwan's best interest to be as strong as possible, and if they are strong, it is much less likely that we would ever come to a military conflict there. If Taiwan is weak, it is much more likely that the PRC might act irresponsibly and move forward with some of the threats that they have made in the past.

Ms. WATSON. Would you yield?

Mr. CHABOT. I would be happy to yield to the gentlelady.

Ms. WATSON. If I could mutually in front of provocative, would that do?

Mr. CHABOT. Pardon me? I am sorry?

Ms. WATSON. Mutually in front of provocative, would that do?

Mr. CHABOT. I just don't feel that the provocation—claiming my time—I don't think that the provocation has been on the side of Taiwan. I really don't.

Ms. WATSON. Well, that is why I think that when I use provocative, I mean pro or providing a route for action and we can say both sides do that. It wasn't used in the pejorative or the negative, but when you make statements the other side is going to respond, so I just want you to know I needed to use mutually provocative.

Mr. CHABOT. Thank you very much.

Ms. WATSON. Thank you.

Mr. CHABOT. Thank you, Ambassador Webster. I yield back.  
[Laughter.]

Mr. LEACH. Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman.

I believe the most important part of our foreign policy is dealing with the spread of nuclear weapons, and that should be the most

important part of our China policy. We have opposed Taiwan developing nuclear weapons. That is a position we could reverse at any time, and yet China has subsidized North Korea while North Korea develops and builds more and more nuclear weapons.

Now, we know this isn't because China wants North Korea to have nuclear weapons. It is just that their opposition to North Korea having nuclear weapons is just one of many issues, and they don't place the same priority on it that we do, and when it comes to stopping North Korea's nuclear program, China cooperates sufficiently with us to get good words out of our State Department, but not sufficiently with us to actually stop North Korea from building the nuclear weapons.

The fact that we continue to oppose Taiwan having nuclear weapons, and much more importantly and immediately to China, we continue to make our markets easily accessible to the largest trade imbalance in history illustrates the fact that we are unwilling to use our power to get a change in Chinese policy, and we are willing to call a great success a year in which there are wonderful six-sided meetings, and in which North Korea builds about six nuclear weapons.

I regard such a year or such a group of several years as a utter failure for nonproliferation policy. Wonderful meetings don't make up for the fact that there are now more nuclear weapons in North Korea.

Likewise with Iran, China doesn't want Iran to have nuclear weapons, but China has other concerns that they put above the interests of my constituency and Diane's constituency not having to face the risk of nuclear weapons being smuggled into Los Angeles. They are more concerned with the opportunity to invest \$70 billion in the Iranian oil industry, and to perhaps thwart our efforts at the United Nations.

Now, I know, China has made a few comments. These comments are good enough to get positive response from our State Department from time to time, but the fact is the centrifuges are going around and around in Iran right now. So while that may be good enough for the State Department, one has to wonder why are we making our market so available to a country which as of now is an investor in Iran, and has been—shall we say—an obstacle to bringing the full weight of economic and diplomatic sanctions against a regime that is developing nuclear weapons and has not only called for wiping Israel off the map, but has called for wiping us off the map as well.

So I look forward to a foreign policy in which our economic power is used, and I hope that we have a State Department that is capable of standing up to the immense political power in this city of those who say it might be okay to lose thousands of lives to deal with weapons of mass destruction that were not there, but we can't afford to lose a single dollar of corporate profit for importers to deal with nuclear weapons that are in North Korea and are being made in Iran.

So I look forward to hearing from the Ambassador. Thank you.  
Mr. LEACH. Thank you very much.

We welcome you, Ambassador Hill, and please proceed as you see fit. Your full statement without objection will be placed in the record and you may summarize or read as you prefer.

**STATEMENT OF THE HONORABLE CHRISTOPHER HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. HILL. Thank you very much, Mr. Chairman. I would like to read an oral statement if I could, and I am at your disposal for any and all questions.

Mr. LEACH. Of course.

Mr. HILL. Mr. Chairman, Members of the Subcommittee, I am very pleased to appear before you to give an overview of the East Asia-Pacific region.

Perhaps no other part of the globe holds greater potential benefits and challenges for the United States than East Asia-Pacific. The region is home to some of our most stalwart security and trade partners, to an established power, that is, Japan, and to a rising power—China—and to a political and economic dynamism that is the envy of other regions.

The East Asia-Pacific region accounts for nearly a third of the earth's population, a quarter of global GDP, a disproportionate share of global growth, a quarter of our exports, including about 37 percent of our agricultural exports. In all, there is some \$810 billion in two-way trade with the United States. In every regard—geopolitically, militarily, diplomatically, economically, and commercially—East Asia is vital to the national security interests of the United States.

I have completed, actually, today I have completed 11 months as Assistant Secretary for East Asia and Pacific Affairs, and in that time I have had the occasion to travel the length and breadth of the region. I found it to be undergoing a dynamic wave of transformation toward new and political and economic structures, some of which have yet to be defined. I can also report to you that the United States is energetically engaged through the region in advancing our diplomatic, security, commercial, humanitarian, and democracy-promotion agendas. During my travels, I witnessed several positive characteristics of this transformation that I believe bode well for the future.

First, there is an upward curve in prosperity and economic opportunity. Eight of the world's 10 fastest growing economies are found in the region, income levels have climbed, and extreme poverty has on the whole declined.

We are also witnessing expanding regional cooperation—politically, economically and culturally—through the region's major institutions such as the Association of South East Asian Nations, the APEC—Asia-Pacific Economic Cooperation, and the ASEAN regional Forum.

Also, today East Asia-Pacific is largely at peace. The region has not seen a major military conflict in more than 25 years, and there has been widespread rejection of terrorism.

On the democracy front, the transformation in the Asia-Pacific region has been in a very positive direction, with successful elections and institution-building taking place in the past few years not

only in established democracies but also in newly democratic Indonesia.

In considering our future in the region, no effort offers greater potential challenges or rewards than our engagement with China. The United States welcome a confident, peaceful, and prosperous China. We want to see China become an important, responsible player in the international system, and we are working toward that end.

We look forward to the upcoming visit of President Hu Jintao to Washington this spring. We expect that President Hu will want to build on what we hope will be a successful Joint Commission on Commerce and Trade that deals with intellectual property right, market opening, and China's commitment to Doha development goals, among other issues, and we also expect to engage President Hu on a range of human rights and religious freedom topics that Assistant Secretary for Human Rights and Democracy Barry Lowenkron recently discussed with his PRC counterparts in February.

Like China, Southeast Asia is in a state of transformation, with many countries advancing well along the road of economic development and prosperity. I think a key case in point is Indonesia. I just returned over the weekend from Jakarta where I advanced part of the Secretary's first visit to that country, which will take place next week.

During her trip, the Secretary wishes to highlight the outstanding democratic progress made by this, the world's largest majority-Muslim nation. Mr. Yudhoyono, Indonesia's first-ever democratically elected President, has launched an ambitious reform agenda and is working to fight corruption and strengthen Indonesia's young democratic institutions while creating conditions for sustained economic growth.

In Cambodia, where I visited some 6 weeks ago, we have invested considerable time, effort and resources into helping Cambodians recover from the Khmer Rouge regime and build a dynamic, free society. We welcome the prime minister's recent positive steps to resume construction political dialogue with the opposition and with civil society.

Regarding Vietnam, another place I visited in recent weeks, the APEC Leaders' Meeting in November will highlight both that country's emergence as a dynamic regional power, and our increasingly warm bilateral relationship. We welcome Vietnam's efforts to institute reforms to improve its peoples' lives. And while serious human rights and religious freedom issues still remain, Vietnam has been improving its record, and we will continue to work together on these issues.

Our relations with most of the Southeast Asian countries are clearly on the upswing, but unfortunately not with Burma, a country that was once one of Asia's richest and has now turned into one of its poorest. We are working to intensify pressure to release political prisoners and initiate a credible and inclusive political process that empowers the Burmese people to determine their own future.

Our relationships with the countries of Northeast Asia offer a different set of issues. Japan and the Republic of Korea are well-

established democracies with strong economies, and Mongolia has been developing steadily.

On the other hand, North Korea has isolated itself on the other end of the spectrum and continues to pursue nuclear weapons. A strategic decision by the Pyongyang regime to forego nuclear weapons would offer North Korea an opportunity end its isolation and improve the plight of its people.

Elsewhere in the region we continue to work through all appropriate channels with both Taipei and Beijing to ensure peace and stability on the Taiwan Strait.

As I noted earlier, one of the favorable trends in the Asia-Pacific region is toward greater cooperation through the development of regional organizations. We are broadening our engagement with these organizations to address mutual issues that can better be resolved multilaterally.

When the President met with the seven ASEAN leaders who are members of APEC in November in Pusan, Korea, they agreed to develop an ASEAN-U.S. Enhanced Partnership and we have begun discussions with all ASEAN governments to carry this out. We will continue to watch the East Asia Summit to gain an understanding of its relationship to the regional fora that we are already participating in and consider it in terms of our goals for the region.

Our economic challenge in East Asia-Pacific is to open markets, facilitate trade, promote transparency, fight corruption, and support efforts to combat poverty and promote sustained growth. The United States is actively reaching out to the dynamic economics of the region. In addition to the existing free trade agreements with Australia and Singapore and a bilateral trade agreement with Vietnam, we are currently negotiating FTAs with Thailand and the Republic of Korea, and I am pleased today to announce that we are beginning FTA negotiations with Malaysia.

Our economic engagement in the region must take into account the effects of the growth of China's massive economy. China has made considerable strides since its WTO accession in opening its markets, and American businesses today find it easier to trade and invest there.

However, however, we continue to have serious concerns, especially with respect to foreign exchange and currency, intellectual property rights enforcement, standards, transparency, and services. China needs to take action on these issues.

Although the economic picture for many of the countries in the region looks favorable, some are still in need of assistance to join the move forward. The Millennium Challenge Account links United States development assistance to a proven record of good governance. In the East Asia-Pacific region, the Millennium Challenge Corporation has just signed a \$65 million compact grant with Vanuatu. Mongolia and East Timor are eligible to apply for Millennium Challenge assistance, and the Philippines and Indonesia are part of the threshold program.

We will also continue to engage our friends and allies in the region both bilaterally and multilaterally to deal with such global issues as terrorism, disease, international crime, human and narcotics trafficking, weapons of mass destruction proliferation, demining, internet freedom, and environmental degradation.

To address threats to regional peace and security, President Bush has emphasized the strengthening and revitalizing of our alliances. The ties we have with our five key allies—Australia, Japan, South Korea, Thailand and the Philippines—and another key partner in the region—Singapore—have improved significantly since 2001, but the challenge of continuing this progress will occupy our time in the coming years.

Changes in our relations with major Asian allies reflect the priorities of our Global Defense Posture Review. We are taking advantage of advances in technology that have multiplied the combat power of our individual soldiers to reduce our military footprint in Asia while using our increased mobility to guarantee that they will be present when needed.

Finally, there is one overarching threat to everything we are doing in East Asia and the Pacific, and that is the possibility that the current highly pathogenic strain of avian influenza virus might mutate into a form that is easily transmissible from human to human and spread rapidly, causing panic, straining law and order, and disrupting economies.

The outbreak of such a pandemic could affect all our interactions with the region, and for this reason we are embarked on an effort throughout the region to promote greater monitoring, disaster management planning, and full transparency in reporting and investigating influenza occurrences in animals and humans.

At their core, the United States' long-term, strategic foreign policy priorities are actually very simple. We want to see a world that is democratic, prosperous, stable, secure, and at peace. Our policies toward the East Asia-Pacific region are based on these global objectives and we are engaged extensively throughout the region to advance these fundamental goals.

We are fortunate that many of the countries in the region are already moving in a favorable direction and that we have good partners there who are willing to help. My travels through the region have given me optimism that despite some of the difficult obstacles we must overcome, we will see these favorable trends continue in the years to come.

I would now be pleased to respond to your questions. Thank you very much.

[The prepared statement of Mr. Hill follows:]

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

#### INTRODUCTION

Mr. Chairman, members of the Subcommittee, I am very pleased to appear before you to give an overview of the East Asia-Pacific region.

No other part of the globe holds greater potential benefits and challenges for the United States than East Asia—Pacific. The region is home to some of our most stalwart security and trade partners, to an established power—Japan—and a rising power—China—and to a political and economic dynamism that is the envy of other regions. The region accounts for nearly a third of the Earth's population; a quarter of global GDP; a disproportionate share of global growth; and 26 percent of our exports, including about 37 percent of our agricultural exports—in all, some \$810 billion in two-way trade with the U.S. In every regard—geopolitically, militarily, diplomatically, economically, and commercially—East Asia is vital to the national security interests of the United States.

I have completed almost a full year as Assistant Secretary for East Asian and Pacific Affairs, and in that time I have traveled the length and breadth of region. I found to be undergoing a dynamic wave of transformation from its Cold War posture, when it was primarily a region of individual countries aligned politically and economically with one bloc or another, toward an as-yet undefined, new political and economic structure. I can also report to you that the U.S. is energetically engaged throughout the region in advancing our diplomatic, security, commercial, humanitarian, and democracy-promotion agendas. During my travels, I witnessed several positive characteristics of this transformation that bode well for the future.

*Prosperity/Economic Opportunity*

One evident aspect of the transformation is the upward curve in prosperity and economic opportunity. Eight of the world's ten fastest growing economies are found in the region, fueled by China's rapid development and by broad recovery among ASEAN countries from the financial crisis of the late 1990s. Income levels have climbed, and extreme poverty has, on the whole, declined. Regional economies are moving toward greater economic openness, lower trade barriers, and regional cooperation and now account for a large and increasing portion of world trade. Their support for the WTO Doha Development Agenda has played a critical role in advancing the negotiations.

*Regional Cooperation*

Another major trend in evidence is that East Asia-Pacific is also coming together as a region. We are witnessing expanding regional cooperation—politically, economically and culturally—through the region's major institutions, such as ASEAN, APEC, the ASEAN Regional Forum, the Pacific Island Forum, and the Pacific Community.

*Stability, Security and Peace*

I also witnessed during my travels that today East Asia-Pacific is largely at peace. The region has not seen a single major military conflict for more than twenty-five years. Notwithstanding occasional terrorist attacks, we have seen a widespread rejection of terrorism. Historic enmities lie below the surface, but they have been kept in check by growing mutual interests promising advantages for all sides.

*Democracy*

On the democracy front, the transformation in the East Asia-Pacific region has been in a very positive direction. Since January 2004, successful elections have taken place not only in established democracies—Australia, Japan, Malaysia, Mongolia, New Zealand, the Philippines, South Korea, Taiwan, and Thailand—but also in newly democratic Indonesia, the world's most populous Muslim-majority nation.

TRANSFORMATIONAL DIPLOMACY

We have the opportunity now to support this transformation in directions that are mutually beneficial. President Bush, in his Second Inaugural Address, laid out a vision of the direction America should take in doing so when he said, "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in our world."

To make our diplomacy more effective in realizing the President's vision, Secretary of State Rice has embarked on a program to revise the way the State Department does its work. She has termed this "Transformational Diplomacy." In her January 18 address to the Georgetown School of Foreign Service, she defined the objective of Transformational Diplomacy as "work[ing] with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." Integral to this effort is a broad and vigorous program of public diplomacy—promoting the national interest and the national security of the United States through understanding, informing, and influencing foreign publics and broadening dialogue between American citizens and institutions and their counterparts abroad.

The East Asia-Pacific Bureau is already benefiting from the Secretary's transformational diplomacy initiative, in that the Department has recently increased the number of positions in our posts in the region by 23—15 in China, five in Indonesia, and three in Vietnam—and has begun organizing more training opportunities in critically needed regional languages. We will be working over the next few months to develop plans and proposals to support other aspects of Transformational Diplomacy, possibly including additional American Presence Posts, like the one already



operating in Medan, Indonesia, where one of our best diplomats moves outside the Embassy to live and work and represent America. This is the beginning of a long-term commitment to increase our presence on the front lines of diplomacy, where it is needed the most.

*Engagement with China*

In considering the tasks embodied in the objective of Transformational Diplomacy—to promote democracy, good governance, and responsibility in the international system—no effort offers greater potential challenges or rewards than engagement with China.

The success we have in achieving our long-term strategic vision in East Asia will depend in large measure on the direction China takes in the future as an emerging regional and global power. The United States would welcome a confident, peaceful, and prosperous China. We want to see China become a responsible stakeholder in the international system, and we are working toward that end.

One of the key challenges before us is how we interact with China as an emerging regional and global power in ways that simultaneously enhance our bilateral relationship and have a beneficial impact on the security and development of our friends and allies. We have worked hard to develop a relationship that lets us cooperate whenever possible but still allows us to communicate in a candid and direct fashion to address common challenges—regional and global, economic and political. Deputy Secretary Zoellick’s Senior Dialogue is at the forefront of our efforts to engage China in ways that move it in the direction of becoming a responsible regional and in some ways global actor—on Korea, Iran, counter-terrorism, peacekeeping operations, or resources, especially energy.

We also look forward to the upcoming visit of President Hu Jintao to Washington in April. We expect that President Hu will want to build on what we hope will be a successful Joint Commission on Commerce and Trade that deals with intellectual property rights, market opening, and China’s commitment to Doha Development goals, among other issues. And we also expect to engage with President Hu on a broad range of human rights and religious freedom topics that Assistant Secretary for Human Rights and Democracy Barry Lowenkron discussed with his PRC counterparts in February.

This doesn’t mean that we overlook or paper over our real differences in areas such as Taiwan, Hong Kong, human rights, or the bilateral economic relationship. Our agenda with China is wide-ranging and complex. We’ll continue to disagree on a number of important issues, but we can ill afford not to move toward expanding common interests.

*Engagement with Southeast Asia*

Like China, Southeast Asia is in a state of transformation, with many countries advancing well along the road of economic development and prosperity. Southeast Asia offers fertile ground for our transformational diplomacy efforts to support reforms being undertaken by the peoples of the region that will promote democracy and good governance, foster broad-based and sustainable economic development, strengthen their societies, and make them stronger partners.

INDONESIA

A case in point is Indonesia. I just returned from a very positive visit to Jakarta in advance of the Secretary’s first visit there next week. During her trip the Secretary wishes to highlight the outstanding democratic progress made by this, the world’s largest majority-Muslim nation.

Since the fall of Suharto in 1998, Indonesia has emerged from over three decades of authoritarian rule to become the world’s third-largest democracy. In 2004, Mr. Yudhoyono became Indonesia’s first-ever directly elected president. He has launched an ambitious reform agenda and is working to fight corruption and strengthen Indonesia’s young democratic institutions, while creating conditions for sustained economic growth, which is essential to the country’s development and stability. In Aceh province, President Yudhoyono’s administration has already worked to bring Indonesia’s longest-running conflict to an end. The many other challenges before him are enormous, including eradicating widespread poverty, addressing public health concerns such as avian flu, promoting religious tolerance in the world’s most populous majority Muslim country, and accounting for past abuses by security forces. The U.S. is committed to helping him meet these and other challenges through a five-year strategy aimed at strengthening democratic and decentralized governance, improving the quality of basic education, supporting the delivery of higher quality basic human services, and strengthening economic growth to generate employment in the country.

The tsunami disaster contributed to closer bilateral relations by showing America in a new light to all Indonesians, and by raising awareness of Indonesia's importance as an emerging democracy. Our massive humanitarian response, including the use of our military forces for emergency relief, sent a clear message that whatever stereotype they held of us before was flawed. They have a new picture of us now, one that allows a more open relationship. They also know that we are continuing to work closely with the countries concerned and the international community on long-term reconstruction assistance.

With the door now open to closer relations, we have launched a program to assist Indonesia to continue its democratic transformation. One focus of our effort is to modernize and professionalize the Indonesian military to help it learn its proper role in a democracy. We are also deeply involved in helping the Indonesian Government implement the peace agreement and bring about reconciliation in Aceh, and we are working closely with Indonesian authorities to track down and eliminate terrorist organizations trying to make inroads into the society.

#### CAMBODIA

Over the past 15 years, we have invested considerable time, effort, and resources into helping the Cambodian people recover from the horrors of the Khmer Rouge regime and build a dynamic, free society. We continue to care deeply about developments in Cambodia, and thus have welcomed recent positive steps the Prime Minister has taken to resume constructive political dialogue with the opposition and Cambodia's active civil society. Continued progress in strengthening democracy and human rights will enable us to build on our already-strong cooperation with Cambodia in other areas.

#### VIETNAM

The APEC Leaders' Meeting in November will highlight both Vietnam's emergence as a dynamic regional power and our increasingly warm bilateral relationship. The energy, dynamism, and hunger for progress are palpable in Vietnam. We welcome the country's impressive efforts to integrate fully into regional institutions and the global economy and to institute reforms that improve its peoples' lives. Prime Minister Pham Van Khai's 2005 visit to Washington reflected the significant improvement in bilateral relations. Vietnam has redoubled its efforts to join the WTO in 2006 and intensified cooperation on health issues like combating HIV/AIDS and avian and pandemic influenza. While serious human rights and religious freedom issues remain, Vietnam has taken significant steps toward improving its record, and we continue working together through mechanisms like the U.S.-Vietnam Human Rights Dialogue. As host of APEC 2006 and an increasingly important trading nation, Vietnam is taking a more active role in the region.

#### BURMA

While our relations with most of the Southeast Asian countries are on the upswing, that is not the case in Burma, where a xenophobic military regime has turned the country from one of Asia's richest into one of its poorest. We are working with our partners in Europe and Asia, and at the UN, to intensify pressure on the regime to release political prisoners and initiate a credible and inclusive political process that empowers the Burmese people to determine their own future. This genuine dialogue is the only way to begin comprehensively addressing Burma's myriad problems, many of which will not stay within its borders, and to help the people of Burma join the overall positive trends in the region. We strongly support the renewal of the Burma Freedom and Democracy Act, as now is not the time for us to consider pulling back our sanctions in the face of the regime's increasing repression.

#### *Engagement with Northeast Asia*

While in Southeast Asia we will focus on promoting democracy, good governance, and responsible behavior in the international community, our relationships with the countries of Northeast Asia offer a different set of goals. Japan and Republic of Korea are strong democracies with strong economies, while Mongolia has had a democratically elected government for over 15 years and is developing steadily.

On the other hand, North Korea has isolated itself, and the Pyongyang regime continues to challenge the international community through its pursuit of nuclear weapons. To deal with this challenge, we established the Six-Party Talks framework aimed at obtaining the dismantlement of North Korea's nuclear programs in a permanent, thorough and transparent manner. We were pleased to achieve agreement on a Joint Statement of Principles in September 2005, which lays out steps for all sides to take toward the goals of denuclearization and Northeast Asian integration

and prosperity. We remain ready and eager to resume discussions without conditions on implementing the principles in the Joint Statement. The United States has made clear that the resolution of the nuclear issue would offer an opportunity to end North Korea's isolation and improve the plight of its long-suffering people. Our relations with North Korea are unlikely to thaw until the Pyongyang regime makes the strategic decision to forego nuclear weapons and end the country's isolation.

In addition to a de-nuclearized Korean Peninsula, there are a number of important common interests the United States shares with Japan, Korea, and China, including energy security and environmental protection. We are urging the three to not let history issues prevent them from cooperating on issues of mutual benefit.

Elsewhere in the region, we continue to work through all appropriate channels with both Taipei and Beijing to ensure peace and stability in the Taiwan Strait. In accordance with our one China policy, the three Joint Communiqués with China, and the Taiwan Relations Act, we oppose unilateral changes by either side to the status quo. We do not support Taiwan independence, and we oppose the use or threat of force by Beijing. We believe that a reduction in tensions and an ultimate peaceful resolution of cross-Strait differences requires Beijing to engage in meaningful dialogue with Taiwan's democratically elected leaders in the near future.

#### *Engagement with the Pacific*

With so much happening in East Asia, we tend to overlook the problems and progress of the smaller island countries of the Pacific. But the United States has real interests in the region, not the least of which involve our relations with the Freely Associated States (FAS), where, under the Compacts of Free Association, the U.S. Government continues to show its commitment to former territories through dozens of programs valued at millions of dollars. We have military interests in the region; the Reagan Missile Test Facility on Kwajalein Atoll is a prime example. We enlist the small Pacific Island states to help combat transnational crimes like human trafficking, money laundering, the selling of passports and citizenship, and other activities that could give terrorism footholds in the region. Many of these small island nations consistently support U.S. initiatives in the United Nations and elsewhere; several have sent forces to support us in Iraq and Afghanistan.

#### *Engagement with Regional Organizations*

As I noted earlier, one of the favorable trends in the Asia-Pacific region is toward greater regional cooperation, which includes the development of regional organizations. We are broadening our engagement with these organizations to address mutual issues that can better be resolved multilaterally.

We are deeply involved in the Asia-Pacific Economic Cooperation (APEC) forum, an association of 21 economies bordering the Pacific Ocean that are working cooperatively to enhance the security and prosperity of our region. For the United States, APEC is the key institution for pursuing trade and investment liberalization and addressing issues that demand multi-lateral cooperation, such as confronting the threat of an avian influenza pandemic and regional security. At the annual APEC Summit in November 2005, President Bush affirmed that APEC is the premier forum in the Asia-Pacific region for addressing economic growth, cooperation, trade, and investment.

The U.S. is an enthusiastic participant in the ASEAN Regional Forum (ARF)—the region's only broadly inclusive institution dedicated to security issues—as it moves to stimulate cooperation on a wide range of nontraditional security threats, including maritime security, terrorism, nonproliferation, and cyber security.

When the President met with ASEAN leaders attending the APEC Summit in November, they agreed to develop an ASEAN–U.S. Enhanced Partnership. We have begun discussions with ASEAN governments on the Partnership, which will include new cooperation on political/security, economic, and socio-cultural issues.

We actively assist Pacific area programs, primarily through regional organizations like the Secretariat of the Pacific Community and the Pacific Island Forum, by providing economic, technical, and development support to the 22 nations and territories of the Pacific. These are the primary organizations through which we work to combat Avian Flu and HIV/AIDS, strengthen maritime security, enhance air and seaport security, protect fisheries and coral reefs, and maintain agricultural diversity in an area comprising more than a quarter of the earth's surface.

We will continue to watch the East Asia Summit (EAS) to gain an understanding of its relationship to the regional fora which we actively support and participate in and our goals for the region.

#### *Economic Engagement*

Our economic challenge in East Asia and the Pacific is to open markets, facilitate trade, promote transparency, fight corruption, and support efforts to combat poverty

and promote sustained growth. The United States is actively reaching out to the dynamic economies of the region. We have completed Free Trade Agreements with Australia and Singapore, are currently negotiating one with Thailand, and recently announced the beginning of FTA negotiations with the Republic of Korea. And I am pleased today to announce that we are beginning FTA negotiations with Malaysia. Our Bilateral Trade Agreement with Vietnam, serving as a stepping stone for its prospective WTO membership and full integration into the global economy, has been a catalyst for economic growth and development in that country. We are also working effectively through APEC and other regional multilateral fora to create opportunities for American business and enhance the prosperity of the region.

Our economic engagement in the region must take into account the effects of the growth of China's massive economy. China has made considerable strides since its WTO accession in opening its markets, and many American businessmen today find it easier to trade and invest there. However, we continue to have serious and growing concerns, especially with respect to foreign exchange and currency, IPR enforcement, standards, transparency, and services. Moreover, our trade deficit with China has climbed to over \$200 billion, and China needs to take actions that will level the playing field for American companies trading in the PRC—a key subject of USTR's recently concluded Top-to-Bottom Review. It is essential that China's continuing evolution—and its eventual adoption of a market-based exchange rate regime—leads to even greater opportunities that will benefit both countries enormously.

#### *Promoting Good Governance through the Millennium Challenge Account*

The economic picture for many of the countries of the region looks favorable. However, there are some that are in need of assistance to join the move forward.

President Bush has determined that America must lead in promoting economic development in the less developed countries. Our experience—especially in Asia—has shown that sound economic policies and openness to trade and investment do more to spur growth than does development assistance. With this in mind, United States created the Millennium Challenge Account, which links U.S. development assistance to a proven record of good governance. In the EAP region, the Millennium Challenge Corporation has just signed a \$65 million compact grant with Vanuatu; Mongolia and East Timor are eligible to apply for Millennium Challenge assistance which is expected to be substantially larger in size; and the Philippines and Indonesia are part of the threshold program. We hope this will give other governments in the region an incentive to take a deep inward look at their practices and make necessary changes. We are also seeking the cooperation of other developed countries to advance common objectives in developing countries.

#### *Global issues*

Part and parcel of Transformational Diplomacy is the effort to address such global issues as terrorism, disease, international crime, human and narcotics trafficking, demining, internet freedom, and environmental degradation.

Although East Asia has generally rejected the extremist forms of Islam that spawn terrorists, our challenge remains to root out all vestiges of this menace. There is a growing realization throughout the region that terrorism threatens all governments and that the best way to confront this threat is by working together.

We are also continuing to look for ways to help regional states that have sovereign responsibilities for ensuring security of the vital Strait of Malacca trade route to enhance their maritime law enforcement capabilities and cooperation.

The United States believes that to advance the related objectives of improving economic and energy security, alleviating poverty, improving human health, reducing harmful air pollution, and reducing the growth of greenhouse gas emissions levels, great progress can be made by working with other nations. To this end, the United States has joined with five Asian nations—Australia, China, India, Japan, and Republic of Korea—to launch the Asia-Pacific Partnership on Clean Development and Climate. The Partnership will build on existing bilateral partnerships and multilateral climate change-related energy technology initiatives, including the Carbon Sequestration Leadership Forum, the International Partnership for the Hydrogen Economy, and the Methane to Markets Partnership. The First Ministerial meeting of the Asia-Pacific Partnership was successfully held on January 11–12, 2006 in Sydney, Australia. At that meeting, the ministers agreed to a Partnership Communiqué, Charter, and Work Plan that established eight public-private sector Task Forces.

#### *Strengthening of Alliances and Partnerships*

To address threats to regional peace and security, President Bush has emphasized the strengthening and revitalization of alliances. The ties we have with our five key

allies and a key partner in the region have improved significantly since 2001, but the challenge of continuing this progress will occupy our time in the coming years.

#### AUSTRALIA

The U.S. and Australia have a long history of working together as the closest of allies, and our relationship is the best it has ever been. Australia stands with us in Afghanistan and Iraq—sending forces during the conflicts and now playing a major role in reconstruction. We worked closely with Australia, as well, on the international response to the Christmas 2004 tsunami disaster. We share a commitment in combating terrorism, international trafficking in persons, nonproliferation, and other transnational issues.

#### JAPAN

The President has called Japan “a force for peace and stability in this region, a valued member of the world community, and a trusted ally of the United States.” We continue to work closely with Japan, advancing our relations toward a more mature partnership, one in which Japan plays an increasingly effective role in advancing our mutual interests regionally and globally. We have continued to expand and deepen our alliance since then through our joint work on reconstruction in Afghanistan and Iraq—including Japan’s unprecedented deployment of Self-Defense Forces to southern Iraq; coordination and cooperation on tsunami relief; and in deepening our bilateral strategic dialogue, including on overseas development assistance.

To ensure that the U.S.-Japan security alliance remains vital, with the capability and resources to safeguard stability and prosperity in this region, we have conducted an ongoing series of consultations with Japan at the ministerial level. In October 2005, these “2+2” consultations produced an important report underscoring our joint commitment not only to maintaining a strong and enduring alliance but to enhancing it. The report fulfills a promise made between President Bush and Prime Minister Koizumi to transform our alliance by improving its deterrent capabilities while also addressing the concerns of base-hosting communities in Japan, thus strengthening domestic support in Japan for our long-term presence.

We are hard at work now on implementation plans to assure that these important transformation and realignment initiatives are brought to fruition. This is an exceptionally ambitious undertaking. It will require effort, sacrifice and significant financial commitments on the part of both the United States and Japan consistent with the nature of our global partnership. Our aim is to reach agreement on an implementation plan by late March, and with additional hard work I believe we can meet this goal.

#### SOUTH KOREA

We have also consolidated our partnership with South Korea. We have begun reducing our troop presence in a prudent way, at the same time enhancing our deterrent capability by restructuring and reorganizing our forces. Meanwhile, our relationship with South Korea is moving beyond its original security rationale as the nation begins to play a global political role commensurate with its economic stature. South Korea is the third-largest troop contributing state to international operations in Iraq.

#### THAILAND

We have steadily strengthened our alliance with Thailand over the past several years. In the war against terrorism, Thailand has also been a staunch partner and ally, contributing troops to coalition efforts in Afghanistan and Iraq. The President has designated it as a Major Non-NATO Ally.

#### THE PHILIPPINES

The Philippines is a Major Non-NATO ally and an important partner in the Global War on Terror. We work closely with the Armed Forces of the Philippines through training and exercises, to include the recently concluded Balikatan (“Shoulder to Shoulder”) exercises, in which thousands of U.S. personnel participated alongside their Philippine counterparts. It was during Balikatan that U.S. personnel were able to render assistance in the aftermath of the landslide disaster in Leyte. In addition to training and exercises, U.S. forces advise Philippine forces in addressing international terrorist threats in the Philippines. We are also engaged in a jointly-funded multi-year program called Philippine Defense Reform aimed at modernizing the structure of the Philippine defense establishment. This program is a comprehen-

sive effort designed to produce long-term institutional improvements in such areas as operations and training, logistics, staff development and acquisitions.

#### SINGAPORE

While Singapore is not a treaty ally, our partnership with it has furthered our shared interests, and the relationship had gotten closer over the past years. Our arrangements with Singapore give us access to world-class port and airfield facilities along key transportation routes. Last year, President Bush and Singapore Prime Minister Lee Hsien Loong opened a new chapter in our strong partnership by signing a bilateral “Strategic Framework Agreement” that reflects our shared desire to address common threats such as terrorism and the proliferation of weapons of mass destruction. And Singapore is playing an active role in regional efforts to safeguard the vital sea lanes that pass through the Straits of Malacca and Singapore.

#### *Restructuring of our global defense posture*

Changes in our relations with major Asian allies reflect the priorities of our Global Defense Posture Review, which aims to improve our and others’ reactions to emerging threats while we maintain the ability to address traditional ones. We are taking advantage of advances in technology that have multiplied the combat power of our individual soldiers to reduce our military footprint in Asia. At the same time, we are using our increased mobility to guarantee that we will be present when needed to help our friends and allies.

#### *Detering Proliferation of Weapons of Mass Destruction*

Another challenge to regional and global security is the proliferation of weapons of mass destruction and the means to deliver them. While in the past we were primarily concerned with proliferation between states, we have become more conscious that terrorist organizations could use these weapons. For this reason we initiated the Proliferation Security Initiative to stop their transit. I am pleased to say that Australia, Singapore, New Zealand, and Japan are among the participants in PSI.

#### *Avian Influenza*

Finally, there is one overarching threat to everything we are doing in the region, and that is the possibility that the current highly pathogenic strain of the avian influenza virus might mutate into a form that is easily transmissible from human to human and spread rapidly, causing panic, straining law and order, and disrupting economies. The outbreak of such a pandemic could affect all our interactions with the region. For this reason, we are embarked on an effort throughout the region to promote greater monitoring, full transparency in reporting and investigating influenza occurrences in animals and humans, and disaster management planning. We are receiving cooperation from most governments and regional and international organizations, but the closed nature of the regimes in North Korea and Burma present a real challenge to our ability to stop an outbreak before it spreads.

#### CONCLUSION

At their core, the United State’s long-term, strategic foreign policy priorities are very simple. We want to see a world that is democratic, prosperous, stable, secure, and at peace. Our policies toward the East Asia—Pacific region are based on these global objectives, and we are engaged extensively throughout the region to advance these fundamental goals. We are embarked on an effort to use our diplomacy in new ways to assist other countries in the worldwide transformation following the Cold War toward democracy, good governance, and responsibility in the international system. We are fortunate that many of the countries of the region are already moving in a favorable direction and that we have good partners there who are willing to help. My travels through the region have given me optimism that, despite some difficult obstacles we must overcome to achieve our goals, we will see the favorable trends I mentioned at the beginning continue in the years to come.

I would now be pleased to respond to your questions.

Mr. LEACH. Thank you very much, Ambassador Hill. That was a wide survey.

Let me begin with Taiwan for a moment. There have been actions taken in Taiwan, possibly in response to perceived escalation on the mainland, but whatever the reasons they seem to be of the nature that imply a movement towards—at least philosophically speaking—the possibility of independence.

Am I right that the position of this Administration is that of a One-China policy, and that we have cautioned the government of Taiwan on the independence issue?

Mr. HILL. Our position, the position of this Administration, as it has been the position for the last six United States Presidents, continues to be that there is a One-China policy. Indeed, we have cautioned against any unilateral moves by either of the parties, and we have urged them to resolve these issues through peaceful dialogue.

Mr. LEACH. Thank you.

Let me turn then for a moment to North Korea. There is a sense of a stultification of process. Do you see any prospect of an acceleration of negotiations that will lead to the denuclearization of the peninsula?

Mr. HILL. Well, first of all, Mr. Chairman, we are obviously in a very difficult phase of the process. It was a very hard, tough slog to get to a statement of principles in September. These were very difficult talks. And as difficult as those talks were in getting to a statement of principles, we can anticipate the actual implementation of those principles will be even more difficult.

Since we reached agreement on September 19, the North Koreans have put up several obstacles toward further sessions, and most recently they have said that they will not attend until there is progress on addressing what they call economic sanctions and what we refer to as our defensive measures designed to protect the United States financial system against examples of money laundering of the sort that were posed, in our view, by a bank in Macau.

Now, whether the North Koreans truly believe these are an obstacle is hard to say because, after all, on the one hand we have a nuclear program that they have been pursuing for over a quarter of a century, and it is hard to imagine that an issue of money laundering involving some bank accounts in Macau could be held as an impediment to dealing with a fundamental question, that is, a fundamental issue of dismantling their nuclear programs that have been there for a quarter of a century.

So I think this prompts a lot of people to believe that the North Koreans are in effect stalling because they have not yet made up their mind to come to the table and to begin the very difficult process of laying out all those programs and agreeing to their complete dismantlement.

Mr. LEACH. Well, let me say this Congress clearly supports you in your negotiating efforts. Beyond that, with regard to the very specific issue of not simply money laundering, but counterfeiting a currency to money launder is an extraordinary issue in international affairs, and the Congress, if anything, is more firm on this issue than the Executive, and I don't mean to make a contrast. But the notion of someone counterfeiting another country's currency is a signature issue of challenge to financial sovereignty, and it cannot be taken lightly, and no country can take it lightly, and we are obligated to take it seriously, and the Executive has very little option except to take it seriously.

So while this is a separable issue from the nuclear issue, it implies many of the same issues of rule of law, et cetera. And so to

take any negotiation seriously one would hope that another country would follow the rule of law, and I think that has to be understood in North Korea.

Now, in terms of discussion, as I indicated in my opening statement, I have personal views that the United States should be prepared to augment the Six-Party Talks with other kinds of avenues of discussion, and I know you have been invited formally at low levels for North Koreans to come here to look at the concerns we have on the counterfeiting issue.

But I am wondering why the Administration may not be prepared to send a senior-level delegation, perhaps headed by you, to North Korea to also address other issues, and in particular the issue that is committed in the Six-Party process already, and is strongly agreed to in our negotiations with the South Koreans, to press for negotiations for a formal peace treaty to end the Korean War.

Where do we stand on that issue?

Mr. HILL. Mr. Chairman, if you recall from the September agreement, there are a number of elements in that agreement that go beyond just the denuclearization of North Korea, and one of the elements is to try to arrange for a peace mechanism on the Korean Peninsula to replace the armistice.

The agreement also talks about aiming to integrate North Korea into the international financial system, and to provide a means to help reform the North Korean economy and provide energy resources as well. All of those issues are on the table.

When the North Koreans come back to the table and I want to add that five of the six countries are ready to come to Beijing are ready to sit down as soon as these talks are scheduled, five countries are already ready, and I have my bags packed for that, and the problem has been that the North Koreans are not yet ready to come.

So when they do come, they will find us ready to press ahead with the implementation of all of the elements of this September agreement.

I think one of the issues with regard to this question of bilateral talks, or this sort of issue is that we have found a tendency on the part of the North Koreans to try to get away from the multilateral mechanism toward a bilateral mechanism, which is as if to say that the problem they have is a problem with the United States, and what we have tried to stress to the North Koreans is that we believe the Six-Party process is the more appropriate process because the issue of nuclear weapons has profound implications for the region, and therefore the countries of the region should be at the table.

The time when only Americans would negotiate with the DPRK while countries who are absolutely central to the process would have to wait for readouts from us, that time is over. South Korea needs to be at the table, and they are at the table and full participants at the table, as are the other countries, so we need to work together.

At the same time we need to have flexibility within that Six-Party process to be able to talk directly and get our messages across, and I am pleased to say I very much as a negotiator had



that flexibility. In the context of the Six-Party Talks, I have been able to have many bilateral, face-to-face sessions with the North Koreans.

I think that the issue of how we meet them and where we meet them is really a tactic that we need to reserve to see how best to fulfill the goals of the Six-Party process, meaning to implement fully this September agreement.

So I am confident that we can pursue these goals in whatever format we deem appropriate.

Mr. LEACH. Well, I appreciate that. I would just add to this. There is a great deal of comfort in the Six-Party process, but there is also a sense that there is no objection to augmenting it with other direct discussions. Other countries within the Six-Party process are doing it. We are not.

Secondly, with regard to the potential peace agreement, it is widely understood that that would be outside the Six-Party process negotiations on reaching a resolution of events around the Korean War. Am I not right on that?

Mr. HILL. Well, in the text of the statement of principles, the six parties commit themselves to supporting an appropriate mechanism in an appropriate forum with the appropriate countries to deal with the issue of a peace mechanism.

So the September agreement, the Beijing agreement, does envision a proceeding with a peace mechanism on the Korean Peninsula which would involve a different forum than the Six-Party process. We probably would not do that in Beijing, for example, but it certainly is envisioned and we would hope to accomplish that.

Our purpose here really, if you look at this Six-Party agreement, is to gain the denuclearization of the Korean Peninsula but also to address the problems, the continuing instability that this issue has caused, and it is all in the text of the September agreement.

Mr. LEACH. Well, I appreciate that very much, and I am just going to conclude with this, and there is a reference in the earlier hearing today with State Department officials about being able to chew gum and skip rope at the same time. But it does not appear that any substantive progress has occurred on an agreement to end the Korean War, and what I am simply suggesting is it is unclear to me whether this is a sequencing issue, whether it is a strategy issue, or whether there are stumbling blocks to something that both sides have agreed to on this issue.

All the attention to date is on the nuclear issue, and probably that is the major issue of consideration, but I am hopeful that the department does not think it cannot proceed in other areas at the same time.

You don't need to respond to that. I am just trying to make that clear.

Before turning to Ms. Watson, let me mention after Mrs. Watson asks her question we will be required to adjourn for a series of votes on the House Floor, and it will be probably a half an hour of voting.

Mr. SHERMAN. Mr. Chairman, I will try to get my questions in as well.

Mr. LEACH. Yes, we will see if that can be done.

Mrs. Watson.

Ms. WATSON. Well, I think the discussion pretty much addresses my concerns, but there seems to be a trust factor there, and with China, do you think that they would like to get the United States out of any kind of negotiations on Asian matters? What is your response?

Mr. HILL. Certainly based on the experience in the Six-Party Talks, they very much, very much want us at the table, and we have actually had, I think, productive negotiating sessions. It is one of the first occasions where we have really worked together with the Chinese on a diplomatic issue of common concern in the region. So I think it has been productive, but I certainly take the point of those who would argue that we have to see some results here.

Ms. WATSON. There is a trust factor too, and how are we progressing in terms of whether we are trusted to make a fair deal?

Mr. HILL. Well, you know, anytime you have a high-stakes negotiation like this, you are quite right, there are trust factors, and I think what a negotiator needs to do is try to negotiate with his cards turned up and show where he is coming from on the issues.

I also need to be very clear with the other parties, and especially with the North Koreans, on what my country's concerns are. I think, first of all, I owe that to the American people to make a very clear statement of what our concerns are, and we have a lot of concerns about North Korea and about its policies.

So I think you are quite right, there are trust factors, and one hopes that the more one can negotiate the more you can overcome some of the trust factors. But I am also very aware that people are looking at this process and they are seeing the days, weeks, and months go by, and they want to see some progress. So we don't have forever to get this solved.

Ms. WATSON. Thank you, Mr. Chairman, I will yield back my time. I think Mr. Sherman is probably going to—

Mr. LEACH. Mr. Sherman, please.

Mr. SHERMAN. You said that with the region we have \$810 billion of total trade. How much of that is import? How much of that is export?

Sir, the fact that you don't know—don't we have the largest deficit that any country has ever had with any region of the world in the history of trade?

I assure you that your French counterpart or your German counterpart would not just focus on total trade, but would know the amount of import and export, and in any case, let me move on. But clearly no Asian country believes that they have to import from the United States just to be able to have access to our markets.

You talked about a free trade agreement with Malaysia. To what extent would Malaysia have to not boycott Israel both as a matter of form but also as a matter of substance in order to have an FTA with us.

Mr. HILL. Well, first of all—

Mr. LEACH. Excuse me. If the gentleman would suspend for a second. I don't think your microphone is on or you should pull it closer.

Mr. HILL. Okay.

Mr. LEACH. Thank you.

Mr. HILL. First of all, the decision to begin negotiation with Malaysia has just been made. It was just announced earlier this morning, and so—

Mr. SHERMAN. And does Malaysia currently boycott Israel?

Mr. HILL. I believe Malaysia does participate in some multilateral boycotts of Israel. That is my understanding.

Mr. SHERMAN. I would have hoped that we would have not made such an announcement until Malaysia had at least changed its official policy, and that I hope very much that you will not present an FTA with Malaysia to the House unless it not only eliminates an official policy of boycott, but you have something you can point to that shows that there will actually de facto not be a boycott of Israel.

I want to move on to the next question, and that is, have we specifically brought up with China their proposed \$70 billion of investment in the Iranian oil sector, and if so, have we indicated that access to our markets could be limited if they actually go forward with that investment?

Mr. HILL. This issue, as well as other issues related to China's relationship with Iran, have been substantially discussed with the Chinese. We have an ongoing dialogue with them at the Secretary's level, and we have indeed—

Mr. SHERMAN. I am going to ask a much more specific question.

Mr. HILL. Okay.

Mr. SHERMAN. I am going to ask you not to talk to me about the general comments, and perhaps you could just answer yes or no. Have we done anything, said anything that would cause Beijing to think that its access to United States markets will be at stake if they either make the \$70 billion investment in Iran or oppose our efforts to impose really strong sanctions?

Mr. HILL. To the best of my knowledge, no.

Mr. SHERMAN. Okay, likewise, have we indicated to China that its access to our markets could be limited in any way if they continue to subsidize North Korean regime while that regime is building additional nuclear weapons?

Mr. HILL. We have made clear to the Chinese that the issue of North Korea is an issue of great interest to the United States, and does have an impact on our relationship with China.

Mr. SHERMAN. But there is no reason that they have to think that—

Mr. HILL. We have not put it in those explicit terms.

Mr. SHERMAN. Okay. And finally, you know, we know that piracy of our intellectual property is just widespread in China. I have had official delegations come back and tell me that they are walking down the street and there it is being sold.

Have we imposed a single dollar of penalty, imposed a single dollar—have we taken any action, not just talking, but action that would deprive China of a single dollar because they have allowed this widespread and obvious pirating of our intellectual property?

Mr. HILL. Mr. Congressman, the issue of intellectual property rights is a major issue that we—

Mr. SHERMAN. I have asked a very specific question—

Mr. HILL [continuing]. Asked the Chinese on several levels—

Mr. SHERMAN [continuing]. And I have very—has a single Chinese entity lost a single dollar and been forced—by action of the United States, have we imposed a tariff or a fine? Have we done anything where a single dollar has been transferred from any Chinese entity to the American government as a result of our displeasure over this piracy?

Mr. HILL. With respect to whether we have exacted any fines, I will have to take the question and get back to you because I do not—

Mr. SHERMAN. I would say that—

Mr. HILL. I do not know of a specific instance, but would have to take—

Mr. SHERMAN [continuing]. I am sure you approach all this with great earnestness, but the fact that Beijing can laugh so loudly at us, can do anything they want that meets their own needs with regard to Iran, piracy of our intellectual property, or North Korea shows that we are utterly unwilling to use the economic power at our disposal, and we send you to Beijing armed with nothing but the soundness of your arguments, and since you have no stick, I am surprised you have gotten this far as you have, but I am not surprised that we haven't actually seen a change on piracy, Iran, nor have the centrifuges stopped spinning in either Iran or North Korea.

I believe my time has expired. I yield back.

Mr. LEACH. Mr. Secretary, the circumstances are that we have a large number of votes on the House Floor. There are no other Members present, and so although I know several wanted to be here I am going to decide that we will end the hearing at this moment.

I want to thank you very much for your testimony, and appreciate your attendance.

The Committee is adjourned.

[Whereupon, at 3:23 p.m., the Subcommittee was adjourned.]

## APPENDIX

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### MATERIAL SUBMITTED FOR THE HEARING RECORD

RESPONSES FROM THE HONORABLE CHRISTOPHER HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

*Question:*

*Although Japan and China have close economic ties, their diplomatic relations have been strained by clashing interests and cultural friction. Relations between our allies in Japan and South Korea are strained over similar sets of issues. Assuming that tensions in Asia are not in America's interest, why hasn't the Administration been more proactive in promoting reconciliation between the giants of Northeast Asia?*

*Response:*

Japan and South Korea are treaty allies of the United States, and China is an important partner, so continued stability and prosperity in Northeast Asia are vital to U.S. national interests. The nations in the region are engaged in an intense debate of deep-rooted and complex historical issues, and no third party can impose a resolution. Nevertheless, the Administration has reiterated the importance of dealing with the issues in an amicable manner, and we will continue to urge reconciliation in the region and a constructive focus on our many issues of common concern, like de-nuclearization of the Korean Peninsula, energy security, and strong trade and investment ties.

*Question:*

*A great deal of nascent institution-building is underway in Asia—for example, the "ASEAN plus three" meetings and the "East Asia Summit" process comes to mind—some of which exclude the United States. Is America guilty of lax leadership and strategic neglect if we do not insist on being included in Asian institutions which encompass discussion of pan-Pacific security and economic issues?*

*Response:*

The United States recognizes that burgeoning intra-Asian trade, investment and finance are leading to the establishment of pan-Asian institutions like the ASEAN plus three and the East Asia Summit. Every region of the world has developed its own institutions—such as the EU in Europe, the AU in Africa, the Arab League and GCC in the Middle East, SAARC in South Asia, and CARICOM in the Caribbean. Asia is not an exception.

While we understand and expect that pan-Asian institutions will evolve, there will continue to be a need for trans-Pacific regional architecture as well, similar to the case in Europe where European and trans-Atlantic institutions coexist.

The fact that we are not a member of some regional institutions is no indication of lack of leadership or neglect. By any measure—historically, geographically, economically, culturally—the United States is an Asia-Pacific power. The United States continues to be a leader in the region through our alliance architecture and other security arrangements, our economic, development and cultural ties, and our membership in organizations like APEC and the ASEAN Regional Forum. We are focusing our efforts on strengthening these transparent and open Pacific institutions, which we believe provide the best platforms for regional cooperation to address our key security and economic interests. The new institutions should complement exist-

ing fora, not duplicate them. We believe it is in the best interests of all parties that all components in the still emerging Asia-Pacific architecture form a mosaic that can address the challenges to the region in the 21st century.

*Question:*

*Earlier this month President Arroyo of the Philippines lifted a state of emergency that she had reportedly imposed in order to put down an attempted coup. My impression is that planning for the state of emergency had already been underway for several months prior to the attempted coup. What can you tell us about the planning and scope of the state of emergency as well as the attempted coup? What does this episode say about the health of Philippine democracy? To what extent, if any, has this incident caused the Administration to reassess its foreign assistance priorities for the Philippines?*

*Response:*

We welcomed the March 3 decision by the Arroyo government to lift the State of National Emergency that it declared on February 24. I was recently in the Philippines to attend ASEAN Regional Forum meetings and had the opportunity while I was there to meet with President Arroyo and other Philippine leaders to discuss the situation.

The Arroyo government has for some time expressed its concerns about threats to its stability from various actors both within the political structure of the Philippines as well as from terrorist groups. The U.S. has repeatedly urged the Philippine government that all efforts to address perceived threats should be consistent with the rule of law and the Constitution.

The scope of the State of Emergency appears to have been limited, with only a small number of civilians and members of the security forces detained in connection with it. Legal charges are being brought against the civilians allegedly involved and the members of the security forces are being investigated. We also understand that the Philippine police have filed motions for probable cause against certain opposition figures which may result in warrants for their arrest. We will be watching closely the outcome of those deliberations. With regard to the alleged planned coup, the details are as yet unclear. It appears, however, that some elements of the security forces—perhaps working in league with others outside of the military—sought to destabilize the Arroyo government by withdrawing their support.

Philippine democratic institutions are under stress due to corruption, resistance to reform by entrenched interests, and economic weakness. We continue to believe that U.S. efforts to support Philippine military reform and judicial and law enforcement cooperation (e.g., the combating of terrorist finance, extra-judicial killings, trafficking in persons, corruption and intellectual property rights violations) as well as development projects aimed at addressing the conditions that terrorists can exploit, have a direct and positive impact on key U.S. interests. We look forward to further deepening our cooperation on important issues that both countries face, including counter-terrorism, regional cooperation and security, defense reform, and economic development.

*Question:*

*With respect to the situation in Mindanao, I understand progress is being made in negotiations between the government and the MILF. Do you anticipate requesting additional funds from Congress this year to support the nascent peace process there?*

*Response:*

In the event of a peace accord with the Moro Islamic Liberation Front (MILF), the U.S. Government is prepared to immediately expand our Mindanao assistance program to include bilateral aid for the MILF. However, the size of such a program would be dependent on the availability of resources. If peace talks succeed in FY 2006, we anticipate a substantial increase in funding would be necessary in order to reintegrate the estimated 12,000 MILF combatants. This reintegration program would significantly assist the sustainability of the peace pact, and put considerable pressure on terrorists operating in the southern Philippines. We also look forward to engaging with our development partners regarding plans for a multi-donor Mindanao Trust Fund, which would serve as a vehicle for donor coordination.

Regarding the peace process, we welcome progress in the ongoing talks between the Philippine Government and the MILF. We remain convinced that a lasting peace in Mindanao is absolutely key for stability and growth of the entire country. The August 2005 elections in the Autonomous Region of Muslim Mindanao represented an important opportunity to provide its residents with democratic choices for their future.

*Question:*

*In light of the continued rapid increase in China's official military budget, why is there so little discussion in Taiwan about its national security requirements and why is the U.S. arms sale proposal from 2001 still languishing before the Legislative Yuan?*

*Response:*

We are closely following Taiwan's defense spending decisions and are increasingly concerned that Taiwan is not adequately investing in its own defense. Our concerns encompass not only Taipei's failure to purchase advanced defensive arms, but also its failure to take urgent, near-term steps including hardening defenses, enhancing readiness, and increasing general defense spending.

We applaud the strides Taiwan has made in modernizing certain aspects of its defense posture. During the period 2002–2005, the President notified Congress of purchases by Taiwan of USD \$2.73 billion of equipment and systems through seventeen Foreign Military Sales (FMS) programs. Major FMS programs include the acquisition of four KIDD destroyers, the initiation of a command, control, communications, computer, intelligence, surveillance, and reconnaissance platform to support joint operations planning, HAWK missile upgrades, and a long range early warning radar system. All of these systems bolster Taiwan's defensive capability, and when tied together through a common command and control structure, multiply Taiwan's defense capabilities.

While Taiwan has appropriated substantial resources for certain defense projects, many other critical programs have been caught in political gridlock over whether to purchase major weapons systems that President Bush approved for sale to Taiwan in 2001, including P-3 surveillance aircraft, PAC-III anti-missile systems, and diesel-electric submarines. Taiwan's failure to acquire these systems to date flows from both the legislature's decision not to approve the Special Defense Budget and the Chen Administration's consistent decisions to allocate only marginal increases in its regular defense budget, even as it has approved double-digit increases in economic and social programs.

We have expressed our expectation to leaders of all of Taiwan's political parties that they place defense above partisan politics and work toward an early decision in the interest of security of the people on Taiwan. We urge Taiwan's political leaders to implement plans to bolster defensive capabilities, irrespective of the outcome of the debate over the Special Defense Budget.

*Question:*

*In the Joint Statement agreed to last September, North Korea asserted its "right to the peaceful uses of nuclear energy" and the other parties agreed to discuss "at an appropriate time" the provision of light-water nuclear power reactors (LWRs) to the DPRK.*

- *Is it the North Korean position that they will not dismantle their nuclear weapons program, return to the NPT, and accept IAEA safeguards until the construction of the LWRs is completed—in other words, at least 10 years, if not longer, after the signing of any nuclear settlement?*

*Response:*

In the September 19 Joint Statement, the DPRK committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the NPT and to IAEA safeguards. In the statement of principles, there is also a reference to the "appropriate time" to discuss the subject of the DPRK's use of nuclear energy for peaceful purposes, such as the subject of the provision of a light water reactor, but that "appropriate time" will only come when the DPRK has:

- Promptly eliminated all nuclear weapons and all nuclear programs, and this has been verified to the satisfaction of all parties by credible international means, including the IAEA; and,
- When the DPRK has come into full compliance with the NPT and IAEA safeguards, and has demonstrated a sustained commitment to cooperation and transparency and has ceased proliferating nuclear technology.

*Question:*

*Has North Korea rejected South Korea's offer of electricity, or has it said that the offer must be delinked from the U.S. proposal for early nuclear dismantlement?*

*Response:*

In the September 19 Joint Statement, adopted unanimously by all six parties, the ROK reaffirmed its proposal of July 12, 2005 concerning the provision at the Fourth

Round of Talks of two million kilowatts of electric power to the DPRK. The DPRK also committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the NPT and to IAEA safeguards. We look forward to returning to the table to discuss how to implement these elements and the rest of the Joint Statement.

*Question:*

*After the September 2005 Joint Statement, the Administration formally accused North Korea of manufacturing high-quality counterfeit \$100 “supernotes” for the first time. As part of the action focused on counterfeiting, the Treasury Department took steps to sanction a bank based in Macao, Banco Delta Asia, with money-laundering, saying it was aiding North Korea’s black market dealings. Also, in October, the U.S. sanctioned eight North Korean companies under a new Executive Order freezing the assets of proliferators of weapons of mass destruction.*

- *Are these sanctions, however appropriate, independent of U.S. negotiating efforts via the Six Party process? Are they, in a general sense, coordinated with U.S. negotiating efforts?*

*Response:*

The September 15, 2005 action under Section 311 of the USA PATRIOT Act against Banco Delta Asia was taken to protect the U.S. financial system from long-standing abuse at a specific institution. This action preceded the adoption of the Joint Statement, and was not related to the Six Party Talks. Our concerns about North Korean involvement in counterfeiting U.S. currency go back many years and have been expressed publicly long before the conclusion of the Joint Statement, including in testimony before Congressional committees. Indeed, the North Korean connection to counterfeiting is a key element of a US Federal Indictment (U.S. vs. Sean Garland) filed on May 19, 2005. Treasury’s designation of Banco Delta Asia as a “primary money laundering concern” under Section 311 was based on concerns about a range of illicit activities, including—but not limited to—counterfeiting—and the potential risks they presented to the U.S. financial system. As stated in the Finding published in the Federal Register on September 20, 2005, BDA had been providing financial services with little oversight or control for many years to multiple North Korean government agencies and front companies engaged in illicit activities. On that basis, Treasury determined that BDA was being used to facilitate or promote money laundering and other financial crimes. The bank had been under investigation for years; a 311 action had been under preparation for over a year.

The October designation of eight North Korean entities under E.O. 13382 was actually a follow-on to the designations of three other North Korean entities when the Executive Order was promulgated in June 2005. In fact, the entities designated in October were designated because of their associations with the original three designees. This was a defensive measure against DPRK proliferation of weapons of mass destruction and the means for delivering them. We have consistently made clear that we would continue to take such defensive measures, and expand them as required, while simultaneously seeking a diplomatic solution to the problem of North Korean nuclear weapons through the Six Party Talks.

*Question:*

*The Executive Board of the World Food Program recently approved a proposal for a new North Korea program, at the same time that the DPRK is significantly reducing the ability of WFP to monitor assistance (closing all WFP field offices, reducing the maximum number of WFP personnel from 50 to 7–10, and restricting monitoring visits to a quarterly basis). Is the U.S. planning to fund the new program under such circumstances? What are the minimum monitoring standards we will require before funding such a program?*

*Response:*

At the WFP Board meeting in February, the Board approved WFP’s proposed 2006–2007 Protracted Relief and Recovery Operation for North Korea with the understanding that the program would not go into effect until the WFP and the DPRK sign a letter of understanding on the terms of the WFP’s operations. Nearly all Board members raised concerns about access and monitoring. WFP staff assured the Board that the “no access, no food” policy remains intact and that The WFP would end negotiations and leave North Korea if they cannot obtain acceptable terms for access and monitoring. WFP staff were in Pyongyang for that purpose during the week of March 13. As of this writing, no letter of understanding has been signed yet. We continue to follow the situation closely. We will base any decision on whether to contribute to any new program, as always, on our standard criteria: assessed



needs, competing needs elsewhere and ability of humanitarian groups to effectively monitor distribution. We have explained our expectations to the WFP in this regard. Basically, we are looking for conditions that will permit a level of accountability for this scaled-down program at least as high as under the previous, more comprehensive program. This is theoretically possible with the reduced staff, if the scale and scope of the program are reduced proportionally.

*Question:*

*To what extent has the increased bilateral assistance to North Korea from China and South Korea undercut efforts by the World Food Program and other donors to require more credible monitoring and transparency in the delivery of humanitarian aid?*

*Response:*

Over the last few years, the amount of food coming in directly from China and South Korea has increased, while that coming from the WFP has decreased significantly. This obviously reduced the WFP's leverage. Overall food availability improved to the point that the regime concluded there was no longer a crisis and it no longer required emergency humanitarian aid from the WFP. The regime's xenophobia and embarrassment about being seen as a ward of the international community clearly motivated its decision to reject further humanitarian food aid, and improved food availability, due primarily to Chinese and South Korean contributions, made that decision possible. Some NGOs and international aid organizations have complained that South Korea's growing bilateral assistance, with minimal conditionality and accountability, has undercut other assistance efforts. But others report that they continue to operate there essentially the same as before. We are working with the South Koreans to develop a more coordinated approach to humanitarian assistance to North Korea, and South Korea has indicated it will channel at least a significant portion of its food aid this year through the WFP, if the WFP program goes forward.

*Question:*

*Some analysts in the U.S. openly question whether the US–ROK alliance will survive in the next five to ten years, or perhaps become “hollowed out,” meaning an alliance in form, but with little or no substance. These critics point to South Korean polling data as well as generational splits to suggest that there are more issues that divide than unite Washington and Seoul. What is your reaction to this critique?*

*Response:*

The alliance remains important to the Korean people. Polling demonstrates that 77 percent of Koreans believe the U.S. presence is needed for Korea's security. While older Koreans (over age 50) view the presence of U.S. forces as important to Korea's security (89 percent), even among younger Koreans (between age 20 and 30), 70 percent view the U.S. presence as important.

We are currently in the midst of the largest adjustment of U.S. forward presence forces in half a century. When complete, U.S. Forces on the Korean peninsula will have a smaller footprint, but the combined U.S.–ROK alliance will field a more lethal force, better able to meet the current threats and ensure the defense of South Korea.

Korea has developed into a vibrant, open and transparent democracy—the world's 12th largest economy—where a wide range of views are openly expressed, even some critical of the United States. The alliance is changing and maturing as well: from one built largely on security issues to one in which trade and investment, cultural and people-to-people ties are increasingly important.

*Question:*

*In recent years the United States has tacitly encouraged Japan to move forward with revision of Article 9 of its postwar constitution (the famous “no war” clause) so as to play a more assertive role in international security affairs. Given the palpable intensity of the history issue in Northeast Asia, is it wise for the U.S. to support a larger security role for Japan in the absence of a new multilateral framework through which it can consult and reassure neighbors like South Korea and Japan (China)?*

*Response:*

The United States welcomes Japan's vital contributions to regional and global security. Our strong bilateral alliance has served to maintain stability and prosperity in Northeast Asia for over five decades, and Japan has played an increasingly important international security role, with vital efforts in disaster relief and humani-

tarian assistance, regional stability operations in East Timor, UN peacekeeping missions, multinational operations in Iraq and Afghanistan and firm support in the wider global war on terror. Within the context of our ongoing defense transformation and realignment discussions with Japan, we are seeking to enhance and strengthen our security alliance with Japan. This includes updating our respective roles, missions and capabilities in order to address the challenges of a changing regional and global security environment.

Constitutional reform is an issue for the Japanese people. The U.S. will fully respect whatever decision Japan makes regarding Constitutional reform.

*Question:*

*I understand that the United States has demurred from signing the Treaty of Amity and Cooperation with ASEAN. What is the rationale for the U.S. objection to signing the treaty, particularly inasmuch as a close ally (Australia) and a close friend (New Zealand) have already acceded to it?*

*Response:*

We have a very active and productive dialog with ASEAN on a full range of issues, and have discussed the Treaty of Amity and Cooperation with our ASEAN friends on a number of occasions. Although the United States respects the spirit and purposes of the Treaty, we have some concerns about the text, including the rights of non-ASEAN members in its operation and the possibility the Treaty could be interpreted by some to limit the use of standard diplomatic tools, such as sanctions.

