



Assistant Secretary Statement

Bureau of East Asian and Pacific Affairs Statement by Assistant Secretary James A. Kelly

March 26, 2003

Mr. Chairman, I am pleased to share with the Committee our priorities for assistance in the East Asia and Pacific region.

U.S. Interests

Combating terrorism in the region ranks at the top of EAP's list of immediate priorities. This is inextricably linked to our long-term and overarching goal of regional stability, but it also impacts directly on each of our five top goals for the region: promoting and deepening democracy; improving sustainable economic development; countering proliferation and weapons of mass destruction; countering international crime in the region; and promoting open markets. Since 9/11, combating terrorism has important resource implications that must be factored into our Bureau business plan.

Terrorism: The growth of terrorist networks in the EAP region presents a direct threat to U.S. national security, to the welfare of Americans overseas and to the security of U.S. allies and friends in the region. Terrorism carries enormous potential to disrupt regional trends toward peace, prosperity, and democracy. It adds new urgency to our efforts to pursue non-proliferation and Weapons of Mass Destruction (WMD) goals in the region, and affects how the Bureau promotes open markets and transnational crime objectives. Our preeminent goal, therefore, must be to ensure that terrorism and its practitioners are rooted out of every country or safe haven and that we address conditions -- financial, economic and political -- that render the region vulnerable to terrorism.

To succeed in this effort, we must secure the active cooperation of others in the region. Bilaterally we are cooperating with our five East Asian allies and partners committed to combating terrorism, and with China and with other close friends. We are also working very closely with ASEAN, the ASEAN Regional Forum (ARF), and APEC to develop regional, multilateral cooperation on terrorism. In FY 04 we will continue to work

closely with other State Bureaus, particularly S/CT and DS, and with other USG agencies, including Treasury and DOD, and DHS to further enhance this reinforcing web of bilateral and multilateral relationships that foster not only a greater U.S. ability to combat terrorism in the region, but also leverage growing intra-regional efforts to come to grips with terrorism. Resources for this effort must come not only from EAP but also from other counter-terrorism funding sources available to the Department and other agencies.

Regional Stability: Regional stability remains our overarching strategic goal and provides the underpinning for achievement of other key goals and objectives. Active U.S. engagement and renewed emphasis on our alliance relationships has helped keep the East Asia and Pacific region generally stable. Nevertheless, the Korean Peninsula and the Taiwan Strait remain sensitive and potentially volatile. Our ability to deter conflict is currently strengthened by several factors, including the mutual interests of key East Asian powers in working cooperatively to address terrorism and shared interests in keeping inter-state frictions within parameters conducive to economic recovery and growth. Terrorism in Asia carries the potential to destabilize friendly governments in Southeast Asia.

In FY 04, we will continue to carefully manage ties with five regional allies -- Japan, Korea, Australia, the Philippines, and Thailand -- to maintain our ability to sustain a stable and secure environment in the region. Our strategies in this effort include the forward deployment of military assets. In FY 04 both FMF and IMET will be used as tools for expanding and deepening U.S. regional influence with allies and friends. We also will expand our cooperative relationships with other key regional states, including China, where we will coordinate and monitor rule of law programs in FY 04. We intend to draw on and enhance the potential contributions to regional stability of regional multilateral organizations, including the ARF, APEC, and ASEAN. In particular, the new ESF funding in our FY04 request will supported expanded U.S. engagement with ASEAN to enhance its stabilizing role in Southeast Asia.

Democracy: Stability and prosperity create good conditions for the development of democracy. In East Asia, the generally stable environment has created conditions in which democratic values have gradually been incorporated into the governing structures of many regional states. In the past decade, the Philippines, South Korea, Thailand, Mongolia, and Taiwan have consolidated their relatively young democracies. Indonesia, under authoritarian rule for thirty years, remains engaged in a struggle for democratic transformation. We will continue our efforts to foster democracy in Indonesia with ESF and DA funding. These efforts are designed to reinforce educational opportunity, domestic demand for honest government and greater respect for individual human rights; they also underscore key dimensions of the U.S. counter-terrorism effort in Indonesia.

Elsewhere in the region, the democratization process has been slower to develop. We will continue to promote more open societies and democratic governments in key areas, including in Laos, Cambodia and Vietnam. We will focus particularly on states where there is evidence of some progress toward these goals. These are critical components in the development of a stable and enduring framework for overall regional development.

We are watching developments closely in Burma for signs of change. Lately, Burma has shown no signs of interest in a dialogue with the democratic opposition that could lead to progress in that country.

International Crime and Transnational Issues: Our strong diplomatic and military presence in the region will be key to addressing immediate and pressing transnational challenges that arise. These, almost by definition, will require multilateral solutions, and several of them, the most obvious being terrorism, already pose a serious challenge to regional stability. We will work with USAID, as well as with other Department bureaus to keep ahead of the advancing trends that have internationalized once-local problems. For example, narcotics trafficking and the epidemic of infectious diseases, especially HIV/AIDS, malaria and TB, are hitting our region harder now. In coordination with USAID and with INL and OES Bureaus, we are working to address these problems and seeking to supplement bilateral solutions with multilateral approaches.

Through our EAP Regional Women's Issues Account, we are developing a regional approach to the problem of trafficking in persons (TIP). Our objective is to reduce trafficking of women and children, to eliminate violence against women, and to increase women's empowerment and status through increased participation in the political process. Our efforts have concentrated on TIP projects in eligible Tier 3 countries, such as Cambodia and Indonesia, to help them improve their performance. In addition, we are providing assistance to Tier 2 countries that face the risk of being downgraded to Tier 3. We are adjusting our foreign assistance and technical training priorities to reduce the level of trafficking in the region. Our FY 04 request account is for \$3 million.

Open Markets/Economic Development: Although related to our goals on terrorism, democracy and regional stability, promoting open markets and pro-growth policies is an essential goal on its own merits. U.S. trade with East Asia now exceeds that with Western Europe. Asia includes some of the largest and fastest growing economies in the world. Open economies support U.S. jobs and income, broaden the foundations on which democratic institutions can be constructed, and create incentives to settle problems peacefully.

Sustained economic recovery from the Asian Financial Crisis of the late 1990's will require significant additional reform efforts. We continue to work multilaterally and bilaterally to help restore long-term growth prospects by strengthening Asian financial systems, improving corporate governance and restructuring, promoting regulatory reform, and pressing for trade and investment liberalization. Recovery of the Japanese economy is crucial to regional recovery, and we continue to urge the GOJ tackle deflation and implement fully its plans for structural and financial sector reform, as well as measures to become more open to foreign direct investment and trade. We are pleased with the successful conclusion of negotiations on the U.S.-Singapore Free Trade Agreement (FTA) and look forward to its implementation as an example of advancing free trade in Asia. We closely monitor China's compliance with its WTO obligations, which will increase the access of the Chinese people to goods, ideas and information, encourage further economic reform and, advance the rule of law. We work closely with

U.S. business in our effort to promote these market-oriented, pro-growth policies in the region.

Not all countries in the region have shared in the economic growth. Significant development needs remain throughout the region, including in Mongolia and in the Philippines, Indonesia and several other ASEAN states, particularly ASEAN's newer mainland Southeast Asian members. We recognize that the immediate post 9/11 demands of the war on terrorism have diverted resources from this region. These factors require that we take a fresh look at our program resources and where they are focused. While we could always spend additional resource on economic development in the EAP region, we are effectively using our current level of funding to meet key regional goals such as stemming the growing links between the EAP region and the South Asia-based terrorist networks and eliminating poverty in the region that terrorists are poised to exploit.

Our program requests for FY 04 reflect a realistic effort to address terrorism directly and also through programs designed to reduce its appeal to economically and politically disadvantaged populations. Our Philippines programs offer a good example. Supplemental and FMF funding is addressing weaknesses in Philippine military capabilities to combat terrorist groups, while our ESF programs, such as Livelihood Enhancement and Peace program in Mindanao that has enabled 13,000 ex-combatants to take up peaceful pursuits such as farming, have been successful in developing better alternatives for populations susceptible to terrorist recruitment. In FY 04 we must maintain ESF funding for the Philippines at \$20 million to adequately continue momentum for social foundations for peace. In conjunction with INL, we are also looking at ways to enhance civilian police capabilities.

Weapons of Mass Destruction: Proliferation of weapons of mass destruction, nuclear, chemical, and biological, and their means of delivery have been a major concern in East Asia during the past decade, but have become even more urgent since 9/11. We continue to work toward a reduction of this threat, including through discussions with China focused on getting the PRC to adhere fully to existing bilateral and multilateral nonproliferation arrangements. The latter includes China's commitments contained in the November 2000 missile nonproliferation arrangement, as well as getting China to fully cooperate in pre-license and post-shipment verification checks related to U.S. dual-use exports. We are asking for China's cooperation in bringing other countries under the discipline of multilateral arms control and nonproliferation arrangements. We are also working to prevent, contain, and reverse the possibility that such WMD might become available to non-state terrorist organizations.

Modifications of Current Restrictions: EAP priorities for FY 04 are to sustain our foreign assistance to Indonesia and the Philippines. Existing restrictions on our ability to consider a full range of security assistance options for Indonesia reduce the Administration's flexibility in military-to-military relations. While conditions are not now in place to warrant removal of restrictions, we are not seeking that today; we are working towards the time when that will be possible.

Current legislation restricts assistance to the central government of Cambodia. Provided that the situation in Cambodia improves, including successful free and fair elections in July 2003, greater flexibility in allowing closer cooperation with the central government, might be in the U.S. national interest: Types of assistance that could then be considered include: enhancing counter-terrorism capabilities; promoting rule of law and justice; and developing a smaller more professional military.

Cambodia needs training in immigration, border security, and other areas critical to our global fight against terrorism. IMET funds could be used to professionalize the Royal Cambodian Armed Forces through training in human rights and rule of law as well as help officers contribute to regional stability and play an effective role in transnational issues (narcotics, human trafficking, border security, and protection of land and natural resources) through additional training in civil-military relations and military justice.

Conclusion

The foregoing represents a brief overview of the EAP Bureau's top goals and objectives, and the resources we will need to meet them. It incorporates our best assessment of the region-wide demands and requirements we should work to meet, but it cannot incorporate resource requests for major, unanticipated events that could emerge without warning in the region, including on the Korean Peninsula.