



U.S. Assistance in East Asia and the Pacific: An Overview

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

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

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

Policy Framework

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

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

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

Strategically targeted assistance, coordinated with other major donors to the region, such as Japan, the European Union, and Australia, is one of the key tools we have available to shape how this region evolves over the early decades of the Twenty-First Century. The East Asian and Pacific region is characterized by great disparities in population and development levels. Of the 30 countries covered by the Bureau of East Asian and Pacific Affairs, 19 are recipients of Fiscal Year 2007 Foreign Assistance. Many assistance programs are carried out via USAID's Regional Development Mission Asia (RDMA) located in Bangkok. In addition, the East Asia and Pacific regional budget funds activities with multilateral organizations, as well as multilateral programs. We need to stay involved in the region and ensure that we use aid both to pursue bilateral policy objectives and to shape emerging regional institutions in a manner congruent with U.S. interests.

The Foreign Assistance Process

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

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

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

Resources Available

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

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

Each year's budget request reflects the existing budget environment and the Administration's assessment of how to most effectively distribute these resources to meet foreign policy objectives. As we all know, we are operating in a constrained budget environment. Tough choices have to be made, and the Department's Office of Foreign Assistance developed fair and appropriate rationales for making those choices. While cognizant of the importance of the East Asian and Pacific region, other demands and priorities, such as those in Iraq, Israel, Egypt, Afghanistan, and Pakistan, have required greater resources to meet current circumstances. We have many opportunities to provide assistance to the region to meet U.S. foreign policy objectives. That assistance has achieved remarkable results. The size of the East Asian and Pacific budget does not reflect an assessment that we have run out of opportunities where assistance could be an appropriate and effective tool to pursue U.S. foreign policy objectives. The results achieved per dollar spent are quite impressive.

Success Stories

The East Asian and Pacific foreign assistance budget supports many different programs. Nearly 40 percent of the \$454 million Fiscal Year 2007 appropriation falls into the Economic Support Funds account, close to 24 percent to Child Survival and Health, and slightly more than 16 percent to Development Assistance. Foreign Military Financing, Non-Proliferation and De-mining Related funds, International Military Education and Training, and International Narcotics Control and Law Enforcement funding make up the remaining 20 percent of the assistance budget, in that order of magnitude. I would like to cite just a few examples of the results we have been able to achieve recently.

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

Some Key Bilateral Programs

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

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

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

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

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

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

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

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

Pacific Islands Initiatives

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

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

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

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

Restrictions on Funding

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

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

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

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

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

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

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

We have not provided foreign assistance to China absent a full notwithstanding authority. However, Congress has specifically provided notwithstanding authority to carry out activities through Democracy Fund appropriations, implemented by the State Department's Bureau for Democracy, Human Rights and Labor, to strengthen the rule of law, increase avenues for public involvement in government decision-making, and develop a vibrant civil society. Among other things, on the local level, these programs have made significant strides in refining laws to curb discrimination against women, opened new avenues of legal recourse for workers seeking just compensation, and provided formal procedures for public input into government regulations and legislative plans.

Notwithstanding authority has also enabled USAID, in conjunction with the Global AIDS Coordinator's office, to implement programs to reduce the incidence and prevalence of HIV/AIDS and mitigate its impact on people living with HIV/AIDS and their families. The objective of these programs is to increase the use of effective responses to HIV/AIDS, focusing primarily on prevention but also including care, support, and treatment.

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

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

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