

**U.S. INTERESTS IN THE ASIA-PACIFIC:  
FY 2018 BUDGET HEARING**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON ASIA AND THE PACIFIC  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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# CONTENTS

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	Page
WITNESSES	
Ms. Susan Thornton, Acting Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State .....	8
Ms. Gloria Steele, Acting Assistant Administrator, Bureau for Asia, U.S. Agency for International Development .....	16
LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING	
The Honorable Ted S. Yoho, a Representative in Congress from the State of Florida, and chairman, Subcommittee on Asia and the Pacific: Prepared statement .....	3
Ms. Susan Thornton: Prepared statement .....	10
Ms. Gloria Steele: Prepared statement .....	18
APPENDIX	
Hearing notice .....	42
Hearing minutes .....	43
The Honorable Gerald E. Connolly, a Representative in Congress from the Commonwealth of Virginia: Prepared statement .....	44
Questions submitted for the record by the Honorable Eliot L. Engel, a Representative in Congress from the State of New York .....	46
Written responses from Ms. Susan Thornton and Ms. Gloria Steele to questions submitted for the record by the Honorable Ami Bera, a Representative in Congress from the State of California .....	50



## **U.S. INTERESTS IN THE ASIA-PACIFIC: FY 2018 BUDGET HEARING**

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**THURSDAY, JULY 27, 2017**

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

The subcommittee met, pursuant to notice, at 2:30 p.m., in room 2172 Rayburn House Office Building, Hon. Ted Yoho (chairman of the subcommittee) presiding.

Mr. YOHO. The subcommittee will come to order.

Members present will be permitted to submit written statements to be included in the official hearing record. Without objection, the hearing record will remain open for 5 calendar days to allow statements, questions, and extraneous materials for the record subject to lengthen—or to length limitations in the rules.

Good afternoon again. We call this hearing to order pursuant to our congressional oversight responsibilities to discuss the administration's fiscal year 2018 state and foreign operations budget request for the East Asia-Pacific region. On behalf of the subcommittee, I thank the panel for joining us today to share the insights and expertise they have gained over—and I don't want them to be offended—over their lengthy diplomatic careers as we deliberate this important topic.

East Asia and the Pacific represents the opportunities and challenges of this century like no other part of the world. Just over 30 percent of the world's population lives in this region. It accounts for the same share of global GDP and continues to lead the world in annual GDP growth. Four of the top ten U.S. trading partners are located in this area. Five of the United States' seven collective defense arrangements are located in the Asia-Pacific region where over 63,000 U.S. troops are stationed.

This region is home to what many believe to be our most urgent existential threat, the nuclear belligerence of North Korea. We also see rising Islamist militancy and major territorial disputes in the South China Sea, the East China Sea, and the Sea of Japan. About a third of the world's maritime trade passes through these disputed areas, as does most of the energy supply of South Korea, Japan, and Taiwan, all critical U.S. security partners. This is the same area over which China, our chief global rival, seeks hegemony.

The importance of East Asia to U.S. interests is beyond doubt. If the United States is to remain relevant as a global leader, we cannot sit out the transformation happening among our neighbors

across the Pacific. Our diplomatic engagement in the region should advance our interests throughout Asia and should also be the first line of American defense among its many security challenges. As Secretary of Defense Mattis famously said, “When American diplomats don’t have the resources they need, our military needs to buy more ammunition.”

I applaud the administration for their efforts to move toward a more fiscally responsible executive branch, but I am concerned that the symbolism of cuts have been given more importance than the actual value of individual programs. It is worth reiterating that even before this year’s foreign operations budget was slashed by 30 percent, it accounted for just 1 percent of annual Federal outlay. Empty gestures are not the way to truly rein in our control, our out-of-control government spending, especially if they undermine U.S. interests.

Business logic dictates that we should continue projects that deliver a good return on investment, yet I see many potentially sound investments that have been left out of this year’s request. For example, foreign military financing grants have been mostly stripped out of this year’s budget. In the Asia-Pacific theater, these grants have been used to advance U.S. national security, for example, by boosting our allies’ ability to counter China’s maritime aggression.

Similarly, the United States has traditionally supported democratic reform, in part because working with friendly democracies is better for American peace, security, and influence, and it builds stronger relationships with our country. But this year’s request drops support for democracy and governance reforms for Cambodia, which is just 1 year away from an election that could help transform it away from an autocracy.

Overall, the most worrying implication of this year’s EAP, Eastern Asia-Pacific, budget may be that it reflects a continuing misalignment of the administration’s strategic planning with the importance of Asia. Even during the so-called pivot to Asia, budgetary commitments to Asia were the smallest of any region. This year’s request would cut this by a further 46 percent, the largest percentage cut for any region other than Europe.

This afternoon we discuss the details of this year’s state and foreign operations request for East Asia and the Pacific. We will try to strike a balance between fiscal responsibility and sound investments in our national security and other strategic priorities. In conducting our oversight of this request we will seek to advance the national interests by making sure that U.S. diplomatic engagement is up to the multitude of challenges and opportunities presented by this dynamic region.

I thank the witnesses for joining us today to discuss this important topic. Without objection, the witnesses’ written statements will be entered into the hearing record.

I now turn to our ranking member for any remarks he may have.  
[The opening statement of Mr. Yoho follows:]

**U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing**

Subcommittee on Asia and the Pacific

House Committee on Foreign Affairs

Thursday, July 27, 2017, 2:30 p.m.

**Opening Statement of Chairman Ted Yoho**

Good afternoon. We call this hearing to order today pursuant to our Congressional oversight responsibilities to discuss the Administration's Fiscal Year 2018 State and Foreign Operations budget request for the East Asia and Pacific region. On behalf of the Subcommittee, I thank the panel for joining us today to share the insights and expertise they've gained over their lengthy diplomatic careers as we deliberate this important topic.

East Asia and the Pacific represent the opportunities and challenges of this century like no other part of the world. Just over 30 percent of the world's population lives in this region. It accounts for the same share of global GDP, and continues to lead the world in annual GDP growth. Four of the top ten U.S. trading partners are located in this area.

Five of the United States' seven collective defense arrangements are located in the Asia Pacific, where over 63,000 U.S. troops are stationed. This region is home to what many believe to be our most urgent existential threat, the nuclear belligerence of North Korea. We also see rising Islamist militancy and major territorial disputes in the South China Sea, the East China Sea, and the Sea of Japan. About a third of the world's maritime trade passes through these disputed areas, as does most of the energy supply of South Korea, Japan, and Taiwan, all critical U.S. security partners. And not least, this is the same area over which China, our chief global rival, seeks hegemony.

The importance of East Asia to U.S. interests is beyond doubt. If the United States is to remain relevant as a global leader, we can't sit out the transformation happening among our neighbors across the Pacific. Our diplomatic engagement in the region should advance our interests in the opportunities of Asia, and should also be the first line of American defense amongst its many security challenges. As Secretary of Defense Mattis famously said, when American diplomats don't have the resources they need, our military needs 'to buy more ammunition.'

I applaud the Administration for their efforts to move towards a more fiscally responsible executive branch, but I'm concerned that the symbolic importance of cuts has been given more importance than the actual value of individual program. It's worth reiterating that, even before this year's foreign operations budget was slashed by 30 percent, it accounted for just 1 percent of annual federal outlay. Empty gestures are not the way to truly reign in out of control government spending, especially if they undermine U.S. interests.

Business logic dictates that we should continue projects that deliver a good return on investment. Yet I see many potentially sound investments that have been left out of this year's request. For

example, Foreign Military Financing grants have been mostly stripped out of this year's budget. In the Asia Pacific theater, these grants have been used to advance U.S. national security, for example, by boosting our allies' ability to counter China's maritime aggression.

Similarly, the United States has traditionally supported democratic reforms, in part because working with friendly democracies is better for American peace, security, and influence. But this year's request drops support for democracy and governance reforms for Cambodia, which is just one year away from an election that could help transform it away from autocracy.

Overall, the most worrying implication of this year's EAP budget may be that it reflects a continuing misalignment of the Administration's strategic planning with the importance of Asia. Even during the so-called "Pivot to Asia", budgetary commitments for Asia were the smallest of any region. This year's request would cut this by a further 46 percent, the largest percentage cut for any region other than Europe.

This afternoon, as we discuss the details of this year's State and Foreign Operations request for East Asia and the Pacific, we'll try to strike a balance between fiscal responsibility, and sound investments in our national security and other strategic priorities. In conducting our oversight of this request, we will seek to advance the national interest by making sure that U.S. diplomatic engagement is up to the multitude of challenges and opportunities presented by this dynamic region.

I thank the witnesses for joining us today to discuss this important topic.

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Mr. SHERMAN. Thank you, Mr. Chairman.

We should discuss security, economics, democracy, and human rights. As to security, our security interests cover familiar and new terrain. We have alliances with Japan, South Korea, Australia, Thailand, the Philippines. We have security relations with New Zealand and Singapore, and are building partnerships with Vietnam, Malaysia, and Indonesia. Of course, we are dedicated to the security of Taiwan. These alliances and partnerships provide stability in the Asia-Pacific region and counter terrorism, piracy, and provide for humanitarian assistance in the wake of natural disasters.

The huge proposed reduction in the Asia-Pacific diplomatic and aid budgets sends entirely the wrong message. If we do not reassure our partners of our commitment to the region, they'll be inclined to go with China. It is especially absurd to have a system of slashing our aid and diplomacy and public policy outreach to the Asia-Pacific region while massively increasing our military, most of that going to the Asia-Pacific region.

Let us talk about North Korea. We have got a huge threat. Assistant Secretary Thornton observed that North Korea has no intention of abandoning its nuclear program in the current environment. In two hearings this year I mentioned the possibility of moderating our objectives to achieve a freeze of their nuclear missile program together with in-person monitoring. North Korea is believed to have roughly 20 nuclear weapons, maybe producing three to seven a year, unless we are able to get a freeze.

Now, of course, that does not meet American political needs for politicians and operatives here in Washington. You meet those political needs by pounding the table, saying that any North Korean nuclear weapons is completely unacceptable. We have been doing that for the last 17 years. People say it is a complete failure because within a year or two my city will be subject to North Korean nuclear weapons. But it is not a failure because it has met the political needs of the people who keep bleating the same slogans over and over again.

So, if the objective is to reach a consensus in Washington, and all say the same things, and the policy is going well. If the, if a goal is to try to keep this country safe from North Korean ICBMs, then I suggest we make it clear to China that they cannot have access to U.S. markets unabated on the one hand, and continue their current policy toward North Korea on the other. Of course, a lot of money would be lost by a lot of big companies if we were to do that, or even threaten to do that, and so we won't. We will continue to meet the political needs of Washington and the economic needs of Wall Street.

Moving on to economics. We have got a \$340 billion trade deficit with China; \$69 billion with Japan; \$83 billion with the Southeast Asian countries. It is about time that we do something about that. Access to the U.S. market should be dependent upon fair and balanced trade.

As to human rights, we see that Laos, Cambodia, and Vietnam are not democratic. Democracy has regressed in Thailand. Indonesia, Malaysia, and the Philippines are democratic to a varying degree. Myanmar, also known as Burma, has made a transition

from military rule to something that at least seems to be civilian government.

Given the fundamental importance of democracy, human rights, and the rule of law why has our FY 2018 budget proposal slashed support for these efforts in Asia? We know that 121 three- and four-star military officers, retired military officers have said that if we slash our diplomatic and aid efforts this will undermine American security. That is why we need a budget that reflects our values.

Instead, we are being told slash the diplomacy, slash the aid, slash the money for communication with the peoples, and somehow instead increase the military budget by \$50 billion, \$60 billion, \$70 billion, and pivot that military toward Asia. I suggest that that is a dangerous and shortsighted approach to budgeting. But budgeting is policy.

And I yield back.

Mr. YOHO. Thank you for those comments, and very direct. I will look forward to an engaging hearing here.

We next go to Mr. Chabot of Ohio.

Mr. CHABOT. Thank you, Mr. Chairman. Thank you for holding this important hearing this afternoon.

There are just two topics I would like to comment, the first being Taiwan. As one of the, as I mentioned before, one of the co-founders of the Congressional Taiwan Caucus I have been interested in this issue for over 20 years now and involved in it. I remember when I first came to Congress back then, there were a couple hundred missiles aimed at Taiwan from across the Taiwan Straits from the PRC to Taiwan. That has gone from a couple hundred now to 1,600 approximately.

The PRC has been bullying Taiwan for years and years now. I would just say that we ought to be very clear that we are committed to the Taiwan Relations Act and the six assurances. Taiwan needs to beef up their military. The best way to avoid conflict is to be strong and not perceived as being weak.

Very quickly on North Korea, you have got a madman there. We have had three administrations that have had the luxury of being able to enter into talks about the threat from North Korea. Essentially what would happen as a result of these talks we would end up giving them stuff—oil, food, other necessities—that they couldn't provide themselves because everything they have goes to their military. That also freed up these things; because we are giving them food, they could give food to the military.

So they would say they would back off from their nuclear program but they cheated every time. It was a luxury, I say, because they couldn't, they couldn't hit us. They could hit our allies. They could hit Japan, they could hit our military forces, but they couldn't hit us. Now they can. There is only one thing that I think gets China's attention, and that is if we seriously discuss a nuclear programs for South Korea and Japan. I think that is the only thing that will get China's attention to get them to get North Korea to back off.

I know two people have been saying this for years, myself and Charles Krauthammer, I don't know which one of us said it first

but I have been preaching it a long time, and I think that is the only thing that will work.

I yield back.

Mr. YOHO. I appreciate your comments. And, again, I think this is going to be very engaging.

We next go to Mr. Connolly of Virginia.

Mr. CONNOLLY. I yield my time to Mr. Bera.

Mr. YOHO. Okay. Mr. Bera.

Mr. BERA. Thank you, Mr. Chairman. Thank you, Ranking Member Sherman.

You know, the countries in East Asia rely quite heavily on U.S. assistance for their national and regional security, particularly in Southeast Asia. But yet, when we look at the FY 2018 budget request, that is not reflected in here. In there, the rationale for this budget says to reinforce the rules-based order in the region by building an international commitment to defeat ISIS and defending freedom of navigation in the region's maritime spaces, including the South China Sea, with U.S. leadership.

But the budget request proposes eliminating foreign military financing altogether for the countries in Asia. U.S. foreign assistance to Indonesia is cut by 31 percent; 56 percent to the Philippines; 26 percent to Vietnam. These cuts flatly contradict the administration's statement of commitment to the region.

It is my belief that the budget puts America and our standing in the region at risk. While administration officials have stated that we remain committed to Asia, our words have to be backed up by our deeds. This budget does not reflect that commitment. So, I really do worry that we jeopardize our relationships in Asia.

Our support for our allies and partners in Asia increase global and regional stability. And better stability there means better security here at home.

I yield back.

Mr. YOHO. I appreciate my colleague's remarks.

We will next go to Mr. Connolly from Virginia.

Mr. CONNOLLY. I thank my friend.

I want to echo our chairman, Mr. Yoho's, comments about the draconian nature of the budget cuts proposed. This isn't a reduction, this is gutting. To cut almost half of the aid to an entire region, the biggest cut in the world outside of Europe and Eurasia, speaks volumes. You don't make a country great through retreat; you make a country weak through retreat, and you hand over assets and dynamics to China in this region. That is the consequence.

You cannot cut 46 percent and fight terrorism. You cannot cut all foreign military financing and fight terrorism. You cannot cut huge amounts of money from the Philippines and Indonesia when you are worried about ISIS-affiliated organizations suddenly resurfacing or surfacing in those countries. That is contradictory. It shows a complete lack of understanding of what we do through the foreign assistance program. And, Ms. Thornton, I hope you will take that message back.

On one final point, Ms. Steele, I saw you went to Maryknoll College in the Philippines. I went to Maryknoll College in Chicago, Illinois. So you need a promotion.

Mr. YOHO. The gentleman yields back.

And with that we are thankful to be joined today by Ms. Susan Thornton, Acting Assistant Secretary for the Bureau of East Asian and Pacific Affairs at the U.S. Department of State; and Ms. Gloria Steele, Acting Assistant Administrator of the Bureau for Asia at the U.S. Agency for International Development.

As our meetings in the past, what I encourage you to do is be engaging. These guys will be, this panel will be. It is the ideas that you give us here that will form policy to help bring some, hopefully, some diplomatic responses or actions so that we can have peaceful resolve of what is going on in the Asia-Pacific theater, whether it is North Korea with the threats of nuclear weapons, or the aggression of China further creating a hegemony in that area.

So I appreciate it. Ms. Thornton, if you would go ahead and just for house cleaning make sure you turn your microphone on. You will have 5 minutes. We are going to ask members to respectfully try to stay to the 5-minute time limit. I can't tell you how much I appreciate you being here and thank you.

Ms. Thornton, go ahead.

**STATEMENT OF MS. SUSAN THORNTON, ACTING ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Ms. THORNTON. Thank you very much, Mr. Chairman. I am very happy to be here with you today to discuss the budget situation for FY 2018—

Mr. CONNOLLY. Excuse me, Mr. Chairman. Could I ask Ms. Thornton to pull the microphone closer to her so we can all hear?

Mr. YOHO. Thank you.

Ms. THORNTON. Is that better? Can you hear me now? Okay.

Well, thank you again, Mr. Ranking Member, members of the subcommittee. Thank you for the opportunity to appear before you today to testify regarding the President's fiscal year FY 2018 budget request for East Asia-Pacific.

The Bureau of East Asian and Pacific Affairs is responsible for engaging a region that represents a quarter of the world's population in GDP, some of the world's fastest growing markets and, as you said, Mr. Chairman, four of our top ten trading partners. Despite all of its dynamism and promise, we do, however, face serious challenges to our security interests and we must address these to keep the United States, our allies, and our partners safe.

The FY 2018 budget request supports the President's vision to meet four key challenges: Addressing the North Korea threat, maintaining American leadership and influence in the East Asia region, defeating ISIS and combating transnational crime, and creating jobs and other economic opportunities for Americans.

The most pressing threat that we face today, of course, is North Korea. The DPRK's continued pursuit of nuclear weapons and the means to deliver them is not new, but the regime has accelerated its development of new capabilities over the past 2 years. To address this growing threat we are stepping up our global pressure campaign in coordination with allies and partners around the world to convince the DPRK regime to return to serious denuclearization talks.

Maintaining American leadership in Asia requires us to work with our allies and partners on a range of challenges. Our budget request allows us to bolster Southeast Asian cooperation on maritime security and the rule of law which underpin regional security and economic stability.

We support peaceful resolution of the contested maritime claims in the South China Sea. Destabilizing actions such as Chinese land reclamation, construction, and militarization of disputed features makes it harder for the region to resolve these disagreements peacefully.

Effective public diplomacy is another key ingredient for American leadership in the region. We use educational, cultural, and digital exchange programs to communicate U.S. policy perspectives to foreign governments and influential members of their publics, including media, emerging leaders, thought leaders, legislators, and civil society across Asia.

Our FY 2018 request requires improved efficiencies in U.S. public diplomacy that will enhance our ability to remain this dynamic region's partner of choice on a wide range of shared challenges. Even as ISIS faces battlefield losses in the Middle East, the siege of Marawi City by an ISIS-affiliated group in the Southern Philippines demonstrates the group's lingering appeal in Southeast Asia.

Our FY 2018 EAP foreign assistance request includes resources to support efforts to defeat ISIS and to counter transnational crime—a funding source for ISIS, of course—across Southeast Asia. Our law enforcement and judicial sector programs have enhanced recipient countries' capacities to identify, prosecute, and effectively isolate terrorists and other criminals.

Regionally, our border security and information sharing programs prevent foreign terrorist fighter transit, trace illicit financing, and counter trafficking in goods and people.

These programs help to ensure that Southeast Asia's economic integration does not leave it more vulnerable to terrorism, cyber attacks, or other transnational crimes.

Finally, the FY 2018 EAP foreign assistance request will support economic diplomacy to level the playing field and reduce trade barriers for U.S. businesses. Multi-lateral work with APEC and ASEAN will lead to truly free and fair trade with the region's more than two dozen economies, while bilateral U.S. economic programs in Vietnam, Indonesia, the Philippines, and Burma will hopefully lay the groundwork for high quality, free and fair trade with these key partners. We will take the lead in setting and raising trade standards across the region, supported by the negotiation of bilateral trade agreements, as appropriate.

Thank you for inviting me today to testify. And I look forward to your questions.

[The prepared statement of Ms. Thornton follows:]

**Statement of  
Susan Thornton  
Acting Assistant Secretary  
Bureau of East Asian and Pacific Affairs  
U.S. Department of State**

**Before the**

**House Foreign Affairs Committee  
Subcommittee on Asia and the Pacific**

**July 27, 2017**

**The FY 2018 Budget Request for the Bureau of East Asian and Pacific Affairs**

Chairman Yoho, Ranking Member Sherman, and Members of the Subcommittee: Thank you for the opportunity to appear before you today to testify regarding the President's Fiscal Year (FY) 2018 budget request for East Asia and the Pacific. I would also like to thank the Subcommittee for its leadership in supporting and promoting engagement with the Asia-Pacific region and advancing U.S. interests. I am pleased to be joined by USAID Acting Assistant Administrator Gloria Steele.

The Bureau of East Asian and Pacific Affairs (EAP) is responsible for engaging a region that represents a quarter of the world's population and GDP, some of the world's fastest growing markets, and four of our top ten trading partners. Despite all of its dynamism and promise, we also face serious challenges, the most urgent being the threat of North Korea's nuclear and missile programs. In addition, as China's influence and ambitions grow in the region, there is increasing concern about how this will affect the rules-based order that has served the region so well over the past decades. And as we have seen in the southern Philippines, ISIS is seeking to spread violence and its hateful ideology in Southeast Asia.

The high level of U.S. engagement in the region early in the Trump Administration sent a clear signal that Asia remains a top priority. Vice President Pence, Secretaries Tillerson and Mattis, and USTR Lighthizer all traveled to Asia within the first four months of the Administration. Vice President Pence visited key partners and allies – Australia, South Korea, and Japan, as well as Indonesia, where he also engaged representatives to all ten ASEAN countries – and there have been many meetings at the highest levels of government, including summits with the leaders of Japan, South Korea, China, and Vietnam, among others. The President invited leaders of Thailand, the Philippines, and Singapore to Washington.

We expect this pace to continue this year, with the Secretary returning to Asia for the Association of Southeast Asian Nations (ASEAN) Regional Forum and the Asia-Pacific Economic Cooperation (APEC) Ministers Meeting, and USTR Lighthizer to attend the ASEAN Trade Ministers Meeting. The earliest-ever announcement that the President will travel to Asia for summits this November sends a clear signal of the importance we attach to U.S. economic and security engagement in the Asia-Pacific Region.

The President's FY 2018 budget request of \$717 million for East Asia and the Pacific will allow us to project a strong U.S. presence in the region. The overall request includes \$393 million in foreign assistance and \$324 million for diplomatic engagement.

The budget request supports the President's priorities to defend national security, assert U.S. leadership, foster opportunities for U.S. economic interests, promote respect for human rights, and ensure accountability to the U.S. taxpayer. The request acknowledges that our operations must become more efficient and our assistance more effective.

Government assistance alone cannot resolve complex challenges, nor can the United States do so alone. We expect aid recipients to make better use of their own investments for development, and partner donor countries to do more to support peace and prosperity in the Asia-Pacific region.

We had to make some tough tradeoffs. But by focusing our efforts on our most important policy goals and national security and economic interests, we aim to maximize our use of taxpayer dollars.

### **Policy Priorities**

The FY 2018 budget request enables EAP to advance four key priorities: addressing the North Korea threat; maintaining leadership and influence in the region; defeating ISIS and combatting transnational crime; and creating jobs and economic opportunities for Americans.

### **North Korea**

The most urgent and dangerous threat is North Korea. Its continued pursuit of nuclear weapons and the means to deliver them is not new. The regime, however, has been demonstrating new capabilities over the past two years at a quicker pace than it has ever done before. We are stepping up our pressure campaign to address

this growing threat. It starts with our allies. We are increasing our trilateral security cooperation with Japan and South Korea. With them and others, we are working to isolate and increase pressure on North Korea with the goal of convincing the regime to return to serious talks aimed at denuclearization. This has been and remains this Administration's top diplomatic priority.

Addressing North Korea's egregious human rights record is also important. This budget request will enable us to support programs that promote the flow of independent information into and out of the closed country, including through broadcasting.

### **Engagement and Influence**

The budget request promotes continued work with our allies and partners to bolster Southeast Asian security cooperation, maritime security, and the rule of law, which are important to regional security and economic stability. We will support the ongoing development of regional institutions such as ASEAN, EAS, APEC, and the Lower Mekong Initiative to engage with our partners and uphold the rules-based order.

The United States has supported ASEAN's central role in the evolving regional architecture. The FY 2018 request supports platforms for dialogue that advance regional economic and political integration, security cooperation, democracy, human rights, labor rights, and humanitarian relief.

Contested maritime claims in Southeast Asia and destabilizing actions such as Chinese land reclamation, construction, and militarization of disputed features in the South China Sea make it harder for the region to resolve disagreements peacefully. We continue to work with regional partners and allies to build their capacity to maintain free and open access to their seas through enhanced maritime security capabilities and maritime domain awareness. We seek to complement the Department of Defense's Maritime Security Initiative (MSI) and security cooperation programs under Section 333 with grants or loans from the global Foreign Military Financing (FMF) fund. FMF is used to provide defense articles and augment capabilities, whereas MSI is better able to maintain and support existing articles. The two are not interchangeable, but complement each other.

The United States remains committed to the promotion of democracy and the protection of human rights, including the rights of women, children, and minority communities to foster responsible Asia-Pacific partners that share America's fundamental values. Our \$63 million request for Burma supports the country's



ongoing transition towards democracy, including support for political, economic, and human rights reforms. A successful transition would promote stability in the region and ensure Burma continues to develop as a key democratic and economic partner of the United States.

As China and other countries around the region increase restrictions on civil society and human rights defenders, it is critically important we continue to support human rights and democracy. The recent death of Chinese Nobel Peace Prize laureate Liu Xiaobo while in custody is a tragic reminder of the daunting repression facing democracy and human rights advocates in China and in some parts of the region. The United States' support for human rights and democracy promotion has been and will remain a key pillar of our strategy.

The budget also provides up to \$38 million for critical War Legacy programs. These efforts engender goodwill among local populations and are essential for maintaining U.S. influence in the Mekong Region. They also provide a platform that allows us to broaden other aspects of our bilateral relationship with these countries.

#### **Defeating ISIS and Countering Transnational Crime**

The siege of Marawi City by ISIS-affiliated groups in the southern Philippines demonstrates the group's appeal to home-grown extremists in Southeast Asia, even as ISIS faces battlefield losses in the Middle East.

The FY 2018 EAP foreign assistance request support efforts to defeat ISIS and counter transnational crime – a funding source for ISIS – in Southeast Asia.

Our law enforcement and judicial sector programs have resulted in significant gains in recipient countries' capacities to identify, prosecute, and effectively isolate terrorists and other criminals. We are supporting critical police investigation and crisis response skills that helped units respond to bombing attempts in Malaysia and the Philippines.

Regionally, our border security and information sharing programs will continue to assist countries prevent foreign terrorist fighter transit, trace illicit financing, and counter trafficking in goods and people. These programs help to ensure that Southeast Asia's economic integration does not leave it more vulnerable to terrorism, cyber attacks, or other transnational crimes.

We will also continue efforts to disrupt ISIS recruitment in the region, including sustaining assistance in the Philippines to provide job training opportunities for at risk youth in the southern Philippines and addressing radicalization in universities across the region. The request provides \$23 million for efforts to combat violent extremism.

Development programs in Southeast Asia will also continue efforts to eliminate corruption and promote fundamental freedoms, in addition to providing viable economic opportunities. These programs address vulnerabilities to make it more difficult for ISIS and other violent extremist groups to recruit and operate.

### **Economic Opportunity**

With respect to advancing economic opportunity for the United States, the FY 2018 EAP foreign assistance request supports economic growth programs that level the playing field for U.S. businesses and reduce trade barriers.

Our use of foreign assistance through APEC and ASEAN is important as it provides economies of scale in shaping the policy environment for fair trade with the region's more than two dozen economies – helping to promote higher standards across the region, including countries with which we may pursue bilateral trade agreements.

We are working to raise standards for trade and investment through APEC, the key forum for advancing our economic priorities with economies in the Asia Pacific. Our engagement with APEC allows us to advocate the standards and practices that bolster American competitiveness and prosperity in a market of three billion consumers that makes up more than 60 percent of world GDP, and includes nine of our top 15 export markets.

The FY 2018 request includes funding for APEC programs that expand trade and investment in the region, reduce barriers to business in the region by advancing good governance and transparency, and seek to broaden economic participation and promote sustainable growth. Through ASEAN, we are building capacity to establish appropriate “light-touch,” harmonized regulations that will enable U.S. companies to compete on a level playing field across all ten ASEAN member states.

We will continue bilateral U.S. economic programs in Vietnam, Indonesia, the Philippines, and Burma, which lay the groundwork for high quality, fair, and reciprocal trade.

### **Diplomatic Engagement**

In addition to foreign assistance, the FY 2018 request requires improved efficiencies in public diplomacy programming.

U.S. public diplomacy advances U.S. foreign policy objectives by informing and influencing foreign governments and influential members of their publics, including media, emerging leaders, jurists, thought leaders, legislators, and civil society. U.S. public diplomacy in EAP will continue to support our highest foreign policy objectives related to North Korea, a rules-based order in Southeast Asia, and destroying ISIS.

At the same time, there is more competition. We see dramatic jumps in public diplomacy programs from China, including its expansion of exchange programs and academic scholarships for leaders and students from Southeast Asia and the Pacific Islands. We use public diplomacy to project America's commitment to the region and push back against negative narratives about U.S. actions. In the end, we aim to be the region's partner of choice by using educational, cultural, and digital exchange programs to promote U.S. security and economic interests. EAP's public diplomacy budget is roughly split between public diplomacy funds and appropriations to the Bureau of Educational and Cultural Exchanges that are used for international and educational exchanges. We will focus on what works best, including robust exchanges such as the Fulbright Program, the International Visitors Leadership Program, and the Young Southeast Asian Leaders Initiative. Our media programs focus on priority U.S. interests in Asia, for example, by informing Asians about North Korea and the stakes in the South China Sea.

### **Conclusion**

Mr. Chairman and Members of the Subcommittee, the Department of State is making significant progress toward ensuring that the Asia-Pacific continues to be a peaceful, prosperous, and economically dynamic region. We urge your support for the FY 2018 budget request and look forward to working with you and other Members of Congress to continue to build on our accomplishments in the region.

Thank you for inviting me to testify today. I am pleased to answer any questions you may have.

Mr. YOHO. Ms. Thornton, thank you.

And, Ms. Steele, if you would go ahead. And don't forget to push the red button. Thank you, ma'am.

**STATEMENT OF MS. GLORIA STEELE, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

Ms. STEELE. Chairman Yoho, Ranking Member Sherman, distinguished subcommittee members, thank you very much for inviting me to testify today to talk about USAID's role in advancing U.S. foreign policy priorities in East Asia and the Pacific Islands.

Asia-Pacific economies are deeply intertwined with our own. Asia is a leading destination for American exports, which support some 3.4 million jobs here in the U.S. By 2030 Asia will become home to more than half of the world's consumer class. Asia's growing market potential presents tremendous opportunities to create U.S. jobs and support regional and global prosperity. However, complex development challenges threaten to derail this trajectory.

Asia's income inequality gap has drastically widened over the past two decades. Asian countries are under pressure to provide essential services on an unprecedented scale. And, as mentioned earlier, ISIS is increasing local attacks and recruiting foreign fighters. A host of other development challenges hold the region back, ranging from pandemic threats to human trafficking.

The President's fiscal year 2018 budget request for USAID's foreign assistance in this region is approximately \$235 million. This request will enable USAID to continue its vital role in addressing key development challenges in the region while strengthening our national security, advancing U.S. economic interests, and asserting U.S. global leadership and influence.

On national security, USAID helps to counter threats to the U.S. before they mature, then keep a focus on preventing radicalization to violence by addressing its underlying drivers. It also includes leading regional efforts to combat human and wildlife trafficking. It includes working to prevent health threats from reaching our country by addressing them abroad.

We help to reduce non-tariff trade barriers, protect intellectual property rights, and support the emergence of a consumer class that can buy American goods and services. We also support ASEAN and APEC in achieving these objectives.

We are leading the world in improving global health, particularly maternal and child health, malaria, and tuberculosis. We are also demonstrating leadership that reflects our core American values through lifesaving humanitarian assistance.

Next I would like to provide a brief overview of our programs in key countries.

Indonesia. Indonesia shares our concern about evolving threats from extremists. In response, we are reorienting our programs and designing new ones. Our focus is on strengthening moderate voices, bolstering community resilience to radicalization, and developing the capacity of Indonesian institutions to break the link between corruption and extremism. We are also improving access to justice for marginalized communities.

Our work in Indonesia strengthens democratic governance and improves market access for American businesses, including Indonesia's \$16 billion renewable energy market. Our efforts also include reducing maternal and child deaths and strengthening Indonesia's ability to contain infectious diseases.

In the Philippines, where I grew up, the budget request supports programs to counter violent extremism, foster inclusive growth, and control tuberculosis. USAID is intensifying ongoing programs to address the threat of ISIS in Mindanao. In addition, we are helping citizens engage with government and bolster economic opportunities, especially among the youth. We will intensify our efforts to improve the court system's efficiency in order to strengthen the rule of law.

The request supports our continued partnership with the Philippines to stimulate inclusive economic growth. USAID has helped advance reforms that benefit the Philippines, as well as the U.S., including liberalizing foreign investment laws, establishing an anti-trust body, and modernizing customs procedures.

The Philippine budget also includes assistance that we provide to the Pacific Island countries, 12 of them. And they are focused on disaster preparedness.

In Burma, USAID will continue efforts to foster national peace and reconciliation, and maintain the momentum for democratic and economic reforms, as well as improve the lives of the people of Burma. We will continue to respond to humanitarian needs of vulnerable populations, including the Rohingya, and will continue working toward a solution to violence in Rakhine.

In Vietnam, our assistance focuses on strengthening the U.S.-Vietnam partnership. We are also helping to level the playing field for U.S. businesses in Vietnam by helping it to become more market-oriented and committed to good government.

And, finally, in Cambodia we have helped to significantly drive down malaria, TB, infant and child mortality. The budget request supports our efforts to build on these gains.

We have a regional program that is based in Bangkok which will focus on activities that combat human and wildlife trafficking, and illegal and unregulated fishing.

Mr. Chairman and committee, investing in development in the East Asia-Pacific is not only good for our allies and friends in Asia, but it remains in our national interest. In helping build more stable, open, and prosperous societies overseas we enhance our own prosperity and strengthen our security.

Thank you. And I look forward to your counsel and questions.

[The prepared statement of Ms. Steele follows:]

**Statement of Gloria Steele**  
**Acting Assistant Administrator, Bureau for Asia**  
**United States Agency for International Development**  
Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific  
*“U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing”*  
Thursday, July 27, 2017

Chairman Yoho, Ranking Member Sherman, and Distinguished Members of the Subcommittee:

Thank you for inviting me to testify on the vital role of the United States Agency for International Development (USAID) in advancing U.S. foreign policy priorities in East Asia and the Pacific Islands. It is an honor to testify before this committee, and a pleasure to be here alongside my colleague from the U.S. Department of State, Acting Assistant Secretary Susan Thornton.

Development plays an indispensable role, alongside diplomacy and defense, in advancing U.S. national security and economic interests. With less than 1 percent of the fiscal year (FY) 2018 discretionary budget request, USAID’s programs help reduce poverty and promote economic growth, strengthen democratic institutions, and avert crises worldwide. Our efforts bolster self-reliance in developing countries, which helps them forge sustainable paths of progress that benefit us all by building stronger trade and security partners and a more peaceful world.

When it comes to Asia, a region of the world whose security and economies are intimately intertwined with our own, the region’s success directly impacts U.S. national security and economic interests. As the most populous, fastest-growing region in the world, Asia is one of the main drivers of the global economy and is hugely consequential to our own future. Asia is a leading destination for U.S. exports, which support some 3.4 million U.S. jobs. Vietnam is the fastest-growing market for U.S. exports in the entire world. By 2030, Asia will be home to more than half the world’s consumer class and account for more than 40 percent of global GDP. Half of the next billion people added to the world will be in Asia. Asia’s untapped, and growing, market potential presents tremendous opportunity to create U.S. jobs and support regional and global prosperity.

Yet, with rapid growth comes complex development challenges that threaten to derail this success story. Never before in USAID’s history has Asia accounted for such a large share of global wealth—and global extreme poverty. While Asia has enjoyed strong economic growth, that growth has largely not been inclusive. The income inequality gap has drastically widened over the past two decades, leaving about 240 million people in poverty, according to the Asian Development Bank. Asia is now home to nearly half of the world’s extreme poor, more than half of all yearly deaths of newborn babies, and more than two-thirds of the world’s undernourished children. Asia is also plagued by more than half of all natural disasters. The countries of Asia are under pressure to provide food, water, energy, health care, education, and jobs on a scale never before seen, outpacing the ability of governments to meet their people’s needs. Over the next 15

years, electricity demand will triple in the Lower Mekong countries (Burma, Cambodia, Laos, Thailand, and Vietnam) alone. As evidenced by recent events in the Philippines, the Islamic State of Iraq and Syria (ISIS) is seeking to increase its influence and territory in the region after having attracted hundreds of foreign terrorist fighters. A host of other development challenges hold the region back, from emerging pandemic threats that undermine global health security and disrupt economic productivity, to widespread human trafficking that breaks down the rule of law and corrupts global commerce.

USAID plays an important role in partnering with the countries of Asia. This engagement is key because the development decisions they make today will help realize the region's long-term success—success that is critical to our own security and prosperity. The President's FY 2018 budget request for Department of State and USAID-managed assistance in the East Asia-Pacific region is \$393 million. This request directs foreign assistance investments to approaches that have the most impact and are the most cost-effective in advancing U.S. national security objectives, while fostering economic opportunities for the American people and asserting U.S. leadership.

First, this budget request enables USAID to continue its vital role in strengthening U.S. national security. USAID helps counter threats to the homeland before they mature—whether violent extremism, transnational crime, or pandemics. We are focused on preventing radicalization to violence by ISIS and other terrorist organizations by addressing the underlying drivers of violent extremism, and building strong economic and political foundations that adhere to the rules-based international order, thereby advancing our national interests. In the Philippines, USAID is intensifying ongoing programs to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. In Indonesia, we are starting this work through adapting our existing programs and designing new programs to prevent radicalization to violence and support for violent extremism. We are leading regional efforts to combat human and wildlife trafficking, a lucrative source of funding for criminal and terrorist networks. We are also working to prevent health threats from reaching our country by addressing them abroad.

Second, this budget request enables USAID to continue its vital role in advancing U.S. economic interests. USAID fosters the elimination of non-tariff trade barriers and supports the emergence of a consumer class that can buy American goods and services. USAID encourages a level playing field for U.S. businesses by promoting international norms that enjoin others to follow international rules. We help to drive policy reforms that protect intellectual property and foster regulatory transparency—persistent areas of weakness in Asia. We also help strengthen regional bodies such as the Asia-Pacific Economic Cooperation (APEC) forum and the Association of Southeast Asian Nations (ASEAN) to achieve these objectives, at the same time that we work bilaterally with partner governments.

In Vietnam, for example, we have achieved tremendous success in improving the business enabling environment through a ratings system initiated by USAID and the Vietnam Chamber of Commerce and Industry that motivates provinces to outdo each other in welcoming investment. Vietnam is now helping 10 other countries replicate the system. In the Philippines, USAID's

work through the U.S.-Philippines Partnership for Growth with Equity has helped advance meaningful reforms that are fostering an environment that is more enabling for U.S. businesses, including the Customs and Tariff Modernization Act, which benefits American exports to the Philippines through streamlined procedures in cargo clearances, and the Philippine Competition Act, which regulates anti-competitive behavior and promotes a better environment for the entrance of new market players. The United States is now the Philippines' second largest trading partner and U.S. exports to the Philippines totaled \$8.2 billion in 2016.

Third, this budget request enables USAID to continue asserting U.S. leadership and influence in the region. We are leading the world on improving global health, with a focus on maternal and child health, HIV/AIDS through our PEPFAR-supported efforts, and the fight to control malaria and tuberculosis (TB). In Cambodia, USAID investments have yielded high returns, driving down infant mortality and malaria so much that USAID is now helping Cambodia take steps toward the elimination of malaria—a feat unthinkable just a decade ago. Across Asia, we are demonstrating leadership that reflects our core American values through life-saving humanitarian assistance when and where it is needed most. We also play a critical role in preventing humanitarian crises and other security threats from metastasizing in the first place, including by addressing and reversing the root causes of instability and irregular migration, such as poor governance, corruption, poverty, weak institutions, and human rights abuses. Our ongoing work to build responsive local governance continues in FY 2018 in Burma, Indonesia, the Philippines, and Vietnam.

Next, I will provide a brief country-by-country overview of the FY 2018 budget request.

#### **Indonesia**

We seek to expand our partnership with Indonesia, the world's largest Muslim-majority country and a G-20 member economy. USAID programs advance the core tenets of democracy, expanding tolerance and mitigating conflict over territory, religion, and resources. We are designing new programs to strengthen moderate voices in opposing violent extremist rhetoric, bolster social resilience, and help enhance Indonesian institutions. USAID's regional work supports policies to reduce barriers faced by American businesses and position the United States as the preferred economic partner in the region. Moreover, USAID's mission in Indonesia operates at the regional level to strengthen the institutions of ASEAN for good governance and economic integration.

Indonesia shares our concern about the evolving threats from returning foreign terrorist fighters. USAID is reorienting existing programs and designing new programs to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. Prevention activities will include assisting the justice sector in identifying linkages between corruption and violent extremism, countering messages of violent extremism in media and civil society, and piloting knowledge exchange visits for officials of Indonesia and other Asian countries. Our democracy and governance programming will complement these efforts by strengthening governmental and civil society institutions and community leaders on the frontline in countering violent extremist recruitment and upholding justice and rule of law. Interventions will include



raising awareness—especially among law enforcement and the justice sector—of funding flows to violent extremist groups; countering the trend of violent extremists infiltrating schools, universities, and workplaces; and building the resilience of migrant workers against violent extremist recruitment. The budget request also supports research into the enabling role of corruption, analysis of radicalization trends at the subnational level, and comparative analysis of interventions by Indonesia and other Asian countries as part of South-South cooperation. These bilateral efforts are complemented by regional programming that promotes the rule of law, youth engagement, and human rights in ASEAN institutions.

Our regional ASEAN efforts promote the development of an Indonesian market that is friendlier to U.S. businesses and investment. For example, we are helping to strengthen the policy and regulatory environment for Indonesia's renewable energy market—a potential \$16 billion a year opportunity. American companies have a comparative advantage in providing high-quality, in-demand renewable energy technologies, and expertise. USAID will further support work to improve the business enabling environment for U.S. companies in Indonesia and throughout ASEAN by encouraging policies to reduce barriers to market entry, streamline regulatory requirements, and combat corrupt business practices.

Other efforts include: helping the world's major tuna exporter sustainably manage its fisheries; reducing maternal and child deaths; strengthening Indonesia's ability to better address its infectious disease threats by engaging U.S. companies like Cepheid and Johnson & Johnson; leveraging private sector support to help Indonesia achieve universal and equitable access to safe drinking water and safely managed sanitation services; as well as helping Indonesia strengthen its education system and provide opportunities for Indonesians to break out of the cycle of extreme poverty.

#### **Philippines**

The United States partners with the Philippines, our treaty ally, to promote regional security and economic prosperity. U.S. assistance supports mutual objectives to improve internal and external peace and stability, foster conditions for sustainable and inclusive economic growth, strengthen democratic processes, and increase transparency and respect for the rule of law and human rights. The budget request supports programs to counter violent extremism and trafficking in persons, reduce trade barriers, control TB, and strengthen environmental resilience.

The growing influence of ISIS is alarming in the southern region of Mindanao, where ungoverned areas and deep-seated grievances against the national government are exploited. In a significant shift, some local terrorist organizations have banded together, burying their differences in a unified call to action on behalf of the Islamic State. USAID programs help to alleviate poverty in Mindanao, which, in many areas, exceeds 70 percent. We are helping to improve access to better-quality health and education services in this region, and we are assisting the government with mobilizing domestic resources for infrastructure development. Furthermore, USAID is stepping up actions to address drivers of radicalization to violence, disrupt ISIS recruitment, and erode support for ISIS. In the most vulnerable parts of Mindanao, USAID is helping resolve non-violent disputes, engage citizens with their local governments to engender

mutual trust and improve service delivery, and bolster economic opportunities, especially among youth. Early-grade reading programs will similarly focus on Mindanao and other at-risk areas, while higher education funds will help university students at risk of terrorist recruitment develop a sense of belonging and gain meaningful employment. To advance the rule of law and protect human rights, assistance will intensify reform efforts to improve the efficiency of the court system.

The budget request enables USAID to continue working with the Philippines to stimulate inclusive economic growth and reduce barriers to trade. Through the Partnership for Growth with Equity, the U.S. and the Philippines have achieved success in supporting work to address the constraints to growth in the Philippines. This includes helping to promote substantial policy reform, including liberalizing foreign investment laws, establishing an antitrust body, and strengthening business contract enforcement by bolstering the capacity of the National Center for Mediation to adjudicate business disputes. American companies, such as GN Power and Applied Energy Services, received contracts worth more than \$3 billion as a result of USAID's support for more transparent and competitively-procured power supply agreements in the Philippines. Our programs support cities outside of the capital region—including three in Mindanao—to help spur economic growth outside of metropolitan Manila, which currently accounts for over 60 percent of growth generated in the Philippines. Assistance will also help the Philippine government mobilize domestic resources through stronger systems to collect taxes and manage expenditures.

USAID helps to strengthen the country's capability to prevent and control infectious diseases, particularly TB. Our partnership with California-based Cepheid is radically changing this fight through deployment of the company's rapid testing machines, which reduce the wait time for a diagnosis from weeks to hours. Impressed by the effectiveness of the technology, Philippine authorities procured 2,600 machines valued at \$20 million. USAID programs will also make fisheries more resilient to environmental degradation, reduce the risks of disasters, increase energy investment opportunities for U.S. companies, and make seafood safer. The request for the Philippines includes support to Pacific Island countries to strengthen their disaster preparedness, which lowers the cost of disaster response.

#### **Burma**

In Burma, our efforts focus on supporting Burma's transition toward democracy. The United States has an opportunity to help Burma demonstrate that democracy provides valuable economic and social dividends. To sustain the gains brought about by the 2015 elections, USAID will continue efforts to foster national reconciliation and peace to end ethnic conflict, maintain momentum for democratic and economic reforms, and improve the lives of the people of Burma by increasing their access to better health services, economic opportunities, and life-saving humanitarian assistance where needed most. We will continue to respond to the humanitarian needs of vulnerable populations throughout Burma, including the Rohingya, and will continue working toward a solution to the human rights violations and violence in Rakhine.

USAID is assisting Burma with modernizing and strengthening its civilian institutions to improve governance and increase trade and investment. Our efforts, which include strengthening both parliament and the judiciary, have improved the capacity of justice sector institutions to implement standards of due process in the legal system. We are helping to implement a modern and transparent commercial environment, including intellectual property rights protection, which will directly benefit U.S. firms doing business in Burma. In partnership with Burma's Ministry of Commerce, USAID established the country's first online trade portal, which fosters transparency on trade rules and regulations, making it easier for even the smallest U.S. businesses to enter Burma. We have also provided technical assistance on economic reforms and liberalization in foreign investment, finance, land use, and food safety.

To complement commercial reforms and help reduce poverty, USAID is working with farmers to increase incomes, reduce malnutrition, and connect them to American expertise and equipment that helps maximize high-value crop yields. About 70 percent of the rural population lives on an agricultural income of some kind, so our assistance to smallholder farmers can be transformative in the lives of average Burmese citizens and help reinforce the gains of the democratic transition.

#### **Vietnam**

Our assistance focuses on strengthening the U.S.-Vietnam diplomatic and economic partnership and helping Vietnam become more globally integrated, market-oriented and committed to good governance—which will help level the playing field for U.S. businesses. Addressing legacies of the Vietnam War is one of the means by which USAID strengthens U.S. ties with Vietnam and promotes goodwill between our peoples, enabling the U.S.-Vietnam partnership to move forward in other areas. Specifically, USAID has nearly completed remediation of Agent Orange and its byproduct, dioxin, at the Danang airport.

In recent decades, Vietnam has made the transition from an agricultural, relatively isolated command economy to an emerging, market-driven economy. Assuming strong GDP growth continues, Vietnam's consumer class is anticipated to double between 2014 and 2020 to 33 million people. Yet there are formidable hurdles ahead in achieving sustained and equitable growth, including Vietnam's weak and non-transparent legal and regulatory framework, which we are helping to address. Already, we have helped Vietnam rewrite over 160 laws and regulations affecting commercial activities and related judicial procedures, including the Civil Code, sale of real estate and dispute resolution, customs and tax procedures, and import/export regulations and trade fraud. Vietnam has improved in its "ease of doing business" ranking in the World Bank's annual *Doing Business* report, moving from 90th in the 2016 publication to 82nd in its 2017 edition. USAID also provides assistance to people with disabilities, and is supporting the Government of Vietnam in building a system to provide rehabilitation and direct services to persons with disabilities.

#### **Cambodia**

In Cambodia, USAID helps reduce poverty and strengthen Cambodia's economy and society by improving health services for vulnerable populations. We are working to combat malaria, HIV through our PEPFAR-supported efforts, maternal and child deaths, and TB. While the number of

malaria cases was almost halved between 2004 and 2014, the Cambodia-Thailand border remains an epicenter of drug-resistant malaria. USAID is strengthening the control, prevention, and surveillance of drug-resistant malaria. With our support, the Cambodia National Malaria Program has intensified malaria prevention and case management for high-risk populations. The program is also piloting an intervention near the border with Thailand that aims to accelerate elimination of malaria and drug-resistant parasites. Through our work under PEPFAR on HIV/AIDS, Cambodia is projected to be one of the first PEPFAR countries in Asia to achieve epidemic control and virtually eliminate new HIV infections by 2025, thereby greatly reducing a potent global health threat in this country.

Since 2005, USAID investments have helped drive down child mortality by 50 percent and maternal mortality by more than 60 percent. We assisted Cambodia in further reducing preventable maternal and child deaths by providing coaching and training to frontline health care providers. Our assistance has helped ensure access for 3 million poor Cambodians to high-quality health services, and developed the host government governance structure to manage and assume full fiscal responsibility by 2020 for sustaining and expanding this access. USAID is also helping Cambodia's national TB program more effectively stem the infectious disease. U.S. assistance has helped reduce the number of Cambodians dying from and living with TB by more than half.

#### **Regional Development Mission for Asia (RDMA)**

The budget request supports USAID regional activities that combat human and wildlife trafficking and illegal, unreported, and unregulated fishing. USAID counters human trafficking by reducing risk factors, protecting and assisting survivors, increasing prosecutions of traffickers, and strengthening the implementation of related laws and policies. USAID recently launched a new initiative tailored to the challenges and opportunities of the region to combat this estimated \$12 billion per year industry. USAID is also at the forefront of combatting illegal, unreported, and unregulated fishing in the region—an activity with serious ecological, political, and economic impacts that may also have negative effects on the enjoyment of human rights, and which is contributing to the unsustainable harvest of fisheries, which may have the effect of fomenting instability in Southeast Asia. USAID complements these efforts by strengthening regional integration and cooperation between mainland Southeast Asian countries on critical transboundary issues through the Lower Mekong Initiative.

#### **Conclusion**

Mr. Chairman: Investing in global development progress is in the U.S. national interest. In helping build more stable, open, and prosperous societies, we build stronger security and economic partners for the United States, while reducing the need to put our men and women in uniform in harm's way. With the FY 2018 budget request, USAID will continue achieving results in the East Asia-Pacific region through strong American leadership.

Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.

Mr. YOHO. Thank you both for your great testimony. We will look forward to talking with you.

Ms. Thornton, you were talking about North Korea is probably the most urgent thing. I think we are all in agreement. I think we are all in agreement that the expansion and the aggression of what we see with China in the South China Sea, declaring the South China Sea as sovereign, building islands initially as peaceful navigational purposes that have morphed into militarized islands with weapon systems on there, radar systems, landing strips. So, the rhetoric doesn't match the actions.

And we have seen this over and over again. If we can go back to the agreement between Great Britain and Hong Kong when they made the agreement and passed the control of that back, there was a 50-year plan. In that 50-year plan there was supposed to be freedom of speech, democracy, and all those things were supposed to be left in place. Yet, here we are 20 years and we see it is not true.

So we have kind of seen this story over and over again. And, you know, with us cutting the budgets at State to save money—and we do, we need to be fiscally responsible because we have our own tsunami coming if we don't change course in this country and focus on the things that are the drivers of the out-of-control spending—but to cut the budget to State to save money in the hopes of strengthening our presence and growing strategies, and make stronger alliances in that area reminds me of the old veterinarian who was a cow rancher. He would always—he never had the best gates or the best fences, but would say you can't starve a profit into your cattle. But he would feed them and he would take care of them, he would nurture them.

It would be like planting a garden and hoping to have a bountiful crop or harvest, but you don't want to fertilize it. We need to make sure that what we do we get the biggest bang out of our buck for the American people so that we can have peace in that area, we can have strong alliances, we can focus on economics, on national security, on trade, and cultural exchanges.

My question to you, an America-first foreign policy is the goal, but I fear it will become increasingly difficult to obtain if we lose our influence in the Asia-Pacific to China. How does the administration plan to adapt to ensure that the United States remain a regional power?

I have a follow-up question if you guys would tackle that one.

Ms. THORNTON. Thank you, Mr. Chairman.

I think what I would say first is that the budget that we have presented does reflect hard choices. But we should also remember that for the East Asia-Pacific region we have traditionally been less than 2 percent of foreign assistance spending globally. That means in the East Asia-Pacific region we have always gotten a lot of bang for our buck on what we have spent in the region.

I think one of the ways that we do that is whether it is an America-first foreign policy, we are always doing it with America not alone. We are leveraging our money with other partners in the region, with the private sector. And what we are going to be doing and what we are going to be having to do with this budget is to be doing that even, even more efficiently and effectively going on in the future.

One of the things that many of the members raised was the issue of security in East Asia. The U.S. has traditionally provided a lot of the security and stability in this region, which we have all come to treasure, and which has underpinned the economic dynamism and prosperity of the region. Of course, our U.S. military contributes a lot to that security. We have over the years built up great partnerships with our five treaty allies in the region and with a number of other partners that were mentioned by the Mr. Congressman Sherman.

So, I think what we want to do is continue those partnerships, continue to work with others in the region to build up this network. We have invested a lot in these relationships already. We are working with the Department of Defense to make sure. We have a steering committee that has been set up at the direction of Secretary Mattis and Secretary Tillerson to make sure that we are well coordinated on all of the needs that we see out there for security assistance, for example, and that we are working together, both departments, to come up with the necessary funding for that.

Mr. YOHO. Okay. And I appreciate that. I look forward to getting more of that out.

Ms. Steele, if you have got—would like to weigh in, you have got about 40 seconds.

Ms. STEELE. I would just—

Mr. YOHO. Your microphone.

Ms. STEELE. I would just like to add that over the years what we have done is work with our partner governments to make sure that they begin to mobilize their own resources to contribute and provide leverage to ours.

Mr. YOHO. And I appreciate you saying that because, you know, I came up here, I was one of the guys that wanted to get rid of foreign aid. But when you learn the process, I agree with General Mattis, cut foreign aid, buy more bullets; there is a balance in there.

So our goal, and the mantra that comes out of our office, is go from aid to trade. If you look at historically our top 15 trading partners, 12 of those were recipients of foreign aid. That is what we want to do. I think you guys have done a good job if you are only getting 2 percent of the foreign aid budget.

I look forward to the suggestions that come out. I am out of time and we now turn to the ranking member Mr. Sherman from California.

Mr. SHERMAN. I agree with Mr. Chabot that the key on North Korea is to persuade China to change its policy. The easy way to meet our political objectives here in Washington is to say we can get China to change its policy without doing anything we don't feel like doing. All we have to do is fly over to China, show them a picture of Kim Jung Un, show them a picture of his dead uncle, show them a picture of his dead half-brother, and persuade them to change their policy because, after all, China doesn't understand Asia near as well as we do. And if they just listen to us they will change.

This is absolutely absurd. China is not going to change its policy toward North Korea till we change our policy. We have one of two choices: Either make it plain to China that they cannot have access

to our markets and continue their current policy toward North Korea, or we can build civil defense starting in Los Angeles.

Ms. Thornton, back in the day, North Korea wanted a non-aggression pact with the United States. Chaney vetoed it because he wanted to invade and then commit to Russia against North Korea. I realize this isn't a hot issue now, but what is the official U.S. position whether we should have a non-aggression pact with North Korea?

Ms. THORNTON. I think what, what we are doing on North Korea, and I think it is——

Mr. SHERMAN. If you don't know, if we don't have an official policy just let me know.

Ms. THORNTON. Well, on a non-aggression pact——

Mr. SHERMAN. Yes.

Ms. THORNTON [continuing]. I mean I think——

Mr. SHERMAN. Are we interested in negotiating a non-aggression pact with North Korea?

Ms. THORNTON. Not——

Mr. SHERMAN. Yes, no, or?

Ms. THORNTON. Well, we are not interested, yeah, we are not interested—I mean we are interested in peacefully resolving——

Mr. SHERMAN. Okay. But——

Ms. THORNTON [continuing]. The issue on North——

Mr. SHERMAN. But we don't have a specific strategy on a non-aggression?

Ms. THORNTON. Well, we are not, we are not going for regime change, and we are not trying to have a collapse.

Mr. SHERMAN. Okay.

Ms. THORNTON. And we don't want military conflict with North Korea, so.

Mr. SHERMAN. Okay. I believe that Ms. Steele has commented on the trade relationship. We have trade deficits with China of 340; Japan, 69; 83 billion with Southeast Asia.

Now, people often come here and they say things are wonderful because we have exports. But, of course, the exports are dwarfed, and increasingly dwarfed by the imports. What matters is the net trade. Getting 5,000 jobs while you are losing 10,000 jobs is not the way to build the U.S. economy.

Ms. Thornton, does the administration have a policy that you are confident will reduce our trade deficit with East Asia by a significant amount over the next few years?

Ms. THORNTON. Well, I think what we are trying to do is——

Mr. SHERMAN. Do we have a policy that will——

Ms. THORNTON. Yes.

Mr. SHERMAN [continuing]. Achieve those objectives?

Ms. THORNTON. I think we do have a policy.

Mr. SHERMAN. So you are confident that when you come back here 3 years from now our trade deficit is going to be substantially less than it is now?

Ms. THORNTON. I am, I am confident that we are working in that direction, yes.

Mr. SHERMAN. Working in. But and how is this direction different from the last 3 years?

Ms. THORNTON. Well——

Mr. SHERMAN. Because if we didn't achieve that in the last 3 years, what are we doing different now?

Ms. THORNTON. Well, we are trying to grow the entire Asian economy but cut, enforce better the trade mechanisms that are in place and pursue agreements with countries where we have trade imbalances to try to write restrictions on market access and also try to fight—

Mr. SHERMAN. And you are saying that wasn't true in 2014?

Ms. THORNTON. We have been doing—

Mr. SHERMAN. We did it then, we are doing it now, we are going to keep doing it. The definition of insanity is to keep doing the same thing we did then and expect a different result.

The budget that the administration has proposed, does it save from the axe those diplomats that are working to push American exports, agriculture, and manufacturing? Or does it cut our efforts in the State Department to promote our exports?

Ms. THORNTON. I don't think that the budget that we have presented reflects those kinds of cuts to our personnel, no. And we are certainly, one of our—

Mr. SHERMAN. So we are going to slash the State Department but those officers that are promoting exports are not going to be slashed? Everybody else is going to be slashed a little bit more?

Ms. THORNTON. So I think, are you talking about the cuts to ops? Cuts to our operations—

Mr. SHERMAN. Yeah.

Ms. THORNTON [continuing]. That have been proposed are not that significant actually, so to personnel and things like that there is not a major reduction there.

Mr. SHERMAN. Islands—

Ms. THORNTON. Not in the commercial promotion area.

Mr. SHERMAN. Ms. Steele, why are we slashing our aid to islands that are so incredibly strategic and have received almost no aid but now we are going down to zero for the Marshall Islands and Micronesia? Why do—why shouldn't we at least continue our \$500,000 a year aid to those two?

Ms. STEELE. The President's budget request includes—we support the Pacific Island countries, which includes Marshall Islands and Micronesia, through a regional program that is run out of the Philippines. And we—the President has requested \$5 million to support the countries in the Pacific. So we will continue supporting them.

Mr. SHERMAN. Is that a higher or lower rate of support than we had last year?

Ms. STEELE. It is lower.

Mr. SHERMAN. In spite of their strategic significance.

So we are going to spend hundreds of billions of dollars to fight with China over little islets that we claim have strategic significance but really don't, and we are going to ignore the chance to spend a tiny, tiny fraction of that on the islands that are in the middle of the Pacific and dominate that area.

I yield back.

Mr. YOH. We will next go to Mr. Dana Rohrabacher of California.



Mr. ROHRBACHER. Thank you very much, Mr. Chairman. And congratulations on your assuming the chairmanship. We appreciate it, look forward to working with you in the years ahead.

Let me just note that we have just ended 8 years of disintegration of major western bulwarks throughout the world against various elements that are hostile to the United States, whether we are talking about what is going on in Turkey, the Philippines, or what is happening in North Korea where it didn't start off as one of our bulwarks but now is threatening one of our bulwarks, which is South Korea and Japan.

As far as American foreign aid, there are many people who believe that just giving money to people or trying to provide money and resources to promote various cultural elements of our society is a waste of American resources.

I know that if we take a look very closely at some of the expenditures that we have left that has been described, I don't necessarily believe that they are going to make things safer for us or better for those countries. So, I am pleased that President Trump has kept his promise and is moving forward with a theories based on what he believes and what some of us believe are—is best for the American people rather than trying to buy off other people in other countries.

In terms of North Korea, I was disappointed in your answer, but I do believe your answer reflects a policy that we don't have. I would just suggest that the little, I will refrain from using a pejorative phrase to describe the leader of North Korea, is so, so much—is easy to make fun of, but the fact is that this human being is a murderous, treacherous man who has murdered his own friends and family. We cannot afford to have a nuclear weapon at his disposal that could hit the United States.

I would suggest that we owe Ronald Reagan a great debt because Ronald Reagan insisted on moving forward in an aggressive way to build a missile defense system. I remember him being belittled for saying that we can have a rocket that can—a bullet that can hit a bullet. Oh, it is impossible. He was belittled for that. The fact that we went ahead, full steam ahead and have developed such systems now gives us some leverage in dealing with this maniac. It was never intended to try to prevent us from preventing a major exchange between major powers of nuclear weapons, but it was just specifically for a case like this. And thank God he had the vision to move forward over and above being ridiculed for doing that.

My recommendation to this administration is our policy in North Korea should be that if indeed it appears that, again, this unstable—and that is a generous way of describing this dictator's personality—an unstable character like this looks like he is going to launch a rocket, again, another missile with capabilities of threatening the United States, we should shoot that missile down. If it continues, we should use our cyber capabilities to basically turn everything off in North Korea.

That is what I would recommend. I hope we have a President now that instead of trying to buy loyalty or thinks he is going to buy peace, that we have one who I think will step up to the plate. And we will wait and see.

In terms of—let me ask one question. It seems that I gave my spiel here.

Is there any indication, we have Burma and Vietnam, which Burma has supposedly made some progress. We have Aung San Suu Kyi now in a place where no one would have dreamed about 10, 15 years ago. We all worked so hard to get her there. I was part of that team. But in Vietnam, is there anything in Vietnam that would suggest to us that there is a democratic liberalization going on at all? If not, why the heck are people so anxious to set up a trade treaty with a country that hasn't had that progress?

Whoever wants to answer is fine with me.

Ms. THORNTON. Okay. Thank you very much.

On Burma I would say, yes, we are working very hard to consolidate the gains there and to support governance in Burma. There are some issues still to work on there. Obviously, a lot of ethnic problems and unrest. There is a peace process which Aung San Suu Kyi has sponsored and which we have supported and that we want to see continue to be successful.

We also are working very hard to make sure that the continued civilian governance over the military is proceeding in that country.

On Vietnam, Vietnam is the fastest growing U.S. export market in the world. They are a significant economic partner of the United States. We have had a growing partnership and relationship with Vietnam on security in the East Asia region, particularly in Southeast Asia, and have found them to be partners in various areas of U.S. interest.

We have not, unfortunately, made the gains that we would have hoped to in the human rights situation in Vietnam. But we do continue to work on that and have had a human rights dialog going with them and continue to press them on those issues.

I will let maybe Gloria Steele respond as well.

Mr. ROHRBACHER. Let me just note that the fact that you were unable to really specify any real progress toward democratic government in Vietnam indicates that the first things that you mentioned are not in our interest to start opening up. I do not believe, as I never believed with China, that just as we were going to open up our markets and have an economic relationship, which has built this monster that China is today, that that is in the interests of the United States if it does not couple with democratic reform.

And we were promised it would be, but it never happened in China. There has been no democratic reform. Now we have created a monstrous threat to democracy.

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

Ms. Steele, I will come back to you. But we want to go on to Mr. Connolly right now.

Mr. CONNOLLY. I thank the chair. And my friend, who also worked for Ronald Reagan when I was here on the Hill during the Reagan years, and my job was to authorize the foreign aid budget, let me just say I knew a little bit Ronald Reagan. Donald Trump is no Ronald Reagan.

Ronald Reagan never cut the foreign aid budget by 46 percent. Ronald Reagan understood strength meant you go forward, you don't retreat. You don't create a vacuum in which your adversary can readily and smartly and enthusiastically step in.

There is an Orwellian quality to this hearing. And I am going to challenge both of you. Let me stipulate for the record in case, so you don't get in trouble. You're loyal officials of the United States Government defending the indefensible, the Donald Trump foreign aid budget and State Department budget. But, okay, we will stipulate you have done that.

Ms. Thornton, you said to Mr. Sherman that there weren't really going to be significant personnel cuts. So let me talk about your boss. Your boss said otherwise. Your boss said, Mr. Tillerson, Secretary of State, 2,300 jobs will be cut. He even specified how they will be cut: 700 through buy-outs, and 1,600 through attrition. You, you think that is not significant? Because that is how you answered Mr. Sherman.

Ms. THORNTON. I think I was speaking to the operational budget—

Mr. CONNOLLY. Well, how do you know,—

Ms. THORNTON [continuing]. For the East Asia—

Mr. CONNOLLY [continuing]. If there was that level of cuts, Ms. Thornton, how could you possibly sit here and testify that you don't, that that won't affect operations? How would you know that?

Ms. THORNTON. I only know what is happening in the East Asia-Pacific Bureau fixed—

Mr. CONNOLLY. Have these cuts happened yet?

Ms. THORNTON. Not that I am aware of.

Mr. CONNOLLY. No. So you don't know what the impact is going to be. And, frankly, your answer to Mr. Sherman is nullified. You don't know whether in fact it would affect people who are in charge of exports from running U.S. exports. It could, in fact, have an appreciable effect, couldn't it? We don't know yet.

I assume by your silence you acquiesce.

Ms. THORNTON. I mean that is not an area that we are—I mean that is a priority area that we would look to.

Mr. CONNOLLY. When this—

Ms. THORNTON. Because I would look to—

Mr. CONNOLLY. If Secretary Tillerson isn't understating the number of cuts, you don't know the impact yet. That is really the answer to Mr. Sherman's question. It is not a gratifying or reassuring answer.

Ms. Steele, you talked about \$235 million that will strengthen our vital programs. Now, I went to Maryknoll, too, so I read George Orwell and I think you did too. That is a 46 percent cut.

Have you in AID notified all of your contractors, all of your non-profits, and your own hands-on work to prepare for a 46 percent cut? And are they doing that? Are they developing plans to absorb that cut?

And, oh, by the way, did you tell them by doing this we will strengthen our vital programs?

Ms. STEELE. Yes, we are in constant discussions with our implementing partners.

Mr. CONNOLLY. I am sure you are. But I didn't ask that question.

Have you given them instructions to absorb a 46 percent cut? And have you told them, by the way, that will make you stronger, not weaker?

Ms. STEELE. We have been talking to them about coming up, coming up with their share of the program budget.

Mr. CONNOLLY. You mentioned the progress—I am sorry I am being, but I only——

Ms. STEELE. Sure.

Mr. CONNOLLY [continuing]. Have 1 minute and 40 seconds.

Ms. STEELE. Sure.

Mr. CONNOLLY. You mentioned Cambodia. I have been to Cambodia. And malaria is a huge problem in Cambodia. Getting it under control, wonderful thing for them in terms of productivity, tourism, and the like. Are we a 2 percenter in the malarial prevention and eradication program in Cambodia or are we a major player?

Ms. STEELE. We are a major player.

Mr. CONNOLLY. Yes.

Ms. STEELE. And have helped them significantly.

Mr. CONNOLLY. Right. So we are not, this isn't like, well, we are kind of a bit, you know, bit player. In malaria in Cambodia we are actually a big player.

Ms. STEELE. Right.

Mr. CONNOLLY. And to absorb a 46 percent cut, I mean, the Cambodian Government said, great idea, that will make us stronger; we like that?

Ms. STEELE. Actually, Congressman Connolly, we told them right from the start, and they have agreed, that they will begin to assume the costs of our supporting them.

Mr. CONNOLLY. Begin to assume.

Ms. STEELE. In 2020——

Mr. CONNOLLY. This 46 percent cut doesn't phase in, it happens in this fiscal year if it is adopted.

Ms. STEELE. And there will be—they have significantly achieved, they have achieved significant gains.

Mr. CONNOLLY. So your testimony to this committee, you are absolutely going on record reassuring us that there will be no step backward in the malaria eradication program in Cambodia, or anywhere else in the region for that matter?

Ms. STEELE. Our, our studies have shown that they will be able to eradicate malaria.

Mr. CONNOLLY. But you do understand the other side of your testimony is, therefore we have been over-paying and over-appropriating USAID all these years because apparently we could have done with almost half of what we have been doing with no material effect. And these countries really could have been picking up the slack, they just didn't do it because we didn't cut it in half?

Ms. STEELE. No, sir. The costs are up front. We are developing their capabilities and their institutions. And right from the beginning we tell them we will be phasing out; they have to be able to assume the costs.

Mr. CONNOLLY. Ms. Steele, I understand that.

Ms. STEELE. And they have agreed to do so.

Mr. CONNOLLY. But that begs the question of an abrupt and draconian cut as is proposed that the chairman pointed out to us. To try to absorb that is massive, just I have to assume disruptive, as someone who managed programs myself. And for 10 years had

oversight responsibility for AID in the United States Senate Foreign Relations Committee. I have never heard testimony like that. Never from the Ronald Reagan administration.

My time is up, Mr. Chairman. I yield back.

Mr. YOHO. Thank you and I appreciate it.

But I want to add in here before we go to the next—Ms. Gabbard, if you will indulge me just a minute.

Austerity cuts are coming to this country. We know that. I thought it was very pertinent of what you said that they realize that they are going to have to step up.

I was in the Congo about a year-and-a-half ago and we were sitting at the foreign ministry cabinet. The President of the DRC would not meet with us. And we have given them hundreds of billions of dollars for years. I asked very pointedly, what do you do for social programs? And their eyes kind of widened, they were like, what do you mean? I said, for housing, for education, for medicine, insurance?

And they said, we have you.

That is not a good foreign policy. And we have spent all that money in the past so things have to change. We are being forced into a situation. I think some of those times tough love, it may—and I am not saying it is the best way—but in certain situations, especially in our economic downturn that we have, we need to make some changes.

I am going to go to Ms. Gabbard from Hawaii right now.

Ms. GABBARD. Thank you, Mr. Chairman. Thank you both for being here.

The administration has come before our committee and spoken publicly about their focus and efforts on a diplomatic solution and resolution to the North Korea threat and crisis. With China mobilizing its military along the North Korea border, stepping up its surveillance, it does not appear that serious diplomatic efforts are either working or continue to be underway beyond saying, well, we think Russia and China need to comply with sanctions.

I wonder if you can talk about how this budget actually supports a serious diplomatic strategy in resolving the threat from North Korea and, if so, what is it?

Ms. THORNTON. Thank you very much.

Yes, I think the budget, obviously we don't have assistance programs in North Korea, but it reflects the operational costs of our prioritization of the North Korea issue in our Bureau. I think what our strategy is looking like at the moment, we have made this the highest foreign policy priority of the administration. I think it is, that is a change from previous practice.

We have opened up a global pressure campaign in which we are asking other countries to step up to the plate and do more on pressuring North Korea. What happens when you try to squeeze off North Korea's proliferation networks, and economic and financial networks, is they go, they go elsewhere. They go to Africa. They go to Southeast Asia. They go maybe to Latin America.

And we are trying to have a global network and a global consciousness-raising surrounding upping the pressure of both sanctions but also diplomatic isolation vis-a-vis the North Korean regime, trying to build up a pressure campaign so that they can

change the calculation that they have made surrounding the cost-benefit analysis of their weapons programs and their missile programs. And——

Ms. GABBARD. So what happens, what happens next beyond that? What happens next after you pick up the pressure?

Ms. THORNTON. So we have just started building the global pressure campaign in, basically in April. We have been talking, of course, to the Chinese and the Russians and other major players.

The third change from previous practice is that we have really put the onus on China to do a lot more than they have ever done before.

Ms. GABBARD. And are they?

Ms. THORNTON. And they are doing more than they have ever done before. They have——

Ms. GABBARD. It seems like they are preparing for something other than a diplomatic solution at this point.

Ms. THORNTON. I would, I would not necessarily go quite that far. I think they are very much focused on a peaceful resolution. They do agree that there needs to be an increase in pressure on the North Korean regime. And they want that to happen in a way that brings the north back to the negotiating table as quickly as possible.

The problem is that right now the north doesn't seem to be very inclined to come back to the negotiating table with any kind of serious attitude or proposal. So, what we are doing is continuing to sort of squeeze and close the vise, and hope that that brings about a reckoning——

Ms. GABBARD. Thank you.

Ms. THORNTON [continuing]. And fear that they are paying too much for their weapons programs.

Ms. GABBARD. Thanks.

I would like to get one more question in here specifically about organizations like the Asia Foundation, the East-West Center, both of which have for decades provided great contributions to engagement, formation of policy, building relationships within the region.

This year the administration's budget completely zeroes out funding for both of those organizations. We have been told that this was done because the administration believes they receive outside funding and no longer need any assistance from us. I am wondering what specific evidence went into making that decision making process. Specifically, were these organizations engaged directly? Did you hear directly from them?

Because I can tell you I have met with them year after year after year, and while they are making progress on leveraging the funding that they are getting, they are not able to continue to function if this administration continues to eliminate and zero their funding completely.

Ms. STEELE. I have not been involved in the analysis that went into deciding whether Asia Foundation or the East-West Center gets funding. We do know, though, that we have had to make tough prioritization of the programs that we would be funding.

Ms. GABBARD. So the justification that we got, though, was the administration's assessment that they could operate, continue to function purely on outside funding. But you don't know how that

conclusion was reached or if there was any input or engagement with these organizations?

Ms. STEELE. I was personally not involved in the discussions on funding for Asia Foundation.

Ms. GABBARD. So this is, I mean you, but you guys are the people to talk to in the State Department about the Asia-Pacific where these organizations are focused. So if it wasn't you then—and your input was not sought in this direction, then whose was?

Ms. THORNTON. Well, we engage regularly in the Bureau with both Asia Foundation and the East-West Center. And so I think we have been keeping up a constant communication with them in recent years about the need to do more to wean themselves off of government funding. I know that in particular East-West has, has changed its management and raised their capital campaign, et cetera. So we are aware of all of those activities.

The Asia Foundation, we also talk frequently with them. We are well aware of their programs in various countries. But I think in the prioritization this year, I think that was one of the hard choices that was made.

Ms. GABBARD. Okay. Again, I have had these same conversations encouraging them to continue to build their outside support. But to go from I think it was East-West Center had \$16 million or \$17 million last year to zero, you are setting up these organizations up for failure.

Thank you.

Mr. YOHO. I thank the lady's questions and the responses you guys are giving.

I would like to move on to a second set of questions, if it is all right with you, if you guys can tolerate us.

You know, I guess one of the biggest things I see is we are going to go through these cuts. And how many people are in State? Do you have a number of how many people are in the State Department total around the world?

Ms. THORNTON. I think the total number is, that I have heard the Secretary mention recently, something like 70,000.

Mr. YOHO. Seventy thousand. So a 10 percent cut would be 7,000; 5 percent would be 3,500. So we are looking at less than a 5 percent cut if we cut 2,300.

We don't want to be forced to cut but I think sometimes we do need to shrink down some things. And, again, going into austerity measures that we see, we are teetering on them, we need to make sure that we are getting the most out of the money we are giving and the most results.

Saying that, did you know how the process went where they decided what programs they were going to cut? You guys have said in the beginning a lengthy career between you. So you have had a lot of experience. Were you able to weigh in and say these programs are good, these are bad?

Ms. THORNTON. Yes, very much so. We have a very elaborate budget development process that takes in all levels of the State Department and AID, input from the field, built up from there, that we have sort of our top level officials that have to make some hard decisions in consultation with us. And we have to make some choices.

Mr. YOHO. All right. So you do get to weigh in on that?

Ms. STEELE. Yes, we do, sir.

And, in addition, we look at where they are in the implementation, what progress they have made, what achievements they have made. And in making selections we look at those that, those that have been successful and no longer need any support from us because either someone else in their country will pick it up or the government itself will, as in the case of the health sector in Cambodia. Then, you know, we begin to phase out.

But we do have involvement. It is data-based. We monitor and evaluate our programs. And I will get rid of programs that are not producing and continue those that are showing a lot of progress. Then those that have achieved what they have to achieve, then we then phase them out.

Mr. YOHO. When I was practicing as a veterinarian we had the economic downturn in the 2007 roughly, we had to go through and we had to trim budgets, we had to, you know, cut back overhead. And it is good to see that you guys are doing that, that you get to weigh in and you get to say these are the effective programs, these aren't.

I think that is a lesson to be learned. That is one of the ways that we are going to have to make these changes so that we can get a hold of our spending so that we are not forced in really draconian cuts that would be much worse than this that we have seen in other countries.

Saying that, knowing that Cambodia has got an election coming up in this next year, to assure free and fair elections we have heard time and again that the robust election monitoring is needed. Will this budget support these needs, in your opinion? Because I see a 74 percent cut in the change for Cambodia between 2016-2018.

Ms. STEELE. Yes, sir. We still have funds that are available. We are supporting two organizations in Cambodia. One is focused on working with civil society organizations to increase the participation of the youth and women. And the other organization is working with the National Election Commission to improve their performance so that they can be more transparent and credible.

We do have funds at this moment, at this time to support them.

Mr. YOHO. All right. That's good to know.

I want to move on to when it comes to countering China's growing influence—and this is something, if anything keeps me up late at night, this is something I worry about probably more than anything, or am more concerned about and I think we really need to pay more attention to—but when it comes to countering China's growing influence, what programs do you believe give us the most bang for our buck in terms of empowering our partners in the region to defend their territorial claims against China's growing aggression? Would it be the foreign military financing, support of governments? What are your thoughts on that, if I could hear from both of you?

Ms. THORNTON. Yes. I will just speak very briefly on this.

But I think that the most important programs are diplomatic, economic, and security programs, mostly the capacity building that we do in Asia, with all of our Asian partners to improve govern-



ance, to improve their capacity to conduct international trade, to promote their integration with other partners in the region, to support regional organizations like APEC and ASEAN, and also to make sure that they have the capabilities that they need, of course, military and else, otherwise, law enforcement, et cetera, to protect their borders and defend their sovereignty, so.

Mr. YOHO. Let me get Ms. Steele to weigh in on that.

Ms. STEELE. In the development area we work with them to strengthen their democratic institutions, work with them on fighting corruption in order to level the playing field, and which China would have a hard time dealing with.

And then we provide a real, much better, more responsible and sustainable alternatives in all the other areas: In health, and in the area of trade, looking at the regulations and making them more transparent.

Mr. YOHO. All right, thank you.

Now we will turn to Mr. Sherman for another round.

Mr. SHERMAN. Ms. Thornton, this is really kind of a worldwide question, so a step above your pay grade, but does the President's budget involve a cut in broadcasting and other Internet, other Voice of America and similar activities?

Ms. THORNTON. I can't speak to the worldwide budget for that. But we do have money for broadcasting in Asia. And——

Mr. SHERMAN. And how much money would you have under the President's budget versus how many you spent in the most recent year?

Ms. THORNTON. Well, I think we are actually continuing and maybe even enhancing some of our broadcasting area in Asia, specific to the North Korea challenge.

Mr. SHERMAN. But overall, for the entire region that you are here representing, your Bureau, up or down?

Ms. THORNTON. Probably——

Mr. SHERMAN. Or if you just want to furnish the——

Ms. THORNTON. Yes, I can take the question and get back to you. I am not totally——

Mr. SHERMAN. Okay.

Ms. THORNTON [continuing]. Sure about the overall.

Mr. SHERMAN. In particular we have an ideological battle in the Muslim world. ISIS is reaching out, trying to recruit terrorists in the Philippines, Indonesia, Malaysia, Myanmar. I would like you to specifically provide answers on whether your budget is going up or down in those Muslim majority or signi—or Muslim minority countries.

Now, one issue that comes before us is this whole ratcheting up, war fever almost, regarding these little islets off the shores of China. We are told that we either should perhaps just spend hundreds of billions of dollars over the next few years gearing up our whole military and spending more on our military to confront China, or maybe we should go to war. I mean, if we avoid an actual fighting war, we will at least have a cold war over these islets.

We are told these islets are of critical significance, first because trillions of dollars of trade go close to those islands. Yes, it is all in and out of Chinese ports. So if the Chinese control these islands they would be in a position to blockade their own ports. There is

some trade that is oil tankers from the Gulf to Japan that could get close to these islands or could just as easily stay hundreds of miles away.

So, the other reason we are given that we have to deploy our military and increase it is that we are incredibly, intensely concerned about maritime disputes, making sure that they are handled fairly. But there is no islet—there is no oil under these islets. They are so useless that no one has chosen to live there in all of recorded history.

But there is a maritime dispute that is significant, that is the one between Australia and East Timor. Ms. Thornton, do we spend much time at the State Department worrying about that dispute?

Ms. THORNTON. Well, we actually, we actually have worked on the East Timor-Australia dispute—

Mr. SHERMAN. I know you have worked. But I mean compare the national obsession with the islets I talked about to the level of staffing that goes on in your Bureau with regard to this dispute.

Ms. THORNTON. But the difference is that they are in dispute resolution mechanism and have peacefully agreed to do that, willingly by both sides. Whereas, the disputes in the South China Sea are actually—

Mr. SHERMAN. Well, I mean it will obviously be peaceable because East Timor could not go to war against Australia. But whether they agree to a new dispute resolution or not depends upon, depends upon Australia. So it is these islet—well, I have taken enough time. We were just going to do a short, a short second round.

So I will yield back. I will say simply that there are 40, at least 20, perhaps as many as 40 maritime disputes around the world. We don't have our ships going eyeball to eyeball with the second most powerful nation in the world over any of these. I couldn't even name for you the third most significant maritime dispute in the world. I give myself credit for knowing of the East Timor one, which I believe is the second if you skip oil matters.

So the idea that the United States always must spend hundreds of billions of dollars to involve itself in each and every maritime dispute is not always true.

And I yield back.

Mr. YOHO. I thank the gentleman and I thank your responses on this.

But I am going to comment on that because there are a lot of maritime disputes around the world, but how many of them have 10,000 foot runways? How many have military barracks? How many of them are militarized with both offensive and defensive weapons and radar systems?

I will agree there is a lighthouse on there for peaceful navigational purposes. I think this is something, because we do see an aggressive China. We have seen what they have done with Taiwan; they are boxing them in. We have seen what they have done with Hong Kong. I think this is something, it is like anything else in life, if you have got a problem, if you ignore it it is not going to go away, it will get worse, and it is going to be worse to deal with and more expensive and more costly.

And we know—

Mr. SHERMAN. Mr. Chairman, if you will yield.

The disputes involving Cyprus, its offshore natural gas fields, islands between Greece and Turkey, have also involved military preparations involving two NATO countries we might have an even greater interest in. And, yet, we are not pivoting toward the eastern Mediterranean in an effort to prove to Turkey or Greece that we are going to be involved in that dispute.

But I realize that not only has the United States wildly exaggerated the importance of these islands, it also meets political needs in Beijing to wildly exaggerate their importance. And building an air field is just one way of pandering to excessive nationalism in China.

Mr. YOHO. I will look forward to having more debates on it because what I see is a nation like China has claimed sovereignty to areas that the rest of the world says is not yours. And they went to the World Court. Vietnam challenged them. They lost the case. They ignored that.

And we see them doing what they are doing. We have seen also some of their trade practices that are not conducive to open trade and honest trade. And I think it is something that we need to pay attention to.

And I agree, I am not willing to—hang on just a minute—I am not willing to enter another conflict. I don't want to. I don't know anybody that wants that. And I am not wanting to bolster this by ourselves or try to offset this by ourselves. But when you look at the ASEAN nations, there are ten, the ten ASEAN nations, that is 633 million people roughly, \$2.5 trillion in GDP, if we create a vacuum we know the rules of nature—nature abhors a vacuum—it will be filled by somebody.

And it is something we need to come together. And that is why it is so important that the cuts in foreign aid through State Department that you guys redirect the aid that you do have so that we form those strong alliances, as we said in the beginning of this meeting, that we form those strong partnerships in economic and trade, and we focus on aid not trade—I mean trade not aid, so that we can wean countries off and so that they can enter that realm of those countries. Those top 15 countries that we trade with today, the 12 of them that were recipients of foreign aid, so that these other countries can move into that and that we can wean these off, creating stronger alliances.

Do you have anything else you want to add, Mr. Sherman?

Mr. SHERMAN. Just that if instead of deploying the U.S. Navy to worry about these islets you want to deploy it to protect our ports from unfair Chinese imports, you may have a partner in that.

Mr. YOHO. I look forward to having that discussion. And I think we could agree on that.

Ms. Thornton, I thank you for your testimony, for the questionings you went through. Ms. Steele, I thank you for your time here. I thank you for your service to our nation.

And with that—with no further comments or questions, this meeting is adjourned.

[Whereupon, at 4:11 p.m., the subcommittee was adjourned.]



## A P P E N D I X

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MATERIAL SUBMITTED FOR THE RECORD

**SUBCOMMITTEE HEARING NOTICE  
COMMITTEE ON FOREIGN AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-6128**

**Subcommittee on Asia and the Pacific  
Ted Yoho (R-FL), Chairman**

July 27, 2017

**TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS**

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

**DATE:** Thursday, July 27, 2017  
**TIME:** 2:30 p.m.  
**SUBJECT:** U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing  
**WITNESSES:** Ms. Susan Thornton  
Acting Assistant Secretary  
Bureau of East Asian and Pacific Affairs  
U.S. Department of State  
  
Ms. Gloria Steele  
Acting Assistant Administrator  
Bureau for Asia  
U.S. Agency for International Development

**By Direction of the Chairman**

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



# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Asia and the Pacific HEARING

Day Thursday Date 07/27/2017 Room RHOB 2172

Starting Time 2:56 pm Ending Time 4:11 pm

Recesses ☐ ( to ) ( to ) ( to ) ( to ) ( to ) ( to )

Presiding Member(s)

*Rep. Ted Yoho*

Check all of the following that apply:

Open Session ☒

Executive (closed) Session ☐

Televised ☐

Electronically Recorded (taped) ☐

Stenographic Record ☐

TITLE OF HEARING:

*"U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing"*

SUBCOMMITTEE MEMBERS PRESENT:

*Rep. Ted Yoho, Rep. Dana Rohrabacher, Rep. Steve Chabot, Rep. Scott Perry  
Rep. Brad Sherman, Rep. Ami Bera, Rep. Gerald Connolly, Rep. Tulsi Gabbard*

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

*N/A*

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

*Rep. Gerald Connolly*

TIME SCHEDULED TO RECONVENE \_\_\_\_\_

or

TIME ADJOURNED \_\_\_\_\_

*John J. Yang*  
Subcommittee Staff Associate

**Statement for the Record**

Congressman Gerald Connolly

AP Subcommittee Hearing: "U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing"

July 27, 2017

The strategic rebalance to the Asia-Pacific region was not an expedition into parts unknown. The United States maintains longstanding commitments with regional partners, including supporting economic integration and trade, enhancing regional security, advancing inclusive economic development, strengthening regional institutions, and addressing health and environmental issues. Protecting these interests requires significant financial investment, diplomatic capacity, and strategic messaging. Unfortunately, in just six months the Trump Administration has undermined nearly every foreign policy tool we have to protect American security interests in the region. President Trump has withdrawn from the Trans-Pacific Partnership, pulled out of the Paris Climate Accord, has failed to fill key State Department positions, and proposed decimating U.S. diplomatic missions and foreign assistance abroad.

President Trump's FY 2018 international affairs budget represents a unilateral retreat from U.S. global leadership, and the East Asia-Pacific region (EAP) is no exception. The President's budget would reduce U.S. assistance to the region by 46 percent, a more drastic cut than any other region except Europe and Eurasia. Despite the Trump Administration's ostensible focus on security objectives, the request did not specify any Foreign Military Financing (FMF) grants for EAP. The Administration claims to prioritize countering violent extremism and the rise of ISIS-affiliated groups in the Philippines and Indonesia; yet, the budget would cut funding for each country by \$70 million and \$40 million, respectively.

While President Trump has talked about his plan to defeat ISIS, his strategy remains opaque and the extent to which such a policy covers Southeast Asia is unclear. Trump has twice pledged to hold a press conference on the fight against ISIS, but that has yet to occur. The President's FY 2018 international affairs budget represents a radical realignment of U.S. priorities. Nearly every East Asian country is subject to a sizeable decrease in U.S. foreign assistance. Digging deeper, the President's budget decimates regional programs that foster democratic governance, economic growth, and global health. The Trump Administration's shortsighted approach to counterterrorism fails to invest in the development measures that will be necessary to ensure terrorists do not return to the region or find safe haven in the first place.

I am thankful to the witnesses for appearing before us today, and I have no doubt that you are both highly qualified civil servants. Nonetheless, each of you is here in an acting capacity because President Trump has declined to invest in the human resources necessary to carry out the State Department's and U.S. Agency for International Development's missions. At State, only three out of twenty-two assistant secretary vacancies have a nominee, and none would cover East Asian and Pacific Affairs. The White House reportedly rejected Tillerson's first choice for top Asia envoy, which only exacerbated an already hollowed-out permanent senior leadership. At USAID, no one



has been nominated to fill any of the ten deputy and assistant administrator positions. As the co-chair of the Congressional Caucus on Korea, I am particularly concerned that President Trump has failed to nominate an ambassador for arguably the most critical post in the region, South Korea.

This deficiency of financial and human resources is not the Trump Administration's only self-inflicted wound. The Administration also lacks a strategy to address the region's ongoing conflicts and challenges. While President Trump has said that he will not allow North Korea to obtain a nuclear weapon, he has articulated no strategy toward the threat. Meanwhile, the North Korean regime has conducted 17 ballistic missile tests in 2017 alone, including the July 4 launch of an intercontinental ballistic missile that is capable of reaching Alaska. The United States, the Republic of Korea, and other regional stakeholders must demonstrate a commitment to addressing this threat. This week, the U.S. House of Representatives overwhelmingly passed the strongest sanctions bill ever considered in Congress. I was proud to support H.R. 3364, the Russia, Iran, and North Korea Sanctions Act, which updates and expands U.S. sanctions on North Korea and closes loopholes exploited by the Kim regime in the search for hard currency to fund its illegal weapons program.

U.S. sanctions are a necessary but insufficient tool to address the threat of North Korea's weapons program. The United States must undertake a rigorous diplomatic effort to urge the global community, and China in particular, to fully enforce international sanctions on North Korea. Instead, President Trump has only inflamed regional tensions by sending mixed messages about the location of U.S. military assets, threatening to withdraw U.S. support for missile defense, and warning of a major conflict with the North Korean regime. Navigating this complex web of regional stakeholders requires patient and committed U.S. leadership to avert the ever-present potential of conflict that looms over 75 million Koreans.

The hard truth is that when the United States does not act as a forceful advocate for our principles and our interests abroad, we leave a vacuum. When U.S. leadership retreats, adversaries who do not share our interests and values fill that vacuum and endanger U.S. security. I look forward to hearing from our witnesses on how the President's budget protects U.S. interests in the East Asia-Pacific region when it decimates our diplomacy and development missions.

**Questions for the Record**

Ranking Member Eliot Engel

“U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing”

On July 27, 2017

**China & North Korea**

1. *How does North Korea’s two recent ICBM tests change the State Department’s strategy and timeline for addressing North Korea?*
2. *Is the United States considering preemptive military action against the regime in Pyongyang? If so, what is the nature of that action and under what circumstances will it be pursued?*
3. *Given the pace of North Korean nuclear and missile development, is the Department willing to support a “freeze” of the North Korean nuclear program as a first step toward the goal of a denuclearized Korean peninsula?*
4. *In negotiations with China on the North Korea issue, what assurances is the United States willing to provide Beijing regarding the end-state on the Peninsula?*
5. *If U.S. sanctions against North Korea are fully enforced, what will the impact on North Korea’s economy be? What will the impact be on other countries?*
6. *What is your current assessment of the diplomatic options related to North Korea? How might North Korea respond to the various options?*
7. *If the United States was to enter negotiations with North Korea, what assurances would the Kim regime likely seek?*
  - a. *Is the United States willing to stop or slow our joint military exercises with South Korea?*
  - b. *Is the United States willing to provide assurances regarding the survival of the Kim regime?*
  - c. *Is the United States willing to discuss a “peace accord” on the Korean Peninsula to supersede the armistice?*

**Philippines & Section 333 Assistance**

8. *The Defense Department recently submitted a Congressional Notification related to counter narcotics training for the Philippines National Police under Section 333. Was the State Department consulted during the development on this proposal? Does the Department support training for the Philippines National Police, given their role in Duterte “drug war?”*
9. *To what extent is the State Department consulted on Section 333 counter-narcotics expenditures? What role does EAP, INL, PM and USAID play in this process? How can the*

*State-DOD coordination process be improved so that State has greater visibility and policy direction with respect to DOD counter-narcotics expenditures?*

10. *In the context of the State Department reorganization effort, is there consideration being given to returning DOD's the counter-narcotics authorities and funding to State for management of these programs? If not, why not?*
11. *Describe the State-DOD coordination process for security sector assistance under the new authority, Section 333. How does State conduct meaningful policy coordination vis-à-vis DOD programs?*

#### **China's Belt and Road Initiative**

12. *Without the Transpacific Partnership in play, how is the Department responding to China's overarching economic and diplomatic signature Belt and Road initiative? How will the United States engage to ensure that U.S. economic interests are protected in the Asia-Pacific, paving the way for U.S. companies to benefit from Asia's growing markets?*

#### **Vietnam & Dioxin Remediation**

13. *U.S. funding for the remediation of dioxin in Vietnam is one of our top commitments to the Vietnamese government and many believe that keeping our commitment for funding the follow-on project in Bien Hoa is a predicate for our continued close cooperation with Vietnam. Please describe your plan to proceed with the necessary funding for this project and the impact on the bilateral relationship if the U.S. does not meet this commitment?*

#### **Burma and Military-to-Military Engagement**

14. *How is the State Department working with the Department of Defense and Pacific Command to maintain pressure on the Burmese military, while at the same time encouraging democratic consolidation in that country? What leverage do we have to urge the military to exit politics? Would you consider refusing to waive visa restrictions under the Jade act as a means to apply pressure?*

#### **Foreign Military Sales and Financing**

15. *With the dramatic cuts to military sales and training for East Asia and the Pacific, which countries do you expect to turn to China or Russia, in full or in part, as their security partner of choice?*
16. *What will the diplomatic impact be if there is increased participation by China and Russia in security assistance in the region? How would these developments impact U.S. military readiness, interoperability and cooperation with militaries and governments in the Asia-*

*Pacific region? How will this diminish the State Department and Chief of Mission ability to accomplish other non-military objectives in East Asia and the Pacific?*

#### **Development & Economic Assistance**

17. *With the dramatic cuts to development and economic assistance for East Asia and the Pacific, which countries do you expect to turn to China or Russia, in full or in part, as there security partner of choice?*
18. *What will the diplomatic impact be if there is increased participation by China and Russia in development and economic assistance in the region? How will these developments impact the State Department and Chief of Mission ability to accomplish other diplomatic objectives in East Asia and the Pacific?*
19. *The Asia–Pacific suffers severe impacts resulting from climate change, ranging from severe weather to loss of coastline, to challenges with water and agricultural resilience. Where in State and USAID’s budget are these issues addressed?*
  - a. *Given that this is a top priority to many countries in the region, what soft-power influence does the U.S. cede to China and other actors who are now positioned to lead on these issues?*

#### **State Department Reorganization**

20. *What State and USAID missions and posts in East Asia and the Pacific are being considered for closure in the context of the State Department reorganization? What guiding principle(s) or philosophy is being employed in making these decisions?*
21. *What State and USAID missions and posts in East Asia and the Pacific are being considered for expansion in the context of the State Department reorganization? What guiding principle(s) or philosophy is being employed in making these decisions?*
22. *What proportion of the State EAP workforce is composed of fellows? With the suspension of the Diplomacy Fellows Program and Presidential Management Fellows Program, and rumored cancellation or non-renewal of long-term of contract employees, what is the anticipated impact on EAP’s workforce? How will you ensure your ability to comply with congressionally mandated reports, Leahy vetting, and other requirements?*
23. *For the Bureau of East Asian and Pacific Affairs at the Department of State and the Bureau for Asia at USAID, describe your current workforce (size, rank, allocation to offices and subunits). Include a breakdown of civil service, Foreign Service, fellows/detainees and contractors.*
  - a. *What attrition do you anticipate in the next 18 months? How will you fill these vacancies? How will you ensure your ability to comply with congressionally mandated reports, Leahy vetting, and other requirements?*

24. *Please describe, in detail, the authorities currently delegated to the Assistant Secretary of for East Asian and Pacific Affairs and or any official in the Bureau below that rank. If the Assistant Secretary of the Bureau for East Asian and Pacific Affairs has further delegated that authority, please describe the authority and indicate the responsible official.*
25. *Please describe, in detail, the authorities currently delegated to the Assistant Administrator for Asia and or any official in below that rank. If the Assistant Administrator for Asia has further delegated that authority, please describe the authority and indicate the responsible official.*

[NOTE: No responses to the previous questions were received prior to printing.]

**Questions for the Record**

Congressman Ami Bera

“U.S. Interests in the Asia-Pacific: FY 2018 Budget Hearing”

On July 27, 2017

**Mexico City Policy**

1. *In Secretary Tillerson’s testimony before our committee, he stated that the implementation of the expanded Mexico City policy was designed to mitigate its impact on the delivery of healthcare by our partners in global health.*

*To Ms. Thornton and Ms. Steele, prior to the implementation of the expanded Mexico City policy, what actions did your organizations take to mitigate the impact of the Mexico City Policy on health care delivery? And what actions did your organizations take to mitigate the impact of the Mexico City Policy on our partner nations and NGOs?*

**Ms. Thornton’s Response:** As directed by the President in his memorandum of January 23, 2017, the State Department led an inter-agency process, involving USAID, the Department of Health and Human Services, and other relevant U.S. government agencies, to develop a plan to extend, to the extent allowable by law, the requirements of the 2001 Presidential Memorandum on the Mexico City Policy to global health assistance furnished by all departments or agencies. On May 15, 2017, the Department of State announced a plan by which U.S. government departments and agencies would effectuate the policy articulated in the President’s January 23, 2017 Memorandum, now known as “Protecting Life in Global Health Assistance” (PLGHA).

The PLGHA applies to grants and cooperative agreements with foreign non-governmental organizations (NGOs) that receive U.S. funding for global health assistance. Foreign NGOs will have the opportunity to indicate their agreement to abide by the PLGHA conditions by accepting the provisions in their awards. Departments and agencies will reprogram to other organizations any funding they would have awarded to NGOs that do not agree to the conditions on the acceptance of U.S. funding under PLGHA. National and sub-national governments, public international organizations, and other multilateral entities in which sovereign nations participate are not subject to the PLGHA.

PLGHA does not reduce the amount of global health assistance the U.S. Government makes available. The United States remains deeply committed to supporting health programs around the world.

**Ms. Steele’s Response:** As directed by the President in his memorandum of January 23, 2017, the State Department led an inter-agency process, involving USAID, the Department of Health and Human Services, and other relevant U.S. government agencies, to develop a plan to extend, to the extent allowable by law, the requirements of the 2001 Presidential Memorandum on the Mexico City Policy to global health assistance furnished by all departments or agencies. On May 15, 2017, the Department of State announced a plan by which U.S. government departments and agencies would effectuate the policy articulated in the President’s January 23, 2017 Memorandum, now known as “Protecting Life in Global Health Assistance” (PLGHA).

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PLGHA does not reduce the amount of global health assistance the U.S. Government makes available. The United States remains deeply committed to supporting health programs around the world.

*2. To Ms. Thornton and Ms. Steele, what specific actions have your organizations been directed to take to monitor the impact of the expanded Mexico City policy on the delivery of healthcare to those in need in the Asia-Pacific?*

**Ms. Thornton's Response:** The State Department will undertake a review of the effectiveness and impact of the policy's application. Newly covered programs, including PEPFAR, the President's Malaria Initiative, and other global health programs will be given special attention under this review. This review, jointly undertaken by State Department, USAID, and interagency partners, will provide an opportunity to identify potential changes to the policy's implementation or scope, should such changes be needed to address unintended consequences.

Ambassadors and agency heads in our overseas missions with global health programs, including those in Asia, have been notified about implementation of the new policy, Protecting Life in Global Health Assistance (PLGHA). USAID has been notifying implementing partners and other stakeholders about the policy. Interagency representatives continue to meet regularly to assess progress and challenges related to implementing the PLGHA policy.

**Ms. Steele's Response:** The State Department will undertake a review of the effectiveness and impact of the policy's application. Newly covered programs, including PEPFAR, the President's Malaria Initiative, and other global health programs will be given special attention under this review. This review, jointly undertaken by State Department, USAID, and interagency partners, will provide an opportunity to identify potential changes to the policy's implementation or scope, should such changes be needed to address unintended consequences.

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*3. To Ms. Thornton and Ms. Steele, have either of your organizations assessed the potential impact of the expanded Mexico City Policy on mothers and children in Asia? Could you please provide the results of that assessment?*

**Ms. Thornton's Response:** USAID and the State Department began implementing the Protecting Life in Global Health Assistance (PLGHA) policy on May 15, 2017 and are currently

working with embassies and missions around the world to review their programs. In addition, the State Department will undertake a review of the effectiveness and impact of the policy's application. Interagency representatives continue to meet regularly to assess progress and challenges related to implementing the PLGHA policy.

**Ms. Steele's Response:** USAID and the State Department began implementing the Protecting Life in Global Health Assistance (PLGHA) policy on May 15, 2017 and are currently working with embassies and missions around the world to review their programs. In addition, the State Department will undertake a review of the effectiveness and impact of the policy's application. Interagency representatives continue to meet regularly to assess progress and challenges related to implementing the PLGHA policy.

#### UNFPA

*In April, the State Department decided to withdraw funding from the UNFPA under the Kemp-Kasten amendment.*

4. *To Ms. Thornton and Ms. Steele, what was the role of either of your organization in contributing to that decision?*

**Ms. Thornton's Response:** Consistent with the requirements of the Kemp-Kasten Amendment and in furtherance of the January 23, 2017 Presidential Memorandum that directed the Secretary of State, "to take all necessary actions, to the extent permitted by law, to ensure that U.S. taxpayer dollars do not fund organizations or programs that support or participate in the management of a program of coercive abortion or involuntary sterilization," the Department of State made a determination with respect to U.S. Government funding for the United Nations Population Fund (UNFPA) on March 30. In making this determination, the State Department coordinated with USAID.

The basis for such action included the fact that China's family planning policies still involve the use of coercive abortion and involuntary sterilization and UNFPA partners on family planning with the National Health and Family Planning Commission (NHFP), the Chinese government agency responsible for implementing China's coercive family planning policies.

The Department of State reported on the Chinese Government's coercive family planning policies in the 2016 Human Rights Report, and the 2016 Annual Report of the bipartisan Congressional Executive Commission on China found that Chinese authorities continue to actively promote and implement coercive population planning policies.

**Ms. Steele's Response:** Consistent with the requirements of the Kemp-Kasten Amendment and in furtherance of the January 23, 2017 Presidential Memorandum that directed the Secretary of State, "to take all necessary actions, to the extent permitted by law, to ensure that U.S. taxpayer dollars do not fund organizations or programs that support or participate in the management of a program of coercive abortion or involuntary sterilization," the Department of State made a determination with respect to U.S. Government funding for the United Nations Population Fund (UNFPA) on March 30. In making this determination, the State Department coordinated with USAID.



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The Department of State reported on the Chinese Government's coercive family planning policies in the 2016 Human Rights Report, and the 2016 Annual Report of the bipartisan Congressional Executive Commission on China found that Chinese authorities continue to actively promote and implement coercive population planning policies.

*5. To Ms. Thornton and Ms. Steele, what specific actions did your organizations take prior to the Kemp-Kasten determination?*

**Ms. Thornton's Response:** Consistent with the requirements of the Kemp-Kasten Amendment and in furtherance of the January 23, 2017 Presidential Memorandum that directed the Secretary of State, "to take all necessary actions, to the extent permitted by law, to ensure that U.S. taxpayer dollars do not fund organizations or programs that support or participate in the management of a program of coercive abortion or involuntary sterilization," the Department of State made a determination with respect to U.S. Government funding for the United Nations Population Fund (UNFPA) on March 30. In making this determination, the State Department coordinated with USAID.

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The Department of State reported on the Chinese Government's coercive family planning policies in the 2016 Human Rights Report, and the 2016 Annual Report of the bipartisan

Congressional Executive Commission on China found that Chinese authorities continue to actively promote and implement coercive population planning policies.

6. *To Ms. Thornton and Ms. Steele, what kind of communication did your organizations have with UNFPA prior to the withholding of UNFPA funding?*

**Ms. Thornton's Response:** The State Department engaged UNFPA concerning its China program prior to making its determination pursuant to the Kemp-Kasten Amendment. The U.S. remains an active member of UNFPA's Executive Board and the State Department and USAID continue to collaborate with UNFPA in technical areas and communicate with UNFPA on their country programs. We will continue to consult closely with UNFPA to carefully assess whether UNFPA's programs may continue to warrant the restriction in future years.

**Ms. Steele's Response:** The State Department engaged UNFPA concerning its China program prior to making its determination pursuant to the Kemp-Kasten Amendment. The U.S. remains an active member of UNFPA's Executive Board and the State Department and USAID continue to collaborate with UNFPA in technical areas and communicate with UNFPA on their country programs. We will continue to consult closely with UNFPA to carefully assess whether UNFPA's programs may continue to warrant the restriction in future years.

#### **Impact Mitigation of Mexico City Policy and UNFPA Funding**

7. *To Ms. Thornton and Ms. Steele, what specific and tangible actions are your organizations taking with nongovernmental organizations and partner nations to mitigate the impact of reduced U.S. global health funding due to proposed budget cuts, the withdrawal of UNFPA funding, and the expanded Mexico City policy?*

**Ms. Thornton's Response:** The United States remains deeply committed to supporting health programs around the world. Preventing child and maternal deaths remains a priority for this administration, and we are working to streamline efforts to ensure efficiency and effectiveness of U.S. taxpayer dollars. By focusing our efforts on global health programs in maternal and child health, nutrition, and malaria we will continue to save the lives of women and children, while ensuring that other donors and the host countries themselves contribute their fair share toward addressing global health challenges.

In relation to Protecting Life in Global Health Assistance (PLGHA), relevant departments and agencies will reprogram to other organizations any funding they would have awarded to NGOs that do not agree to the conditions on the acceptance of U.S. funding under PLGHA. PLGHA does not reduce the amount of global health assistance the U.S. Government makes available, and national and sub-national governments, public international organizations, and other multilateral entities in which sovereign nations participate are not subject to the PLGHA.

FY 2017 International Organizations & Program (IO&P) funding earmarked for a contribution to UNFPA will be transferred, as required by current law, to USAID's Global Health Programs account and reprogrammed for family planning, maternal, and reproductive health activities.

**Ms. Steele's Response:** The United States remains deeply committed to supporting health programs around the world. Preventing child and maternal deaths remains a priority for this administration, and we are working to streamline efforts to ensure efficiency and effectiveness of U.S. taxpayer dollars. By focusing our efforts on global health programs in maternal and child health, nutrition, and malaria we will continue to save the lives of women and children, while ensuring that other donors and the host countries themselves contribute their fair share toward addressing global health challenges.

In relation to Protecting Life in Global Health Assistance (PLGHA), relevant departments and agencies will reprogram to other organizations any funding they would have awarded to NGOs that do not agree to the conditions on the acceptance of U.S. funding under PLGHA. PLGHA does not reduce the amount of global health assistance the U.S. Government makes available, and national and sub-national governments, public international organizations, and other multilateral entities in which sovereign nations participate are not subject to the PLGHA.

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