

Statement of Gloria Steele
Acting Assistant Administrator, Bureau for Asia
U.S. Agency for International Development

Before the Subcommittee On East Asia, The Pacific, And International Cybersecurity Policy
Committee on Foreign Relations
U.S. Senate

“ARIA In Action, Part 3: Implementation and the Indo-Pacific Strategy”
October 16, 2019

Chairman Gardner, Ranking Member Markey, and Distinguished Members of the Subcommittee: Thank you for inviting me to testify on the vital role the United States Agency for International Development (USAID) plays in advancing the Administration’s Indo-Pacific Strategy (IPS) and the Asia Reassurance Initiative Act of 2018 (ARIA). In Fiscal Year (FY) 2018, USAID programmed \$1.236 billion in appropriated and reprogrammed development assistance to the Indo-Pacific region. I would like to thank the Committee for its leadership on ARIA, which, in setting a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region, sends a strong signal of bipartisan Congressional support for the IPS.

As both the IPS and ARIA emphasize, it is essential to our own prosperity and security for the Indo-Pacific region to be free and open. The Indo-Pacific region is home to the world’s fastest-growing markets and offers unprecedented potential to strengthen the U.S. economy while improving lives in Asia and around the world. Yet, the region’s continued growth—and the ability of U.S. companies to compete in the Indo-Pacific region freely and fairly—faces deficits in citizen-responsive governance; the rule of law; and respect for human rights, fundamental freedoms, and democratic values. These conditions also compromise stability in a region of the world that is home to the majority of humanity. As ARIA underscores, strong American leadership is needed to ensure that an international system rooted in the rule of law endures.

USAID is proud to play a major role in advancing the Administration’s IPS, and projecting strong American leadership on development priorities that advance U.S. economic and national security interests at the heart of ARIA. Under the IPS, the U.S. framework for the region focuses on three pillars: economics, governance, and security. In support of these core pillars, USAID’s strategy to advance the IPS is structured around three objectives, all strongly endorsed by ARIA: strengthening democratic systems, fostering economic growth, and improving the management of natural resources. To advance these objectives in the Indo-Pacific region, the President’s FY 2020 budget request includes a development assistance budget for USAID of \$534 million—a 114 percent increase over or a more than doubling of our FY 2019 request. These objectives also go hand-in-hand with our long-standing efforts to improve the lives and well-being of people across Asia as fundamental to creating the foundations for a free, open, and secure Indo-Pacific region. The President’s FY 2020 budget request includes \$230 million for USAID’s development assistance in the Indo-Pacific region that is consistent with our vision for the Journey to Self-Reliance, such as programming in health and basic education.

Within USAID’s three IPS objective areas, we are sharply focused on countering the immediate- and medium-term effects of malign influences that contest our progress towards a free, open, and

secure Indo-Pacific region. USAID is designing and implementing development programs; taking a leading role in whole-of-U.S. Government initiatives; coordinating with like-minded donor partners, including Australia, Japan, New Zealand, and the Republic of Korea; and exploring potential collaboration with Taiwan. In line with ARIA, USAID is also contributing to efforts to strengthen the United States' strategic partnership with the Republic of India, an emerging regional and global leader in development, in advancing our shared objectives for peace and security in the Indo-Pacific region. USAID is supporting India's regional and global leadership role on combating development challenges, including bolstering the central role India plays in efforts to facilitate energy and infrastructure investment and connectivity.

I will next provide a brief overview of our efforts under each of our three objectives.

Strengthening Citizen-Responsive Democratic Systems

Over the last few years, democratic institutions across Asia have faced significant tests. In some places, malign influences have intervened overtly and covertly to exploit institutional weaknesses and spawn corruption, which consequently have undermined democratic institutions and the long-term stability of our partner countries. This reduces competitiveness and poses significant risks to sustainable development, autonomy of countries in the region, and citizen-responsive governance.

USAID is at the forefront of the U.S. Government's efforts to address these challenges, including through the whole-of-Government Indo-Pacific Transparency Initiative. In line with ARIA, our activities include promoting the integrity of electoral processes; supporting the independence of media and the integrity of information; protecting human rights and dignity, including civil and political rights and religious freedom; fostering accountability and transparency, including by fighting corruption; improving the rule of law; and strengthening civil society.

We have achieved some notable progress to date. For example, in support of transparency and accountability that elicit high-quality investment, USAID's assistance enabled the launch of a new system for vetting all major infrastructure projects proposed in Burma, known as the "Project Bank." In Republic of the Philippines, where public frustration with a slow and inefficient court system has contributed to tolerance for a harsh anti-drug campaign, USAID has introduced an e-court case-management system, now used in more than 300 trial courts, which accounts for nearly 25 percent of the country's total caseload. We have trained more than 3,000 judicial personnel. These actions are equipping the courts to handle cases more transparently, efficiently, and expeditiously. For example, the average age of pending cases in the courts that receive U.S. assistance has been reduced by over 40 percent, from four years to just over two years.

Bolstering the United States' strategic partnership with the Association of Southeast Asian Nations (ASEAN) is a priority of ARIA. Similarly, the IPS acknowledges ASEAN as a cornerstone of the U.S. vision for a free and open Indo-Pacific. Over the years, USAID has worked extensively with ASEAN at both the multilateral and bilateral levels to advance shared priorities, and we are committed to strengthening this partnership. USAID is in the process of negotiating a comprehensive development cooperation agreement with ASEAN to deepen our relationship. Through USAID programs, we provide technical assistance to ASEAN on a range

of key regional policies to address transnational challenges that threaten regional stability and growth. In partnership with the State Department, our engagement with ASEAN on a range of regional policies, including those that promote human rights, improve transparency, and fight corruption, provide an opportunity for the United States to influence ASEAN's dialogue on advancing a rules-based architecture that furthers regional integration.

In Mongolia, we are helping up-and-coming local leaders—including students, academics, government officials, civil-society activists, and businessmen and women—understand and value democracy as they champion effective, citizen-responsive, and accountable governance. We have launched new programs in Burma and The Philippines to expand public access to credible information. In the Kingdom of Cambodia, where the United States remains committed to supporting the Cambodian people in protecting their fundamental freedoms, USAID partners have provided legal counseling over the past year to around 40 human-rights defenders and land, environmental, and political activists subjected by the government to politically motivated charges for their work.

In Timor-Leste, years of USAID's assistance led to a significant breakthrough in 2017, when the country ran national elections for the first time in history without international supervision, and in 2018, when the country peacefully navigated its first snap election after the new Parliament was dissolved for failing to pass a budget. In the Republic of Indonesia, the number of people from marginalized communities who sought legal aid through USAID partners increased more than tenfold between 2017 and 2018 thanks to our advocacy and technical assistance, which contributed to expanded access to justice for the most vulnerable. With your support, we seek to build on successes like these.

Finally, I'd like to mention the crisis in Xinjiang, which remains one of the Administration's top priorities. The United States is outraged by the Chinese Government's highly repressive campaign of human rights abuses against Uighurs, ethnic Kazakhs, Kyrgyz, and other Muslims and other religious and ethnic minorities. The Chinese Government has, by U.S. Government estimates, detained more than one million individuals in internment camps since April 2017. USAID is in the process of conducting a needs assessment to inform the design of new rapid-response programs to support Xinjiang refugee communities outside of China.

Fostering Economic Growth

A key constraint to the region's continued growth is the tremendous financing shortfall it faces for its infrastructure needs, which amounts to \$1.7 trillion per year from 2016 to 2030.

According to the Asian Development Bank, fiscal reforms could help bridge about 40 percent of Asia's gap in financing for infrastructure. But the remainder depends on the private sector, which would need to increase its funding contributions by about 300 percent compared to current levels. However, a number of conditions impede free and fair competition and unhindered market access for legitimate investors, such as inadequate fiscal space, weak policies, and corruption in government procurement.

In line with ARIA, USAID is helping governments, civil society, the private sector, and partner countries overcome these constraints to growth by working to ensure that their legal, regulatory, and policy environments for trade, infrastructure, and investment are transparent, open, and free

of corruption. Specifically, USAID's assistance is leveling the playing field by developing the capacity of partner governments to enforce contractual agreements under international trade arrangements; meet internationally accepted standards for intellectual property, labor, and sanitary and phytosanitary measures, and address technical barriers to trade; and promote trade facilitation by easing border controls and compliance requirements.

USAID is also improving competitiveness through support for bilateral programs that reduce barriers to entry and market access by legitimate commercial investors; lower the cost of doing business by streamlining procedures and cutting red tape for obtaining permits and licenses, easing labor market restrictions, and strengthening the enforcement of contracts; and promote greater competition by reforming procurement rules to allow legitimate players to participate, strengthening antitrust and competition requirements, promoting conformance with standards following international best practices, and strengthening the enforcement of intellectual-property rights.

We seek to build on our past success, such as our work in the Philippines that has helped eight secondary cities become more competitive, according to the Cities and Municipalities Competitiveness Index. Developed with USAID assistance, the index is an annual ranking of Philippine cities and municipalities, based on each city's economic dynamism, government efficiency, and infrastructure. Across the eight cities, USAID has helped lower the cost of doing business, thanks to a reduction in the business-registration process from as many as 20 steps in 2014 to as few as two steps today.

A key feature of our collaboration with the cities in the Philippines is to promote investment to bolster and sustain development efforts. For example, last month, USAID supported Puerto Princesa City in attracting private-sector pledges amounting to \$540 million worth of investments in sectors including tourism, food, agriculture, fisheries, and education—commercial investments that help Puerto Princesa fulfill its potential as an engine of sustainable, inclusive growth for the country.

Incentivizing greater private sector investment helps unlock new financing streams—and greater choice of approaches and partners—for development. As part of our efforts to unlock enterprise-led economic growth, we are helping to advance open, interoperable, reliable, and secure communications networks in partner countries through the U.S. Government's Digital Connectivity and Cybersecurity Partnership (DCCP).

We also play a leading role in strengthening the ability of governments and the private sector in our partner countries to implement and manage sustainable, transparent, and high-quality infrastructure projects through the U.S. Government's Infrastructure Transaction and Assistance Network (ITAN). For example, in the Republic of the Maldives, USAID is providing technical assistance to the government on public financial management best practices for responsible resource-allocation in its annual budget. In addition, USAID is helping to prioritize public infrastructure investments, explore opportunities for public-private partnerships, and promote procurement reform. By the end of this year, USAID will also start providing the Government of Maldives technical assistance on mobilizing domestic resources. In the Socialist Republic of Vietnam, we are advising the government on implementing its Power Development Plan and

attracting private-sector investment. And in the Philippines, we have launched a new project focused on increasing technical assistance to support the country's ambitious infrastructure development strategy. Our efforts under DCCP and ITAN include advancing best-value analysis, open and transparent procurement processes, and adherence to high standards.

We are making significant progress. For example, in Vietnam, we recently launched a new trade facilitation program that will build the capacity of Vietnam's customs department to comply with global trade norms. Our efforts will help reduce the time and cost of trade and increase capacity to address the inappropriate transshipment of Chinese goods through Vietnam to avoid U.S.-imposed tariffs.

We also are helping to advance the integration of the Lao People's Democratic Republic into the global market economy. USAID's support led to the approval by the Lao National Assembly of amendments to the Law on Intellectual Property that increase transparency and due process. For instance, the Lao Government will publish applications for patents and trademarks electronically, which will allow access to this information by interested parties in a more readily accessible format.

In Timor-Leste, we have helped the customs authority cut clearance times in half at the seaport in Dili, and a national risk-management system for cargo inspection we introduced is moving the customs authority toward compliance with international standards required for accession to the World Customs Organization, the World Trade Organization, and ASEAN.

In partnership with ASEAN, we are developing the ASEAN Single Window (ASW), a tool to accelerate trade among the organization's ten Member States. We are also working with U.S. Customs and Border Protection to develop a clearance process for U.S. goods through the ASW.

In the Philippines, our long-standing relationships continue to pay dividends for U.S. companies. Previous USAID programming helped lead to the issuance of the Open Skies policy, which highlighted the increased demand for additional international airports in Metro Manila. In August 2019, Texas-based Jacobs was one of three companies selected to design and build the proposed \$14.7 billion new Bulacan International Airport, located outside of Manila.

Improving the Management of Natural Resources

The Indo-Pacific region is rich in forests, fisheries, and other natural resources, including energy, which are vital for countries' long-term growth—as are water, land, and clean air. The region's incredible biodiversity includes the world's largest concentration of marine life, and the world's largest area of mangrove forests. Yet the sustainability of these natural resources—and the vulnerable communities that depend on them for their livelihoods—face the threat of irresponsible infrastructure development and the reckless extraction of resources that ignore environmental and social safeguards. Furthermore, high rates of transnational crime in Asia are associated with fishing, logging, and wildlife, and contribute to rapid environmental degradation, while also undermining the regional stability that underpins a free and open Indo-Pacific region.

In line with ARIA, USAID works with governments and civil society in countries across the region to strengthen the responsible management of natural resources. We help strengthen laws

on the management of natural resources and promote the adoption and enforcement of environmental standards that reflect international best practices. We foster engagement with the private sector on sustainable supply-chains and the transformation of the energy sector. We focus on supporting water and energy security, legal and sustainable fishing and timber production, and efforts to combat transnational environmental crime.

For example, as this Subcommittee well knows, unsound infrastructure development along the Mekong River in Southeast Asia is causing irreversible damage to the Mekong ecosystem, which threatens the food, water, and livelihoods of more than 70 million people. Last year, USAID launched a three-year project that aims to reduce the negative impact of infrastructure development in the Lower Mekong region through the stronger, more-consistent application of environmental and social safeguards. As part of the project, we are developing and gearing up to launch an interactive, web-based platform that will enable governments, policy-makers, non-governmental organizations (NGOs), researchers, and the general public to visually map the potential extent and range of socioeconomic and environmental impacts of different infrastructure approaches.

To combat transnational wildlife crime, USAID is contributing to broader U.S. Government efforts, in partnership with INTERPOL, that are helping to dismantle cross-continental syndicates that traffic in elephant ivory and pangolin. Our partnership with INTERPOL is also disrupting illegal fishing networks, including the recent confiscation by Indonesian authorities of over 350,000 juvenile lobsters worth \$4 million that were en route to Singapore and Vietnam. In addition to this, last year, to combat illegal, unreported, and unregulated fishing, USAID worked with the first group of 27 companies to roll out and test traceability technology in the Republic of Indonesia and The Philippines—which has resulted in the successful tracking of more than 4.4 million pounds of seafood from point-of-catch to export.

On energy, USAID plays a leading role in Asia EDGE (Enhancing Development and Growth through Energy), a U.S. Government initiative that works to grow sustainable and secure energy markets throughout the Indo-Pacific region. As part of our contribution to Asia EDGE, we recently launched a partnership with the Asian Development Bank (ADB) to mobilize \$7 billion in investments to accelerate the region's transition to a sustainable, secure, market-driven energy sector. Our partnership with the ADB aims to increase the capacity of deployed energy systems by six gigawatts and increase regional energy trade by 10 percent over the next five years. This reinforces an explicit clause in ARIA that states that the United States should explore opportunities to partner with the private sector and multilateral institutions, such as the ADB, to promote universal access to reliable electricity in the Indo-Pacific region.

Alongside Australia, New Zealand, and Japan, we are also contributing to the U.S. Government's efforts under the Papua New Guinea Electrification Partnership to provide electricity to 70 percent of that country's population by 2030. USAID Administrator Mark Green was proud to announce the U.S. Government's first tranche of funding toward this effort at the United Nations General Assembly last month.

Our financial and technical support has contributed to critical steps forward in our partner countries. For example, in Vietnam, where the demand for energy is expected to more than

double by 2030, USAID is working closely with the Government to develop and implement policies that support scaling up the generation of renewable energy. This has contributed to a massive increase in solar energy production over the past two years—from less than 2 percent of the country’s total power-generation to over 10 percent. USAID is also engaging with the private sector to accelerate clean energy and increase the deployment of new energy technologies. In May 2019, the Ha Do Group, one of USAID’s partners, completed construction of its first solar-power farm in Vietnam by using services and advanced technology from SunPower, a U.S. leader in solar energy.

In Indonesia, USAID’s work helping countries overcome their energy-related constraints to growth is unlocking new market opportunities, including for U.S. companies. For example, in partnership with the California Independent System Operator, which manages about 80 percent of California’s electricity flow, and Indonesia’s national power utility, USAID is supporting the integration of variable renewable energy into Indonesian power grids. This work has paved the way for the development of Indonesia’s first two utility-scale wind farms—by Colorado-based UPC Renewables, and Vena Energy, a subsidiary of the New York-based equity fund, Global Infrastructure Partners. During FY 2018 in Indonesia, 11 renewable energy projects to which USAID provided technical advisory services reached financial closure, successfully mobilizing a combined \$806 million in investments from the public and private sectors.

USAID assistance in creating an enabling environment for regional power trade in South Asia has led to transformative policy changes. For example, a revision the Indian Government made in December 2018 to its guidelines on cross-border power trade led to a June 2019 agreement between the Federal Democratic Republic of Nepal and the People’s Republic of Bangladesh to trade power using Indian transmission lines.

USAID’s efforts under Asia EDGE build on our past successes. Nepal’s significant untapped hydropower potential—coupled with insatiable demand for energy from neighboring India—holds substantial economic promise. To help unleash investment in this area, USAID helped the Government of Nepal to improve the energy sector’s legal and regulatory framework. Our efforts contributed to the successful passage of legislation that established the Electricity Regulatory Commission in 2017. To lay the foundation for the \$500 million Millennium Challenge Corporation Compact, USAID trained 390 government officials on the technical aspects of clean energy; we are helping several hydropower projects to finalize and secure the necessary investments to begin construction; and we are supporting the newly-appointed energy regulatory commissioners to ensure that they have the skills and resources necessary to help Nepal realize its vast and largely untapped energy potential.

Journey to Self-Reliance

At USAID, our ultimate goal is for our partner countries to progress from being aid recipients, to partners, to fellow donors. We look forward to the day when foreign assistance is no longer necessary. We call the path to get there the “Journey to Self-Reliance.”

In support of this, USAID is realigning and reorienting its policies, strategies, and programmatic practices to improve how it works with governments, civil society, faith-based organizations, and the private sector to develop their capacity and commitment to drive, fund, and manage their

own development. This includes commitments to open, citizen-responsive, accountable governance; inclusive growth; and the capacity to mobilize development funds domestically and through foreign direct investment. It also includes an emphasis on unlocking development driven by private enterprise to sustain—and accelerate—progress.

USAID’s mission to advance self-reliance mutually reinforces USAID’s focus under the IPS—on strengthening democratic systems, fostering economic growth, and improving the management of natural resources, as described above—to precipitate systemic change in the near-term that leaves people in our partner countries better off in the long-term.

USAID prioritizes gains in health and education for development journeys to be inclusive and sustainable over generations. USAID’s health and education programs—which focus on achieving longer-term goals that contribute to building human capital and economic growth—are important for creating the foundation for a free and open Indo-Pacific region in the long-run. ARIA states the importance of this work in the Lower Mekong region in particular, a view that we at USAID share.

We are making progress across the region, including in the Lower Mekong countries. After 15 years of funding from USAID, next year will be the first time the Cambodian Government will be able to fully own, administer, and pay for the health care for the poorest 20 percent of the population. USAID also transitioned the management and cost of several information systems to the Ministry of Health, which will allow it to track the care of its patients more effectively.

In Burma, preliminary findings from a new USAID-funded national survey of the prevalence of tuberculosis (TB) indicate an over 50-percent decline in the prevalence of the active form of the disease over the past decade. This progress is vital to health security in the region as Burma has a high burden of not only TB, but also multi-drug-resistant TB and co-infection of TB with HIV. In Laos, USAID has contributed to a decrease in stunting—from 44 percent in 2012 to 33 percent in 2018—which thereby improves the development potential and economic contribution of the next generation.

On education, in Cambodia, USAID’s assistance strengthened early-grade reading by helping the Ministry of Education ensure that schools and policies are more inclusive, relevant, and responsive to the needs of children, in particular those with disabilities. And in Vietnam last month, we reached a turning point in that country’s reform of higher education with the official launch of the undergraduate program at the USAID-funded Fulbright University Vietnam, the country’s first fully independent, non-profit university. Modern, high-quality higher education is key to Vietnam’s transformation to an economy that can engage in the opportunities of the fourth industrial revolution and sustain its economic growth.

Throughout the region, USAID is also supporting programming focused on women’s economic empowerment. For example, just last month, we were excited to sign a partial credit-guarantee agreement with Singapore-based Impact Investment Exchange (IIX). This innovative partnership will mobilize \$100 million in new investment to empower women across the Indo-Pacific region. A unique financial product, the Women’s Livelihood Bond 2 (WLB2), bolsters women’s livelihoods through raising private financing. The proceeds of the bond will help one

million underserved women in Asia secure sustainable livelihoods through investments in financial inclusion, access to clean energy, and sustainable agriculture. Long-term expected benefits include more successful women-owned businesses, greater women's participation in the workforce, higher standards of living, more opportunities for quality education, and improved health outcomes for women and children.

USAID's support for WLB2 is a key deliverable under the Women's Global Development and Prosperity Initiative (WGDP), established in February 2019 by President Donald Trump to advance women's economic empowerment globally. It also supports the Women's Entrepreneurship and Economic Empowerment Act, signed into law by President Trump in January 2019. WGDP is also supporting women's economic empowerment in Papua New Guinea, India, Indonesia, Vietnam, and The Philippines.

Finally, on Tibet: In line with ARIA, USAID's activities to support Tibetan communities focus on improving sustainable livelihoods and strengthening local institutions, equipping Tibetans to become effective leaders and maintain the vitality of their communities and institutions while preserving and sustaining their unique identity and culture.

USAID's Mission in India currently programs the Congressional directive aimed at strengthening the self-reliance and resilience of Tibetan communities in India and Nepal. Our activities are helping them thrive economically, become effective leaders, and maintain the vitality of their communities and institutions while sustaining their unique identity and culture. We focus on increasing the financial security of Tibetan households, increasing the vitality and cohesion of Tibetan settlement communities, and increasing the effectiveness and sustainability of Tibetan institutions, in particular the Central Tibetan Administration (CTA) and its various agencies. In the Tibetan Autonomous Region (TAR) of China, USAID programming promotes efforts to preserve Tibetan culture and traditions and improve sustainable livelihoods for ethnic Tibetans in China.

Conclusion

Mr. Chairman: In closing, I would once again like to thank the Committee for its championing of the Asia Reassurance Initiative Act, which sends a strong message of the United States' enduring commitment to the region. We are appreciative of the strong bipartisan, bicameral Congressional support for USAID's work to advance partner country self-reliance and a free, open, and secure Indo-Pacific region. Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.

###