

**THE REBALANCE TO ASIA:
WHY SOUTH ASIA MATTERS (PART I)**

HEARING
BEFORE THE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS
SECOND SESSION

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THE REBALANCE TO ASIA: WHY SOUTH ASIA MATTERS (PART I)

TUESDAY, FEBRUARY 26, 2013

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

The subcommittee met, pursuant to notice, at 2 o'clock p.m., in room 2172 Rayburn House Office Building, Hon. Steve Chabot (chairman of the subcommittee) presiding.

Mr. CHABOT. Good afternoon. I would like to welcome everybody to our first meeting of the Foreign Affairs Subcommittee on Asia and the Pacific. I want to welcome all of my colleagues, as I say, to the very first hearing this Congress.

I want to acknowledge my friend from American Samoa, the distinguished ranking member, Mr. Faleomavaega. Eni, it has been a pleasure working with you over the years, and I welcome the opportunity now to sit side by side with you on this committee. I look forward to the opportunity to work with you. Eni and I actually were the representatives from the House of Representatives to the U.N. for a year right after 2001, the attack on our Nation, for about a year or so. It was an interesting time, and we have been friends for a long time now. Even though we are different parties, we actually do get along in this institution.

It is a very critical time for Asia, and I know we will have plenty of work ahead of us over the next couple of years. I would also like to welcome all of our new freshmen members, which is actually a majority of the members of this committee, so we welcome all of them to the Congress. We are looking forward to working with each and every one of them and hope that they will enjoy serving on this subcommittee, both Democrats and Republicans.

I would also like to welcome our distinguished witnesses: Assistant Secretary Robert Blake and Acting Assistant Secretary Joseph Yun.

Before we begin, the ranking member and I will make opening statements. Other members will be given 1 minute to make a statement if they should choose to do so, and then we will get to the witnesses.

Last Congress, I was honored to serve as chairman of the Subcommittee on the Middle East and South Asia, which was a truly rewarding experience—it was a time of both great opportunities and tragedy.

As the new chair of the Subcommittee on Asia and the Pacific, I am happy to announce that South Asia is once again under the jurisdiction of this committee, the Asia and Pacific Subcommittee. Historically and culturally, I think combining the two makes sense. They share transnational threats from terrorism and natural disasters to nuclear proliferation and human rights abuses.

In November 2011, the Obama administration detailed its plan to strengthen American engagement and leadership in the Asia-Pacific region in order to improve regional security, promote U.S. values, and increase economic prosperity. This strategic rebalance toward Asia is also viewed by many as an attempt by the United States to address the growing political and military influences of China.

Examining the administration's efforts to create a more integrated approach to the region over the past 2 years, much of the focus has been on East Asia and Southeast Asia. We see this through the improved military relations with Philippines, South Korea, and Japan; the opening of a Marine base in Darwin, Australia; and the positioning of littoral combat ships in Singapore. We also witnessed this in Burma following the opening of its borders to the world and its pursuit of democratic reforms in which the United States has played a key role; and also in the ongoing Trans-Pacific Partnership Agreement negotiations that aim to create a high standard free trade agreement linking the Asia-Pacific region.

While there have been successes, it seems many of the priorities and goals described in the "pivot" are more ambitious rhetoric than detailed plans describing how to achieve long-term sustainable results. And one area that we see a disparity in is a subregion that has been largely neglected from the rebalance strategy that is South Asia.

Straddling the Red Sea, Arabian Sea, Bay of Bengal, and Java and South China Seas, South Asia bridges a world fraught with uprisings and civil strife to one that will drive global politics and the world's economy. It consists of the world's largest democracy, second most populous nation, one of the poorest countries, and one of the youngest overall demographics. As the center of the Indian Ocean Rim-land that extends from the Middle East to India and south to Indonesia, South Asia is a subregion in need of strategic stability.

The scene of a power struggle for energy and security, the Indian Ocean maritime region holds the world's most important shipping and trade routes, accounting for 70 percent of petroleum product shipments and half of the world's container traffic. It is in the recognition of this region's importance that the rivalry between China and India is interlocked with a rivalry between the United States and China.

The rise of China, India, and other Asian nations, and the rapid growth and seaborne trade and dependence upon imported energy from the Indian Ocean through the Straits of Malacca, has resulted in the unification of the Indian Ocean maritime region to the Pacific as one geostrategic space, in what some refer to as the "Indo-Pacific" region.

Secretary Clinton used "Indo-Pacific" for the first time in November of last year to describe the integration of South Asia as part

of the United States' broader strategic rebalance to Asia. I welcome this as a sign that India and the broader region will play a more critical role going forward. I do not believe the "pivot" will succeed unless the U.S. does more to build stronger relationships in South Asia and with India, in particular.

India's cultural influence, pluralistic society, democratic government, and growing military power place India in the position to take advantage of future economic growth in East and Southeast Asia, while also contributing to regional security and achieving national security interests that both India and the U.S. share.

While we have seen progress in certain areas of the U.S.-India relationship, many arenas are at a state of frustrating impasse. This is partly due to the divergence of various objectives in the region, historical distrust, and India's determination to maintain strategic autonomy. These concerns raise many questions about how to move forward; however, these obstacles should not impede efforts to place the U.S.-India relationship as a key feature of the broader U.S. strategy in Asia.

The administration stated in December 2012 that its "strategic rebalancing to Asia will continue with renewed vigor," and that "U.S. engagement in South Asia would be central to the reinvigorated outreach." I hope the witnesses here today will elaborate on this statement and discuss how the administration is planning to continue the rebalance with a stronger focus on South Asia, not forgetting U.S. engagement with Bangladesh, Sri Lanka, Nepal, the Maldives, and Pakistan, and further elaborate on specific actions or commitments it plans to take in this effort to achieve more tangible results.

I now yield to the gentleman from American Samoa, Mr. Faleomavaega, for a 5-minute opening statement.

[The prepared statement of Mr. Chabot follows:]

One Hundred Thirteenth Congress
Congress of the United States
Committee on Foreign Affairs
Subcommittee on Asia and the Pacific

February 26, 2013

The Rebalance to Asia: Why South Asia Matters (Part I)

Chairman Steve Chabot (R-OH)
Opening Statement

Last Congress, I was honored to serve as Chairman of the Subcommittee on the Middle East and South Asia, which was a truly rewarding experience filled with both great opportunities and tragedies. As the new Chair of the Subcommittee on Asia and the Pacific, I am happy to announce that South Asia is once again under the jurisdiction of the Asia Subcommittee. Historically and culturally, I think combining the two makes sense. They share transnational threats from terrorism and natural disasters to nuclear proliferation and human rights abuses.

In November 2011, the Obama Administration detailed its plan to strengthen American engagement and leadership in the Asia-Pacific region in order improve regional security, promote U.S. values, and increase economic prosperity. This strategic rebalance toward Asia is also viewed by many as an attempt by the United States to address the growing political and military influences of China. Examining the Administration's efforts to create a more integrated approach to the region over the past two years, much of the focus has been on East and Southeast Asia. We see this through the improved military relationships with the Philippines, South Korea, and Japan; the opening of a Marine base in Darwin, Australia; and the positioning of littoral combat ships in Singapore. We also witnessed this in Burma following the opening of its borders to the world and its pursuit of democratic reforms in which the U.S. has played a key role in; and also in the ongoing Trans-Pacific Partnership Agreement negotiations that aim to create a high-standard free trade agreement linking the Asia-Pacific region.

While there have been successes, it seems many of the priorities and goals described in the "pivot" are more ambitious rhetoric than detailed plans describing how to achieve long-term, sustainable results. One area that we see a disparity is in a subregion that has been largely neglected from the rebalance strategy---South Asia.

Straddling the Red Sea, Arabian Sea, Bay of Bengal, and Java and South China Seas, South Asia bridges a world fraught with uprisings and civil strife to one that will drive global politics and the world's economy. It consists of the world's largest democracy, second most populous nation, one of the poorest countries, and one of the youngest overall demographics. As the

center of the Indian Ocean rim-land that extends from the Middle East to India and south to Indonesia, South Asia is a subregion in need of strategic stability.

The scene of a power struggle for energy security, the Indian Ocean maritime region holds the world's most important shipping and trade routes, accounting for 70 percent of petroleum product shipments and half the world's container traffic. It is in recognition of this region's importance that has created an intense rivalry between India and China. The rise of China, India and other Asian nations, and the rapid growth in seaborne trade and dependence upon imported energy from the Indian Ocean through the Straits of Malacca, has resulted in the unification of the Indian Ocean maritime region to the Pacific as one geostrategic space—in what some refer to as the “Indo-Pacific” region.

Secretary Clinton used “Indo-Pacific” for the first time in November of last year to describe the integration of South Asia as part of the United States' broader strategic rebalance to Asia. I welcome this as a sign that India and the broader region will play a more critical role going forward. I do not believe the “pivot” will succeed unless the U.S. does more to build stronger relationships in South Asia and with India, in particular.

India's cultural influence, pluralistic society, democratic government, and growing military power place India in a position to take advantage of future economic growth in East and Southeast Asia, while also contributing to regional security and achieving national security interests that both India and the U.S. share. While we have seen progress in certain areas of the U.S.-India relationship, many areas are at a state of frustrating impasse. This is partly due to the divergence of various objectives in the region, historical distrust, and India's determination to maintain strategic autonomy. These concerns raise many questions about how to move forward, however, these obstacles should not impede efforts to place the U.S.-India relationship as a key feature of the broader U.S. strategy in Asia.

The Administration stated in December 2012 that its “strategic rebalancing to Asia will continue with renewed vigor” and that “U.S. engagement in South Asia” would be central to this reinvigorated outreach. I hope the witnesses here today will elaborate on this statement and discuss how the Administration is planning to continue the rebalance with a stronger focus on South Asia, not forgetting U.S. engagement with Bangladesh, Sri Lanka, Nepal, and the Maldives, and further elaborate on specific actions or commitments it plans to take in this effort to achieve more tangible results.

Mr. FALCOMA. Thank you, Mr. Chairman. And I certainly want to say for the record how pleased I am and what an honor it is for me personally to have you as the chairman of this important subcommittee.

And I also want to welcome our colleagues in the subcommittee as we will be discussing and I am sure dialoguing some very important issues affecting this region of the world.

I also want to offer my personal welcome to the two gentlemen who will be testifying before our subcommittee. In all the years that I have been here, Mr. Chairman, this is the first time in history that we have had now two Assistant Secretaries testifying before this committee. So I am really, really blessed and very, very happy to see Secretary Blake and also Secretary Yun here with us this morning.

Mr. Chairman, thank you for this hearing. I cannot think of a better subject or issue that we should be discussing. As I have said for many years—in the years that I have served on this committee—my personal opinion, nobody wanted to talk about Asia-Pacific issues because the entire mentality here in Washington, both in the Congress and previous administrations, leaned toward Europe and the Middle East. If we weren't bashing the Chinese, we were bashing the Japanese, nothing passive in terms of our looking at the Asia-Pacific region as an important and integral part of what should be our relationship with this region.

Today we are playing catchup in a region that accounts for more than 60 percent of the world's population. In 2011, the Asia-Pacific region surpassed Europe to become the top exporter of merchandise. Two years ago, or 2010—I am sorry—the world's top container ports were in the Asia-Pacific region, including the top five container ports in the world are in the Asia-Pacific region.

I remember a couple of years ago, the late Senator Daniel Inouye made an observation that for every 747 that flies across the Atlantic, four 747s fly in between the Pacific and the United States. The U.S. has a vital interest in making sure there is a free flow of global trade and commerce through the sea lanes of the Indian Ocean. The Strait of Malacca is one of the most important shipping lanes in the world. Thousands of vessels pass through the strait per year, carrying about one-quarter of the world's traded goods, including oil, about a quarter of the oil carried by sea passage through the strait.

I might also comment, Mr. Chairman, that another very important strait that is connected through the Indian Ocean is the Strait of Hormuz between Iran and Saudi Arabia. We need to remember that as well.

For the first time since 1979, Iran naval forces just crossed the Strait of Malacca and will dock in China, India, or Sri Lanka.

Regarding Sri Lanka, Mr. Chairman, I agree with the Gary Luger congressional report, which declares we need to rechart U.S. strategy in Sri Lanka beyond humanitarian and political reforms. The U.S. simply cannot afford to lose Sri Lanka due to its strategic importance.

Last week I had the privilege of visiting Sri Lanka. I met with President Rajapaksa for more than 2 hours. I also met with governor of the northern province and personally visited Jaffna be-

cause I wanted to see for myself the post-conflict development since 2009, when Sri Lanka finally became the first country in the world to eradicate terrorism on its own soil by defeating the Tamil Tigers, which remains listed as a terrorist organization by 32 countries, including our own country, Mr. Chairman, India, Canada, and members of the European Union, and dubbed by the FBI as one of the most ruthless terrorist organizations in the world.

After a 30-year terrorist conflict or war, the challenges the Sri Lankan Government faces are enormous, but the strides the government has made to rebuild in a way that establishes lasting peace and equality for all citizens should be firmly acknowledged. The United States should join Australia in praising the work the Sri Lankan Government has done in the north and east of the island in such a short period since the war, as Australian deputy opposition leader Julie Bishop and the parliamentary delegation she led recently stated on their visit.

Regrettably, in the resolution it intends to submit again to the United Nations Human Rights Council, the U.S. fails to mention one, not even one, positive development for Sri Lanka. Such failure suggests that the United States is not being evenhanded when it comes to dealing with sensitive human rights issues across the globe.

And I am, Mr. Chairman, deeply concerned that our inconsistent policies, which lead to a loss of credibility for the United States, which will negatively impact our relations in the Asia-Pacific region for years to come.

So I call upon my Government, the United States of America, to find a better way forward, rather than using the United Nations resolutions to destabilize developing nations and Sri Lanka while ignoring human rights abuses in nations like in Asia, where our geopolitical, strategic, and military interests supersede our human rights agenda.

The U.S.-led United Nations resolution should also be withdrawn for focusing only on the last few months of the war and failing to acknowledge, therefore, almost 30 years, Mr. Chairman, the Tamil Tigers hacked to death innocent women, men, women, and children, in Sri Lanka; carried out some 378 suicide attacks, more than any other terrorist organization in the world.

We also do not need to criticize Sri Lanka for borrowing money from China. And, by the way, I was there, Mr. Chairman. In terms of our ability to provide assistance to these Third World countries, China was able to provide Sri Lanka with \$500 million of low-interest loans for them to rebuild their seaport as well as the brand new international airport that I was there to witness.

I also want to suggest that it is time for our Government to begin a dialogue with the Chief Minister Modi, the Chief Minister Modi, who may well be the next prime minister for India. The U.S.-India relationship is significant, as you have commented in your statement, Mr. Chairman. It is one of the defining partnerships of the 21st century. And Chief Minister Modi is a leading figure in that process.

Chief Minister Modi's philosophy of bringing development to the doorstep of every poor person, every farmer, every worker is a philosophy that transcends caste, culture, regional, and religious dif-

ferences, and has led to a decade of unprecedented growth and development in the province of the State of Gujarat, a key state, which has contributed considerably to India's economy and development. Companies like Ford and General Motors are setting up factories in Gujarat and in a move that promises to strengthen U.S.-India relations now and in the years to come.

I note my time is up, Mr. Chairman. I will leave the rest for another opportunity, but I do want to thank you and thank my colleagues for their attendance at this hearing. Thank you, Mr. Chairman.

[The prepared statement of Mr. Faleomavaega follows:]

**COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515**

**SUBCOMMITTEE ON ASIA AND THE PACIFIC
ENI F.H. FALEOMAVAEGA (D-AS)
RANKING MEMBER**

The Rebalance to Asia: Why South Asia Matters (Part I)

February 26, 2013

Mr. Chairman:

Thank you for holding this important hearing. As I have said for many, many years, the United States has neglected Asia and the Pacific at the expense of Europe and the Middle East and consequently we have placed our strategic, economic and political interests in jeopardy.

Today, we are playing catch-up in a region that accounts for more than 60% of the world's population. In 2011, the Asia-Pacific region surpassed Europe to become the top exporter of merchandise. In 2010, 20 of the world's top container ports were in the Asia-Pacific region, including the top five.

The U.S. has a vital interest in making sure there is a free flow of global trade and commerce through the sea lanes of the Indian Ocean. The Strait of Malacca is one of the most important shipping lanes in the world. Thousands of vessels pass through the strait per year, carrying about one-quarter of the world's traded goods, including oil. About a quarter of all oil carried by sea passes through the strait.

For the first time since 1979, Iran Naval forces just crossed the Strait of Malacca and will dock in China, India or Sri Lanka. Regarding Sri Lanka, I agree with the Kerry-Lugar Congressional report which declares the need to "re-chart" U.S. strategy in Sri Lanka beyond humanitarian and political concerns. The U.S. simply cannot afford to lose Sri Lanka due to its strategic importance.

Last week, I visited Sri Lanka and met with President Rajapaksa for more than 2 hours. I also met with the Governor of the Northern Province and personally visited Jaffna because I wanted to see for myself post-conflict developments since 2009 when Sri Lanka became the first country to eradicate terrorism on its own soil by defeating the Tamil Tigers which remains listed as a terrorist organization by 32 countries, including the United States, India, Canada and member nations of the European Union, and dubbed by the FBI as one of the most ruthless in the world.

After a 30-year terrorist conflict, the challenges the Sri Lankan government faces are enormous but the strides the government has made to rebuild in a way that establishes lasting peace and equality for all citizens should be firmly acknowledged. The United States should join Australia in praising the work the Sri Lankan government has done in the North and East of the island in such a short period since the war, as Australian Deputy Opposition Leader Julie Bishop and the parliamentary delegation that she led recently stated upon their visit.

Regrettably, in the resolution it intends to submit again to the UN Human Rights Council, the U.S. fails to mention one positive development in Sri Lanka. Such failure suggests that the United States is not being even-handed when it comes to dealing with sensitive human rights issues across the globe and I am deeply concerned that our inconsistent policies will lead to a loss of credibility for the United States which will negatively impact our relations in the Asia Pacific region for years to come.

So I call upon the U.S. to find a better way forward rather than using UN resolutions to destabilize developing nations like Sri Lanka while ignoring human rights abuses in nations like Indonesia where our geopolitical interests supersede our human rights agenda. The U.S.-led UN resolution also should be withdrawn for focusing only on the last few months of the war and failing to acknowledge that for almost 30 years the Tamil Tigers hacked to death innocent men, women and children – Sinhalese and Tamils alike – and carried out over 378 suicide attacks – more than any other such organization in the world.

We also do not need to criticize Sri Lanka for borrowing money from China to build its port. If the U.S. or India had stepped up to assist, Sri Lanka would have accepted the assistance. As President Rajapakse said during a July 2009 interview with TIME Magazine when asked about China's strategic interest in the port, "I asked for it. China didn't propose it. It was not a Chinese proposal. The proposal was from us; they gave the money. If India said, 'Yes, we'll give you a port', I will gladly accept it. If America says, 'We will give you a fully equipped airport' – yes, why not? Unfortunately, they are not offering to us."

I also want to suggest that it time for the U.S. to begin a dialogue with Chief Minister Modi of India's Gujarat State who may very well be India's next Prime Minister. The U.S.-India relationship is significant. It is one of the defining partnerships of the 21st century, and CM Modi is a leading figure.

CM Modi's philosophy of bringing development to "the doorstep of every poor person, every farmer, every worker" is a philosophy that transcends caste, culture, regional and religious differences and has led to a decade of unprecedented growth and development in Gujarat – a key State – which has contributed considerably to India's economy.

Companies like Ford and General Motors are setting up factories in Gujarat in a move that promises to strengthen U.S.-India trade and investment. And with delegates from more than 121 countries attending the Vibrant Gujarat 2013 Summit to explore business opportunities and forge strategic partnerships, it could be argued that Gujarat – an economic powerhouse – is now the global gateway to India.

While I am aware of the 2002 communal riots and see eye to eye with the national and international community that what happened calls for justice and accountability, the fact remains that after an investigation that has been ongoing for almost a decade, India's Supreme Court has not found any evidence against CM Modi. So I question the Supreme Court's recent decision to allow for a new petition to be put forward.

I believe such action is politically motivated and that the U.S. should shift its attitude and extend the hand of friendship to CM Modi, just as the European Union and the UK are doing, given that CM Modi is the frontrunner among the Bharatiya Janata Party's prime ministerial candidates and that India is essential for the success of the U.S. rebalance to Asia.

It is my sincere hope that the Administration will also re-consider its budget priorities. While touting a re-balance to Asia, the FY2013 budget included a five percent decrease for East Asia and the Pacific and a seven percent decrease for South Asia when compared to FY 2012 spending levels. I hope funding in 2014 will be increased, and I also hope the U.S. will get serious about approving its Compact with Palau.

Mr. CHABOT. I thank the gentleman.

The Chair will recognize back and forth, as all the committees do. We go by seniority, although we do go by who was here when the meeting actually began at that point and then seniority from there. That is the list I have, so that is the reason I will be calling in the order that I am at this point.

We will now hear from anyone who has a 1-minute opening statement. We will first go to Representative Holding from North Carolina.

Mr. HOLDING. Thank you, Mr. Chairman, for calling this hearing today. And thank you to the witnesses for your time and your testimonies that we are going to hear.

You know there has been a lot of rhetoric put forward from this administration about a so-called pivot toward Asia and the Pacific, but, Mr. Chairman, I would submit that that rhetoric has largely remained just that: Rhetoric. The United States has always maintained an interest in the Asian and Indo-Pacific regions. This includes economic interests in established and emerging markets but one that also includes strategic defense, national security interests, one that has once again been reinforced by recent actions in North Korea. Any move toward the Asia-Pacific region must ensure both interests are given close and careful consideration.

I look forward to getting the answers to numerous questions that remain from this administration regarding the pivot and especially those policies impacting Southeast Asia. So thank you, Mr. Chairman. I yield back.

Mr. CHABOT. Thank you.

The gentleman from California, Mr. Bera, is recognized for 1 minute for an opening statement.

Mr. BERA. Thank you, Mr. Chairman and ranking member, for calling this hearing. Thank you to the witnesses.

America's pivot to Asia is critical at this juncture and is a much needed evolution of our foreign policy, particularly our shift to South Asia as we look at building a critical strategy around our relationship with India.

The U.S.-Indian relationship is critical and vital to us, both economically and strategically. And we find ourselves at a moment in time when we are going to be drawing down our troops in Afghanistan. India has a critical role in holding onto and maintaining some of the gains that we have made. India has a critical role in helping anchor stability in that region.

Economically, you know, trade with India is vital. From my home state, California, we export over \$3.7 billion annually. And that is just the tip of the iceberg. If we can strengthen our trading relationship and open up India's export markets, this will be very strategic in a bilateral way to both countries.

I look forward to hearing both of the witnesses talk about this strategic relationship. Thank you.

Mr. CHABOT. Thank you very much.

The gentleman from Pennsylvania, Mr. Perry, is recognized.

Mr. PERRY. Thank you, Mr. Chairman and ranking member. Thank you, gentlemen, for agreeing to testify and, of course, all of the guests as well. I am privileged to be here.

And I, too, agree with the administration's pivot on policy to this region, but it cannot be one of rhetoric only. It has to be one of action and robust action. We must, I think, provide confidence to our allies and friends in the region while recognizing the interests of China, but we need to also urge them to be responsible partners with all of their neighbors regarding trade, human rights, and military activity. And I look forward to your testimony in that regard.

Thank you.

Mr. CHABOT. The gentleman from California is recognized. Mr. Sherman?

Mr. SHERMAN. It is important to support the pivot to the Asia-Pacific region as to our diplomatic resources, but if it includes a pivot involving our military resources, we should reflect on the fact that we already have nearly 100,000 ground troops in the region, that confronting China over the islands it disputes with Japan could involve resources involving many tens of billions of dollars and that Japan itself has not devoted all that much in the way of economic resources to the defense of these islands.

The United States' relationship with India is based on a shared commitment to democracy. Both nations have suffered from terrorism. And the U.S.-India relationship I think will be pivotal, both economically and strategically.

This committee strongly supported, sent to the floor, and passed through the House a bill that included a provision calling for Voice of America broadcasts in the Sindi language. And I hope that we will reach out to the people of Pakistan in the languages they speak, not just the languages spoken by the government officially. And I look forward to hearing the testimony.

Mr. CHABOT. Thank you.

The gentleman from Indiana, Mr. Messer, is recognized.

Mr. MESSER. Thank you, Mr. Chairman, ranking member. Thank you to the witnesses. I appreciate this opportunity to be here to learn more about the Indo-Pacific region. Obviously it has very important implications for our national security but also the American economy.

I represent 19 small towns in eastern and southeastern Indiana, many of them with an agricultural or manufacturing-based economy. The countries in this region have companies doing business over in my area of the world. It is important we maintain those relationships as well.

Thank you.

Mr. CHABOT. Thank you.

The gentlelady from Hawaii, Ms. Gabbard, is recognized for a minute.

Ms. GABBARD. Thank you very much, Mr. Chairman, Ranking Member Faleomavaega for convening this important hearing.

And please do hear the resolve from my colleagues talking about robust action, not rhetoric, as we look toward this pivot, toward Asia and the Pacific. Coming from Hawaii, these exchanges and partnerships and friendships between countries across the Pacific and Asia, South Asia in particular, are really a way of life for us in Hawaii, both economically and culturally, and understand how this is vital, strategic, and really related to security now for our

country and that we have to remain committed to engaging these nations.

I have personally involved with engagements, including with the National Guard; been witness to many of the military exchanges and the economic and educational and cultural exchanges that have done volumes for us as a country; and look forward to being able to continue that work and hearing from our witnesses today.

Thank you.

Mr. CHABOT. Thank you very much.

I would now like to introduce our distinguished panel here this afternoon. We will begin with Ambassador Robert Blake, who is the Assistant Secretary for South and Central Asia at the U.S. State Department. As Assistant Secretary, he oversees U.S. foreign policy with India, Bangladesh, Sri Lanka, Nepal, the Maldives, Bhutan, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan. He previously served as Ambassador to Sri Lanka and Maldives from 2006 to mid-2009, and deputy of chief of mission at the U.S. Mission in New Delhi, India from 2003 to 2006. Since entering the Foreign Service in 1985, he has served at the American Embassies in Tunisia, Algeria, Nigeria, and Egypt. We welcome you here this afternoon.

I would now like to introduce Mr. Joseph Yun, who is currently Acting Assistant Secretary for East Asia and the Pacific, also at the State Department. He was previously Principal Deputy Assistant Secretary in the Bureau of East Asian and Pacific Affairs under Assistant Secretary Kurt Campbell before he left just a couple of weeks ago. Since entering the Foreign Service in 1985, Mr. Yun has served at American Embassies in the Republic of Korea, Thailand, France, Indonesia, and Hong Kong.

Without objection, all of the witnesses' prepared statements will be made a part of the record. We would ask that each of the witnesses keep their presentations as close to 5 minutes as possible. We also have a lighting system. You will get a yellow light when you have 1 minute. When the red light comes on, we would appreciate if you would wrap up.

So we will begin with you, Ambassador Blake.

Mr. BLAKE. Well, thank you very much, Mr. Chairman. And thanks as well to the ranking member and to all of the members of this committee for inviting me here today.

STATEMENT OF THE HONORABLE ROBERT O. BLAKE, ASSISTANT SECRETARY, BUREAU FOR SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. BLAKE. Let me say at the outset that it has been a privilege and a pleasure to work with you, Mr. Chairman and Mr. Ranking Member, over the last several years. I look forward to continuing that very close cooperation.

Before I begin, I want to just congratulate the committee on the reorganization of the subcommittee to include South Asia together with the East Asia and Pacific region. Many of the policies that we have been promoting in the region over the past few years reinforce the subcommittee's new organizational structure. So we see this as a positive development that will help us to address the challenges and the opportunities presented by this dynamic part of the world.

One quick note. The South Asia region that I cover consists of India, Nepal, Bangladesh, Sri Lanka, Bhutan, and the Maldives. So while Afghanistan and Pakistan, of course, play a large role in South Asia, my remarks here today will focus mostly on India, the Asia-Pacific, and the greater connectivity between the two. This is also reflected in the more comprehensive written statement that I have submitted for the record.

Mr. Chairman, to fully understand why South Asia matters, we need to first look at the Asia-Pacific as a single geographically coherent space, one that not only ends on our own shores but also expands westward to encompass the Indian subcontinent. Much of the history of the 21st century will be written in this broader Asia-Pacific region, projected to become home to over 5.2 billion people by 2050. That history will have a profound impact on the people and the economy of the United States.

Any discussion of South Asia has to start with India. It is one of our most trusted and valuable partners in the region and, really, the foundation upon which greater regional economic cooperation and expansion will be built.

Our relationship, from our burgeoning trade to defense sales and exercises to our growing education and clean energy partnerships, has never been stronger. Just think about how far India has come in the past 20 years, with a GDP 10 times what it was in 1993. What was then a closed economy is now the 13th largest trading partner of the United States in goods. And by 2025, India is projected to become the world's third largest economy. With that growth will come enormous resource constraints, particularly in infrastructure. Current estimates suggest that 80 percent of the infrastructure required to sustain and support India in 2025 has yet to be built. So we see an enormous opportunity in this growth to deepen our commercial partnership with India, working together with American companies to build the airports, power plants, water and sanitation systems, and fiber optic networks of India's future.

Although the U.S.-India relationship is a topic that could easily take up our entire afternoon, I would like to quickly shift our focus to India's immediate neighborhood, a region where prospects for economic growth loom larger than anywhere on Earth. Thanks in part to Burma's recent political and economic reforms, we now see unprecedented opportunities for trade and engagement between South and East Asia.

Nowhere are those opportunities more pronounced than along the emergent air, road, and sea links between India, Bangladesh, Burma, and the rapidly expanding economies of the Association of South East Asian Nations. In the past year alone, trade between India and the countries of Southeast Asia has increased by 37 percent. This emerging Indo-Pacific economic corridor isn't just a boon for the region. It provides American businesses with substantial new markets.

Mr. Chairman, just a few words in closing. We are bullish on the future of this region, but we are also clear-eyed about the challenges that we face: Terrorism, such as we saw last week in Hyderabad; regional rivalries; nuclear proliferation; refugees; human trafficking; and the potentially catastrophic effects of global climate change. But the architecture of cooperation we are building

together with the countries of the region is helping meet these challenges. And we continue to view South and Southeast Asia, including the Indian Ocean, as a crucial driver for America's economic growth and prosperity. We must continue building the regional and bilateral partnerships at the heart of a more stable, prosperous, and democratic Asia-Pacific so that our own country can continue to grow and prosper in the 21st century.

So I thank you again, Mr. Chairman. I look forward to taking your questions.

[The prepared statement of Mr. Blake follows:]

TESTIMONY OF ROBERT O. BLAKE, JR.
ASSISTANT SECRETARY OF STATE
BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS

BEFORE THE

HOUSE FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON ASIA AND THE PACIFIC

FEBRUARY 26, 2013

I. Introduction

Thank you very much, Mr. Chairman, and thanks as well to the Ranking Member and members of the committee for inviting me here today.

Before I begin I wanted to quickly congratulate the Committee on the reorganization of the Subcommittee to include South Asia together with East Asia and the Pacific. Many of the policies we have been promoting in the region over the past few years reinforce the subcommittee's new organizational structure, so we see this as a positive development that will help us better address the challenges and opportunities presented by this dynamic part of the world.

One last quick note: the South Asia region that I cover consists of India, Nepal, Bangladesh, Sri Lanka, Bhutan and the Maldives; so while Afghanistan and Pakistan of course play a large role in South Asia, my focus here today will be mostly on India, the Asia Pacific, and greater connectivity between the two. This is also reflected in the more comprehensive written statement I have submitted for the record.

II. Why Does South Asia Matter?

To fully understand why South Asia matters, we need to first look at the Asia-Pacific as a single geographically coherent space; one that not only ends on our own shores, but also expands westward to encompass the Indian subcontinent. Much of the history of the 21st century will be written in this broader Asia-Pacific region, projected to become home to over 5.2 billion people by 2050. That history will have a profound impact on the people and the economy of the United States.

The United States' strong geopolitical focus on Asia is a whole-of-government acknowledgement that, over the next century, events in Asia – from Delhi to Beijing – will drive global politics and economics. And while it may not get the same attention as our relationships with the countries of East Asia, U.S. engagement in South Asia remains central to our reinvigorated outreach to the entire continent.

Throughout the Asia-Pacific, economics – alongside more traditional forms of national power – are increasingly shaping the strategic landscape. Regional powers like India and China are gaining strength by putting economics at the center of their foreign policies, focusing on economic growth even more than the size of their armies. As these countries successfully use the growing size of their economies to project global power, we need to ensure that our policies remain focused on an Asia-Pacific defined by economic openness, democratic governance, and political freedom, because an Asia-Pacific rooted in peaceful and predictable patterns of behavior will ultimately bolster our own growth and security.

This is particularly true as we look to the future, where rising powers like India and China will increasingly shape the global system. Accommodating this new center of gravity in global affairs will not always be smooth or easy, but I believe we can chart a path in this region that avoids conflict and that builds on the areas where our interests align, strengthening the region's stability and its (and our own) prosperity. A key, perhaps *the* key, to this rests in deeper economic cooperation and integration, not only between the United States and the region, but between the regional powers themselves.

III. India: Anchor of Growth

So, when looking at why South Asia matters, there is probably no better place to start than India. It is one of our most trusted and valuable partners in the region, and really the foundation upon which greater regional economic cooperation and expansion will be built. I have been working on U.S.-India relations for a decade now, and I can tell you that our relationship, from defense sales and exercises to our growing education and clean energy partnerships, has never been stronger.

Increasing Indian prosperity has only strengthened our bonds of shared democratic values, common regional priorities, and a joint vision for a more secure and prosperous future. Just think about how far India has come in the past 20 years, with a GDP 10 times what it was in 1993. What was then a closed economy is now the United States' 13th largest trading partner in goods. As the Indian market

continues to open and integrate more fully with the global economy, the future looks even brighter. In fact, Standard Chartered has called India “*the key driver of the current global super-cycle,*” projecting that the Indian economy could reach \$30 trillion in 2030, up from only \$1.6 trillion two years ago. This expanding economic base, which includes everything from high-tech and media to finance and tourism, could be even larger if the Indian government addressed policy and regulatory restrictions that constrain imports from the U.S. and elsewhere.

With this growth will come enormous resource constraints, particularly in infrastructure. Current estimates suggest that 80 percent of the infrastructure required to sustain and support India in 2030 has yet to be built. The United States is home to some of the most competitive road, bridge, water supply, electrical grid, and telecommunications companies in the world. So we see an enormous opportunity in this growth to deepen our commercial partnership with India, working together with American companies to build the airports, power plants, water and sanitation systems, and fiber optic networks of India’s future.

Of course, the extent of our economic relationship with India isn’t just confined to infrastructure development. With a population of 1.2 billion and a fast-growing middle class, India is already an enormous market for U.S. goods and services. Proof of this potential lies in our trade relationship: from 2002 to 2011, U.S. services exports to India more than tripled, while goods exports to India quintupled. If trade continues to expand at this pace, total two-way trade in goods and services between India and the United States may surpass \$100 billion in 2013, for the first year on record.

Simply put: American companies are open for business in India.

Outside of our robust economic relationship, we are also fostering increasingly strong defense ties, a development that will reap extraordinary dividends both in economic and security terms in the years to come. Those ties have helped fuel skyrocketing U.S. defense sales to India over the last decade, with over \$8 billion in sales over the past four years. Our two militaries also enjoy an active series of exchanges, strengthening the critical linkages that will help us cooperatively address future challenges in the Indian Ocean, the Asia Pacific, and beyond. Examples include the recent completion of a series of army exercises that were unprecedented in both complexity and scale, and the conduct of MALABAR, a 10-day navy exercise involving thousands of soldiers and sailors and an entire carrier strike group. From counter-piracy to disaster relief, this sort of military

cooperation establishes deep and abiding levels of cooperation between our two militaries, our two governments, and ultimately our people.

IV. Indo-Pacific Economic Corridor:

Although the U.S.-India relationship is a topic that could easily take up our entire afternoon, I'd like to quickly shift our focus to India's immediate neighborhood, a region where prospects for economic growth loom larger than anywhere on Earth. Thanks in part to Burma's ongoing political and economic reforms – punctuated by the President's visit last November – as well as India's continuing diplomatic outreach toward its neighbors – we now see unprecedented opportunities for trade and engagement between South and East Asia. Nowhere are those opportunities more pronounced than along the emergent road, air, and sea links between India, Bangladesh, Burma, and the rapidly expanding economies of the Association of South East Asian Nations, or ASEAN.

While there were serviceable road and rail networks connecting these countries up until World War II, overland connectivity is now outdated or in disrepair. What roads and railways do exist suffer from a lack of ports; sparse multi-modal connections to broader railway networks; and too few low-cost trans-shipment facilities.

In spite of those challenges, trade between India and the countries of Southeast Asia has increased by 37% percent over the past year. This emerging “Indo-Pacific Economic Corridor” isn't just a boon for the region; it also provides American businesses with substantial new markets. Based in part on the prospect of this increased regional trade, Bangladesh is attracting unprecedented levels of interest and investment from U.S. companies like GE, Coca-Cola, Honeywell, Rockwell Automation, Tyco, and Merck. Meanwhile, large American energy concerns like Chevron are making strategic investments in Bangladesh and elsewhere, developing regional energy resources and fueling the region's economic growth.

By reducing the time and cost associated with shipping goods between the huge markets of India and ASEAN, this burgeoning Indo-Pacific Economic Corridor promises to increase prosperity and regional stability and help secure our regional interests. Because by working collaboratively with our partners toward responsible regional economic integration, we help ensure that countries like Burma are encouraged, supported, and rewarded for pursuing democratic and economic reforms.

As a proof of this concept, we might envision Ford Figos assembled in Chennai one day getting shipped via multi-modal transport across the Bay of Bengal to bustling showrooms in Bangkok, or tea, cultivated with American machinery in the northeastern Indian state of Assam making its way overland to processing plants in Hanoi.

In many ways, this Indo-Pacific Economic Corridor is a realization of India's longstanding "Look East" policy, which, as India's Ambassador to the United States Nirupama Rao recently noted, is fast becoming an "Act East" policy. For evidence of this, we needn't look further than Indian Prime Minister Singh's May 2012 visit to Burma, where India offered its neighbor a \$500 million line of credit to repair over 60 bridges linking India's northeast with the regional centers of Mandalay and Rangoon, while also agreeing to help upgrade the Trilateral India-Burma-Thailand Highway to one day include Laos, Cambodia, and Vietnam.

Further east, Thailand's Prime Minister pledged to help build fledgling road and sea transportation routes that will link India and Thailand through Burma, while committing to increase bilateral trade to \$10 billion over the next two years. To bolster these efforts, multilateral development banks, including the Asian Development Bank, are lining up partial credit guarantees for many of these projects, boosting project credit ratings and accelerating financing.

This sort of regional cooperation doesn't stop with infrastructure development. Late last year, India and ASEAN announced a free trade agreement that aims to increase intra-regional trade to \$100 billion by 2015, doubling the 2011 figure. New Delhi now also hosts the India-ASEAN Delhi Dialogue on an annual basis to foster more pan-Asian ties, while maintaining an \$80 billion trade relationship with China, the largest in the region. India also notably concluded new bilateral economic partnerships with Singapore, Malaysia, Japan, and South Korea, and established new strategic partnerships with Indonesia and Vietnam. These partnerships can help strengthen trade and investment flows between and among these countries. In so doing, they complement America's policy objectives in the region of greater economic integration through reduced barriers to trade.

On our end, we have been encouraging new and innovative U.S. regional partnerships, spearheading both a U.S.-India-Japan trilateral dialogue and a U.S.-India-Afghanistan trilateral dialogue. These mechanisms have quickly evolved into frank and constructive forums for discussing a wide range of issues - from investment and infrastructure, to maritime security, to regional multilateral

concerns - all of which reinforce the concept that an integrated Asia-Pacific is in our interest, and in the interests of our partners and allies.

V. A Global Architecture of Cooperation

While the main thrust of this Indo-Pacific cooperation is economic, it shouldn't be considered solely as a means to accelerate economic growth. It should also be seen as an effective way to address broader socioeconomic and environmental issues facing the region, as part of a broader "global architecture of cooperation." Economic growth and cooperation will, for instance, play a key role in women's economic empowerment in the region. Investing in women and girls is an essential driver of economic growth that creates better social and political outcomes. That is exactly what we are doing through initiatives such as the South Asia Women's Entrepreneurship Symposium, which provides a platform for the networking, training, and cross-border collaboration necessary to overcome many of the economic barriers facing women in the region.

Regional cooperation is also an integral part of managing the impact of environmental issues, such as water use, marine habitats, energy production and distribution, urbanization, climate change, and disaster management. With river systems like the Mekong, Indus, and Ganges all crossing national borders and essential to local livelihoods in this region, establishing and implementing fair and practical water-sharing and conservation arrangements is increasingly critical.

When I look at this region, I see the system of open trade which we have long championed taking root. More trade within the region translates into more investment, which means more economic growth. And as these governments work to build economic partnerships that add value rather than extract it, there is more incentive for the citizens of these countries to pursue opportunity. That is good for the people of the region, but also for our regional interests, which are better served by this larger, freer, and fairer market, and the more stable, prosperous, and democratic region it helps create.

VI. The Indian Ocean

The last theme I want to touch upon here today also has a regional focus, and that is the Indian Ocean. The Indian Ocean not only provides the backdrop for the increased Indo-Pacific economic engagement, but also plays host to a number of other vitally important American interests in South Asia and beyond. The Indian Ocean covers over one quarter of the Earth's surface, but unlike the Atlantic and

the Pacific, maritime traffic on the Indian Ocean is channeled through only three narrow waterways – the Strait of Hormuz, the Strait of Malacca, and Bab el Mandeb. Each year an estimated \$200 billion of oil transits the Strait of Hormuz, and some \$60 billion transits the Strait of Malacca, mostly en route to China and other countries in East Asia.

Fueled by Asian economic expansion and the growing need for raw materials and energy resources from Africa and the Middle East, fifty percent of the world's container traffic and seventy percent of global energy trade transits the Indian Ocean. As these numbers continue to grow, it becomes clear that any significant disruption in Indian Ocean region trade would have serious global repercussions.

India, like us, sees itself as a steward of these waterways, and we welcome India as a partner and provider of security in the broader Indian Ocean region. Sri Lanka and the Maldives, both strategically located along the busiest shipping lanes of the Indian Ocean, are also deeply invested in shaping the future of the region. As we continue to develop our own approach to the variety of opportunities and challenges in the Indian Ocean, we believe our interests will be best served by stronger and more cooperative partnerships with these and other littoral states.

This is something on which we are working hard. In addition to participating in the ASEAN Regional Forum, the East Asia Summit, and the Asian Defense Ministers Meeting - Plus Eight, we were also recently admitted as an observer into the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), a 20-member body devoted to strengthening maritime security, economic growth and trade in the Indian Ocean. This is progress we will build on as we explore future maritime security cooperation.

VII. Conclusion

Mr. Chairman, just a few words in closing. We are bullish on the future of this region, but we are also clear-eyed about the challenges that we face – the ever present threat of global terrorism, regional rivalries, protectionism, nuclear proliferation, refugees, and human trafficking. From the lack of progress on worker rights throughout the region, reflected in the recent factory fires in Bangladesh, to the potentially catastrophic effects of global climate change in countries like the Maldives, regional stumbling blocks remain.

We work every day (and many nights) to address and ameliorate those issues. But despite these challenges, we continue to view South and Southeast Asia, including

the Indian Ocean, as a crucial driver for America's economic growth and prosperity. Because a globalized South Asia, from Kabul to Colombo, will play a leading role not only in our own economic future, but also in improving the lives of fully one-fifth of the world's population.

In fifty years, I think we will look back at this region and be astonished at the degree to which the burgeoning people-to-people ties and commercial innovations we have discussed here today have transformed the region's political and economic landscape. And we will be thankful we had the foresight to build and facilitate these regional and bilateral partnerships now, so that our country could continue to grow and prosper throughout the 21st century and beyond.

So thank you again, Mr. Chairman. I'll now look forward to taking any questions.

Mr. CHABOT. Thank you very much for your testimony, Mr. Ambassador. We appreciate it.

And now we will move to Mr. Yun. You are recognized for 5 minutes.

Mr. YUN. Thank you very much, Mr. Chairman and Mr. Faleomavaega and members of the subcommittee. Thank you very much for inviting me here today to testify why South Asia matters in our engagement with East Asia and Pacific region.

STATEMENT OF MR. JOSEPH Y. YUN, ACTING ASSISTANT SECRETARY, BUREAU EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. YUN. Mr. Chairman, as you have pointed out, it is increasingly important that the U.S. views the Indian Ocean region and East Asia and the Pacific region in a coherent and integrated manner. The current organization of this subcommittee to include both South Asia and East Asia is an important recognition of this strategic imperative. I believe that this new vision will help the United States better address the key challenges and opportunities in the Asia-Pacific region.

As a Pacific power, the U.S. is bound to Asia through geography, history, alliances, and economic ties. Growing numbers of American companies are investing in and exporting to rapidly expanding Asian markets. Asian-Pacific businesses are increasing their profiles in the U.S. and providing jobs for American workers. Record numbers of American citizens now live, work, and study in this part of the world. These connections underscore our significant stake in the region's stability and prosperity.

Our department's multifaceted approach to the Asia-Pacific region reflects this reality. We have sought to amplify our political and security ties as well as our economic engagement. We are strengthening and modernizing our longstanding alliances with Japan, the Republic of Korea, Australia, Thailand, the Philippines, which have for decades been the foundation for the region's stability. And, given the importance, strategic importance, and collective significance of Southeast Asia and the Pacific, we have also increased our engagement with Indonesia, Vietnam, Singapore, Malaysia, Brunei, New Zealand, and the Pacific Islands. Our efforts with China, which include an unprecedented number of high-level and people-to-people interactions, aim to build a stable relationship grounded in reality but also true to our principles and interests.

On the economic side, we have elevated our engagement in the region through multiple avenues, from hosting APEC in 2011 to last July's commitment to connectivity, which brought together the largest grouping of U.S. and ASEAN Government and business leaders ever.

We are working on comprehensive and high-standard trade agreements in the region. In fact, just the Trans-Pacific Partnership to level the playing field for American companies and advance a rule space trading system. At the East Asia Summit last November, the President announced a new initiative called the U.S.-Asia-Pacific Comprehensive Energy Partnership, which cuts across ASEAN, APEC, and other Asian regional forums to promote the development of new and sustainable energy markets in the region. At

the same summit, the President also announced a trade and investment engagement program with the 10 ASEAN countries, known as the Enhanced Economic Engagement, which is dealing with trade facilitation, investment rules, and digital economy issues.

Across the region, the United States is seeking sustained adherence to democratic practices and improved governance. We press for improvements with those governments that fall short in human rights and support those struggling to promote the values we share. Our commitment to advancing freedom, democracy, and the rule of law has manifest itself in our steadfast support for reform and opening in Burma, where positive developments on a range of political and humanitarian concerns of the international community have allowed us to open a new chapter in bilateral relations.

Mr. Chairman, I am pleased to report that the message from the region to U.S. has been clear. Asians are saying that the role of the U.S. in Asia is critical and that they want to see us even more engaged in diplomacy, security, trade and investment, and more programs linking Asians and Americans, such as education, cultural exchange, sports, tourism, just to mention a few.

So why do South Asia and Indian Ocean regions matter to what the U.S. does in Northeast or Southeast Asia? The answer, we believe, lies in the fact that the Indian and Pacific Oceans now form a continuous throughway for global commerce and energy. China, Japan, South Korea, and others in the region depend upon the secure access of energy and raw material from the Middle East and Africa. As these trends continue, any significant disruptions of trade in Indian and Pacific Oceans will have serious global repercussions that would also be felt here at home by American workers.

So as economic and strategic interests continue to span the breadth of the Indo-Pacific, we have an important state in ensuring freedom of navigation, promoting respect for international law, and fostering greater cooperation and dialogue among the countries of both regions on maritime security.

Thank you for giving me the opportunity to testify today, Mr. Chairman. I am pleased to answer any questions you may have.

[The prepared statement of Mr. Yun follows:]

**Testimony of Joseph Yun
Acting Assistant Secretary of State
Bureau of East Asian and Pacific Affairs
U.S. Department of State**

Before the

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

February 26, 2012

“The Rebalance to Asia: Why South Asia Matters (Part 1)”

Mr. Chairman, Mr. Faleomaveaga, and Members of the Subcommittee, thank you very much for inviting me here today to testify on the importance of the Indian Ocean and South Asian region to our strategic rebalance to the broader Asia-Pacific region, as well as for the chance to outline key elements of our engagement in the region. I would also like to take a moment to commend this subcommittee for its role in building a bipartisan consensus on the importance of engaging the Asia-Pacific region and advancing U.S. interests there. Our partners in the region pay close attention to Congressional views, and it is vital to demonstrate the bipartisan nature of our commitment to enhancing our regional engagement.

It is increasingly important that the United States views the Indian Ocean region and East Asia in a coherent and integrated manner. The current organization of this subcommittee to include both South Asia and East Asia is an important recognition of this strategic imperative. I believe that, going forward, this new vision will help the United States address the key challenges and opportunities that will arise in this part of the world.

Home to nearly half of the world’s population and over half of global trade and economic output, the Asia Pacific has witnessed very strong rates of economic growth and poverty reduction. Over the past decade, Asian nations have also increased their profile on the world stage and continue to increase their role and clout in addressing global challenges. Their views and decisions on transnational concerns, such as climate change and financial architecture, among others, will have consequences that will reverberate far beyond Asia, to Africa, the Middle East, and Latin America.

Our strategic “rebalance” to the Asia-Pacific region therefore reflects a deep recognition that the United States must substantially increase its political, economic, development, and defense investments in the Asia-Pacific given the region’s fundamental importance to our future prosperity and security. We are bound to Asia through our geography, history, alliances, economies, and people-to-people ties, which will continue to grow in importance over the next decade. Over the last four years, we have made a deliberate and strategic effort to broaden and deepen our engagement in the region. Continuing and strengthening our engagement and our commitment to the region are essential for both seizing future opportunities and confronting

challenges to build partnerships and a more secure and prosperous future. Given geographic, historical, and economic ties, South Asia will play a critical role in this endeavor.

At the core of our approach is an understanding that diplomatic, security and economic relationships in the Asia-Pacific region are mutually supportive. Growing numbers of American companies are investing in and exporting their products and services to rapidly expanding East Asian markets. Asian-Pacific businesses are increasing their profiles in the United States and providing jobs for American workers. Record numbers of American citizens now live, work and study in this part of the world. These connections help underscore that we have a significant stake in the region's stability and prosperity; that is, our security and economic interests are intertwined.

Our multifaceted approach to the Asia-Pacific region reflects this reality. We have sought to amplify our political and security ties as well as our economic engagement. We are moving ahead in strengthening and modernizing our long-standing alliances with Japan, the Republic of Korea (RoK), Australia, Thailand and the Philippines that have for decades underpinned the region's stability. That stability created the conditions for robust market and trade expansion that have formed the basis for the region's growing prosperity. Our alliances leverage our presence and enhance our regional leadership at a time of evolving security challenges.

As we renew our alliances to meet new demands, we are also working to build new partnerships throughout the region that can help solve shared challenges. Given the strategic importance and collective significance of Southeast Asia and the Pacific, we have increased our engagement with Indonesia, Vietnam, Singapore, Malaysia, Brunei, New Zealand, and the Pacific Islands. Our efforts with China, which include an unprecedented number of high-level and people-to-people exchanges and interactions, aim to build a stable, multifaceted bilateral relationship that is grounded in reality, true to our principles and interests, and focused on results. We understand that countries in East Asia, South Asia, and the Pacific seek good relations with China, and we encourage them to do so. A China that plays by established rules and norms, actively cooperates in addressing regional challenges, and is a source of global economic growth benefits all of us.

And beyond our bilateral relationships, the United States is committed to continuing our high-level engagement in helping to develop effective and results-oriented multilateral institutions, not only with the Association of Southeast Asian Nations (ASEAN), its affiliated institutions, and the Asia-Pacific Economic Cooperation (APEC) forum, but also through fora such as the Pacific Islands Forum and through mini-lateral dialogues aimed at building regional cooperation like the Lower Mekong Initiative.

The United States has a robust economic agenda that recognizes the importance of the Asia-Pacific region. We are working to accomplish the objectives of our economic agenda through multiple avenues, including the Trans-Pacific Partnership (TPP), a comprehensive high standard trade and investment agreement that will boost U.S. economic growth and support the creation and retention of high-quality American jobs. And at a broader level, we continue to work through APEC, which we hosted in 2011, to strengthen regional economic integration and promote trade and investment liberalization among the twenty-one member economies. More recently, at the U.S.-ASEAN Leaders meeting this past November, President Obama and the

Leaders of the ten ASEAN states announced the launch of a new initiative, the U.S.-ASEAN Expanded Economic Engagement (E3), which is a new framework for economic cooperation designed to expand trade ties between the United States and ASEAN, creating new business opportunities and jobs in all eleven countries. At the East Asia Summit (EAS) last November, the President announced a new initiative called the U.S.-Asia-Pacific Comprehensive Energy Partnership, which cuts across ASEAN, APEC and other Asian regional forums to promote the development of new and sustainable energy markets in the region.

Of course, the Asia Pacific's remarkable economic growth over the past decade and its potential for continued growth in the future depend on the security and stability that has long been guaranteed by the U.S. military. The United States has a vision for the region where freedom of navigation is assured, disagreements are managed cooperatively, and the Korean Peninsula is free from nuclear weapons. A peaceful and prosperous Asia-Pacific benefits the peoples of the United States and the region, who can enjoy the jobs and opportunity that come from unhindered shipping and trade; and who can raise their children without the specter of conflict. We continue to assess our force posture and presence in the region that can better respond to non-traditional security threats, protect allies and partners, and defend U.S. national interests.

Across the Asia-Pacific region, the United States is seeking sustained adherence to democratic practices and improved governance, quality health and education, strengthened disaster preparedness/emergency response, and increased natural resource management, which will contribute to greater human security, stability, and prosperity, as well as deepen U.S. ties in the region. Our commitment to advancing freedom, democracy, and the rule of law has manifested itself in our steadfast support for reform and opening in Burma, known by many as Myanmar, where positive developments on a range of concerns of the international community have allowed us to open a new chapter in bilateral relations. The opening of a USAID Regional Office in Papua New Guinea after an absence of 15 years has helped strengthen the U.S. commitment to the Pacific Islands. Similarly, we will continue to press for improvements with those governments that fall short on human rights and democracy issues while supporting those fighting for the values we share. In doing so, we recognize that the Asia-Pacific is home to some of the world's largest and most vibrant democracies. Democracy and human rights are increasingly part of the fabric of the Asia-Pacific.

Each element of this strategy is mutually reinforcing and is intended to advance peace, prosperity, and security in the Asia-Pacific strategic environment. And thus far, Asian states have welcomed with enthusiasm our efforts to reinvigorate our engagement. The most frequent message to the United States has been the same: The United States' role in Asia is critical, and we want to see you even more engaged on all fronts - diplomatically, militarily, and economically.

Our Asia-Pacific interlocutors, however, are quite attuned to developments in domestic American politics. They are concerned about the possibility of decreased U.S. engagement in the Asia-Pacific region and a reduction in foreign assistance for Asia. They hear talk of sequestration, growing calls for slashing foreign assistance, and they see the comparatively larger amounts of resources devoted to U.S. engagement elsewhere in the world. In some quarters, doubts continue to linger, particularly regarding our financial ability and political will – given

pressing security challenges elsewhere in the world – to maintain a long-term regional presence. We believe it will be increasingly vital for U.S. officials to continue to underscore – in concrete terms – our firm and unwavering commitment to the Asia-Pacific region.

On the original question of how South Asia fits into the rebalance, we need to remember that the cultures of the Indian subcontinent have influenced Southeast Asia for millennia and are visible across the region. South Asian traders and merchants have long been sailing to what they called the *Sivarnadwipa*, or “Golden lands.” Similarly, China’s maritime presence at its height once extended to the coast of Africa and the Arabian Peninsula. In fact, when one looks at the Asia-Pacific and the wider Indian Ocean region, it becomes readily apparent that there are imprints from historical East and South Asian civilizations.

The rapid economic growth that has taken place in East and South Asia is a catalyst that is reenergizing these patterns of engagement. The increasing economic integration of South and East Asia has strengthened the strategic significance of the Indian and Pacific Oceans as a continuous thoroughway for global commerce and energy. Approximately 90 percent of globally traded merchandise travels by sea. China, Japan, RoK, and others in East and Southeast Asia depend upon the secure access of energy imports from the Persian Gulf and natural resources and other materials from Africa to fuel their economies and ship their exports to important markets in the Middle East, South Asia, and Europe. As much as 50 percent of the world’s container traffic and 70 percent of global energy trade now transits the Indian Ocean. Similarly, as India’s trade with East Asia and North America grows, India has a growing stake in the security of the Straits of Malacca and the South China Sea, through which half of the world’s tonnage flows.

As these trends continue into the future, it becomes clear that any significant disruption of trade in the Indian and Pacific Oceans would have serious global repercussions, repercussions that would also be felt here at home by American businesses and workers. As our economic and strategic interests continue to span the breadth of the Indo-Pacific, we have an important stake in ensuring freedom of navigation, promoting respect for international law, and fostering greater cooperation and dialogue with and among the countries of both regions on maritime security.

Enhanced economic integration, while yielding immense benefits to the region, also means that regional instability in South and Southeast Asia – brought on by interstate conflict, terrorism, proliferation of weapons of mass destruction, and non-traditional security threats, such as pandemic diseases, climate change, and environmental degradation – can pose a threat to the entire global economy.

No country can address these challenges singlehandedly; multilateral cooperation is vital. This interdependence is why we have placed so much importance on strengthening our relations with the region’s burgeoning multilateral architecture. The Administration has taken important steps in building stronger ties with regional institutions such as ASEAN, the EAS, the security-oriented ASEAN Regional Forum (ARF), and the ASEAN Defense Ministers Meeting Plus (ADMM+).

As Southeast Asia connects both sides of the Indian and Pacific Oceans, we see a strong and integrated ASEAN as an important component in bolstering the security of the entire Asia-Pacific.

Following the signing of the Treaty of Amity and Cooperation in 2009, the opening of the U.S. Mission to ASEAN in 2010, and the appointment of the first resident U.S. Ambassador to ASEAN, the Administration has elevated our relationship with ASEAN to a strategic level. We are working with ASEAN to build a strong ASEAN Secretariat capable of addressing pressing security and economic policy issues, to facilitate the development of an ASEAN Economic Community, and to strengthen ASEAN member states' coordination and cooperation with regard to managing disasters, mediating and resolving conflicts, mitigating pandemic threats, combating illicit trafficking of persons and goods, and on other transnational security concerns.

As part of our overarching effort to strengthen regional cooperation in Southeast Asia and address the growing list of non-traditional security issues, we also have redoubled our efforts to broaden and deepen our engagement through the Lower Mekong Initiative (LMI), a U.S.-led effort to foster greater sub-regional integration and cooperation among Burma, Cambodia, Laos, Thailand, and Vietnam in the areas of health, environment and water, education, connectivity, energy security, and food security. The LMI, along with Japanese, Korean, and other Mekong organizations that seek to promote greater cooperation among the lower Mekong countries, is helping to build greater East-West connectivity in Southeast Asia by encouraging Mekong countries to work more closely together on pressing transnational challenges, but also on enhancing their physical and institutional connectivity. In particular, the dramatic series of reforms that have taken place in Burma over the past two years have also opened the possibility for greater infrastructure financing and development in the country and for enhanced integration into the regional and global economy. Located directly at the crossroads between China, India, and Southeast Asia, an economically and physically integrated Burma that respects human rights and achieves national reconciliation with its ethnic minorities can provide a crucial land-link between East Asia and South Asia.

East Asia and South Asia are also linked in other important regional structures. India's membership in the East Asia Summit and the ADMM+, and India, Pakistan, Bangladesh and Sri Lanka's membership in the ASEAN Regional Forum, also provide us an opportunity to engage both South Asian and East Asian nations in the same multilateral fora to address shared concerns and build tangible habits of cooperation.

India's participation in the EAS is especially important in light of the expanding role and influence of the Summit. Since the President's participation in the November 2011 East Asia Summit in Bali, the United States has actively supported efforts to shape the Summit into the region's premier forum to discuss political and strategic issues, including non-proliferation, maritime security, and disaster management. As a Leaders-led forum, the EAS plays an important role in defining the agenda for other ASEAN related institutions such as the ASEAN Regional Forum, and the ADMM+. Accordingly, the EAS will guide those organizations to take concrete steps to address both traditional and non-traditional security challenges.

We see a strong role for Indian leadership in these fora and for greater U.S.-India cooperation on regional security in the Asia-Pacific and elsewhere. India shares many of our values, including a commitment to human rights and democratic government and adherence to the international system of norms and rules, including freedom of navigation and access to resources in accordance with principles of international law. Following the birth in 1991 of its “Look East” policy, India has made considerable progress raising its profile in East Asia. India’s overtures to its eastern neighbors have been met with welcome enthusiasm, as various East Asian countries see India as a rising power that will contribute to the regional balance and its large and growing domestic market as an opportunity to diversify their economic engagement.

This was clearly evident in December 2012 when nine of ten ASEAN leaders travelled to New Delhi to take part in a Commemorative Summit celebrating 20 years of India-ASEAN relations. India has also sought to engage the countries of the lower Mekong sub-region through the Mekong-Ganga Cooperation initiative which focuses on enhancing connectivity among member countries. India has forged closer ties with U.S. allies like Japan and Australia and key partners such as Singapore, Indonesia, and Vietnam. India is also developing a cooperative relationship with China, through enhanced bilateral discussions and the BRICS (Brazil, Russia, India, China, South Africa), fully cognizant that the relations between these two economic and demographic giants will play an important role in shaping the regional, and indeed global, environment for many years to come.

Looking at India’s growing engagement leaves no question that there are significant areas of strategic convergence between India and the United States in Asia. This is why, in 2009, we launched the U.S.-India Consultations on the Asia-Pacific as part of an effort to ensure that our two countries exchange views on the development of this vital region. The consultations have offered us an important platform not only for discussing how we can better align our strategies to reinforce one another’s engagement, but also for discussing our disagreements openly. We continue to engage India through the U.S.-Japan-India trilateral consultation on regional issues that helps leverage our resources to strengthen the region’s multilateral architecture.

Lastly, I would like to address the importance of India’s growing economic engagement in the Asia-Pacific and the implications for U.S. policy of an India that is economically integrated with Southeast Asia. The rules-based system that the United States created after 1945 and our continued role as a major trading and investment partner underpin the region’s vibrancy. India shares the U.S. values of open societies. With its young and dynamic population, India presents an opportunity to sustain economic expansion in Asia, while Japan, RoK, and China face challenging demographic trends. Likewise, the U.S. and Indian economies will continue to benefit from deeper involvement in East Asia’s economic engine.

Like the United States, India is making efforts to deepen its formal engagement with East Asia. At the November EAS, Indian Prime Minister Manmohan Singh acknowledged that India’s economic future is also tied to East Asia. During 2012, India finalized an agreement on services to complement the 2010 India-ASEAN Free Trade Agreement on goods. Indian-ASEAN trade is now approaching approximately \$80 billion. Trade between India and ASEAN can be expected to rise even faster if and when countries in the region can overcome the considerable

infrastructure and policy gaps that prevent the free and efficient flow of goods between South and East Asia.

India boasts a \$ 2 trillion economy today. Experts anticipate that India's economy will continue growing through the coming decades until India peaks demographically in 2060. At that time, India will represent one fifth of the global economy. For East Asia, the economic potential of enhanced trade with India is significant: India's large and growing market is a destination for both high-value added and consumer goods. India's prowess in the service industry complements China's strength in manufacturing goods. Additionally, Indian companies offer a potential new source of investment for Southeast Asia. The Indian economy has been the leader in business process outsourcing (BPO) for many years, but as economies like the Philippines—with high educational standards and strong English skills—move up the BPO value chain, they stand to benefit from increasing investment opportunities in the BPO sector.

From a strategic perspective, our allies and partners in East and Southeast Asia also benefit immensely from increasing economic engagement with India. In particular, for the smaller economies of Southeast Asia, an East-West corridor can supplement their traditional North-South economic ties, offering an opportunity to diversify markets and hedge against future risks.

Creating an Indo-Pacific Economic Corridor between South Asia and Southeast Asia will require significant investment in physical infrastructure throughout the region: road, rail, sea and air connectivity between these two regions must be developed. While financing will necessarily come primarily from countries in the region and international financial institutions, U.S. companies are well-positioned to participate in connectivity projects and stand to benefit from some of the increased commercial opportunities that will result. Additionally, we have encouraged the Asian Development Bank (ADB) to identify gaps in the Indo-Pacific Economic Corridor that could be filled by public-private investment.

In this context, the United States also has strongly supported India's commitment to invest \$500 million in road connectivity between Northeast India and Burma.

In conclusion, Mr. Chairman, I would underscore that from a strategic perspective, as we continue to implement our strategic rebalance, we are acting in recognition of the emerging realities of the new Indo-Pacific world. Our commitment to the Asia-Pacific region is strong and irreversible, and we support and welcome the involvement of India and other countries of South Asia in the Asia-Pacific region as well. We face numerous challenges in continuing our involvement in the region, but the United States will also realize multiple benefits as well.

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

Mr. CHABOT. Thank you very much. We appreciate the testimony of both of our witnesses here this afternoon.

I will now recognize each member for 5 minutes to ask questions. I will begin with myself.

First question I will address to you, Ambassador Blake. The 2008 Indo-U.S. Civilian Nuclear Agreement was considered a watershed moment for U.S.-India relations, but 4 years later, many believe that it has failed to tie India closer to the U.S.-led global non-proliferation and arms control architecture.

India has made no efforts to sign the Comprehensive Test Ban Treaty or to voluntarily halt its production of fissile materials. The deal was also supposed to build a robust security relationship between the U.S. and India serving as the nucleus to balance Chinese power. However, India's Non-Alignment 1.0 and now Non-Alignment 2.0 have made this goal a strategic nightmare.

At the same time, in pursuit of a greater global presence, India seeks to join the five permanent members of the U.N. Security Council and the four major arms control groups, including the Nuclear Suppliers Group, the Wassenaar Arrangement, the Australia Group, and the Missile Technology Control Regime. Ambassador Blake, what is the outlook for India's participation in these groups?

And, with reference to the Indo Civilian Nuclear Agreement, have the U.S. and India made any progress on resolving the nuclear liability issue, which has created an obstacle for a number of U.S. firms? What is the administration doing in order to move this issue forward?

Mr. BLAKE. Thank you very much for that question, Mr. Chairman.

Let me just talk a little bit about the nuclear deal first. As you say, this is one of the really transformative deals that was done in the course of the Bush administration. The Obama administration came in, determined to try to continue that momentum. I think there has been some progress, but there are also still many challenges ahead.

One challenge is that India passed a nuclear liability law that our companies do not agree with and do not think provide them sufficient protection from possible liability suits. And, therefore, we have focused most of our efforts on trying to negotiate with the unions and support our companies' efforts to negotiate what are called early works agreements that are things like site preparation and early contracts and things like that that could again pave the way for future civil nuclear contracts.

The Indians have set aside several areas in Gujarat and Andhra Pradesh for American companies to eventually build such plants. And we continue to work through our liability concerns with the Indian Government. So we hope very much this year that one of these early works agreements can be signed by Westinghouse and the Nuclear Power Corporation of India Limited, which is its counterpart. So I think there has been progress, but, again, much work needs to be done.

With respect to your comment about how India is not aligned, actually, I would, respectfully, disagree. India has moved very, very much closer to us now on defense cooperation. We now have the largest exercise program of any country in the world with India.

And I think all three of their services very much appreciate the opportunity to exercise with ours. And there is a growing coordination in that respect.

Likewise, our defense sales relationship has grown from virtually nothing to more than 9 billion with several billion more of sales pending now. So, again, I think our militaries are growing much closer together. And there is great interest in developing closer interoperability and closing working relationships. And we will certainly continue to build on those.

Mr. CHABOT. Thank you.

And in a limited time—I have about a minute left here—let me just touch on Sri Lanka. I know my ranking member had brought up Sri Lanka, which can be a quite controversial issue. There are two sides to a lot of the things that are said about this. I have had many contacts with the government and also with the Tamils. And, shall we say, they differ in a number of areas.

I would say the attempts at reconciliation between the government and the Tamil people have been disappointing in many respects. Sri Lankan leaders, for example, are talking about repealing the Thirteenth Amendment, which guarantees certain basic rights to provincial councils. And U.S. policy toward Sri Lanka has, so far, apparently not worked out or been able to convince the government to keep its basic agreements to bring reconciliation and political settlement to fruition.

What steps has and can the administration make to urge the government to move toward a more genuine reconciliation with the Tamil community? And either one, but if you could keep it relatively short because our time is now up?

Mr. BLAKE. Let me try to answer your question and also the ranking member's question simultaneously because he talked about that in his statement. And let me just say with a little bit of background that, you know, obviously I have been working on Sri Lanka now for 6 years. I know the country extremely well. I consider myself a friend of the country and supporter of the country. And at the end of the conflict, as you know, there were many questions about the number of civilians that were killed at the very end of the conflict. And independent U.N. panel estimated that between 10,000 and 40,000 innocent civilians may have been killed.

Nonetheless, the United States decided that it would support a domestic that was a Sri Lankan domestic process to try to get to the bottom of that and to investigate that and to develop what has now been called a lessons learned and reconciliation commission process. But we did so with the understanding, Mr. Chairman, that there would be rapid progress toward reconciliation and accountability.

And I must say progress thus far on implementing the LLRC action plan has been slow. And we have been disappointed, as you say, that the government has not proceed so far with elections for the Northern Provincial Council 4 years after the end of the war. We have been disappointed that there hasn't been a conclusion of the dialogue between the Tamil National Alliance, the umbrella group for the Tamil groups, as well as to permit a T&A of dialogue with the government on devolution. And we have been disappointed that there has been some backward movement on democ-

racy, as you say, things like the Thirteenth Amendment but also recent impeachment of the Sri Lanka's chief justice.

So, for that reason, last year we supported a resolution in the U.N. Human Rights Council to put additional pressure on Sri Lanka to implement its own lessons learned and reconciliation report. We did so with the support of countries like India that voted yes and a large majority of other countries in the Human Rights Council.

I think there is good support thus far to have another vote this year to continue to urge Sri Lanka to implement its own report. And that is why we are pursuing that again this year.

Mr. CHABOT. Thank you very much. My time has expired.

The gentleman from American Samoa is recognized.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

I do want to say to Secretary Blake that this is not in any way a personal attack on you, but I do want to follow up on the chairman's question and concerns about the situation in Sri Lanka.

I mentioned in my statement about the double standard that we are applying as far as violation of human rights. And the sense that I have, why is the most powerful country in the world picking on a small, little country like Sri Lanka, the size of West Virginia, 60,000 square miles with only 3 million people? We talk about 41 million people living there.

The question, the serious question, I have is that for 27–29 years, this country was in a state of civil war. It is not a conflict. It is not a question of a time when people are asking for more autonomy. We have to understand that not all Tamils are members of this terrorist organization called the LTTE, or Tamil Tigers that our Government along with 32 other countries had also categorized as a terrorist organization. And in the process you are talking about 27 years where some 80,000 to 100,000 Sri Lankans ended up dead—a lot of innocent men, women, and children, what I am trying to seek here is that there also was a country that had a civil war—the United States of America after 4 years, we ended up with 600,000 of our soldiers dying from that terrible conflict.

And it wasn't a question of the Southern states asking for autonomy. They wanted to secede, to pull away from their mother country, just like the Tamil Tigers wanted to do in their efforts in seeking this war against the Tamil government.

My concern here is that we are looking at such a small, little sequence that was 2 or 3 months that now we are questioning and the reason why we have this resolution before the United Nations Human Rights Council but forgetting the fact that for 29 years, the Sri Lanka Government has had to deal with this terrorist organization. And I just could not believe the atrocities that were committed by these people. And now over night, we just say, "Oh, we have got to get this resolution in here." So this is where my concern is that this is a double standard.

Our Government for the 10-year period we were in war in Vietnam, Mr. Secretary. Let's talk about the tens of thousands of women and children, innocent civilians that were exposed to Agent Orange when we were there for the 10-year period. Let's ask the people in Laos and Cambodia about the 6 million pounds of cluster

bombs that we dropped there. These countries never declared war on us.

Where is the consistency in our standards as far as human rights are concerned? We are pointing the finger at this little country, Sri Lanka. I think that perhaps we need to clean up our own backyard and suggest that maybe we would be a little more consistent. If we are going to do it against Sri Lanka, let's make sure that we are clean ourselves.

I just wanted you to comment on that. I have got only 1 minute left on this.

Mr. BLAKE. Well, thank you, Mr. Ranking Member.

Let me just say with respect to the LTTE, we fully agree. The United States was one of the very first countries to declare the LTTE a foreign terrorist organization. And we have a long line of public statements and other condemnations that we issued for the terrible acts of terrorism that they were responsible for.

We also took concrete action to help the Sri Lankans. We gave them radar systems so that they would be able to detect LTTE—

Mr. FALEOMAVAEGA. That may help the Sri Lankan Government fight against the Navy that—

Mr. BLAKE. Exactly.

Mr. FALEOMAVAEGA [continuing]. The Tamil Tigers have.

Mr. BLAKE. But, you know, we certainly took a very uncompromising view with respect to the LTTE. But, again, at the very end of the war, the question is, what happened to those 10,000 to 40,000 civilians who were killed? And I think everybody in Sri Lanka believes that there needs to be closure on that question and closure needs to be achieved through this lessons learned and reconciliation commission process. It is a domestic process. So it should have the support of the government. And we hope that that will continue. And that is the purpose of this resolution.

But there needs to be justice, Mr. Chairman, for there to be closure. And there needs to be reconciliation between these communities. So that is what we are trying to achieve.

Mr. FALEOMAVAEGA. I only have 10 more seconds, Mr. Secretary. I just wanted to say that that was part of the subject, that I discussed this personally with the President of Sri Lanka. And he is concerned. He is spending more time up there in the northern province. And all the amount of resources they are trying to do can make this as part of the reconciliation process.

Thank you, Mr. Chairman.

Mr. CHABOT. Thank you, Mr. Faleomavaega.

The gentleman from North Carolina was next but isn't here, so I think the gentleman from Pennsylvania is next. Mr. Perry?

Mr. PERRY. Thank you, Mr. Chairman.

And either gentleman can answer the question. It is fairly general. And I want to get away from Sri Lanka, if I could [laughter] for just a comment, not taking anything away from the effort and the gravity of the situation. But I am concerned about the looming defense cuts in the United States and our commitments to the broader region along with our continued commitments to Europe and the Middle East and now Africa. And I am wondering if you could enumerate what your view is of what we will need from a military standpoint to continue to balance or provide a balance in

the region. And be fairly specific, if you could, on what your view is, either one of you or both of you, on what you think that our commitment should be and will need to be moving forward in the long term.

Mr. YUN. Thank you very much.

As you know, in our region, in the East Asia and Pacific region, there are now about 29,000 troops in Korea and South Korea and about 40,000 in Japan. And, of course, beyond that, really, the region of South China Sea as well as East China Sea and the Pacific rely on full Pacific Command, especially the Pacific Command Navy, to do everything that is needed to keep the oceans open.

Mr. Chairman, this is a serious issue, that if there is any shortfall in our budget, especially going to the military side, I think it will affect the operations we do, freedom of navigation exercises we do, and certainly a lot of bilateral and multilateral exercises we do. These are very important to, number one, project our forces in the region; and, number two, to keep all of the sea lanes open.

And, just last week, we concluded a multi-nation exercise in Thailand called Cobra Gold. And those are also very useful for keeping the troops in the region, working with our troops in the region.

So my own view is that it will have significant effect. And, similarly, it will also have significant effect on the diplomatic side, Mr. Chairman. We have Embassies that need to be open. We have obligations to our local employees. Often it is very difficult to follow them because they come under national law, not U.S. law. So there are severe constraints on both the security side and diplomatic side.

Thank you.

Mr. BLAKE. Sir, we don't have American troops stationed in South Asia, but obviously we have a very expensive exercise program. And the Pacific Command is involved with Nepal, Bangladesh, many other countries in various aspects from disaster management to counterterrorism cooperation.

We haven't yet learned how that, all of that, cooperation is going to be affected by the potential sequestration. So I would just support what my colleague said.

Mr. PERRY. Well, if I could, Mr. Chairman, just follow up, then, let's just say that the United States has to pull back a certain level of operational capability, few exercises, a diminished presence. Can you give us any thoughts to what scenarios you think might play out if the United States or its allies aren't present in that regard for keeping shipping lanes and sea lanes open and providing a balance? Are there certain actions that other actors would or would not take in the region based on our lack of presence or diminished availability to be there?

Mr. YUN. I think we have seen about 2½ weeks ago now there was a third nuclear test by North Koreans. And certainly there is a lot of proliferation-related activities, goods going from Northeast Asia through Strait of Malacca to Middle East, Iran, and so on. So those things that we do in the region, it is not just about when there is an emergency, but, rather, it has to be daily type of activities.

And, similarly, I do believe that you have to do, for example, regular freedom of navigation exercise because that is what makes assert our interpretation of the law of the sea and including what we can and what we should not do in EEC. And so I think it is very important that there not be up and down, you know, activity but, rather, we sustain the level of activity that we are committed to sustaining.

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

Mr. PERRY. Thank you, Mr. Chairman.

Mr. CHABOT. Thank you.

The gentleman from California, Mr. Bera, is recognized for 5 minutes.

Mr. BERA. Thank you, Mr. Chairman.

Ambassador Blake, Mr. Yun, both in all of this talk about the great economic opportunity that exists between the United States and India and the South Asia region, Ambassador Blake, having spent as much time as you have there, can you comment on what some of the perceived threats are to that relationship and to the economic opportunities that exist?

Mr. BLAKE. Well, you know, I think the main threat is the declining growth rate that has occurred in India because of declining investment and because there has been a slowdown in the economic reform efforts over the past several years. It is no secret that the Indian Parliament has been tied up in knots over debates about corruption and other such things. And so very little has gotten done. To its credit, they did pass a quite important reform to open up India to foreign direct investment in the multi-brand retail sector, which we think is very, very important. And they have taken some steps to try to accelerate the approval process for a foreign investment, but much more needs to be done. I think the Indians fully recognize that.

And certainly our companies through the U.S.-India Business Council have given them a very rich menu of suggestions of things that could be done to open up in the areas of banking, in the areas of retail, in the areas of things like defense, all of which would—insurance is another one—tremendously increase the levels of foreign direct investment and help boost the levels of growth in India.

Mr. BERA. And obviously opening up India's markets is beneficial both to our economy and our companies—

Mr. BLAKE. Yes.

Mr. BERA [continuing]. And certainly helps India become a much more modern economy. Are there strategic things that we can do diplomatically to help speed along this process?

Mr. BLAKE. Very much so. We have a range of economic dialogues that we conduct with our Indian counterparts. The U.S. Trade Representative has something called the Trade Policy Forum. So there are a number of different initiatives that are underway that help again remove some of the blockages that do occur.

But I should say that, even with some of these problems, India remains one of the fastest growing economies in the world at 5 percent. And it is projected to be the third largest economy in the world by 2025. And our trade continues to grow very substantially. It has quadrupled over the last 8 years, and it is growing at roughly 20 percent a year. So, you know, obviously we would like to do

even more, but I think we are very happy with the progress that has been made.

Mr. BERA. We certainly would. You know, shifting a little bit, I know you commented that Afghanistan is not part of the South Asia region, but obviously, as we draw down and bring our troops home, you know, it will be critical to maintain some of the gains and some of the stability.

Obviously the U.S.-India relationship is a very strategic relationship here. From your perspective, what do you see as India's role in helping maintain stability in Afghanistan and the region entirely and then what we can do diplomatically in the U.S.-India relationship?

Mr. BLAKE. Well, your question is a timely one, Congressman. We have just finished our latest trilateral dialogue with India and Afghanistan last week that I represented the United States at in Delhi. And we appreciate very much the significant role that India is playing in Afghanistan. In fact, we see India as kind of the economic linchpin for the future as our troops draw down, as their spending draws down.

It is going to be much more important now to establish a private sector basis for the Afghan economy and to make a trade-based economy and not an aid-based economy. And India has such an important role to play in that.

First, it has a very large investment program. It has invested in things like the Hajigak iron ore deposit that is going to be a major probably \$8-\$10 billion investment. It hosted a major investment conference last year to promote foreign investment into Afghanistan. It has its own very substantial assistance program of approximately \$2 billion. And it very much has embraced this regional integration vision that Secretary Clinton and now Secretary Kerry have endorsed to open up all of these trade links to allow for, for example, the Turkmenistan, Afghanistan, Pakistan, India gas pipeline and other forms of infrastructure, road, rail, and other openings that will link up this region in a very significant way. And India is really at the heart of all of those efforts and is such an important part or force.

Mr. CHABOT. Thank you. The gentleman's time has expired.

I would like to announce that we are supposed to have a series of votes any minute now, but we have about 15 minutes. We have three more questioners, so I think we can probably, as a courtesy to the panel, wrap up and not have you come back. So if we keep to our time, we should be able to do that.

The next gentleman is the chairman of the Western Hemisphere Subcommittee, the gentleman from Arizona, Mr. Salmon.

Mr. SALMON. Thank you, Mr. Chairman. Ambassador Blake, Mr. Yun, thank you for being here today.

I was privileged to be able to participate in a CODEL just in the last few weeks over with South Korea, Japan, Taiwan, and China and the Philippines. And a lot of issues that we talked about, but the most pressing issue by far was the concern of proliferation, the WMDs with North Korea. I am also concerned about the potential with Pakistan. But the issue du jour seems to be North Korea.

We had a hearing a couple of weeks ago with the Secretary-General of the United Nations. And I expressed my frustration, my

feeling. And I think that is echoed by a lot of our colleague that so far the activities by the United Nations to try to dissuade North Korea from proliferating have been very impotent at best. I think we all understand that China has a disproportionate share of influence when it comes to motivating North Korea to do the right thing.

But I would like to pose a different thought. My concern if North Korea continues in its path toward proliferation is that—how are we going to dissuade some of the other countries in the region, like Japan, like South Korea, and like Taiwan from pursuing their own nuclear programs? And then what will happen if all hell breaks loose in terms of all of these countries wanting to proliferate? What is going to happen to economic stability in the region? What are we going to do since what we are doing right now is clearly not working? What are we going to do move the ball up the field and properly motivate North Korea?

The chairman of the full committee has recommended that maybe we take a look at financial institutions that provide financial services for North Korea and maybe we take a look at possibly freezing assets, as we have done in the past with Iran and in the past with North Korea.

I would like your thoughts on any and all issues. I think it is time that we think outside the box and we do everything that we can otherwise I think it is going to destabilize pretty quickly.

Thank you.

Mr. YUN. Thank you very much.

This is, of course, I think the most serious problem that we have in Northeast Asia today. Two weeks ago North Korea announced that it had done its third nuclear test. The first one was '06, '09 and now. And, of course, in that interim, they have, believe, improved their capabilities.

And I think the first thing we have to do is make sure that international community is unified in their response to North Korea. And that has to be the burden of the U.N. Security Council. At the moment, we are negotiating in U.N. Security Council a resolution, which we believe should have Chapter 7 incorporated as well as additional sanctions incorporated.

Mr. Chairman, without having the international community with us, any kind of sanctions become very difficult to enforce. And I believe once we have very tough U.N. multilateral sanctions, thereafter it is time to enforce our own.

For example, if U.N. agrees in Security Council to do financial sanctions, as you have suggested, then we will implement them. But I think to go ahead and do the unilateral ones could be questionable in value if other countries don't join us. So I think, number one, it is very important to have multilateral sanctions.

Mr. Chairman, this has been a problem for a long time, not just since 2006, but North Korean nuclear program has been there probably since the late '60s. So I would say we need to take a longer-term view, not rather to see it if they have done this much in 40 years. I think to some extent, the deterrence has worked. And, of course, in the '70s, there was a history of South Korea wanting its own nuclear program, which we persuaded not to have.

With regards to the position of South Korea; Japan, as you mentioned; Taiwan, you know, of course, we have very strong mutual defense treaties, both with South Korea and Japan. And you are out there in the region, Mr. Salmon. And you realize the value of them.

I think it is safe to say we are working very, very close with our Japanese and South Korea and our colleagues to see this in a very unified vision. But ultimately China, which border has a long border with North Korea, a lot of burden is on them. I think you are right in that, sir.

Mr. CHABOT. Thank you. The gentleman's time has expired.

We have about 9 or 10 minutes left on the clock. We have three people now here that want to ask questions. I would ask unanimous consent that we reduce it to 3 minutes. All three can get in if that is okay? Without objection, so ordered.

The gentlelady from Hawaii is recognized for 3 minutes.

Ms. GABBARD. Thank you very much, Mr. Chairman.

I agree with and appreciate many of the concerns that have already been brought up and, again, just recognize the importance of these relationship-building opportunities and partnerships. Mr. Yun, you mentioned Cobra Gold. I have also been involved with Garuda Shield, Yama Sakura, and other types of exercises that have—I have seen firsthand what benefits can come from these types of exchanges in really being proactive so that we are not getting to a point of where we are talking about very real tactical threats.

As we are looking at budget cuts, which is another issue that I know we are all thinking about very seriously, I just wanted to hear from you about some of the other resources that we have available to us to reach that same objective, one of which we have based in Hawaii, the East-West Center, which has been a very vital resource to us nationally having an alumni of 55,000 over 600 partner organizations, and would like to hear briefly from both of you how you have utilized the East-West Center as well as how you see the future relationship between the State Department and the center continuing, especially as we look at this rebalance toward Asia and the Pacific.

Mr. YUN. Thank you very much. I think East-West Center has been crucial in building relationship and exchanges in Asia and us. Hawaii, therefore, has become center of so many think tanks and so many military and civilian diplomats as well as politicians. I think it would be really a shame if we were to reduce funding for East-West Center. And we would be very supportive of sustaining it as much as possible.

Mr. BLAKE. I would strongly second that. We have a parade of South Asians who go to the East-West Center. I myself have addressed it several times. And it is one of our premier institutions. And I am hoping to do everything we can to preserve funding for it.

Mr. CHABOT. Thank you. The gentlelady yields back. Thank you very much.

The gentleman from California is recognized for 3 minutes.

Mr. ROHRBACHER. Thank you very much, Mr. Chairman.

I will just get right into it. It is a travesty that the United States has such an integrated economy and our economic well-being is so tied to the world's worst human rights abuser, namely China, and that we have not developed as much economic relationship and as great an economic relationship as we have with India. And it just seems to me that this is something we have got to come to grips with. This is out of synch with the long-term interests of the people of the United States because in the long run, if we just ignore the totalitarian nature of the Chinese regime, we are going to pay a price. And that is already becoming very evident.

Mr. Chairman, I want to thank you for your leadership in starting out this way for this new session of Congress. Let's hope in this session of Congress we recognize that China is playing an increasingly negative role that has got to be addressed. And it will be addressed by our relationship with other countries in Asia like India.

Today we see the Chinese supporting, for example, just what they are doing with Pakistan, just what they are doing with Pakistan. The Chinese are helping this state, the sponsor of terrorism. They are trying to have a power grab for the rare minerals, the oil, the gas, and other natural resources of Central Asia. And we have got to come to grips with this. And I would hope that those of you in the Executive Branch, that we work together to reshape America's basic policy toward Asia so that, instead of a tilt toward China with a blind eye toward human rights and democracy, that, instead, we with both eyes open focus on trying to get better relations with India and those other countries who are struggling for democracy.

That is my statement. Thank you very much.

Mr. CHABOT. Thank you very much.

And because of time, I think the statement speaks for itself. We will turn to the gentleman from Virginia for 3 minutes, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

In picking up on Mr. Rohrabacher's statement, Ambassador Blake, I assume you would agree that there is something to that. In terms of with the end of the Cold War and with the rapprochement between the United States and India, there are new opportunities for creating space among many relationships, including the juxtaposition with China.

Mr. BLAKE. Mr. Connolly, nice to see you again.

Mr. CONNOLLY. Likewise.

Mr. BLAKE. We have been very proud of the progress we have made in our relations with India. And India itself has made tremendous progress in its relations with China, particularly on the economic front, where their trade is almost 70 billion now and is their fastest growing trading partner. They still have some tensions on border issues and things like that, but both of us have been clear that the progress that we are making in our respective relations with China is not coming at the expense of the other. We are not seeking to contain China. We are trying to engage China as much as possible. And certainly in my 4 years working on this job, I have spent a lot of time trying to get China to work more closely with us on our central objectives in places like Afghanistan to get them to invest more in the infrastructure there.

Mr. CONNOLLY. And I would agree with everything you are saying. I by no means was once suggesting containment or at the expense of, but in terms of the richness of the fabric of South Asia,——

Mr. BLAKE. Right.

Mr. CONNOLLY [continuing]. The emerging relationship that did not exist heretofore between the United States and India it seems to me is definitely in our mutual best interest——

Mr. BLAKE. Right.

Mr. CONNOLLY [continuing]. And especially in light of unfolding facts and developments in the region.

Mr. BLAKE. Absolutely.

Mr. CONNOLLY. One more question, if I may, for both of you. In the so-called pivot to Asia or rebalancing in Asia, I have seen some documents that talk about the purpose of all of this, maybe renegotiating bases in the Philippines and elsewhere in the region and so forth and plus existing treaty obligations is to deter aggression. I am very worried about that expression because presumably it means more than deterring pirates. And I am worried about false expectations, that it raises expectations in the region that the United States will extend its defense umbrella. And that is a very difficult expectation to meet. How are we managing those expectations in 30 seconds? [Laughter.]

Mr. YUN. We are managing very well.

Mr. CONNOLLY. Thank you very much.

Mr. YUN. No. Mr. Connolly, I think you are 100 percent right. I think to emphasize deterring aggression at the expense of others I think is misleading. I would say pivot to Asia is, by and large, most about our economic presence. We need to be there to take advantage of the increasing economic value that is out there, investment trade.

We look at the opening up of Southeast Asia. American companies have tremendous advantage in infrastructure. Look at GE. Look at Boeing. Look at how we build airports. So I think that has to be the number one emphasis, sir.

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

I would like to thank the panel here this afternoon. Members will have 5 days to submit additional questions or extend their remarks. The panel did an excellent job here this afternoon. We appreciate it.

If there is no further business to come before the subcommittee, we are adjourned. Thank you.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

A P P E N D I X



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SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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Subcommittee on Asia and the Pacific
Steve Chabot (R-OH), Chairman

February 19, 2013

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

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

DATE: Tuesday, February 26, 2013

TIME: 2:00 p.m.

SUBJECT: The Rebalance to Asia: Why South Asia Matters (Part I)

WITNESSES: The Honorable Robert O. Blake
Assistant Secretary
Bureau of South and Central Asian Affairs
U.S. Department of State

Mr. Joseph Y. Yun
Acting Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

By Direction of the Chairman

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