

U.S. POLICY IN EAST ASIA AND THE PACIFIC

HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

COMMITTEE ON

INTERNATIONAL RELATIONS

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U.S. POLICY IN EAST ASIA AND THE PACIFIC

WEDNESDAY, JUNE 2, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 1:35 p.m., in Room 2172, Rayburn House Office Building, Hon. James A. Leach (Chairman of the Subcommittee) Presiding.

Mr. LEACH. The Committee will come to order.

On behalf of the Subcommittee, I would like to extend a warm welcome to Assistant Secretary Kelly. In this regard, I think it is appropriate to take a moment to recognize his leadership and Jim's professionalism.

During Assistant Secretary Kelly's tenure over the past 3½ years, a time when the United States foreign policy could have easily been consumed by compelling challenges in Iraq and the Middle East, he and his team at the State Department's East Asia Bureau have played an integral role in advancing and enhancing America's historic leadership role in the region.

Jim, your steady hand has been much appreciated here and in East Asia and the Pacific.

Before turning to the Secretary, I would like to make a very few brief observations. Last week I returned from a 10-day trip to East Asia, the principal purpose of which was to represent the United States at the second inauguration of President Chen Shui-bian from Taiwan. In this regard, I had the honor of presenting a letter from President Bush to President Chen. In my view, President Chen's inaugural address was thoughtful, statesmanlike and helpful and it is my hope that his speech will prove constructive in creating an opening for dialogue with Beijing.

Following our visit to Taiwan, I also had the opportunity to meet with senior leaders in the Philippines, Malaysia, Indonesia and Singapore. I came away from the trip impressed by the vitality of democracy in the region, the continued desire for a strong American presence in East Asia, the sadness and in some cases anger at what many of America's friends in the region view as mistakes in United States policies in Iraq and the Middle East, the professionalism and esprit de corps of our foreign service officers and other American citizens serving our country in Asia and, above all, the extent to which United States management of the dangerous cross-strait tensions as well as the smoldering North Korean nuclear challenges are fundamental benchmarks for maintaining America's strategic leadership in Asia and beyond.

We look forward to your testimony, Mr. Secretary, but first does anyone else wish to make an opening statement?

[The prepared statement of Mr. Leach follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

On behalf of the Subcommittee, I would like to extend a warm welcome to Assistant Secretary Kelly. In this regard, I think it is appropriate to take a moment to recognize his leadership and professionalism. During Assistant Secretary Kelly's tenure over the past three and half years, a time during which United States foreign policy could have easily been consumed by compelling challenges in Iraq and the Middle East, he and his team at the State Department's East Asia Bureau have played an integral role in advancing and enhancing America's historic leadership role in the region. Your steady hand has been much appreciated here and in East Asia and the Pacific.

Before we turn to Assistant Secretary Kelly, I would like to make a few brief observations.

Last week I returned from a ten day trip to East Asia, the principal purpose of which was to represent the United States at the second inauguration of President Chen Shui-bian in Taiwan. In this regard, I had the honor of presenting a letter from President Bush to President Chen. In my view, President Chen's inaugural address was thoughtful and statesmanlike. It is my strong hope that his speech will prove helpful in creating an opening for dialogue with Beijing.

Following our visit to Taiwan, I also had the opportunity to meet with senior leaders in the Philippines, Malaysia, Indonesia, and Singapore.

I come away from the trip impressed by the vitality of democracy in the region; the continued desire for a strong American presence in East Asia; the great sadness and in some cases anger at what many of America's friends in the region view as mistaken U.S. policies in Iraq and the Middle East; the professionalism and esprit de corps of our foreign service officers and other American citizens serving our country in Asia; and, above all, the extent to which U.S. management of dangerous cross-Strait tensions, as well as of the smoldering North Korean nuclear challenge, are fundamental benchmarks for maintaining America's strategic leadership in Asia and beyond.

In any regard, we look forward to the testimony of Assistant Secretary Kelly and the discussion to follow.

Mr. SHERMAN. Mr. Chairman, regretfully I am going to have to leave and won't be able to hear the testimony, but then I will spare you my 5 minutes of question-asking.

I especially want to hear testimony, and I will read it later, about dealing with terrorists in Southeast Asia and terrorist organizations; but the Assistant Secretary is well aware, my preoccupation is nuclear weapons. And I admire how you, Mr. Secretary, have struggled mightily, but let's face it, the North Korean nuclear weapons program goes forward full speed, 24-7, 365.

You have struggled mightily, but you have consented to be in an Administration that sends you out there handcuffed—they may be handcuffs that you agree to—and those handcuffs are that we have a policy and that is, all we do is beg. We beg mightily. We point out. We argue. You do a very effective job. But what we refuse to do is tell our friends in Beijing that they cannot continue to subsidize the North Korean Government while that government is developing nuclear weapons and still run the largest trade surplus in history with the United States.

We have not thought that a single shipload of tennis shoes could be held up for a day in order to get Beijing to stop saying to you, Mr. Secretary, that they are on your side and to actually do something.

As a result, North Korea knows full well all they have to do is show up at the meetings and they have been doing so. They can argue about whether the table is round or square, whether it is a two-person table over a six-person table. And you will argue mightily on the other side of those important issues.

But let's remember, this is an Administration that has asked the ultimate sacrifice of Americans to protect us from nuclear weapons. No Administration has ever asked Americans to sacrifice more to protect ourselves from nuclear weapons and almost all of that sacrifice has been misdirected toward a country that had no nuclear weapons and was not anywhere near developing them.

And we are unwilling to ask our corporations to forgo the profits on a single shipload of tennis shoes in order to do something about real nuclear weapons. Let us remember, the first dozen nuclear weapons built in North Korea will be retained by that regime to defend themselves from Mr. Wolfowitz; the 13th goes on eBay. They are almost there.

We are subject to a nuclear peril, arguably similar to what we faced at the worst stages of the Cold War, not in terms of numbers of nuclear weapons, but in terms of their being in the hands of those who have nothing to lose, those who cannot be deterred. And it is because we are unwilling to ask for American corporations to sacrifice. We are unwilling to tell the Chinese that they can't just root for us. They have to do something.

And those nuclear weapons are being developed today as we speak.

I yield back.

Mr. LEACH. Thank you, Mr. Sherman.

Mr. Rohrabacher, do you have an opening statement?

Mr. ROHRABACHER. Yes.

I would like to commend you, Mr. Kelly, and commend the entire Administration for having to deal with the mess that was left to them by the last Administration. And while I might identify with some of the things that my colleague, Mr. Sherman, has just said, let me note that we realize that you did not really cause the problem and that it was Bill Clinton and his Administration that started off subsidizing the North Koreans. At least this Administration, I believe—and we will talk about this later—is not advocating that we spend hundreds of millions of dollars more in subsidizing the North Koreans, as the last Administration did over the strenuous objection of this side of the aisle, I might add, where over and over again in this hearing room, myself and Congressman Cox, who would come to testify, noting the lunacy of the last Administration's North Korean policy.

Let me also commend you in terms of being able to keep the lid on the situation in North Korea while we are fighting a war on radical Islam, a war that was thrust upon us by an attack that left 3,000 of our citizens dead in an attack in New York and in Washington, DC.

The fact is that nobody in their right mind would want this Administration to precipitate a crisis in that part of the world with North Korea and China, et cetera, at a time when we are indeed engaged in a major land struggle in the Middle East.

Let me note that the war in Iraq, while certainly there were not any weapons of mass destruction there that Saddam Hussein had, changing that regime into a democratic government is a strategic move made by this President in order to ensure that the Islamic world has a democratic alternative and shows the young people in the Islamic world that they can choose democracy, and it has a chance to succeed. And what better place to do that than a country like Iraq that was headed by a vicious dictatorship which hated the United States of America?

Again, I do identify myself with some of the remarks of my colleague, especially concerning China and its responsibility toward North Korea, and I would agree with him that this Administration, perhaps overtly, but quietly should be putting pressure on the North Koreans. But remember that China also provided the weapons for not only North Korea, but Pakistan as well.

And so I wish you well. And I congratulate you for a job well done—the Administration for a job well done. But we have challenges ahead.

Mr. SHERMAN. Will the gentleman yield?

Mr. ROHRABACHER. I certainly will. Seeing that I used your name in vain, I will be happy to.

Mr. SHERMAN. I would point out that the gentleman makes the point that we can't do anything about the North Korean program because we are tied down in Iraq.

Mr. ROHRABACHER. I did not say "anything." We can do some things.

Mr. SHERMAN. You are right. We can and should be using our enormous economic power.

Second, we are moving 4,000 troops from a peninsula where hostile nuclear weapons are found to deal with the Iraq problem. But I would point out that if a nuclear weapon is smuggled into the United States built in North Korea and sold to terrorists, I don't think our constituents will view that as an opportunity to discuss whether it was the Clinton Administration's fault or the Bush Administration's fault.

The thing is, what should we do now?

Mr. ROHRABACHER. Reclaiming my time, I would suggest that the American people need to know the insane policies of the last Administration that have caused the crisis that we are in today. And I would suggest that that, with North Korea, the insanity of that policy is looming there, but we had better not have a confrontation until we get done with Iraq.

Thank you very much.

Mr. LEACH. The time of the gentleman has expired.

Mr. Burton?

Mr. BURTON. Mr. Chairman, I have an opening statement, but it is lengthy and will submit it for the record and—

Mr. LEACH. Without objection, so ordered.

[The prepared statement of Mr. Burton follows:]

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, I commend you for convening this hearing so quickly after returning from the region. I share your deep interest in East Asia and the Pacific and look forward to the testimony of our witness today.

Through diplomacy and strength the United States can help provide stability, support economic growth and democratization in Asia. U.S. interests in the region are vast and well-served if we are engaged to deal successfully with the challenges there. We can work with our allies in the region to reduce threats and tension on the Korean peninsula and improve welfare for the people in the north under the dictatorship of Kim Jong Il; we can seek security, shared growth and prosperity with China and increasing democratic change along with stable and civilized relations with its neighbor across the Straits—in Taiwan; reduced conflict over Kashmir, enhanced cooperation in the area of counter-terrorism in Central and Southeast Asia, as well as trade liberalization in the region.

There are a number of concerns I have as I monitor developments in East Asia, and I look forward to a discussion of these issues with our witness today.

THE RISE OF CHINA: BALANCING ECONOMIC PROGRESS WITH HUMAN RIGHTS & FREEDOM

U.S. engagement in the Far East represents a major stabilizing force that keeps Chinese hegemony in check. The economic and political power China wields is felt throughout the world, particularly by its neighbors in East Asia. China's economy is a locomotive for growth of regional trade. Combined with this economic might, the Chinese military has the capacity to influence security structures in the region.

With progress on the economic front, this administration must send a clear message to Beijing that there must also be parallel reform initiatives to cultivate progress in the key areas of human rights and political freedom, labor, democracy and strengthening of civil society institutions. The Department of State report on Human Rights Practices in China states that, "the Government of the People's Republic of China has continued to commit numerous and serious [human rights] abuses", including "instances of . . . arbitrary arrest and detention, lengthy incommunicado detention, and denial of due process. The lack of due process in the judicial system remains a serious problem, and authorities routinely violated legal protections in the cases of political dissidents." Dr. Yang Jianli, an internationally renowned scholar, pro-democracy activist, and President of the Foundation for China in the 21st Century, is an alien lawfully admitted for permanent residence into the United States who has been detained incommunicado by the Government of the People's Republic of China since April 26, 2002. I have joined my colleagues in calling on the President of the United States to continue working for the release of Dr. Yang Jianli.

If China is to be integrated into regional and international security and economic affairs, we should see to it that China respects the rights of its citizens. China is a major competitor, and I have seen many U.S. manufacturers—some from my district in Indiana—lose out because of competition. While I recognize substantial opportunities for trade and investment, I am concerned that our \$125 Billion trade deficit with China will continue to grow. China has failed to live up to its WTO obligations and its artificially undervalued currency makes Chinese imports so cheap there is no way to protect American manufacturing jobs.

China can certainly contribute more in terms of cooperation in the war on terrorism and in multi-party talks on the future of North Korea's nuclear programs. China shares our interest in a non-nuclear Korean peninsula. China should be committed to serve as an active partner to halt proliferation and improve security in Northeast Asia.

TERRORISM

The Bush administration's prosecution of the war on terrorism continues to root out extremists allied with Al-Qaeda and cripple its financial network and capacity to raise funds. Even though its leadership is in tatters, Al-Qaeda has franchises and affiliates scattered around the world. These terrorists continue to target the United States and our allies. Cooperation in counter-terrorism, intelligence and law enforcement is critical to this mission. South and Southeast Asia, two of the most vulnerable regions to terrorism, are also regions where we are seeing tremendous democratization. This is no small coincidence—terrorists are bent on destabilizing countries like Indonesia where meaningful political reforms and openness are shaping that country's future.

Terrorism and religious extremism threaten countries throughout Asia. The newest terrorist target may be global shipping. Maritime piracy in Southeast Asia is the worst in the world, and our allies in the region recognize the threat this form of terrorism poses. In view of the amount of global shipping that passes through the waters of Southeast Asia, we need to commit resources to safeguard these waterways in cooperation with our allies.

DEMOCRATIZATION & POLITICAL FREEDOM

There is tremendous disparity in the levels of political freedom in Asia. In North-east Asia, Japan and South Korea symbolize economically powerful democracies. In North Korea, we have a dictatorship, gulags, and human suffering. In Indonesia, we have robust democratization and fair elections; while in Burma, we still see a military regime clinging to power and suppressing expression and opposition. Aung San Suu Kyi remains under house arrest.

The U.S. Agency for International Development (USAID) and the Millennium Challenge Account (MCA) are two instruments of our foreign assistance that are nurturing democratic reform. A peaceful, democratic community of nations in Asia will stand to benefit from a climate of non-aggression, an expansion of open markets and economic development. Those countries in Asia that commit to uphold human and worker rights, will stand to benefit from improved social health and welfare. The United States should continue to assist newly-formed democracies, and we need to shine the light liberty on regimes that deny their citizens their rights and freedoms.

ENERGY SECURITY

Last week The Washington Post reported excerpts from the most recent Asian Development Bank report and I quote: "China is now the world's second-largest oil consumer after the United States, and accounts for 35 percent of the global rise in oil demand in 2003. China's thirst for oil contributed to the price jump to more than \$40 a barrel."

Booming economic growth in East Asia has been coupled with a huge surge in energy demand. Energy security, including the balancing of consumption of limited energy supplies available in the region, is crucial to maintaining growth and stability in Asia.

NUCLEAR PROLIFERATION

Washington should convince both India and Pakistan to sign the Nuclear Non-proliferation Treaty. The sale of nuclear weapon technology to rogue states such as Iran, Libya and North Korea demonstrates the necessity of a new non-proliferation strategy in South Asia. The resumption of negotiations between Pakistan and India is promising and the United States should use its position to encourage peaceful resolution of disputes. We must keep these two parties on alert that human rights abuses in Kashmir must be stopped on both sides of the line of control, whether perpetrated by state-sponsored proxies or otherwise.

The administration must be engaged and seize on momentum, even in this campaign season. We must work with the new Indian Prime Minister M—the first non-Hindu PM—and his counterpart General Musharraf, to further dialogue toward peaceful settlement of disputes.

These are just some of the many challenges we face in Asia. The scope of problems—trafficking, religious freedom, public health and combating the spread of infectious disease, poverty, and many others—and the resources required to address them are awesome. But the notion that U.S. assistance is helping the countries of Asia to realize progress in these areas is equally impressive.

I look forward to hearing from our witness today. Thank you.

Mr. LEACH. Let me turn to Secretary Kelly and note that the Secretary has formerly served as Assistant Secretary of Defense, in the NSC, holds degrees from the Naval Academy, the Naval War College as well as the Harvard Business School.

Secretary Kelly.

STATEMENT OF THE HONORABLE JAMES A. KELLY, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. KELLY. Mr. Chairman, Members of the Subcommittee, thank you for this invitation to testify on our strategy for East Asia and the Pacific. I will honor the Committee's 5-minute rule in this presentation and then I hope my entire statement may be offered for the record.

Mr. LEACH. Without objection, of course.

Mr. KELLY. I welcome the invitation because we have a good and positive story to tell about this dynamic and ever-changing region.

First, let me thank Chairman Leach for leading the American people's delegation to the May 20th inaugural of President Chen Shui-bian of Taiwan. Your interest in Taiwan underscores the respect we feel for the people of Taiwan, of their democracy and our commitment to working with the new Chen administration; and your presence delivered an unambiguous signal to Taiwan and the PRC on the importance of reducing tensions across the Taiwan Strait.

Mr. Chairman, East Asia is riding a wave of favorable trends. There is a region-wide strengthening of democracy. Successful and peaceful elections have taken place in country after country this spring. The remarkable April 15th elections in the Republic of Korea swept into the national assembly a number of younger politicians representing a new generation of voters.

On April 5th, Indonesians went to the polls for parliamentary elections, which were exceptionally well conducted. We also congratulate the Philippines on the conduct of their peaceful elections last month. Taiwan's elections in March confirmed its young and vibrant democracy, and Malaysian elections took place smoothly and strengthened new prime minister Abdullah Badawi.

In the months to come, East Asians can look forward to the first-ever direct presidential election in Indonesia, as well as other elections in Mongolia, Japan, Thailand, Singapore, Australia and even Hong Kong for half of the legislative council seats.

A second positive trend is the widespread rejection of radical Islam in Southeast Asia. We have legitimate concerns about terrorism and are working hard to combat it, but the fact is that the terrorists are few in number and radical Islam appeals to a very small segment of society.

There is also growing prosperity and a healthy movement toward greater economic openness, lower trade barriers, and regional co-operation and integration. East Asian nations look increasingly beyond their borders for markets, investment capital, higher education and ideas. East Asia is also a place largely at peace, in spite of a handful of local separatist conflicts and the potential for large-scale conflict in the Korean peninsula and in the Taiwan Strait. Together, these trends are in sync with U.S. interests and values and that fact makes us optimistic for the future.

We are working to achieve policy goals with the active assistance and coordination of our alliance partners. Our five traditional allies—Japan, the Republic of Korea, the Philippines, Australia and Thailand—are our strategic partners in this time of change. Each of the alliances is stronger now and adjusting to 21st century realities. I especially note our vibrant partnership with Japan. We share with each of the allies a common perspective on a steadily increasing range of interests.

Enriching but complicating our sense of optimism is our revitalized relationship with China. China will have an important role in shaping the future of Asia, even though it is not clear yet what the political, economic and social landscape of Asia will ultimately be, say, 50 years from now. China trade is changing patterns of consumption and production of goods around the world. Clearly, China

has an enormous stake in maintaining access to the United States and regional markets.

In the security area, China shows promise that it is prepared to take on global responsibilities. We welcome constructive engagement by China in the Asia-Pacific region, but we need to ensure the United States remains fully engaged with the nations of Southeast Asia.

At the top of our policy priorities is waging the war against terror, a threat that respects no national borders, but is most dangerous in Southeast Asia. Because it is transnational, terror must be addressed through regional cooperation which we have made the focus of our efforts.

With respect to the DPRK, the six-party talks process is now well established. The two plenary sessions in August of last year and February of this laid out clearly the basic principle of comprehensive denuclearization, what we call CVID—complete, verifiable, irreversible dismantlement. Indeed, the North Koreans themselves have stated that their ultimate aim is denuclearization.

We look forward to an early third session of the plenary, preceded by another meeting of the working group. In the May meeting of the working group session, the parties began exploring the structure of a resolution, a structure that would involve concrete actions by North Korea with corresponding measures taken by other parties in a coordinated fashion. At the next meetings we hope to build on this emerging understanding.

To address our nonproliferation concerns, we are working toward implementing a global initiative, the Proliferation Security Initiative, PSI, which seeks to enhance cooperation and coordination among countries around the world to stop illicit proliferation-related trafficking, in particular ballistic missiles.

Finally, we believe the continuing development of regional organizations is essential to East Asia. They are the foundation of our cooperation on transnational crime, trafficking in persons, contagious diseases, environmental protection, as well as international terror. We have been an active supporter of ASEAN, the Association of Southeast Asian Nations, the ASEAN Regional Forum, the region's only multilateral security dialogue, and APEC, the Asia-Pacific Economic Cooperation fora, and have sought to strengthen and build capacity within these organizations.

Nothing may be permanent except change in East Asia, but we are encouraged by the progress we have seen in the region and optimistic that our full and active agenda will be successful.

Thank you, Mr. Chairman, I will be happy to respond to the Committee's questions.

[The prepared statement of Mr. Kelly follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. KELLY, ASSISTANT SECRETARY,
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, members of the Subcommittee on Asia and the Pacific, thank you for the invitation to testify on the Administration's strategy for East Asia and the Pacific. I welcome this opportunity because we have a good, positive story to tell in this dynamic and ever-changing region.

First, let me thank Chairman Leach for his service in leading the American people's delegation to the May 20 inauguration of President Chen of Taiwan. Your longstanding interest in Taiwan underscores the respect we feel for the people of Taiwan, their democracy and our commitment to working with the new Chen Adminis-

tration. And, your presence delivered a clear and unambiguous signal to Taiwan and the PRC on the importance of reducing tensions across the Taiwan Strait.

It is not my intention today to speak at length on our unofficial relations with Taiwan because it was covered extensively in my April 21 testimony to the full Committee. I will say only that we welcome the inaugural address of President Chen Shui-bian. By making clear his administration's commitment not to take unilateral steps that would change the status quo and underscoring its openness to seeking accord with Beijing, President Chen is helping to restore dialogue across the Taiwan Strait.

DEMOCRACY

Mr. Chairman, East Asia is riding a wave of favorable trends and none is more important than the region-wide strengthening of democracy.

The remarkable April 15 elections in the Republic of Korea swept into the National Assembly a number of younger politicians representing a new generation of voters. On April 5, Indonesians went to the polls for Parliamentary elections, which were exceptionally well conducted given the logistical difficulties in holding elections in that huge archipelago nation and were free and fair.

We also congratulate the Philippines on the conduct of their relatively peaceful elections last month. Taiwan's elections in March confirmed its young but vibrant democracy and Malaysia's elections also took place smoothly and strengthened new Prime Minister Abdullah Badawi.

In months to come, East Asians can look forward to a first-ever direct Presidential election in Indonesia as well as elections in Mongolia, Malaysia, Japan, Thailand, Singapore, Australia, and even Hong Kong, for half of the Legislative Council seats. No serious observer can doubt that democracy has truly taken root in East Asia and is flourishing.

REJECTION OF RADICAL ISLAM

A second trend that I would like to highlight is the widespread rejection of radical Islam in Southeast Asia. Although we have legitimate concerns about terrorism and are working hard with governments in the region to combat it, the fact is that the terrorists are relatively few in number and radical Islam appeals to a very small segment of society.

The region benefits from, and the U. S. deeply respects a long-standing tradition of tolerance, pluralism, and religious moderation. If we overlook that tradition, we are misreading the situation and the desire of the majority for the peaceful resolution of religious and political differences.

PROSPERITY AND INTEGRATION

Throughout the region, there is growing prosperity, strong GDP growth in almost every economy, and a healthy movement toward greater economic openness and lower trade barriers.

We see expanding regional cooperation and integration in East Asia. This is occurring not only through traditional fora such as ASEAN, the ASEAN Regional Forum security dialogue, and the Asia-Pacific Economic Cooperation (APEC) forum but also in new mechanisms, such as the Six-Party Talks. These talks were created for a specific goal, to address and to eliminate North Korea's nuclear weapons programs, but conceivably could form the basis for a permanent Northeast Asia forum at some point in the future.

Another factor is that globalization and economic development has made a remarkable difference in the lives of East Asians. The World Bank reports that in China alone, 400 million fewer people are in extreme poverty than twenty years ago. Increased trade and investment flows have lifted millions of East Asians to higher standards of living, encouraged economic interdependence, and convinced East Asian nations to look beyond their borders for markets, investment capital, higher education, and ideas.

PEACE

Finally, this is an area largely at peace. Although there are a handful of local separatist conflicts and the potential remains for large-scale conflict in the Korean peninsula and in the Taiwan Straits, the major states of the region are cooperating with one another and building stronger regional ties.

Together, these trends are in sync with U.S. interests and values and that fact make us optimistic for the future. We are convinced that the region's most intrac-

table issues—including the threat of terrorism as well as North Korea and the Taiwan Straits—can be resolved peacefully in ways consistent with these trends.

We are working to achieve policy goals with the active assistance and coordination of our alliance partners. Our alliances in East Asia are stronger and deeper than ever.

Our five traditional allies—Japan, the Republic of Korea, the Philippines, Australia, and Thailand—are our strategic partners in and beyond the region. We share with them a common perspective on a steadily increasing range of interests.

With the governments of Japan and South Korea, we are proceeding apace ahead with negotiations for modernizing and adjusting our military force posture in those countries. In this endeavor, there has been exemplary cooperation between the Departments of State and Defense, which will co-chair these discussions.

Driven in large part by the forces of globalization, Japan is in the midst of its greatest social and economic transformation since the end of World War II—a change that has important consequences for the U.S.-Japan Alliance and the world. Japan continues to play a positive role in East Asia, and its bold participation in coalition activities in Afghanistan and Iraq underscores Japan's determination to become more active elsewhere in coordination with the United States and other allies.

The Japanese Diet passed historic, passionately debated legislation to allow its Self-Defense Forces to be deployed abroad. Japan's decision to deploy approximately 1,000 Self Defense Forces to Iraq and the surrounding area, where they provide humanitarian and reconstruction assistance and airlift support, and its support for the global war on terror has come to symbolize Japan's active and outward-looking foreign policy under Prime Minister Koizumi.

The deployment complements Japan's many other actions on behalf of the Iraqi people, which include the Madrid Conference pledge of \$5 billion over 4 years, and its commitment to solving the issue of Iraq's crippling debt burden. Japan continues to provide fuel, free of charge, to support the Operation Enduring Freedom interdiction efforts and has played a key role in the high-priority task of restoring Afghanistan's highway system.

Japan's economy is on the rebound and we hope it can be sustained, leading to renewed growth and a continuation of vigorous foreign policy in support of our commonly held objectives.

We are also very pleased at the sustained support of the Roh Administration for the war on terror and its deployment of a 3,000 man contingent of South Korean troops to Iraq. The Republic of Korea will be the third-largest troop contributor to coalition forces, after the U.S. and UK. This is a welcome development from a steadfast ally, a major trading partner, and a serious contributor to regional and global stability.

The South Korean government has made clear that it understands the reasons for the deployment of a brigade of U.S. troops from the Second Infantry Division in South Korea to Iraq, accepts it as a needed measure, and is confident that this deployment poses no threat to deterrence on the Korean Peninsula. The situation on the ground in Iraq has changed rapidly, and this has required nimble planning and fast responses by our military.

Long an ally of the United States, since 9/11 the Philippines has emerged as a valued and supportive partner, sharing our policy goals, and sending its own men and women to help in Iraq and to restore order in other parts of the world. And the United States has reciprocated by providing the Philippine military with counter-terrorism training to help put down violence and terrorism in its own backyard.

In fact, in a reflection of Asia's increasing acceptance of broader responsibilities, each of our allies—and Australia and Thailand rate special mention—has made important contributions to efforts to stabilize Iraq and Afghanistan—whether it be with overseas development assistance, technical and engineering support, or combat troops. Our allies have proven their dedication not only in their material support, which has been extensive, but tragically in human lives lost.

Countries that are not de jure allies can also be effective partners in building regional security and we are strengthening those relationships too. Most notably, we are negotiating with Singapore to reach a Strategic Framework Agreement, which will expand our defense cooperation against terrorism and the proliferation of weapons of mass destruction. This is a tangible outgrowth of President Bush's October 2003 visit to Singapore.

Enriching but complicating our sense of optimism is our revitalized relationship with China. China will have an important role in shaping the future of Asia even though it is not clear yet what the political, economic, and social landscape of Asia will ultimately be, say, 50 years from now.

China is now our third largest trading partner with total trade in 2003 of more than \$180 billion and our fastest growing export market with exports increasing nearly 40% in the first quarter of 2004. Of course, exports to us from China continue to far exceed our exports, yet China has a world-wide trade deficit.

As China's economy continues to grow—at a staggering rate of nearly 10% in the first quarter—there are increased opportunities for American commercial interests. That growth is also matched by considerable concern that China's huge appetite for certain commodities and energy is already creating shortages and price pressure in global markets. China is now the world's second-largest consumer of oil, after the United States, and accounted for 35% of the global rise in oil demand in 2003. Clearly, China trade is changing patterns of consumption and production of goods around the world, and its leaders have a major task if they are to avoid overheating the economy.

China's enormous stake in maintaining access to the U.S. and regional markets and preserving the international trading regime has had an impact on its foreign and domestic policies. During the April meeting of the Joint Commission on Commerce and Trade, we were able to make some important progress on trade issues with China in the areas of intellectual property rights, wireless encryption standards, and trading rights and distribution services.

We could easily devote several hearings to our complex relationship with China, including such critical issues as non-proliferation, WTO compliance, and our efforts to promote democracy, legal reform, and human rights.

In the key area of security, by being a strong and reliable partner on the counter-terrorism front and an active participant in the Six-Party Talks, China has proven that where its interests coincide with ours, it can be extraordinary helpful in enhancing regional stability. It also shows promise that it is prepared to take on global responsibilities.

In other areas, China is challenging the status quo aggressively. It is expanding its influence in Southeast Asia by enhancing its diplomatic representation, increasing foreign assistance, and signing new bilateral and regional agreements.

I note that a recent exchange of senior official visitors between China and Cambodia resulted in 25 bilateral agreements. They range from agreements to conduct feasibility studies for a hydropower plant to grant and loan agreements covering textile and cement plants, tourism, highway construction and the development of a golf club. These agreements involve relatively little in financial terms, but they serve notice of how China is using its newly won economic power to expand its presence and political influence among its southern neighbors. While we welcome constructive engagement by China in the Asia-Pacific region, we need to ensure that the United States remains fully engaged with the nations of Southeast Asia.

TIME OF TRANSITION

Mr. Chairman, the trends which are present in East Asia are not abstract ideas or academic concepts. They are promoting tangible and dramatic changes in personal lives and public policy. My visit to Indonesia, Vietnam, and Hong Kong last month impressed me again that this is a time of transition in East Asia.

In Jakarta last month, the excitement over the upcoming July 5 Presidential election was palpable. The first direct election for the Presidency in Indonesia represents a remarkable step forward in the development of that nation's democratic institutions. A president accountable to the Indonesian electorate will be able to respond more effectively to the country's needs. The outcome of the election could have powerful implications because a strong and thriving Indonesian democracy would prove that democracy and Islam are not incompatible.

In Yogyakarta, where I led the U.S. delegation to the ARF Senior Officials Meeting last month, I had a chance to visit both Hindu and Buddhist temples. They exist peacefully and proudly among mosques of the predominant Muslim religion, and with Christian churches visible too. I was struck by the tolerance exhibited by the Muslim mainstream community in Indonesia, the country with the world's largest Muslim population.

On the same trip I also participated in a political dialogue with senior Vietnamese officials in Hanoi and visited Ho Chi Minh City for the first time in almost 30 years. There have been extraordinary changes and I was impressed by the emerging prosperity and entrepreneurial spirit of the Vietnamese people and the interest of the government of Vietnam to pursue closer ties with the United States.

We are moving forward in our economic cooperation with Vietnam, with the implementation of a bilateral trade agreement that has led to a striking increase in trade. Such an increase brings with it inevitable frictions, which we are working to resolve. We continue to receive cooperation from the Vietnamese on POW/MIA ac-

counting and I note that our military-to-military ties have also expanded. We see a positive trend in our joint cooperation in counter-narcotics and counter-terrorism efforts. The most significant area of concern where we have not seen the positive progress we would like to see is human rights.

The analogy that comes to mind about U.S.-Vietnamese relations is that of a river. The current of our bilateral relations is strong, deep, and moving well. Human rights and religious freedom issues are the eddies and back currents that are holding up progress. We continue to address these concerns through increasingly frank discussions as we welcome the positive developments of our relations. When I met with the Deputy Prime Minister and the Foreign Minister, I emphasized that respect for human rights is in Vietnam's best interest, not just to respond to international criticism, but for the Vietnamese people to reach their potential.

Although I was only briefly in Hong Kong on this trip, I have passed through it many times. I understand the disappointment that many people feel about Beijing's decision on April 26 to delay movement toward representative government through direct elections and universal suffrage. I applaud the efforts of Hong Kongers to express their concerns about China's efforts to silence individuals whose views are at variance with those coming out of Beijing.

In my view, Beijing's April 26 decision reflects a lack of understanding about the sophistication and patriotism of the Hong Kong electorate. The one country, two system framework may be being undermined. The people of Hong Kong understand that a free press, an educated citizenry, and rule of law—the foundations of representative government long present in Hong Kong—have been core features of Hong Kong's civil society. These also are what give international investors and businesses confidence in Hong Kong's future.

The U.S. is committed to supporting Hong Kong's autonomy and the protection of its civil liberties, and we urge the Hong Kong Government—as I told Chief Executive Tung Chee-hwa during our meeting on May 16—to be responsive to the aspirations of the Hong Kong people. By ignoring those aspirations, he and the Beijing government will erode the very foundations that can continue to make Hong Kong great. We will watch with interest the peaceful demonstrations expected this week, the fifteenth anniversary of Tienanmen.

POLICY IN A TIME OF CHANGE

At the top of our list of policy priorities is waging the war against terror, a threat that respects no national borders, but is most dangerous in Southeast Asia. Because it is transnational, terror must be addressed through regional cooperation, which we have made the focus of our efforts.

The region's governments have put hundreds of terrorists behind bars, but there is still much more to be done to thwart future attempts to commit terrorist attacks, which seem all but certain to occur.

We are addressing terrorism through a combination of careful intelligence liaison, police work and targeted foreign assistance aimed at enhancing counter-terrorism capacity. A case in point is Indonesia where we are assisting the National Police in their creation and training of a Counter-terrorism Task Force. Members of the Task Force are already participating in the investigation of terrorist crimes such as last year's Marriott Hotel bombing in Jakarta.

We have good reason to believe that terrorists may turn to soft targets, including vulnerable sea lanes through which significant amounts of shipping and trade pass. We are now examining ways to enhance maritime security and discussing ideas about how a partnership of interested regional nations might identify, monitor, and address transnational maritime threats under existing international and domestic laws.

Although our thinking will evolve as consultations continue with regional states, a collective effort should empower each participating nation with the timely information and capabilities it needs to act against maritime threats in its own territorial seas. Then each nation would be able to decide for itself what response, if any, it would take in its own waters. How the U.S. can help will be informed by the views of Southeast Asian states but could certainly include technology, training, and other capacity building assistance.

Under the ARF umbrella, we are planning to co-host with Indonesia and Malaysia a maritime security workshop in September 2004 in Kuala Lumpur to build capacity and to gain a more comprehensive view of the maritime environment and address potential problems.

In APEC we are working to improve travel and transportation security, promote international non-proliferation standards, strengthen export controls, and help

APEC members meet international ship and port facility safety (ISPS) code required by the International Maritime Organization.

Beyond terrorism and its various manifestations, we are confronted by a number of dangerous threats to stability and prosperity in East Asia. These include North Korea's nuclear weapons program, non-proliferation, a host of trans-national issues and, in several countries, the persistence of authoritarian regimes and serious human rights problems.

The Six-Party Talks process is well established and even those countries in the region not directly involved in the talks are highly supportive of this process. The two plenary sessions, in August 2003 and February 2004 laid out clearly the basic principle of comprehensive denuclearization—what we call “CVID,” complete, verifiable, irreversible dismantlement; indeed the North Koreans themselves have publicly and in the talks stated that their ultimate aim is denuclearization.

The mid-May working group sessions in Beijing gave each party to the talks a chance to clarify its positions. We look forward to an early third session of the plenary, perhaps preceded by another meeting of the working group. In the May working group session, the parties began exploring the structure of a resolution—a structure that would involve concrete actions by North Korea with corresponding measures taken by other parties in a coordinated fashion. At the next working group and plenary round we hope to build on this emerging understanding of a possible resolution.

The Libyan experience has shown us that a nation can turn around its policies and maintain its integrity and independence. North Korea should examine this approach carefully.

We have been fully supportive of Prime Minister Koizumi's visit to Pyongyang. We are pleased that five abductee family members were allowed to go to Japan and that the Prime Minister reinforced the CVID message in his face-to-face discussions with DPRK leader Kim Jong-Il. Japan has kept the abductee issue on the agenda with the DPRK even as they continue to press for denuclearization. Similarly, we maintain our human rights concerns with North Korea as part of our broad agenda for discussions. Our bilateral cooperation with Japan and trilateral cooperation with Japan and South Korea continue to anchor our approach to the Six-Party Talks.

To address non-proliferation concerns, we are working towards implementing a global initiative, the Proliferation Security Initiative (PSI), which seeks to enhance cooperation and coordination among countries around the world to stop illicit proliferation-related trafficking. While not directed at North Korea, North Korea is affected by PSI because it is the world's leading proliferator of missiles and missile technology. It is important to underscore that PSI activities are voluntary and fully consistent with national legal authorities and international law.

To address trade in counterfeit currency and illicit narcotics, we are developing an Illicit Activities Initiative in cooperation with a number of other nations. With our support, Japan has taken the lead in providing training on export controls and providing outreach on these initiatives.

An obvious exception to the positive trends I mentioned earlier, Burma stands out as the one military dictatorship remaining in ASEAN. By proceeding with a National Convention without the participation of key opposition groups, leaving Aung San Suu Kyi and other democracy leaders under detention, and not addressing its deplorable human rights record, Burma has caused consternation in the region. Clearly, a convention that does not include all elements of Burmese society cannot be truly representative of the peoples of Burma and lacks the legitimacy needed to make any real progress toward democracy or national reconciliation.

In fact, a year after the May 30, 2003, attack on Aung San Suu Kyi, the people of Burma are no closer to reconciliation and accountability for human rights abuses. We urge the Burmese junta to release all political prisoners. We are steadfast supporters of the National League of Democracy. And, we believe the junta should allow the NLD to reopen its offices and to participate in a genuine and transparent dialogue.

Because our restrictions on Burmese imports represent a clear and forceful expression of our disapproval of developments in Burma, we support their extension. They are key components in our policy to bring democracy and human rights to Burma and we will maintain our strong stance until we see tangible progress in both these areas.

I should note that Thailand also faces difficulties with a rise in violent incidents since the beginning of the year in its southern, Muslim-dominated provinces. These have included arson attacks on schools, bombings, and killings of police and other officials as well as a series of assaults on police stations that resulted in over a hundred deaths.

There appear to have been multiple causes of these incidents, including the inattention of the government to recent social and political developments in the southern provinces. The Thai Prime Minister has toured the area and Thai authorities are reviewing the situation carefully, increasing security, and taking steps to address the problem. We are confident that they will arrive at a solution.

Finally, you will note that I have referred frequently to regional organizations throughout this testimony. The continuing development of these organizations is essential to East Asia. They are the foundations of our regional cooperation on transnational crime, trafficking in persons, contagious diseases, environmental protection as well as international terror.

The purpose of my visit to Indonesia in May was to lead the U.S. delegation to the ARF Senior Officials Meeting. ARF is becoming an increasingly effective forum to exchange views and to build regional security cooperation. It has taken on new responsibilities in areas such as transport security, where it was not engaged just a few years ago.

With our active participation, ARF has in the last two years produced four statements encouraging states to take concrete actions, on their own or multilaterally, in the war on terror, on non-proliferation, and on transnational crime. ARF may still be a "forum," but it is increasingly useful to promote collective action. In July, the ARF Ministers will also approve the strengthening of ARF as an institution by establishing a permanent, though initially small, Secretariat.

With the proliferation of regional organizations in the Asia-Pacific region recently, several of which exclude the United States, we need to strengthen the organizations in which we are a member, such as the ARF, ASEAN, and APEC.

We are moving forward aggressively to implement Secretary Powell's ASEAN Cooperation Plan, which seeks to strengthen U.S. relations with ASEAN and to enhance cooperation on a broad range of key transnational issues, from protection of intellectual property to disaster management to counter-terrorism.

We are also working to implement the President's Enterprise for ASEAN Initiative (EAI) which offers the prospect of FTAs between the U.S. and ASEAN countries that are committed to openness and reform. Singapore is the first beneficiary of a FTA under the EAI, and we will begin negotiations with Thailand at the end of the month. In addition, we have deepened our trade dialogues with countries like Malaysia, Indonesia, the Philippines, Brunei and Vietnam as part of AEI. We also support Normal Trade Relations for Laos. Trade has been a powerful tool for positive change elsewhere in East Asia and can be a force for progress in Laos as well.

In APEC, because economic development and security complement one another, we are pursuing both agendas simultaneously. We want APEC to push for trade liberalization by re-energizing the WTO Doha Development Agenda, which seeks increased market access for agriculture, manufactured goods and services; an end to agricultural export subsidies; progress in services negotiations; and expanded trade facilitation.

Last year, in its Bangkok meeting, the 21 leaders of APEC agreed to focus on ensuring personal security as well as on promoting the economic prosperity. They agreed to dismantle terrorist groups, eliminate the danger of WMD, and confront other security threats. For 2004, it is important that the leaders carry through on their commitment by improving port security, adhering to nonproliferation regimes, strengthening export controls, and developing a MANPADS action plan.

In sum, we have a full and active policy agenda in the East Asia and Pacific region as it moves in overdrive into the future. "Nothing may be permanent except change" in East Asia but we are encouraged by the progress we have seen in the region and optimistic that our efforts will be successful.

Mr. LEACH. Well, thank you very much, Mr. Secretary.

I would like just to begin with a question or two about Taiwan. Do we have a response to the May 17th PRC notion of providing international living space in exchange for accepting a one-China policy?

Mr. KELLY. I think we have only commented on that in general terms. There were some interesting parts of the May 17th proposal, but then it was loaded with all sorts of rhetoric personally attacking the leadership in Taiwan that seemed to sweep away some of the other suggestions. But I think there were elements there that people on both sides of the strait may be able to focus on later to build some kind of peaceful resolution.

Mr. LEACH. Do we have any position on the desirability of confidence-building measures between the Mainland and Taiwan?

Mr. KELLY. Confidence-building measures would be an excellent idea, Mr. Chairman. It would be particularly useful because of the steady and ongoing military buildup that the PRC continues to this day. I think we are a ways away from the kind of cross-strait negotiations that can bring these forward. There are a lot of good ideas, which could be put into practice that I have heard from people on both sides of the strait.

Mr. LEACH. Well, I have been impressed over the years at how sometimes informal discussions can be helpful. For example we had the Dartmouth Conference with the Soviet Union where we used retired officials or academics and exchanges of ideas. Does that seem to have a perspective basis between Taiwan and the PRC?

Mr. KELLY. We strongly support these Track 2 or quasi or unofficial efforts, and there are a lot of them going on. There are a lot of intelligent academics and other interested people in Taiwan, in the United States, and certainly in the PRC; and there are a variety of these coming together. Not many contain both significant Taiwan and Chinese participation, and that is a measure of the distance we have to travel. But it is definitely a way to test out good ideas to see if they are ready for prime time.

Mr. LEACH. Mr. Blumenauer.

Mr. BLUMENAUER. Thank you.

Welcome, Mr. Secretary. I would just put three items on the table for your reaction, although I must admit just reviewing your testimony, some of the material that the Chairman referenced here, this is a fascinating time and a huge and critical region and I imagine you could be moving nonstop from area of opportunity to area of opportunity.

I would hope that you would just touch briefly on three areas of opportunity at a time when I have got people from my community as private citizens who are in North Korea exploring ways of—trying to get a little more daylight on a sunshine policy. If you have some thoughts or observations about where we are now with North Korea, issues of nuclear proliferation and some sort of movement on that important peninsula.

Second, if you would—referenced in your written testimony there was some commentary about the situation with Burma, and I wondered if you could elaborate on that, and in particular, what the United States and allies like Thailand, in particular, might be able to do to help move forward that continuing frustrating and tragic circumstance for the Burmese people.

And third, for my perspective, if you could comment on an area that looks to me like it would provide an amazing opportunity for building some of the bridges and the teamwork throughout the area that you are responsible for in terms of the environment. We are falling behind commitments that the United States and the United Nations made less than 2 years ago in Johannesburg to provide clean water and sanitation to troubled people around the world, I think, so—we were basically committing to 233,000 people a day we were going to help secure access to safe drinking water and 400,000 people a day for whom sanitation was going to become a reality.

Those are three areas of interest to me, and I wondered if you could make some reactions.

Mr. KELLY. Just to offer some reaction, Mr. Blumenauer, on North Korea, there are some economic changes going on. It is too early to call them reforms. There are some slight signs of openness.

There remains a very serious hunger problem, and although the U.S. has contributed over several years probably about \$800 million worth of food aid, we are looking carefully at the World Food Program's call for this year. NGOs are, in general, with a couple of exceptions, not able to operate very well in North Korea, and the monitoring of the food issue is difficult to do. We have been putting a priority on the nuclear weapons issue, but there remains the problem of conventional military forces sucking up so much of North Korea's resources. There are serious human rights questions. There are ballistic missile productions; this is a serious issue.

There is some prospect for help on the work between South Korea and North which, as long as it is predicated on serious, down-to-earth efforts and not subsidies for the government, we will have no problem with.

On Burma, we are all very troubled. There is a national convention going on in Burma. Here, on the 1-year anniversary of the terrible attack on Aung San Suu Kyi's motor convoy at the place called Depayin—this tragic attack on her group has led to her imprisonment and now house arrest which continues to this day. Her party, the National League for Democracy, is not able to participate despite many signals from the Burmese military government otherwise.

We are disappointed. We have been disappointed in what is going on in Burma. What is going on now, of course, is that neighbors that have been trying to help, the Thais, the Malaysians and the Japanese are also expressing new levels of disappointment.

Is it making any impact? Not much, Mr. Blumenauer. This is a military government that seems remarkably impervious to criticism from outside and, in fact, to sanctions from outside.

And last on the environment, there are serious problems in East Asia, and the best news is that all of the East Asian countries, with the possible exception of Burma and North Korea, are making serious efforts on their own to deal with these questions of clean air and clean water. And we have a variety of programs in the more undeveloped of these countries to try to assist them along in this direction. There is a great deal more technical competence in East Asia and, in order of magnitude, more awareness of the difficulties.

I think if you had joined with the Chairman on his recent trip, you would not have had to ask about environmental questions. The smoke that choked Singapore and much of Indonesia a couple of years ago may not be gone forever, but it is way down from where it was and there is some improvement. Work on the reefs and oceans is also showing some improvement, but there is a long way to go.

Mr. LEACH. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much.

Let me note that in Thailand and Bangkok, the air was just—people were dying, policeman in traffic were dying just a few years

ago, and that has gotten better as well. Not perfect, of course, and it needs to be improved some more.

However, Thailand also has just about had its trees stolen from it. The people have lost a treasure house. And let us hope that this Administration does not permit the same thing to happen to Burma and Laos that happened to Thailand in terms of the legacy of its great forests which are gone in Thailand now and being robbed in Laos and Burma.

But first, about Taiwan, would the Administration be favorably disposed to an offer from Taiwan if they would offer to send troops to help us in Iraq?

Mr. KELLY. Taiwan has, as you know, Mr. Rohrabacher, helped out in Iraq with humanitarian aid and tangible items for use in construction. I do not believe that we would seek or welcome the advent of Taiwan troops because that would require a degree of cooperation that might help things in Iraq, but it would raise tensions significantly in East Asia.

Mr. ROHRABACHER. Well, as I said earlier, I don't think there is a reason to provoke a confrontation while we are engaged in Iraq. But let me just note that sending 5,000 troops from Taiwan, a democratically elected government, to help establish a democracy in Iraq would be a good thing; and it is so sad that we are afraid to anger a dictatorial regime in Beijing. That is why we are not willing to look at that alternative.

In terms of Burma and the national convention that you just mentioned, will the United States recognize any constitution or any government coming out of that convention if Aung San Suu Kyi is still under house arrest?

Mr. KELLY. No, sir.

Mr. ROHRABACHER. I think that should be a message to our friends in Burma that they are not going to be able to accomplish anything unless they are willing to at least include the opposition and at least include some of those people who believe in democracy in the process. By excluding them and by continuing their oppression, they are not fooling anybody. The Burmese people, just like other people, deserve free elections.

In terms of China, and this dictatorship in Beijing that I mentioned, has the United States done anything in order to—in reaction to the Chinese proliferation of nuclear weapons and materials to Pakistan and others?

Mr. KELLY. We have had a major issue on nonproliferation with China. They have published export control rules and have actually taken enforcement actions recently. Most of the proliferation that was reported in the media of the AQ Khan network was proliferation support that went back many, many years.

But this remains a concern. It is certainly not in our interest, but it is my opinion that the cooperation on weapons of mass destruction between Pakistan and China is much diminished, if not eliminated, and the measure of that is the significant improvement in relations between China and India.

Mr. ROHRABACHER. My guess is, if China had a democratic government, that it would not be engaged in trying to secretly help other countries like Pakistan or any other country—North Korea

among others, which likely had Chinese help—that they would not be engaged in that type of anticivilization activities.

The Chinese in Beijing, however, have been able to benefit by a huge trade deficit, which my colleague, Mr. Sherman, mentioned. Are we just going to let that go on forever and let them get away with all of these other things too?

Mr. KELLY. First of all, Mr. Rohrabacher, with respect to North Korea, we do not have evidence of recent Chinese proliferation support to their weapons of mass destruction. Indeed, in several particular cases we are aware of that we would have to go into closed hearing to describe in detail, China has, in fact, blocked exports that would contribute to proliferation of weapons of mass destruction in North Korea.

The big trade deficit is a very complicated problem. A lot of prices in the United States are significantly cheaper because of what we buy from China. On the other hand, our exports to China were growing faster than our exports to any other country in both absolute and in percentage terms. We were up some 40 percent last year. We are starting from a base, Mr. Rohrabacher, that is so low that these numbers are a little deceiving.

Make no mistake about it; as you point out, China is selling far more to us than it is receiving in exports from us. But worldwide, China is actually running a trade deficit.

So, this is not a case of an export-only factory sitting there sending out items only to the U.S. It is consuming. And in some respects, it is consuming with the growth of oil, with the development of an automotive economy in China. It is starting to suck up some resources that is clearly having at least some impact on our prices at the gas pump.

Is this going to go on forever? No, sir, it is not going to go on forever, but I cannot tell you when it is going to significantly shift.

Mr. ROHRABACHER. Is the trade deficit—your position is not that the trade deficit is shrinking?

Mr. KELLY. No, sir. It has been increasing.

Mr. ROHRABACHER. We are exporting more, but they—we are exporting more to them, but they are dramatically exporting more to us then?

Mr. KELLY. In percentage terms our exports our growing faster than the imports. But there is still \$100-plus billion difference between their exports to us and their imports from us.

Mr. ROHRABACHER. Mr. Chairman, I would just note for the record that while I understand the statistics are probably accurate, I would guess that that reflects not the export of consumer items to China, but instead the export of perhaps production systems to China, which would have a high value in 1 year, but would result in even worse exports to the United States in future years.

Mr. LEACH. Mr. Burton?

Mr. BURTON. Thank you, Mr. Chairman.

Mr. Secretary, it is nice seeing you again. I always ask you questions with great trepidation since you are a Marine and I was only an Army man.

Mr. KELLY. Sir, I confess I am not and regrettably have never been a Marine. I did serve in the U.S. Navy, sir, for some 23 years.

Mr. BURTON. Really? Golly I thought you were a Marine.

Anyhow, the trade deficit with China is approaching 125 billion, not 100 billion, and if they are purchasing large amounts of goods and services from other countries, they are doing it with our money and they are expanding their economy at our expense. And it seems to me, as Mr. Rohrabacher was indicating, that we ought to be doing something to pressure the Chinese to change that and to bring about more of a balance.

I have been an advocate not only with China, but with Canada and Mexico and all of our trading partners that we have not only free trade but fair trade. And I notice the President has been incorporating that into some of his statements in recent years, but it is something that we really need to talk to China about because they have been eating our lunch.

And I have a great deal of concern about the export of industry to China, building their industrial military complex at the expense of our own, and what we might have to deal with down the road 10 or 15 or 20 years from now in defending our country. I would hate like the dickens to see us trying to import airplane parts or tank transmissions from other parts of the world in the event we were in a conflict with them.

Regarding China and North Korea, one of the questions—I would ask you a series of questions, and you can answer them collectively if you would like.

What really is China doing to try to bring North Korea into the world of nations and stop their nuclear development program? Everybody still is concerned about them, particularly in Southeast Asia.

And regarding human rights, China still has approximately 10 million people in Communist gulags performing slave labor, and it seems to me, since we have such a huge trade deficit with them, we ought to be able to negotiate some human rights changes over there if we are going to continue to have the kind of trade policies we have had.

Also, they have an undervalued currency. Their currency, because it is undervalued, has given them a tremendous advantage in trade; and I would like to know what we are doing to try to get them to change their currency policies so that we can be more competitive with them in trade and bring that surplus down.

One of the things that you talked about with North Korea was that we have been giving them \$800 million in foodstuffs over the past several years. We gave Mengistu in Ethiopia hundreds of millions of dollars in food, and he used it as a weapon against his own people in order to keep himself in power. I would like to know if the foodstuffs that we are giving to North Korea, hopefully through NGOs, is actually getting to the people; or is he using that in a way to try to keep control of North Korea?

And regarding air quality, you know, we get a lot of our oil from the Middle East and that part of the world. If we—I would like to—and this is off the subject a little bit and you may not be qualified to answer this, but I would like to see us get more toward energy independence. We have been talking about that since the Carter Administration.

We have oil reserves for emergency purposes, but we are not energy independent. And we have about a 200-year supply of natural

gas in our forests in the United States and we also have a lot of oil in the ANWR that we could get out in an environmentally safe way. If there is anything connected with that part of the world and our energy policies, I would like you to expound on that as well.

And I thank you very much for being here.

Mr. KELLY. Mr. Burton, just a few comments on your points. With respect to China, human rights is a very important part of our dialogue that we emphasize and reemphasize. My colleague, Assistant Secretary Craner, is going to be back. We constantly try to focus on individuals and on the systemic changes that China needs to make to help both religious freedom and others. The progress, as you well know, sir, is pretty slow.

Secretary Snow visited China recently to discuss currency valuations and is expecting a reciprocal visit. In response to the President's directive, Secretary of Commerce Evans and Secretary of Labor Chao are planning to go to China later this month to directly engage them on, first, improving the export-import ratio and, for the first time, really trying to work seriously on labor standards and labor safety issues, on which we have a great deal to contribute to China. And, I know Secretary Chao is looking forward to her visit there to both illustrate how far we have to go, but also to point out that there are a number of things going on that are very positive indeed.

On North Korea food, we do have problems with the monitoring. There is monitoring, there are some 50 impartial international monitors, part of the World Food Program, that seriously make sure that the vast majority of the food that goes there does go to needy women, children, and families in the more seriously struck parts of North Korea.

But of course, food is, in a way, fungible. So this allows that country to make its "First call on its resources," as it boldly claims, for the use of the army. That does not come from our aid, but it does come from its own food production that can get there first. So this is a serious problem.

On the world energy situation, I don't think I have anything very helpful to add, other than the economic growth in East Asia is spurring demand that itself is eating up the worldwide capacity. And we do have to find new energy sources and then we have to work on more efficient use of what we get.

Mr. LEACH. We are going to have a second round, so if I could indicate your time has expired, Dan, and then we will come back.

Mr. BURTON. Thank you, Mr. Chairman.

Mr. LEACH. Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman.

Good afternoon, Mr. Secretary. I have a couple of questions with regards to Malaysia. Actually, I co-chair along with Mr. Sessions the caucus on Malaysia, and I know that there are various things going on. We have got a new President now. But I recently heard that Malaysia arrested Mr. Tahir, one of the most important figures of the AQ Khan network from Pakistan.

Can you tell us, how else has Malaysia been supportive of counterterrorism and how they are interacting with us on this war against terrorism? Are there continuing efforts, working closely together?

Mr. KELLY. Malaysia has been very cooperative with us in a quiet way, Mr. Meeks, on rounding up terrorists. They have kept a pretty close watch on their borders. They have learned, as we have, that terrorists from the Middle East have availed themselves of the opportunity to go to Kuala Lumpur and go to Malaysia and to pass on from there to other places.

The Malaysians have been particularly helpful in working for peace efforts in the southern Philippines, cooperating with both the Philippine Government and ourselves in an effort that directly will cut back the Jemaah Islamiyah, one of the terrorist networks in Southeast Asia, and also the Abu Sayyaf of Muslims in the southern Philippines. This is has been a very helpful act.

And the arrest by Malaysia of Buhary Syed Abu Tahir, who was using Malaysia to spread the proliferation of nuclear weapon into places like Libya, as a part of the AQ Khan network was also extremely helpful. It looks like Tahir was taking advantage of the hospitality that Malaysia had offered him. After they did their own investigation, they have thrown this man in jail, and we think that is exactly where he ought to be.

Mr. MEEKS. Now, I know that we had some tensions at the end of Mahathir's reign as President. Now, with the new President, I guess it is Abdullah, has that changed and—because of the war in Iraq? And I know that Malaysia was not with us on that war.

Has that affected us, our relationships at all, both with reference to providing information in regards to terrorism, as well as economically, in some of the things that we were looking to do with some of our businesses in the area?

Mr. KELLY. We very much respect Prime Minister Abdullah Badawi, who is now for about 6 months the prime minister of Malaysia and who was strengthened by an important election that I mentioned earlier. We are in regular and very cooperative contact with the Government of Malaysia on a variety of efforts, and I do foresee an improvement.

I have to say, Mr. Meeks, that whether it be this prime minister or the former prime minister, Malaysia is not with us on Iraq. They are what I would call a respectful critic. They make measured and very direct complaints to us about it, but not in some way of trying to undercut what we are trying to do, but just to make the suggestions that they think will help out best.

Malaysia is a country we are very happy to work with on a variety of problems, sir. Thank you for your participation in congressional interactions with Malaysia, too, sir.

Mr. MEEKS. And my last question would just be in regard to our position in the various regional trade and financial integration efforts that are being pursued with ASEAN and between China and ASEAN.

Do you see such an effort as thefts to the United States' economic interests or as a natural growth, considering how our own economic slowdown has impacted the economics in that region?

Mr. KELLY. I find, sir—and I was out there just a couple of weeks ago, as was the Chairman—that Southeast Asia has very mixed feelings about China. They want it to develop properly. They are happy that they are able to sell a lot of products into a more

wealthy China. But they are a little bit leery of the political influence that might be generated.

For now, I think part of that is that Southeast Asia wants to continue to welcome the United States as both economic participant and political interlocutor in the region, as they welcome the Chinese as well. The Chinese game is a new one for them. It involves serious economic participation and sending able diplomats conversant in the languages. It is an opportunity and a challenge for us, but I do not at this time view it as a threat, sir.

Mr. MEEKS. Thank you.

Mr. LEACH. Mr. Meeks, let me just mention, having just been to the region and been to Kuala Lumpur, I received several private and public sector comments about the caucus that you and Pete Sessions have. And it is a very constructive role, and we appreciate it.

Mr. Secretary, I came back from the region, above all concerned for a very abstract concept. It might be described as the role of irrationality in foreign affairs and great apprehension with the two truly sticky issues of North Korea and Taiwan. Misstatements, misdeeds could get exaggerated to extraordinary extents in a rapid fashion: With American political circumstances, misstatements in elections, neo-con comments or neo-something-else comments; and in Beijing, concern that there is no leader that seems to be strong enough to step back from a collective kind of hardened Taiwan attitude that is emerging, that mistakes could easily get out of hand.

And in this regard, I want to say that I think of all areas of foreign policy that are being led by the State Department today, it is in Asia that a solid, steady approach has been very appreciated at this time. But I would like you to comment, if you would, on the prospect of irrationality.

Do you see that as a danger or do you see that as the notion that, of course, sides can always manage these issues?

Mr. KELLY. Mr. Chairman, irrationality is inevitable in human activity. There seems to be a little less of it in East Asia and a little bit more practicality than elsewhere. But I don't think we can rule this out, certainly not with a place that we know so little about or North Korea.

On the cross-strait issue, it is hard to say. You are right, there seems to be a kind of a competition among Chinese leaders to see who can make the nastiest characterization of what is going on on the other side of the strait. But there are clearly factors at work.

I think in the case of Hong Kong, as I mentioned in my written statement, it is my belief that it is not that irrationality is going on, but perhaps some misjudgments and some lack of confidence about the people of Hong Kong and on their ability to make good choices.

This is a fear that we in America find needless. It is fear of an older kind of Asia that was in chaos, and that is not what we see out there now. But it is a reality that there is an underappreciation of the benefits of democracy, certainly by Chinese leaders.

Mr. LEACH. Thank you.

Mr. Blumenauer?

Mr. BLUMENAUER. Thank you. I wanted to follow up and my time sort of lapsed before I had a chance to follow up.

Not wanting to take too much exception, it is true perhaps that Singapore has not dealt with the choking clouds of pollution emanating from the Indonesian forest fires, horrific forest fires of a couple of years ago, but my distinct impression is that in most of the major cities in East Asia we are losing the battle to growth and pollution faster than there are some incremental improvements in technology in Djakarta and Bangkok.

But my question was, what progress we are making in an international commitment that the United Nations and the United States made less than 2 years ago in Johannesburg to get 233,000 people a day for the first 50 years access to pure drinking water and 400,000 people a day access to sanitation. The last I checked, we were not meeting those timetables; and I was curious what initiatives the Administration is making this year to get us on track.

Mr. KELLY. I will tell you honestly, Mr. Blumenauer, that I do not know the answer to your question, and I will provide it for the record.

In East Asia, I have not—perhaps wrongly, but I have not viewed the environmental problems we have there in the context of the global commitment, which by and large is—is aiming at the countries who are really poor. And this is a case more of providing and offering technical assistance to countries that can begin to afford the basics that they need, even for places like Vietnam and Indonesia.

I am not as well informed on this as I should be, and so I will have to give you a better answer for the record.

Mr. BLUMENAUER. I would appreciate that for the record.

I think the fact is that we cannot get the 1.2 billion people access to safe drinking water without significant initiatives in East Asia, Indonesia, Vietnam, China itself—I believe about two-thirds of a billion people qualify for that—and the Philippines.

My sense is that this is a significant, significant issue in Asia, and even more so when we are talking about sanitation; and I look forward to that response.

Let me just have one other follow-up question dealing with the situation in Burma. And I welcome your comment that some of our friends in ASEAN were maybe asking some harder questions about the egregious behavior of the thugs in Burma, but are we reaching the point where we are doing something that is more concrete in encouraging some of the immediate neighbors—Thailand comes to mind as one, China may be a little more difficult—but some of the people in surrounding Burma to be able to do something to try and untangle that terrible situation?

Mr. KELLY. On Burma, the neighbors are of mixed feelings. As you point out, they have been optimistic that they will somehow socialize a kind of a change, enhancement of democracy and an openness in Burma, and time after time, have been disappointed.

They haven't joined with us in the sanctions, essentially, across the board. We have just about every conceivable sanction that we could have enacted in law and in regulation against any kind of economic activity and a lot of other kinds of activity with Burma.

In a sense, this has empowered efforts by the Southeast Asians, but these efforts frankly have not shown any serious signs of success yet. Burma lives in its poverty and isolation. Than Shwe, the

head of the military government does his thing. The military prospers, even as the people do very badly in a country that, by every logic, should be one of the leaders of the region. So it is a pretty sad situation.

The Malaysians recently have tried to do more. We have had some gestures by China. But at the same time we had a variety of cooperation agreements that were signed not long ago, so they may be a bit more part of the problem than part of the solution.

Mr. LEACH. Do you want to go next, Mr. Rohrabacher?

Mr. ROHRABACHER. Yes.

Mr. Secretary, first of all about Burma, I think that you have said it, that there has not been any progress in terms of democratization on the part of the Burmese regime; and I have been following the situation there for about 20 years. The approach of trying to in some way entice the regime's leadership into democratic reform has not worked, and I would suggest that after we get done in Iraq, that there is a dictatorship right there in Rangoon that maybe we should target—maybe not an invasion, but at least with support for those people in Burma who are willing to fight for their own freedom.

If we are sending our troops overseas to fight to help liberate Iraq, at least another country which is a supreme example of a totally unnecessary dictatorship, out of sync with its people and forcing its people into poverty and repression, it is that of Burma. And I would think that, as I say after we are done with Iraq, we could look and see what can be done there.

As far as China, did the Chinese Government permit—back to this proliferation issue—did the Chinese Government permit the transshipment of a nuclear centrifuge to North Korea? I mean, my understanding is that a—that that actually went through China in order to get to North Korea. And if that is so, why are we treading so softly in Beijing on this issue?

Mr. KELLY. Mr. Rohrabacher, questions about the AQ Khan network are ones that I would have to respond to only in a closed session. I will provide you a classified answer to that significant question, sir.

Mr. ROHRABACHER. Well, I will accept that as an answer and I am sure anyone who listens to that answer will understand what the significance of that answer is, because if it was “no,” you would be able to say it in open hearing.

And let me just suggest that there are many things that we are unwilling to say and confront with Beijing. And just like with the dictatorship in Burma, we are trying to wean people away from their gangster-like powers over other people, and those types of people that have that kind of power—surprise, surprise—are not going to listen to us simply through moral persuasion.

And I think the Chinese Communist regime and the regime in Rangoon, we have to be more forceful with them. And I would hope that after this success that we will have in Iraq comes about, I would hope that this would happen within the next 12 months, that we turn on a little harder line on these dictatorships in Asia.

Now, it has even come to the point with Beijing where they feel that they can—the dictatorship there feels that it can in some way try to dictate policy here in Washington, DC.

Let me note that there is a group of people which I am involved in—it is a nonprofit organization trying to create a memorial to the victims of communism, which will be built on the Mall—that Beijing's Embassy here in Washington, DC, has called in order to complain that the monument, the victims of communism memorial, will be a depiction of the goddess of liberty which was, of course, the statue used in Tiananmen Square.

Now, do you believe that the United States should be paying attention to the complaints like that or should we not permit the goddess of liberty to be—a statue of the goddess of liberty to be built as part of the memorial to the victims of communism?

Mr. KELLY. Mr. Rohrabacher, I get about 10 complaints a week, I would say, from the Chinese Government. And it is part of my job to receive these and make a comment if it is appropriate, or not make may comment if it is appropriate.

I have to say, sir, that particular item has not been the subject of any complaint made to me.

I must say we use these occasions to raise our own, I believe more serious, issues with the Chinese side.

This is a very candid relationship with a lot of complaining done, but the fact is, there is a big difference between a complaint about something that either the Administration or the Congress as a whole or a Member of Congress does and responding to that complaint. And it is a part of our dialogue to put it all in there.

Mr. ROHRABACHER. All right. Well, I appreciate that answer.

And let me note that if the Chinese Communists want to prevent people from putting up statues in their country, they can shoot them down and kill them and they can repress their own population, but they had better not tell Americans about what we are going to do here.

Mr. KELLY. Sir, we do not like it when they do it there either, and we have the 15th anniversary of Tiananmen coming up in 2 days.

Mr. ROHRABACHER. And I appreciate that answer even better.

Thank you, Mr. Chairman.

Mr. LEACH. Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman, I appreciate it.

It is great to have you here, Secretary Kelly. I just returned from Taipei, Taiwan, a couple of days ago where I met last week with President Chen and Vice President Lu and Speaker Wang and also with the new foreign minister, Mark Chen also and others as well.

And I believe the President, President Chen's inaugural address set the right tone with respect to cross-strait relations, and I am hopeful that the Chinese leadership in Beijing will begin to change its belligerent position toward Taiwan and begin a period of constructive dialogue. They have 500 missiles, of course, pointed at Taiwan and have made many belligerent statements. That type of behavior absolutely has to stop; it is not at all constructive.

Both President Chen and the new chairman of the Mainland Affairs Council told me while I was there that they will make every possible effort to begin a dialogue with Beijing. I hope our government will do everything it can in our discussions with the PRC to encourage the Chinese Government to accept that invitation from Taipei. I believe there is a great opportunity to promote peace in

the Taiwan Strait, and anything that we can do to bring the parties together to ensure that peace would be very beneficial, I think, for all of us.

So I would appreciate any comment that you might have on that, Mr. Secretary.

Mr. KELLY. I agree with your views, Mr. Chabot. And we do encourage the PRC to undertake the kind of dialogue that is really going to be essential to peacefully resolving this issue. And I agree with your encouragement that with the recent statements that have come out, our Taiwan policy remains unchanged. I testified before the whole Committee at length on April 21st on that. And I have had a lot of complaints about it. But this is the Administration's position and we stand by it.

So thank you for those statements, sir, and thank you for visiting Taiwan.

Mr. CHABOT. Thank you.

We have a very active congressional Taiwan caucus now with—approaching, I believe, 130 or so members now, which is one of the largest—I think it is the second largest country caucus. There are two Republican Chairs, Mr. Rohrabacher and myself, and two Democratic co-Chairs as well, Mr. Wexler from Florida and Mr. Brown of Ohio. And this is a very, very active caucus, and we keep a very close eye on what is happening over there.

It is also clear, with the very substantial military forces facing Taiwan across that 100-mile Taiwan Strait, that it is very important that Taiwan modernize and reform its military. Obviously, the United States is committed around the world and we would clearly be there for Taiwan would that become necessary; but I think it is less likely that it would become necessary if the PRC realized that Taiwan has a very substantial defense. And so it really is important for them to modernize.

Would you agree with that statement?

Mr. KELLY. Yes, sir, I do agree with that. This has to be peacefully resolved and military threats, the option of military moves by the PRC and the active strengthening of their forces to give reality to that, are not welcomed.

At the same time, our position remains unchanged. We do not support Taiwan independence and we oppose actions by anyone on either side of the Taiwan Strait to change the status quo in a unilateral way.

Mr. CHABOT. Thank you. If I could make one final quick question relative to South Korea, to shift gears, there has been talk recently, at least reports, about 12,000 United States troops moving elsewhere. And if you could comment on that and any congressional consultation that has been a part of that process.

Mr. KELLY. The Department of Defense is undertaking a transformation, of course, of U.S. military forces around the world. Part of that is to look at wherever they are disposed, and we are in talks with the Republic of Korea in what we call the Future of the Alliance Talks.

Other than the decision to move parts of one brigade of the 2nd Infantry Division, about 3,600 people, to Iraq, there have been no final decisions made about the change in our forces. We clearly intend to recognize the greater military capabilities that our military

forces now have. Our determination to maintain deterrence of military adventurism by North Korea on the Korean peninsula remains unchanged. The Korean national security advisor is in town today meeting with Secretary Powell and his counterpart, Dr. Rice, to discuss these matters.

So we have moved a small number of our troops from South Korea. But, of course, there is a South Korean army of over 600,000, and a move of 3,600 troops should not be seen as some serious strategic change in where we are going.

But the consultations with the Congress by the Defense Department, I am simply not as well informed about that as a should be.

Mr. CHABOT. Thank you, Mr. Chairman.

Mr. LEACH. Well, thank you, Steve, for your thoughtful comments on Taiwan.

I would like to maybe just conclude with a couple of observations on Indonesia, sir. It is exasperating that they have moved to effectively expel the international crisis group, including significant people like Sidney Jones. But let me mention one thing that I found extraordinarily impressive.

In their first go-round in their presidential elections, they had 84 percent participation in Indonesia. Arguably, they are now the second largest democracy in terms of number of people voting, ahead of the United States. We are a larger country, they have larger participation.

But I raise this in the context of another area of the world, and that is Iraq. And I would like to bring to your attention that I am one that feels that the democratic election process ought to be accelerated in Iraq. But in saying that, if you are looking to models that might be able to be of some assistance, that might have some resonance in the Muslim world; one is Indonesia, for all of its problems economically, which has conducted an extraordinary election framework, and they have some competence in this matter and they have some techniques that are of some interest involving inks and whatever.

But that coupled with some of the experience in the Philippines, which in some ways is a more experienced democracy, although they had an imperfect round, yet above average in terms of many democracies; and they have a group called NAMFREL that has experience in overseeing democratic elections.

But I just raise this in the context of the Iraq policy that there may be some interest there in terms of outside parties that might play a role that the United States might want to look at. And I do not seek an answer from you, I just simply lay that on the table.

Having noted that, let me simply thank you for your testimony and more importantly, thank you for your fine public service. Thank you, sir.

[Whereupon, at 2:50 p.m., the Subcommittee was adjourned.]