



*House of Representatives
International Relations Committee
East Asia and Pacific Subcommittee
February 14, 2002*

**Statement of James Kelly,
Assistant Secretary of State, East Asian and Pacific Affairs**

Mr. Chairman and members of the Subcommittee, thank you for the invitation to appear before you today to discuss President Bush's upcoming visit to Japan, the Republic of Korea, and China. I eagerly welcome this invitation because the President's visit represents a highly visible opportunity to underscore the extraordinary vitality and importance of our relations with these three Asian states.

Your invitation to appear before you today also presents me with an occasion to discuss with Congress our overall relations with East Asia and the policies that we believe will be most effective to meet the challenges of 2002 and beyond.

In October 2001, as the Bush Administration was engaged in all-out effort to build a global coalition against terrorism and to launch a military campaign against the forces of al Qaeda, President Bush decided to postpone his scheduled visit to Tokyo, Seoul, and Beijing, but -- significantly -- to go ahead with participation in the Shanghai meeting of the Asia Pacific Economic Cooperation group of nations. Under the President's leadership, the APEC summit became a forum for stimulating and enhancing the growing consensus that terrorism is a threat to world civilization, not merely to a distant country or a far flung continent.

The President's visit to Asia next week is not simply a rain check. It is an important opportunity for the United States to articulate and demonstrate that our strategic interests in the region are remarkably deep, diverse, and enduring. The President will encounter a region that has experienced an historic and virtually unanimous focus of unity and perspective on combating terrorism. One of the great challenges ahead of us in East Asia will be to deepen and institutionalize, where we can, the new cooperative patterns and reinforce long standing cooperative arrangements. The President's visits to our key allies, Japan and Korea, and to China, one of the 5 permanent members of the UN Security Council, reaffirm our determination to remain engaged in East Asia over the long term.

The President will have a very robust schedule. In Japan, he will meet with Prime Minister Koizumi and address the Japanese Diet. In South Korea, he will meet with President Kim Dae-Jung. In China, he will meet with President Jiang Zemin and Premier Zhu Rongji. At each stop, the President will seek to strengthen personal ties -- which he views as essential to promoting international cooperation -- and to discuss the common struggle against terrorism as well as other regional and bilateral issues.

Japan

The President's first stop will be in Japan, our linchpin Asian ally of over 50 years, and a nation with which we share a vibrant and multifaceted relationship based on common ideals and interests. We enjoy a very close and important security relationship with Japan, with about 50,000 service members stationed there at numerous bases and onboard homeported ships. Japan's commitment to helping support our forces stationed there is a testament to our deep strategic interdependence and common interests. Indeed, our presence in Japan is crucial not only to our commitment to help defend Japan, but also to having forward deployed forces that foster regional stability and security throughout the Asia-Pacific region.

In broader terms, Japan - the world's second largest economy -- is an indispensable partner on a variety of international issues, a critical bilateral trade partner, and a key investor in virtually all Asia-Pacific nations, including the United States. Unfortunately, Japan has been suffering economic woes for many years and there is danger that its important leadership role may be undermined if its economy deteriorates further. Japan's troubles include high levels of government and private debt -- a significant part

of which is non-performing -- deflation, recession, a falling stock market, and record levels of corporate bankruptcy and unemployment. In spite of hopes that the economy had finally turned the corner, a one percent decline in GDP last year was accompanied by the lowest level of industrial production since 1988. As the deepest of friends and allies, America is obviously concerned over Japan's economic health.

I expect that President Bush will restate the United States' strong support for Prime Minister Koizumi's economic reforms. Mr. Koizumi has the enthusiasm and determination necessary to turn Japan around. He has sound plans and needs support, not pressure from the United States. For those politicians in Japan who fear change, we will say that economic reforms should be implemented quickly to encourage Japan's re-emergence as an engine of worldwide economic growth and a source of foreign investment.

Much of Japan's economic woes are caused by the instability of its banking system, which is struggling under the weight of a massive burden of non-performing loans. These bad loans in turn reflect distressed corporate balance sheets. Creating the conditions for economic recovery requires simultaneously lifting the debt overhang from the corporate sector and writing off the bad debt load from the banks' books. The key to both will be an increased willingness and ability to sell non-performing assets into the market in a timely, transparent and substantial manner. Our hope and, indeed, our expectation is that such a vigorous market driven solution to Japan's economic problems will be achieved under Prime Minister Koizumi's vigorous and determined leadership in the coming two years in keeping with the Prime Minister's commitments to the Japanese people. The U.S. is dedicated to working with Japan in meeting its economic challenges, which are of truly global importance.

Together, we will continue the work of the Economic Partnership for Growth (EPG), inaugurated last year, as a mechanism for increasing cooperation and engagement by the two governments and private sectors. The Partnership aims to promote sustainable growth by focusing on structural and regulatory reform, foreign investment, accelerated bank and corporate restructuring, market opening, and better use of information technology.

Even in the face of domestic economic difficulties, Japan has played a progressively more important role in regional and international security affairs. Most notably, Japan showed its true colors by quickly joining in the counterterrorism coalition despite a number of legal and political obstacles reflecting Japan's traditional stance against taking military action unless directly attacked. Under the strong leadership of Prime Minister Koizumi, Japan has publicly stepped forward to assume an unprecedented diplomatic, military, financial, and humanitarian role. One of the aims of next week's visit will be to express appreciation for this effort.

The steps that Japan has taken since September 11, 2001, suggest that Japan is interested in redefining its role in Asia and confirming to the world that Japan can participate meaningfully and responsibly in legitimate international military operations.

Let me briefly review what Japan has done. In addition to Prime Minister Koizumi's public pledge to provide full diplomatic support to the counterterrorism campaign and his outspoken support for U.S. military strikes in Afghanistan, Japan was a partner in building counterterrorism support among East Asian states, conferring soon after September 11 with the leaders of China, South Korea, Indonesia, Malaysia and Singapore.

I should point out that the Japanese government officially donated \$10 million to American victims and rescue workers shortly after the events of September 11.

The Prime Minister has personally directed Japan's response to terrorism. On October 7, 2001, he established an Emergency Terrorism Headquarters under his chairmanship to coordinate Japan's response to the terrorist threat.

On October 29, 2001, the Japanese Diet passed legislation authorizing Japan's Self-Defense Forces (SDF) to provide rear area support for coalition members. Shortly thereafter, on November 9, 2001, Japan deployed the first contingent of Maritime Self-Defense Force vessels in support of Operation Enduring Freedom. There are now three Japanese destroyers and two supply ships operating in the Indian Ocean. Six Japanese Air Self Defense C-130 cargo aircraft and two other aircraft have provided transportation for U.S. personnel and material within Japan and between U.S. bases in Japan and U.S. installations elsewhere. Other Japanese ships and aircraft have carried relief supplies to refugees from Afghanistan.

Most importantly, under an emergency budget package, Japan, since December 2, 2001, has used the two supply ships to provide U.S. vessels with fuel at no cost to the U.S. The \$67 million funding for this support will run until the end of March, 2002. The refueling service Japan has provided to our vessels has been of great assistance in allowing our forces to conduct their operations. These contributions are real, timely, and of great value to the coalition's campaign.

On January 17, 2002, Japan announced a contribution totaling about \$18 million to the UN Office for the Coordinator of Humanitarian Affairs (UNOCHA), United Nations Development Fund, and the International Committee of the Red Cross for de-mining, assistance to victims, and mini-awareness education programs.

In the financial area, the government of Japan quickly froze Taliban- and al Qaeda-linked accounts under UN Security Council Resolutions 1267 and 1373. Japan has followed up by periodically issuing asset freeze notices for individuals named by the U.S. government and the UN and linked to terrorist groups around the world. The number of groups and individuals on Japan's watch list is about 275. In addition, once the Afghan Interim Authority took office in Kabul, the Japanese were quick to unfreeze assets to make them available to the Afghan Interim Authority.

Japan has also stepped forward to provide leadership for the reconstruction of Afghanistan. Together with the United States, Japan co-chaired and hosted the first ministerial-level conference on Reconstruction Assistance to Afghanistan January 21-22, 2002, in Tokyo. As you are aware, Secretary Powell and Secretary O'Neill attended this highly successful conference. I, too, had the opportunity to be present at that historic meeting and cannot understate my admiration for the work Japan did to bring the world together to help Afghanistan.

Sixty countries pledged a total of total of \$4.5 billion and more than met first-year needs of \$1.7 billion with pledges of \$1.8 billion. Japan made a generous pledge of \$500 million to be disbursed over the next two and a half years, front-loading \$250 million in 2002.

Japan's reconstruction pledge to Afghanistan follows numerous other actions Japan has taken to respond to the crisis, including a \$300 million grant aid package for Pakistan announced on November 16, 2001. Japan has also agreed to reschedule roughly \$550 million in Pakistani debt based on the Paris Club Agreement.

I am sure the President will want to extend his personal appreciation to the leaders of Japan for its extraordinary and multifaceted contribution to the international counterterrorism campaign and for hosting the successful Donors Conference. The President will, moreover, want to emphasize the importance of the U.S.-Japan security alliance, a partnership that is vibrantly capable of serving both countries in the 21st century. We look forward to strengthening further the U.S.-Japan security relationship, using the experience gained over the last few months and building on it to encourage further cooperation in security and defense matters.

In sum, we believe that the President's visit to Tokyo can help us move forward our agenda with the Japanese on both our economic, and our security and defense portfolios. The future challenges are large but our capability and desire to work in concert to meet these challenges is even larger. We remain fundamentally optimistic on Japan and our reliance relationship.

South Korea

Our alliance with South Korea remains strong and vital to lasting peace on the Korean peninsula and stability in East Asia. The President's February 19-21 visit to South Korea will be an important opportunity to highlight this enduring relationship, which encompasses close diplomatic, security, and economic ties, and to discuss the current and future challenges we will face together.

Obviously, there will be many questions on the reference to North Korea in the President's State of the Union Address. What he said, "North Korea is a regime arming with missiles and weapons of mass destruction, while starving its citizens," is true and reflects the President's determination to speak frankly and directly. Our and our allies' approaches to North Korea will be discussed, but the President's first visit to the South Korean capitol will highlight some remarkable accomplishments.

This is a big year for Korea with key local and national elections; the Soccer World Cup, which will put the eyes of most of the world on Korea (and Japan) this spring; and the Asian Games, which will be held in Pusan in the fall.

Democratic development in the Republic of Korea (ROK) has progressed mightily in the last 15 years. The fourth democratic election for President is scheduled for the end of the year. This fall, Seoul will host the second Community of Democracies conference, a tribute to and recognition of the strides South Korea has made as a role model for newly democratic states.

In economics, South Korea has shown the way in many respects with its recovery from the crisis of five years ago. South Korea has been making a concerted effort to move its economy away from a centralized, government-directed investment model toward a more market-oriented one. Structural reforms and market discipline have already changed Korea's economy in ways that would have been almost inconceivable five years ago. Among the Asian economies hit by the 1997-1998 crisis, Korea has carried out the most extensive financial reforms and, not surprisingly, achieved the best economic progress. Its economy, even in this down year, is showing unexpected vitality.

A second objective of the President's trip will be to thank President Kim and the South Korean government for distinguishing itself as a valuable ally in the global campaign against terrorism. Through its support for operation Enduring Freedom, the Republic of Korea underlined the broader common interests that cement our strategic relationship. In the aftermath of the September 11 tragedies, the South Korea moved decisively to commit military, diplomatic and financial resources to support U.S. efforts to battle terrorism. The ROK government immediately promised active leadership in its role as UNGA President, military support above Gulf War levels, information-sharing, efforts to block terrorist financial assets, and humanitarian assistance to coalition supporters and Afghan refugees in need. It also created a new post at the rank of ambassador to coordinate counterterrorism activities and Afghanistan affairs.

Acting on President Kim's pledge to support the U.S. in the spirit of our mutual defense treaty, the South Korean government proffered -- and the USG accepted -- a 140-member mobile medical unit, four C-130 aircraft (with a 150-member air support team) and a LST naval craft to transport military personnel and supplies in support of the international military coalition.

On the financial front, the ROK created a new anti-money laundering law that went into force on November 28, 2001. Under this law, South Korea can confiscate or freeze financial assets provided for or in return for terrorist acts. It also formed a Financial Intelligence Unit.

The South Korea has made a substantial humanitarian contribution in support of Afghan refugees. At the January 21-22, 2002, Tokyo Conference on Afghan Reconstruction, the Korean government pledged to donate \$45 million over a 30-month period. South Korea has also provided significant economic assistance to Pakistan, Uzbekistan, and Tajikistan.

The contrast between the two Koreas in the war against terrorism serves to illuminate our concerns. South Korea has encouraged North Korea to join the counterterrorism campaign; but other than signing two UN conventions against terrorism -- the UN Hostage Taking Convention and the Convention for the Suppression of Financing of Terrorism -- the North has failed to take substantial steps. We believe North Korea could and must do much more to cooperate with the international community to address the terrorist threat.

As the President stated in the clearest possible terms, regimes like North Korea that are arming with missiles and weapons of mass destruction pose a grave and growing danger to the U.S., its interests, and its allies. The President's upcoming visit to the ROK will be an opportunity to underscore our concern not only for North Korea's proliferation policies but also for the plight of the North Korean people. We will reiterate our strong support for North-South dialogue, which we believe is key to reconciliation on the Korean peninsula, and repeat our willingness to begin serious talks with North Korea at any time, at any place, and without preconditions.

A brief summary of our policy process on North Korea may be helpful. Following our review of our North Korea policy, the President enunciated clear goals that we hope to achieve with North Korea. In a June 6, 2001 statement, the President said that the U.S. Government was prepared to undertake serious discussions with the Democratic People's Republic of Korea on a broad agenda that includes improved implementation of the Agreed Framework, verifiable constraints on its missile programs, a ban on its missile exports, and a less threatening conventional military posture. Our agenda does not represent preconditions; we fully expect the DPRK to bring up its concerns as well.

We are committed to fulfilling our obligations under the Agreed Framework, but the North must come into compliance with its obligations under the Nonproliferation Treaty. The Agreed Framework requires the North to cooperate with the IAEA fully and be assessed to be in compliance before critical nuclear components can be delivered.

In order to ensure that we are fully prepared to meet with the North Koreans, we have also regularly engaged with our partners, the ROK and Japan, through both bilateral and trilateral talks to ensure that our strategies are fully consonant.

Even as we look to have a serious dialogue with the North, this Administration continues to provide humanitarian food assistance to the people of North Korea. Since 1995, we have provided 1.8 million metric tons of wheat, soybeans, rice, vegetable oil, and other commodities, worth \$591 million, to North Korea. This figure includes last year's contribution of 340,000 metric tons. We have donated 55,000 metric tons of commodities already in 2002 and are considering additional contributions for this calendar year.

North Korea is a self-created and self-perpetuated tragedy. Even in a good year, North Korea cannot produce enough food to feed its people because of disastrous agricultural policies, scarce resources for agricultural inputs, and a lack of arable land. In a bad year it means famine or near-famine conditions. A regime that continues to devote its resources to a military buildup while its population starves has waived its fundamental responsibility to its people.

Humanitarian food aid from international donors, led by the United States through the World Food Program, has become the means of making up the deficit. It's the right thing to do, and it's done outside the context of our political relationship with the North Korean government. The only way for North Korea to feed its own people is through a combination of decollectivizing agriculture, permitting agricultural output to be sold freely, and reforming its economy to be able to import the agricultural inputs and the remaining food it needs on commercial terms. There are few signs, however, that North Korea has the will to carry out these far-reaching reforms.

Let me reiterate our support for the Republic of Korea's Sunshine approach to opening up North Korea. We stand by President Kim's efforts to transform North-South relations via a coherent and comprehensive economic, political, social, and cultural opening. However, sunshine cannot cultivate a

dry field. Pyongyang must respond constructively or face a continued dearth of international relations, a self-imposed isolation that almost all agree will eventually bring about its self-destruction.

As Secretary Powell noted recently, we are open to direct dialogue with North Korea today and in the future, but we will also be frank about the nature of the Democratic People's Republic of Korea's conduct and actions. North Korea must take the initiative to respond positively. As Secretary Powell said, North Korea must leave its "hard past behind" to achieve a better life.

China

The final stop in the President's itinerary will be in Beijing, where he will spend February 21 and 22.

The visit to Beijing will fall on the 30th anniversary of President Nixon's visit to China and will undoubtedly invite comparisons between the infant state of our relations in 1972 and the robust and complex U.S.-PRC relationship that exists now. Over this period, we have made considerable progress in promoting China's transition into the international community. China has been transformed from a nation in the throes of a violent and destructive Cultural Revolution to one of our largest trading partners. China's December 11, 2001 accession into the World Trade Organization (WTO) will give it the opportunity to participate in building a global economy based on market principles and the rule of law. Although WTO implementation is a major challenge to China, WTO accession will in time further open China's markets to U.S. business and strengthen the hand of China's economic reformers.

As Secretary Powell has said, China and the United States have both been victims of terrorist violence and face a common threat from international terrorism. We appreciate China's cooperation following the September 11 attacks, which has been a positive step in our relations and reflected a joint response to a common threat.

China's diplomatic support has been of great value; the People's Republic of China (PRC) voted in support of both UN Security Council resolutions after the attacks. China's vote for Resolution 1383 marked the first time it has voted in favor of authorizing the international use of force.

Within two weeks of the attacks, China initiated a counterterrorism dialogue to improve practical cooperation with the United States. At our request, the PRC conducted a search within Chinese banks for evidence to attack terrorist financing mechanisms. China publicly supported the coalition campaign in Afghanistan and used its considerable influence with Pakistan to urge Islamabad to support our efforts against the Taliban and al Qaeda.

During the President's October trip to Shanghai, Chinese President Jiang reiterated China's support for our efforts in Afghanistan and against al Qaeda. Ambassador at large for Counterterrorism Taylor headed an interagency delegation to Beijing in December that further broadened areas for day-to-day cooperation with the PRC. China also agreed to our request to create a Counterterrorism Financial Working Group to further strengthen our shared efforts against terrorist financing. Finally, the PRC also agreed to the creation of a Counterterrorism Law Enforcement Working Group, which will have its first meeting in March.

The President's visit will provide an important opportunity to advance our interests in China. In addition to the President's clear focus on the war on terrorism, we will try to expand common ground in critical areas, such as the transnational threat of the illicit drug trade, trafficking in persons, and other crimes. We will speak frankly with Chinese leaders about our differences on issues such as non-proliferation and human rights.

Resolving our Weapons of Mass Destruction (WMD) and missile-related proliferation concerns remains a key goal in our interaction with the Chinese. Although we have raised our nonproliferation questions often and at the highest levels, the results to date remain disappointing. We believe progress is possible, but progress will depend on the Chinese response. Among the specific actions we seek from the PRC, implementation of its November 2000 commitments not to assist any country in any

way in the development of short, medium, and long-range ballistic missiles capable of delivering nuclear weapons comes in first.

We think that the establishment of an export control system covering missile equipment and technology is in China's own interest. It will help prevent countries of concern from developing delivery systems for WMD, which the President has identified as a critical objective in the war on terrorism. We can help China ensure that this is an effective and fully implemented system. Our goal is to influence China to move steadily closer to international standards of nonproliferation. We are ready to do more with China as soon as our counterparts in Beijing demonstrate that they're prepared to address our concerns seriously.

Finally, on human rights, we welcome China's recent release of former Fulbright scholar Ngawang Choephel who was held in prison in China for six years. We also welcome the recent release of China Democracy Party activist Wang Ce (to Spain), and of Li Guangqiang, the businessman accused of Bible smuggling, who returned to Hong Kong over the weekend. We have urged China to make additional releases. We will continue to bring the international spotlight to bear on abuses of fundamental human rights in China. The President has made clear that improvement of human rights in China, including religious freedom, is a priority for this Administration. September 11 won't change that, nor will our nonproliferation agenda, nor will our trade agenda; on the contrary, we believe that efforts to open China up in these other areas will strengthen our efforts to improve respect for fundamental freedoms in China. It's important, and we intend to continue working on it.

I do not underestimate the complexities and challenges of our relations with China, but I am confident that the President will reiterate to the Chinese leadership our strong interest in a candid, cooperative, and constructive relationship that reflects fully American ideals and values.

Multilateral Cooperation

Elsewhere in the region, we are working bilaterally and multilaterally with our friends and allies to combat terrorism. The United States has a strong national interest in a vibrant, cohesive and prosperous Association of Southeast Asian Nations (ASEAN) and is increasingly concerned about the region's vulnerability to terrorist networks. As such, counterterrorism has become a central component in our interaction with ASEAN and the ASEAN Regional Forum (ARF), in addition to the Asia Pacific Economic Cooperation (APEC), which I mentioned at the beginning of my testimony.

In November 2001, ASEAN Army chiefs, meeting in Manila, pledged increased military-to-military counterterrorism cooperation. In December 2001, counterterrorism was the focus of the U.S.-ASEAN dialogue that we hosted in Washington. Plans are underway now for an April 2002 ASEAN regional coordinating conference at the ministerial level in Kuala Lumpur devoted to counterterrorism.

Meanwhile ARF, which consists of 23 states including Russia and the United States, pledged in October 2001 to implement UN resolutions and to cooperate on counterterrorism. At its New Delhi meeting in December 2001, ARF made counterterrorism its primary focus. In cooperation with the Treasury Department, we are planning a spring workshop for senior officials from ARF countries on financial counterterrorism measures. Malaysia will co-host this workshop with us.

Finally, APEC countries, with President Bush in attendance at its October 2001 meeting in Shanghai, pledged to implement UN Security Council resolutions to stop the flow of funds to terrorists, to ensure aviation and maritime security, and to strengthen energy security and customs enforcement. At its Senior Officials Meeting in December, APEC tasked working groups to come up with concrete programs to achieve its collective counterterrorism goals.

Southeast Asia

I mentioned earlier the importance of building on the trend toward concrete cooperation among the states of the region. This is especially true in Southeast Asia, where we are improving our bilateral counterterrorism relationships, as we encourage greater cooperation among states.

Before getting into some of the key political and security aspects of our policy cooperation with Southeast Asia allow me to review some of economic issues we have been prioritizing. These issues may seem somewhat far afield from the State Department's normal range of frontline topics. Nonetheless, I have joined my colleagues at the Treasury Department in pressing on the specific elements of financial and economic reform because of my belief they are critical to the lasting revitalization of Southeast Asia, a region that we cannot afford to let falter.

Although Southeast Asian economies finally rebounded from the trauma of the Asian financial crisis in 1999 and 2000, in 2001 the region again suffered from a sharp downturn. Southeast Asia's economic vulnerability remains largely a function of the region's excessive reliance on external demand -- particularly from the United States -- as well as the fragility of the major countries public and private finances.

In order to create the grounds for endogenous growth and reduce the vulnerability to financial crisis, all of the major ASEAN countries need to more forthrightly embrace the process of market oriented financial and structural reform, attracting, rather than discouraging inflows of long-term private capital. This means encouraging, rather than avoiding, corporate debt work-outs with foreign creditors, bringing state controlled distressed assets to market in a timely and transparent fashion, and making the tough fiscal choices needed to keep government finances on the road to recovery. It also entails implementing sweeping legal and accounting reform measures, enhancing regulatory transparency, and making a more vigorous attack on entrenched corruption. Through our economic policy discussions and assistance programs we are working to encourage SE Asian nations to successfully meet these important reform objectives.

This brings me to my final set of points on the valuable role our friends and allies in Southeast Asia have played in the war against terrorism. We have had very good support from all of the nations in Southeast Asia since September 11th and are now looking to expand our policy cooperation and coordination. There is a great deal of positive activity underway.

In the Philippines, we are working closely with the government of President Gloria Macapagal-Arroyo to eliminate the terrorist threat. U.S. forces have been invited to participate in joint counterterrorism exercises and training activities that will help raise Philippine military capabilities to combat terrorist challenges, in particular the Abu Sayyaf Group, which is holding two U.S. citizens hostage on the island of Basilan in Mindanao province.

I note that U.S.-Philippine military counterterrorism cooperation was in place prior to September 11. In February 2001, the U.S. trained a Philippine counterterrorism light reaction company. The current counterterrorism training exercise for the Philippines builds on that model. Towards the end of its initial phase, the exercise will involve roughly 600 trainers and support personnel at locations in and around the Mindanao area. U.S. military personnel will provide training, advice and assistance to Philippine forces and accompany them on training exercises in combat zones. This is hostile territory and a dangerous mission. As such, U.S. soldiers will be armed and authorized to use force in self-defense.

Our counterterrorism program is in line with enhanced bilateral military cooperation following the Philippines' 1999 Visiting Forces Agreement ratification. Since then, U.S. and Philippine forces have engaged in regular joint training exercises, such as the biennial "Balikatan" exercise, and U.S. naval vessels call regularly on Philippine ports. Reflecting our increasing cooperation, U.S. security assistance funding to the Philippines has risen from \$2 million in FY'01 to \$19 million in FY'02.

In Indonesia, we have welcomed President Megawati's public commitment to support the war on terrorism and her government's cooperation, especially in the law enforcement and financial areas. Our two Presidents committed to increase counterterrorism cooperation in the context of President Megawati's

visit to Washington last fall, and we are continuing to explore how Indonesia can improve its counterterrorism capabilities, while respecting and protecting the rights of its people.

Congress' decision to allow Indonesian civilians to participate in expanded International Military Education and Training (E-IMET) programs presents us with an opportunity to expose a new generation of qualified Indonesians to U.S. educational institutions and social values. We welcome this change in policy and plan to take the fullest possible advantage of it to strengthen the rule of law and civilian control of the military. We will also be conferring with the Defense Department and Congress regarding how best to use the funds available in Section 8125 of the Defense Appropriations Act. We want to enhance the rule of law as we pursue counterterrorism objectives with the Indonesians.

In neighboring Singapore, we deeply appreciate the government's active campaign against terrorism as evidenced by its arrest, announced on January 5, 2002, of 15 people who were plotting to bomb American diplomatic, military, and commercial targets. According to the Singapore government, eight of the detainees had attended al Qaeda training camps in Afghanistan. We welcome Singapore's continued cooperation in the international campaign against terrorism, its support for and quick implementation of UN counterterrorism resolutions, and we applaud this recent arrest because it reflects Singapore's determination to take effective, decisive actions.

In Malaysia, we applaud the government's arrest of more than 20 suspects, its investigation in connection with an alleged plot to target U.S. facilities, and its cooperation in law enforcement efforts against terrorism on the ground. Malaysia is also a leader in the pursuit of terrorist financing, having passed strong money laundering legislation long before the events of September 11.

In closing, I should also mention the February 3, 2002, Cambodian elections, held in over 1,600 communes nation-wide. Although pre-election violence (including the murder of over 20 candidates and activists), intimidation, and press access problems lead us to conclude that the elections stopped short of being free and fair, on election day there were no reports of violence or disorder at any of the 12,500 polling stations. There were conflicting reports on whether Cambodians could vote freely and secretly for the party of their choice.

The final results of the elections will not be certified until February 19, 2002 and election-related complaints are still being filed. Nonetheless, the major party leaders said they could accept the results of the election. Preliminary results indicate that the Cambodian People's Party won 60 percent of the popular vote and the opposition Sam Rainsy Party received more votes than ever before. As a result, the Sam Rainsy Party will participate in over 1000 commune councils and the potential for grass-roots democracy in Cambodia has increased. This is a step forward on the road to democracy in Cambodia. The next steps, which we will be watching closely, will be the implementation of these commune council election results and the national elections in 2003.

East Asia is a mosaic of cultures, religions, and political systems. In this complex environment, it is fundamental to our interests to promote continued close and meaningful cooperation with Asian countries as we confront the scourge of international terrorism. Failure in this campaign is not an option that we can be allowed to contemplate. Clearly, this issue will loom large in our relations with East Asia in 2002, even as we continue to pursue parallel interests such as economic reform and recovery, and the promotion of human rights.

Distributed by the Office of International Information Programs, U.S. Department of State.