

**U.S. POLICY TOWARD SOUTH PACIFIC ISLAND  
NATIONS, INCLUDING AUSTRALIA AND  
NEW ZEALAND**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON ASIA, THE PACIFIC, AND  
THE GLOBAL ENVIRONMENT

OF THE

COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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## **U.S. POLICY TOWARD SOUTH PACIFIC ISLAND NATIONS, INCLUDING AUSTRALIA AND NEW ZEALAND**

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**THURSDAY, MARCH 15, 2007**

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

The subcommittee met, pursuant to notice, at 2:20 p.m. in room 2200, Rayburn House Office Building, Hon. Eni F. H. Faleomavaega, (chairman of the subcommittee) presiding.

Mr. FALEOMAVAEGA. The subcommittee hearing will come to order. I am quite sure that my distinguished ranking member is on his way to the hearing, and so I will proceed with my opening statement. Then we will introduce our witness for the hearing this afternoon.

The Pacific Island Nations have been strong allies of the United States, but it seems we have so quickly forgotten the many sacrifices that these island people have made for us, especially as many of them fought for our freedom during World War II.

The United States, for example, has failed to do right in assisting the Marshall Islands residents, who were severely exposed to nuclear radiation during our nuclear testing program, that terrible period in the late fifties and sixties whereby we detonated some 67 nuclear devices in the Marshall Islands. One of them was the Bravo Shot, which was known as the first hydrogen bomb ever exploded in the history of mankind. It is called the Bravo Shot, as I recall, the intensity and the impact of this device when it was exploded in 1954 was 1,000 times more powerful than the nuclear bombs that we exploded in Nagasaki and Hiroshima.

Unfortunately, the United States, despite its efforts at trying to clean up the aftermath, has not done a very good job, in my humble opinion, nor has our Government properly compensated the people of the Marshallese Islands who were severely exposed to radiation to this day, unfortunately.

I have recently returned from my trip to Fiji, Tonga, and Samoa, and certainly I have some questions that I want to raise also in this hearing. I wanted very much to visit with as many of the leaders of our island nations, but, because of time constraints, I was only able to visit with the leaders of the Island Nation of Fiji, the Kingdom of Tonga, and the Independent State of Samoa.

We are all aware of the fact that there has been another military takeover of the Government of Fiji, I believe for the fourth time now since 1987. But for whatever reasons that Fiji has gone through this dilemma since gaining its independence from Great Britain in 1970, the people and the leaders of Fiji over the years are still trying to work through such difficult times from its colonial past up to the present.

Fiji's democracy has been tested as to whether the indigenous Fijians and the Indians who were brought over by the British years ago during its colonial rule of that island nation could work together hopefully, and by trying to resolve some of its most serious issues affecting the country's economic, social, and political needs, despite the obvious differences in their cultures, ethnicities, and traditionalist social values.

It was my privilege to visit personally with the Interim Prime Minister, Frank Bainimarama, and members of the interim government's cabinet. I want to submit for the record a copy of the letter I received from the Prime Minister, which outlines the scope and reasons that he and members of the Fiji's military command, when they took over the government with the hope that in the year 2010, that new elections will be held for the leadership of that island nation in the South Pacific.

[The information referred to follows:]

19th February, 2007

Mr. Eni Faleomavaega  
US Congress Representative for American Samoa  
American Samoa

Dear Sir,

Re:  
Your Visit

It is my utmost pleasure to welcome you to our shores. My Government has agreed to engage fully with bilateral, regional and multilateral partners in our efforts to return Fiji to a truly democratic rule.

I am pleased to have had the opportunity this morning to have exchanged views with you on the underlying causes of December 5th takeover, and the steps we are taking to take Fiji forward. Should you require any further information, please do not hesitate to contact me.

Meanwhile please find attached some background information on the issues we covered during our discussions this morning.

Yours sincerely,

J. V. Bainimarama  
PRIME MINISTER

#### BRIEF FOR US CONGRESS REPRESENTATIVE FOR AMERICAN SAMOA

##### A) UNDERLYING CAUSES AND NATURE OF OVERTHROW OF THE GOVERNMENT

In his statement on 5th December, Commander, Republic of Fiji Military Forces (CRFMF) Commodore Voreqe Bainimarama said that the actions of the RFMF were precipitated by the impasse between the SDL Government and the RFMF. Some of the key reasons and issues that created and led to the impasse:

1. The persistent and deliberate involvement of persons supporting the unlawful takeover of Government in 2000 in the Qarase led SDL Government. This includes the Government after the 2001 and 2006 Elections;
2. The double standards of the SDL Government. On the one hand saying that they supported the law but on the other freeing or facilitating the freeing of coup convicts on extra-mural and/or compulsory supervision orders with unsubstantial reasons. These actions made a mockery of the justice system

and fundamentally undermined the integrity of the judiciary and the rule of law;

3. The continued appointment of those tainted by the events of 2000 to diplomatic and senior government positions;
4. The failure of the Police Force to investigate all the 'shadowy figures' behind the 2000 coup including Qarase who had requested me to remove the President. Despite this request the Police Force were determined to instead investigate me, my officers and the RFMF as a whole;
5. The politicization of the Prison services;
6. The regular visits by Government officials to Korovou Prison to meet prisoners who supported the illegal take over in 2000 and the mutiny. Some of these prisoners are accorded special treatment in prison and referred to as 'cultural advisors' to the prisoners;
7. The racist and inciteful speeches made by SDL parliamentarians which were never checked by Qarase. These speeches caused fear and tension in minority community and our society as a whole. We also noted with concern the increased incidents of sacrilege aimed at minorities;
8. The repeated acts and incidents of Government and civil service corruption including SDL politicians. Those involved continued to be members of the Cabinet, those holding senior Government positions and civil servants;
9. The growing cycle of corruption, clientalism and cronyism also involved the extremely unhealthy influence of certain businessmen and women in the governmental decision making process;
10. The failure of the Qarase Government to pass any anti-corruption legislation in the past 5 years despite the growing and repeated acts of corruption which has undermined the very foundations of our civil service and institutions and the economy.
11. The determination by the Qarase led Government to pass acts of Parliament which would have inevitably increased indigenous Fijian nationalism, led to dispute between provinces—indigenous Fijians themselves, created ethnic tension, undermined the rule of law and the independence of constitutional offices including the Judiciary and compromised the right to fair hearing and representation. This refers in particular to the Reconciliation, Qoliqoli and Land Claims Tribunal Bills;
12. The exclusion of the RFMF from the National Security Council but repeated inclusion of the Police Force which indicated a refusal to hear the Military point of view on security and governance issues;
13. The manipulation of the criminal justice system for political reasons. The investigations against the CRFMF arose from a National Security Council decision and not from the independent decision of the Commissioner of Police himself.
14. The threat of and references to the use of regional forces and intervention by the Qarase Government to try and influence the resolution of our own internal problems;
15. The threat of an Australian invasion as shown by the inciteful and hostile remarks made by Alexander Downer, the unexplained presence of an Australian Defense Helicopter within Fiji's EEZ and the frequent references to the Biketawa Declaration made this threat a real one. Subsequent revelations confirmed this position.
16. The consideration of foreign intervention was viewed to be a serious threat to Fiji's sovereignty and independence. It will always be resisted. Under section 104 of the Constitution, the Prime Minister is to keep the President informed generally about issues relating to the governance of Fiji. He was never informed of this foreign presence.
17. On the Biketawa Declaration itself, the declaration states that the Government:
  - Needs to be committed to good governance exercising authority in a manner that is open, transparent, accountable, participatory, consultative and decisive but fair and equitable;
  - Ensure equal rights for all citizens regardless of gender, race, colour, creed or political belief; and
  - Must uphold the democratic processes and institutions which reflect national and local circumstances, including the rule of law and the independence of the judiciary, just and honest government.

The Qarase Government had failed to adhere to many of these agreed principles of governance.

18. The repeated and persistent attempts to change the command structure at the RFMF since 2000 and the rewarding of those who have made those attempts.
19. Most seriously, the large Government deficit, the failure of the SDL Government to cut spending, the failure to revive the sugar industry, the failure to solve the land problem, the racist and selective education policies, the rapidly deteriorating public health services, the escalating poverty, the hike in interest rates, the lack of employment opportunities given the growing number of school leavers, the almost inevitable devaluation of the Fiji dollar, the neglect to increase our exports vis a vis our growing reliance on imports creating a critical balance of payments situation and the overall serious economic situation created by bad governance, mismanagement, corruption, disrespect for the rule of law and the undermining of democratic values since 2000.
20. The manner in which the 2006 Elections were conducted was characterized with discrepancies. The fact that no census was conducted before the Elections meant that serious breaches of the Constitution occurred, the fact that there were so many additional ballot papers printed for no good reason and the fact that unexplained procedures were adopted.
21. The fleeing from Suva of the Prime Minister and his Cabinet and although it was only for a couple of days instilled a lack of confidence in the Government and negated claims that the Government was in fact in charge;
22. The untimely absence on leave of the Commissioner of Police at a crucial juncture in our country and his seemingly political bias was of grave concern.
23. Qarase and certain members of his Cabinet sought to incite certain members of our community to rebel against the RFMF and thereby did not have regard for the welfare and security of all our citizens and compromised national security.
24. On the morning of 5th December the President asked Qarase to come and see him and he refused to do so simply because he was fearful that the President would have asked him to resign or dismissed him. Clearly Qarase as Prime Minister abdicated his responsibilities by refusing to listen to the President who is the Head of the State.
25. The President was prevented by some including the Vice President from exercising his constitutional powers. We were as a nation in a state of limbo. The CRFMF accordingly stepped in and took over Executive Authority from the President under Doctrine of Necessity on 5th of December, to manage the affairs of the nation. He immediately issued an Emergency Decree and set up a Military Council to oversee the day-to-day governance of the nation. In this process of transition, there was no one hurt nor a single shot fired by the Military. It was a smooth transition and business continued as usual in the period which followed.

#### B) PROSPECTS FOR APPROPRIATE RESOLUTION

Following return of Executive Authority to the President on Thursday 4th January, the President appointed an Interim Civilian Government and gave it the following mandate to fulfill;

The mandate of the Interim Government is as follows:

- To continue to uphold the Constitution;
- Where necessary facilitate all legal protection and immunity, both criminal and civil, to the Commander, Officers and all members of the RFMF;
- Give effect to the actions of the RFMF including the respective suspension, dismissals and temporary removal from office of civil servants, Chief Executive Officer's, those appointed by the Judicial Services and Constitutional Services Commissions, the Judiciary and Government appointed Board members;
- Steady our economy through sustained economic growth and correct the economic mismanagement of the past six years;
- Lift up the living standards of the growing poor and underprivileged of our country;

- Restructure the Native Land Trust Board to ensure more benefits flow to the ordinary indigenous Fijians;
- Eradicate systemic corruption by including the setting up of an Anti-Corruption Unit through the Attorney General's Office and set new standards of Governmental and institutional transparency;
- Improve our relations with our neighbours and the international community;
- Take our country to democratic elections after an advanced electoral office and systems are in place and the political and economic conditions are conducive to the holding of such elections;
- Immediately as practicable introduce a Code of Conduct and Freedom of Information provisions; and
- Give paramountcy to national security and territorial integrity of Fiji.

The prospects for appropriate resolution lies within the context of President's mandate and the effective fulfillment thereof.

#### C) STEPS TO BE TAKEN

Restoration of parliamentary Democracy in Fiji will require the holding of a general election. For Fiji's next general election to be free and fair, there are several important requirements that must be fulfilled. These include the following:

- i) The holding of a National Census for Fiji. This census was postponed to 2007 by the previous government when it called for an early general election in 2006. Without the holding of the census, a general election was held instead and this caused many to question the validity of the rolls of voters that were prepared for the election that was held.
- ii) The Census outcome will provide the precise population count and the demographic spread around country. This will in turn assist the Constituencies and Boundaries Commission to be able to determine the new boundaries for each constituency.
- iii) With the new constituencies determined, voter registration will have to be undertaken nationwide. This will be a major exercise. Based on the experience in the lead up to the 2006 general election, this is one area that was highlighted by the Commonwealth Election Observer Group that needed improvement in any future election. Associated with this adequate resourcing to carry our voter registration properly and fairly.
- iv) Voter education is vital to ensuring that voters are not disenfranchised because of their inability to understand the electoral system we operated in Fiji.
- v) Election Office capacity building another major requirement. There is need for improving the holding of polling by reducing the number of days for actual polling. The other major issue relates to the postal ballot arrangements.
- vi) The issue of incumbency and how to protect against it to ensure a fair election must be addressed. This may call for a Code of Conduct for candidates in a general election to be promulgated.

#### D) ROLE OF US CONGRESS REPRESENTATIVE FOR AMERICAN SAMOA

The US Congress Representative for American Samoa could play the following role in assisting Fiji in restoration of democracy:

- Persuade US Government to re-engage with Fiji to better understand our situation,
- USA, Australia and New Zealand to remove all sanctions gradually, starting immediately with travel ban imposed on military personnel, Interim Ministers, Civil Servants and civilians,
- USA, Australia and New Zealand to resume developmental assistance,
- US Government to continue to support Fiji in UN; and,
- USA, Australia and New Zealand to consider a package of assistance to facilitate accomplishments of the milestones specified in the roadmap for restoration of democracy.

Mr. FALEOMAVEGA. It should be noted that Prime Minister Bainimarama and all the members of the cabinet have publicly pledged that none of them would be running for public office, so as



not to cause any conflict of interest in the process. I might also note with interest that among all the island nations of the region, New Zealand and Australia have been the most critical of the situation in Fiji, not only placing certain sanctions against Fiji—and of course, our own Government has followed suit by simply adhering to the actions and initiatives taken especially by Australia and New Zealand—the word I get from the Pacific is that Australia is the sheriff of the region, and whatever Australia wants, the United States just simply follows. A sad commentary on United States foreign policy in the Pacific Region.

For now, I just want to say that, in terms of some of the problems happening in the Pacific Region, it should be noted with interests that recently the island nations' leaders were invited by President Chirac in Paris for a summit meeting. Island nation leaders were also invited by the Prime Minister of Japan for a summit meeting in Tokyo. Island nation leaders were also invited by the President of China for a summit meeting.

This shows that there seems to be a tremendous interest certainly by other nations of the world, except our own. It is sad to say, but this is what is happening.

I want to point out that the Pacific island nation leaders, it is my understanding, will be coming to Washington some time in May, and I do intend to hold another subcommittee hearing as it relates to this very same issue: The needs of the Pacific island region, the island nations.

It is my sincere hope that President Bush will welcome them, and hopefully even to host them, given the fact that he is inviting the Prime Minister of New Zealand to officially meet with him in the White House. In my humble opinion, if no such invitation is coming, I would make the strongest recommendation to these leaders of these island nations, do not come to Washington. I think it is embarrassing, and I think it is not worthy of the island leaders of being put in this kind of a situation to meet only with a desk officer or somebody out there in the bureaucracy, and not really with someone with the status as that of President Bush.

Bottom line, if it is possible for the President of China, the Prime Minister of Japan, and the President of France to take their time to meet with the island leaders, and the fact that these island leaders are not going to have the same opportunity as we anticipate this month, as he will be meeting with the Prime Minister of New Zealand, I really believe something is wrong here.

I have more to say about United States policy toward the Pacific Region, but I want to also discuss the Millennium Challenge Account. I do have a series of questions that I am hopeful that Secretary Davies will be able to assist us with this issue. Not wanting to prolong my opening statement, but I would like to give this opportunity to my distinguished friend and ranking member of our subcommittee, the gentleman from Illinois, Mr. Manzullo, for his opening statement.

[The prepared statement of Mr. Faleomavaega follows:]

PREPARED STATEMENT OF THE HONORABLE ENI F.H. FALEOMAVAEGA, A REPRESENTATIVE IN CONGRESS FROM AMERICAN SAMOA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA, THE PACIFIC, AND THE GLOBAL ENVIRONMENT

I have often said that the United States has a policy of benign neglect towards the South Pacific Island Nations. Too often we have relied on Australia and New Zealand to determine what US policy should be in the region.

Some suggest that our policy has been based on global security concerns like the Cold War and the War on Terrorism rather than the development of the needs of the region. Others have suggested that it is in the interest of the US to more aggressively support economic development in the region and this is what I have preached for years.

The Pacific Island nations have been strong allies of the US but it seems we have so quickly forgotten the sacrifices they have made for us, especially as many of them fought for our freedom during WWII. The US, for example, has failed to do right by the Marshall Islands which was used by the US as a nuclear testing ground. The US has neither cleaned up the aftermath nor compensated the people fairly for their exposure to radiation which has affected their health to this day and will for generations to come.

I recently returned from a visit to the South Pacific region where I met with the Commodore of Fiji, the King of Tonga, and Samoa's Prime Minister. I look forward to sharing with the Subcommittee their perspectives about the US as well.

But for now I want to say that as China continues to invest in the region and build local capacity, I think the US should do its part to act as a counterweight rather than relying on Australia to tell us how to interact with South Pacific Island nations.

I also want to point out that 14 Pacific Island leaders will be coming to Washington in May and the Subcommittee intends to hold a hearing at that time to hear their views. I would hope that President Bush will also welcome and host these leaders given that he has invited the PM of New Zealand to officially meet with him. I believe the 14 independent Pacific Island Nation leaders should be afforded this same courtesy and opportunity.

While I have more to say about US policy towards the region and while I want to also discuss the Millennium Challenge Account (MCA), I do have a series of questions that I am hopeful that Secretary Davies will answer today including how the US justifies its relatively low level of assistance to the region outside the Freely Associated States.

For now, however, I would like to recognize our Ranking Member for any opening statement he may have.

Mr. MANZULLO. Thank you, Chairman. I am going to ask that my opening statement be made part of the record and simply state that I look forward to the testimony.

Mr. Chairman, I would be delighted to join you, if it would help, in signing my name to that invitation for the President or Vice President to meet with the folks coming from the island.

Mr. FALEOMAVAEGA. I appreciate that. And without objection, your statement will be made part of the record.

[The prepared statement of Mr. Manzullo follows:]

PREPARED STATEMENT OF THE HONORABLE DONALD A. MANZULLO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

I want to extend a warm welcome to Deputy Assistant Secretary Glyn Davies for testifying today. The South Pacific is a part of the world that is very near and dear to our distinguished Chairman.

First, I want to commend the Administration for making relations with the South Pacific, Australia, and New Zealand a priority. Assistant Secretary Christopher Hill's efforts to promote our dialogue with Pacific Island nations, including numerous visits with Pacific Island leaders, are important to preserving our relationships. I also commend the Administration for taking swift action to condemn last December's military coup in Fiji.

Australia remains a steadfast ally and our closest friend in the Asia-Pacific region. The U.S.-Australia Free Trade Agreement is boosting U.S. exports and helping our manufacturers find new markets. However, there is one area of interest that I have regarding our bilateral relationship. With Australia making record profits

selling valuable commodities to the People's Republic of China, what are the possible implications this on the U.S.-Australia relationship?

The upcoming visit of New Zealand Prime Minister Helen Clark marks an important point in our relations with New Zealand. I understand that one of the Prime Minister's requests for this visit is concerning a potential free trade agreement. I am particularly interested in learning the Administration's position on this issue.

Thank you again for coming to testify. I look forward to hearing your response.

Mr. FALCOMAVAEGA. On behalf of the subcommittee, I want to welcome Secretary Davies, who serves as the Deputy Assistant Secretary for East Asian and Pacific Affairs, and is responsible for relations of our nation with Pacific island nations, which include also New Zealand and Australia.

To name only a few of his previous assignments. Certainly his notable career as a Foreign Service officer, Mr. Davies has served as a political director for the U.S. Presidency of the G-8 countries. He was also former State Department Deputy Spokesman and Deputy Assistant Secretary of Public Affairs. A graduate, distinguished graduate, of Georgetown University. And I really would like to offer my commendation for the efforts that he has made to hopefully bring a greater sense of visibility, perhaps even a greater sense of sensitivity, of our nation's foreign policies toward this important region of the world.

The subcommittee is honored to have Secretary Davies, and I would now like to turn the time over to Secretary Davies for his statement.

**STATEMENT OF THE HONORABLE GLYN DAVIES, DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. DAVIES. Well, Chairman Faleomavaega and Ranking Member Manzullo, thank you very much for inviting me to come here and speak to you today.

With your permission, what I would like to do is enter my written remarks into the record, and then just spend the next 6, 7 minutes covering some highlights of the issues, most of which you have already mentioned.

Mr. Chairman, I appreciate the invitation to testify on United States policy toward the nations of the South Pacific. Mr. Chairman, I also welcome your deep interest in these countries in your recent travel to Fiji, Tonga, and Samoa.

The United States has a tradition of strong ties with the 14 countries of the South Pacific, from historical and cultural links with Australia, New Zealand, and the islands that go back over two centuries to our trusteeship relations and now compacts of free association with the Marshalls, Micronesia, and Palau, to the diplomatic relations we established with other South Pacific nations as they became independent between 1962 and 1980.

We believe it is crucial to keep this fast, strategic region—and it is mostly small states—firmly on our side. Political, environmental, and economic challenges compounded by longer-term transnational threats menace some fragile island societies. We are seeking to expand our engagement, and reverse any mistaken perception that the U.S. has withdrawn from the Pacific.

It is true that the nations of the Pacific have not always received either adequate diplomatic attention or development assistance.

Budget constraints and policy priorities during the 1990s often limited our diplomatic representation and the aid we could offer. But that was then, and this is now. And we believe we can reverse this trend. And, though there is no immediate prospect of greatly increased budget resources, we are working hard to step up U.S. engagement in the region in what we are calling the Year of the Pacific.

In support of that goal, we are regularizing our high-level contacts with Pacific island leaders. The EAP Assistant Secretary, my boss, Chris Hill, participates in the annual Pacific Island Forum Post-Forum Dialogue, and our Under Secretary for Political Affairs hosts an annual group meeting with Pacific Ambassadors during the U.N. General Assembly.

We are cooperating at fisheries through the South Pacific Tuna Treaty and other fora. And we see the President's trip to the APEC Summit in Sydney in September as potentially another chance to highlight the Year of the Pacific.

Most important of all, Mr. Chairman, and you mentioned it, on May 7 and 8, the East-West Center, in collaboration with the Department of State, will host the triennial Pacific Island Conference of Leaders in Washington, DC. We will invite the heads of government of 23 Pacific states and territories, including U.S. territories. I understand the East-West Center is also in contact with you, Mr. Chairman, and members of Hawaii's Congressional delegation about including a program on Capitol Hill. We strongly support that proposal.

In fiscal year 2006, United States' assistance to the Pacific islands totaled almost \$190 million. Of this, about \$150 million was comprised of grants from the United States to Micronesia, the Marshall Islands, and Palau, under the compacts of free association. The remaining \$34 million is devoted to the rest of the Pacific islands through such programs as the Peace Corps, military assistance, IMET and FMF, counterterrorism assistance, child health; and our annual \$18 billion economic development assistance associated with the South Pacific Tuna Treaty.

The coup in Fiji and riots in the Solomon Islands and Tonga demonstrate the continuing challenges in the region, and the importance of strong United States engagement. We continue to call for an immediate return to democracy and the rule of law in Fiji. We are greatly concerned about the military's ongoing human rights abuses targeting those who speak out against the coup.

In response to the coup, we cut off roughly \$2.8 million in primarily military assistance, restricted visas for military and interim government leaders, and suspended lethal military equipment sales.

However, to ensure that our sanctions do not affect average Fijians, we have continued assistance programs on environmental protection and women's rights.

After last year's riots in Tonga, we are working with our friends to help the Tongan people make the transition to democracy. Support for democracy will be the primary goal of my hoped-for visit next month to both Fiji and Tonga. I am one step behind you, Mr. Chairman, going out there.

Last month I visited the Solomon Islands, where I stressed our strong support for the efforts of the Regional Assistance Mission to the Solomon Islands as it works to promote stability, rule of law, and economic development.

Papua New Guinea continues to struggle with problems of civil unrest, corruption, poverty, and deforestation. PNG's future is of keen concern to us, and prompted my visit to that country last month.

PNG has a parliamentary election later this year, and we will work with the government and our regional partners to promote a free and fair democratic process.

We are also very pleased that we have established remote visa processing in Samoa. Mr. Chairman, both Ambassador McCormick and I appreciate your participation in the inauguration of this program in Apia last December, and we remain committed to further improving these visa services.

Mr. Chairman, you have asked about delays in accrediting a Samoan diplomat in American Samoa. I want to report to you that our Office of Foreign Missions tells us that it is waiting for the Government of American Samoa to provide documentation that the Consul General was admitted to American Samoa in what is called A-1 or diplomatic visa status, and is being allowed to remain for the duration of the status. Once we receive this confirmation, accreditation can proceed. And I should add to that, we are not just waiting; we are also reaching out to help them understand the process. Because I suspect that for American Samoa, this is a bit new.

The bedrock of our relations in the region remains our alliance with Australia. We simply have no more steadfast partner in the region, and indeed, in the world today. We cooperated closely in our responses to the coup in Fiji and to civil unrest in the Solomons and Tonga. Our tactics are not always the same, but we share the same broad objectives in the region.

Our other key partner in the South Pacific is New Zealand. While New Zealand's anti-nuclear legislation precludes a formal military alliance, we have decided not to let our differences define the entire relationship. We have worked together in the Pacific islands and on a wide range of issues. New Zealand continues to seek a free trade agreement, or FTA, with the United States, its second-largest trading partner. While we do not rule out negotiations with them on an FTA, we can't say, given other pressing trade talks, when we might be able to consider such a step.

As you know, we look forward also to the fact that New Zealand Prime Minister Helen Clark comes to Washington next week for what we expect to be a very successful working visit. She will meet the President, Secretary Rice, Secretary Gates, and a number of other Executive Branch and Congressional leaders.

In conclusion, Mr. Chairman, let me reiterate that the countries of the Pacific remain important to the United States. While there is always room for improvement, we continue to seek opportunities to increase our engagement with the leaders and citizens of the Pacific islands, and to respond to their concerns. America's involvement in the Pacific remains crucial to our national security, as we are and will remain a Pacific power.

Mr. Chairman, Ranking Member, thank you very much. And I would be happy to try to answer your questions.

[The prepared statement of Mr. Davies follows:]

PREPARED STATEMENT OF THE HONORABLE GLYN DAVIES, DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Chairman Faleomavaega, Ranking Member Manzullo, and distinguished Members of the Subcommittee, thank you for inviting me to appear today to testify on U.S. policy towards the nations of the South Pacific. As far as we can tell, this is the first hearing held by this Subcommittee devoted primarily to the South Pacific since 2002, and I welcome the opportunity to address our policy towards these nations. Mr. Chairman, I also welcome and appreciate your deep interest in these countries, and your recent travel to Fiji, Tonga and Samoa.

The United States has a tradition of strong ties with the 14 countries of the South Pacific, from historical and cultural links with Australia, New Zealand and the islands that go back over two centuries; to our trusteeship relations and now Compacts of Free Association with the Marshall Islands, Micronesia, and Palau; to the diplomatic relations we established with South Pacific nations as they became independent between 1962 and 1980.

We believe it is crucial to keep this vast, strategic region and its mostly small, sometimes struggling states firmly on our side. Growing political, environmental and economic challenges, compounded by longer-term transnational threats, menace some of the fragile island societies. We are seeking to expand our engagement and reverse any perception that the U.S. has withdrawn from the Pacific.

*The Year of the Pacific*

It is true that the nations of the Pacific have not always received either adequate diplomatic attention or development assistance. Budget constraints and policy priorities during the 1990s often limited our diplomatic representation and the aid we could offer.

But that was then and this is now. While there is no immediate prospect of greatly increased budget resources, we believe we can reverse this trend and are working hard to increase U.S. engagement in the Pacific. Our goal is to step up our efforts to promote prosperity, good governance, and the rule of law in the region. Toward that end, we are labeling 2007 "The Year of the Pacific" and developing a "whole of government" approach with the Department of Defense, Coast Guard, Department of the Interior, USTR, Peace Corps and other agencies to expand our presence and activities in the region.

The State Department has taken the lead in this effort. We are stepping up our diplomatic presence in the region by creating and staffing two positions at our Embassy in Suva with responsibility for the Pacific region. One position is a regional environmental, science, and health officer who is working on issues like climate change, fisheries, and HIV/AIDS. The other is a regional public diplomacy officer to share information about American policies and values throughout the South Pacific and build "people-to-people" contacts through exchanges such as the International Visitor Leadership Program, U.S. Speaker program, and other initiatives.

We are also regularizing our high-level contacts with Pacific Island leaders. The Assistant Secretary for East Asia and Pacific Affairs participates in the annual Pacific Island Forum (PIF) Post-Forum Dialogue. Last year, Assistant Secretary Christopher Hill participated in a special PIF session in which he met with Pacific heads of government to discuss a range of regional and global issues. In the wake of that meeting, Assistant Secretary Hill became the senior-most Washington official to visit Vanuatu since independence in 1980.

The Department's Under Secretary for Political Affairs, Ambassador Nicholas Burns, has hosted a group meeting with Pacific Ambassadors during the UN General Assembly the last two years, providing an excellent opportunity to show these nations our interest in their concerns. We intend to institutionalize this meeting and turn it into an annual event undertaken by successive administrations.

We also have a long history of cooperation in the area of fisheries and marine resource conservation through the South Pacific Tuna Treaty with the member states of the Forum Fisheries Agency, our participation in the South Pacific Regional Environmental Program and more recently, the Western and Central Pacific Fisheries Commission.

*The Pacific Island Conference of Leaders*

I am also pleased to report that on May 7 and 8 the East-West Center, in collaboration with the Department of State, will host the triennial Pacific Island Conference of Leaders (PICL) in Washington D.C. We will invite the heads of government of 23 Pacific states and territories, including U.S. territories. We expect Governor Lingle of Hawaii, a vital force in promoting our role in the Pacific, will also participate.

The conference will include sessions involving senior officials from the Departments of State, Defense, and from USTR. We are also inviting representatives of like-minded donor nations for parallel consultations. I understand the East-West Center is also in contact with you, Chairman Faleomavae'ega, and members of Hawaii's Congressional delegation about including a program on Capitol Hill, which we strongly support. The two days of meetings will conclude with the annual Pacific Night celebration. We would welcome participation in these events from any interested Members of Congress and their staff.

This will be the first time State and the East-West Center have co-hosted a PICL and the first time the meeting will take place in Washington. We believe it will create a unique opportunity for leaders from around the Pacific to exchange views and learn more about the policy-making process in Washington. We hope, Mr. Chairman, that you will help us make 2007 "The Year of the Pacific."

Later in the year, we see the President's trip to the Sydney APEC Summit in September as another milestone for the Year of the Pacific. We are hoping the President's trip will focus further attention on the Pacific and raise the profile of the U.S. role in the region.

*U.S. Assistance to the South Pacific*

In FY 2006, United States assistance to the Pacific Islands totaled almost \$190 million. Of this amount, about \$150 million was comprised of grants from the United States to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau under the Compacts of Free Association administered by the Department of the Interior. The remaining \$34 million is devoted to the rest of the Pacific Islands through such programs as the Peace Corps, military assistance (International Military Education and Training and Foreign Military Financing), counter-terrorism, and child health. We also provide, via an Economic Assistance Agreement associated with the South Pacific Tuna Treaty, another \$18 million annually to the South Pacific Parties to the Treaty for economic development purposes.

Separately (and thus not included in the above figure), the Millennium Challenge Corporation (MCC) is also working with Vanuatu on an assistance compact totaling over \$65 million. We continue to work with MCC to develop programs tailored to the needs of smaller nations, including island states. We are also working with DOD to ensure that citizens of the Freely Associated States and other Pacific countries benefit from the increased demand for labor as our military relocates troops and facilities from Japan to Guam.

*Recent Instability in the Pacific*

But as we seek to strengthen our partnership in the region, recent events in the South Pacific, such as the military coup in Fiji and riots in the Solomon Islands and Tonga, have demonstrated both the challenges it faces and the importance of strong U.S. engagement.

We have paid a great deal of attention in recent months to the situation in *Fiji*. In the period leading up to the coup last December, we worked with a number of other countries and international organizations, including Australia, New Zealand, the EU, PIF, and UN, to try to preserve democracy in Fiji and persuade the Fiji military to refrain from taking action against the lawfully elected government. In the wake of this illegal coup, we continue to call for an immediate return to democracy and the rule of law, and we have worked with these same partners to promote this goal.

For our part, we have imposed a series of measures in response to the coup. Some, like a cut off of roughly \$2.8 million in primarily military assistance, were mandated by Section 508 of the Foreign Operations Appropriations Act; while others, such as restrictions on visas for military and interim government leaders and a suspension of lethal military equipment sales, were taken on policy grounds. In all cases, we have sought to ensure that our sanctions affect the military and interim government and not average Fijians. For that reason, the Administration has made use of its notwithstanding authority to allow certain assistance programs in Fiji to continue, such as those addressing environmental concerns or women's rights.

Unfortunately, the Fiji military and its supporters appear committed to consolidating their hold on power. As noted in our just-released human rights report and

numerous public statements, we are gravely concerned about the military's ongoing campaign of intimidation and human rights abuses against those who speak out bravely against the coup. At least two people have died as a result of beatings administered by the military, and many more who have criticized the military's actions have been subject to other forms of abuse.

We will continue to press for an end to these human rights violations and a return to democracy as quickly as possible, in coordination with the many other countries and international organizations that share the same goal. Foreign ministers of the PIF member countries will meet tomorrow, March 16, in Vanuatu, and we are hopeful they will provide a clear and unified message to Fiji on the need for a near-term roadmap for returning the country to democratic rule. We support the PIF process.

In *Tonga*, with the passing of the King and last year's riots in Nuku'alofa, we are working with our friends to help the Tongan people make the transition to democracy. Tonga recently redeployed troops to support the Coalition in Iraq, and we are looking for ways to provide them with additional assistance. Support for democracy will be the primary goal of my visit next month to both Fiji and Tonga.

Last month I visited the *Solomon Islands*, where I met with the Prime Minister, Governor-General, and a host of other senior officials. Just last week I met with Solomon Islands Foreign Minister Oti during his visit to Washington. My message on behalf of the U.S. government was very clear: we strongly support the efforts of Australia, New Zealand and other countries in the Regional Assistance Mission to the Solomon Islands (RAMSI) as they work to promote stability, rule of law, and economic development.

#### *Papua New Guinea, Samoa and American Samoa*

*Papua New Guinea* (PNG) should really be considered on its own—its population and resources dwarf those of other countries in the South Pacific. But while rich in human and natural resources, it continues to struggle with problems of civil unrest, corruption, poverty, and deforestation. PNG's future is of keen concern to us and prompted my visit to the country last month as well. While PNG has maintained its democratic system since independence in 1975, we remain concerned that a weak central government is unable to establish law and order, even in the capital. The resulting unrest and uncertainty is a continued barrier to foreign investment and development. PNG has a parliamentary election later this year, and we will work with the government and our regional partners to promote a free and fair democratic process and outcome. We are considering, for example, how we might dispatch U.S. observers to monitor the elections.

We are also very pleased that we have established remote visa processing in *Samoa* to facilitate the travel of Samoans to the United States. Mr. Chairman, both Ambassador McCormick and I appreciate your personal involvement in this issue and your participation in the inauguration of this program in Apia last December. We continue to examine the process as it operated last December. We have undertaken various changes to make it work even more smoothly, and we look forward to further improving these visa services. We have already filled the available appointments for the second series of visa interviews, to take place March 19–23.

Mr. Chairman, I know that you have also raised concerns over the delay in accrediting the Samoan Consul General resident in American Samoa. My understanding from our Office of Foreign Missions is that it is waiting for the Government of American Samoa to provide documentation that the Consul General was admitted to American Samoa in A-1 (diplomatic) visa status and is being allowed to remain for the duration of his status. Once the State Department receives this confirmation, accreditation can proceed.

#### *Influence of China and Taiwan*

Throughout the region, we remain concerned that competition between *China* and *Taiwan* for recognition by Pacific Island states is undermining good governance. To the extent that the PRC and Taiwan engage in "checkbook diplomacy" to gain favor with Pacific leaders, the political process in those countries will be distorted. We are pressing China, Taiwan, and all donors to use foreign assistance in a manner that enhances transparency and promotes good governance, and we are pleased at signs of progress.

#### *Australia and New Zealand*

The bedrock of our relations in the region remains, of course, our treaty alliance with *Australia*. We simply have no more steadfast partner in the region and in the world today. We work together on a wide range of policy initiatives throughout the world. We coordinate our analyses of the situation in the Pacific and ensure that our policies remain close and generally do not conflict. We cooperated closely on our



responses to the coup in Fiji and to civil unrest in the Solomons and Tonga, as well as on longer-term discussions of how to stabilize democracy and promote prosperity in the region. Australia devotes massive resources to the South Pacific, in terms both of assistance funding and peacekeeping troops. Our tactics are not always the same, but we share the same broad objectives in the region.

While the focus on my presentation is the South Pacific, I do want to acknowledge our close partnership with Australia around the world. Australia has been a key ally in the wars in Iraq and Afghanistan, with Australian troops serving bravely in both conflicts. Australia is also a supporter of our efforts to denuclearize the Korean peninsula, counter terrorist threats, and expand democracy throughout the Pacific, East Asia and the world.

Our other key partner in the South Pacific is *New Zealand*, which remains an important and close friend of the United States. Our two countries share many of the same values and interests around the globe. New Zealand has combat troops in Afghanistan and peacekeeping forces in the Solomon Islands and East Timor. Clearly, New Zealand is dedicated to promoting peace and stability where it can. New Zealand also provides significant assistance to the South Pacific. As a key partner, we coordinate closely with New Zealand on the Pacific, where our goals often coincide.

While New Zealand's anti-nuclear legislation precludes a military alliance, our bilateral relationship is excellent. Both countries recognize each others' policy position and have decided not to let this difference define the entire relationship.

We have close economic ties with New Zealand and are the country's second-largest trading partner after Australia. New Zealand continues to seek a Free Trade Agreement (FTA) with the United States. While we may consider an FTA with New Zealand in the future, we are currently working through our Trade and Investment Framework Agreement to further deepen our economic relationship.

As you know, New Zealand Prime Minister Helen Clark comes to Washington next week for what we expect to be a very successful working visit. She will meet the President, Secretary Rice, Secretary Gates, and a number of other Executive Branch and Congressional leaders. Prime Minister Clark has made clear her personal commitment to improving relations with the United States—a commitment we share. In addition to our common efforts in the South Pacific, we are seeking greater cooperation with New Zealand in a number of areas in which it can offer significant contributions, including nonproliferation, counterterrorism, humanitarian and disaster relief, and peacekeeping. We expect Prime Minister Clark's visit will help further these goals.

In conclusion, let me reiterate that the countries of the Pacific remain important to the United States. While there is always room for improvement, we continue to seek available opportunities to increase our engagement with the leaders and citizens of the Pacific Islands and respond to their concerns. America's involvement in the Pacific remains crucial to our national security, as we are, and will remain, a Pacific power.

Thank you. I would be happy to answer your questions.

Mr. FALEOMAVAEGA. Thank you very much, Mr. Secretary. I will initiate our line of questions, if my distinguished ranking member may have to initiate to start?

Mr. MANZULLO. No, why don't you go ahead?

Mr. FALEOMAVAEGA. Okay, I will start. Okay, thank you.

As you know, Mr. Secretary, one of the areas that I have been very critical of over the years—and this is not a new issue, and please, this does not in any way cast any doubt or shadow on your position now as the Deputy Assistant Secretary having responsibility for this important region. This is just because this is the way it was before you had entered the picture.

My question initially is where are we with the questions of no presence whatsoever of USAID in the Pacific Region? You mentioned that because of budget cuts, and I can understand all of that; we are spending \$10 billion a month in the War in Iraq. But the fact is there is not one penny, nor the presence of USAID, in the Pacific Region.

Is the administration planning to have any change of this policy? And do you think it is justified that we do not have USAID presence in this part of the world?

Mr. DAVIES. Well, let me try to explain, Mr. Chairman. I mean, the truth is there are USAID monies flowing into the Pacific. And I have got some particulars here.

In 1994, when we spent \$18 million on aid in the Pacific, we did have a small presence in Fiji and Papua New Guinea. But then, in the mid-nineties, what the entire government got hit with was a great deal of retrenchment, personnel cuts. USAID started out in 1990 with 3,600, for instance, and by the year 2000 they were down to 2,000 personnel worldwide. So it wasn't just a contraction in the Pacific. Though it hit them quite hard, it happened elsewhere, as well.

But there is money from USAID going into the Pacific through the Pacific Island Disaster Assistance Program, implemented by the Asia Foundation, which works to improve disaster management. There is Regional Development Mission for Asia, or RDMA, which manages a grant to Counterpart International to conserve coral reefs in Fiji. They also fund HIV prevention programs in Papua New Guinea, and they also fund money through the Asia Foundation, they fund support for the Fiji Women's Crisis Center.

So in my testimony I talked about the \$190 million globally, \$150 million of which goes to the compact states. But there is still \$35 million for the rest of the Pacific. Now, if I called the shots and ran the zoo and could have my wishes, it might be more, but that is what we have, given the other constraints that we have worldwide.

Mr. FALEOMAVEGA. Well, one of the concerns that I have, I wish the State Department would not include budgetary allocations given to the Micronesian states, because that comes about by way of treaty agreements and obligations. This has nothing to do with foreign assistance, per se. So I think it is somewhat misleading for the administration to suggest that because we have put out \$190 million or whatever, but this is because of our treaty obligations with the Republic of Palau, the Republic of the Marshall Islands, and also the Republic of the Federated States of Micronesia.

Your response about USAID not having presence, I understand that even the Asia Foundation, the budget has been cut severely for this proposed fiscal year.

So I am not trying to say that we ought to just throw money, that USAID be the instrument of that. But the fact that USAID not so much giving funding, but the fact it is a facilitator, where we have so much resources available that our Government could provide. And I don't think these island nations are asking for \$1 billion a year in assistance, but just the mere presence of USAID in the Pacific Region I think will do wonders.

I realize that some of these island countries, like Papua New Guinea, over 5 million population; then you have the Island Republic of Nauru with less than 15,000 people. But the fact of the matter is it is out there, and it is a republic, and it has even a vote in the United Nations, if you will.

But my point is that I really believe that the sheer presence of USAID in the region will bring about a much different perception. Because I will tell you right now, the perception among the island

nation leaders, the U.S. does not care. Pretty much left it to New Zealand and Australia to take care of the ocean over there and all those little dotted islands that occupies about one-third of the earth's surface.

So I am really concerned that there doesn't seem to be any movement on the part of the administration. At least review the process. At least find out. If not, then maybe we have to introduce legislation to have USAID presence in the region, if we have to do that. But I am concerned that there doesn't seem to be any movement in that direction.

The other question I have concerns the Millennium Account. I have received nothing but criticisms from many of the island nation leaders. Again, they are not asking for handouts, but the restrictions and the way that we made this program in such a way that it just makes it almost impossible for any country, for that matter, to qualify for assistance in this Millennium Account.

If I remember, I think only one country in the whole Pacific Region that now qualifies for the Millennium Account. It is not the Solomon Islands. I believe it was also Vanuatu. But for the rest, they will just have to swim on their own and find out either they cut the mustard, or they just don't qualify for however long.

But I would like to know if the provisions of the Millennium Account are such that it could be helpful to small island countries, as you would say small states, it could be helpful in not only countries in the Caribbean, as I am sure that many countries in other regions of the world.

But I just want to know from you, Mr. Secretary, how the Millennium Account, what is its status as far as the Pacific Region is concerned?

Mr. DAVIES. I am happy to talk to that. And let me just say back on the issue of USAID presence, I mean, obviously USAID continually reviews where it should have a presence. But they do cover that part of the region, regionally.

I mean, what we have had to do in government over the last half-generation or so is, of course, go to much more of this kind of regionalization. It is in effect sometimes when you are in the region itself, it can look as if it is a form of abandonment, I suppose, that you don't have a shingle up on a door that says "USAID." But USAID and the United States Government hasn't walked away from those islands. We still continue to provide those resources.

You are right to make the point about, to differentiate the compact states from the rest of the Pacific, because they do have a qualitatively different relationship with the United States. And that is why I broke it down, the \$190 million, and said, you know, that \$150 million goes to those states and the balance to the rest of the Pacific.

And I am glad you raised MCC, because it is sort of an exciting new area that is changing really kind of the paradigm of how we look at providing assistance around the world.

But the basic problem they face is of course one of resources, because their rationale is to go into a nation with sufficient resources really to make a difference. And so in Vanuatu, their program is valued at \$67 million, which, in a country the size of Vanuatu,

makes a big impact. So the work they are doing there is making a big difference.

There is a long line, it is unfortunate, but a long line of nations around the world who want to be part of this MCC process. And it is not good that we can't help everybody out right away, but I think it is good that what it is doing is it is focusing many of these countries on a need to get their numbers up, improve governance, create more transparency, create opportunities economically for their citizenry. And some of the countries are doing that.

I mean, I just had in my office a couple of days ago the Foreign Minister of the Solomon Islands, Mr. Oti, who was here to talk about MCC. And he went on about how they are working hard to try to improve their government so that they can qualify for MCC. And I think some of the other states are doing the same.

Now, a final comment on that, and I will turn it back over to you. But on MCC, in order to make the program work, they have had to sort of set some parameters about the size of the nations they deal with. And unfortunately, at this stage that makes it hard for some of the smaller states in the Pacific to qualify.

What we are trying to do, and we are working hard with MCC on this, is find ways to start up what we like to think of as a small state initiative. There might be some ways, perhaps even partnering with the New Zealanders and the Australians who provide a lot of aid in that part of the world, and their role there is important, to come up with ways structuring programs so that MCC could be involved. Right now, that is not the case. Right now they are saying there is a long line; these states unfortunately are a bit too small for us to get involved with right now. But we are aggressively investigating whether it wouldn't be possible to open this up to smaller states.

So I can't promise you anything and I don't hold out hope for any great change right away. But I can tell you that people in the Executive Branch are working hard on this, thinking about it, trying to come up with creative ideas. And I am sorry to hear that people in the region think that they have been abandoned by Uncle Sam in this regard, because there are any number of us who are bound and determined to make sure that we are present on the scene and we are helping out.

Mr. FALEOMAVAEGA. You had mentioned earlier that the Prime Minister of New Zealand is going to be coming here to meet with President Bush at the White House, and that the fact that one of the difficult issues that has been pending for all these years is the efforts on the part of the New Zealand Government to try to establish a free trade agreement with our country.

But I think probably the main issue that has been the, I wouldn't say the obstacle or has made a difficult hurdle to overcome, is the fact of New Zealand's current policy of not allowing our ships or our airplanes, military aircraft and military ships, from mooring in their harbors because of fear that we might be carrying nuclear weapons. And as you know, we felt betrayed, during the Reagan administration, when late Prime Minister Elonge enunciated the policy overnight, and just simply said no more of your ships and your planes. And I was kind of like, Well, we are not your friends.

Oh, no, we are your friends, but just don't bring your nuclear weapons—as if we want to carry nuclear weapons around the world.

And let me just share with you the thinking among many of my colleagues and members here, the fact that how do you know who your real friends are? When the chips are down, we are doing the dirty work and carrying these weapons to stabilize the region, keep the sea lanes open for commerce and trade among the nations of the world. And here is a good and dear friend, New Zealand, not allowing us to do this as part of our security, strategic interests, mutual strategic interests in this part of the world.

So I would like to know from you how we are going to be able to overcome this one. I remember meeting recently with the Foreign Minister of New Zealand, Mr. Peters, when this very same issue was raised. And I might say that this is definitely the issue that is going to be very difficult to convince members otherwise.

And I wanted to see what is the administration's policy toward this issue of New Zealand nuclear-free zone, which I am sure that every state in the country, coastal state especially, wouldn't want to be carrying nuclear weapons all over the place; but for the sake of freedom and democracy, I would like to think that we are doing this on behalf of all the democratic countries of the world to keep them free. And if deterrence is not our main, one of our main fundamental foreign policies in keeping—and like I said, this is part of a democracy, and we have to do this in order to maintain or sustain our sense of freedom throughout the world.

But I would like to know from you if this is not one of the main issues that Prime Minister Clark is going to be raising with President Bush. And I assume she will be also meeting with Members of Congress concerning this issue.

Mr. DAVIES. Yes. My understanding is she does want to meet with a wide variety of people in Washington, so she may well be meeting with Members of Congress.

It is what I think most Americans think of when they think of New Zealand, in kind of, how shall I put it, political military terms.

Mr. FALCOMVAEGA. How many ships do they have?

Mr. DAVIES. To sort of flash back—I am not sure.

Mr. FALCOMVAEGA. How big of an army do they have?

Mr. DAVIES. I am not sure how many vessels they have. But let me say a word about New Zealand, because this is important, and it is timely. It is in a sense a good question, because the Prime Minister is coming next week.

That was in 1985 that that happened. And of course, the result of it was pretty sharp and swift on the part of the United States, which was that it changed the alliance. In other words, New Zealand was no longer an ally; and they are not a formal military ally any more. And that remains an important point, the fact that they still have that nuclear ban. It limits the ability to which we can cooperate with them in some respects.

But the development that has occurred these 20-plus years later is, especially in the post-9/11 world, there are other threats out there that have to do with counterterrorism and counterproliferation, and you have got environmental concerns; a number of concerns that maybe weren't so prominent a generation ago have become prominent now. And I am here to tell you New Zealand is

stepping up to doing the right thing on a lot of this, on most of it. They are not a big nation—4 or 5 million people—but they punch above their weight.

They are in Afghanistan. And they are not in it in a symbolic way. They have got real troops doing a really good job in Afghanistan. They are alongside the other members of the Pacific Island Forum and Australian Pacific helping with regional stability. They work with us on counterproliferation, they work with us on counterterrorism. They work on a whole wide variety of things, and they have become—they always were in many respects, but they have become an even better friend on dealing with those types of threats, many of which are new and are very acute right now.

So they remain an important close friend of ours. And a lot of that goes back to the bedrock principles they believe in of democracy, freedom, and peace. These shared beliefs give us the strength and commonality of purpose to work together on a wide variety of fronts, and so we do it. And they are very steadfast, they are very capable, and they have done a great deal especially in the Pacific but around the world.

Mr. FALEOMAVAEGA. But still we are not allowed to bring in our nuclear ships and airplanes.

Mr. DAVIES. That is still the case. That is still the case.

Mr. FALEOMAVAEGA. I am going to give the time now to my distinguished ranking member for his questions.

Mr. MANZULLO. Well, thank you, Mr. Chairman. I have not had the opportunity to visit this area.

Mr. FALEOMAVAEGA. We will visit.

Mr. MANZULLO. We will? Make sure it is cold here when we do that.

Ms. WATSON. [Away from microphone.]

Mr. FALEOMAVAEGA. Yes.

Mr. MANZULLO. That is right. You were Ambassador on that occasion, weren't you?

Mr. FALEOMAVAEGA. Absolutely.

Mr. MANZULLO. Well, you guys have an up on this and you understand the issue very well.

Mr. DAVIES. That is quite all right. Am I allowed to call you Madame Ambassador? Because that is what I am trained to do.

Mr. MANZULLO. That is correct. My question deals with the influence of China on the islands, not counting New Zealand and Australia. If you could give me a scenario as to what is going on. I understand there is some kind of a bidding war with Taiwan and the PRC, and also with Japan pumping money in. Economically, where is that money going, to the best of your knowledge? And politically, what does this mean?

Mr. DAVIES. Right. That is a great question, and I haven't heard it called a bidding war, but that is not bad. I mean, a lot of the pundits at that part of the world call it checkbook diplomacy, that Taiwan and the PRC kind of go head to head to try to essentially buy recognition from these states. And I think that is a little simplistic. I mean, sometimes I suppose that is what they are up to. In some countries, perhaps that is mainly what they are up to.

But they are also doing some good things. I mean, they are involved in development of work. Mr. Chairman, you were just down

in Tonga, and you saw what they are doing to help rebuild the Nuku'aloga, the capitol that was hit by some very destructive riots within the last year, and 80 percent of that capitol city got burned down. And the Chinese are in there helping to rebuild some of that infrastructure.

But it is important to make the point that you alluded to, which is that there is a negative impact to this competition between China and Taiwan, mostly for recognition in that part of the world. And so what are we doing about it? I mean, we are talking about it, but we are doing more than that.

We are also working with China, and on the other hand with Taiwan, and with other donors. And we have done this for the first time just in the last year, when Chris Hill went down to Nadi to the Post-Forum Dialogue in Fiji of the Pacific Island Forum.

We are getting donors together, and we are talking about our priorities and what we are doing in the region. So we are not just sort of leaving it to chance and to happenstance and bilateral relations to talk about these issues. And with China and Taiwan, what we are saying to them is a consistent message that we would like to see them use their foreign assistance in a manner that promotes good governance and the rule of law. And our watchwords are responsibility, accountability, transparency.

Mr. MANZULLO. You have given some broad and laudable guidelines. Those should be the basis of any type of assistance. But what is the issue here? Is it security? Unless there is some great mineral depot there that I am not aware of, I am just trying to—

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. MANZULLO. Yes. Some of it is resources.

Mr. FALEOMAVAEGA. I just want to note with interest that this little island nation, the Cook Islands, it is about 3 million square miles of ocean, about 20,000 people. But it contains in its seabed, seabed—I think it was a Norwegian company that did a feasibility study to find out how much manganese nodules are located within the jurisdictional boundaries of this little island nation, the Cook Islands.

Manganese nodules contain cobalt, manganese, copper, lead, nickel. And these nodules are some way a work of nature at the bottom of the seabed; coagulates, and becomes somewhat of a semi-organism.

But anyway, the bottom line, it is estimated in the Cook Islands alone, the worth of manganese nodules there, if they can be harvested, is well over \$200 billion. And that is just the Cook Islands. All over the Pacific Region are cobalt mounds. These are what are known as precious metals. And someday when they become no longer available readily, it is going to become a very, very valuable commodity in the years to come.

And I have always said that over the years, small as these island nations may be, but the contents of the seabed minerals that are contained in the oceans in the Pacific is a tremendous potential for economic development.

Mr. DAVIES. That is exactly right.

Mr. MANZULLO. Maybe I could ask both of you the same question at the same time, then. Is there investment going on in that—

Mr. DAVIES. Sure, yes. It is a good question, because there is a bounty in that part of the world, no question about it. It is potentially quite rich: \$2 billion worth of tuna annually are pulled out of those waters, roughly speaking. There are precious woods, there are agricultural commodities, and there is access for what are growing entrepreneurial business communities, certainly out of the PRC, but also out of Taiwan.

So the competition is not just for who will recognize diplomatically Taiwan or the PRC. It is also they are a walking point for their business communities.

Mr. MANZULLO. Well, plus—if I could interrupt—there is a worldwide shortage of copper. And it is just incredible that you can't get copper scrap. Well, you can, but you have to pay a premium on it.

Mr. DAVIES. Yes, for copper.

Mr. FALEOMAVAEGA. Again, if the gentleman would yield.

Mr. MANZULLO. Of course.

Mr. FALEOMAVAEGA. This little place called West Papua New Guinea currently has the largest gold-mining operation in the world, is in West Papua New Guinea. And the second-largest copper-mining operation in the world is in West Papua New Guinea, owned by an American company, and I think also some part ownership with Australian mining interests. It is the Freeport Company from the State of Louisiana.

Mr. DAVIES. So it is a rich part of the world, and the resources is a big part of it. I mean, China is growing in double-digit terms every year. They are looking for all of these resources. They are getting a lot of them from Australia, but they are also looking in that part of the world. And Taiwan has got a fishing fleet that is quite active, along with the Japanese. They pull a lot of protein out of that part of the world.

So there is a lot of stuff mixed up together that equals this sort of competition. I think at bottom, especially for Taiwan, a lot of it is about just recognition, states that will recognize Taiwan. And I think Madame Ambassador knows a bit about this from her service out there.

So all this stuff is mixed up together. And so what we are saying to them is, look, we ought to try to agree on some rules of the road here in terms of when we interact with these states, and we help them out or work with them, to try to create better governance and try to create economic opportunity, and sort of all the rest of it. And we just fall back on first principles, which I mentioned, that you have got to be transparent. If you are going to give money, please indicate who you are giving it to, and why. Account for it. Be responsible in your giving. Rather than just handing out satchels full of money—

Mr. MANZULLO. I don't think that—perhaps it is a naive statement, but foreign countries make investments expecting some kind of a return. And the return is either because of geographical position, for security, or it is for some precious commodities. You don't go around nowadays—not me and you, but people don't go around nowadays with a satchel full of money buying favors.

Mr. DAVIES. They do in the Pacific, Congressman.

Ms. WATSON. I am here to tell you they do.

Mr. MANZULLO. In terms of investments from companies.



Mr. DAVIES. No, you are absolutely right, you are absolutely right.

Mr. MANZULLO. There was just an article today about a banana company that got in trouble in Central America by making payments they thought were just ordinary, just the ordinary cost of doing business. And they found out that it was illegal, and they, themselves, reported to the Justice Department that it was wrong doing it. There was not even an investigation going on at the time.

I am always interested in seeing investments made by the Chinese. There is a lot of money going into Canada. China is also on just a little bit of the bonds in this country, because of the tremendous surplus.

Mr. DAVIES. Right.

Mr. MANZULLO. My questions have been answered about in terms of those minerals. I have got a meeting in my office with an Ambassador whose country is affected by our committee. So either I stay here and ignore the Ambassador, or leave here, take care of the Ambassador, and tell him what happened here.

So, with your permission, Mr. Chairman, I would like to leave. And I thank you for your testimony very much.

Mr. DAVIES. Thank you.

Mr. MANZULLO. I really would like to get some more information on those seabeds. Thank you.

Mr. FALEOMAVAEGA. I would like to turn the time over to Ambassador Watson if she has an opening statement, as well as any questions.

Ms. WATSON. Yes. I want to thank Chairman Faleomavaega for holding today's hearing. It is long overdue. And both of us know this area of the world very, very well, and it tends to be neglected. So thank you, Mr. Chairman, for focusing attention on this most important region of the world.

We have collaborated together in the past. We have gone down to the area. And I hope that under his leadership we will be able to go again.

And I also want to thank you, Secretary Davies, for coming before and updating us, I hope. It was my observation, when I was at mission, that United States, in its compact, took over the cost of governance in the Federated States of Micronesia. But the oversight was really missing, because I don't think that our State Department took much time. It was my job to take the time, look at how our programs were being implemented, how they were functioning, and how their governance was being carried out. They had a 16-person, let us just call it a Parliament.

Mr. DAVIES. Right.

Ms. WATSON. I just have to say this. So much of our grants were pocketed. And my instructions as the Ambassador was to be sure that we were using the funds, that they were using the funds properly. I raised the issues, and they were not needed. I would come back here, and so on and so on.

So we have a real problem with oversight and the attention of our State Department. The Ambassadors rotate through those islands on a rapid scale, and the follow-up from one to the other sometimes gets lost.

Mr. DAVIES. Right.

Ms. WATSON. So I kept telling the government there, the Federated States, that when we start to renegotiate the compact, which was 15 to 20 years old at the time, these programs that we looked at and how the monies were being used. Well, I left. The compact was renegotiated, and the behavior continued.

In the 15 years under the compact, their economy had only risen by 2 percent. We brought to them many opportunities, but you know what I ran into? And I have made this argument in relationship with our being in the Middle East now. It is such a difference in culture; it is such a difference in the way they think and their customs and traditions.

And if we say you have to adhere, for instance, to the PELL grants and the requirements that you are in school for 180 days, that means nothing, because the land marquis, and these are the high priests who run the villages, require you to be at a funeral and to attend activities for 4 days. And so everyone is out, the professors, the instructors, and the students.

So these are technicalities, but they go to the culture of the countries where we place our dollars. And I don't know if we can get them to adhere to our requirements. And I had this discussion right here in Washington. And I warned them. I said, if you don't give me an education program, running provisions, you are going to have to account for where those dollars are. Well, they were in this other guy's bank account.

So this is the reality of it. And my question to you is, how are we—and not only the Federated States, the Marshalls, all of the FAS—how are we doing? And are we allowing for some kind of coming together what we expect for the funds we give, and how they use those funds? Are they going to allow tradition to take over and disregard what we require of any state?

And these are really issues that we are going to have to a long debate on. And I don't want to take the time here; I am just throwing this out to you. How can we really help them in an efficient and effective way, and have we done better?

Two of us sat in on the hearings that they had in the islands of Anawetock and the areas where we tested the atomic bombs. And people were coming in, third and fourth generation, with mutations from that. And I understand now that they are suing us.

But I am just saying that we cannot neglect if we are going to help. And if we are going to fund, we really cannot neglect the North and the South Pacific.

Mr. DAVIES. No, it is a great question. I don't know that I can put your mind totally at rest that we have got solutions to it.

I think as a general proposition, I mean, the challenge in the compact states, of course, the State Department is very much twinned with or working with Interior, which has the lead in administering many of those programs from the standpoint of the United States Government.

And what we are trying to do from the State Department end is work more closely with them. And to the extent we can kind of bring our, you know, call it diplomatic weight to bear, we are trying to assist through our ambassadors, through the work we do back here in Washington, in this sort of ongoing, slightly never-

ending process of helping transition these traditional societies to a place where they can responsibly handle these funds.

And it is a day-to-day job. It is something that Interior in the lead, and us in close support, have to keep at. We have had just in recent months further scandals with some of these monies paid out, unaccounted for, as you said. You were familiar with this from first hand. I have been out to all three of the compact states, and I have talked to the leadership out there about it. They are very aware of it.

I do have to say that I get a sense—and I shouldn't be having senses, I suppose, in Congressional hearings because you want facts, you want assurances—but I did get the sense that they have elites out there in that part of the world who have a lot of talent. I mean, these are people who, some of them have served at the United States military, and they have come back, and they have taken up jobs as police chiefs or delegates in their Parliament or other positions in government. They care, they get it, and they are trying, these types of folks. And you met some of them I am sure when you were there.

And so what we need to do is get the point, get to that tipping point, where those types of folks who sort of understand these Western, green eyeshade ways of operating are able to step in and help out.

Ms. WATSON. Well, let me just kind of put a bottom line on it. We have to decide how we want to relate under the compact to them. Will we let these traditional societies to continue? Or are we going to demand we see a progress that is real?

And there is a big gap. And Eni can tell you that there is a big gap between where we want them to be at this point, what we invest, and where they really are. A big gap.

Mr. DAVIES. No, that is exactly right. But nobody is trying to change their traditional societies to take away from them what they have, which is—

Ms. WATSON. See, the focus should be on us. What is it that we expect, and how can we help?

Mr. DAVIES. Right, right, right. Well, I think the one-word answer is balance. I think we are seeking sort of balance, so that we are not tearing down traditional societies that provide them with a great deal. They have attributes as societies that really give them certain strengths that are quite admirable, in terms of their family structures, in terms of, in some respects, their landownership, all the rest of it.

But at the same time, as the, in this case, donor nation for many of these programs, we demand of them, we require of them that they give a full accounting, and are transparent, and do not turn some of these funds aside into these illegal uses.

And my sense is, I mean, I have been on this beat now for a little over 6 months, but my sense is that they are doing better. They are not out of the woods, there is a long way to go, but they are doing better. Interior is being a little more—being a lot more, I think, cognizant of all of this, and they are working very hard in recent years to help train and work with some of the officials at the state level and in the national level in these nations to help them deal with these challenges.

Because at the end of the day, what is important is making sure that that money gets into the school, gets into the hospitals, gets into the infrastructure, and helps these societies have the tools that they need in order to progress.

Ms. WATSON. Let me say two things in response, then I will turn it back to you, Mr. Chairman.

Number one, the rule of law—and we need another conference on the rule of law. And we need to help them understand what the rule of law is all about, definitely.

And the other thing is, I watched China go into those islands with a project. They form their own community; they bring their own resources, their workers. They do a project, and they are gone.

Mr. DAVIES. Right.

Ms. WATSON. So they are spreading goodwill, tangible, throughout those islands. So we have got to recognize the influence. So you would want them to come in, because they come in giving gifts, leaving something that you can use.

So it is not competition I am talking about, but it is how do we relate to bring them into this new millennium in a very positive way? So they can improve their quality of life across the board.

Mr. DAVIES. Those are good points. And I will take back your suggestion about a conference on rule of law. That is very interesting. Thank you.

Mr. FALEOMAVAEGA. Thank you. I wanted to go back again to the question of the upcoming visit of Prime Minister Clark to Washington, DC. And I still am not clear what exactly is the administration's position on the nuclear issue that New Zealand has advocated for the last 20 years. And will that have a bearing on the current negotiations, if there are any negotiations relating to the free trade agreement between the United States and New Zealand?

Mr. DAVIES. Right, good. No, let me talk a little more in a pointed way about that.

I guess to answer your last question first, the nuclear issue, that is there, and will remain for the foreseeable future for our two countries. It doesn't really have any bearing on an FTA, free trade agreement.

We judge whether or not we go into negotiating a free trade agreement based on whether it is in our economic interest to do it. And of course, the nuclear issue is very much a strategic political and military issue that relates to our access to ports. And as you put it, this issue of freedom of navigation.

I don't think it is going to loom large during the Prime Minister's visit, because it is there, and it will always be there as long as they maintain their anti-nuclear legislation, it will be there. And it will always constrain the degree of cooperation we can engage in with New Zealand.

Mr. FALEOMAVAEGA. Are there negotiations going on right now concerning free trade agreement?

Mr. DAVIES. There are not. There are not.

Mr. FALEOMAVAEGA. There is nothing.

Mr. DAVIES. There are not yet negotiations.

Mr. FALEOMAVAEGA. So we have not yet even started phase one.

Mr. DAVIES. Well, we have, in a sense. We haven't started formal negotiations, but we have started a series of talks with them about our two economics and how they—

Mr. FALEOMAVAEGA. But the administration has not selected anybody officially to say—

Mr. DAVIES. Exactly, Mr. Chairman. We have it said they are next in line.

Mr. FALEOMAVAEGA. So we haven't even gone to first base as far as anything dealing with it.

Mr. DAVIES. Correct, correct. So that is a question perhaps for later. But I can tell you right now that the position of the administration is that the nuclear question doesn't relate to that. I mean, we are not going to, the way it is sometimes put by commentators in New Zealand, punish New Zealand on the trade and economic front because of the nuclear issue.

Mr. FALEOMAVAEGA. Well, I can tell you right now there are very strong feelings among Members of Congress. The nuclear issue with New Zealand is definitely connected to the FTA. So if there is any questions about what this is going to be, even though you may suggest that there is no connection, but as far as Members of the Congress and I am aware of, there definitely is a connection. And I just wanted to share that with you.

Going back to what was stated earlier about the checkbook diplomacy that China is currently doing in the Pacific Region, is it any different from us carrying \$20 billion in cash to Iraq and dishing it out to all the Iraqi people as means of our way of winning the hearts and minds of the people in Iraq? Would you consider that a real checkbook diplomacy? A cash book diplomacy, \$10 billion in cash.

Mr. DAVIES. I am lucky, because I get up every morning and I worry about the Pacific. I don't worry about Iraq, and I don't work on Iraq.

Mr. FALEOMAVAEGA. Well, I just want to make sure we have an understanding. When we put the finger on China saying it is checkbook diplomacy, and yet we are just as bad off, if not worse.

Mr. DAVIES. Well, again on China, we are not saying that China's provision of aid is necessarily a bad thing. They do some good things. Same with Taiwan. What we are talking about is the need for transparency.

The point you make about Iraq, I am a trained bureaucrat, Mr. Chairman, and we are always told never compare apples to oranges, so I am not going to get into that. And I am not qualified; I don't know enough about what is happening to Iraq to characterize that. I think that is an exaggeration on your part, but—

Mr. FALEOMAVAEGA. My friend from Illinois did raise the issue again about China's presence in the Pacific. And there seems to be some concern, as I have talked to some of our State Department officials, thinking that this is one way that China is trying to win the hearts and minds of the Pacific island countries, by providing assistance.

And you know what I tell the Chinese officials? If you can do it, why not? If you have the capability and you have the capacity to give assistance to these islands, since we can't afford it, since we don't have the money, since we are so restrictive in our budgetary

allocations every year that we just don't have enough money to spread around to these small island countries.

But a poor country like China has the capacity to do this.

Mr. DAVIES. Can I make one comment, Mr. Chairman? I mean, China's spending more money in that part of the world I think than the United States—I can't give you figures, but I will take that on faith—but there is a difference to how we approach the Pacific that I think is important. It is qualitative, and it has to do with the types of values that we bring to the table, the way we do what we do, the degree of respect that we have for Pacific islanders when we deal with them.

And I think that comes across. I mean, you have said that Pacific islanders, that many of them think that we have kind of turned tail and run from the Pacific. I am here to tell you that is not the case; we haven't. We are present there. We have relationships with those countries. We get down there, we are interested in their views. We appreciate their solidarity on global issues and at the United Nations and elsewhere. And I think that that is important.

And I think, again, the values we bring, the transparency we bring, our attachment to the rule of law—I mean, I think those island leaders and their people are aware enough of what goes in the world, in this globalized world, that they know what it is America stands for. And I think that that counts for something.

Mr. FALEOMAVAEGA. If there is one phrase that I want you, Secretary Davies, to carry back to Secretary Rice and all the members of the State Department; if there is one phrase that comes out so clear in terms of our policy toward this region of the world for all these years, it has been our neglect. For all the greatness that we demonstrate and give to the world as a shining example of democracy, and all that we try to do to overcome poverty, and all this and that, this is how we are being described not only by leaders of the Pacific Region, but other countries as well, which is simply the U.S. just does not have the time to really give assistance to these nations.

And I don't mean that we ought to just throw money at them. Like I said, it would have been a wonderful thing if the two additional staffers that you are going to be sending to Fiji, why couldn't they start as the beginning of USAID? They could be the resource, where USAID could be the conduit where so many resources and programs that are available both to the public, as well as the private sector, to give assistance to these countries? Who knows, it may be an agricultural specialist from the USDA? Or maybe someone from the Commerce Department that has the expertise?

I mean, we have in our capacity so much that we could offer. But the sheer fact that there is no institution that really relates on how we can make the connections. And I must say that I am extremely disappointed that this has been the situation for all these years, as far as our relationship with the island nations has been.

And here again, this is not a personal attack on you, Secretary Davies. I am just saying this is how it has been. And I sincerely hope that in your efforts, as well as Assistant Secretary Christopher Hill, that we start addressing the serious needs of these countries.

Now, you mentioned that New Zealand and Australia have been great contributors to the needs of these island nations. Well, it is also because they are the biggest exporters of their commodities to the Pacific Region. Australia alone exports over \$1 billion worth of goods and services to the Pacific Region, and maybe a foreign assistance program of \$100 million, maybe. So what is \$100 million when you are getting a \$900 million trade surplus in terms of your economic interests in this area?

For us, we don't have any economic interests, other than it is basically strategic and military. The only reason why we have this relationship with the Micronesian entities, again, it is strategic and military; it is not because of humanity or because we have tremendous love for the people of Micronesia.

And I express this concern because I never seem to really get a real, just as it was mentioned earlier by my colleague, Ms. Watson, the fact that we have given a tremendous amount of assistance to the Micronesian entities, not realizing that these entities, at least 60 to 70 years behind it, any sense of progress. Not even having roads, or even hospitals, or the basic infrastructure that they lack.

And yet we had an expectation of them that they were to become up to par with the standards and the expectations that we have here as a country. And this has caused a lot of headaches and frustrations of the Micronesian leaders, is to measure up to what, as Ms. Watson expressed a concern earlier, it is the same thing with the Millennium Account.

Here we are on top. These are our standards. And if these Third World countries can't cut mustard by meeting our expectations, tough luck. You can't get our help. Because as long as they are down there and we are up there. This is where I am concerned.

Why can't we work out some kind of a program to help these island—not just these island nations, but Third World nations—to lift them up, bring them up to the level that we have an expectation as a transparent country? But that can't even be done because they are down there. And I am just concerned that this is the same situation that we find ourselves in dealing with these island countries.

Mr. DAVIES. If I could just say a word about that.

Mr. FALCOMVAEGA. Please, by all means.

Mr. DAVIES. I mean, I am not an expert on the provision of assistance, I am not an AID officer. But my understanding is that of course for the post-war period, we disbursed an awful lot of aid. And I think one of the lessons learned of, we will call it the Cold War period, is that unless you really require of a recipient certain standards, very often the money doesn't hit the mark, and the money doesn't create the kind of development that you want. And that is the basic philosophy, as I understand it, behind the MCC.

And so by saying to these countries look, it takes two to Tango; we could give you bags of money, but we don't think that it is going to help you as much as if you had certain standards of transparency and rule of law and attachments to the rights of people and so forth. You need that in order for this money to begin to make a difference, and that is why the MCC has these requirements.

And I think it is a good way to proceed. The early evidence is that it is working.

Let me say a word about Australia, because, I mean, you talked about Australia being engaged in those islands only because it exports things. I think it is more than that. I mean, I think many of these islands' populations, they know Australia, they have countrymen who live in Australia or New Zealand. And so Australia is not simply doing it I think in order to keep markets. I don't think that is what it is all about. They are doing it because they recognize the importance in their neighborhood of helping other nations achieve a measure of development and quality of life, so that problems don't develop there, and so that they can be an even better market.

Because sort of coming back to what you said, Mr. Chairman, what is wrong with making a buck? And what is wrong with selling things and engaging in commerce with countries? It can be a great engine of development and growth. So I think that is all to the good.

And I am not an expert on Australia's provision of aid, but it is far more than \$100 million. I think in Papua New Guinea alone it is something like \$300 million a year Australian. And I know in Ramsi, in the Solomons, it is several hundreds of millions. So the Australians are paying out a lot of money in assistance.

And one final point which, coming back to what you said originally about AID being present in the region. Interesting you should sort of put it that way in terms of these two new people we have dispatched down to Suva. One of them, who is our regional science officer, today is in Port Vila, I believe, if I have it right. And he is there to participate in talks about this new Western and Central Pacific Tuna Treaty, and implementing that.

So to some extent, while it is not going to be everything that the man does every day, he will be involved in development work with a capital D, if you will, in that part of the world. Even though he is not there representing AID, he is there representing the State Department.

So some of this new talent that we have dispatched to that part of the world will be doing programmatic work that we hope will have a developmental impact.

Mr. FALEOMAVEGA. Well, now that you mentioned Australia, there was a recent account of their Prime Minister Howard making a comment about one of our Presidential candidates I thought was not only inappropriate, but putting it right in the heart of the matter of his opinion about Senator Obama and his stance on this terrible mess that we have created in the Middle East and Iraq, if you will.

And I have a little message to Prime Minister Howard, if he is so taken by the idea that we ought to promote democracy, like our President, and then to take soldiers all the way around the other side of the world to help the Iraqis promote their democracy. And yet right in our own backyard, West Papua New Guinea continues to be subjected to some real, real serious problems that we have had. A true colony, really, a former colony of the Dutch and now a colony of the Indonesian Government.



And so we talk so much about democracy, and here you have 900,000 West Papuans who are clinging to their lives, and hopefully some day that they will have the same opportunity as East Timor, to have their right of self-determination that was denied them by the United Nations, as well as by our own country, as well as other countries in the region. And I think Australia is the lead country that seems to not in any way try to be helpful to the pleadings of these people that live in West Papua.

So yes, we could make comparisons in terms of just a perspective in terms of how I perceive that these things are not going too well.

Mr. DAVIES. Can I say a real quick word about that, if it is okay? On Australia, of course, it is true that they dispatched forces to fight alongside the United States in Iraq and Afghanistan to try to help bring about democratic change and development there, and for that we are extremely grateful.

But they are also very active in the Pacific. Most of what they do in the Pacific, of course, they do because they are invited into countries like the Solomon Islands, where they lead the Ramsi contingent. They work very closely with the government in Papua New Guinea and do a great deal of development work there. In East Timor they are active. They went into Tonga after the recent riots there. So the Australians are very active, and very positively active, in the Pacific.

On Papua, you know that we recognize Papua as an integral part of Indonesia, and at the same time support full and effective implementation of what is called the Special Autonomy Law. And we regularly advocate with the government in Jakarta, the Indonesian Government, to improve the welfare of the Papuan people. And we see some strong signs that President Yudhoyono has made positive moves toward solving the province's problems. And in light of his resounding success in promoting peace in Acha, we believe that, given time, he can achieve a more equitable and prosperous Papua, as well.

Mr. FALEOMAVAEGA. Well, we could go on for another 3 hours and talk about West Papua, Mr. Secretary, but we will just leave it there.

I think basically in our dialogue—and here again, I really appreciate your making the time to come and meet with the members of the committee, and also to look into some of the issues affecting our Pacific Region.

I just want to say that I do have some very serious concerns about the upcoming meetings of our Pacific island leaders coming up in the month of May. I just want to say that if there is no opportunity for these heads of government to meet with the President, and that would be my strongest recommendation, they should not come to Washington, DC. Because it will be an embarrassment, not only for our own Government, but as well as for the heads of these governments from the island countries.

And the reason for my saying this, if it is possible for President Chirac and Prime Minister Koizumi and President Chuntao to have summit meetings with these island nations' leaders, and yet when they come here we don't even give them that same courtesy, then I think we are really in a bad situation. And that will add even

more, I don't know what better term, I am still learning the English language, to describe how I feel about this here.

But I do want to say that I am hopeful, sincerely hopeful, that we will have a constructive dialogue in making sure that these island leaders will be properly treated, with the same proper protocol as they have been given by the leaders of other nations.

Mr. DAVIES. I will take that back.

Mr. FALEOMAVAEGA. Please do.

Mr. DAVIES. You know that the President did meet with them in his first term, in Honolulu, a very successful meeting, number one.

Number two, I think there is a great deal of value to having the leaders here. Not least for whatever Congressional program that you are able to come up with, but also because it is an opportunity. I mean, this really is the East-West Center's meeting. We, the State Department, have come alongside them, and they have been kind enough to let us work with them on it and provide the State Department as a venue for it.

And a third point I would make is that we are not at the month of May yet. The schedule is not complete, and many of us are still working on it. So thank you.

Mr. FALEOMAVAEGA. Mr. Secretary, I really want to thank you again. I think the other members are pretty tied up; they were not able to make it. But don't let the lack of membership here in the committee throw you off in the sense that maybe other members have no interest in Asia Pacific issues. I suppose more on Asian issues, but when it comes to Pacific issues, it seems that Ambassador Watson and I do take a very personal interest in it because of our own experiences.

And with that, Mr. Secretary, again, I thank you.

Mr. DAVIES. Thank you.

Mr. FALEOMAVAEGA. And I look forward to having another hearing in the near future. Thank you.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

