

FOREIGN ASSISTANCE OVERSIGHT (PART I)

HEARING
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

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MARCH 26, 2003
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FOREIGN ASSISTANCE OVERSIGHT (PART I)

WEDNESDAY, MARCH 26, 2003

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m. in room S-116, The Capitol, Hon. Richard G. Lugar (chairman of the committee), presiding.

Present: Senators Lugar, Hagel, Brownback, Chafee, Alexander, Coleman, Boxer, and Bill Nelson.

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order. We are very pleased to initiate our hearings today in preparation for foreign assistance authorization, and it is the pleasure of the committee to move sector by sector so that there are opportunities for State Department leadership to give objectives, goals and specifics that ought to be part of our legislation. We take seriously the authorization process, as these hearings are evidence, and we appreciate very much your willingness to come to testify.

It is a pleasure to welcome Assistant Secretaries of State William Burns, Christina Rocca, and James Kelly, who will all appear in the course of this morning, as well as USAID Assistant Administrator Wendy Chamberlin, to our committee. We look forward to your testimony and to our discussion of the role that U.S. foreign assistance can play in three strategic areas of the world, the Near East, South Asia, and East Asia.

Since the mid-1980s, Congress has not fulfilled its responsibility to pass a Foreign Assistance Authorization Act. As I make that statement, I said Congress. From time to time this committee has acted, sometimes the Senate as a whole, sometimes the other body, but we have not been successful in forwarding our efforts in conference or producing legislation that the President would sign, and so we hope to forge a different path this year, in 2003.

In the absence of such legislation, the job of providing guidance on foreign assistance has fallen to the Appropriations Committees, House and Senate. I am hopeful that our committee will work together during the coming months to pass a thoughtful foreign assistance authorization bill that carefully examines existing programs and addresses emerging needs.

We appreciated very much the testimony of the Secretary of State last month on the administration's request to fund the Department's domestic and overseas operations. Understandably, many questions at that hearing focused on broader United States policy toward Iraq and North Korea. Today, we will probe foreign

assistance programs in much greater detail. In the midst of the current conflict, we hope to learn how the administration's fiscal year 2004 budget request will support U.S. foreign policy interests, including a successful foreign assistance strategy for post-war Iraq.

We also must probe how foreign assistance should support efforts to reconstruct Afghanistan, to mitigate the threat of weapons of mass destruction on the Korean Peninsula, to bolster our public diplomacy, and to ensure the security of Americans who travel overseas, including those who serve in our embassies.

Today is the first of two hearings the committee will hold in advance of our deliberations on reauthorizing foreign assistance. I am very pleased that Senator Chafee has agreed to lead the first two segments of our discussion with the very capable ranking member, Senator Boxer, and they will listen to you address foreign assistance for the Near East and South Asia. As the subcommittee chairman for Near Eastern and South Asian Affairs, Senator Chafee has the responsibility for these two regions. Senator Brownback, our East Asian and Pacific Affairs Subcommittee chairman, had an unavoidable conflict this morning, so I will preside over the third panel so that we will have continuity in our hearings this morning.

I am going to turn the meeting over to my distinguished colleague, Senator Chafee, with first of all a wish that he has a happy birthday. This is, in fact, for those of you who have not already read Roll Call and other distinguished publications, Senator Chafee's fiftieth birthday, so he is beginning the day with very productive and wonderful labors on behalf of the public service of this country.

And likewise, I am indebted to Senator Boxer. She is constant in these subcommittee hearings either as chairman of the subcommittee or as distinguished ranking member, and has a profound and long interest in the areas that are going to be discussed this morning.

So I turn the gavel over to you, Senator Chafee, with best wishes, and as these two panels conclude I will return and conduct the third part of our session. I think we will not have rollcall votes, as I am advised, for the moment until 11:30. The Senate is due, as I understand, to come in at 10:30, so that is a blessed relief, at least for a couple of hours, which we will try to use productively, and then probably during the session that I am chairing we may be interrupted. Hopefully all of you will understand our predicament, but we will go in sections between votes until we can conclude our hearings.

[The opening statement of Senator Lugar follows:]

OPENING STATEMENT OF SENATOR RICHARD G. LUGAR

It is a pleasure to welcome Assistant Secretaries of State William Burns, Christina Rocca, and James Kelly, as well as USAID Assistant Administrator Wendy Chamberlin to the committee. We look forward to your testimony and to our discussion of the role that U.S. foreign assistance can play in three strategic regions of the world: the Near East, South Asia, and East Asia.

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The CHAIRMAN. I turn the chair over to my colleague.

HEARING SEGMENT I.—NEAR EAST AND SOUTH ASIA

Senator CHAFEE [presiding]. Thank you, Mr. Chairman. I appreciate you holding these timely hearings. Let me welcome our distinguished witnesses from the State Department and USAID. Today, the Foreign Relations Committee meets to take testimony on the President's fiscal year 2004 budget request for foreign assistance.

I will chair this hearing for the first two sets of panels, the first focusing on the Near East region and the second on South Asia, and as the chairman mentioned, we could have rollcall votes later, so although there are so many issues to cover, this one particularly is on the foreign assistance, and we will try and stick to that just for the sake of time, I hope, in our questioning.

There are so many issues I hope we can invite you back at another time to cover many of the other issues that are of importance. I do note that the commitment we are making to the Near East is over the last 3 years fairly static, and so there are many questions associated directly with our foreign assistance, based on all of the challenges we have in the region, and to see the foreign assistance over the last 3 years remain—from \$5.5 billion, \$5.4 billion, \$5.5 billion roughly—you can argue very, very static, and I know you are making a commitment to the Middle East Partnership Initiative, and we look forward to hearing your testimony on that, so I will turn any further statements over to Senator Boxer.

Senator BOXER. Senator, thank you so much. This is the second subcommittee hearing on which we held the titles of chairman and ranking member. Outside of the fact that I would like to see it reversed, there is nothing I love better than working with you, and I know that we will make some progress.

Clearly, this hearing is coming at a challenging time, and—as we finish the first week of the war in Iraq. I have believed clearly that once the war started I wanted us to have a much broader coalition, I wanted us to go through the United Nations, I mean, there is no secret about that, but here we are, so we need to show unqualified support for our troops and also for the innocent people who have suffered over these many years under Saddam Hussein and who will suffer because of the wartime situation.

I hope you will touch on, although we are looking at a broader category of issues, the humanitarian situation there; what are we facing in terms of getting aid—I understand Hussein’s government is not making it all that easy for us, I would like to know from you.

I know the President’s supplemental does provide \$2.4 billion for relief and reconstruction for Iraq, but there are no additional funds in the fiscal year 2004 budget for Iraqi reconstruction. I am confused about that. Do we expect that other nations will pick up the tab for that? I have the list of the coalition forces, and I have been asking for a long time which of those 40 nations will be contributing hard dollars to help us in reconstruction. I would like you to clear that up. Do we expect to be completed, I mean, after the supplemental, is that it, or will we need more funds, so the rebuilding of Iraq is important. We know in the last gulf war that other nations picked up 88 percent of the costs there, so I am interested to see where we are going.

I want to express my support of the additional aid to Israel and Egypt that is in the supplemental request. I support the aid to Turkey as well, but that is in a different area of the world than we are talking about here. I think it is important, because I think that the war has extracted great cost to both of those nations in terms of their tourism business, their economy in general, and clearly the security of Israel and what they have had to do to prepare, so also I know we need to turn our attention to the peace process, and the President has been very, I think, strong in terms of what the Palestinians need to do in order for that process to move forward. I think we are starting to see certainly some good changes there in terms of the leadership, so I would love to hear your perspective on that.

But again, Mr. Chairman, as I look over the countries that we are responsible for—quote-unquote, responsible for—it is an extraordinary challenge for us, and I think we are going to need to work hard and stay close, and hopefully be united, because if we can be bipartisan on this subcommittee and on the full committee, I just think we are going to be doing the right thing for our country, and I know if anyone can make that happen, it is you, so thank you very much.

Senator CHAFEE. Thank you, Senator Boxer. Senator Hagel, do you have any statement?

Senator HAGEL. No, Mr. Chairman, thank you.

Senator CHAFEE. Assistant Secretary Burns.

STATEMENT OF HON. WILLIAM J. BURNS, ASSISTANT SECRETARY OF STATE, NEAR EASTERN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador BURNS. Thank you very much, Mr. Chairman. First, happy birthday again. Second, with your permission I will submit a longer written statement and just briefly summarize my statement at the outset.

Senator CHAFEE. Without objection.

Ambassador BURNS. Mr. Chairman, as we meet today, American and coalition forces are closing in on Baghdad. The demise of Saddam Hussein’s regime will end a dark chapter in the region’s history. Iraq’s liberation will bring new hope to the Iraqi people and

eliminate a significant WMD threat to the United States and our allies, but as the Iraq regime falls we face a new challenge, helping the Iraqi people to build a peaceful and prosperous nation that serves its people's interests.

The \$2.4 billion supplemental budget request you have just received for Iraq reconstruction and relief is a clear signal of the seriousness of our commitment to achieve these ambitious goals. We will need to work in close partnership with patriotic Iraqis, and with the assistance of Iraq's neighbors, other friends and allies, and the wider international community.

We will also need to work with the United Nations, nongovernmental organizations and others to provide for the humanitarian needs of the Iraqi people, rebuild infrastructure, and reestablish effective institutions of government and civil society. No one should underestimate the complexity of these challenges or their importance.

Even as we begin the formidable task of helping Iraqis build a new Iraq, an array of old and new policy challenges face us in the broader region. We have targeted and expanded our military and economic assistance throughout the region to bring terrorists to justice and to deny them, their financiers, and their supporters refuge, aid, or comfort. We need to build on this by helping our friends and allies in the region improve their legal, regulatory and enforcement capabilities.

Working to end the tragic conflict between Israel and the Palestinians, as Senator Boxer said, is another absolutely critical priority. President Bush has outlined a vision for peace based on the simple but profoundly important idea of two states, Israel and Palestine, living side by side in peace, security, and dignity. That will be very hard to achieve, but we must get started. Both sides, as well as Arab states, will have to make difficult choices if we are going to revive hopes for peace. The United States will have to exercise vigorous leadership, and our assistance package is a vital element of our approach.

Economic and military assistance to Israel helps provide the security and economic vitality to take risks for peace. Our support for UNRWA and our efforts to help Palestinians build a humanitarian infrastructure have helped alleviate profound economic hardship for Palestinians. Economic, social, and political change are a reality in the Middle East as many people in the region, including the authors of the exceptionally thoughtful Arab Human Development Report have acknowledged. Conflict, instability and terrorism are in many ways by-products of failures to adapt and modernize.

Last year, at President Bush's direction, Secretary Powell took the lead in organizing the U.S.-Middle East Partnership Initiative to establish a framework for working with those in the region who are committed to positive change. The initiative allows us to focus our efforts around three key regional reform priorities, economic modernization, educational opportunity, and political participation. We will also focus on addressing the special needs of Arab women and girls in all three areas.

We are working very closely with USAID, with the U.S. Trade Representative and others in the U.S. Government to shape this initiative, and we are working closely with our partners in the re-

gion, recognizing that real and sustainable change must come from within, not as a result of preaching or prescription from the outside.

None of this will be easy, and results are likely to be fitful and incremental. We have to approach these challenges with determination, but also with a degree of humility. The Middle East is a diverse and complex set of societies, and there can be no one-size-fits-all solution to the region's problems. However, in the end, our interests are best served by aligning our policies with the goals and aspirations of the people of the region, a Middle East that is stable, prosperous, and open. Secretary Powell last December called it adding hope to the U.S.-Middle East agenda. It is a sorely needed element right now.

We have no monopoly on wisdom, Mr. Chairman, in approaching these challenges. To be successful we will need the guidance and support of this committee, the Congress, and many others. As we address a profoundly important set of interconnected policy challenges in the Middle East, I look forward to working very closely with all of you. Thank you very much.

[The prepared statement of Mr. Burns follows:]

PREPARED STATEMENT OF HON. WILLIAM J. BURNS, ASSISTANT SECRETARY OF STATE,
NEAR EASTERN AFFAIRS

Thank you, Mr. Chairman for the opportunity to lay out our priorities in the Middle East and North Africa at this decisive moment.

IRAQ

As we meet today, American and coalition forces are closing in on Baghdad. The demise of Saddam Hussein's regime will end a dark chapter in the region's history. Iraq's liberation will bring new hope to the Iraqi people and eliminate a significant WMD threat to the United States and its allies. But as the Iraqi regime falls, we face a new challenge: helping the Iraqi people to rebuild a peaceful and prosperous nation that serves its people's interests. The \$2.44 billion supplemental budget request you have just received for Iraq Relief and Reconstruction is a clear signal of the seriousness of our commitment to achieve these ambitious goals. We will also need to work in close partnership with patriotic Iraqis, and with the assistance of Iraq's neighboring states, other friends and allies, and the wider international community. We will need to work with the United Nations, NGOs and others to provide for the humanitarian needs of the Iraqi people, rebuild infrastructure, and re-establish effective institutions of government and civil society. No one should underestimate the complexity of these challenges or their importance.

Even as we begin the formidable task of helping Iraqis to build a new Iraq, an array of new and old policy challenges faces us in the broader region. We must continue to work with our allies in the region to win the war against terrorism; to bring about an end to violence and realize the President's vision of two states, Israel and Palestine, living side by side in peace, security and dignity; and to support the efforts of peoples and leaderships in the region to promote economic modernization, educational opportunity and political participation.

FIGHTING TERRORISM

We have targeted and expanded our military and economic assistance throughout the region to bring terrorists to justice and to deny them, their financiers, and their supporters refuge, aid and comfort. We need to build on this by helping our friends and allies in the region improve their legal, regulatory and enforcement capabilities. We are providing additional resources to strengthen key regional military and law enforcement assets. And, in coordination with the Departments of Justice and Treasury, are providing the training these forces need to oversee banks, charities, and the informal hawala system to deny terrorists the ability to solicit, hide and transfer assets.

Foreign Military Financing (FMF) directly supports the ongoing war against terror and our operations in Iraq. While we have always supported active programs

to engage regional militaries, we have recently paid particular attention to the maintenance—and in many cases the expansion—of our bilateral military relationships. For example, we have increased assistance to critical partners such as Jordan, Bahrain and Oman—and have requested additional anti-terror and security-related funding in the supplemental for these countries. We have also provided more support to key Operation Enduring Freedom coalition states like Yemen. In doing so, we support regional stability and enhance the ability of our friends and allies to operate against terror networks and other threats to peace.

MIDDLE EAST PEACE

Working to end the tragic conflict between Israel and the Palestinians is another critical priority. President Bush has outlined a vision for peace based on the simple but profoundly important idea of two states, Israel and Palestine, living side by side in peace, security, and dignity. That will be very hard to achieve, but the President has expressed his readiness to move forward with the roadmap as soon as an empowered Palestinian Prime Minister is confirmed. Both sides, as well as the Arab states, will have to make difficult choices if we are going to revive hopes for peace.

The United States will have to exercise vigorous leadership and our assistance package is a vital element of our approach. Economic and military assistance to Israel helps provide it the security and economic vitality to take risks for peace. The supplemental request you have just received includes \$1 billion in additional FMF to help Israel improve the readiness of defensive capabilities and systems, both in defense and civilian security areas. The language also authorizes up to \$9 billion in loan guarantees for Israel over a three-year period through the end of FY05. Israel will use these guarantees, which would be provided at no additional budget cost to the United States, to address the costs associated with its current economic difficulties, exacerbated by the current conflict with Iraq, as well as to implement critical budget and economic reforms.

Our ongoing assistance in the West Bank and Gaza funds programs to help alleviate the profound economic situation the Palestinians now face and contributes to the development and reform of credible institutions vital for Palestinian statehood. Our recent supplemental request included an additional \$50 million to support these activities.

We also continue to play a leadership role by funding multilateral peace activities such as the Multinational Force and Observers—a cornerstone of the Egyptian-Israeli peace treaty. U.S. funding has also maintained important experts-level “track two” dialogue between Arab states, Israel and the Palestinians, even as direct contacts have been intermittent. Our multilateral priorities include environmental protection and water resources, humanitarian assistance to more than three million Palestinian refugees and engaging Israelis and Arabs in a dialogue on their joint future in the region. Complementing these efforts, the Middle East Regional Cooperation Program provides grants based on unsolicited research project proposals from regional universities, NGOs and government laboratories.

THE MIDDLE EAST PARTNERSHIP INITIATIVE (MEPI)

As we enter the 21st century, it is a hard truth that countries that adapt to global conditions and open up and seize the economic and political initiative will prosper; those that don't will fall farther and farther behind. Economic, social and political change are a reality in the Middle East, as many people in the region (including the authors of the exceptionally thoughtful Arab Human Development Report) have acknowledged. Conflict, instability and terrorism are in many ways by-products of failures to adapt and modernize. Last year, at President Bush's direction, Secretary Powell took the lead in organizing the *U.S.-Middle East Partnership Initiative* to establish a framework for working with those in the region who are committed to change. The Initiative allows us to focus our efforts around three key regional reform issues: economic reform, educational opportunity, and political participation. We are working closely with AID and others in the U.S. government to shape this initiative. And we are working closely with our partners in the region, recognizing that real and sustainable change must come from within, not as a result of preaching or prescription from the outside.

There is some reason for hope. Many in the region understand the challenges they face better than we ever will and have begun to speak openly about what must be done. We have secured initial funding and, together with our partners in the region, we are developing a set of promising pilot projects. In addition, the Initiative establishes a framework for organizing our bilateral assistance programs. State and USAID are working with host governments and NGOs to ensure that our existing regional aid programs are targeted on the kinds of reforms that are most critical.

The MEPI initiative is an ambitious and broad-based program. The program was funded at the level of \$20 million in the FY02 supplemental to jump-start critical pilot projects in areas such as basic education reform, campaign skills training for women candidates, training for new parliamentarians, micro-enterprise programs, and assistance to open markets and eliminate trade barriers.

In the FY03 supplemental we have requested \$200 million for the Middle East Partnership Initiative and Muslim Outreach to expand our programming in Arab countries and in the broader Muslim world. Funding will be used to expand Middle East Partnership Initiative activities in the Arab world and to launch similar pilot projects outside the Arab world. For FY04, we have requested \$145 million for MEPI. The FY03 supplemental money is vital to move the program forward, particularly as there is no FY03 ESF allocation for the MEPI (as the program was conceived after the FY03 budget was finalized). Both the FY03 supplemental money and the FY04 money will support the expansion of economic, educational and political opportunities across the Arab world.

For FY04, \$50 million would be dedicated to promoting economic reform, supporting those who are working to open up their economies and expand opportunities for all their citizens. \$45 million would be used to expand access and raise the quality of education in the region. \$40 million would promote greater political participation and rule of law. And \$10 million would address the special needs of Arab women and girls across the region. We intend to use FY03 supplemental monies, if approved by the Congress, to support the same sorts of programs.

LOOKING AHEAD

None of this will be easy and results are likely to be fitful and incremental. We have to approach these challenges with determination, but also with a degree of humility. The Middle East is a diverse and complex set of societies, and there can be no "one size fits all" solution to the region's problems. However, in the end, our interests are best served by aligning our policies with the goals and aspirations of the people of the region: a Middle East that is stable, prosperous and open. Secretary Powell last December called it "adding hope to the U.S. Middle East agenda." It's a sorely needed element right now.

We have no monopoly on wisdom in approaching these challenges. To be successful, we will need the guidance and support of this Committee, the Congress, and many others. As we address a profoundly important set of interconnected policy challenges in the Middle East, I look forward to working closely with all of you.

Senator CHAFEE. Thank you, Mr. Assistant Secretary.
Assistant Administrator Chamberlin, welcome.

STATEMENT OF HON. WENDY CHAMBERLIN, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC

Ambassador CHAMBERLIN. Thank you very much, Senator Chafee, and happy birthday again. Senator Boxer, Senator Hagel, thank you very much for asking me to join my friend and long-time colleague, Bill Burns. It is our pleasure to represent USAID here today in these hearings. Like Ambassador Burns, I would like to submit a much longer written text and try to get to the heart of some of the issues that we have in our assistance programs throughout the Near East Bureau. I will even try to pare back my oral remarks a bit in the interest of true dialog, because that is really what we desire with your committee, is a dialog. As you begin to develop the authorization legislation, we want to offer to be up here often and frequently to talk to you in the kind of partnership that I know that we all look forward to.

Recent events have clearly demonstrated the enormous risk posed by nations with weak institutions, high poverty, and limited opportunity. As noted in the national security strategy of the United States, poverty does not make poor people into terrorists

and murderers, yet poverty, weak institutions, corruption, can make weak states vulnerable to terrorist networks and drug cartels within their borders. For this reason, the strategy calls for the United States to launch a new era of global economic growth through free markets and trade, while expanding the circle of development by opening societies and building the infrastructure of democracy.

Two important initiatives the President has proposed to help carry out this strategy will dramatically affect the way USAID does business in the Asia and Near East region and, indeed, throughout the world. The Millennium Challenge account articulates a fresh and practical policy framework for development built on the simple fact that our aid is most effective when governments are democratic and accountable to their citizens.

The Middle East Partnership Initiative, MEPI, emphasizes democracy, trade, and economic development and education in a region that desperately needs all of these things. USAID is pleased that it will play an important role in both of these initiatives, and against this backdrop I would like to discuss USAID's efforts in the three regions throughout the morning covered by our bureau, the Asia and Near East Bureau. I will begin, of course, at your request with the Near East region, and then later on in the morning we will move to the other areas of South Asia and East Asia.

All of us are concerned today by the unfolding events in Iraq. Like the events of September 11, the current conflict points out the need to address the root causes of regional instability. Across North Africa and the Middle East, economic hopelessness and political stagnation are a breeding ground for extremism, providing fertile ground for terrorist groups. Slow economic growth is exacerbated by demographic conditions. With the majority of the population in many of these countries below the age of 25, each year, millions of young people enter the labor market with no prospect of finding a job.

To address these challenges, the ANE Bureau is working closely with the Department of State to make sure that all programs in the region correspond closely with the objectives of MEPI. USAID is fully committed to using all the resources available to us to support this new initiative. We believe that MEPI's focus on democracy, economic growth, and education is exactly right, and I am pleased to report that our programs in the Middle East largely reflect these emphases. Economic growth and democracy are two of the three pillars which define USAID's mission and shape our organizational structure, while education and health care are crucial areas as well.

Indeed, the recent report commissioned by USAID's Administrator, Andrew Natsios, "Foreign Aid in the National Interest," speaks to the importance of promoting democratic governance and driving economic growth as key themes. Thus, USAID's own analytical work points in precisely the same direction as does the philosophy that underlies MEPI.

Looking beyond MEPI to the broader USAID program in the region, following are examples of some of the challenges that we do face and the successes that it helped achieve at the bilateral level. In Iraq, years of highly centralized rigid administration have left

enormous development challenges and a citizenry disempowered. One-third of all children in the south and central regions in Iraq suffer from malnutrition and 5 million people lack access to safe water and sanitation. These are conditions that existed because of many of the policies of Saddam Hussein that predated the current hostilities.

Prior to the 1990s, Iraq had one of the best educational systems in the world. Now, children do not have basic literacy skills, and Iraq's infrastructure has suffered greatly from years of neglect. As the fighting comes to an end, and we hope it will soon, USAID's programs will help restore economically critical infrastructure and the delivery of essential services to facilitate this recovery.

USAID also plans to support essential health and education services. Potable water sanitation services will be reestablished to prevent disease, as will basic health care and education services.

USAID programs will expand economic opportunity through credits to small businesses, development of business networks, and work force training. To improve local agricultural production is another one of our goals.

In the area of governance, USAID will work to improve the efficiency and accountability of government. USAID will also work with local administrations to deliver basic services and promote the development of civil society and decentralized government. Mr. Chairman, I look forward to talking about these programs in greater depth as the morning proceeds.

In Egypt, our strong bilateral relationship with Egypt facilitates the U.S. national interest in combating terrorism, promoting regional peace, encouraging trade and investment, and promoting economic development. In keeping with recent U.S. foreign policy imperatives, USAID and the U.S. State Department are working together to adjust the program, adapting to the changing global and Egyptian circumstances.

In 2002, the Government of Egypt undertook a number of economic policy actions including, and I would like to note some specific points, completing an IMF-sponsored financial sector assessment program, second, enacting far-reaching legislation in money laundering and intellectual property rights, third, proposing a comprehensive macroeconomic policy reform plan, and fourth, floating the Egyptian pound.

USAID technical and policy-based assistance helped lay the framework for many of these initiatives, and thus made possible these reforms. We look forward to continuing the work with Egypt to accelerate this progress of reform in ways that directly affects the lives of many of the Egyptian people.

Jordan plays a pivotal role in promoting Middle East stability, combating terrorism, and serving as a model of reform under the leadership of His Majesty King Abdullah II. However, one-third of the population still lives at or below the poverty level, and Jordan has been deeply affected by prolonged economic shocks of September 11 combined with other regional conflicts that we see today. It needs to create 46,000 new jobs in 2003 alone. To help address these challenges, USAID works hand in hand with the Government of Jordan, local NGOs, and the private sector to create jobs, improve education, health care, and address the water scarcity issues.

Lebanon is still recovering from its 16-year civil war. The United States has a strong interest in promoting a stable democratic and economically strong Lebanon at peace with its neighboring States. However, a political leadership often mired in gridlock and strongly influenced by other regional players has not been able to provide strong direction for economic reform.

In response, USAID works to expand economic opportunities in rural areas, promote democracy and good governance, and build the capacities of local municipalities to manage resources more efficiently, and we have had some important successes, community development program, for example. Because of it, the social and economic situation of more than 430 communities has improved significantly. More than 70 percent of the rural population, of which 110,000 live in southern Lebanon, have access to improved irrigation, agriculture, roads, schools, dispensaries, water storage, sewer, and solid waste treatment.

Morocco has made great gains in recent years, but still faces formidable challenges, including rising poverty due to high levels of unemployment, a labor pool unprepared for today's job market, and a citizenry appreciative of democratic reforms but thirsting for more.

To deal with this challenge, USAID is reorienting its program in Morocco to make economic growth and in particular job creation the centerpiece of our strategy. The focus of this strategy will be on activities directly linked to job creation. In this context, USAID, State, and USTR are working together to help Morocco prepare for an eventual free trade agreement.

Gaza, West Bank. Escalating violence, terrorism, closures and curfews have resulted in the virtual collapse of the Palestinian economy, and a growing humanitarian crisis. The GDP declined by 46 percent between 2000 and 2002 alone, and unemployment levels have climbed to 50 percent. Acute and chronic malnutrition have increased to epidemic proportions. USAID's greatest challenge is meeting the immediate emergency humanitarian needs of the Palestinians, such as medical supplies, food, and water without losing focus on medium- to long-term development goals, such as revitalizing the private sector and promoting political and economic reform.

Given the continued political stalemate and the growing humanitarian crisis, USAID has programmed approximately \$35 million since April 2002 toward urgent humanitarian health, food and water activities to meet the basic human needs of the Palestinian people. We anticipate providing vital emergency and humanitarian assistance for another 12 to 18 months.

And finally, in Yemen, USAID has established a new program this year, or hopes to very shortly, to improve basic health and education programs in tribal areas. We plan to open an office there this summer. Already, USAID programs have made an impact on increasing voter registration and enhancing professionalism in the main parties leading up to the parliamentary elections. In the coming years, USAID plans to support education, particularly for women, and income generation in poor and tribal areas.

Thank you very much, and I welcome your questions.

[The prepared statement of Ambassador Chamberlin follows:]

PREPARED STATEMENT OF HON. WENDY CHAMBERLIN, ASSISTANT ADMINISTRATOR,
BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Chairman Lugar, Members of the Committee, I welcome the opportunity to appear before you today to discuss the work of the U.S. Agency for International Development (USAID) in the Asia/Near East region, and your interest in possible adjustments to the Foreign Assistance Act. I am particularly pleased to appear before you in the company of Assistant Secretaries Burns, Rocca, and Kelly. Our joint appearance illustrates the close and ever growing coordination between the State Department and USAID, as well as the important role that USAID plays as a part of this Administration's foreign policy team.

Recent events have clearly demonstrated the enormous risks posed to our nation by the existence of nations with weak institutions, high poverty, and limited opportunity. As noted in the National Security Strategy of the United States, "Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders."

For this reason the Strategy calls for the U.S. to launch a new era of global economic growth through free markets and trade while expanding the circle of development by opening societies and building the infrastructure of democracy.

To help carry out this strategy, the President has proposed two important new initiatives that will dramatically affect the way USAID does business in the Asia Near East region, and indeed throughout the world:

- *The Millennium Challenge Account (MCA)* articulates a fresh and practical framework for development. The MCA is built on the fact that our aid is most effective in situations where governments are democratic and accountable to their citizens. We will achieve more effective results in economies that are open and corruption-free, where governments invest in their people. The MCA offers significant aid for governments that meet high standards of performance. By making explicit the causal relationship between good governance and economic growth, the President has provided an innovative formula for more effective assistance.
- *The Middle East Partnership Initiative, or MEPI*, emphasizes democracy, economic reform and private sector development, and education in a region that is desperately in need of all those things.

These general principles—igniting a new era of global economic growth through free markets and trade while expanding the circle of development by opening societies and building the infrastructure of democracy—articulated in the National Security Strategy and carried out through (among other means) the MCA and MEPI initiatives—form a useful backdrop against which to discuss USAID's efforts in the three regions covered by our ANE Bureau.

NEAR EAST

In the Near East, the need for robust foreign assistance has never been more compelling. All of us are concerned today by the unfolding events in Iraq, as U.S. forces are once again called upon to take decisive measures to ensure the United States and international community do not fall victim to terrorism, violence, and the spread of weapons of mass destruction. Like the events of September 11, the current conflict points out the need to address the root causes of regional instability. In countries across North Africa and the Middle East, economic hopelessness and political stagnation are providing fertile ground for those seeking to fill the ranks of terrorist groups. Over the last 25 years, economic performance in the Middle East has fallen behind that of most other regions of the world. The economic situation is exacerbated by demographics, with a majority of the population in many of these countries below the age of 25. Each year millions of young people enter the labor market with no prospect of finding a job. Many of the unemployed and/or underemployed are university graduates, often with technical degrees. Thus, there is already a considerable level of "human capital" not being put to use.

Governments in the Middle East face crucial choices on issues of economic development and policy reform. If they do not make the right choices, the region will continue to fall farther behind, potentially increasing the threat to stability. Economic assistance is critical to fostering the correct choices and providing the means to implement them. By addressing the major development problems of economic stagnation, lack of participatory government, competition over water resources, and poor health, we can help to create the conditions necessary for regional peace and stability.

To accomplish these objectives, the ANE Bureau is working closely with the Department of State to make sure that all our programs in the region correspond closely with the objectives of the Middle East Partnership Initiative (MEPI) announced by Secretary of State Powell. MEPI is an important tool to address the objectives cited in the National Security Strategy. USAID is fully committed to using all the resources available to us to support this important new initiative.

Based on USAID's extensive experience around the globe and in the region, we believe that MEPI's focus on democracy, economic growth, and education is exactly right. And I am pleased to report that our programs in the Middle East largely reflect these emphases. Economic growth and democracy are two of the three pillars which define USAID's mission and shape our organizational structure, while education and health are crucial areas of emphasis within the economic growth pillar. The recent report commissioned by USAID's Administrator Andrew Natsios, "Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity," speaks to the importance of promoting democratic governance and driving economic growth as key themes. Education and health are ends in themselves, as literacy and mortality rates are key development indicators, and essential to support the goals of democracy and growth. Democracy, in turn, is critical to good governance.

USAID's own analytical work points us in precisely the same direction as does the philosophy that underlies MEPI. MEPI seeks to "bridge the job gap" by promoting economic growth; "bridge the freedom gap" by promoting democracy; and "bridge the knowledge gap" by promoting greater access to higher education. USAID shares the same objectives.

Together with our colleagues at State, we are crafting effective approaches for advancing MEPI's goals. We must also be rigorous in evaluating new programs to recognize and replicate successful approaches and to quickly discard methods that do not work. We must develop strategic priorities in each area and guard against a proliferation of small and unrelated activities. And we must recognize that the unique circumstances in each country require that Embassy and USAID officials on the ground tailor the programs to local conditions. Success will ultimately be judged by demonstrable impact and results.

I am pleased to note that a significant number of projects that will be directly funded by MEPI this year will be implemented by USAID. And I am equally pleased that so many of our projects support the MEPI objectives. For example:

- Our health and population programs have women and children as their primary beneficiaries and provide immediate and visible benefits. Programs in Egypt, Jordan and the West Bank and Gaza are extending improved mother and child health care to poor areas. An unhealthy population cannot contribute effectively to economic growth or participate in civil society. Also, unhealthy children cannot learn well in school.
- In Egypt under the New Horizons project, more than 50,000 girls—some of whom are out-of-school—have received life skills training along with their "regular" curriculum. Interestingly, under Egypt's New Visions project, 1,075 Egyptian teenaged boys receive education in anger management, health, leadership and job skills training.
- In Lebanon, approximately 150,000 families, representing about 70% of rural Lebanon and 30% of South Lebanon, benefited from over 1,300 small-scale, environmentally-friendly, income-generating activities in over 400 villages representing 40 economic "clusters" whose diverse communities and municipalities contributed 40% of total costs. Perhaps even more important, multi-ethnic and multi-religious communities, previously in conflict, are beginning to work together for common economic purposes.
- Since its inception four years ago, USAID's Jordan-U.S. Business Partnership has assisted 245 small and medium enterprises with 550 activities, helped establish 8 new business associations, supported the retention or creation of 1,000 new private sector jobs, helped develop 430 international business linkages, and assisted with the generation of more than \$130 million in Jordanian exports.
- In Morocco, as of October 2002, three USAID-assisted microfinance organizations have a total of 80,000 outstanding loans, bringing the total of loans since the program's inception to 270,000. The majority of these were extended by Al-Amana, a highly successful association started by USAID in 1996. Al-Amana has 81 branch offices with over 260,000 loans. Al-Amana also has recovered all its costs since its start-up. Rural communities have benefited extensively from the program. About 11,000 new loans were made to rural areas in the past year.

We expect that USAID will remain a key implementing MEPI partner in the future.

In sum, USAID believes the Middle East Partnership Initiative is timely and well focused on the critical issues in the region. We are excited about the prospect of using USAID's extensive expertise and resources to aid in the success of this important new undertaking.

Looking beyond MEPI to the broader USAID program in the region, following are examples of some of the challenges we face, and the successes we have helped achieve, at the bilateral level. I will start with our newest program, our assistance to the people of Iraq as they emerge from years of dictatorship, repression, and conflict.

IRAQ

USAID is committed to providing assistance to the Iraqi people to help them realize a prosperous and just Iraq. The development challenges are numerous. Iraq's highly centralized administration has resulted in a disempowered citizenry and quite limited opportunities for local initiatives. In addition, almost one-third of all children in the south and center regions of Iraq suffer from malnutrition. Low exclusive breastfeeding rates, high prevalence of anemia among women, and a high incidence of low birth weight contribute to Iraq's high child mortality rate (131 deaths among children under 5 years per 1,000 live births). Furthermore, five million people are at risk from lack of access to safe water and sanitation. Prior to the 1990s, Iraq had one of the best education systems in the Arab world, achieving universal primary school enrollment and significantly reducing women's illiteracy in the country. Primary school net enrollment, which was close to 100% before the Gulf War is down to 76.3%, and secondary school enrollment is at 33%. For those children completing primary school, the quality of education is so poor and the motivation of teachers (due to low pay) so low that many do not have basic literacy and numeracy skills. Iraq's infrastructure, which has suffered from years of neglect, has limited economic productivity and growth and impaired the delivery of essential services.

USAID plans to address the following objectives:

Restoring Economically Critical Infrastructure: Assistance will rehabilitate critical infrastructure to help maintain stability, ensure the delivery of essential services, and facilitate economic recovery. Iraq's roads and ports will be rehabilitated to meet the needs of citizens and facilitate transportation of humanitarian assistance and commercial imports. Potable water and sanitation services will be reestablished to prevent disease. Assistance will restore power supply to health facilities, water supply facilities, and infrastructure that contribute to the local economy and employment generation.

Supporting Essential Health and Education Services: USAID will restore basic health-care services to vulnerable populations, including delivery of essential drugs, equipment, and supplies to health facilities, and assist in health/disease surveillance. The assistance will supply health information/education to the public, build the management capacity of Iraqi counterparts, and help to promote equitable access to health services. Education assistance will increase access to primary and secondary public education for Iraqi children, promote retention of students in the classroom, strengthen school administration, and develop re-entry programs for out-of-school youth. Priority will be given to ensuring that girls and women have equal access to education.

Expanding Economic Opportunity: Assistance will promote a competitive private sector, generate employment opportunities, and improve agricultural productivity. Activities will extend credit to small and micro businesses; develop local, regional and international business networks; and provide workforce development and training. Agricultural assistance will supply agricultural inputs for the spring and winter planting season, and address livestock and poultry diseases. Farmers will be empowered to use modern agricultural technologies to enhance profitability and competitiveness. Agricultural policies and regulations will be introduced. Assistance will help to reestablish the Central Bank and Finance Ministry, establish a market-based telecommunications system, and stabilize the banking sector as a foundation for broad-based growth. Activities (implemented in cooperation with the Department of the Treasury) will build the capacity of the Ministry of Finance to undertake macro-economic policy analysis and budget planning, and support an independent Central Bank's capacity to issue and manage domestic currency, promote a competitive financial system, establish a market-friendly legal and regulatory environment, and develop a successful trade promotion strategy.

Improved Efficiency and Accountability of Government: USAID will foster social and political stability by helping meet citizens' basic needs within their communities and by providing Iraqis with an opportunity to participate in public decision-making.

ing. Activities will strengthen the capacities of local administrations to manage and deliver services such as potable water, education, and health-care; assist the development of NGOs and civil society organizations; and support the preparation and implementation of an appropriate legal framework for decentralized government.

EGYPT

U.S. national interests in Egypt hinge upon a strong bilateral relationship to form an effective partnership to combat terrorism, resolve regional conflicts and promote regional peace, ensure regional security, and promote economic development. A stable and prosperous Egypt serves U.S. regional concerns and national security interests and provides an important economic partner for trade and investment. In keeping with recent U.S. foreign policy imperatives, adjustments to the program are adapting to changing global and Egyptian circumstances—especially following September 11, 2001. In particular, the Mission’s program is being redesigned to fit the priorities of the recently announced Middle East Partnership Initiative (MEPI): economic reform and private sector development, education, strengthening civil society, and addressing women’s development issues.

In 2002, the GOE undertook a number of economic policy actions including: (1) completing an IMF-sponsored financial sector assessment program; (2) enacting far-reaching legislation in money laundering and intellectual property rights; (3) proposing a comprehensive macroeconomic policy reform plan in “Egypt Policy Paper”; and (4) floating the Egyptian pound. The GOE also implemented a major set of agricultural policies such as effective water resource management, privatization of multiplication and marketing of seeds and promotion of transparency in decision making. The USAID funded pilot court model that aims at reducing case delays, ensuring the timeliness and quality of justice, and introducing modern management and appropriate automation into Egypt’s courts has been accepted by the Ministry of Justice (MOJ) for nationwide replication. Four successful USAID/Egypt projects helped equip more than 9,400 teachers, supervisors and administrators with improved teaching and classroom management skills.

JORDAN

Jordan plays a pivotal role in promoting Middle East stability, combating terrorism and serving as a model of reform. His Majesty King Abdullah II is leading the Kingdom in economic and political reforms to improve the quality of life of all Jordanians, and striving to reach peaceful solutions to the region’s many challenges. His Majesty’s Social and Economic Transformation Plan, which shares much in common with the Middle East Partnership Initiative (MEPI), is the vision for expanding opportunities and benefits to all Jordanians. King Abdullah recently announced parliamentary elections for June 17, and the government has taken initial administrative steps in this direction—an encouraging sign. Also, the king has set aside 6 parliamentary seats for women. While somewhat below what women’s activists and groups were campaigning for, many have welcomed it.

Jordan faces several unique challenges, which impact greatly on its ability to reach its development and reform goals. First, prolonged economic effects of September 11th combined with ongoing regional conflicts have significantly shocked the economy in which one-third of the population lives at or below the poverty line. Second, Jordan is one of the ten most water-poor countries on earth. While the population is expected to double by the year 2027, water resources are already stretched to the limit. Third, this population momentum and lack of water lead to serious economic challenges related to the need for the economy to expand to provide 46,000 new jobs in 2003 alone. USAID works hand-in-hand with the Government of Jordan, local NGOs and the private sector in a focused manner targeting water, creating jobs, health and family planning, education and civil society based on the Middle East Partnership Initiative. All Jordanians benefit from USAID’s efforts.

Assistance to improve the quality of care and facilities of the Ministry of Health’s Primary Health Clinics has resulted in improved care for the clients of all centers and improved facilities for almost 40 clinics to date. The Watershed Management Program concluded several assessments and provided recommendations on issues ranging from water quality monitoring to drinking water guidelines, and operations and maintenance plant protocols. USAID supported a national initiative to re-draw the investment promotion and facilitation institutions. This was accomplished in July 2002, and is currently awaiting passage into Law. A second important achievement included the passage of a Securities Law that meets international standards. With the passage of the law, foreign equity investors should be able to enter the Jordanian market with greater ease.

LEBANON

Lebanon is still recovering from its sixteen-year civil war and making slow progress toward rebuilding its civil institutions, reestablishing the rule of law, and implementing economic reform. The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon at peace with Israel and its neighboring states. Lebanon is challenged by the political and economic instability of the aftermath of September 11, 2001, as well as the continued violence and heated emotions across the region. A political leadership often mired in gridlock and strongly influenced by other regional players has not been able to provide strong direction for economic reform. USAID strategy aims at revitalizing and expanding economic opportunities in rural areas, through small-scale infrastructure and income-generating activities; promoting democracy and good governance, building capacity of local municipalities to plan and manage resources efficiently and transparently; and improving environmental practices, particularly community-based approaches that promote sustainable agriculture and environmental health. As a result of the USAID community development program, the social and economic situation of more than 430 communities has improved. More than 70% of the rural population, of which 110,000 live in South Lebanon have access to improved agricultural, social and environmental infrastructure (irrigation, agricultural roads, schools, dispensaries, water storage, sewer treatment and solid waste treatment). In FY 02, 66,000 families were reached and an additional 2,900 hectares of land—out of a total of 27,000 hectares—were improved to yield high-value crops and forage for cows, which resulted in about \$100 per month savings for each farmer.

MOROCCO

Morocco has made great gains in recent years, but still faces formidable challenges. Among the most important is the rising poverty, due to high levels of unemployment and a labor pool largely unprepared for today's and tomorrow's job market. Morocco's citizenry is appreciative of democratic reforms and improved governance, but wants more. To help Morocco address its development challenges, USAID is re-orienting its program in Morocco to make economic growth—and, in particular, job creation—the centerpiece of our strategy. The focus of this new strategy will be on activities directly linked to job creation. As we develop our new strategy for assistance in Morocco, we will work with the Moroccan government to strengthen its economic and educational reform programs which will enable it to benefit more fully from the U.S.-Morocco Free Trade Agreement now being negotiated.

WEST BANK AND GAZA

Escalating violence, terrorism, closures and curfews have resulted in the virtual collapse of the Palestinian economy and a growing humanitarian crisis. GDP has declined by 46 percent between 2000 and 2002. The number of Palestinians with incomes below the poverty line of \$2 per day is estimated at more than 70 percent of the population, while unemployment levels have climbed from 20 percent to more than 50 percent since the start of the Intifada. Acute and chronic malnutrition have increased to epidemic proportions, and psycho-social problems affect large sectors of the population. The most important challenges that USAID confronts is meeting the immediate and on-going emergency humanitarian needs of Palestinians while not losing focus on medium to long term development goals. Given the continued political stalemate, and the growing humanitarian crisis, USAID anticipates providing vital emergency and humanitarian assistance for at least another 12-18 months. USAID has programmed approximately \$35 million since April 2002 towards urgent humanitarian health, food and water activities to meet basic human needs of the Palestinian people. USAID partners are actively providing psychological trauma support to children, while training parents and teachers regarding counseling skills and techniques. Medical supplies, equipment, and pharmaceuticals are being procured to fill commodity gaps within the health system. At the same time, USAID is pursuing a robust medium to longer term development program focused on private sector revitalization, political and economic reform consistent with the policy priorities of the administration, and water infrastructure to meet this basic human need. USAID is working with NGO partners to monitor water supplies in more than 200 villages. Funds are available for immediate interventions when the water supply is dangerously limited, or where simple steps could greatly increase the safety of the water supply (e.g., supplying chlorine disinfection tablets, providing water in bottles or tanker trucks). Hundreds of destroyed roof-top water tanks have been replaced, renewing household water storage. USAID is also installing or repairing well

pumps across the West Bank to increase water supplies, especially in rural areas and in villages most isolated by the closures.

YEMEN

U.S. assistance to Yemen is essential for furthering U.S. counterterrorism goals, and provides vital aid to one of the world's poorest nations. Over the past year USAID established a new program to improve basic health and educational programs in tribal areas in Yemen and plans to re-open an office there by the summer. Already, USAID-funded programs have made a significant impact on increasing voter registration and enhancing professionalism in the main political parties for the upcoming parliamentary elections. With ESF funding in the coming years, USAID plans to further support improving the educational status and health conditions of Yemenis, particularly women, and increasing income earning opportunities of people in poor tribal areas.

SOUTH ASIA

As we know from recent events in Afghanistan and along the Indo-Pakistan border, the threats posed by terrorism, violence, and the spread of weapons of mass destruction are very real to the people of South Asia. Terrorism, ethnic and religious conflict, and the ever-present risk of nuclear war present imminent dangers to the South Asian subcontinent.

USAID's assistance programs play an important role in addressing and preventing the many threats to U.S. interests posed by terror, violence, weapons, disease, crime, drugs, and hate. In the words of USAID Administrator Andrew Natsios, "this Administration has taken development off the back burner and placed it squarely at the forefront of our foreign policy."

Although the countries of South Asia are not eligible for MEPI, the Asia Near East Bureau is dedicated to applying the principles of the MEPI and the Millennium Challenge Account to our programs in South Asia. To be sure, not all of the governments in South Asia would meet the MCA high standards of good governance and economic openness today. However, it is our goal to work with governments and the people themselves to create conditions in which all South Asian countries can some day meet those standards.

Among our South Asian programs, Sri Lanka stands out as a nation emerging from decades of horrific ethnic conflict with great promise for development. There are a few troubling challenges as well. The Maoist insurgency in Nepal has caused us to reevaluate and redirect our program there to address the causes and impact of the conflict. In fact, we are working closely with our Mission Directors and Ambassadors across the region to re-evaluate whether our aid programs adequately address today's challenges. If they do not, we must either reshape or drop poorly performing programs. This is a continuing and evolving process that takes on new urgency in light of transnational threats such as terrorism.

In addition to our development assistance work, USAID's Office of U.S. Foreign Disaster Assistance is emphasizing training and preparedness programs in South and Southeast Asia to limit the economic and social impact of future natural disasters. Two key goals are to enhance local response capacities and to decrease countries' reliance on international emergency assistance.

Following is a description of some of the key programs in which we are now engaged in South Asia, and of some of the successes we've achieved—and the challenges we still face.

AFGHANISTAN

Afghanistan was the number one recipient of U.S. humanitarian assistance before September 11, 2001, and America continues to lead the international community in providing assistance to Afghanistan today. Poverty, famine, a devastating drought, and years of war and civil strife have created a humanitarian crisis in Afghanistan, which was aggravated by years of Taliban misrule. The people of the United States, through USAID, have responded.

USAID is playing a leading role in meeting the Afghans' urgent need for food, water, shelter and medicine. Since September 11, 2001, the United States has provided nearly \$900 million for Afghan relief and reconstruction. In addition to the well-publicized schoolbook and seed distribution programs, USAID has:

- Reopened the Salang Tunnel and made preparations for keeping it open during the winter. More than 1,000 vehicles and 8,000 people use the tunnel every day. Seventy percent of the fuel for Kabul passes through it.

- Completed demining, grading, and leveling through 51 miles of Kabul-Kandahar-Herat Highway, and will begin asphaltting soon.
- Completed over 6,100 water-related projects, including wells, irrigation canals, karezes, dams, reservoirs, and potable water systems.
- Supported over 4,225 spot reconstruction projects such as government buildings, schools, roads, bridges, irrigation systems and other community projects that provide local workers with thousands of days of labor.
- Will rebuild thousands of schools, irrigation systems, and other vital infrastructure in villages adjacent to reconstructed highways.
- Is rehabilitating 2,500 miles of road, is reconstructing 31 bridges, and has kept open an additional three mountain passes.

In addition to assisting or facilitating linkages between local, regional and national governments with communities and NGOs in various priority regions of Afghanistan, USAID has also been providing direct support to the new Government of Afghanistan.

To date, USAID's Office of Transition Initiatives (OTT) has provided 50 small grants to over 26 different Afghanistan Government ministries and offices, totaling an estimated \$1.9 million. OTI programs in Afghanistan are providing valuable reconstruction and media assistance to government institutions in Kabul, but more importantly to local communities in many areas outside the capital. The programs have extended the reach and influence of President Karzai's government to the rest of the country by establishing radio communications and a government pouch system. Community Development projects also assist local municipalities in both working with local communities to identify priority reconstruction projects, and establishing coordination mechanisms to communicate needs with and receive direction from the central government.

USAID has provided additional support to the government by funding key consultants to President Karzai's office (Public Information Officer), the Ministry of Women's Affairs (Special Consultant to the Minister), and the Ministry of Agriculture (through implementing partner consultancies).

In light of all these accomplishments, I want to thank this Committee for its support of the Afghan Freedom Support Act. Absent this key piece of legislation, the Afghan people would face a far different, and much less hopeful future than they do today.

PAKISTAN

USAID opened a field mission in Pakistan in June, 2002 after 12 years of rupture following the imposition of sanctions in 1990. Our goal is to strengthen Pakistan's capacity to combat terrorism by encouraging just governance, investment in people, and economic freedom. These programs are just getting off the ground now, so we cannot gauge their full effectiveness yet. However, the leadership and commitment of our Pakistani counterparts are very positive signs of future success.

Education: Our highest priority is investing in the people of Pakistan. The illiteracy rate is 53 percent, one of the highest in the region. Nearly 40 percent of young people aged 15 to 20 are unemployed. As seen by the dramatic increase in private schools and madrassahs, the demand for education is strong. We need to help Pakistan meet this need, thereby also reducing the demand for madrassahs headed by uneducated extremists. Right now, USAID is enhancing teacher training for both public and private primary schools. We are providing funds to improve curricula, encouraging community involvement in the local schools and supporting adult and youth literacy programs.

Governance: In October 2002, Pakistan held a national election which restored civilian government with a Prime Minister and National Assembly, but democratic institutions in Pakistan remain weak. Our focus is on strengthening democratic institutions and political parties, including the National Assembly and locally-elected legislatures. We also have a tremendous opportunity to work with communities and local, provincial and national elected officials on local development problems.

Health: Infant mortality rates in Pakistan are 83 per 1000 live births, which compares poorly with other countries in the region. Only 31 percent of married women seek prenatal care. In addition, Pakistan's annual population growth rate is one of the highest in the world at 2.8 percent. To address these issues, USAID has formed a partnership with the U.K.'s Department for International Development (DFID). Our work will focus on maternal and child health, family planning, AIDS prevention, and tuberculosis control at the provincial and community levels. Meanwhile, DFID will support the Federal health ministries.

Economic Growth: 40 percent of Pakistan's 140 million people live below the poverty line. Recent economic growth rates have been disappointing, and low levels of foreign investment have made the situation worse. To stimulate growth, we are implementing a two-pronged approach. At the national level, our goal is maintain macroeconomic stability, reduce Pakistan's foreign debt and encourage the Pakistan Government to meet IMF goals. On a local level, USAID will promote microenterprise to create jobs in some of Pakistan's poorest and hardest-to-reach regions.

Overall, we have tailored the USAID program to Pakistan's primary development issues and have used the ESF cash transfer mechanism to address Pakistan's foreign debt. The FY 2003 transfer of \$188 million will be used to buy down \$1 billion in debt. The FY 2002 transfer was used to secure Pakistani spending in the social sector.

SRI LANKA

Sri Lanka is another clearly defined example of putting the Administration's policies of accountable foreign aid to work. Until last year, Sri Lanka was on the road to becoming a non-presence post. In response to the promising cease fire and peace process there, we are now moving swiftly to accelerate our investments. We have reversed staffing reductions and requested additional resources in FY 2004 in recognition that, at last, the country is on the right track.

In the near term, a peacefully negotiated settlement of the conflict is essential in order to secure a healthy environment for economic growth and promote U.S. trade interests. USAID's humanitarian assistance and longer-term economic reforms are designed to ensure the "peace dividend" is distributed equitably among the peoples of Sri Lanka. Successfully reintegrating the thousands of Internally Displaced Persons and refugees from India into their home communities and resettlement villages is a priority. Homes, schools and hospitals need to be rebuilt. Water and sanitation infrastructures must be rehabilitated, and we need to make sure people have ways to earn a living and support their families.

USAID's FY04 program will target three main areas: increasing the country's competitiveness in global markets, building constituencies for peace through transition initiatives, and democracy and governance reform. The remaining funds will be directed to humanitarian assistance and to regional environmental activities.

NEPAL

Today the situation in Nepal is more hopeful than it has been in over a year. Just last week, representatives of the Maoist rebel group and the Government agreed to a Code of Conduct, a peaceful foundation for future negotiations towards a longer-term political settlement to the conflict. A few months ago, however, the future of Nepal appeared bleaker. A Maoist insurgency practiced unspeakable brutality, intimidation and murder, resulting in over 7,000 deaths since it began in 1996. The insurgents control a large share of the countryside, and have benefited from popular outrage over years of government corruption and denial of service to the people.

The destructive effects of the Maoist insurgency, however, should not distract attention from the gains Nepal has made over the past fifty years. It has transformed itself from an isolated medieval kingdom to a constitutional monarchy. Child mortality and fertility rates have significantly decreased. Literacy and food security have improved.

Yet these development gains are unevenly distributed. Poor governance and corruption, the forbidding mountainous terrain and lack of basic infrastructure, like roads, have led to wide disparities across regions and ethnic groups and between rural and urban populations. These inequities provided a fertile ground for the insurgency.

Our greatest challenge is to meet the immediate needs of those communities most affected by the conflict, former combatants and victims of torture, without losing sight of the Government's needs through successive stages in the peace process. USAID plays an important part in the USG's larger strategy in Nepal. Our emphasis is on health, economic security and governance reform to combat the poverty and disenfranchisement that facilitated the six-year insurgency. Our task is to expand opportunities for employment and generate growth in the private, trade, agriculture, and energy sectors. We will reinforce that work with efforts to improve public sector management to deter corruption and strengthen the rule of law.

BANGLADESH

Bangladesh is one of a handful of moderate, democratic Islamic nations in the world today. It is also an ally in the U.S. Government's efforts to combat terrorism. Promotion of democracy is an important U.S. objective in Bangladesh, since achiev-

ing and sustaining economic growth is based upon a strong democratic system of government. The need to combat HIV/AIDS is now a high level U.S. interest because the country appears to be on the brink of a serious HIV/AIDS outbreak. While HIV/AIDS prevalence is low today, Bangladesh shares most of the characteristics of high prevalence countries. Action is needed now to avoid the politically, socially and economically destabilizing affects of a widespread epidemic.

This year Bangladesh exceeded USAID's performance targets in economic growth. Other donors, the business community, and the Bangladeshi Government view USAID's small business and agribusiness projects as leaders in innovative, business-driven approaches. Moreover, USAID was able to respond to several opportunities during the past year by initiating new interventions in the areas of information and communications technology, bank supervision, a national enterprise survey; a new trade leads facility, and a new Government investment strategy that complements longer-term activities. The U.S. Mission continues to work with the Government of Bangladesh to support a decision to export Bangladesh's abundant gas. Meanwhile deregulation of the power sector is rapidly proceeding.

Unfortunately, governance problems continue to hamper growth. For the second year in a row, Bangladesh was ranked as the most corrupt of 102 countries surveyed in Transparency International's annual corruption perceptions survey. Power and resources are highly centralized, leaving local government bodies with little ability or authority to control decisions that affect their constituencies. Political parties need support to transform bitter rivalry into constructive opposition. Only then can the Parliament focus on the many complex national issues facing the Bangladeshi people. Elections will be held in 2006; now is the time to start providing constructive assistance to level the playing field.

With limited prospects for the Government's real assistance in this area, USAID seeks to mobilize civil society. Our goal is to build demand for policy reform in the areas of local governance, parliamentary and political processes and human rights. This work has already met with some success for better informing the public. With three years of USAID support, Transparency International Bangladesh (TIB) has become a regional leader, coordinating the 2002 household corruption survey for not only Bangladesh, but also four other South Asian countries. We are also working at the community level to improve basic education, introduce innovative learning techniques, and integrate family planning and promote health to reduce long-term poverty and encourage economic growth and democracy.

INDIA

India has the potential to be a catalyst for economic growth and development in an unstable region, and is a key U.S. ally in the war on terrorism. At the same time, India—the world's largest democracy of 1.1 billion people—is home to over 300 million people living in abject poverty (more than Africa and Latin America combined).

USAID's program in India advances U.S. national interests: economic prosperity through opening markets; global issues of population growth, infectious diseases, and climate change; democracy concerns of alleviating poverty, reducing malnutrition, and improving the status of women; and enhancing India's ability to save lives, reduce suffering, and recover faster after natural disasters.

One of our biggest successes has been in reducing CO₂ emissions from the supply side. Now USAID is focusing on the demand side of the energy equation—distribution reforms. Policy changes at the local level, by providing consistent power for individuals and businesses, produce immediate results and improved revenue collection. Such reforms will also reduce state subsidies, leaving more budget room for badly needed social sector investments.

USAID is providing high-level technical assistance to the Government of India in the area of economic growth. At the national level, our focus is on reforming state fiscal policies and private pensions. At the local level, we are helping local governments finance public infrastructure and improve policy. We are also emphasizing technology, trade and resource-allocation initiatives.

India faces severe health challenges: over 4 million people are infected with HIV/AIDS; polio is re-emerging in the Northern portion of the country; and each year India has more new cases of tuberculosis (1.9 million) than any other country. USAID has ongoing activities in all these areas. Our work in the State of Tamil Nadu has successfully tempered the growth of HIV/AIDS, setting a model for others in India.

EAST ASIA AND THE PACIFIC

As our nation is fighting terrorism in Iraq and Afghanistan, we must continue to pay attention to terrorism and other threats to stability in East Asia. Countries like

Indonesia and the Philippines are also front line states in the war on terrorism. By strengthening economic reforms, democracy, education, and health, USAID programs help address the threat of terrorism directly in East Asia and the Pacific.

We are on the front lines of the war on terrorism in Southeast Asia. In the Philippines and Indonesia, USAID support has enabled the governments to take a stand against terrorism within their borders. USAID has provided viable alternatives for people who, unable to fulfill basic social and economic needs, might otherwise be drawn into terrorist groups, and has helped the Philippines and Indonesia to take policy decisions and enforce regulations that directly fight terrorism. For example, in both countries, USAID has contributed to successful anti-money laundering legislation.

At the same time, the variety of conditions across the different countries in East Asia means that we must tailor our response to the needs of each country in situations as varied as East Timor, Burma, Vietnam, and Mongolia.

In all of East Asia, USAID's programs address the conditions that provide fertile ground for terrorism: poverty, disease, unemployment, lack of education, economic decay, failing governments, political disenfranchisement, disrespect for human rights, and local conflict. USAID demonstrates to the people of East Asia that the United States is committed to improving their lives for the long term.

Indonesia, the Philippines, and East Timor represent countries where we are working with governments committed to a democratic path, yet which are facing serious internal conflict issues and economic struggles. We are providing direct support in addressing conflicts, for democratic transition and improved governance, and for economic reforms to stimulate trade and investment. We are also providing significant support for improved health and for better environmental practices that lead to better health and sustainable economic opportunities.

In mainland Southeast Asia (Burma and the Burma/Thailand border, Cambodia, Vietnam, and Laos), we are working in countries with governments that have not shown that they are firmly committed to a democratic future. We have therefore designed our strategies to stimulate democratic change, working mostly through non-governmental organizations. Our programs in mainland southeast Asia focus largely on democratic transition, corruption and transparency, health (including HIV/AIDS and other infectious diseases), environment, education and trafficking in persons. These are critical themes in all of the countries.

Democracy and good governance is a common thread running through almost all our programs in East Asia. Corruption drains East Asian economies of millions each year. USAID helps governments to address corruption head-on, while also helping civil society to pressure governments to be transparent and accountable. As Cambodia, Indonesia, Mongolia, and the Philippines move toward elections in 2003 and 2004, the success of the incumbent governments in addressing corruption will become increasingly important.

Because East Asia still has not completely recovered from the 1997 financial crisis and must also deal with the current world economic downturn, its governments are having trouble staying the course on the economic reforms that would have a lasting effect. However, given the world economic situation, East Asia's performance, as a whole, is not bad. USAID is helping with key economic policy decisions and implementation, including bank restructuring in Indonesia, Philippines, Mongolia, and East Timor. We are helping Vietnam to implement the Bilateral Trade Agreement with the U.S. in ways that break new ground in strengthening the rule of law and improve government transparency.

The environment is another key area for USAID in East Asia. East Asia is home to some of the world's most endangered forests and wildlife. Population growth, poverty and corruption are generating unsustainable demands on natural resources in the region and exacerbating conflict. In response, we are assisting local governments to improve resource conservation through increased transparency, accountability, and improved management. In the Philippines, USAID is supporting local governments in Mindanao and surrounding conflict-affected areas to reduce illegal logging and destructive fishing. The coastal patrols have not only reduced illegal fishing, but also have improved efforts to control smuggling, trafficking and terrorism. We have also integrated the U.S.-Asia Environmental Partnership into our bilateral programs to help continue to promote public-private partnerships to address key urban environmental issues such as air pollution. For example, in Indonesia, USAID, working with the private sector, will reduce air pollution through improving the public bus system and introducing cleaner public buses. Air and water quality are important factors in improving infant and child mortality rates.

Trafficking in persons is one of the most critical and sad areas I would like to highlight. The amount of trafficking from and within Southeast Asia is alarming. Burma, Cambodia and Indonesia are currently ranked at Tier 3, the worst ranking

given by the State Department's Global Trafficking in Persons Report. USAID, in partnership with State, is committed to preventing trafficking, protecting the victims, and supporting efforts to prosecute offenders. We have gained experience in this area in recent years and are establishing resourceful partners on the ground. Just last week the prosecution of two sex traffickers in Cambodia resulted in fifteen-year sentences and required compensation to the victims. State Department and USAID support enabled the Cambodian Human Rights Organization to present the case. The State Department and USAID want to keep up the momentum and expand on such progress.

Within this broader context, following is a description of some of the key programs in which we are now engaged in East Asia, and of some of the successes we've achieved—and the challenges we still face.

INDONESIA

Indonesia, the largest Muslim country in the world, plays an important role in U.S. efforts to combat terrorism and maintain political and economic stability across Southeast Asia. Indonesia is implementing a major transformation of its political and economic landscape while simultaneously addressing multiple crises—from terrorism and inter-ethnic, sectarian and separatist violence to endemic corruption and rising poverty.

Indonesia has USAID's largest aid program in East Asia. We have reconfigured the program significantly to respond better to the post-9/11 needs, helping moderate Islamic groups to have a bigger voice, to address financial crimes, and to improve basic education. We have played a key role in Indonesia's dramatic move to democracy and decentralized local government, and in restoring macroeconomic stability. We have a comprehensive program improving people's lives every day through health, environment, livelihoods, education, and political participation. We are working in partnership with the private sector to fight illegal logging. We have also ensured a protected habitat for orangutans, one of the world's most endangered species.

We are deeply involved in three important developments in Indonesia today:

- Signed on December 9, 2002, Aceh's fragile Cessation of Hostilities Agreement has been successful in greatly reducing the armed conflict. We supported the peace dialogue that led to the agreement and are the lead player in the monitoring. Security throughout the province has improved dramatically and we are working with other donors to ensure reconstruction and responsible governance under special autonomy.
- Indonesia continues to recover from the October 12, 2002 Bali bombings that killed over 200 people, including seven Americans. The economic impact devastated tourism revenues. USAID provided rapid emergency response that has helped the local economy to recover, and has worked with local groups to ensure that there are no outbreaks of tensions. Bali continues to display a remarkable coherence and lack of conflict. Generally, the trend line is positive if the tourist industry continues to recover.
- Preparations are underway for historic direct elections in Indonesia in 2004, for local and national legislative positions, President and Vice President, and the Parliament. We are working with partners like IRI, NDI, and IFES towards smooth, free and fair elections and full and productive participation by all parties.

PHILIPPINES

The Philippines is on the front lines of the war on terrorism in Southeast Asia. Beginning in FY 2002, approximately 60% of our bilateral budget has been directed to addressing social and economic conditions in Mindanao that would make its Muslim population less vulnerable to terrorist influence. USAID-managed assistance has already successfully integrated 13,000 former Moro National Liberation Front (MNLF) combatants, is training an additional 8,000 MNLF former combatants in 2003, and will train the remaining 4,000 in 2004. Complementary programs are helping Mindanao to put into place better health services and educational programs, as well as improve infrastructure and public administration in the Autonomous Region of Muslim Mindanao (ARMM).

In Mindanao and elsewhere in the Philippines, USAID's assistance in health builds on the Government's devolution of its health services to local government levels for general health care, TB and malaria management, immunizations, micro nutrient supplementation, and family planning. USAID also focuses on stimulating the private sector to play a greater part in improving access to quality health services.

The Philippines' ability to address conflict in Mindanao is undermined by its worsening economic and fiscal performance. For example, in 2002, the public sector deficit was an alarming six percent of GDP, due to falling tax collections. USAID's Economic Governance program addresses the issues most fundamental to ending the Philippines' pattern of stunted economic growth, conflict and corruption. In 2003-04, special attention is being given to improving tax administration, due to the overwhelming importance of fiscal revenue to economic stability and social infrastructure as well as widespread perception of tax administration as a sore point in Philippine corruption. Other areas of assistance include procurement reform, customs reform, public expenditure reform, improving in-court and out-of-court judicial systems, implementation of Anti-Money-Laundering legislation and protection of intellectual property rights.

Governance is also weak in the regulation of public utilities and environmental management. USAID's program to protect natural resources includes strengthening the ability of national and local governments to address critical threats to marine and forest resources. USAID's work in energy and air quality aims to 1) establish an open, competitive market for generating and distributing electricity; 2) electrify communities of former rebel soldiers using renewable energy in order to promote peace and raise their standards of living; and, 3) reduce vehicle emissions to improve public health.

EAST TIMOR (TIMOR LESTE)

East Timor is the world's newest nation, where USAID programs strongly support U.S. interests of democracy, economic development, and regional stability. We are playing a critical role in this exciting time for East Timor. We provide direct support to the Timorese in establishing a democratic government: in drafting and publicly vetting a constitution, in holding free and fair elections for the Constituent Assembly and President, in drafting and holding public hearings on critical legislation, and in establishing an independent media and an effective regulatory body to oversee it.

But the majority of Timorese are still very poor and live mostly in rural areas. Today, two in five persons do not have enough food, shelter or clothing. One in two have no access to clean drinking water, and three in four have no electricity. USAID worked in East Timor prior to independence, generating rural employment and raising rural incomes for 20 percent of East Timor's coffee farmers, in a country where 43 percent of the rural population farms coffee. USAID-supported coffee cooperatives broke the monopoly of the Indonesian military on coffee purchasing, enabling the Timorese to find better markets. Our economic development work is also improving food security and increasing rural employment through agricultural diversification and microenterprise development.

We are contributing \$12 million over three years to the central government for implementation of key elements of its national development plan. We are the second largest bilateral donor, after Australia. Donor coordination is good, and essential in this new nation. We are committed to a democratic and economically prosperous future for East Timor and will need to responsibly reassess our levels of assistance as expected Timor Gap oil and gas revenues come on line in future years.

In mainland Southeast Asia (Burma and Burma/Thailand border, Cambodia, Vietnam and Laos), we are working in countries with governments that have not shown that they are firmly committed to a democratic future. We have designed our strategies in each country to provide appropriate stimuli towards democratic change, working mostly through non-governmental organizations. Our programs in mainland Southeast Asia focus largely on democratic transition, health (including HIV/AIDS and other infectious diseases), environment, education and trafficking in persons. These are critical themes in all of the countries.

CAMBODIA

Cambodia is one of the most compelling cases for development assistance. It ranks among the poorest countries in the world, with an annual per capita GDP of \$280, low literacy rates, poor health status, and the highest official HIV/AIDS infection rate in Asia (although Burma's actual rate may be higher). Cambodia suffers from the legacies of war, genocide and corrupt government. U.S. objectives in Cambodia include promoting democratic practices, good governance, protection of human rights, and fighting disease and poverty.

We are there as the country takes tentative steps towards a democratic future. This year our focus is on the July 2003 national elections. We are helping the democratic opposition's ability to participate effectively in elections and are working to promote an environment in which voters can make informed decisions without fear

of intimidation or reprisals. Years of USAID support have fostered the evolution of strong, motivated NGOs, and now we are working to strengthen their capacity to promote democratic reforms at the national level. After the elections, our support will continue to help build the capabilities of the parties to develop leadership and messages. USAID will help the civil society organizations we support better identify and expose corrupt practices and promote active engagement by the public to monitor government activities and advocate for change, especially in the realm of anti-corruption. USAID also supports indigenous business associations which advocate for improvements in governance and transparency—reforms that will be necessary for Cambodia's accession to the WTO.

Cambodia's health services are still very weak, so we are focusing on the provision of services. This includes rehabilitation of severely-malnourished children, vitamin distribution, life-saving skills training for midwives, bednet impregnation to prevent malaria, improving the availability of treatment for tuberculosis, birth spacing, and immunization outreach. The most significant investment is being made to prevent HIV/AIDS and care for its victims. Cambodia is one of USAID's rapid scale-up countries for HIV/AIDS programming. Since 2000 we have made significant progress in moderating the spread of HIV in Cambodia.

Strong and relevant education is the key to the future of Cambodia. USAID has begun to develop a program to improve the quality and relevance of Cambodian education, with the aim of keeping children in school longer, especially girls.

Consistent with appropriations legislation, we do not contribute funds to any entity of the Royal Cambodian Government (RCG), and we only engage directly with the Government in the areas of HIV/AIDS, primary education, trafficking, and maternal and child health. Although our principal partners in Cambodian development remain international and Cambodian NGOs, this increased flexibility in recent years to work with certain parts of the Government is enhancing our effectiveness.

VIETNAM

Vietnam, a country of 80 million people, is key to regional stability in a mainland Southeast Asia that is currently more unstable than it has been for a while. Our interests lie in helping Vietnam make the transition to a more open and market driven economy. This is an economy that has the potential to take off. We want Vietnam as a friend; as a trading partner and market for U.S. goods. It also occupies a strategic position related to China. Vietnam, at the same time, is a very poor country with great needs for our support.

The main thrust of the USAID program is support for the implementation of the U.S.-Vietnam bilateral trade agreement. Since the signing of the agreement in December 2001, imports from the U.S. have grown by 26 percent and exports to the U.S. by 129 percent. Our assistance, helping with the laws and regulations to enable smooth international trade and investment, improves the rule of law (related to business) and makes government more transparent. We also provide assistance to prevent HIV/AIDS, improve and increase services to the disabled, and protect the environment.

Despite the government's continued hold on power, the younger generation is growing in power. More than 50 percent of the population is too young to remember the war. They are interested in our support, our culture, language, and our goods. They welcome USAID assistance at the official and grassroots levels. Cooperation is positive. The Vietnamese have recently asked for USAID assistance with developing their new securities law and with a new groundbreaking NGO law. Our assistance in economic governance has the potential to grow into more positive work in the rule of law, democracy and civil society. This is a mutually advantageous relationship we should continue to build.

BURMA

Burma is an authoritarian state, with serious health, economic indicators, a drug trade, and rampant human rights abuses. U.S. interests lie in promoting democratic practices and universal human rights. Our Burma program is coordinated closely with the State Department. We provide significant humanitarian assistance to displaced Burmese on the Thai-Burmese border, and help groups to promote democracy inside and outside Burma. Our implementing partners have established successful education and health programs on the border; refugees are receiving good health care, and children are getting an education. Our assistance supports scholarships to provide higher education to young Burmese who will help develop a future democratic Burma. Internews has helped opposition groups get out their democratic messages with better media products. Last year we began to address the serious HIV/

AIDS situation in Burma, where the infection rates, estimated as high as four percent, may be the highest in all of Asia. We hope to expand this program in FY 04.

LAOS

U.S. interests in Laos are largely humanitarian. Serious human rights concerns, widespread acute poverty and disease are major concerns. USAID has a modest program in Laos. We are contributing to employment and economic growth in targeted provinces through a silk production project. We are educating Lao children about unexploded ordnance (UXO), particularly in the most affected provinces. We are also training emergency medical personnel to deal with accidents from unexploded ordnance. With unexploded bombs from the Vietnam war era still on the ground in Laos, in some parts of the country a child is at risk simply playing outdoors. Through our assistance, children are able to identify UXO and know what to do to not get hurt and to safely report the danger. While HIV/AIDS is not yet a severe problem in Laos, we are working hard to make sure it doesn't become one. Maternal and child health is a major concern we are beginning to address, especially for Laos' most vulnerable children.

MONGOLIA

Mongolia is a separate case. The government has made the transition to democracy and a market economy over the past eleven years, and USAID is instrumental in seeing that those transitions are successful and provide equitable benefits to the Mongolian people.

We are very proud of our Mongolia program. We have helped to rebuild the financial sector, guide responsible privatization, automate the courts, and improve herders' livelihoods. There is still work to be done. The majority of the population is poor, lives in remote rural areas, and is cut off from many of the benefits of the country's advances. The judicial sector is weak and vulnerable to corruption. The economy is far from thriving. The political opposition is weak. Slums outside urban areas are growing, with few employment opportunities. We are addressing all these areas with a well-integrated, streamlined and high-performing program.

CHINA/TIBET

USAID is involved on a limited scale in China. At the request of the State Department, we are managing small programs in rule of law and in Tibet (sustainable development, environmental conservation, and cultural preservation). We are also beginning a modest amount of HIV/AIDS prevention work in two southern provinces as a part of our Greater Mekong HIV/AIDS regional strategy.

REGIONAL PROGRAMS:

Thailand

We have no bilateral aid programs in Thailand, but there are several regional programs operating in the country. We are opening a new regional support office that will support our bilateral and regional programs (HIV/AIDS, anti-trafficking, environment, and economic growth) in mainland Southeast Asia as well as our Burma border activities. The programs in Vietnam, Laos, and the Burma border, where we currently have no direct hire presence, will be managed from Bangkok. Our fast-growing HIV/AIDS assistance in the region will be directed from this regional platform. The regional office will also be the home for the regional Office of Foreign Disaster Assistance staff.

ASEAN

USAID is playing a key role in support of the U.S. Government's new ASEAN Cooperation Plan. We have arranged for Information, Communication, and Technology (ICT) assistance to the ASEAN Secretariat and key ASEAN members to enable them to communicate effectively within the Secretariat and among member nations via the Internet. We are also providing assistance to the Mekong River Commission to address critical regional environmental management issues. We aim to work with the State Department and ASEAN to address the alarming trafficking in persons problems in the region through a regional, intergovernmental approach.

Regional HIV/AIDS and Infectious Diseases

HIV/AIDS is an extremely serious issue for USAID in East Asia. While HIV prevalence is still very low compared to sub-Saharan Africa, HIV/AIDS crosses borders easily in this part of the world and has reached adult prevalence rate of 2.7 percent in Cambodia and is estimated to be four percent in Burma. There are rates as high as 80% among prostitutes, and 93% among intravenous drug users in some parts

of the region. Given these factors, and East Asia's large population, HIV/AIDS is a time bomb. We have initiated a Greater Mekong HIV/AIDS strategy, which includes Vietnam, Laos, Thailand, Burma and two southern provinces in China. Interventions include prevention, care and support, voluntary counseling and testing, prevention of mother-to-child transmission, policy and advocacy, and stigma reduction. USAID has joined forces with USAIDS, AusAid, DID, and other donors to advocate for HIV/AIDS at high political levels.

East Asia is also the home of seven countries with high tuberculosis burden and countries with multi-drug resistant malaria that is becoming increasingly difficult and expensive to treat. The regional program also addresses these diseases by strengthening training, policy, advocacy, and surveillance systems.

US-AEP

Through the U.S.-Asia Environmental Partnership (US-AEP), USAID has developed innovative and successful government-business partnerships to address key environment issues and create markets for U.S. businesses. We have integrated the most successful elements of US-AEP into our bilateral programs and will no longer request funding as a separate line item.

PUBLIC-PRIVATE PARTNERSHIPS

The ANE Bureau established a public-private alliance mission incentive fund (MIF) in FY02 to encourage missions to seek out partnerships with private sector enterprises, donors, host country counterparts foundations, and local non-governmental organizations (NGOs), among others. A competitive process resulted the award of \$17.5 million to 12 projects in six countries with an average mobilization of more than four alliance partner dollars to each USAID dollar. In other words, the bureau's \$17.5 million investment in these activities are expected to yield over \$70 million in outside resources being applied to our development objectives. Examples of the types of programs supported by the MW include:

- Working with Mirant Philippines and the Philippine Department of Energy on a solar energy project in Mindanao which is delivering electricity to over 3,000 people in remote areas to promote peace and prosperity;
- In Morocco, over 300 girls are assured a middle school education by providing scholarships and safe housing through a partnership with Coca Cola and the Moroccan Ministry of National Education;
- An alliance with British Petroleum in a remote province in Indonesia is working with civil society groups, private firms, and local governments to put natural resources to work for the economic and social betterment of the region while protecting a unique environment; and
- A timber alliance to combat illegal logging in Indonesia which harnesses resources from The Nature Conservancy, the World Wildlife Foundation, and Home Depot. The latter is groundbreaking because it builds on the strengths and talents of government, the private sector, and NGOs to confront the challenges to forest conservation in Indonesia.

These FY02 alliances were so successful that the bureau is supporting a similar exercise this year, and will endeavor to identify funds with which to promote a third and final round next year.

USAID CHALLENGES

One of the Committee's objectives in holding these hearings is to consider possible adjustments to our basic authorizing legislation, the Foreign Assistance Act of 1961. USAID has put forward several suggestions in this regard, and I hope that you and your staffs are consulting with our leadership about these suggestions. The demands on USAID to support new mandates to address global challenges—Afghanistan, Iraq, HIV/AIDS, education, MEPI, and other pressing priorities—have increased exponentially, as have the costs of providing security for (and occasionally funding the evacuation of) our personnel and their families in this part of the world. Meanwhile, our ability to fund and staff these operations has reached its limit. The solution will have to involve not only the identification and provision of adequate resources, but also the need for new personnel and procurement authorities that will streamline and create more responsive systems. In this context, I am pleased to report that ANE is part of an Agency-wide process to analyze what it really costs for us to do business overseas. With this analysis in hand, we look forward to demonstrating our capacity and resolve to implement high priority USG programs throughout the ANE region in a cost effective and successful manner.

CONCLUSION

We applaud the leadership of this Committee in addressing many key issues such as HIV/AIDS, tuberculosis and malaria as well as your work on promoting international religious freedom, combating the crime of trafficked persons and preventing famine. We look forward to continued close cooperation with you and your committee as USAID implements its development programs based on the President's vision of foreign aid as articulated in the Millennium Challenge Account and in Administrator Natsios' vision for the Agency, *Foreign Aid in the National Interest*.

In conclusion, I would cite President Bush's words: "we fight against poverty because hope is an answer to terror. We fight against poverty because opportunity is a fundamental right to human dignity. We fight against poverty because faith requests it and conscience demands it. And we fight against poverty with a growing conviction that major progress is within our reach". We look forward to joining with you and your committee in that fight.

Thank you.

Senator CHAFEE. Thank you, Assistant Administrator, very much. Those are sobering comments, and as you said in one sentence here in your written testimony, "in the Near East the need for robust foreign assistance has never been more compelling." All the reasons you gave certainly are testimony to that.

And so, Assistant Secretary Burns, the numbers really are not there for that robust assistance that Assistant Administrator Chamberlin talks about. What are the reasons not to have more of a commitment financially to all of the needs in the region?

Ambassador BURNS. Well, Senator, obviously enormous needs in the region, and they reflect not just the sort of traditional security concerns, but also, as both of us have tried to highlight, the broader regional challenge of economic and political change, and what we can do to invest in the efforts of people in the region to open up their economies and meet the need to create jobs.

We have tried to focus in particular on some countries where there clearly is that sense of leadership and a willingness to make the changes that can ensure that our assistance moneys are going to be used well. We have also tried, when Secretary Powell introduced the concept of a partnership initiative, to highlight the importance of all of these challenges and, as we seek resources from the Congress, to demonstrate that we can use them wisely in the support of those aims.

And that is why, not only in the request we have submitted for 2004 did we request \$145 million in new money for the Middle East Partnership Initiative, but also in the President's supplemental request there is a \$200 million supplemental request for the Middle East Partnership Initiative and Muslim outreach in general. I think we have also tried to look at some key bilateral partnerships, like Jordan, where we are looking for significantly increased funds, especially in economic support funds, again to provide support for, as Wendy said, a demonstrated leadership and a willingness to make tough decisions on economic reform and in other areas.

Senator CHAFEE. So as we see the flat funding in the Middle East Partnership Initiative actually going from \$200 million down to \$145 million, is that accurate?

Ambassador BURNS. Well, no, sir. Let me just try and take a step back. When the Secretary put forward the Middle East Partnership Initiative, the 2003 budget request had already been made. We got a very modest amount in the 2002 supplemental, \$20 million for

pilot projects just to show that we could get some of these programs started. I think we have had some modest successes there.

And then we submitted a \$145 million request for 2004, regular budget request, and now we have come back to try and take into account the fact that we did not make any request in the 2003 budget request with a supplemental request, so you get to see all of it as a package designed to meet what I think is a profoundly important set of challenges for us and for the people of the region.

Senator CHAFEE. And you mentioned earlier that the detriment to more increased funding is the ability to use it wisely. Is that the main reason, that we want to make sure that our investments are, as you said, being most helpful to the populations they are directed at? Is that the key reason we do not see more robust funding, as Assistant Administrator Chamberlin mentioned? The need is there for more robust funding, yet we do not see it in the numbers.

Ambassador BURNS. Well, sir, I am a great advocate of robust funding. I have seen it myself in my own experiences as Ambassador in Jordan, what can be done with increased assistance flows. It is true that without that sense of political will and leadership in the region you are not going to get very far, but I think it is extremely important for us to provide positive reinforcement where we see that kind of leadership, and also, and this is one of the ideas embedded in the partnership initiative, to make sure we are coordinating across the whole range of policy instruments we have, so not just the assistance programs USAID manages so well, but also what USTR can do in trade agreements, whether formal free trade agreements, trade investment framework agreements, those kinds of things, to make sure we are harnessing all of the resources we have in support of positive efforts at change from the region itself.

Senator CHAFEE. OK, just to switch a little bit—what role do you see our foreign assistance playing in the road map process?

Ambassador BURNS. Sir, I think our assistance program both for the Palestinians, the \$75 million that we have requested in 2004, as well as the contributions we make to UNRWA, as well as the \$50 million supplemental request which was just submitted are extremely important to help to address many of the very deep humanitarian needs the Palestinians face right now in a city like Nablus, one of the largest towns on the West Bank, you have nearly 80 percent unemployment amongst Palestinian males. In a circumstance like that it is difficult for people to look easily at political compromises and reconciliation. You have to inject a sense of economic hope, and we coordinate our own efforts very closely with those of other donors in terms of dealing with the Palestinians, so I think it is an extremely important part of that effort to use the road map as a starting point to move seriously in the direction of the two-state vision that President Bush has laid out.

The Israel program it seems to me, as I said in my opening comments, is also extremely important, given our enduring commitment to Israel's security and its well-being and to ensure that Israelis feel secure and a sense of economic well-being that can help provide the space within which risks for peace can be taken as well, risks which are in the interests of both the Israelis and the Palestinians.

Senator CHAFEE. And as we go forward with the “road map” and the desire for a Palestinian state, certainly it is, you might argue, getting more difficult to envision that state as the settlements expand. Is there going to be any linkage from the administration to the funding, the advance of the settlements, or the taking down of settlements? Is the administration going to make any request for a linkage?

Ambassador BURNS. Well, sir, I would make two comments. First, and as you said, the administration has been very clear in its opposition to continued settlement activity. It has been a prominent feature of what the President and Secretary Powell have said publicly. It is also a prominent feature of the first phase of the “road map,” and that is because this administration, like its predecessors, has seen continued settlement activity in the West Bank and Gaza and the Occupied Territories as wholly inconsistent with the two-state vision that President Bush has laid out.

In the past, when previous administrations looked at the issue of loan guarantees, we had worked to ensure that there was some form of conditionality in the use of those funds, and we have worked with the Congress on that a decade ago in the early 1990s, and that is exactly the kind of thing that we are looking at right now.

Senator CHAFEE. Looking at, or can you say there will be some kind of recommendations to—

Ambassador BURNS. I am certain that we are going to pursue that, and the exact terms are something that obviously will have to be worked out.

Senator CHAFEE. Very good. Thank you very much.

Do you have questions, Senator Boxer?

Senator BOXER. Thanks, Mr. Chairman. I thank you both. I found your comments very important. I want to focus in just for a minute on the current situation in getting humanitarian assistance to the Iraqis. Now, we know that a lot of our nonprofits, USAID also, is not going to go in there while there are still hostilities, so it falls to the military, and I saw some shots of the British military handing out meals to some of the civilian people. Is that a plan for our military, do you know, at this point, to do that?

Ambassador CHAMBERLIN. Yes, Senator, it is. Our military has civilian affairs troops that will be going in, are in now, and that is their responsibility. That is their mission, is to provide immediate food, water, health assistance to affected civilians in the conflict period. As soon as we can move to a post-conflict period, USAID will deploy its DART team. I think you have read about it in the paper. We have a DART team that is over 60 members. It includes participants from the Department of State and other agencies, and they will go in two steps behind the civil affairs troops to begin to also make assessments of humanitarian requirements.

Senator BOXER. Well, I have absolutely no question that as soon as possible we will get everything going. I want to get a picture of the condition now, because a lot of the Iraqis counted on the food from the Oil for Food program which, of course, is disrupted at the present time, and with the mining by Hussein of some of the harbors there, what can you tell us about the current circumstances? How long can the Iraqi people hold out?

I mean, there is some talk that this war is right exactly where they wanted it, there is some talk that it may be longer than they anticipated. I do not know which is correct because I am not a military expert, but the point I am concerned about it is the scale of the humanitarian problems. Clearly, if our people are worried about their back, that comes first, so where are we in terms of getting food to people, and how long can they hold out, and do we have a contingency plan if we cannot do the massive type of humanitarian aid within the next couple of weeks?

Ambassador CHAMBERLIN. Modest estimates are that the Iraqi people have 1 month of food supplies within their families. The Saddam regime actually distributed their food provisions, doubled up their food provisions over the last several months, so our estimates are that the households have from 1 to 2 months' food supplies within their families. Water is the issue. Water is the issue, and it is one that does concern us.

Senator BOXER. But at this point, water is OK as far as we know?

Ambassador CHAMBERLIN. Yesterday the reports were that the water systems in Basra presented a severe threat to the people. Fortunately, the International Red Cross were able to get into Basra and to restore water to 40 percent of the population within the city. Today, I understand from the press that Basra, perhaps other humanitarian agencies and our own people can get into Basra now and have access to it.

Senator BOXER. OK, so the food, you are giving us an answer they can last a month to 2 months. What about, the budget in 2004 has nothing for rebuilding Iraq. I mean, we are kind of facing with this budget, that it did not have the cost of the war, so we are taking up a supplemental. We are going to have some money in a supplemental.

Ambassador BURNS. \$2.4 billion.

Senator BOXER. What other countries are helping us with hard cash to rebuild Iraq, and why isn't there anything in there for 2004, and do you anticipate a 2004 supplemental?

Ambassador BURNS. I cannot answer the last question, Senator Boxer, I just do not know, and I am sorry. Wendy can add to this as well, but I think the supplemental request for Iraqi reconstruction and relief is the administration's best estimate at this point of the costs that are going to be required. Obviously, we want to try and share the burden as you look at the enormous task of helping Iraqis rebuild their country, and the expense of that is going to be quite significant over time.

Senator BOXER. What countries have offered to give us hard cash in this effort?

Ambassador BURNS. We are still in the process of consulting with a range of those countries that you see who have identified themselves publicly with this coalition effort. One of the points that countries who are willing to contribute have expressed—at least a preliminary willingness to contribute have made to us is that they are very much interested in what is the post-war structure going to be for supporting the efforts of Iraqis to put themselves back on their feet. What is the U.N. role going to be, how are we going to

open things up, and so I think those two issues are very closely connected.

We obviously want to share the burden. There are obviously a lot of countries around the world and international institutions which have a stake in a stable Iraq emerging, and that is one of the reasons that it is so important, I think, for us to follow through on what the President and Prime Minister Blair talked publicly about in their Azores statement, which is to find an appropriate U.N. role so that we can build a structure which attracts those kinds of contributions.

Senator BOXER. I could not agree more. I want to have more of a U.N. role right now, but as I look over the coalition, most of them receive aid from America, so I do not know how much we are going to get from this coalition, but I have been asking for a real long time for a list of what each country will be contributing to the war effort and to the post-war effort. If it is possible to have that, I would ask unanimous consent that the record be kept open. Is that all right with you, Mr. Chairman?

Senator CHAFEE. Without objection.

[The following information was subsequently supplied.]

Other Donor and International Organization Assistance*

(As of July 3, 2003)

Donor	US \$ (Millions)	Date (2003)	Assistance Snapshot
Australia	\$64.9	April 29	U.N. agencies, ICRC, and NGOs
Austria	\$1.1	April 1	UNICEF
Bangladesh	\$2	April 4	Food Assistance
Belgium	\$4.4	April 29	ICRC, UNICEF
Canada	\$74.6	March 26	WFP, UNICEF, UNHCR, OCHA, ICRC, NGOs
China	N/A	March 27	Tents
Czech Republic	\$41	May 22	UNHCR, WFP, and assistance for refugees, health, education, and reconstruction activities
Croatia	\$2.8	May 2	Blankets, sleeping bags, flour, sugar, water purification disinfectants
Denmark	\$54	March 8	Various
European Commission	\$117.7	April 22	U.N. agencies, IOs, and NGOs
Finland	\$5.13	March 25	ICRC, UN, OCHA, WFP
France	\$10.7		UNICEF, WFP, NGOs
Germany	\$50	May 5	UNHCR, WFP, ICRC
Greece	\$4.6	May 5	UNHCR, ICRC, NGOs
Iceland	\$3.75	April 8	ICRC, NGOs, UNHCR, WFP
India	\$20	April 4	WFP and U.N. Consolidated Appeal
Ireland	\$5.1	March 31	U.N. agencies and NGOs for humanitarian assistance
Italy	\$16.3	April 29	Field Hospital
Japan	\$21.2	May 1	U.N. agencies, NGOs, Bilateral Assistance
Jordan	\$10	May 5	Various
Korea	\$10	April 3	U.N. agencies and Korean NGOs
Kuwait	\$40	March 14	UNHCR, WFP, UNICEF, ICRC, Water and Sanitation, Health
Netherlands	\$20.5	April 2	U.N. Consolidated Appeal and ICRC
New Zealand	\$2.3	April 22	U.N. agencies including WFP, IOs, and NGOs
Saudi Arabia	\$13.3	April 12	Medical Assistance
Spain	\$56.7	April 22	U.N. agencies, bilateral refugee assistance, and NGOs
Sweden	\$38	April 11	OCHA, UNICEF, ICRC, IFRC
Switzerland	\$21.9	April 16	ICRC, UNHCR, IOM, IFRC, OCHA
Taiwan	\$4.3	March 27	Refugee assistance—food, medicine, nonfood items
U.A.E.	N/A	April 22	Medical Assistance
United Kingdom	\$382	April 29	U.N. agencies including WFP, IOs, and NGOs—food, health kits, water units, winter supply kits, primary health, IDP assistance

Other Donor Contributions to Date \$1,289 Million**

*This compilation was drawn from Department of State tracking of donor government pledged or committed funding. The list may not be comprehensive.

**This total is approximate as the value of donated commodities is not available in some cases.

Senator BOXER. Basically, that is where my focus is right now. In terms of the lack of funding in 2004, it is very perplexing to me. We have a lot of goals here. I mean, I have read that the ad-

ministration wants to have, you know, health care for every Iraqi, education for every kid. I would like to see them do that in this country. That is another domestic argument, it is a different argument, but surely at the minimum, with those goals in Iraq, we just need to see a little bit more, Mr. Chairman, of where these resources are coming from, so I will be very delighted if we could have in writing what these countries are going to give us to help us with this burden.

And also I would say that—I am going to call you Ambassador Chamberlin—

Ambassador CHAMBERLIN. Please. Call me Wendy.

Senator BOXER [continuing]. Because you have done a fantastic job for your country. Both of you have. But I really—I am very worried about this humanitarian situation, and I would just like to say, as the ranking Democrat working with my colleagues on the other side of the aisle, if you see things coming down that are alarming, that you feel we need to help, please come to us with that so that we can be supportive.

Thank you.

Ambassador CHAMBERLIN. Thank you very much for that invitation.

Senator CHAFEE. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you. Welcome. We appreciate your efforts and good work and your leadership at a difficult time.

Picking up a bit on what Senator Boxer was talking about, the role of the United Nations, what can you tell us about Dr. Rice's conversation with Secretary General Annan yesterday, the role of the United Nations? Is there a role? What will that role be? Where are we? I presume Prime Minister Blair will be talking to the President about that. Can you expand on that as much as you can?

Ambassador BURNS. Yes, sir, I will try to. First, I cannot comment a lot on the details of Dr. Rice's conversation. Let me take this in steps.

First, there is an immediate focus, and it picks up on Senator Boxer's question, on the oil for food program and how the Security Council responds to the Secretary General's request that he get the authority to ensure that goods that are already in the pipeline and Iraqi resources are used to support some of the immediate humanitarian concerns that you raised. We are working hard today, even as we speak, in the Security Council to try and work out a mechanism and language in order to do that in response to what the Secretary General has said, and that is a very important starting point, I think, for the U.N. role.

More broadly, as the President and Prime Minister Blair and Prime Minister Aznar said in the Azores recently, we do support a role for the U.N. in managing the enormous challenge of post-war Iraq. That can take a number of different forms. You look at the role the U.N. has played in different crises around the world in recent years, I do not think there is any perfect model for the unique set of circumstances that faces us in Iraq, but I think for all sorts of reasons, in particular, burden-sharing, I think the administration recognizes that we are going to need to seek to work as closely as we can with the United Nations, and that is notwithstanding all

the difficulties that are obvious to all of us in recent weeks as the President moved to the decision to go to war as a last resort, to head up the coalition.

So we are still working through the problem, Senator Hagel, but it is very much with a sense of purpose, and the sense of purpose is to try and work out a cooperative role with the United Nations, one which can serve not just to coordinate all of the work of the U.N. specialized agencies in Iraq in a post-war setting, which can be enormously important, but also see if there are other kinds of roles that the U.N. can play which would support our interest in a stable situation emerging, meeting basic reconstruction goals, as well as ensuring as much burden-sharing as we can, so we are still working that through.

Senator HAGEL. Realizing that this is an imperfect process and we are dealing with many uncontrollables and unknowables, how much time did this administration put into this, thinking it through? Are we just now starting figuring this out with the role of the United Nations, or are we starting from a plan, or where are we starting from? We have been told in many hearings, as we ask some of these same questions, as you know, how do we intend to move forward? We have been talking about this for months, and some of us have been concerned that the administration has not put the kind of planning into it.

I am a little puzzled that this seems to be something fairly new, at least as it is being projected here, when we were told by the administration that, don't worry about it, Senator, we know what we are doing, we have got it essentially figured out.

Ambassador BURNS. Let me start, Senator Hagel, and then Wendy might want to add to this, just on the U.N. role. We have worked hard at this for some months, as a matter of prudent planning to sort of think through the kind of challenges that we as an administration and a country would face if we went to war as a last resort, thinking through not just how we would work with the international community, in particular the United Nations, but also how it would work with Iraqis.

For a year and a half, as you know, Senator, the State Department took the lead in putting together Future of Iraq Working Groups, looking at each sector of Iraqi society, and what Iraqi specialists themselves think in terms of rebuilding that society. In part, though, it does depend on the kind of situation that we walk into and that we find as hostilities end. That is true in terms of how we go about trying to support the creation of an interim authority for Iraqis.

It is also true, in part, in terms of the U.N.'s role, because as I said, there are a lot of different models out there, and it is a question of trying to harness the best experiences to the situation we face, but we have tried to look very carefully in recent months at the different roles that the U.N. has played in the past, and what might be the best mix to fit the particular circumstances of Iraq, but again, it does depend in part upon the kind of situation on the ground that we face afterwards, so we have tried to think through a kind of range of options that we have and have begun to coordinate closely with the British and with other partners to think those options through, and it is going to be a large part, I think, of the

conversation Prime Minister Blair and the President have tonight and tomorrow.

Senator HAGEL. You mentioned the State Department took the lead in putting these groups together. It is my understanding the Defense Department has the lead in reconstruction. Is that correct or not correct? What is the role of the State Department here? Who is leading that effort? Who is organizing it?

Ambassador BURNS. Well, it is an interagency effort. The NSC staff, as is properly the case, has helped to organize. When I mentioned the State Department's role in putting together the Future of Iraq Working Groups, that goes back more than a year, and what we have tried to do is to plug that work in, some very good work that was done, into the efforts of the group that retired General Garner now heads, based in the Pentagon but a true interagency effort reflecting contribution from the State Department and from other parts of the administration, so the lead in terms of immediate reconstruction challenges is with that group.

What we are trying to do is plug the work that we have done over more than a year into those efforts to make sure that this reflects the best efforts of the whole administration.

Ambassador CHAMBERLIN. Let me just add, because I think my comments will fit in nicely with Bill's comments, Bill has really addressed the types of planning we have been doing on an interagency basis for reconstruction with a "large R."

USAID has been involved for many months, since about September, on issues of reconstruction. I call it reconstruction with a "small r," issues like those Senator Boxer was addressing, health, water, electricity, food, telecommunications, rebuilding bridges, getting the education system up, working on local governance, building their capacity, economic governance. We have developed very extensive plans in each of these sectors for reconstruction with a "small r."

We have done it in an interagency group chaired by the NSC and OMB. Robyn Cleveland, perhaps you know her, has led this group for some months, prepared extensive planning in this, all-perspective, all-contingency. We really have not been in Iraq for sometime. NGOs for the most part have not been there. There have been three NGOs in the south. We do not have a whole lot of information, but we used information that we were able to get from the Future of Iraq Working Group, from our intelligence services, from those NGOs and from Iraqis in the exile community, what are conditions there and what should we plan for.

In each of these sectors, USAID set benchmarks. Some of the benchmarks you, Senator Boxer, noted as goals, ambitious goals, yes. Every child in Iraq ought to have access to education. That does not mean that from U.S. resources alone we are going to provide education at an American standard level for every child in Iraq, but it is a benchmark that is out there that we would hope we would aspire to, the Iraqis themselves could aspire to, other donors could aspire to.

What we are trying to do in this supplemental request for reconstruction is to jump start, to get into a wide variety of areas that we think need work, desperately need work right away, provide immediate punch to it in a 1-year timeframe. We want to bring those

sectors up to a level perhaps as good as they were 10 years ago before Saddam Hussein really started to run it into the ground.

Senator HAGEL. Madam Ambassador, I do not doubt the nobility of the purpose here. That is not the point. Let me, because I do not have a lot of time, and we have other colleagues, so I am going to not be offensive here, but see if I can cut to a couple of other questions. So General Garner reports to OMB?

Ambassador CHAMBERLIN. No.

Senator HAGEL. General Garner reports to OMB, or who does he report to? Powell?

Ambassador CHAMBERLIN. DOD.

Ambassador BURNS. No, no, he reports up through the DOD channel.

Senator HAGEL. He reports to DOD? That gets back to my question, so what is the role of the State Department? I know you talked about the purpose, but is State Department, what, a junior partner here, or what?

Ambassador BURNS. No. We have contributed personnel. As I said, we tried to contribute the work of this Future of Iraq Working Group to those efforts, but it is an interagency effort headed by General Garner, the Pentagon—

Senator HAGEL. Garner reports to the Pentagon.

Ambassador BURNS. Yes, sir.

Senator HAGEL. And OMB is what? What do they do? What is OMB's role?

Ambassador CHAMBERLIN. Well, OMB established the Inter-agency Working Group that provides guidance.

Senator HAGEL. Do they have management control over this?

Ambassador CHAMBERLIN. No.

Senator HAGEL. Are they part of the reporting process?

Ambassador CHAMBERLIN. No.

Senator HAGEL. So they are out of it now? They were part of organizing the—

Ambassador CHAMBERLIN. They will manage the supplemental funds.

Senator HAGEL. The financial part that OMB normally does, but as far as the rest of it, they do not have anything to do with it—and the reason I asked that, too, is the millennium, the grant process, which I think is wrong, and we are not finished with that issue, is having OMB being one of the three board members on there. I mean, OMB is the court of last resort for everything, but we are not here to talk about OMB.

If I might, Mr. Chairman, I want to ask a couple of questions on the Middle East. Can you clear up some of the misunderstanding of the President's speech the other day about the "road map," and we will welcome new comments to the "road map." What did he mean by that? Are we opening that up now for new negotiations or not, or what exactly did he mean?

Ambassador BURNS. Sure, sir, well, first I think what the President said a couple of weeks ago is very important. He reaffirmed his commitment to a two-state position. He reaffirmed his personal commitment to the process. It is going to be a very difficult one to start moving in that direction finally, and he reaffirmed his com-

mitment to the "road map" as the way to get started in that process.

And our view is, reflecting what the President said, that the "road map" is the starting point. It is a basis for getting the two parties to engage one another. It is not a take it or leave it edict. It is a basis for them to engage, to roll up their sleeves, with our help, because it will not happen without vigorous leadership from the United States, to begin to change the atmosphere on the ground, and it is our best judgment about how to get started, and what kind of framework is going to lead us, and lead the two peoples and leaderships from the place they are in now to the two-state vision that the President has laid out.

So our view is very much that the point here is not renegotiation of text, it is using it as a starting point and taking advantage of some of the modest, positive steps which have occurred on the Palestinian side, in the financial sector, with the creation of the position of Prime Minister, the appointment of a credible personality who is now trying to put together a new cabinet, and see, as the President said, if we cannot take advantage of that opportunity and get started and again, use the "road map" as a starting point.

Senator HAGEL. So his language was not meant to open up a negotiation of new points in the language. Let be more specific in the question. It has come to my attention that Prime Minister Sharon has a list of new points that he wants included. I understand that list may include as many as 150 points. Is that true or not true? Is it open to negotiation or not open to negotiation?

Ambassador BURNS. I think it is obvious that both parties are going to have to make contributions if we are going to take the "road map" as a starting point and get anywhere with it. Those contributions, those comments are obviously going to have to come in, and we would like to focus them on implementation, in other words, how you take that starting point and make something of it, because it is seven pages. It is a framework. It is a starting point, and obviously many of the specifics in terms of implementation are going to have to be fleshed out, and that is only going to happen if we work with the two parties.

Senator HAGEL. But what we have on the table now, what has been agreed to, that is not open for negotiation. We will start from that, as you say, and then the implementation of those points needs be worked out. Is that what you are saying?

Ambassador BURNS. Just as Secretary Powell said yesterday, Senator, that is exactly our point, is we want to use it as a starting point and see it in that context. To implement it, both sides are going to have to make contributions, make comments and come up with ideas—

Senator HAGEL. So we are not going back and renegotiating all the points in the framework?

Ambassador BURNS. No, sir. We want to use that as a starting point.

Senator HAGEL. Thank you very much. Thank you, Mr. Chairman.

Senator CHAFEE. Thank you, Senator.
Senator Alexander.

Senator ALEXANDER. I have a general question. Just help me understand the concept of a moderate Islamic democracy and how we would define one. Would we recognize one if we saw one? How can we encourage that? I mean, it is fairly likely that a moderate Islamic democracy might not look anything like our democracy. It might not have separation of church and state, probably would not, might not have equal opportunity in the way we think about it, in the case of women, for example. It might not have many of the freedoms that we want to encourage, and if it were a democracy, it might not agree with us on our foreign policy objectives. It might be on the other side. It also might take a long time to get to where we could even call it a democracy at all, so how do we think about this? I mean, what is the concept of a moderate Islamic democracy? What should be our guidelines as we think about it?

Ambassador BURNS. Well, Senator, let me just offer a couple of comments because it is a very good question.

First is, you are right, there is no one-size-fits-all solution here, and it is not a question of models, which have worked so well for us in this society, a Jeffersonian democracy emerging full-blown in the parts of the region at least for which I am responsible.

Second, it is very clear that there are a lot of pressures and trends within the region itself to which leaderships are going to have to respond, people who want to have more participation, more say in how they are governed, and that is just a reality which leaderships are not going to be able to ignore, and the Arab Human Development Report, as I mentioned in my opening remarks, I think very eloquently highlighted the way in which Arabs themselves see those kinds of challenges.

You are also right, sir, it is going to take time, and progress in the direction of creating durable political institutions. Opening up greater participation is not going to happen overnight. It is going to have to be driven from within. There are things we can do to help. There are forms of assistance that we can provide, many of which are included in the partnership initiative that can be used, I think, very constructively in support of efforts from within the region itself.

And finally, sir, you are also right that broader political participation, greater openness in those societies is not necessarily going to make for more positive views of American policy. There is a deep frustration, anger and bitterness in parts of the Arab world right now with regard to aspects of American policy, and more open political systems are not going to make those go away and in some respects it is going to give greater voice to them.

But I think the reality is, in terms of American interests at least as I see them, that is ground that has to be covered, because stability is not a static phenomenon, and societies in that part of the world are going to have to evolve. They are going to have to take into account the pressures for greater political participation that come from their own people. How that evolution is going to work is going to depend largely on decisions they make. It can depend in part on assistance we offer, and that is why we want to target it, you know, where leaderships are making constructive changes.

Senator ALEXANDER. But how far should we go in making it our business to instruct moderate Muslim democracies as to what they

should look like? I mean, we should insist—if we insist too quickly that they make their own decisions, then they end up on the other side from us. If we insist that they look like us, maybe they would say to us, well, you should look like us instead of us looking like you.

Ambassador BURNS. I think, Senator, that instruct is a verb we need to avoid, because I think that the more this appears to be instruction or a prescription or preaching from the outside, the more hostile oftentimes people in those societies become to the whole idea, and there is a real sensitivity to the sense of this being imposed from the outside.

What is encouraging to me are the voices coming from within the region who highlight the problems those societies face, who do not underestimate the difficulty of those challenges, but recognize that changes have to be made, and it seems to me that we need to respond to those voices and provide what assistance we can, but it is not a function of instruction or dictation from the outside, I do not believe, Senator.

Senator ALEXANDER. Thank you, Mr. Chairman.

Senator CHAFEE. Senator Coleman.

Senator COLEMAN. Thank you, Mr. Chairman. Two questions.

Senator CHAFEE. I just note, Senator Coleman, I note the second panel is here, so we are trying to make our questions and answers as succinct as possible.

Senator COLEMAN. Two quick questions, one in terms of coordination between military and state, the question was raised to me about, as we are proceeding to military action, funding for broadcasting into Iraq, is that going on? Is that funding flowing? Are we doing that at the same time? Is there any issue about that, about broadcasting into Iraq?

Ambassador BURNS. I do not think so, Senator. We have set aside funding for the INC's broadcasting, TV broadcasting into Iraq as just one example, but I do not think there is any problem. I will be glad to look into it for you.

[The following information was subsequently supplied.]

The Iraqi National Congress has received continuous funding for Liberty TV since 2001. The INC decided to cease broadcasting in June 2002 and although additional funding was approved as recently as February, the INC has failed to get Liberty TV or any other broadcast capacity back on the air. INC members the Kurdish parties maintain on-going broadcast capacity from northern Iraq without direct U.S. Government support.

Senator COLEMAN. And a second question, Mr. Chairman, in regard—shifting over to Israel and the Middle East—the Middle Eastern Partnership Initiative, the education, one of the principles there is the education initiatives. Can you just give me a little bit more, kind of the detail of that? Are we in a position to be supporting educational institutions, other than the madrassahs school system that is not promoting a generational hate, and—long-term perspective for education is the key. What are we doing about that?

Ambassador BURNS. It is going to depend society to society, and Ambassador Chamberlin can add to this better than I can, but just very quickly, we are trying to look at some programs, for example, in Morocco, which USAID has run, which look at how you help keep girls in middle school in school and provide scholarships. This

has been a big problem in Moroccan society, as in many societies in the region, so we can help there.

We have done the same thing in Alexandria in Egypt, again in support of local leaders who really want to make curricula changes and can use our assistance widely. We have even had conversations with the Ministry of Education in Saudi Arabia about how we can help quietly in support of curricular reform and changes there that are useful. I think English language teaching is another area where there is an enormous thirst in the region, and we can do more.

Senator COLEMAN. I would just note, Mr. Chairman, that if we are to make a long-term change, that this is a very, very important area of concern.

Ambassador CHAMBERLIN. It is certainly, Senator. We certainly agree with trying to shift much of our programs with a greater emphasis on education, not just in the NEA area but also in Pakistan and Indonesia, other Muslim countries around the world.

Senator COLEMAN. Thank you, Mr. Chairman.

Senator CHAFEE. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman. There is \$1 billion here for Turkey. Tell us about that, was that as a result of a quid pro quo that they would let us come in on the overflights?

Ambassador BURNS. Well, Senator, blessedly in some respects Turkey falls outside of my area of responsibility in the Near East Bureau, and one of my colleagues will be here later. I am sure he would be glad to address that, but I think it is a reflection, sir, in the supplemental request of the economic consequences that could befall Turkey as well as some other neighbors in the region, and that is what it is largely in recognition of.

Senator NELSON. Let us see if I can get within your area. I know I can ask Wendy about Pakistan. There is \$175 million here. One of your big deals was to get education at the local level. Is this going to accomplish that?

Ambassador CHAMBERLIN. We certainly hope so. It is a start. Of course, we would always like to have more, but we anticipate a \$100 million commitment over the next 5 years for education alone in Pakistan, and it is in many of the areas Bill has just mentioned. It is in teacher training, it is in girls' education, it is in basic education—we are targeting basic education—and in local reforms.

Senator NELSON. All right. There is only \$650 million for Afghanistan. This is significantly less than what we authorized last year. Tell us about that.

Ambassador CHAMBERLIN. Well, do you mean in 2004 funds?

Senator NELSON. In the President's request, the supplemental—the wartime supplemental.

Ambassador CHAMBERLIN. In the wartime supplemental, I can tell you this from memory—

Senator NELSON. No, I beg your pardon. This is 2004. This is your request for 2004, \$650 million for Afghanistan.

Ambassador CHAMBERLIN. Senator, we have already expended in Afghanistan \$800 million. Much of that, particularly initially in 2002, happened right after 2002, was humanitarian assistance. We had 6 million people who were threatened with famine by Christmastime immediately following September 11, as you know. Most

of our effort was designed to feed them, to keep them warm, to do some food-for-work projects that did build some roads and the Salang Tunnel, but primarily it was humanitarian.

Thankfully in 2003 the Congress in your wisdom did put some money in there for us, and it has enabled us to begin now a reconstruction project. These funds in 2003 that you all provided for us in 2004, now we are going to really start the real work in Afghanistan of building capacities, building infrastructures. For example, that money will go to build the ring road from Kabul to Kandahar, and we hope eventually to Herat. It will go to building the capacities of the government in the Human Rights Commission, the Judicial Commission, the election which is coming up.

We are giving some money to help the Ministry of Women, women's affairs groups, projects such as the bakery for widows, the women's outreach centers, 17 of them throughout the country, education, education particularly for women, scholarships, schools, basic education, health projects, primarily in the rural area. We do not want to build big hospitals in Kabul, where everybody else is building big hospitals, but in the rural areas where the people are, where the child mortality and maternal mortality rates are so high.

Senator NELSON. Do you think this \$650 million is enough?

Ambassador CHAMBERLIN. I think there is an absorptive problem that we do have to monitor. We have a very small staff there. The size of our staff is limited by the number of office space we can get, cram into that very small embassy until we can build another one, so we are limited. I would hope that this might grow in 2005 and 2006, but right now that is just about what we can absorb.

Senator NELSON. Mr. Chairman, let me just take the liberty of asking the former Ambassador to Pakistan what is the word that you get back as to how Musharraf is able to handle the street with us being now in Iraq and then seeing all these pictures?

Ambassador CHAMBERLIN. I really have been so absorbed in the reconstruction, the "small r" reconstruction of Iraq, that I have not paid an awful lot of attention to some of the details of the security situation in Pakistan. I will leave that to my colleague, Christina Rocca, when she comes in next, but my understanding is the street is active, that there have been some fairly sizable demonstrations in Rawalpindi, and as you know, Senator, because that is where the airport is, that is just a jog down the road from our embassy.

So far, President Musharraf has contained these. His security is good. We are satisfied with it, but Ambassador Powell has reduced the size of our mission yet again, and a number of our USAID folk have come home on evacuation status. Touch wood.

Senator NELSON. Thank you.

Senator CHAFEE. Without any further questions of this panel, we thank you both for your testimony.

We will started with our witnesses of the second panel on South Asia, and we welcome you. We look forward to your testimony.

STATEMENT OF HON. CHRISTINA B. ROCCA, ASSISTANT SECRETARY OF STATE, SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Ms. ROCCA. Thank you, Senator. Mr. Chairman. Mr. Chairman, thank you for inviting me here today to talk about U.S. foreign as-

sistance programs for South Asia, all of which support our policy priorities and efforts in the region. South Asia remains at the front lines of the war on terror. Support for democracy and regional stability remain critical. We are redoubling our efforts to resolve and prevent conflict throughout South Asia in order to avoid instability favorable to terrorist movements seeking to relocate or expand operations in the region. Stability will also assist continued economic and political progress.

The programs we are planning using fiscal year 2003 supplemental funds and fiscal year 2004 resources directly reflect these key policy priorities. In Afghanistan, we are helping Afghanistan to establish a lasting peace and stability, and will require a continued commitment of U.S. and donor resources to four interlocking objectives consistent with the goals of the Afghan Freedom Support Act.

Afghanistan must establish internal and external security, without which economic reconstruction and political stability will fail. We are taking the lead among donors in helping to establish a multiethnic and disciplined Afghan military. We are working with President Karzai to draw the center and regions together. Provincial reconstruction teams have been established in three locations, with more to follow later in the spring.

A stable and effective central government is being established according to the "road map" accepted at Bonn December 2001. A constitutional Loya Jirga is scheduled for October of this year, followed by national elections in June of 2004. We will assist those processes as well as assistance to the women's ministry, judicial rehabilitation, human rights, civic education, and independent media development.

Economic reconstruction and development will bolster the Bonn process and reduce dependence on donors. Our development programs focus on private enterprise, employment and agriculture, as well as health and education. Economic support funds will also continue to support infrastructure development, including the Kabul-Kandahar-Herat ring road. Humanitarian needs will also continue as reconstruction proceeds, including support for refugees, IDPs, and demining.

In Pakistan, we have a very solid partnership in the war on terror. Cooperation in Operation Enduring Freedom has been outstanding. We have expanded the relationship greatly over the past 18 months, including the reestablishment of the USAID program which provides assistance in education, democracy-building, economic development, and health. We have also expanded our cooperation in law enforcement and have begun restoring our military-to-military ties. We continue to work closely with the government on counternarcotics, and have more than a decade of successful counternarcotics collaboration with the Pakistani Government, including in the tribal areas of the Pak-Afghan border.

We have also strengthened our program's bilateral cooperation aimed at dealing successfully with regional stability and improving Pakistan's relations with its neighbors.

In India, we have shared interests and values which link the United States and India, the world's two largest democracies. We have deepened our partnership and are providing assistance on issues ranging from regional stability, nonproliferation, science and

technology, economic reform, and global issues such as trafficking in persons. As we continue to expand economic dialog with the India, U.S. economic and development programs aim to assist the completion on fiscal, trade and other reforms that will promote economic stability and reduce poverty.

We are deeply shocked and disturbed by Sunday's terrorist attacks south of Srinagar in Kashmir, which killed 24 innocent civilians. This cowardly act appears aimed at disrupting the Jammu and Kashmir State Governments' bold efforts to restore peace and religious harmony to this troubled state, and although the United States has no preferred solution for Kashmir, the one thing we do know is that violence will not provide a way forward and should cease immediately. Avoiding conflict between India and Pakistan is perhaps the most daunting U.S. challenge in South Asia.

We have helped to successfully walk India and Pakistan back from the brink of war last year. However, continued terrorism like last Sunday's attack threatens to provoke yet another crisis in coming months. We look to Pakistan to do everything in its power to prevent extremist groups operating from its soil from crossing the line of control. Pakistan has taken steps to curb infiltration, and we are asking the government to redouble these efforts. At the same time, we will use our good offices to continue to press both sides to take confidence-building steps that will lead to a process of engagement, addressing all issues that divide them, including Kashmir.

In Sri Lanka, through a Norwegian-facilitated peace process, the Sri Lankan Government and Tamil Tigers have now completed six rounds of talks since September 2002. They have made significant progress, although complex issues remain that will require time and skillful diplomacy.

Several U.S. Government agencies, including Treasury, Commerce, Peace Corps, and the Department of Defense have sent assessment teams to Sri Lanka to examine how we can most effectively use our bilateral assistance and engagement in support of the peace process. As a result, we are providing demining support, we plan to establish new programs to strengthen Sri Lanka's peacekeeping capability and reform its military institutions. Our economic assistance and development programs will facilitate post-war reconstruction, economic recovery, and political and social reintegration and reconciliation.

In Nepal, a recent cease-fire and agreement on the code of conduct has raised hopes of progress with the Maoists. We believe the parties have come this far only because the Royal Nepalese Army was able to make an effective stand, a goal which U.S. security assistance aims to bolster. If a political settlement is reached, the United States should be in the forefront of donors prepared to help Nepal conduct local and national elections and strengthen administrative and democratic institutions. In the near term, we will continue to support improved governance and respect for human rights, improved health services, rural livelihoods, and sustainable development. Our assistance will also support efforts to bolster government control in areas vulnerable to Maoist influence by funding high-impact rural infrastructure and employment projects.

Bangladesh provides a model of a strong, stable democracy. It is in the interest of the United States to help Bangladesh's economy and democracy prosper. A valued partner in the war on terror and a moderate voice in regional and international fora, Bangladesh is also the top manpower contributor to U.N. peacekeeping missions.

Our programs seek to improve basic education, provide high-impact economic assistance, and target improved health services for Bangladeshi women and children. U.S. assistance programs also seek to increase the accountability and effectiveness of Bangladesh's democratic institutions and to promote human rights and the rule of law.

To conclude, Mr. Chairman, achieving U.S. goals in South Asia has never been more critical to our national security or to the stability of the region. I will close by reemphasizing that the United States has significantly deepened its relationships in South Asia. We are making progress in the war on terror. We have contributed to the reduction of tensions and supported the resolution of conflict and will continue to do so. We have championed stronger democratic institutions, development, and economic reform, and I want to emphasize that the South Asia Bureau's public diplomacy efforts support these policy goals as well.

As the war on terror continues, we are using public diplomacy programs to counter extremist influences and encourage moderate voices in universities, media, government, and religious and business organizations, but there remains a great deal to accomplish. I look forward to working together with the Congress as we continue to pursue these very important goals, and I would be happy to answer any questions you may have. Thank you.

[The prepared statement of Ms. Rocca follows:]

PREPARED STATEMENT OF HON. CHRISTINA B. ROCCA, ASSISTANT SECRETARY OF STATE, SOUTH ASIAN AFFAIRS

REGIONAL POLICY PRIORITIES

Chairman Lugar, members of the Committee, thank you for inviting me to come here today to talk about how U.S. foreign assistance programs for South Asia support our policy priorities and efforts in the region.

Mr. Chairman, even as we advance our efforts in the Middle East, South Asia remains at the front lines of the war on terror, and regional stability remains critical. We must remain actively and effectively engaged in this region where our most vital interests are at stake. U.S. support has contributed to substantial progress over the past year and a half. Eighteen months ago, we could not have foreseen that Afghanistan would convoke a representative Loya Jirga, select a transitional government to preside over reconstruction, and draft a constitution. Afghanistan must shortly begin preparations for national elections in June 2004. Pakistan's effective support for Operation Enduring Freedom has been equally welcome. Pakistan's October 2002 elections re-established a civilian government, and we are providing assistance towards a full return to democracy there.

We have experienced the close cooperation of all the countries in the region in the war against terror, and were able to play a helpful role last spring and summer to defuse a dangerous crisis between India and Pakistan that could have led to a catastrophic conflict, and we are redoubling our efforts to reduce tensions in Kashmir. Regional stability has been served by Sri Lanka's progress towards ending a 20-year civil conflict. However, we must assist Sri Lanka to achieve and consolidate peace, and Nepal to avoid resumption of a Maoist insurgency and to shore up its fragile democracy. With an eye to the future, we will continue to transform our relationship with India, a rising global power, and will help the moderate Muslim democracy of Bangladesh, which faces difficult political divisions and significant economic challenges, towards greater stability and economic growth.

ASSISTING SOUTH ASIA'S FRONTLINE STATES: AFGHANISTAN AND PAKISTAN

As we move into FY 2004 and beyond, helping Afghanistan to establish lasting peace and stability will require a continued commitment of U.S. and donor resources to four interlocking objectives, consistent with the goals of the Afghanistan Freedom Support Act.

- Afghanistan must establish internal and external security, without which economic reconstruction and political stability will fail. President Bush committed the United States to take the lead among donors in helping to establish a multi-ethnic and disciplined Afghan military. Our security assistance will enable us to train and help retain troops and officers. This program has made significant strides in the last few months. Thanks to the Afghanistan Freedom Support Act, we were able to provide \$150 million under DOD drawdown authority towards a gap in funding those efforts. With similar FY 2004 levels of U.S. funding from all our security accounts, including drawdown authority, we will be able to meet our goal to help establish a strong Central Corps before the 2004 elections. Although we must rely to some degree on local leaders and their militia to provide interim security and stability in many parts of the country, we are working with President Karzai to draw the center and the regions together. We must therefore link recruitment efforts to the broader process of Disarmament, Demobilization and Reintegration (DDR) of Afghan fighters. We are also helping the Afghan government to combat narcotics trafficking, fortify counter-terror and non-proliferation export control capabilities, and train police in coordination with European and other donors.
- A stable and effective central government is being established according to the roadmap accepted at Bonn in December 2001. A Constitutional Loya Jirga is scheduled for October of this year followed by national elections scheduled for June 2004. We will assist those processes, as well as assistance to the women's ministry, judicial rehabilitation, human rights, civic education and independent media development. We are providing budget assistance to help keep the government operative while helping Afghans establish revenue generation, while other programs support development of an accountable, broad-based, and representative political system. We are striving to ensure visible signs of progress by the Central Government on key reconstruction needs, such as the completion of the Kabul to Kandahar road segment prior to the June 2004 elections. In order to enhance the Afghan Transitional Authority and better link central and local government, Provincial Reconstruct Teams (PRTs) have been established in three locations with more to follow in late spring. Initial indications of PRT success point to increased stability and enhanced NGO reconstruction efforts.
- Economic reconstruction and development will bolster the Bonn process and reduce dependence on donors. In January of 2002 at Tokyo, 60 countries, the EU, the World Bank, and the Asian and Islamic Development Banks pledged over \$4.5 billion over six years. At the Afghanistan high-level strategic forum in Brussels in March 2003, the international donor community reaffirmed its commitment to Afghanistan and pledged \$1.5 billion for reconstruction and recurrent budget assistance in 2003. In addition to pledging over \$297 million at Tokyo and \$600 million at Brussels, the United States has assisted Afghanistan to access frozen assets and begun initiatives in the areas of trade, commerce and finance. USAID development programs focus on private enterprise and employment and agriculture—the livelihood of most Afghans—as well as health and education. Economic Support Funds will also continue to support infrastructure rehabilitation, including the Kabul-Kandahar-Herat ring road.
- Humanitarian needs will also continue as reconstruction proceeds. We continue to support the remaining Afghan refugees in Pakistan and Iran, internally displaced persons (IDPs) and returnees. U.S. demining assistance as part of a larger donor effort will enable the return of refugees and displaced, and will support economic reconstruction.

Mr. Chairman, U.S. relations with Pakistan have broadened significantly over the past 18 months. Starting with our solid partnership in the war on terror and our cooperation in Operation Enduring Freedom, we have expanded the relationship and have reestablished a USAID program, providing assistance in the areas of education, democracy, economic development and health. We have expanded our cooperation in law enforcement and we have begun restoring our military ties. In the coming years we will strengthen our programs of bilateral cooperation in order to deal successfully with issues of key interest to both our nations, including: counterterrorism, Pakistan's relations with its neighbors, regional stability,

strengthening Pakistan's democracy, helping to promote economic development, and improving life for the people of Pakistan to help this nation continue moving in a positive direction.

U.S.-Pakistan cooperation in the war on terror takes place on several fronts, including coordination of intelligence and law enforcement agencies in hunting al-Qaida and other terrorists within Pakistan, coordination with military and law enforcement agencies along the border with Afghanistan and efforts to strengthen Pakistan's law enforcement and counterterrorism capabilities and institutions. We continue to work closely with the government on counternarcotics and have more than a decade of successful collaboration with the Pakistani government, including in the tribal areas near the Afghan border. Since the fall of 2001, Pakistan has apprehended close to 500 suspected al-Qaida operatives and affiliates. It has committed its own security forces—some of whom have lost their lives—to pursue al-Qaida in its border areas. Just as importantly, we are encouraging Pakistan to build positive, mutually constructive relations with neighboring Afghanistan and support its efforts to establish a stable and secure government. We are also assisting Pakistan to strengthen non-proliferation export controls.

Pakistan's commitment to democracy and human rights will be central to building a stable, positive future for its people. National elections in October, although flawed, restored civilian government, including a Prime Minister and a National Assembly, after a three-year hiatus. We want to see accountable democratic institutions and practices, including a National Assembly that plays a vigorous and positive role in governance and an independent judiciary that promotes the rule of law. We will support development of the independent media and effective civil society advocates. These institutions are required if Pakistan is to develop into a stable, moderate Islamic state.

Pakistan's progress toward political moderation and economic modernization will require sustained economic growth. The U.S. Government engages in a bilateral economic dialogue with Pakistan to encourage sound economic policies. We are providing debt relief and budgetary support, and are devoting significant resources to assist Pakistan's economic development, particularly in the areas of education as well as health, so that Pakistanis can develop the skills they will need to build a modern democratic state that can compete successfully in the global economy.

PROMOTING REGIONAL STABILITY: INDO-PAK TENSIONS, SRI LANKA AND NEPAL

We are redoubling our efforts to resolve and prevent conflict throughout South Asia in order to avoid instability favorable to terrorist movements seeking to relocate or expand operations in the region. Stability will also assist continued economic and political progress.

We were deeply shocked and disturbed by Sunday's terrorist attack south of Srinagar, which killed 24 innocent civilians, including two young children. This cowardly act appears aimed at disrupting the Jammu and Kashmir state government's bold efforts to restore peace and religious harmony to this troubled state. Although the U.S. has no preferred solutions for Kashmir; one thing we do know is that violence will not provide a way forward, and should cease immediately. The Kashmiri people have demonstrated a desire to move forward with a peaceful, political solution, and their efforts should be supported by all sides.

Avoiding conflict between Pakistan and India is perhaps the most daunting U.S. challenge in South Asia. We helped to successfully walk India and Pakistan back from the brink of war last year. However, continued terrorism like Sunday's attack threaten to provoke yet another crisis in the coming months. We look to Pakistan to do everything in its power to prevent extremist groups operating from its soil from crossing the Line of Control. Pakistan has taken steps to curb infiltration but we are asking the government to redouble its efforts. At the same time, we will use our good offices to continue to press both sides to take confidence building steps that will lead to a process of engagement addressing all issues that divide them, including Kashmir.

We were encouraged by the results of last fall's state elections in Kashmir and view them as the first step in a broader process that can promote peace. The new state government has adopted a 31-point common minimum program aimed at promoting dialogue, reconciliation, human rights, and economic development in Kashmir. Resources required for this effort are primarily diplomatic. We are also examining ways in which modest U.S. assistance might bolster some of these positive developments and help build up constituencies for peace.

Through a Norwegian-facilitated peace process, the Sri Lankan government elected in December 2001 moved rapidly towards peace negotiations with the separatist Tamil Tiger guerrillas—designated a Foreign Terrorist Organization in 1997. Five

rounds of talks have followed the initial round that began in September 2002, and the talks have made significant progress, although complex issues remain that will require time and skillful diplomacy to resolve. Several U.S. agencies, including Treasury, Commerce, and DOD, sent assessment teams to Sri Lanka last year to examine how we can most effectively use our bilateral assistance and engagement in support of the peace process. As a result, we are providing demining support, and we plan to establish new programs to strengthen Sri Lanka's peacekeeping capability and reform its military institutions. Our economic assistance and development programs will facilitate post war reconstruction, economic recovery, and political and social reconciliation and reintegration.

In Nepal, a recent cease-fire and agreement on a code of conduct have raised hopes of progress with the Maoists. We believe the parties have come this far only because the Royal Nepal Army was able to make an effective stand—a goal which U.S. security assistance aims to bolster. In coordination with Great Britain, India and other partners, our security assistance will provide directly needed small arms, equipment and training to enable the RNA to counter the Maoist military threat. If a political settlement has been reached, the United States should be in the forefront of donors prepared to help Nepal conduct local and national elections and strengthen administrative and democratic institutions. In the near term, we will continue to support improved governance and respect for basic human rights, improved health services and rural livelihoods, and sustainable development. Our assistance will also support efforts to bolster government control in areas vulnerable to Maoist influence by funding high-impact rural infrastructure and employment projects.

TRANSFORMING THE U.S.-INDIA RELATIONSHIP

Shared interests and values link the United States and India, the world's two largest democracies. We are deepening our partnership and are providing assistance on issues ranging from regional stability, non-proliferation and combating terror, to science and technology, economic reform, human rights and global issues. We are expanding our security cooperation through a bilateral Defense Planning Group, joint exercises and military exchanges. U.S. security assistance aims to promote cooperation and interoperability, and we are helping to upgrade India's export-control system to meet international non-proliferation standards.

As we continue an expanded economic dialogue with India, U.S. economic and development programs aim to assist the completion of fiscal, trade and other reforms that will promote economic stability and by extension, reduce poverty. Our programs will also enable vulnerable groups to have better and quicker access to justice, and will address human rights concerns. Our health programs aim to increase the use of reproductive health services, prevent HIV/AIDS and other diseases, promote child survival, and improve access to and availability of TB treatment. A number of these services are delivered in conjunction with NGOs and the GOI using the platform of our food assistance, which we expect will continue, although with some degree of modification.

SUPPORTING A MODERATE BANGLADESH

Bangladesh provides a model of a strong, stable democracy. It is in the interest of the United States to help Bangladesh's economy prosper. A valued partner in the war on terror as well as a moderate voice in regional and international fora, Bangladesh is the eighth most populous country in the world and the top manpower contributor to UN peacekeeping missions. Bangladesh has made marked progress on economic development, health and women's rights. However, political rivalries and corruption threaten political stability and impede economic growth, while law and order problems must be addressed. U.S. assistance programs in Bangladesh aim to increase the accountability and effectiveness of Bangladesh's democratic institutions and to promote human rights. Our programs also seek to improve basic education and provide high impact economic assistance and target improved health services for Bangladesh's women and children.

THE MALDIVES AND BHUTAN

The Maldives, a small Muslim country of 280,000 persons, has served as a moderate voice in international fora, including in the Organization of Islamic Countries. Absent a U.S. mission in the Maldives, engagement continues through regular diplomatic exchanges managed by the U.S. Embassy in Sri Lanka, through our International Military Education and Training program, and through South Asia regional programs.

We have a cordial but modest relationship with Bhutan. We welcome efforts by the King to modernize the nation and to build a constitutional democracy. We continue to urge Bhutan and Nepal to resolve the long-standing plight of 100,000 refugees in Nepal. Bhutan needs to accept back those persons who have a legitimate claim to citizenship.

PUBLIC DIPLOMACY

The South Asia bureau's public diplomacy efforts support the preceding policy goals. As the war on terror continues, we are using public diplomacy programs to counter extremist influences and encourage moderate voices in universities, media, government, religious organizations and business organizations and associations. Getting the message out is key. In Afghanistan, we recently installed a VOA transmitter capable of supporting country-wide AM radio. We are engaged in dialogue with religious leaders in Bangladesh and Pakistan, and through our international exchange programs are giving South Asians greater understanding of religious life and democracy in the United States. To promote stability and development in South Asia, we are focusing in particular on women's rights advocacy training, building skills in conflict resolution, and improving civic education and teacher competence. Other programs work to increase mutual understanding, particularly by reaching out youth and women, like the Seeds for Peace program. Finally, our public diplomacy programs will continue to support our goals to strengthen democratic institutions, extend universal education and support economic development.

CONCLUSION

Achieving U.S. goals in South Asia has never been more critical to our national security, or to the stability of the region. Mr. Chairman, I will close by re-emphasizing that the United States has significantly changed and deepened its relationships in South Asia. We are making progress in the war on terrorism. We have contributed to the reduction of tensions and supported the resolution of conflict throughout the region. We have championed stronger democratic institutions, development and economic reform that will lead to a better quality of life and long term stability for all South Asians. But there remain a great deal to accomplish. A more secure, democratic, stable and prosperous South Asia is very much in our interest, and I look forward to working together with the Congress as we continue to pursue those very important goals.

I will be happy to answer any questions you may have, as well as those of committee members.

Senator CHAFEE. Excellent testimony, thank you very much.

Ambassador Chamberlin.

Ambassador CHAMBERLIN. Thank you very much. In South Asia, terror, ethnic and religious conflict and the ever-present risk of nuclear war present imminent dangers. USAID's assistance programs play an important role in addressing and preventing many of these threats to U.S. interests.

Afghanistan was the No. 1 recipient of U.S. humanitarian assistance before September 11, and America continues to lead the international community in providing assistance to Afghanistan today. Poverty, famine, a devastating drought, and many years of war and civil strife created a humanitarian crisis that was aggravated by years of Taliban misrule.

Since September 11, the U.S. Government has provided nearly \$900 million in Afghan relief and reconstruction funds. In addition to its well-publicized school book and seed distributions programs, USAID has reopened the Salang Tunnel, which is used by 1,000 vehicles and 8,000 people per day. It has completed over 6,000 water-related projects and rehabilitated 2,500 miles of road. USAID has also funded key advisors to President Karzai's public office, the Ministry of Women's Affairs, and the Ministry of Agriculture.

In addition, USAID's Office of Transition Initiatives has provided 50 small grants worth nearly \$2 million to different Afghan Gov-

ernment ministries and offices to provide valuable reconstruction and media assistance both within and, more importantly, outside of Kabul. In light of these accomplishments, I want to take a moment to thank this committee for its support for the Afghan Freedom Support Act. Absent this key piece of legislation, the Afghan people would face a far different and much less hopeful future than they do today, and I really mean that.

In Pakistan, USAID opened a field mission in Pakistan in June 2002, after 12 years of rupture following the imposition of sanctions in 1990. Our objectives there directly reflect our desire to strengthen Pakistan's capacity to combat terrorism by encouraging just governance, investment in people, and economic reform.

Our highest priority is investing in the people of Pakistan. The illiteracy rate is 53 percent, one of the highest in the region. Nearly 40 percent of young people between the ages of 15 to 20 are unemployed. In response, USAID is enhancing teacher training, improving curricula, encouraging curricular involvement, and supporting literacy programs. We are also working in the democracy and governance sector.

In 2002, Pakistan held a national election and restored civilian government with a Prime Minister and a national assembly, but democratic institutions are still weak. Our programs aim to strengthen these institutions and the political parties. Pakistan remains a poor country, where over 40 percent of the population lives below the poverty line. To stimulate growth, USAID's focus is on maintaining macroeconomic stability, reducing Pakistan's foreign debt, and encouraging the government to meet IMF goals.

On the local level, we are promoting microenterprise development to create jobs in some of Pakistan's poorest regions. The U.S. Government has used the ESF cash transfer mechanisms to address Pakistan's foreign debt. In fiscal year 2003, transfer of \$188 million will be used to buy down \$1 billion worth of debt.

Sri Lanka is a success story. It is a clear example of putting the administration's policies of accountable foreign aid to work. We are moving swiftly to capitalize on recent positive events. Successfully reintegrating the thousands of internally displaced persons and refugees from India will require substantial human and material resources. In response to the promising cease-fire and peace process there, we are now moving swiftly to accelerate our investments. We have reversed staffing reductions and requested additional resources in fiscal year 2004, in recognition that at last the country is on the right track.

USAID's 2004 program will target three main areas, increasing the country's competitiveness in global markets, building constituencies for peace through transition initiatives, and democracy and governance reform.

Nepal is a trouble spot. In Nepal today the situation is more hopeful than it has been for over a year. Just last week, the representatives of the Maoist rebel group and the government mutually agreed on a code of conduct, a peaceful foundation for future negotiations toward a longer-term political settlement of the conflict.

A few months ago, however, the future of Nepal appeared bleaker. A Maoist insurgency practiced unspeakable brutalities, in-

timidation, and murder. The insurgency still controls a large share of the countryside, and has benefited from popular outrage over years of government corruption and denial of service to the people.

The destructive effects of the Maoist insurgency, however, should not distract attention from the gains Nepal has made over the past 50 years. It has transformed itself from an isolated medieval kingdom to a constitutional monarchy and democracy. Child mortality and fertility rates have significantly decreased, literacy and food security has improved, yet these development gains are unevenly distributed. Poor governance, corruption, forbidding mountainous terrain, and the lack of basic infrastructure have led to wide disparities across regions and ethnic groups. These inequities provide fertile ground for the insurgency.

Our greatest challenge is to meet the immediate needs of those communities most affected by the conflict through health and employment programs. At the same time, we must maintain our support for the government and the peace process. USAID plays a role in the USG's larger strategy in Nepal. Our emphasis is on health, economic security, and governance reform to combat the poverty and disenfranchisement that facilitated the 6-year insurgency. Our task is to expand opportunities for employment and generate growth in the private trade, agriculture and energy sectors. We will reinforce that work with our efforts to improve public sector management, deter corruption, and strengthen the rule of law.

Bangladesh is one of a handful of moderate democratic Islamic nations of the world, but it is also an ally of the U.S. Government's efforts to combat terrorism. Governance problems continue to hamper growth there. For the second year in a row, Bangladesh was ranked as the most corrupt of the 102 countries surveyed in Transparency International's annual corruption perception survey.

Since progress in USAID's government-focused anticorruption initiatives is slow, we are also mobilizing civil society to fill the demand for policy reform. With 3 years of USAID support, Transparency International Bangladesh has become a regional leader not only for Bangladesh but for the other four South Asian countries as well.

Looking forward, Bangladesh elections will be held in 2006. Now is the time to start providing constructive assistance. Despite governance issues, Bangladesh has met USAID's performance targets in the economic sector. In fact, other donors in the business community and the Bangladeshi Government view our small business and agribusiness projects as leaders, due their innovative and business-driven approaches.

India, well-known to all, is a key ally and has a tremendous potential to be a catalyst for growth and development in an unstable region. India, the world's largest democracy of 1.1 billion people, enjoys vast economic growth, but India is also the home of 30 million people living in abject poverty, more than Africa and Latin America combined. India faces severe health challenges. Over 4 million people are infected with HIV/AIDS. Polio is reemerging in the northern portion of the country, and tuberculosis infections continue. USAID has activities in all of these areas. We have been especially helpful in stemming the tide of HIV/AIDS in the State of

Tamil Nadu, and this has become a model for the rest of the country.

India depends heavily on coal for its energy, causing widespread pollution and serious health hazards. Having successfully worked with Indians to reduce CO2 emissions on the supply side, USAID is now addressing the demand side of the equation through distribution reforms. We have a need to continue our work in India, and our program is moving forward.

Thank you very much. I would be happy to take your questions.

Senator CHAFEE. Thank you very much. We appreciate your testimony, excellent testimony.

Assistant Secretary Rocca, you said our top concern is in Kashmir and what is happening there in your testimony, and you also said we were fortunate a year ago to walk back from the brink of war. Were you part of that walk back from the brink, and can you describe what happened then as it relates to how we look at what is happening now?

Ms. ROCCA. Yes, I would be happy to, Senator. The issue of Kashmir and the tension between India and Pakistan, as I have said in my testimony, is one of the biggest challenges, because it is a very deep-rooted problem and there is no obvious solution that we could impose, and it is one that both sides need to work out.

A year ago, we had a situation where India and Pakistan were facing each other with a million men across the border eyeball to eyeball, and were essentially waiting for a trigger to go to war, and there was a lot of diplomatic effort. I was part of it, but I cannot take the credit because it was a major effort and the Secretary was involved, and the Deputy Secretary was involved as well, as was the international community. And it was one instance where the international community all got together very well. We all recognized the potential disaster that could occur, and we were able to convince them that they needed to at least demobilize, and that is where we were at the end of the year last year, both sides demobilized, and most of the troops are now back in the barracks.

The entire buildup was prompted by a particularly vicious terrorist attack on the Indian Parliament in December 2001, and the problem with the situation is that a terrorist attack can continue, can once again spark that kind of a buildup and that kind of a threat to the region. We are working very hard in a number of ways to try to defuse the tension. We have got a number of initiatives underway, which we would be happy to discuss in another forum, of sort of ideas on how to bring the two together.

However, the fact of the matter is that the terrorism and the violence has got to stop. That is absolutely not the answer. Nor is dead silence between the two countries the answer, either, so we are working very hard to try to find a way to bring them to have a more people-to-people contact, to have perhaps more economic contact, more economic links, and somehow create a situation where both countries are not putting the fate of the region in the hands of a terrorist who might want to prompt some major terrorist attack and launch exactly what we are trying to avoid.

Senator CHAFEE. From what I understand from the recent news, Pakistani soldiers dressed as Indians emptied a village of men, women, and children and executed them pretty much. Those that

came out of their houses were then ambushed and executed, is that accurate—a Hindu village—and certainly tensions have to be extraordinarily high. Do you see a remobilization of the forces that are back in the barracks, or is that not happening?

Ms. ROCCA. Well, first let me just—one minor tweak. Yes, that is essentially what happened, but there is no proof, or any kind of indication that these were Pakistanis yet. We do not know who did it. There are militants. We know that there are extremists on the other side of the border, yet there are attempts to cross the border, and some of them are successful, but there is no indication that the Pakistani Government was involved in it, so I just want to make sure that that is clear.

In fact, the Government of Pakistan stepped in immediately and condemned it in the harshest language possible, because it was a particularly ugly, brutal attack, where indeed people dressed as Indian soldiers went in, took people out of their homes, and executed essentially what amounted to half of the village, which was a little Hindu village.

Tensions are running very high. There is a lot of absolutely understandable anger within India, and they feel the need to do something. The problem is that the solution, what it is that one does is not a clear-cut answer, and therefore we are working with both sides. We are asking Pakistan to redouble its efforts to prevent any terrorists from crossing the border. That remains a key, as I mentioned earlier.

Senator CHAFEE. Are the forces remobilizing?

Ms. ROCCA. Not yet, sir. Not yet.

Senator CHAFEE. Very good. I know we are going to have a vote soon, so I will just advise you, as we go forward, anything we can do to help in this emerging crisis, or simmering crisis, if you will, keep us informed. We want to provide the resources necessary—I believe I speak for my colleagues—to prevent any escalation in this hot spot.

Ms. ROCCA. Thank you very much.

Senator CHAFEE. Senator Boxer.

Senator BOXER. Thank you, Senator. First, I want to say you are doing a great job. We miss you around the Senate. My staff really enjoyed working with you, and I teamed up with Senator Brownback on calling attention to the brutality of the Taliban long before we knew their connection with al-Qaeda, so it was wonderful to work with you then, and I think your explanation of what is happening in Kashmir is very instructive.

I am glad Senator Chafee probed you on that, because basically those terrorists do what all the terrorists do, and that is why terrorism is our No. 1 enemy in the world. In my opinion, the whole notion is to destroy the possibility of any kind of reconciliation between people, and just have the world in chaos and disorder, and just that particular example that you have cited I think says it well.

I want to focus on Afghanistan and just ask one question about that and then a question about Pakistan. We know in this committee that—and thank you so much for thanking this committee. This committee has really been a leader in the whole area of rebuilding Afghanistan and not committing the same error that was

made before by walking away, and I think it is very important that we focus on this, and even though with all the other problems in the world, and God knows, there are many that we have to focus on, we still cannot have failure in Afghanistan. It is just not an option, and I want to reiterate that. Dave

And that leads me to the fact that we continue to hear about terrible abuses committed by local warlords outside the control of President Karzai. When President Karzai was here, several of us asked him some pretty pointed questions with the goal of really helping him and trying to draw him out on some of these issues.

We were on a bipartisan basis taken to the woodshed by the President, actually, and I thought it was pretty—he was not happy, and he felt that President Karzai was offended and so on and so forth. I just want to say for the record that I would not change one of the questions that any of us asked that day of President Karzai, notwithstanding the fact that the President—that two Presidents were unhappy with it, both President Bush and President Karzai, because how are we going to get to the truth if we do not ask these questions? These questions were not meant to do any harm. It was to make the point that we are very, very concerned.

Now, I want to say that since that meeting there are more questions. We had some actions by Ismail Khan in Herat where security forces for Khan had been accused of beating and detaining a journalist working for Radio Free Europe/Radio Liberty, so these problems continue, and it is absurd in the fact that the beating took place as the Herat office of the Afghan Independent Human Rights Commission was opening, here they are beating a journalist while the Human Rights Office is opening across the street, so I do not think that any of us should duck the fact that these are problems.

Now, I think it gets back to the fact that many of us on this committee want to see the international forces get more support and spread throughout the country. That includes Senator Lugar, Senator Biden, and others, most of us on this committee, and so I guess I want to talk to you about that a little bit. Is the administration still so sort of—I do not want to use the word intransigent, but they still feel that we should not expand these forces, given this latest incident in Herat, given the fact that the warlords continue to do harm, and so if you could answer that.

Also, one of the recommendations that came out of this committee was giving aid to the Ministry of Women's Affairs. You mentioned that, Ambassador, and I worked with others on this committee to include an earmark of \$15 million, so I wondered whether you intend to provide this funding to the ministry for fiscal year 2004, and again the sense of the instability in the countryside.

Finally, I just want to pick up on Senator Nelson's question on Pakistan, and that is, it is such a delicate situation in Pakistan. You talk about some of what is happening in the street. I wonder, maybe you could expand on what is happening in the street in Pakistan, given what is going on, and what information are the Pakistanis receiving about what is going on in Iraq today, and the fact is, thank God we are getting so much cooperation from them on al-Qaeda, and going after al-Qaeda, and I am so concerned about it, and obviously that is being lost in the shuffle.

So those are a few hard questions I hope you can answer. Thank you.

Ms. ROCCA. Senator, I do not think anyone would argue with you that the events in Herat are unacceptable and that Ismail Khan is a problem. It is one of those issues also of how to deal with it. Now, there are a few things that we are working. I will take the big picture and then go little, so I am not avoiding the question, I just—

On the bigger scale—

Senator BOXER. If you had to avoid my question, it would not be the first time my questions have been avoided by members of both political parties, so do not worry about it.

Ms. ROCCA. I do not want to avoid it, but I think we have a bigger strategy of trying to deal with the warlords which gets into our provincial reconstruction teams and trying to expand the writ of the central government in a way that will bring them on board.

In the case of Ismail Khan and what is going on out there, we have a diplomat out there with the civil humanitarian liaison unit that is out in Herat, and he is working very hard out there not only to influence him but also to identify other potential leaders in the region and make other contacts.

There are things going on in terms of, we have got women's centers out there. We are working to—the Human Rights Commission. It has opened up its office there, as you said, ironically on the same day, but it will give an opportunity for people to go and complain and it will give an opportunity for the central government to learn about them, but also to start dealing with them directly—

Senator BOXER. Yes, because President Karzai says he knows nothing about this problem.

Ms. ROCCA. Well, this is going to help inform everybody, and so it is going to be a slow process, I do not think there is any doubt about it, and this issue with the VOA correspondent and the other journalist is a problem that a number of nations are facing, including Iran, so these are things that we are working on in a number of ways, but obviously in terms of the immediate protection of women in the area, the women's centers and the Human Rights Commission should help us start dealing with that as well.

As for ISAF expansion, as you know, we do not oppose it, but we are working very hard to find ways to bring stability to this country, and in looking at ISAF expansion, looking at the size of the country and the force protection requirements involved, and the fact that the forces are not available from other nations as well, this is not really a practical—it is not something we oppose. If there were a way to make it happen I think we would be happy, but I think there are a number of nations involved there and none of them want to provide the forces for it, and as I said, the force protection issues would be enormous.

So the numbers—we have looked at different ways. One is the civil humanitarian liaison groups, and now we are looking at the provincial reconstruction teams as a way of working, and I have to say the first three that are out, the one in Gardez, recently we have already been able to see, it has been on the ground for a couple of months now and there are some 50 to 60 members of the military, USAID, State Department, medical units, engineers, reconstruction, and liaison with the central government to help them

liaise with the locals in Gardez as well, and we have seen the security improve dramatically in that area, and the reconstruction is going well in that area, so we are rather optimistic that this may actually help. There are three of them up, as I mentioned. There are five—

Senator BOXER. I do not want to take up too much time, so could you quickly answer the other two, the \$15 million to the women's ministry, and then the last is how do you report on the Pakistani street?

Ms. ROCCA. I will start with the Pakistani street and I will let Wendy talk about the \$15 million. The street right now is very inflamed, and the MMA is able to rally quite a fair amount of anti-American sentiment.

Senator BOXER. MMA is?

Ms. ROCCA. That is the coalition of religious parties that managed to come into power in the western border areas of Pakistan and actually hold not quite a quarter of the national assembly and maybe 10 percent of the Senate, so they are a political force. They are also a force that is opposed to Pakistan's position with respect to the United States.

That said, they are usually able to rally a large number of people and were trying to pull together million man marches, and those million man marches fell very far short in a country where this is easier to do than in other places, so the last big demonstration was in Lahore last weekend, and there were some 70,000 people who showed up, which is far short of a million, so they do have influence, but they are not the overriding sentiment in the country. Long answer.

Senator BOXER. Thank you.

Ambassador CHAMBERLIN. Thank you very much for your support for women's programs in Afghanistan. They are most welcome. We are also very enthusiastic about our programs that target women in our Afghan programs. We have 14 women's centers that we are putting throughout. We have given assistance to the women's ministry both in rebuilding the building but also in some planning and capacity building and salary support.

We have support for the women's bakery, to hire widows, particularly in education and getting girls back into schools, where we have made our greatest success for women. Thousands of Afghan girls are now back in school. We are targeting at getting women teachers back in the schools, with teacher training, with curriculum development. All of this is with the support of the Senate. We truly do appreciate it.

Our health programs are targeting child and maternal health care centers in the rural areas, also another way of supporting women in Afghanistan.

Senator BOXER. Mr. Chairman, through you, could we get some written notes on this question for what your plans are for 2004 moneys directly to the women's ministry?

Ambassador CHAMBERLIN. Certainly. We would be happy to provide that.

[The following information was subsequently supplied.]

SUPPORT TO AFGHAN WOMEN

USAID shares your concern for supporting Afghan women. USAID's Afghanistan program supports Afghan women through both targeted grants and programs and by integrating sub-programs directed at women into our larger multi-year sector programs.

In the early stage of our program, we used small grants to help establish the Ministry of Women's Affairs, support Afghan women's NGOs, and provide women with income generation opportunities. We also integrated support for women into our humanitarian programs, such as food aid. Our current work has focused on establishment of seventeen women's centers and funding programming for those centers. Our future work with women will address women through major, multi-year development programs in the sectors in which we are working.

Below we provide specific activities and funding amounts for what USAID has done so far, what we are currently doing, and what we will be doing in FY 2004.

PAST ACTIVITIES SUPPORTING AFGHAN WOMEN

- Ministry of Women's Affairs: This was the first Afghan Ministry to receive USAID assistance. USAID assisted in the physical rehabilitation of the Ministry of Women's Affairs (the auditorium and 11 offices) and provided the Minister with a vehicle, office furniture and supplies, two computers and a satellite phone. USAID's Gender Advisor provided extensive assistance in helping the Ministry develop its first National Development Budget recently. (Total activity funding: \$178,718)
- Women's Resource Centers: USAID built and furnished the first Women's Resource Center. (Total activity funding: \$60,000)
- Daycare Centers: Seventeen centers have been built for Government ministries and offices to enable women to return to work. (Total activity funding: \$151,506)
- Widow's Bakeries: USAID supports WFP's 121 Widow's Bakeries in Kabul, Mazar, and Kandahar. In Kabul, the bakeries provided 5,000 children with fresh bread in school. Overall, through employment and provision of subsidized bread, WFP reports that 200,000 urban vulnerable people benefited from this program in CY 2002. USAID support was over half of WFP's CY 02 budget in Afghanistan. (Total USAID food aid funding in FY 2002: \$158,600,000; Total USAID food aid funding to date in FY 2003: \$42,662,800)
- Education: Trained 1,359 teachers, 907 of whom were women and printed 15 million textbooks for 2002 school year, contributing to an increase in girls' enrollment from 90,000 under Taliban in 2001 to 900,000 in 2002 school year. (Total project funding including teacher training and textbook printing: \$7,709,535) Reconstructed 142 schools, daycare centers, teacher training colleges, and vocational schools. (Total activity funding approximately: \$5.5 million) In addition, USAID provides a food salary supplement to 50,000 teachers equal to 26% of pay. (see above for total USAID food aid funding)
- Food-for-Education Program: Through WFP, USAID is supporting distribution of food to schoolchildren in several districts of Dadakhshan Province, in north-eastern Afghanistan. Approximately 27,000 children and 1,500 teachers and service staff in 50 schools have received a four-month ration of wheat flour, under this program, girls receive five liters of vegetable oil every month as an extra incentive for regular school attendance. The program increases school attendance, reduces dropout rates, and encourages families to send girls to school. (see above for total USAID food aid funding)

Income Generation for Vulnerable Afghan Women

Examples include:

- 3,200 women, primarily widows, received approximately \$30 for 15 days work, producing clothing and quilts in three women's centers in Charikar, Taloqan, and Maimana (\$2/day is also the typical wage for male labor). In addition, the women receive basic health education and some English training while working in the centers. (Total project funding, of which this activity is a part: \$750,000)
- The women of northwestern Afghanistan are receiving tools and materials to generate their own income through activities such as growing kitchen gardens, embroidering, producing cheese and yogurt and crafting shoes. (Total activity funding: \$51,072)
- 400 women returnees in the Shomali, an area devastated by the Taliban's ruin of its household poultry stock, have received 10 breeding chickens each to gen-

erate family income. (Total project funding, of which this activity is a part: \$2,000,000)

- 100 women, mostly widows, employed in raisin processing in Kandahar. (Total project funding, of which this activity is a part: \$8,359,706)

Afghan Women's NGO Activities

Examples include:

- Rehabilitation of the offices of the NGO, ARIANA so they can provide vocational training to 1,800 women. (Total activity funding: \$12,470)
- Afghan Women's Network is providing returnees with job skills, including managerial training, and training women to participate in the political process. (Total activity funding: \$27,352)
- AINA provided support to Afghan women filmmakers to make a film on the experience of the Afghan woman over the Taliban period and hopes for the future. (Total activity funding: \$97,110)
- Through ACBAR, USAID supports a program to encourage Afghan women and girls to read by hosting reading classes and improving the country's libraries. The staff of nine libraries within eight provinces is receiving training and supplies of books. (Total activity funding: \$61,180)

Current Activities Supporting Afghan Women

- Women's Centers; USAID is currently engaged in building and providing programming for seventeen women's centers throughout Afghanistan. Three of these are currently under design in Jalalabad, Samangan, and Taloqan. (Total activity funding: \$2.7 million) The Ministry has recently identified 14 more sites for USAID to build and furnish centers. (\$2.5 million obligated in FY 2002 Supplemental funds) In addition, USAID will fund programming for the centers, i.e., health education programs, daycare, etc. (\$5 million of FY 2003 funds to be obligated in late May)

Future Activities Supporting Afghan Women

Following the overall trend in our Afghanistan programming from humanitarian and quick impact activities toward longer term development activities, our future work to support Afghan women will be through our major, multi-year sectoral programs:

- Health (REACH program): One of the central goals of this three year \$100 million program is to reduce Afghanistan's high maternal mortality rate. The program will accomplish this goal by building 400 new clinics and funding performance grants to NGOs to provide a basic package of health services, particularly in rural areas, where medical care is most scarce. A major component of this program will be to increase women's access to skilled birth attendants and essential obstetrical services through an extensive training program. The first obligation for REACH is expected in the first week of May.
- Education (APEP program): USAID's new education program will support accelerated learning programs for up to 60,000 children, mostly girls, that missed education under the Taliban. USAID intends to rebuild between 1,000-1,200 schools, benefiting 402,000 students, over three years. In addition, USAID provides a food salary supplement to 50,000 teachers equal to 26% of pay. (APEP budget is \$60.5 million over three years; \$7.41 million has been obligated to date)
- Agriculture and Rural Incomes (RAMP program): Agriculture employs 70% of Afghanistan's labor force, and Afghan women play a large part in agriculture, especially in raising livestock. RAMP will improve the technical capacity of Afghans for raising livestock. RAMP will also provide women entrepreneurs with innovative opportunities for credit and business training. This activity will be particularly helpful for women headed households, which are among the most vulnerable in Afghanistan. (The RAMP budget is \$150 million over three years; first obligation will occur in late May)

Senator CHAFEE. Senator Hagel.

Senator HAGEL. Thank you.

Christina, we extend to you our thanks as well, as we have to Wendy and Bill Burns and Jim Kelly and others for your work in this difficult time. I was interested in your response to the chairman's question regarding walking back the Pakistan-Indian conflict

when we were close to the brink. I had always thought that it was because Armitage had threatened bodily harm to those people.

He is far too modest to take credit for that, I know.

Your testimony as well as Wendy's about the problems that we have in that part of the world once again highlighted the danger and I think the immediacy of this problem, and you both have had, and still do, great responsibility in this area. Of course, Wendy being our ambassador to Pakistan knows first-hand of the danger.

Our ambassadors to India and Pakistan, as you know, have been here for the last few months, and I have spent some time with them, and they painted a pretty dark picture, as you have. I mean, when you look at the numbers, 300 million in abject poverty in India, and other facts that we do know of, how do we get our arms around this, in the middle of this cauldron that is spilling over everywhere, and then with springtime coming in Kashmir.

Could you develop, each of you, a little more detail about what we are doing to pay attention to this? Not that we are not paying attention, and I understand that, but as the spring comes and the thaw develops, and both armies are going to be able to maneuver better, I suspect that we are preparing here for some real problems, and what you can tell us here in an open hearing, give us some assurance that we are not focused just on Iraq here, we are focused on something I think far more dangerous than Iraq, because there is no guesswork, just like in North Korea, about who has nuclear weapons and who might well use them.

Ms. ROCCA. Senator, first of all, let me reassure you we are very focused at the highest levels of government and, in fact, for example, yesterday the President got engaged on this and issued a statement as well condemning the attack in Kashmir. There is no lack of attention on it.

The issue of how to bring about reconciliation is and will be, we envisage will be not a short process. There are steps we are taking on both sides, on the Pakistan side we are moving very hard to say this is the big picture. We are moving very hard to get Pakistan, to keep Pakistan on the road that President Musharraf set it on in January 2001, and part of that is dealing with the extremist elements that exist within Pakistan, frankly exist within the region, but since we are talking specifically here—and there needs to be an end to the violence.

There also needs to be some path forward to have some kind of contact in order to prevent the very kind of conflagration that we all fear. I think in this forum that is about as far as I can go, other than that there are calls. The Secretary, in fact, in the last few days has spoken to the Foreign Minister and to President Musharraf. These calls are regular calls. The President has spoken to them regularly. We are in regular contact and trying very hard to continue to diffuse the situation, and there is a lot of attention focused on it.

Senator HAGEL. Thank you. Wendy, would you like to add anything?

Ambassador CHAMBERLIN. No. I think Christina covered it.

Senator HAGEL. OK. Thank you. I know we need to move on here, Mr. Chairman. Thank you. Thank you both.

Senator CHAFEE. Senator Nelson.

Senator NELSON. When we got the big fish in Pakistan that is now giving us a lot of information, tell us something about the cooperation of Pakistan. When Wendy was still the Ambassador we were actually over there the night they did five simultaneous raids in five cities and got a high level al-Qaeda person that time, but this is a year later. Tell us about the Pakistani Government's cooperation.

Ms. ROCCA. So far we are up to close to 500 individuals arrested and nabbed with the help of the Pakistani Government. Their assistance in tracking down al-Qaeda and the Taliban and bringing them to justice has been outstanding. That is really the only way to phrase it.

Senator NELSON. Does Musharraf get a lot of heat for this publicly?

Ms. ROCCA. What he gets heat for is mainly is for the presence of, or the—some of these raids, they are misrepresented, and it is the FBI that did the raid alone, you know, went in and knocked down doors. This is being done by the Government of Pakistan. There are Pakistani officers involved, and when that misperception is in there, then there is a lot of opposition, but short of that, short of that it is generally supported, probably not within the MMA, may I say, because their rhetoric all involves going after Americans.

Senator NELSON. What is the effort, if any, in Pakistan to lessen the influence or change the program of the madrassahs?

Ms. ROCCA. President Musharraf had and still has an education reform plan. It involves the madrassahs, but it also, even more importantly than just focusing on the madrassahs, it involves essentially fixing an education system that was bankrupt and broken and practically nonexistent, and the United States has committed over \$100 million over the next 5 years to assist him in that effort, to assist the Government of Pakistan in rebuilding their education system and training teachers, and providing an alternative to the madrassahs. Not all madrassahs are bad. Not all of them only preach anti-western—or hate for America.

Part of what he is trying to do is also to broaden the curriculum, not just as an effort to diffuse extremism, but also because these large numbers of Pakistani children who come out of the madrassahs have no employment skills, so they are trying to broaden it in order to provide them with other skills so that they will be employable as well, which will also help, but this is a long-term project. This is not something that can be done overnight.

Senator NELSON. And how many troops are facing each other on the Kashmir border today?

Ms. ROCCA. Right now there are no more troops facing each other along the international border, and we believe there are still—I think there is still some 400,000 Indian troops on the Indian side, but please let me come back and correct that if I am wrong.

Senator NELSON. And that is compared to a million before?

Ms. ROCCA. There were a million along the entire border, including the international border, which is about as far away as from each other as you and I, without the mountains in between.

Senator NELSON. So they pulled back from that.

Ms. ROCCA. Yes, sir.

Senator NELSON. And now there are 400,000 on India's side, and how many over here?

Ms. ROCCA. I think that the Pakistani military have all gone back to garrison. There was always a presence of Indian military in Kashmir and in the valley. There are some military, but other than the usual military post, I do not think there is a big mobilization on the Pakistani side, and on the Indian side there are only a little bit above the normal number that operates there.

Senator NELSON. When did that disengagement occur—just approximately, like weeks, how many weeks after the time of the highest tension?

Ms. ROCCA. Oh, the highest tension sort of came to a peak in May and June of last year. The mobilization did not start until the fall—the demobilization did not start until the fall, so there was very high tension that entire time.

Senator CHAFEE. Thank you very much, Senator. I do have a note there is an objection to this hearing going past 12:30, and we do have another panel on East Asia.

Senator COLEMAN. Good man.

Senator COLEMAN. Thank you. I will keep my comments very short, because I could be here a long time. At least I want to thank you for the work you are doing. I want to wish you well, and highlight what a tinderbox world we live in. Just one question. We always talk about the relationship between poverty and terrorism, and I know you talked about Bangladesh being a model of a strong, stable democracy. How is that happening, and are there any lessons there for us?

Ms. ROCCA. Well, Bangladesh has had three absolutely free and fair turnovers of power. In fact, they had regional elections just last week which were also deemed by the international community to be free and fair. They have a system of government which puts the governance in the hands of an interim government in between changeover of power, which is a very interesting model that others are actually looking at, because it works. It is a neutral government that then comes into power for 3 months and turns it over to the winner of the election.

There is also a—I think just by virtue of the fact that this democracy works so well, it also is providing more leeway for people to express themselves, and therefore it is not an extremist area. I will just leave it at that.

Senator COLEMAN. Thank you, Mr. Chairman.

Senator CHAFEE. Thank you, Senator, very much.

This part of the hearing is concluded. Thank you very much for your patience and testimony.

[Recess.]

HEARING SEGMENT II.—EAST ASIA AND PACIFIC

Senator BROWNBACK [presiding]. We will call the hearing back to order. I think everybody understands the circumstances we are under. We are under a series of votes that will be starting shortly on the floor, if they have not already, on the budget, so we will have to pop back and forth for that. We have asked them to notify us when there are 2 minutes left to go in the budget. If we can,

we will probably just try to keep members rotating in and out. We will not have to recess. If we do have to recess, we will recess.

We can only meet for another hour, I am told. There has been an objection from the other side going past the hour of 12:30, so unfortunately your stop at the dentist this time will only last until 12:30.

Rather than having any opening statements, if that is OK, on this particular topic I would like to go straight to the Assistant Secretary for your statement and testimony so we can have as much time as possible for questions and interactions.

So Assistant Secretary Kelly, thank you for joining us.

STATEMENT OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE, EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. KELLY. Thank you very much, Mr. Chairman. I would like to enter my statement here for the record.

Senator BROWNBACK. Without objection.

Mr. KELLY. And if you do not mind, I will just pick out some highlights from it, and I will try to be very, very brief in what we do, because the structure of the East Asia and Pacific Region is such that the money we seek for foreign assistance, which is the focus of this hearing, is not in precise balance with the, let us say, tensions associated with the issue because obviously, the Korean Peninsula is a serious issue, and for excellent reason, North Korea is not a recipient of formal foreign assistance, although in many respects because of the humanitarian aid issues North Korea has been a very large recipient indeed.

We do focus our ESF efforts and our development assistance efforts—I am delighted to have Ambassador Chamberlin here with me to talk about that—in Southeast Asia and, in particular, in the Muslim-populated countries, Indonesia especially, a struggling new democracy, and of course, the Philippines has some serious problems now, and our programs have been particularly focused in that way.

Combating terrorism in the region, though, ranks at the top of East Asia and Pacific Region's list of immediate priorities, and this is inextricably linked to our long-term and overarching goal of regional stability, but it also impacts directly on each of our five top goals for the region, which are, promoting and deepening democracy, improving sustainable economic development, countering proliferation in weapons of mass destruction, countering international crime in the region, and promoting open markets. Since 9/11 combating terrorism has had important resource implications to be factored into our Bureau's business plan.

On terrorism, skipping over some of the material in the formal statement, I want to point out that bilaterally we are cooperating with our five East Asian allies and partners in combating terrorism and also with China and other close friends. We are also working very closely with ASEAN, the Association of Southeast Asian Nations, the ASEAN Regional Forum, the region's only multilateral security forum, and APEC, Asia Pacific Economic Coordination, in a regional and multilateral cooperation on terrorism.

In the coming fiscal year, we look to work very strongly on terrorism with other departments of the government and other bureaus within the State Department. Efforts in the counterterrorism effort have focused on training, helping countries, particularly in Southeast Asia, to recognize that there is a terrorism threat, that terrorists know no boundaries and can show up and cause serious problems, as we saw with the terrible Bali bombing of last October.

Additionally, we try to work with financial institutions on things like financial controls to get at the root of money that sustains terrorist issues, and on things like improving airport security as well.

Regional stability, of course, is an overarching strategic goal, and in fiscal year 2004 we will have both foreign military financing [FMF] and international military education and training [IMET] to be used as tools for expanding and deepening U.S. regional influence with allies and friends.

We also will expand our cooperative relationships with other key states, including China, where we will coordinate and monitor rule-of-law programs in the fiscal year under request. We intend to draw on and enhance the potential contributions of the regional multilateral organizations, as I mentioned before.

In particular, we are trying to do some new work with the ASEAN Secretariat, which is headquartered in Jakarta. Because of the enormous diversity in the 10 countries of ASEAN, in terms of development and democratization in particular the new ESF funding in our fiscal year 2004 request will support expanded U.S. engagement with ASEAN to enhance its stabilizing role in Southeast Asia.

Democracy is, of course, a key issue, and democratic values have spread enormously in East Asia. In the past decade, the Philippines, South Korea, Thailand, Mongolia, and Taiwan have consolidated relatively young democracies. Indonesia, under authoritarian rule for 30 years, remains in a struggle for democratic transformation. There will be the first direct Presidential election ever in Indonesia to be held in 2004, and we are trying to build election procedures in this enormously spread-out country.

There are other efforts that use ESF and DA funding to reinforce educational opportunity and the demand for honest government. The decentralization of what was an entirely centralized government brings on an enormous need in a place like Indonesia to improve administrative skills, and Ambassador Chamberlin and her USAID staff are working very hard on that.

Training of police is a significant element, and the police were simply a poor adjunct of the Indonesian army for many years. They have only really been independent now for about 3 years, and showed in many respects this newness. On the other hand, in their response to the Bali bombing, in which they have gone from one end of Indonesia to the other to track down and identify terrorists, they seem to have gotten at least a significant number of the people who perpetrated or were behind that terrible crime, and trials are starting now on that crime.

Elsewhere in the region, the democratization process has been pretty slow. We have to continue to promote more open societies and democratic governments, for example, in Laos, Cambodia, Vietnam. Burma itself steadfastly resists any real suggestion of democ-

racy, and this is a problem. We will focus particularly on states where there is the evidence of some progress toward these goals.

International crime and transnational issues are another principal focus, including emphasis on narcotics trafficking and the epidemic of infectious diseases, especially HIV/AIDS, malaria and tuberculosis, which hit our region very hard now. In conjunction with USAID and with other bureaus in the Department of State we are working to address these problems and to supplemental bilateral solutions.

The EAP regional women's issues account tries to develop a regional approach to the problem of trafficking in persons, of which there is now a very interesting and significant report and evaluation moving into its third year. The objective of our assistance is to reduce trafficking in children, to eliminate violence against women, and to increase women's empowerment and status through increased participation in the political process.

Our efforts have concentrated on projects in what are called tier 3 countries such as Cambodia and Indonesia to try to help them improve their performance, but other countries have problems with trafficking in persons, sometimes for sex business purposes. It is interesting, Korea received a low mark, started paying attention, changed its laws, saw the development of nongovernmental organizations to provide support for these people, and significantly, in less than a year, enormously responded to this effort.

We have had progress, understandably slower in parts of Southeast Asia. I will not dwell long on open market and economic development efforts, but here, too, and in particular in Indonesia, we try to work with the financial systems of the country which are key to the development process in the future and to improving corporate governance and restructuring and promoting regulatory reform and pressing for trade and investment liberalization.

On weapons of mass destruction, our efforts, of course, apply to each and every country. Proliferation is a very serious concern. This is not a matter in which we have sought particular foreign assistance funding, but of course it remains an extremely high priority for us. We are going to try to, in the years to come, work closer with particularly Indonesia. There are restrictions on our military-to-military relations which we are not at the moment seeking to lift, but we will at some appropriate time, because although the Indonesian army has been guilty of terrible abuses in the past, it is an organization that is essential to that country and that needs to be improved. We have to find a way to work with the more positive elements within the army, but we have not quite found that yet.

Additionally, current legislation restricts assistance to the central government in Cambodia, which faces elections in the summer of this year, July 2003. The advent, if these elections are successful and free and fair, is going to be extremely important as an indication of whether we can and will seek any change in the restrictions that limit our assistance in Cambodia to nongovernmental organizations.

With that awfully quick and cursory summary, Mr. Chairman, I will end my remarks and be ready to respond to questions.

[The prepared statement of Mr. Kelly follows:]

PREPARED STATEMENT OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE,
EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman, I am pleased to share with the Committee our priorities for assistance in the East Asia and Pacific region.

U.S. INTERESTS

Combating terrorism in the region ranks at the top of EAP's list of immediate priorities. This is inextricably linked to our long-term and overarching goal of regional stability, but it also impacts directly on each of our five top goals for the region: promoting and deepening democracy; improving sustainable economic development; countering proliferation and weapons of mass destruction; countering international crime in the region; and promoting open markets. Since 9/11, combating terrorism has important resource implications that must be factored into our Bureau business plan.

Terrorism: The growth of terrorist networks in the EAP region presents a direct threat to U.S. national security, to the welfare of Americans overseas and to the security of U.S. allies and friends in the region. Terrorism carries enormous potential to disrupt regional trends toward peace, prosperity, and democracy. It adds new urgency to our efforts to pursue non-proliferation and Weapons of Mass Destruction (WMD) goals in the region, and affects how the Bureau promotes open markets and transnational crime objectives. Our preeminent goal, therefore, must be to ensure that terrorism and its practitioners are rooted out of every country or safe haven and that we address conditions—financial, economic and political—that render the region vulnerable to terrorism.

To succeed in this effort, we must secure the active cooperation of others in the region. Bilaterally we are cooperating with our five East Asian allies and partners committed to combating terrorism, and with China and with other close friends. We are also working very closely with ASEAN, the ASEAN Regional Forum (ARF), and APEC to develop regional, multilateral cooperation on terrorism. In FY 04 we will continue to work closely with other State Bureaus, particularly S/CT and DS, and with other USG agencies, including Treasury and DOD, and DHS to further enhance this reinforcing web of bilateral and multilateral relationships that foster not only a greater U.S. ability to combat terrorism in the region, but also leverage growing intra-regional efforts to come to grips with terrorism. Resources for this effort must come not only from EAP but also from other counter-terrorism funding sources available to the Department and other agencies.

Regional Stability: Regional stability remains our overarching strategic goal and provides the underpinning for achievement of other key goals and objectives. Active U.S. engagement and renewed emphasis on our alliance relationships has helped keep the East Asia and Pacific region generally stable. Nevertheless, the Korean Peninsula and the Taiwan Strait remain sensitive and potentially volatile. Our ability to deter conflict is currently strengthened by several factors, including the mutual interests of key East Asian powers in working cooperatively to address terrorism and shared interests in keeping interstate frictions within parameters conducive to economic recovery and growth. Terrorism in Asia carries the potential to destabilize friendly governments in Southeast Asia.

In FY 04, we will continue to carefully manage ties with five regional allies—Japan, Korea, Australia, the Philippines, and Thailand—to maintain our ability to sustain a stable and secure environment in the region. Our strategies in this effort include the forward deployment of military assets. In FY 04 both FMF and IMET will be used as tools for expanding and deepening U.S. regional influence with allies and friends. We also will expand our cooperative relationships with other key regional states, including China, where we will coordinate and monitor rule of law programs in FY 04. We intend to draw on and enhance the potential contributions to regional stability of regional multilateral organizations, including the ARF, APEC, and ASEAN. In particular, the new ESF funding in our FY04 request will supported expanded U.S. engagement with ASEAN to enhance its stabilizing role in Southeast Asia.

Democracy: Stability and prosperity create good conditions for the development of democracy. In East Asia, the generally stable environment has created conditions in which democratic values have gradually been incorporated into the governing structures of many regional states. In the past decade, the Philippines, South Korea, Thailand, Mongolia, and Taiwan have consolidated their relatively young democracies. Indonesia, under authoritarian rule for thirty years, remains engaged in a struggle for democratic transformation. We will continue our efforts to foster democracy in Indonesia with ESF and DA funding. These efforts are designed to reinforce educational opportunity, domestic demand for honest government and greater re-

spect for individual human rights; they also underscore key dimensions of the U.S. counter-terrorism effort in Indonesia.

Elsewhere in the region, the democratization process has been slower to develop. We will continue to promote more open societies and democratic governments in key areas, including in Laos, Cambodia and Vietnam. We will focus particularly on states where there is evidence of some progress toward these goals. These are critical components in the development of a stable and enduring framework for overall regional development.

We are watching developments closely in Burma for signs of change. Lately, Burma has shown no signs of interest in a dialogue with the democratic opposition that could lead to progress in that country.

International Crime and Transnational Issues: Our strong diplomatic and military presence in the region will be key to addressing immediate and pressing transnational challenges that arise. These, almost by definition, will require multilateral solutions, and several of them, the most obvious being terrorism, already pose a serious challenge to regional stability. We will work with USAID, as well as with other Department bureaus to keep ahead of the advancing trends that have internationalized once-local problems. For example, narcotics trafficking and the epidemic of infectious diseases, especially HIV/AIDS, malaria and TB, are hitting our region harder now. In coordination with USAID and with INL and OES Bureaus, we are working to address these problems and seeking to supplement bilateral solutions with multilateral approaches.

Through our EAP Regional Women's Issues Account, we are developing a regional approach to the problem of trafficking in persons (TIP). Our objective is to reduce trafficking of women and children, to eliminate violence against women, and to increase women's empowerment and status through increased participation in the political process. Our efforts have concentrated on TIP projects in eligible Tier 3 countries, such as Cambodia and Indonesia, to help them improve their performance. In addition, we are providing assistance to Tier 2 countries that face the risk of being downgraded to Tier 3. We are adjusting our foreign assistance and technical training priorities to reduce the level of trafficking in the region. Our FY 04 request account is for \$3 million.

Open Markets/Economic Development: Although related to our goals on terrorism, democracy and regional stability, promoting open markets and pro-growth policies is an essential goal on its own merits. U.S. trade with East Asia now exceeds that with Western Europe. Asia includes some of the largest and fastest growing economies in the world. Open economies support U.S. jobs and income, broaden the foundations on which democratic institutions can be constructed, and create incentives to settle problems peacefully.

Sustained economic recovery from the Asian Financial Crisis of the late 1990's will require significant additional reform efforts. We continue to work multilaterally and bilaterally to help restore long-term growth prospects by strengthening Asian financial systems, improving corporate governance and restructuring, promoting regulatory reform, and pressing for trade and investment liberalization. Recovery of the Japanese economy is crucial to regional recovery, and we continue to urge the GOJ tackle deflation and implement fully its plans for structural and financial sector reform, as well as measures to become more open to foreign direct investment and trade. We are pleased with the successful conclusion of negotiations on the U.S.-Singapore Free Trade Agreement (FTA) and look forward to its implementation as an example of advancing free trade in Asia. We closely monitor China's compliance with its WTO obligations, which will increase the access of the Chinese people to goods, ideas and information, encourage further economic reform and, advance the rule of law. We work closely with U.S. business in our effort to promote these market-oriented, pro-growth policies in the region.

Not all countries in the region have shared in the economic growth. Significant development needs remain throughout the region, including in Mongolia and in the Philippines, Indonesia and several other ASEAN states, particularly ASEAN's newer mainland Southeast Asian members. We recognize that the immediate post 9/11 demands of the war on terrorism have diverted resources from this region. These factors require that we take a fresh look at our program resources and where they are focused. While we could always spend additional resource on economic development in the EAP region, we are effectively using our current level of funding to meet key regional goals such as stemming the growing links between the EAP region and the South Asia-based terrorist networks and eliminating poverty in the region that terrorists are poised to exploit.

Our program requests for FY 04 reflect a realistic effort to address terrorism directly and also through programs designed to reduce its appeal to economically and politically disadvantaged populations. Our Philippines programs offer a good exam-

ple. Supplemental and FMF funding is addressing weaknesses in Philippine military capabilities to combat terrorist groups, while our ESF programs, such as Livelihood Enhancement and Peace program in Mindanao that has enabled 13,000 ex-combatants to take up peaceful pursuits such as farming, have been successful in developing better alternatives for populations susceptible to terrorist recruitment. In FY 04 we must maintain ESF funding for the Philippines at \$20 million to adequately continue momentum for social foundations for peace. In conjunction with INL, we are also looking at ways to enhance civilian police capabilities.

Weapons of Mass Destruction: Proliferation of weapons of mass destruction, nuclear, chemical, and biological, and their means of delivery have been a major concern in East Asia during the past decade, but have become even more urgent since 9/11. We continue to work toward a reduction of this threat, including through discussions with China focused on getting the PRC to adhere fully to existing bilateral and multilateral nonproliferation arrangements. The latter includes China's commitments contained in the November 2000 missile nonproliferation arrangement, as well as getting China to fully cooperate in pre-license and post-shipment verification checks related to U.S. dual-use exports. We are asking for China's cooperation in bringing other countries under the discipline of multilateral arms control and nonproliferation arrangements. We are also working to prevent, contain, and reverse the possibility that such WMD might become available to non-state terrorist organizations.

Modifications of Current Restrictions: EAP priorities for FY 04 are to sustain our foreign assistance to Indonesia and the Philippines. Existing restrictions on our ability to consider a full range of security assistance options for Indonesia reduce the Administration's flexibility in military-to-military relations. While conditions are not now in place to warrant removal of restrictions, we are not seeking that today; we are working towards the time when that will be possible.

Current legislation restricts assistance to the central government of Cambodia. Provided that the situation in Cambodia improves, including successful free and fair elections in July 2003, greater flexibility in allowing closer cooperation with the central government, might be in the U.S. national interest. Types of assistance that could then be considered include: enhancing counter-terrorism capabilities; promoting rule of law and justice; and developing a smaller more professional military.

Cambodia needs training in immigration, border security, and other areas critical to our global fight against terrorism. IMET funds could be used to professionalize the Royal Cambodian Armed Forces through training in human rights and rule of law as well as help officers contribute to regional stability and play an effective role in transnational issues (narcotics, human trafficking, border security, and protection of land and natural resources) through additional training in civil-military relations and military justice.

CONCLUSION

The foregoing represents a brief overview of the EAP Bureau's top goals and objectives, and the resources we will need to meet them. It incorporates our best assessment of the region-wide demands and requirements we should work to meet, but it cannot incorporate resource requests for major, unanticipated events that could emerge without warning in the region, including on the Korean Peninsula.

Senator BROWNBACK. Good. Thank you very much for that summarization.

Ambassador Chamberlin, did you have prepared testimony you wanted to give?

STATEMENT OF HON. WENDY CHAMBERLIN, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID], WASHINGTON, DC

Ambassador CHAMBERLIN. Yes, Mr. Chairman. I also have written testimony which, with your permission, I will submit for the record.¹

Senator BROWNBACK. That will be included without objection.

¹ Ambassador Chamberlin's written testimony can be found on page 12.

Ambassador CHAMBERLIN. I will try to even pare back a bit my oral remarks here so that you can get to your questions.

As our Nation is fighting terrorism in Iraq and Afghanistan, we must continue to pay attention to terrorism and other threats to stability in East Asia. Countries like Indonesia and the Philippines are also frontline states in the war on terrorism, and by strengthening economic reforms, democracy, education, and health, USAID programs help to address the threat of terrorism directly to East Asia and the Pacific.

Conditions across Southeast Asia vary greatly. Despite major economic gains of the past decade, several fragile States still threaten to become failed ones, yet it also remains a region of great economic and democratic promise.

One of the most pressing regional issues I would like to highlight again is trafficking in persons. I think Assistant Secretary Kelly has amplified some of the problems and challenges in the region, and I would like to take this opportunity to thank you for your contributions in introducing legislation that developed the report and reinvigorated our effort in trafficking of persons and has had, as Assistant Secretary Kelly has pointed out, enormous good results. Thank you very much.

Within the broader context, let me highlight some of the key programs we have in individual countries. In Indonesia, the largest most populous Muslim country in the world is a critical partner in the U.S. Government efforts to combat terrorism and maintain stability in the region. We have drastically reconfigured our aid program in Indonesia to respond more effectively to post-9/11 policy priorities. USAID has contributed directly to three of Indonesia's most important recent developments.

Signed on December 9, 2002, Aceh's fragile Cessation of Hostilities Agreement. It has greatly reduced the armed conflict that was killing almost 90 civilians a month and had wreaked havoc on local livelihoods. Not only did we support the peace dialog, but we have also taken the lead in monitoring the ongoing truce.

For the first time, in 2004 Indonesians will have the opportunity to directly elect their President, Vice President, and legislators, a major milestone for a country on its way to becoming the world's third-largest democracy. These elections are the direct result of U.S.-sponsored constitutional amendment. We are following up that support with work toward free and fair elections and strengthening the voices of moderate Islamic groups.

In the environmental arena, our partnership with the private sector to combat illegal logging not only leverages \$4 for every USAID dollar spent to support resource management, but it also directly contributes to higher incomes for the rural poor.

In the Philippines, the Philippines is on the front lines of the war on terrorism in Southeast Asia. Mindanao, the home to an ongoing internal conflict between Muslim separatists and the Philippine Government has received approximately 60 percent of our bilateral budget since fiscal year 2002. USAID programs have successfully reintegrated 13,000 former combatants into their communities, and we are training an additional 12,000 in 2003 and 2004. This is a highly successful project, and one we are very proud of.

In Mindanao and elsewhere in the Philippines, health services are being devolved to the local level. This is a challenge and an opportunity to local governments, and USAID is helping to build their capacity to provide primary care as well as TB and malaria management. Unfortunately, the Philippine economic and fiscal performance is disappointing. In 2002, the public sector deficit was an alarming 6 percent of GDP, largely due to failing tax collections. USAID's programs are critical to combating the pervasive corruption that undermines the economy and political stability. At least that is our intention.

In East Timor, the newest nation on the world stage, it is an exciting and crucial time for our support to a blossoming democracy and economic development. Our aid programs are supporting the Timorese as they establish a democratic government and an independent media. We are the second-largest bilateral donor after Australia, as East Timor begins to take advantage of the projected oil and gas revenues from the Timor Gap, we will reassess our future assistance levels.

Cambodia ranks amongst the poorest countries in the world, with an annual per capita GDP of only \$280, a very low literacy rate, and a high official HIV/AIDS infection rate in Asia. Burma may be higher, but Cambodia's is certainly very, very high.

Years of war, genocide, and political corruption continue to weigh heavily on Cambodia. We are supporting Cambodia's tentative steps toward democracy. Years of U.S. Government support have fostered strong, motivated NGOs with whom we are now working to combat corruption and engage the public in monitoring government activities, particularly in light of the upcoming July elections.

Cambodia's health services are still very weak, so our focus there is on rehabilitation of severely malnourished children, training of midwives, malaria prevention, and immunization outreach. Given Cambodia's high HIV prevalence, USAID's most significant investment is in HIV/AIDS prevention and care.

Consistent with appropriate legislation, we do not contribute funds to any entity of the Royal Cambodian Government. However, the increased flexibility in recent years to coordinate our work with certain parts of the government has enhanced our effectiveness.

In Vietnam, a country of 80 million people occupies a strategic position related to China. This is an economy that has the potential to take off, but today it still remains very poor. The main thrust of our aid program is to support the implementation of the U.S.-Vietnam bilateral trade agreement. Since signing the agreement in December 2001, imports from the United States have grown by 26 percent, and exports to the United States by 129 percent.

In Burma, Burma remains an authoritarian state with serious health and economic growth issues, a drug trade, and rampant human rights abuses. Our work in Burma is guided by appropriate earmarks and is focused on promoting democracy and human rights. Last year, we began to address the serious HIV/AIDS situation in Burma, where the infection rates, estimated as high as 4 percent, may be the highest in all of Asia. We hope to expand this program and request additional funding for fiscal year 2004.

Laos faces serious human rights concerns and widespread acute poverty and disease. Therefore, our aid in Laos is largely humani-

tarian. While the program is quite modest, it works hard to create jobs, promote targeted growth through a silk production project, improve maternal and child health and educate children about unexploded ordnance.

Mongolia. With USAID's assistance, the Government of Mongolia has made the transition to democracy and a market economy over the past 11 years. We have helped to rebuild the financial sector, guide responsible privatization, automate the courts, improve livelihoods. There is still much work to be done. A majority of the population is poor, life in remote rural areas is cutoff from many of the benefits of the country's advances. We are addressing these challenges with well-integrated high-performing programs.

Last, in China and Tibet, USAID is involved on a limited scale in China. At the request of the State Department, we are managing small programs in rule of law for both countries, and in Tibet we have activities in sustainable development, environmental conservation, and cultural preservation which correspond to earmarks. We are beginning a modest amount of HIV/AIDS prevention work in two southern provinces as part of the Greater Mekong regional HIV/AIDS prevention strategy.

There are regional issues in environment, support for ASEAN, support for public-private partnerships, which I amplify greater in my written testimony and I will not get into.

One final comment on the possible changes to the Foreign Assistance Act, which I know is of great concern to this committee. One of the committee's objectives in holding these hearings, as we understand it, is to consider possible adjustments to our basic authorizing legislation, the Foreign Assistance Act of 1961. USAID has put forward several suggestions on this subject, and I cite these in my written testimony.

One of these involves the need to identify and fund the real cost of doing business overseas. This is a subject of particular interest to the ANE Bureau, given the extremely fluid nature of the developmental challenges that we face throughout our three Bureaus. USAID needs to obtain adequate funding for flexibility in the use of funds devoted to the real cost of administering development assistance.

The demands on USAID to support new mandates to address global challenges such as in Afghanistan and Iraq, HIV/AIDS, education, MEPI, and other pressing priorities have increased greatly, as have the costs of providing security for our families in these troubled parts of the world. Meanwhile, our ability to fund and staff these operations has reached its limit.

The solution will have to involve not only the identification and provision of adequate resources, but also new personnel and procurement authorities that will streamline and create more responsive systems. The Foreign Assistance Act could acknowledge this and signal the need for greater flexibility and more resources and new sources to finance the administrative cost in existing appropriations.

Mr. Chairman, we look forward to working with you as you develop these plans. We will be happy to come up here as often and intensely as you would like us to.

Senator BROWNBACk. Good. Thank you very much, Ambassador Chamberlin.

I will go up and vote and then will come back and go through some questions at that time.

[Recess.]

Senator BROWNBACk. The hearing will come back to order. Hopefully we will get the budget done today. We will see.

Assistant Secretary Kelly, it is outside the purview, really, of the hearing, but with having you here I think it would be wrong for us not to ask you to comment on the situation currently on North Korea-U.S. relations, and if you could just give us the current state of play with that and what has happened in the last couple of weeks I would appreciate that.

Mr. KELLY. The current state, Mr. Chairman, is pretty much as it was when I testified before the committee 2 weeks ago. We still want multilateral dialog with North Korea. They still publicly demand a bilateral dialog that takes the position that the nuclear issues are solely something between North Korea and the United States, although we have detected in some statements possibly some softening of that position.

We are continuing to explore with countries in the region, specifically with Japan and, of course, with South Korea and with China, and to a slightly lesser extent Russia, the prospects of entering into multilateral dialogs.

The North Koreans, of course, have taken many actions of very serious concern, headlined by their withdrawal from the Nuclear Nonproliferation Treaty on January 10. Since then, there have been incidents at the DMZ. There was a very serious matter of their fighter planes challenging an observation aircraft that was over 100 miles from the nearest part of North Korean terrain. They have not, however, begun to reprocess, to the best of our knowledge, the 8,000 spent fuel rods that would provide a significant quantity of plutonium that is a matter of extraordinary concern.

The President's commitment to a diplomatic solution to this situation continues, and we have several things coming up shortly. The Foreign Minister of Korea arrives on his first visit as Foreign Minister to Washington this afternoon, and he will be in meetings over the next several days. We expect that President Roh of South Korea will accept President Bush's invitation to come to Washington probably within the next 2 months, and so there is going to be a number of things going on, but there is no particular news that I have to report today, sir.

Senator BROWNBACk. No other provocative acts taken by the North Koreans in the last couple of weeks, since the incident with the observation plane?

Mr. KELLY. There are not any. There have been a lot of noisy attacks from propaganda organs of North Korea, but none of a directly military nature.

Senator BROWNBACk. Any greater support from the Chinese to stop the reprocessing and the development of nuclear weapons on the Korean Peninsula?

Mr. KELLY. The Chinese have shown considerable signs of support, of working with the North Koreans and we are waiting for further reports from them about this matter. There have appar-

ently—and we have no first-hand information—been senior Chinese visitors to North Korea, and other signals. China has been even more forthright than it was in the past in objecting to the development of nuclear weapons on the Korean Peninsula, and has made clear to us that that would be a threat to Chinese interests as well as those of the U.S. and other countries in the region, but these are just signs on the horizon, and the completion of any such effort remains vague and unproven.

Senator BROWNBACK. Any discussion within countries in the region, South Korea, Japan, Taiwan, of a theater missile defense architecture to try to protect against further North Korean development and potential provocative acts?

Mr. KELLY. Concerning the prospect of a next step of the serious steps that North Korea might do but has not done, I mentioned reprocessing spent fuel rods. Another step would be testing ballistic missiles, which they last did on August 31, 1998. Japan is understandably extremely concerned about the prospect, and we are, too, of whether there would be any such test of a missile.

It would be possible for some kind of test, particularly of Nodong missiles, to occur with little advanced warning. That has not yet occurred, and if that were to happen, that would be another serious escalation of the process.

As a result, though, of the threat it is very clear that Japan in particular has a renewed and strengthened interest in missile defense programs and, in fact, the government has significantly increased the money within the Japanese budget to pursue research and, I think, probably to move to more direct activity in missile defense soon. It has definitely focused the minds of the Japanese.

South Korea is less threatened by ballistic missiles and more threatened by artillery, and we have not seen that kind of interest there.

Senator BROWNBACK. You mentioned that we have no formal assistance to North Korea, but we are providing substantial food aid into North Korea.

Mr. KELLY. Some have characterized them as our largest recipient of assistance, because there has been almost \$700 million of food aid, Mr. Chairman, provided to North Korea since 1995, and we recently announced, as the humanitarian effort, that some 40,000 tons would be provided against the World Food Program's estimate of needs.

At the same time, we are very concerned at the quality of monitoring to make sure that this food gets to the hungry people who need it inside North Korea. The economic news that we are able to pick up from North Korea is extremely bad, not just in terms of food, but in terms of all kinds of movement of that sad economy, and so you are right, Mr. Chairman, the food aid has very much been a part of our aid and it is not directly linked to our very serious concerns with North Korea's other actions.

Senator BROWNBACK. Are we continuing to have refugees from North Korea move into China, and is China continuing to repatriate and refool these refugees?

Mr. KELLY. Well, Mr. Chairman, this is, of course, a matter with which you are certainly interested, and I want to thank you for that interest and for taking the trouble to travel close to that bor-

der, which you did not so long ago. You have been there more recently than I have.

The information we are getting is that yes, sir, reflecting hunger conditions, more North Koreans are coming across that border. Some have been returned during the fall. Quite a number were being sent back. We have argued very strongly to the Chinese that that not be done. There is less indication of forced returns now, but it is something that is very hard to monitor.

There is no question that not all of these people are economic refugees, and that China, as a signatory to the International Refugee Convention, should be accepting some of these as political refugees and involving the U.N. High Commissioner on Refugees. China has not been doing that, and you are well aware that China's treatment of these refugees remains a serious problem.

Senator BROWNBACK. Is the Department looking at asking for assistance for North Korean refugees either for refugee support in China or resettlement outside of China, or refugee camps in places other than China, such as Mongolia? Is that reflected in your budget, or is that being contemplated?

Mr. KELLY. It is not reflected in our budget. Refugee funding is handled in another pot, but I do not believe that there is any direct money for that. It is an ongoing item of discussion. It would probably be very difficult for us to spend money directly with the Government of China, or directly on that. There are nongovernmental organizations, though, that have been working with impoverished people of Korean ancestry, some of whom just live in northeast China, and many of whom, of course, have come across that border.

The possibility of having these people come to the United States is something that is, I would say, getting more consideration than it had before. At the moment, the numbers are such that if they can leave China, they can in every instance go to South Korea, which has a substantive and serious program for resettling these people, but that program may not be enough if things continue to deteriorate in North Korea, and we may need to seek further authorities, but we have not requested those at this time.

Senator BROWNBACK. I may be looking at that either on this supplemental or in the appropriation process that we will be starting—well, we are starting it now, to provide authority and assistance to the Department to be able to help in the resettlement of the North Korean refugees, or to help in the establishment of camps or operations in or around China. As I mentioned to you, Mongolia, I think, has offered even to host a refugee camp for North Koreans. We will pursue those more with the agency. We wanted to let you know we are looking at that.

Mr. KELLY. Assistant Secretary Dewey for Population and Refugee and Migratory Affairs and I will be very happy to be in contact, sir, with you and certainly with your staff about these refugee issues. It is a moving train. It is a serious problem. We appreciate your interest, and we will work with you, sir, to come out with the best results.

Senator BROWNBACK. Within the region, I do not know—Ambassador Chamberlin, if you might be the better one to ask on this, you have got in the southern part of the region in Asia, Cambodia, Burma, Laos, Vietnam I do not know as well, but substantial low-

income populations, or just poverty-stricken populations, substantial trafficking you identified and talked about, and you hear about a lot of pretty horrifying stories from people in that region. How well are we set up, or how well is it set up in the region to try to take care of people if they are in a very extraordinarily impoverished starvation-type situation?

I am reflecting, I was in Thailand on the Thai-Burma border, and there was a number of people who had basically just been shoved out of Burma, they had to flee out of Burma, and they were in acceptable-type refugee camp situations, but it was pretty difficult circumstances for them, and I worry particularly about the most vulnerable in those populations, whether it is little children or widows.

How is that being taken care of? Tell me if you are—I know you are not satisfied with the situation, but are you deeply concerned with the size and scale, or is it a limited scale? Are we taking care of the most vulnerable in those populations?

Ambassador CHAMBERLIN. It is a heartbreaking situation, Senator, and I certainly agree with you. We do have aid programs inside Thailand along the Burmese-Thai border for Burmese. We have some programs, for example, where we send medical workers with backpacks inside Burma. That is still going on, is it not, Jim?

Mr. KELLY. I am frankly not sure.

Ambassador CHAMBERLIN. It was a program that we certainly had before. It was very effective. We work with a large network of NGO's along the Thai-Burmese border with those that are most vulnerable, particularly the women and children.

We assist vulnerable groups in Cambodia, and will be starting up assistance to vulnerable children in Laos shortly. We are trying to negotiate now a child-maternal health project in Laos. It is very small, \$300,000, but inside one of its very tropical jungle areas. I have been to some of those villages. It breaks your heart. It is small. It is not enough. Yes, we are concerned.

Senator BROWNBACK. One of the things that I have talked with some people about is a special category of refugees, call it widows and orphans category, but allowing State Department personnel to identify key vulnerable individuals that they may see in a particular area—you have got people that are out, and they are around in these regions—and allow them to be identified by the State Department for resettlement, even into the United States.

In looking at our refugee programs that we have had, the numbers have been going way down, refugees that we have taken into the United States for resettlement, and I get reasoning—and I am not sure this is going to be very valid. They say the numbers of refugees around the world, or the population pools are not there.

It seems to me they are there, but be that as it may, but that we identify this special category for State Department or other U.S. Government workers to say, these 10 women here are in an extraordinarily vulnerable situation, where they are in this refugee camp, they should be resettled and out, or we have a group of 20 orphans here in this particular village that are being pillaged, or preyed upon by the population, they should be identified and taken out, and just these small type of groups to take care of those individuals and provide that not as a category that an individual could

apply for, but as a category that State Department and other U.S. Government personnel could identify as having a need to be pulled out of this situation.

We are working with some groups to see if we can draft that up and provide that authority to you. I do not know if it would be broadly useful, but in some narrow cases it might save quite a few lives.

Ambassador CHAMBERLIN. We will certainly pass your concern on to Assistant Secretary Gene Dewey.

Senator BROWNBACK. Let me ask you, in the Philippines and Indonesia, if you could go into a little more detail on the programs we are working with in Indonesia, particularly with the military, I would like to hear about it, because that is the largest Muslim country in the world struggling for democracy, and I hear from some sources it may be one of the most fertile grounds for terrorism to take place as well. And so I want to get a little more detail on what your military assistance is, and what work you are doing in Indonesia.

Mr. KELLY. I will respond to that, Mr. Chairman. In Indonesia there has been no assistance in terms of military funding or, in fact, in terms of military sales for a number of years, particularly because of the abuses involved with the East Timor freedom plebiscite in 1998. Since then we have for the last and current fiscal years some money for what is called IMET. This is expanded international military education and training, but it is limited to civilian officials only. That limitation has been lifted in the appropriations committees, and we do have authority now to bring suitable military officers to the United States under IMET. It is my belief that that is something that we need to do.

One of the problems with the Indonesian army is that we have had almost a whole generation of younger army officers who have matured into more senior officers who have had no exposure whatsoever to U.S. persons or U.S. schools, or to the United States at all, because of the abuses not necessarily of these individuals, but within the larger service. That is not good, in my view, and we have to try to work on it, but we are proceeding extremely carefully so that we are not caught in a situation in which we are giving training or sustenance or benefits of any kind to people who have been proven human rights abusers.

Ambassador Chamberlin mentioned the situation in Aceh. It is significantly better. I think it is significantly better than what we might have expected it to be some 6 months ago. We also, of course, have had the August 31, 2002 murders of two U.S. citizens in West Papua. The FBI has been able to go into Indonesia, somewhat belatedly, and is trying to investigate the murders.

These are in the other end of Indonesia, in the West Papua area near the mining efforts that an American company is involved in, and two American teachers were in a group of vehicles and they were murdered a matter of extreme concern because there have been some suggestions that this was not the work of indigenous guerrillas, but of some elements from the Indonesian army.

So this is an area in which we have to proceed very, very carefully, and clearly involves crimes against America citizens. We are not going to rest until those involved are punished, but at the same

time, we very much have an interest in the positive development of not only the Indonesian police, for which there is an ongoing program, but the Indonesian army as well.

Senator BROWNBAC. I do not know the situation in Indonesia well enough to really comment, but I know in Pakistan, when we started looking at this, we had discontinued military training programs, and I think it has really hurt us over a period of time, clearly in the relationship with the country and clearly in the ability to move forward in their establishment and work as a democracy, and I do not know, but it sounds like there may be some parallel situations in Indonesia.

Mr. KELLY. I think it is parallel, Mr. Chairman.

Senator BROWNBAC. We have a vote on, and we have to discontinue at 12:30. Let me thank both of you for the great work you are doing in a world full of opportunities and challenges all over the place, but you are both doing excellent work. We appreciate it. I would offer you our office to work with if you have particular items that you think, you know, if we really had the support of this, or if we had the opportunity by change of legislation to do A, B, or C, this would really be helpful to our people in the field, well, let us know and let us see if we cannot work to provide that flexibility, authority, financing to be able to accomplish the objectives we are all after.

Mr. KELLY. Thank you, Mr. Chairman. We really appreciate that this committee is undertaking this review and possible Foreign Assistance Act revisions and we are delighted to work with you and your staff, sir.

Senator BROWNBAC. Thank you very much. The hearing is adjourned.

[Whereupon, at 12:30 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

RESPONSES OF HON. WILLIAM J. BURNS, ASSISTANT SECRETARY OF STATE, NEAR EASTERN AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question. According to the Congressional Budget Justification for the FY 2004 budget proposal, "Increased levels of funding for the Near East reflect the requirements of individual countries and their capacity to absorb additional training as part of their efforts to help support global counter-terrorism efforts. Military-to-military contacts afforded by the IMET program are particularly important in this region, paying dividends far into the future as students rise up the military and political ranks of their respective countries. In FY04, Bahrain, Jordan, Morocco, Oman, Tunisia and Yemen all receive substantial increases."

Please provide some concrete examples of how previous IMET training has paid dividends for the United States in the build-up to and the execution of Operation Iraqi Freedom.

Answer. IMET is an exceptional program, probably the best "bang for the buck" with regards to promoting military engagement. While MEA has always supported robust bilateral military engagement, recent events in Iraq and the continuing war on terrorism highlight the importance of maintaining and in some cases increasing regional IMET assistance.

NEA regional IMET-funded training courses complement our regional FMF programs. Together these programs support regional stability, reinforce frontline states, address border security requirements, and help secure critical sea-lanes to/from the region.

While FMF pays for the equipment and material to support these objectives, IMET trains the individuals who implement them. IMET-funded training translates to technical competence and doctrinal proficiency amongst the regional officer corps. This in turn promotes interoperability and even more important as officers move up the ranks—mutual understanding.

Interoperability and mutual understanding are critical to the success of many ongoing activities in the region that support Operation Iraqi Freedom. They include: liaison officers deployed to CENTCOM Headquarters, missile defense and air defense coordination, base access and force beddown, overflight rights and canal and overland transit.

For NEA countries, IMET-trained officers are routinely assigned to the most critical mid and high-level command and staff positions. For example:

- U.S. senior service school graduates command all three major airbases in Oman.
- In Jordan, the CJCS and virtually every service Chief of Staff as well as their Assistant Chiefs of Staff are IMET graduates. Further, King Abdullah attended several mid and senior-level courses during his military career.
- In Bahrain, home to NAVCENT and Fifth Fleet Headquarters, both the Bahraini Naval and Air Force Commanders graduated from the respective U.S. service staff college. Moreover, the King is a graduate of the U.S. Army Command and Staff College.
- In Yemen, the mid-level officers filling the critical roles of liaison to the CJTF-Horn of Africa and to the Yemeni MOD are both graduates of the U.S. Army staff officer or advanced branch training.
- The Tunisian Defense Minister is proud to say that almost all his senior officers have had a course in the United States. Indeed, President Ben Ali was one of Tunisia's first IMET students, attending an artillery course nearly 40 years ago.

In terms of strengthening bilateral military and political relationships, IMET has been an unqualified success. It warrants additional resources, given the real and significant return on investment this funding produces in terms of U.S. interests.

Question. The FY 2004 budget proposal slates Yemen for a significant boost in FMF assistance, from \$2 million in FY 2003 to \$15 million for the new fiscal year. Why is Yemen receiving such a large boost in assistance? How will it use the expanded FMF assistance?

To what extent did the U.S. interdiction in December of the North Korean vessel ferrying Scud missiles affect our bilateral relationship with the Yemeni government? How have we communicated our disapproval of Yemeni cooperation in missile proliferation with the North Korean regime, what tangible commitments have we received, and what is being done to ensure that those commitments are honored?

Answer. Yemen's FMF allocation for FY 2004 reflects its partnership with the United States in the war against terrorism. We have worked together to uproot the al-Qaida presence in Yemen, which poses a grave threat to us both. This cooperation has yielded a number of important successes, some of which were highlighted by the President in his January 28 State of the Union address. Yemeni forces have been active in all of these operations, and have at times acted entirely independently to eliminate al-Qaida threats.

These actions show Yemeni resolve and the tangible results of the U.S. training that has been provided for Yemen's counterterrorism forces. We are now seeking additional FMF funding to maintain and upgrade further these developing capabilities. The Yemenis will use the \$15 million requested in FY 2004 FMF funding to pay for additional U.S. military training, the purchase of HMMWVs to improve mobility and interoperability, and the refurbishment and supply of parts for its existing U.S. systems (C-130s, M-113 APCs). FMF funding will also directly support the development of Yemen's Coast Guard, which is slated to receive excess U.S. Coast Guard motor lifeboats in early FY2004. Through this assistance, we are working to establish a capability to finish the job against al-Qaida in Yemen, and prevent the terrorists from returning.

Because of our strong bilateral relationship with Yemen, we were able to effectively engage the government at the highest levels on its military acquisitions from North Korea. We conveyed our concerns about these acquisitions to the Yemeni government in December, and in response, the Yemenis have explained that this ship-

ment of Scud missiles was contracted for by the former South Yemen in 1994. Yemen has also assured us that these missiles will be used for strictly defensive purposes, and also that they will not be transferred to any third party. On the basis of these assurances, and Yemen's pledge to cease all missile and missile-related imports from North Korea, we are moving ahead with our vital counterterrorism and military cooperation. We are in a continuing dialogue with the Yemen to ensure that its commitments remain consistent with our foreign policy goals. We also continue to monitor Yemen's activities to ensure that they remain in compliance with its commitments.

RESPONSES OF HON. CHRISTINA B. ROCCA, ASSISTANT SECRETARY OF STATE FOR SOUTH ASIAN AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question. Why has India's FMF allocation been cut by 90% from \$50 million in the FY 03 budget request to \$5 million in the FY 04 budget request?

Answer. As indicated in the 653(a) report submitted to Congress by the Department, the FY 2003 FMF start-up program for India is now at \$5 million, so the FY 2004 request does not represent a cut in funding.

FMF has never been a major component of our military supply relationship with India. India is well able to finance its military, with an annual defense acquisition budget in the range of four billion dollars. Nevertheless, as part of our continuing effort to transform the United States' relationship with India, we plan to provide \$5 million in FMF for India in each of Fiscal Years 2003 and 2004 to promote military cooperation and interoperability, particularly, in the areas of counterterrorism and naval cooperation.

Although the FY 2003 request level was higher, the reasons for the \$5 million FY 2003 start-up level include:

- The overall level of FY 2003 FMF appropriated worldwide was below the request level, which had a disproportionate impact on discretionary FMF.
- In addition, there are continuing competing demands for FMF from other regions, including funding for other countries involved in the Global War on Terrorism.

Question. Please explain further the proposed and intended uses of the \$75 million in FMF funding for Pakistan in FY 2004. How will such assistance specifically benefit Operation Enduring Freedom?

Answer. Based on current planning with the Pakistani Ministry of Defense, FY 2004 FMF funds will be used for equipment to support Operation Enduring Freedom efforts, including airground radios to assist in communications and interoperability with the U.S. military, as well as P-3C aircraft to increase surveillance capability to track maritime smuggling of drugs and al-Qaida operatives.

Question. The FY2004 budget proposal calls for a 25% increase in IMET funding for India and Pakistan. During the last major war on the South Asian subcontinent in 1971, a senior Indian military commander and his Pakistani counterpart negotiated a cease-fire during a battle, owing in part to the fact that the two men had studied together years earlier and thus personally knew each other.

To what extent are IMET activities involving Indian and Pakistani soldiers tailored to promote mutual dialogue and interaction and build closer links between the two militaries?

If not, should the Department incorporate this objective into future IMET activities to promote a greater mutual understanding between the two militaries and enhance future crisis stability?

Answer. Members of the Indian and Pakistani armed forces are often fellow students in IMET courses. Currently, both countries are represented in the National Defense University, the Army War College, the Naval War College, and the Air War College at the senior officer level, and mid-level officers from both India and Pakistan are attending service staff colleges of the Army, Navy, and Air Force. The Marine Corps University will have officers from both countries for the first time in the class that enters in summer 2003.

In every IMET course, non-attribution is the standard, thus encouraging frank and open discussion among all participants. Faculty at institutions that provide IMET courses unanimously report that Indian and Pakistani officers at the courses often form close personal relationships. We understand that these relationships are long-lasting, and that officers who attend IMET courses often inquire about their

course mates across the border when they encounter other graduates of the same institution.

IMET TRAINING OF INDIAN AND PAKISTANI OFFICERS IN THE SAME COURSE

Service	Institution	Years in Which Indian and Pakistani Officers Both Attended
U.S. Army	Army War College	2001-2003
	Command and General Staff College	1948-1954, 1958-1965, 1968-1971, 1974-1981, 1983-1991, 1996-1998, 2001-2003
	Infantry Captain Career Course	2002
U.S. Navy	Naval War College	1990, 1995-1997, 2000, 2001-2003
	Naval Staff College	1990, 2002-2003
U.S. Air Force	Air War College	1997, 2001-2002
	Command and Staff College	2003
National Defense University	International Fellows Program	1986, 2003

This is a partial list; in some cases, records are incomplete or not easily accessible.

RESPONSES OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE, EAST ASIAN AND PACIFIC AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question. The regional Anti-Terrorism Assistance (ATA) budget is slated to double in FY 2004 from FY 2003 spending levels. Please describe the extent and nature of bilateral and multilateral cooperation on counter-terrorism activities between the United States and nations in the region.

Answer. The ASEAN countries came to the support of the U.S. immediately after the 9/11 attacks. Malaysia, Singapore, and the Philippines also faced an immediate internal threat (i.e., from Jemaah Islamiya, the Abu Sayyaf Group, and others) and acted quickly to address it. Subsequent discoveries about the extent of targeting activity undertaken by the terrorist group Jemaah Islamiya (JI) also galvanized the political will of these governments to act, as investigations revealed a sophisticated, extensive and dangerous group linked to al Qaeda.

Many other countries in the region were at first hesitant to acknowledge the seriousness of the situation, but recognition of the terrorist threat in Southeast Asia has increased dramatically since the October terrorist attack in Bali. The Bali bombings energized the region by driving home the reality of the terrorist presence and the continued threat of terrorism to all.

With U.S. assistance, counterterrorism (CT) capabilities have been increased, and the results of those efforts and initiatives are cause for some optimism. Regional CT cooperative efforts are increasing, and will become more effective as states become more accustomed to working together to combat terrorism.

Indonesia provides a good example of the change taking place. Before the Bali attack, many Indonesians were in denial about terrorism in their midst. Indonesia's successful investigation of the Bali bombing, assisted by the Australian Federal Police and the Federal Bureau of Investigation, has been impressive and gone a long way towards changing public attitudes; successful prosecution of the perpetrators of this crime is the next step.

We have had good cooperation with Thailand, which has responded positively to our requests for support and assistance.

Multilaterally, the ASEAN-U.S. Joint Declaration on Combating International Terrorism provides a chapeau for close, on the ground, cooperation. Cooperation

among the states within the region will be even more important, and the signs are positive: Indonesia's arrest of JI's operations chief at Singapore's request is indicative of the kind of cooperation we hope for in the future.

Our partners and we have had considerable success, as evidenced by the arrests of more than 150 JI operatives in Malaysia, Singapore, the Philippines and Indonesia. With continued assistance from the U.S., Southeast Asian countries will become more adept in arresting and trying terrorists, and will—cooperatively—break up terrorist cells and organizations. A high level of effort and creativity will be required, especially in terms of law enforcement cooperation, sharing intelligence, and cutting off terrorist sources of funds. It is our policy to do all we can to assist where needed and where it makes sense, and to help coordinate the efforts and resources of regional partners.

Our strategy is to engage bilaterally and multilaterally. Bilaterally we engage diplomatically to build and sustain political will in capitals, and provide national capacity building programs such as the Terrorist Interdiction Program, Financial System Assessment Teams, and DS/ATA courses.

Our multilateral engagement is based on the promotion of transnational approaches to transnational CT challenges. Regional conferences, and engagement with organizations such as the Pacific Island Forum, ASEAN (Association of South East Asian Nations) ARF (ASEAN Regional Forum), and APEC (Asia-Pacific Economic Cooperation) are the foundations of our multilateral effort.

Much remains to be done. Terrorists operate between the seams of jurisdictions and national boundaries, moving men, materiel and money across porous national borders and exploiting weak infrastructure. As countries increase their CT capabilities, terrorists will search out more hospitable environments in which to seek haven and operate. The general conditions that make parts of Southeast Asia attractive to terrorists, including porous borders, pockets of sympathetic populations, and weak security infrastructure, will take a long time to correct, but we have made a strong start.

Question. The issue of IMET programs in Indonesia has sparked concerns regarding human rights on the one hand, and, on the other hand, regarding the ability of the United States to work effectively with military forces in an area of concern to the war on terrorism. What are the Administration's plans regarding military-to-military relations in Indonesia? How will any planned activities be structured so as to contribute to the protection of human rights, rather than sending the message that violations of those rights will be tolerated so long as the military joins us in fighting a greater threat?

Answer. Our military-to-military relationship with Indonesia supports U.S. goals of assisting Indonesia with its complex transition to democracy and simultaneously combating terrorism. Primarily due to our concerns about human rights abuses and stalled military reforms, U.S. interaction with the military is limited in scope and calibrated to provide incentives for the military to take recognizably difficult steps towards reform and accountability. Our security assistance program emphasizes, through the provision of IMET and the absence of many other forms of assistance, the U.S. policy of seeking professionalization, reform, and accountability.

The authorization of unrestricted IMET will help provide education to key Indonesian military officers in areas directly related to reform and professionalization of the military and provides one more tool to encourage the Government of Indonesia to reinvigorate the military reform process. IMET may be a precursor to reform. Without knowledge and training, there is little chance of developing sufficient numbers of reform minded officers to make a difference in the larger institution. We must also be realistic, IMET is a long-term program that will require many years of continuity to achieve significant results by annually sending a handful of officers to U.S. schools.

Military reform in Indonesia has a mixed record. The military has accepted more changes in its status and role in the national life over the past four years than at any other time in its history. It did not intervene in the 1999 elections, and it resisted political pressure to violate constitutional norms during the turbulent period of President Wahid's impeachment and the succession to President Megawati. The military has formally relinquished its special, parallel function in government, accepted a sharp reduction in appointed parliamentary seats, and agreed to the end of appointed representation in legislative bodies by 2004. The five-year conviction on March 12, 2003 of an Army General officer for East Timor human rights abuses represents a tangible step on the path to accountability.

Fundamental problems remain, however. Progress on accountability has been slow; the military has grudgingly gone along with trials for a small number of officers for human rights abuses. Civilian control only exists in name only and dis-

cipline remains a problem. The military deals with inadequate central government funding through running unofficial businesses and foundations, and engaging in illegal activities. There are many other reasons for this lack of progress, including lack of Government of Indonesia and public will to press the military for reforms, institutional resistance within the military, and budgetary constraints. Added to these problems is the fact that the decade-long absence of IMET-trained military officers constrains our interactions with key players in regards to both CT cooperation and comprehensive military reform. We continue to press the Indonesians for thoroughgoing reforms.

We have conveyed in the strongest possible terms to the Government of Indonesia that we expect them to identify and punish all those responsible for the August 2002 murder of Americans in Papua. Anything short of a full accounting and punishment for those responsible for this crime would be unacceptable and would have a negative impact on the bilateral relationship. Indonesian Government actions in this case would be an important factor in our evaluation of future military assistance programs for Indonesia, along with other factors such as U.S. national security interests, respect for human rights, civil-military relations, political developments in Indonesia, and the regional strategic environment.

RESPONSE OF AMBASSADOR WENDY CHAMBERLIN, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, TO AN ADDITIONAL QUESTION FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

ASSISTANCE TO LAOS

Question. The President does not request any development assistance for Laos in FY 2004. What is the reasoning behind zeroing out this account?

Answer. Pressure to maintain strong programs in Afghanistan and Pakistan has forced the Asia and Near East Bureau to make some hard budget choices for the coming year, and Laos was unfortunately one of the casualties. We do intend, however, to look for opportunities to identify prior year funds to continue our economic growth program there. In addition, we expect to commit \$1 million in FY 2004 HIV/AIDS funds and \$350,000 in FY 2004 Child Survival and Health Program funds, and the Leahy War Victims Fund will provide \$500,000 for care for civilian victims of war in Laos in FY 2004.

RESPONSES OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE, EAST ASIAN AND PACIFIC AFFAIRS, TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

Question. What is the status of our military-to-military relationship with Indonesia? Have we linked any aspect of this relationship to our insistence on Indonesia's full cooperation in the investigation of the murder of American citizens in West Papua last August? Is it your view that the Indonesian military has made significant progress in its reform efforts over the past two years? On what do you base your assessment?

Answer. Our military-to-military relationship with Indonesia is limited to providing training and expertise in reform, accountability, and professionalization. Recent authorization of unrestricted IMET provides one more tool to help with reform and to encourage the Government of Indonesia to reinvigorate the military reform process. Military reform in Indonesia has a mixed record. The military has accepted more changes in its status and role in the national life over the past four years than at any other time in its history. It did not intervene in the 1999 elections, and it resisted political pressure to violate constitutional norms during the turbulent period of President Wahid's impeachment and the succession to President Megawati. The military has formally relinquished its special, parallel function in government, accepted a sharp reduction in appointed parliamentary seats, and has agreed to the end of appointed representation in legislative bodies by 2004. The five-year conviction on March 12, 2003 of an Army General officer for East Timor human rights abuses represents a tangible step on the path to accountability.

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Question. What steps will the United States be taking in the year ahead to encourage greater respect for human rights in Laos?

Answer. The promotion of human rights, including religious freedom, is an integral part of our bilateral relationship. We remain deeply concerned about Laos' poor human rights record, and continue to raise our concerns with the Lao government. In virtually every meeting with Lao officials, Ambassador Hartwick and other officers at the U.S. Embassy in Vientiane press on a range of issues including religious freedom, minority rights, the status of political prisoners, and prison conditions, among others.

We are encouraged to see some modest improvements on the religious freedom front. A Prime Ministerial Decree governing religion seeks to regularize religious practice, and local religious leaders have responded favorably. Isolated problems remain, particularly in Savannakhet province, but some previously closed churches have reopened, and we have seen fewer detentions and arrests and no reports of new church closings or forced renunciations of faith with the exception of one localized case recently brought to our attention, which we are currently working with government to try to resolve.

Over the next year, we will continue to press the Lao Government to address human rights issues at every opportunity. Ambassador Hartwick and the Embassy staff travel extensively throughout the country to investigate allegations of human rights abuses. We will also continue outreach efforts, both in the U.S. and in Laos, to ensure that human rights concerns are addressed and that the Lao people gain the skills needed to protect human rights. This includes activities such as training journalists and bringing emerging leaders to the U.S. on international visitor programs for promising Lao on topics of interest. IRI concluded a successful seminar in Vientiane in February 2003, on village elections, which we hope will expand to include other provinces.

In addition, we plan to continue to encourage U.S. government officials and others, including members of Congress and their staff, to visit Laos and raise issues of concern in meetings with Lao officials. We also encourage the Lao government to become more actively engaged and cooperative with organizations such as the ICRC and UNHCR, who are working on human rights issues such as prison conditions and the well-being of refugees inside of Laos.

As one of the ten poorest countries in the world, Laos faces many challenges to improving its human rights record and promoting both democratic change and economic growth. We believe that granting NTR for Laos (Rep. Crane of the House Ways and Means Trade Subcommittee recently called for a Request for Comment on NTR for Laos) will help create a more cooperative atmosphere in which we can address such issues.

RESPONSE OF HON. CHRISTINA B. ROCCA, ASSISTANT SECRETARY OF STATE, SOUTH ASIAN AFFAIRS, TO AN ADDITIONAL QUESTION FOR THE RECORD SUBMITTED BY SENATOR BILL NELSON

Question. How many troops are facing each other on the Kashmir border today?

Answer. Since the two sides have pulled their strike forces back from the international border, the Kashmir region is the only place where Indian and Pakistani

forces are directly confronting each other. Including paramilitary forces, there are at least 250,000 troops on the Indian side of the line of control and roughly 100,000 on the Pakistani side of the line of control.

