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U.S. Foreign Aid to East and South Asia: Selected Recipients

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U.S. Foreign Aid to East and South Asia: Selected Recipients

Summary

This report analyzes annual budget justifications and legislation for foreign operations and discusses U.S. foreign aid trends, programs, and restrictions in 16 East Asian and South Asian countries. This report does not cover aid to Pacific Island nations, North Korea, and Afghanistan.

Since September 2001, the United States has raised military, economic, and development assistance for anti-terrorism objectives in the East Asia-Pacific (EAP) and South Asia regions. Pakistan, India, the Philippines, and Indonesia have received the bulk of the increases in U.S. foreign assistance to EAP and South Asia since 2001.

The United States restricts foreign assistance to many countries in East and South Asia in order to encourage democracy and discourage the spread of nuclear weapons capabilities. Several countries in Asia — including Burma, Cambodia, Indonesia, and Pakistan — face constraints or conditions on U.S. bilateral assistance because of past or ongoing human rights violations. The Consolidated Appropriations Act for FY2005 (P.L. 108-447), which includes foreign operations (Section D), extends the President's waiver authority and an exemption on sanctions against Pakistan related to the 1999 military coup and debt arrearage through FY2005. P.L. 108-447 provides \$19 million for activities to support democracy, human rights, and the rule of law in China.

Some policy-makers have expressed concern that increases in military assistance since 2001 may conflict with other U.S. foreign aid objectives, such as promoting democracy, or divert funds from other programs. The Bush Administration asserts that it has bolstered foreign aid spending related to democratization as a component of the anti-terrorism war. Furthermore, proponents of the Millennium Challenge Account (MCA) argue that this new program would provide a means of rewarding good governance and extend humanitarian and development assistance independently of U.S. efforts to garner international cooperation in the war on terrorism. So far, only two countries in the East Asia and South Asia regions — Mongolia and Sri Lanka — have qualified for MCA funds.

P.L. 108-447 appropriates \$1.5 billion for the Millennium Challenge Corporation, less than the Bush Administration's request of \$2.5 billion. For FY2005, the Bush Administration requested, and Congress appropriated, slightly higher levels of foreign aid spending for the East Asia-Pacific (EAP) region compared to FY2004, but less than that extended in 2002-2003. The Bush Administration requested, and Congress appropriated, somewhat lower amounts of humanitarian and development assistance, but higher military funding, for South Asia in FY2005 compared to FY2004. P.L. 108-447 provides Foreign Military Financing (FMF) for anti-terrorism purposes to several Asian countries not included in the FY2005 budget request, including Cambodia, Indonesia, and Bangladesh, and FMF assistance in amounts above the request for Mongolia, Thailand, and Nepal.

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U.S. Foreign Aid to East and South Asia: Selected Recipients

Overview

Congressional Interests

The United States responds to global humanitarian needs and advances U.S. foreign policy and national security goals through its foreign assistance programs. Traditionally, U.S. foreign aid policy has emphasized social and economic development as foundations for effective governance, democratization, and regional security. Since the war on terrorism began in 2001 and the Bush Administration's Global AIDS Initiative and Millennium Challenge Account (MCA) were funded in 2004, the United States has increased foreign aid spending dramatically in some regions. Most of the additional anti-terrorism resources have been targeted toward "front line" states and the conditions that make radical ideologies attractive, such as poverty, limited educational opportunities, and ineffective governance. Special emphases also have been placed upon health crises and democracy building.

The United States has imposed restrictions on non-humanitarian development aid, Economic Support Funds (ESF),¹ and military assistance to some Asian countries in order to pressure them to improve performance related to human rights, weapons proliferation, debt payments, and other areas. Several countries in Asia, including Burma, Cambodia, China, and Indonesia, have faced congressional restrictions on U.S. bilateral assistance because of human rights violations. However, the United States continues to fund non-governmental organizations (NGOs) that run development and democracy programs in some of these countries.² Most sanctions on aid to Pakistan and India have been lifted.³

Some policy-makers have expressed worry that the emphasis on fighting terrorism may conflict with other U.S. foreign policy objectives, such as promoting democracy, controlling weapons proliferation, and funding other foreign assistance

¹ Economic Support Funds (ESF) programs involve a wide range of uses (except military) that support U.S. security interests and promote economic and political stability in the recipient countries and regions.

² Democracy programs are administered by the U.S. Department of State's Bureau for Democracy, Human Rights, and Labor (DRL), and by the U.S. Agency for International Development's (USAID) Office of Democracy and Governance in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

³ Sanctions toward Pakistan related to the 1999 military coup and debt arrearage have been lifted temporarily.

efforts. Others argue that the Millennium Challenge Account — an additional and separate assistance program that conditions aid on social, economic, and political criteria — provides a means of rewarding good governance independently of U.S. efforts to garner international cooperation in the war on terrorism. According to some analysts, however, the costs of the war in Iraq may compel Congress to trim funds for both traditional foreign aid programs and the MCA. Some foreign aid experts contend that new programs, such as the MCA and the Global AIDS Initiative, are making U.S. foreign aid increasingly incoherent and ad hoc.⁴

Funding Trends

The war on terrorism has reoriented foreign assistance priorities in Asia and accelerated a trend toward increased aid to the region that began in 2000. Throughout the 1990s, U.S. assistance to Asia fell due to the ebbing of Cold War security concerns, nuclear proliferation sanctions, and favorable economic and political trends in much of the region. For example, the withdrawal of U.S. military forces from the Philippines, nuclear proliferation and other sanctions against Pakistan, and the reduced need for economic assistance, particularly in Southeast Asia, contributed to declines in U.S. aid levels. The Asian financial crisis of 1997-98 reversed the downward trend, as USAID funded a regional economic recovery program for Indonesia, the Philippines, Thailand, and Vietnam.

Following the New York and Washington, D.C. terrorist attacks in 2001, Pakistan, India, the Philippines, and Indonesia became the foci of the Bush Administration's anti-terrorism efforts in South and Southeast Asia, due to their strategic importance, large Muslim populations, and insurgency movements using terrorist tactics. These countries have received the bulk of the increases in U.S. foreign aid (non-food) to the South Asia and East Asia-Pacific regions. Average yearly U.S. assistance to Pakistan during 2002-2005 is estimated to be \$675 million compared to \$3.4 million in 2000-2001. Annual U.S. assistance to India has increased by over 50% in 2002-2005 compared to 2000-2001, while annual U.S. assistance to the Philippines during the same period has tripled compared to 2000-2001.⁵ Beginning in 2004, both Indonesia and the Philippines received new funding for education programs in efforts to promote diversity, non-violent resolution of social and political conflict (Indonesia), and livelihood skills among Muslims in impoverished and conflict-ridden areas (Philippines).

⁴ Murray Hiebert, "More Aid, But New Strings," *Far Eastern Economic Review*, February 20, 2003; Harold Molineu, "Linking Aid to Democracy Will Be a Challenge," *Newsday*, March 5, 2003; Paolo Pasicolan, "How to Prevent the Millennium Challenge Account from Becoming Like Traditional Foreign Aid," *Heritage Foundation Executive Memorandum*, No. 892, July 14, 2003; Emad Mekay, "War Spending Expected to Cut into Foreign Aid," *Global Information Network*, September 17, 2003; InterAction Policy Paper, "Foreign Assistance in Focus: Emerging Trends," November 2003. For further information, see CRS Report RL32427, *The Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by Larry Nowels; CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2003-FY2005*, by Raymond W. Copson.

⁵ FY2005 figures are based upon the FY2005 Congressional Budget Justification for Foreign Operations.

The Bush Administration has bolstered democracy programs as a means toward reducing the appeal of terrorist movements. The Department of State's Human Rights and Democracy Fund (HRDF) increased from a yearly average of \$13 million in 2001-2002 to \$33 million in 2003-2004. The Consolidated Appropriations Act for FY2005, signed by the President on December 8, 2004 (P.L. 108-447),⁶ appropriates \$37 million for the Fund. Nearly one-third of HRDF is currently allocated to Asia, mostly for democracy programs in China.⁷

Some analysts estimated that the MCA would substantially bolster U.S. foreign assistance to Asia, if fully funded and if several candidate countries in Asia were chosen. The Consolidated Appropriations Act, 2004 (P.L. 108-199) extended nearly \$1 billion to the MCA and the Millennium Challenge Corporation (MCC) for development assistance.⁸ In May 2004, the Millennium Challenge Corporation selected Mongolia in East Asia and Sri Lanka in South Asia to be eligible to apply for MCA assistance. Other candidate countries were East Timor, Indonesia, Laos, and Vietnam in East Asia and Bangladesh and Nepal in South Asia.⁹ P.L. 108-447 appropriates \$1.5 billion for the Millennium Challenge Corporation, less than the President's request of \$2.5 billion but greater than the \$1.25 billion as proposed by the House and \$1.12 billion as proposed by the Senate. The FY2005 appropriations measure provides Foreign Military Financing (FMF) for anti-terrorism purposes to several Asian countries not included in the FY2005 budget request, including Cambodia, Indonesia, and Bangladesh, and FMF assistance in amounts above the request for Mongolia, Thailand, and Nepal.¹⁰

Africa remains the largest regional recipient of humanitarian and development assistance — Child Survival and Health (CSH) and Development Assistance (DA).¹¹ The largest regional recipient of Economic Support Funds in FY2004 was Near East Asia (Middle East) while the largest recipient of military assistance was Near East Asia followed by South Asia.¹² See **Table 1, Figures 1-3, and Appendix.**

⁶ See Division D for Foreign Operations, Export Financing, and Related Programs Appropriations.

⁷ The Human Rights and Democracy Fund, administered by the Bureau of Democracy, Human Rights, and Labor (DRL) of the Department of State, was established by the Foreign Relations Authorization Act, FY2003 (P.L. 107-228). See also Bureau of Democracy, Human Rights, and Labor, "Fact Sheet — FY 2003-2004 Human Rights and Democracy Fund Projects," June 1, 2004.

⁸ The Bush Administration had requested \$1.6 billion for the MCA for FY2004.

⁹ Murray Hiebert, "More Aid, But Strings Attached," *Far Eastern Economic Review*, February 20, 2003.

¹⁰ For additional information on FY2005 appropriations, see CRS Report RL32311, *Appropriations for FY2005: Foreign Operations, Export Financing, and Related Programs*, by Larry Nowels.

¹¹ The State Department divides foreign aid allocations into six regions: Africa, East Asia-Pacific (EAP), Europe and Eurasia, Near East Asia (Middle East), South Asia, and Western Hemisphere (Latin America and Caribbean).

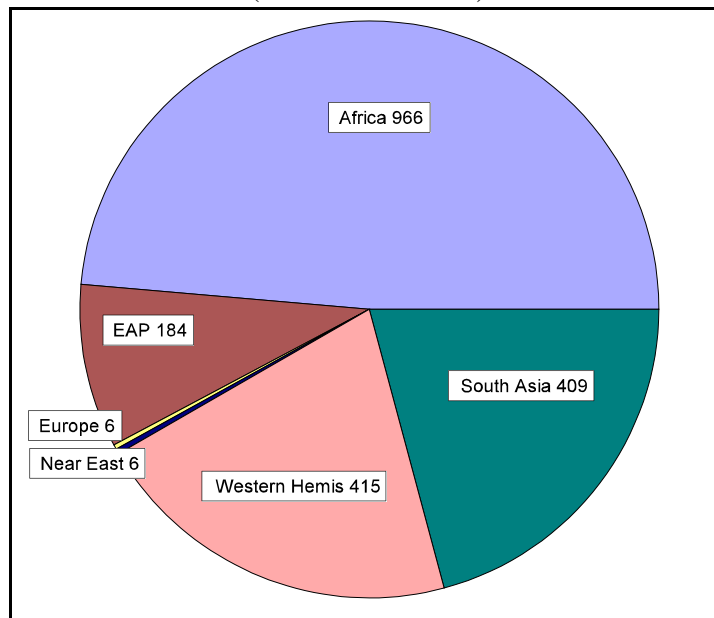
¹² Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peace keeping Operations (PKO).

**Table 1. U.S. Foreign Assistance by Region
(Excluding Food Aid), 2001-2005¹³**
(millions of current U.S. dollars)

	FY2001	FY2002	FY2003	FY2004 est.	FY2005 est.
Africa	1,313	1,481	1,706	1,747	1,636
East Asia-Pacific (excluding North. Korea)	368	455	477	444	478
Europe and Eurasia	2,017	2,435	2,871	1,632	1,460
Near East Asia	5,401	5,567	8,409	5,552	5,482
South Asia (excluding Afghanistan)	201	1,403	785	687	982
Western Hemisphere	749	1,385	1,559	1,545	1,517

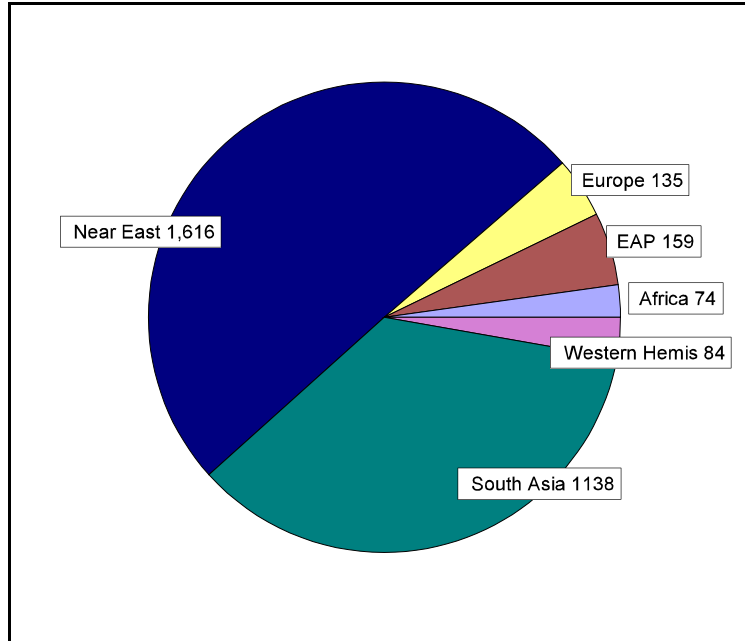
Sources: U.S. Department of State, *FY2005 Congressional Budget Justification for Foreign Operations*; United States Agency for International Development, *FY2005 Budget Justification to the Congress*.

**Figure 1. Estimated Humanitarian and
Development Assistance (CSH and DA)
by Region, FY2004**
(millions of dollars)

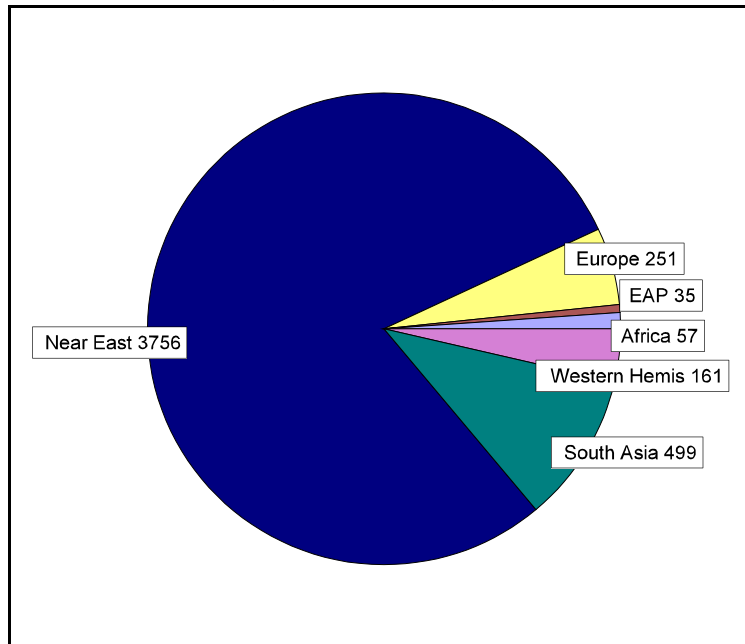


¹³ USAID administers emergency and humanitarian food assistance pursuant to **P.L. 480, Title II** (the Agricultural Trade Development Act of 1954, as amended). USDA's Foreign Agricultural Service (FAS) administers **P.L. 480, Title I** — sales of agricultural commodities under concessional or favorable credit terms, **Food for Progress** programs (Food for Progress Act of 1985), **Food for Education** (Farm Security and Rural Investment Act of 2002), and **Section 416(b)** (Agricultural Act of 1949, as amended) — donation of surplus commodities.

**Figure 2. Estimated Economic Support Funds
by Region, FY2004**
(millions of dollars)



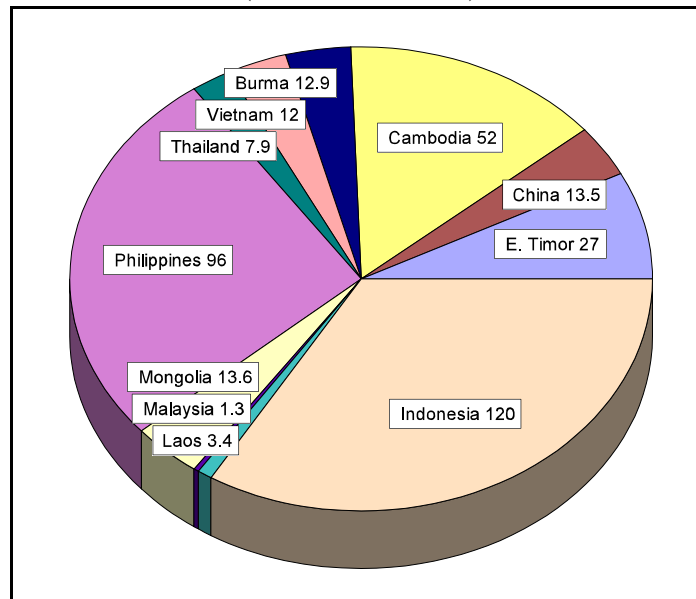
**Figure 3. Estimated Military Assistance
by Region, FY2004**
(millions of dollars)



East Asia

Major objectives and program areas for U.S. assistance in East Asia include counter-terrorism, economic growth, HIV/AIDS prevention, the development of civil society, democratization, environmental management, and restricting the international flow of arms. The United States also sponsors counter-narcotics, counter-trafficking-in-persons, and de-mining activities in the region. Since 2001, foreign aid spending in East Asia has grown markedly, largely due to anti-terrorism efforts in the Philippines and Indonesia. The Philippines, a major non-NATO ally, and Indonesia, a democratizing nation with the world's largest Muslim population, are homes to several insurgency movements and radical Islamist organizations, some with ties to Al Qaeda, such as the Abu Sayyaf Group (Philippines) and Jemaah Islamiyah (Indonesia). Furthermore, Jemaah Islamiyah reportedly has made small-scale attempts to recruit members or smuggle terrorist weapons in Burma, Cambodia, and Laos.¹⁴ USAID's programs in East Asia aim to address the conditions that may be conducive to radical ideologies and terrorism — poverty and unemployment, lack of education, failing governments, political disenfranchisement, and violent conflict. In October 2003, the Bush Administration announced initiatives to support education programs in Muslim communities in the Philippines and in Indonesia as part of its regional counter-terrorism efforts.

**Figure 4. U.S. Foreign Aid (Non-food)
to East Asian Countries, FY2004**
(millions of dollars)



¹⁴ See also CRS Report RL31672, *Terrorism in Southeast Asia*, by Mark Manyin et al.

Among EAP countries (excluding the Pacific Islands), in FY2004, Indonesia was the largest recipient of U.S. foreign aid, particularly humanitarian and development assistance and ESF, followed by the Philippines. The Philippines was the region's largest beneficiary of Foreign Military Financing (FMF) and International Military Education and Training (IMET). Thailand and Malaysia were the second and third largest recipients, respectively, of IMET. Laos was the largest beneficiary of counter-narcotics assistance (INCLE) followed by Thailand. Indonesia, Cambodia, Vietnam, and Laos were the largest recipients of Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). See **Figure 4**. Vietnam is the only Asian country to receive Global AIDS Initiative funding (\$10 million in FY2004).

Economic Support Funds support several EAP regional programs. These include the Association of Southeast Asian Nations (ASEAN) fund, Regional Security, Anti-Terrorism Assistance, and Regional Women's Issues. The ASEAN fund, introduced in FY2004, promotes regional cooperation on several fronts, including terrorism, HIV/AIDS, human trafficking, narcotics, and economic integration and development. The Regional Security Fund supports multinational dialogue in Southeast Asia, the development of multilateral institutions, and mechanisms to tackle regional security problems, including terrorism. Anti-Terrorism Assistance provides grants for equipment and training for terrorism event responses and investigations. EAP also receives assistance through USAID's Asia Near East (ANE) regional programs, including the U.S.-Asia Environmental Partnership, Regional HIV/AIDS and Infectious Diseases, and Improved Governance in Southeast Asia, to begin in FY2005. East Asian countries — particularly the Philippines and Vietnam — also have benefitted from U.S. foreign disaster assistance worth approximately \$1.36 million in 2004, including programs for flood and storm early-warning systems, climate forecasting, and conflict preparedness.

Foreign Aid Restrictions. In some East Asian countries, the United States has withheld assistance or restricted it to non-governmental organizations (NGOs) or to democratic political groups in response to government actions that the United States has deemed undemocratic. The Consolidated Appropriations Act for FY2005 includes human rights-related provisions restricting some U.S. foreign assistance to Burma, Cambodia, and Indonesia while supporting Burmese dissident groups and promoting civil society, human rights, and democracy in Cambodia, China, East Timor, Indonesia, Mongolia, and Thailand.

The Consolidated Appropriations Legislation for FY2003 (PL 108-7) dropped restrictions on IMET to Indonesia, which had been imposed in response to the Indonesian army's human rights violations in East Timor in 1999.¹⁵ However, foreign operations appropriations legislation for FY2004 (P.L. 108-199) re-imposed IMET sanctions unless the Secretary of State determined that the Indonesian government and armed forces were cooperating with the Federal Bureau of Investigation regarding the August 2002 attack in Timika, Papua, where three school teachers, including two Americans, were killed. P.L. 108-199 continued the ban on

¹⁵ The Foreign Operations, Export Financing, and Related Programs Appropriations Act, FY2002 (P.L. 107-115, Section 572(a)).

FMF unless the President certified that the Indonesia government was prosecuting those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights. These restrictions remain in effect under P.L. 108-447 with the exception of FMF to the Indonesian navy to enhance maritime security.

The FY2005 Foreign Operations Budget Request. Foreign aid spending to the East Asia-Pacific (EAP) region is expected to increase slightly in FY2005 compared to FY2004, but to remain below 2002-2003 levels. The FY2005 congressional budget justification provided for significant increases in FMF and INCLE funding, a 9% increase in ESF, and little change in CSH and DA support. The FY2005 appropriations measure extends \$36 million in FMF and \$188 million in ESF for the entire East Asia region, compared to the President's request of \$32 million and \$174 million, respectively.

Country Aid Levels and Legislative Conditions — East Asia¹⁶

Burma

Table 2. U.S. Assistance to Burma, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	2,000	0	2,000	0	0
DA	993	0	0	0	0
ESF	3,492	6,500	6,950	12,923	8,000
					4,000 ^a
Totals	6,485	6,500	8,950	12,923	12,000

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. P.L. 108-447 provides \$4 million for humanitarian assistance for displaced Burmese and host communities in Thailand through an unspecified account.

Burma has significant foreign aid needs. It has the largest population of displaced persons in East Asia and one of the world's highest HIV/AIDS infection rates. The country is the world's largest trafficker of methamphetamine and second largest producer of opium. According to USAID, ethnic fighting and deteriorating economic conditions have compelled 1.6 million persons to flee Burma and displaced 1.5 million Burmese within the country. The United States suspended bilateral assistance to Burma in 1988 and resumed it on a limited basis in 1993. The United States restricts bilateral assistance to Burma in response to the Burmese military junta's (State Peace and Development Council or SPDC) repression of the National League for Democracy (NLD), failure to honor the NLD's parliamentary victory in 1990, and harassment of its leader, Aung San Suu Kyi, who remains under house

¹⁶ Including Southeast Asia and excluding North Korea and Pacific Island nations.

arrest.¹⁷ Continuing U.S. sanctions include a ban on assistance to the government of Burma and opposition to lending from international financial institutions. In addition, P.L. 108-447 denies Global AIDS Initiative funds and debt restructuring assistance to Burma. U.S. foreign aid to Burma is limited mainly to Burmese victims of trafficking, ethnic minorities, displaced persons, refugees along the Burma-Thailand border, and Burmese pro-democracy students and mass media personnel living outside the country.¹⁸

On June 11, 2003, the 108th Congress passed the Burmese Freedom and Democracy Act of 2003 (P.L. 108-61), which bans imports from Burma unless democracy is restored.

The Organization for Economic Cooperation and Development (OECD) ranks the United States fourth among Burma's principal aid donors behind Japan, France, and Germany.

Cambodia

Table 3. U.S. Assistance to Cambodia, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	9,420	15,000	22,100	29,860	25,300
DA	0	0	3,687	2,000	2,200
ESF	14,967	20,000	15,000	16,900	17,000
FMF	0	0	0	0	1,000
IMET	0	0	0	0	50
NADR	2,469	2,290	2,765	3,338	3,300
Totals	26,856	37,290	43,552	52,098	48,850
Food Aid (not including freight costs)					
P.L. 480 Title II Grant	2,422	1,085	0	458	0
FFP	0	1,432	1,715	3,444	n/a
FFE	—	—	650	0	n/a
Section 416(b)	7,401	9,920	0	0	n/a

Sources: U.S. Department of State; USAID; U.S. Department of Agriculture, Foreign Agricultural Service (FAS).

Cambodia ranks 130th out of 175 countries and regions on the United Nations Development Programme's Human Development Index, which measures GNP per capita, life expectancy, and educational attainment. The country's poverty, primitive

¹⁷ For Burma aid sanctions, see P.L. 104-208, Section 570.

¹⁸ The State Department has also awarded grants to the National Endowment for Democracy (NED) for assisting Burmese pro-democracy groups.

infrastructure, and weak human resource base hinder not only economic but also political development.

U.S. restrictions on foreign assistance to Cambodia largely reflect congressional disapproval of Prime Minister Hun Sen's seizure of power in 1997 and sporadic, ongoing political violence. Foreign operations appropriations legislation bars U.S. assistance to the central government of Cambodia and to the Khmer Rouge tribunal and instructs U.S. representatives to international financial institutions to oppose loans to Cambodia, except those that meet basic human needs. U.S. assistance may be provided only to Cambodian and foreign NGOs and to local governments. Statutory exceptions allow for the following categories of U.S. assistance to the central government of Cambodia: reproductive and maternal and child health care; basic education; combating human trafficking; cultural and historic preservation; the prevention, treatment, and control of HIV/AIDS and other infectious diseases; rule-of-law programs; counter-narcotics activities; and developing international adoptions procedures.¹⁹

The Consolidated Appropriations Act for FY2005, (P.L. 108-447) provides, notwithstanding the prohibition on bilateral aid, \$1 million in FMF to Cambodia for border control and counter-terrorism efforts, subject to congressional notification requirements, and up to \$4 million for activities to support democracy and democratic political parties. The Consolidated Appropriations Act for FY2005 permits IMET for Cambodia only if the Secretary of State provides the committees on appropriations a list of individuals who have been credibly alleged to have ordered or carried out the March 1997 grenade attack against the Khmer Nation Party. IMET would be used for human rights and rule-of-law training to help professionalize the Royal Cambodian Armed Forces. P.L. 108-447 provides \$2 million for an endowment to document genocide and crimes against humanity under the Khmer Rouge regime and \$3.75 million for an endowment for physical rehabilitation programs. The FY2005 appropriations act provides that U.S. assistance may be made available for a Khmer Rouge tribunal only if the Secretary of State determines and reports to Congress that Cambodia's judiciary is independent and that the tribunal meets internationally-recognized standards of fairness and credibility.

Leahy War Victims Funds assist Cambodians injured by land mines (approximately 800 victims per year). Other foreign aid programs include strengthening democratic processes and political parties. USAID grantees include the Asia Foundation, the National Democratic Institute, the International Republican Institute, and Cambodian NGOs. Cambodia also participates in USAID Office of Foreign Disaster Assistance (OFDA)-funded activities that enhance flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

¹⁹ For most of these activities, USAID collaborates with the central government of Cambodia but continues to provide funding through NGOs.

People's Republic of China (PRC)

Table 4. U.S. Assistance to China, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
ESF	28,000	10,000	15,000	13,500 ^a	19,000 ^c
ESF/Tibet	—	—	—	4,000 ^b	4,250 ^d
Peace Corps	1,298	1,559	977	782	1,221
Totals	29,298	11,559	15,977	18,282	24,471

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. P.L. 108-199, Section 526a

b. P.L. 108-199, Section 558b

c. P.L. 108-447, Section 526a

d. P.L. 108-447, Section 581a

USAID does not have a presence or mission in the People's Republic of China (PRC) and China does not receive development aid. However, the Peace Corps has been involved in teacher training in China since 1993, and Economic Support Funds (ESF) have been appropriated for democracy, human rights, and rule-of-law programs in China (including Hong Kong and Tibet) since 2000, primarily to U.S.-based non-governmental organizations (NGOs) working in China. In addition, the National Endowment for Democracy (NED), which receives most of its funding through annual Departments of Commerce, Justice, and State appropriations earmarks, has spent approximately \$2 million per year (1999-2004) on programs that promote legal and electoral reform, human rights, labor rights, and independent mass media in China.²⁰

In FY2001, the United States extended \$28 million to compensate China for damages caused by the accidental NATO bombing of the PRC Embassy in Belgrade in 1999. Congress earmarked \$10 million in FY2002, \$15 million in FY2003, and \$17.5 million in FY2004 in Economic Support Funds for democracy, human rights, and rule-of-law programs in China (including Hong Kong) and cultural preservation, economic development, and environmental conservation activities in Tibetan communities in China. In 2004, the Bureau of Democracy, Human Rights and Labor (DRL) of the Department of State became the principal administrator of China rule-of-law/democracy programs. U.S. grantees have included the National Endowment for Democracy (NED), Temple University (School of Law), the American Bar Association, and the Bridge Fund (Tibet programs).

P.L. 108-447 provides not less than \$19 million to DRL and the East Asia-Pacific (EAP) Bureau of the Department of State for China/Hong Kong democracy programs in FY2005. Of this amount, at least \$15 million is to be appropriated to the

²⁰ For additional information, see General Accounting Office, "Foreign Assistance: U.S. Funding for Democracy-Related Programs," February 2004; CRS Report RL31910, *China: Economic Sanctions*, by Dianne E. Rennack.

Human Rights and Democracy Fund administered by DRL, of which at least \$4 million shall be made available to NED. The FY2005 appropriations measure also provides that \$4.25 million in ESF should be extended to NGOs, including \$250,000 to NED, for cultural preservation, sustainable development, environmental conservation, and democracy programs in Tibetan communities, and that the Secretary of the Treasury should instruct U.S. representatives to international financial institutions to support projects in Tibet if they do not encourage the migration and settlement of non-Tibetans (Han Chinese) into Tibet or the transfer of Tibetan-owned properties to non-Tibetans.

Foreign operations appropriations legislation prohibits funding to the United Nations Population Fund (UNFPA) for programs in China. The United States continues to impose other human rights sanctions related to the 1989 Tiananmen Square military crackdown, including “no” votes by U.S. representatives for non-humanitarian international bank lending to China, a ban on Overseas Private Investment Corporation (OPIC) programs in the PRC, and a prohibition on U.S. exports of law enforcement equipment to China. The Foreign Operations Appropriations Act for FY2002 (P.L. 107-115) lifted the restrictions (effective since FY2000) requiring that ESF for China democracy programs be provided only to NGOs located outside the PRC. However, foreign operations legislation still limits Tibet program aid to NGOs.

East Timor (Democratic Republic of Timor-Leste)

Table 5. U.S. Assistance to East Timor, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
ESF	24,945	25,000	24,838	22,367	22,000
FMF	1,796	1,000	1,990	1,988	1,000
IMET	0	50	119	150	300
PKO	8,500	8,000	3,250	1,988	0
Peace Corps	0	612	1,219	1,413	1,823
Totals	35,241	34,662	31,416	27,906	25,123
Food Aid (not including freight costs)					
P.L. 480 Title II Grant	6,089	0	0	320	0

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

East Timor (Democratic Republic of Timor-Leste) gained full independence in May 2002. The United States supports a range of aid programs in East Timor, one of Asia’s poorest countries, with the goal of building a viable economy and democratic political system. Economic programs include developing small-scale coffee and vanilla production for export, business management training, and health care for workers. Political activities include supporting independent media, civil society organizations, and political parties, building judicial institutions, and strengthening governmental capacity. USAID helped to design East Timor’s

constitution and provided assistance for the presidential elections of 2002, which many international observers reported as free and fair. U.S. military assistance to the country helps to equip and train the East Timor Defense Force.

On March 28, 2003, President Bush issued a certification and report pursuant to Section 637(a)(2) of the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), Section 637, granting excess defense articles and international military education and training (IMET) to East Timor.²¹ Peacekeeping (PKO) funds are expected to be phased out after 2004.

In addition to the United States, major bilateral donors to East Timor include Japan, Portugal, and Australia.

Indonesia

Table 6. U.S. Assistance to Indonesia, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2002 S.A. ^a	FY2003	FY2004 estimate	FY2005 estimate
CSH	19,580	35,568	—	31,955	34,000	32,300
DA	51,483	38,704	—	39,016	31,291	32,742
ESF	49,890	50,000	—	59,610	49,705	65,000
IMET	0	405	—	0	0	600
NADR	0	0	8,000	1,008	5,755	6,000
INCLE	0	0	4,000	0	0	10,000
Totals	120,953	124,677	12,000	131,589	120,751	146,642
Food Aid (not including freight costs)						
P.L. 480 Title I USDA Loan	15,000	19,000	—	0	0	n/a
P.L. 480 Title II Grant	12,233	10,400	—	29,540	2,182	23,000
FFP	5,144	10,927	—	0	5,597	n/a
Section 416(b)	0	11,209	—	7,926	17,700	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. Supplemental Appropriations (P.L. 107-206)

The world's largest Muslim country, Indonesia plays an important role in U.S. efforts toward curbing terrorism, maintaining regional economic and political stability, and promoting democracy in Southeast Asia and Muslim countries.

²¹ The President must certify that East Timor has established an independent armed forces; and that the provision of defense articles and services is in the national security interests of the United States, and will promote both human rights and the professionalization of the armed forces in East Timor.

According to the USAID and Department of State budget justifications to Congress, Indonesia “has made significant progress in consolidating democratic reforms and processes” and has “demonstrated its resolve to fight terrorists” following the bombings in Bali in October 2002 and Jakarta in July 2003.²² The State Department’s FY2005 budget request for Indonesia states that these developments could have profound, positive implications for U.S. strategic interests, although serious problems remain, including political corruption, poverty, a broken educational system, and a lack of governmental capacity.

USAID programs and proposals for Indonesia include the following: CSH funds for maternal and child health care and HIV/AIDS prevention and treatment; DA allocations for education, watershed management and water treatment, and trade and investment; and ESF for several targeted areas — economic policy, democratic institutions, elections, rule of law, local governmental capacity building, and basic education. Basic education programs are part of an education initiative announced by President Bush in October 2003. NADR supports training and expansion of the Police Counter-terrorism Task Force. INCLE programs support judicial capacity-building. If released, IMET funding would help promote counter-terrorism cooperation through improved communications between United States and Indonesian military officers and also promote democratic principles in the Indonesian military.

According to USAID, between 1999 and 2003, the Agency’s Office of Foreign Disaster Assistance provided more than \$12.5 million in emergency assistance for internally displaced persons numbering about 700,000 in Indonesia.

Restrictions on IMET and FMF. The Foreign Operations Appropriations Act for 2002 (P.L. 107-115, Section 572(a)) stipulated that military assistance (IMET and FMF) may be provided to Indonesia only if the President determined and submitted a report to the appropriate congressional committees that the Indonesian government and armed forces were taking effective measures to prosecute and punish members of the armed forces and militia groups who committed human rights violations in East Timor in 1999. Notwithstanding the above restrictions, P.L. 107-115 and subsequent foreign operations measures have allowed for *Expanded* International Military Education and Training (E-IMET), available for Indonesia since 2001, which emphasizes and teaches human rights, military codes of conduct, and the principles and practices of civilian control of the military. On January 23, 2003, the Senate defeated an amendment to the FY2003 Consolidated Appropriations bill that would block IMET to the Indonesian military. The Consolidated Appropriations Resolution for 2003 (P.L. 108-7) applied restrictions only to Foreign Military Financing (FMF). However, reportedly because of ongoing concerns about the Indonesian military, no IMET funds were released in 2003.

The Consolidated Appropriations legislation for FY2004 (P.L. 108-199) made IMET available to Indonesia if the Secretary of State determined that the Indonesian

²² U.S. Agency for International Development, “FY 2005 Budget Justification to the Congress”; U.S. Department of State, “FY 2005 Congressional Budget Justification for Foreign Operations.”

government and armed forces were cooperating with the United States in the investigation regarding the August 2002 attack in Timika, Papua, in which three school teachers, including two Americans, were killed. P.L. 108-199 continued the ban on FMF unless the President certified that the Indonesia government was prosecuting and punishing those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights in East Timor and elsewhere. The FY2005 appropriations act (P.L. 108-447) contains similar provisions. Notwithstanding the above restrictions, the FY2005 appropriations measure extends FMF to the Indonesian navy to enhance maritime security, subject to a report by the Secretary of State that the navy is not violating human rights and is cooperating with civilian judicial authorities on human rights cases.

The United States is the second-largest bilateral donor to Indonesia after Japan.

Laos

Table 7. U.S. Assistance to Laos (LPDR), 2001-2005
(thousand of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	0	1,000	1,000	500 ^a	2,000
DA	0	1,000	1,000	0	0
IMET	0	0	0	100	100
INCLE	4,200	4,200	2,500	2,000	2,000
NADR	993	1,328	1,200	1,412	2,500
Totals	5,193	7,528	5,700	4,012	6,600
Food Aid (not including freight costs)					
P.L. 480 Title II Grant	0	513	405	0	0
Section 416(b)	0	330	0	0	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. Leahy War Victims Funds for land mine education

Laos is one of the ten poorest countries in the world, with a per capita GDP of \$310, a life expectancy of 54 years, and a literacy rate of 53%. Although there are no formal restrictions, U.S. foreign assistance to Laos remains relatively limited and channeled through NGOs rather than to the government of Laos, due to strained bilateral relations. INCLE, the largest U.S. foreign aid account in Laos, funds counter-narcotics efforts.²³ NADR assistance supports de-mining activities in cooperation with NGOs and UXO Lao, a quasi-governmental entity. In addition, the Leahy War Victims Fund provided \$500,000 to Laos in both 2003 and 2004 for land mine education. Unexploded ordnance from the Vietnam War has injured over ten thousand Laotians and resulted in over five thousand deaths and continues to wreak

²³ Laos is the world's third-largest producer of opium.

havoc on farmers and children. If an IMET agreement with Laos is concluded, funds would be provided for English language training for Laotian personnel involved in U.S.-Laos efforts to locate American Missing-In-Action from the Vietnam War. Other aid programs in Laos include the Laos Economic Acceleration Program for the Silk Sector (LEAPSS), initiated in 1998, which aims to develop an economic alternative to opium production, HIV/AIDS prevention, and anti-trafficking-in-persons activities. Laos participates in Office of Foreign Disaster Assistance (OFDA)-funded activities that increase flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin. Conferees on the FY2005 Consolidated Appropriations Act (H.Rept. 108-792) expect \$2 million from CSH and DA funds for health care programs in the country.

The major bilateral donors to Laos are Japan, Germany, Sweden, France, Australia, and Norway.

Malaysia

Table 8. U.S. Assistance to Malaysia, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
IMET	757	831	831	1,200	1,100
NADR	120	150	1,267	80	1,020
Totals	877	981	2,098	1,280	2,120

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

The United States and Malaysia share important interests in Southeast Asia, including counter-terrorism activities, regional security, trade, and democracy. Because of its relatively high level of economic development, Malaysia is not a recipient of U.S. development and economic aid. However, the United States extends IMET and NADR funds to the country. IMET helps to familiarize the Malaysian armed forces with U.S. military doctrine, management techniques, and equipment and promotes military cooperation between the two countries. IMET also imparts democratic ideals and norms upon the armed forces of Malaysia. NADR programs aid in controlling transfers of sensitive materials and technologies that could contribute to weapons proliferation, and support the Malaysia Counter-terrorism Center.

Mongolia

Table 9. U.S. Assistance to Mongolia, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
ESF	11,974	12,000	10,000	9,941	10,000
FMF	1,995	2,000	990	995	1,000
IMET	750	686	767	850	850
Peace Corps	1,460	1,710	1,765	1,848	1,911
Totals	16,179	16,396	13,522	13,634	13,761
Food Aid (not including freight costs)					
FFP	0	0	3,612	8,572	n/a
Section 416(b)	0	3,350	0	0	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

U.S. assistance to Mongolia aims to help the strategically-located nation make its transition to a free market democracy. Economic Support Funds target private sector development and democratic institution building. FMF assists efforts at controlling Mongolia's borders with China and Russia against drugs and illegal goods trafficking. IMET aims to help transform the Mongolian military from a Soviet-era organization into one that is compatible with democratic government and capable of cooperating with U.S. military forces.

The United States ranks a distant second, behind Japan, in development assistance. Germany is another major aid donor.

Philippines

Table 10. U.S. Assistance to Philippines, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2002 S.A. ^a	FY2003	FY2003 W.S. ^b	FY2004 Est.	FY2005 Req.
CSH	9,450	25,599	—	22,920	—	29,350	28,000
DA	30,334	24,459	—	28,209	—	22,068	26,076
ESF	3,991	21,000	12,000	15,000	30,000	17,645	35,000
FMF	1,995	19,000	25,000	19,870	30,000	19,880	30,000
IMET	1,436	2,025	—	2,400	—	2,700	3,000
INCLE	0	0	—	0	—	2,000	2,000
NADR	0	95	—	2,094	—	0	2,000
Peace Corps	1,843	2,436	—	2,624	—	2,598	2,876
Totals	49,049	94,614	37,000	93,117	60,000	96,241	128,952
Food Aid (not including freight costs)							
P.L. 480 Title I USDA Loan	40,000	19,000	—	40,000	—	20,000	n/a
FFP	5,958	1,091	—	0	—	3,517	n/a
Section 416(b)	0	12,787	—	7,936	—	0	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. Supplemental Appropriations (P.L. 107-206)

b. Emergency Wartime Supplemental Appropriations (P.L. 108-11)

The United States shares important security, political, and commercial interests with the Philippines, a Major Non-NATO ally and front-line state in the war on terrorism. Since 2001, the Philippines has received the most dramatic increases in U.S. foreign assistance to the EAP region. The major program areas of U.S. foreign aid are Muslim Mindanao; corruption and poor economic governance; education; health care issues; and the environment.

CSH programs in the Philippines include HIV/AIDS prevention, tuberculosis diagnosis and treatment, and family planning. DA funds support corruption mitigation and economic and environmental governance. Economic Support Funds promote economic development and infrastructure in Mindanao, home of the Moro National Liberation Front, Abu Sayyaf, and other Muslim insurgency groups, some of which have purported ties to Al Qaeda. DA and ESF aid local education programs as part of an effort, launched in October 2003, to address “political, economic, and social marginalization of Muslims and other impoverished and conflict-affected

communities in order to build peace and security.”²⁴ FMF contributes to the military capabilities of the armed forces of the Philippines and to enhanced cooperation under the U.S.-Philippines Visiting Forces Agreement. IMET promotes military professionalism, civilian control of the military, and military-to-military contacts between the United States and the Philippines. Supplemental appropriations have targeted conflict resolution in Mindanao and other counter-terrorism efforts. INCLE and NADR help to strengthen Philippine law enforcement, counter-terrorism capabilities, and control over small arms proliferation. In addition, the Philippines has been made eligible for priority delivery of Excess Defense Articles (EDA).²⁵

The Consolidated Appropriations Act for FY2005 (P.L. 108-447) provides that INCLE funding of \$4 million (rather than the \$2 million requested by the Bush Administration) should be made available for police training and related activities. The conferees on the FY2005 appropriations measure (H.Rept. 108-792) support increased funding for CSH, DA, IMET, and Anti-Terrorism Assistance for the Philippines.

The United States signed a Tropical Forest Conservation Act Agreement with the Philippines on September 19, 2002.²⁶ This accord cancels a portion of the Philippines’ debt to the United States. The money saved by this rescheduling — estimated at about \$8 million — is to be used for forest conservation activities over a period of 14 years. In 2004, OFDA provided continued funding for a conflict preparedness program in Mindanao (\$500,000 since 2003).

The United States is the fifth-largest aid donor to the Philippines after Japan, the Asian Development Bank, Germany, and the World Bank.

²⁴ U.S. Agency for International Development, “FY 2005 Budget Justification to the Congress.”

²⁵ Excess Defense Articles consist of used U.S. weapons and equipment given away for free. See Alex Spillius, “Bush Calls on Asia to Renew Support for War on Terror,” *The Daily Telegraph*, October 20, 2003.

²⁶ The Tropical Forest Conservation Act (P.L. 105-214).

Thailand

Table 11. U.S. Assistance to Thailand, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	0	1,000	1,500	0	0
DA	0	750	1,250	0	0
ESF	0	0	0	0	1,000
FMF	0	1,300	1,990	995	1,500
IMET	1,852	1,650	1,768	2,450	2,500
INCLE	4,095	4,000	3,700	2,000	2,000
NADR	1,300	720	200	380	750
Peace Corps	1,144	1,267	1,818	2,073	2,550
Totals	8,391	10,687	12,226	7,898	10,300

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

Thailand is one of five U.S. treaty allies in Asia and was designated a Major Non-NATO ally in 2003. It is considered a model of democratic development. Thailand has sent troops to both Afghanistan and Iraq and has aggressively pursued terrorist cells within its borders. In 2003, Thai authorities, in cooperation with the United States, apprehended Indonesian-born Hambali in Thailand. Hambali is believed to be the operations chief of the Islamic militant group Jemaah Islamiyah and mastermind of the 2002 bomb attack in Bali, the 2003 bombing in Jakarta, and other attacks in the Philippines. For FY2004 and FY2005, no CSH or DA funds are to be allocated. FMF, IMET, and INCLE programs in Thailand support counter-terrorism activities, international peacekeeping and reconstruction efforts (East Timor, Aceh, Afghanistan, and Iraq), military professionalism and interoperability with U.S. forces, counter-narcotics efforts, and border-control. NADR funds provide assistance for the control, detection, and interdiction of transfers of sensitive materials and technologies that could contribute to weapons proliferation.

Foreign operations appropriations for FY2005 (P.L. 108-447) provides \$1.5 million in FMF to Thailand and \$1 million in ESF for programs to promote democracy and press freedoms. The State Department request for FY2005 did not include ESF for Thailand.

Thailand participates in OFDA-funded activities that increase flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

In 2001, the United States and Thailand signed an agreement pursuant to the Tropical Forest Conservation Act (P.L. 105-214), providing \$11 million in debt relief to Thailand. In return, Thailand is to contribute \$9.5 million over 28 years toward the protection of its mangrove forests.

Vietnam

Table 12. U.S. Assistance to Vietnam, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	2,494	4,106	5,300	6,600	5,700
DA	2,999	6,950	7,671	3,000	4,500
IMET	0	0	0	100	50
NADR	1,675	1,500	2,527	2,306	2,880
Totals ²⁷	7,168	12,556	15,498	12,006	13,130
Food Aid (not including freight costs)					
FFP	0	992	15,122	7,898	n/a
FFE	—	—	4,796	0	n/a
Section 416(b)	9,182a	3,674	0	6,170	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

United States bilateral assistance to Vietnam focuses on the following: accelerating Vietnam's transition to an open and market-based economy; upgrading access to services for selected vulnerable groups; and developing sustainable urban and industrial environmental management.

CSH and DA for Vietnam provide assistance to victims of war, land mines, and unexploded ordnance (Leahy War Victims Fund), orphans (Displaced Children and Orphans Fund), and those at high risk of contracting HIV/AIDS. If an IMET agreement with Vietnam is concluded, funds would be used for English language courses for Vietnamese military officers (E-IMET). NADR programs bolster export control and border security and help the Vietnamese government in de-mining efforts and agricultural development. Vietnam receives EAP regional assistance for economic development, environmental management, and anti-trafficking-in-persons efforts.

The United States also provides assistance for HIV/AIDS prevention, treatment, and control in Vietnam through USAID regional programs, the President's Emergency Plan for AIDS Relief (PEPFAR), and the Centers for Disease Control. Vietnam, with an estimated 130,000 HIV-positive persons, is the only Asian country to receive PEPFAR assistance (\$10 million in FY2004).²⁸

²⁷ These totals do not include other U.S.-sponsored programs in Vietnam funded outside the foreign operations budget, such as Department of Defense de-mining assistance, Department of Labor technical cooperation projects, Centers for Disease Control (CDC) HIV/AIDS programs, and Fulbright educational exchanges.

²⁸ Some experts argue that Vietnam's infection rate is faster than those of India and China. [<http://www.kaisernetwork.org>].

In 2004, USAID's Office of Foreign Disaster Assistance provided \$700,000 to the U.N. Development Program for flood and storm early-warning systems in Vietnam. Vietnam also participates in OFDA-funded activities that increase flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

Many Members of Congress have supported placing conditions upon U.S. assistance to Vietnam. The Vietnam Human Rights Act of 2004 (H.R.1587) would bar increases (over FY2004 levels) in non-humanitarian assistance to the government of Vietnam unless the President certifies that the country is making "substantial progress" in the areas of political and religious freedoms, emigration, and the rights of ethnic minorities. On July 19, 2004, the House of Representatives passed the bill and referred it to the Senate Committee on Foreign Relations. The act would allow the President to waive the cap on aid if such non-humanitarian assistance would promote the purposes of the act or the interests of the United States.²⁹

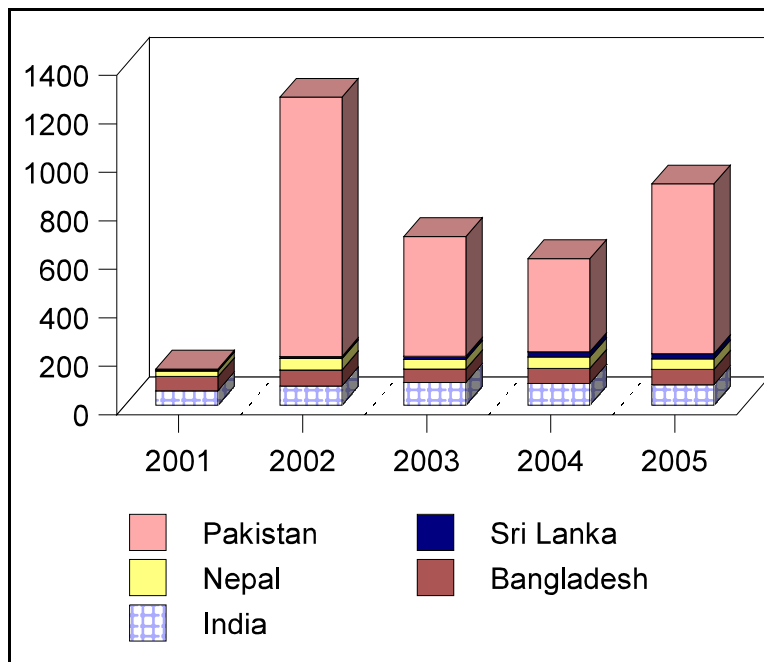
South Asia

Key U.S. foreign aid objectives in South Asia include combating terrorism, developing bilateral military relations, reducing poverty and disease, spreading secular education, fostering political stability, and strengthening democratic institutions. Prior to September 2001, South Asia was the smallest regional recipient of U.S. non-food assistance. Since the war on terrorism began, counter-terrorism and related funding for South Asia, especially Afghanistan and Pakistan, have made the region a relatively large recipient of humanitarian, development, and economic assistance and the second largest beneficiary of military assistance after the Middle East. Before 2002, India and Bangladesh were the largest recipients of U.S. bilateral aid in South Asia. Following Pakistan's promise to cooperate with Operation Enduring Freedom in Afghanistan, the country became the largest beneficiary of U.S. foreign assistance in the region, followed by India. See **Figure 5**.

²⁹ For further information about United States foreign aid to Vietnam and proposed sanctions, see CRS Report RL32636, *U.S. Assistance to Vietnam*, by Mark E. Manyin.

**Figure 5. U.S. Assistance to South Asia
(Excluding Food Aid), 2001-2005**

(millions of current U.S. dollars)



South Asia faces daunting development challenges. According to USAID, the region is home to one-fifth of the world's population and 40% of the world's poor. More than half of the region's children under the age of five are malnourished. South Asia reportedly also has alarming infant and child mortality rates, the world's highest adult illiteracy rates, the second highest fertility levels, and a rapidly spreading HIV/AIDS epidemic. These conditions, in turn, threaten political stability and, according to some observers, create fertile ground for the rise of radical political ideologies, organizations, and activities. India, Nepal, Pakistan, and Sri Lanka and have long dealt with terrorist and insurgent groups to varying degrees, while some Al Qaeda forces are believed to have fled to Bangladesh.³⁰

South Asia regional programs include Anti-Terrorism Assistance and South Asia Regional Funds for job-creation, education, democracy, and conflict mitigation. South Asia also receives assistance through USAID's Asia Near East (ANE) regional programs, including the U.S.-Asia Environmental Partnership, HIV/AIDS prevention and treatment, and secondary education for Muslim youth. South Asian countries — particularly Bangladesh, India, and Nepal — are to receive U.S. foreign disaster assistance worth an estimated \$4.25 million for the period 2000-2007, including funds for disaster response planning, flood forecasting, and earthquake preparedness.

³⁰ See CRS Report RL32259, *Terrorism in South Asia*, by K. Alan Kronstadt and Bruce Vaughn.

Foreign Aid Restrictions. Both Pakistan and India faced sanctions on non-humanitarian aid for conducting nuclear weapons tests in 1998. The United States imposed additional restrictions on aid to Pakistan because of the military coup that took place in October 1999 and debt delinquency. Many of the nuclear test-related sanctions were lifted soon after they were imposed, and the United States reportedly was prepared to normalize relations with India in the first half of 2001.

On September 22, 2001 President Bush issued a final determination removing all nuclear test-related sanctions against India and Pakistan pursuant to the Department of Defense Appropriations Act, 2000 (P.L. 106-79). On October 27, 2001, the President signed S. 1465 into law (P.L. 107-57, Sections 1(b) and 3(2)), providing waiver authority with respect to Pakistan's coup-related sanctions and an exemption from foreign aid prohibitions relating to the country's loan defaults. The Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106) amended P.L. 107-57 by extending the President's waiver authority and the exemption through 2004.³¹ President Bush exercised the waiver authority in March 2003 and March 2004. The FY2005 appropriations act (P.L. 108-447) amends P.L. 107-57 by extending Sections 1(b) and 3(2) through FY2005. A crucial challenge for the United States, according to some U.S. leaders, is how to assist Pakistan in its anti-terrorism activities and reward its cooperation in Operation Enduring Freedom while still applying pressure regarding democratization, nuclear non-proliferation, and other foreign policy imperatives.

The FY2005 Foreign Operations Budget Request. For FY2005, the Bush Administration proposed slightly lower levels of humanitarian and development aid for the South Asia region compared to FY2004. The budget request reduced DA to Pakistan by 30% while raising ESF to the country by 30% for macroeconomic stabilization, health care, education, and democratization efforts. In FY2005, the United States is to extend the bulk of South Asia military assistance to Afghanistan and Pakistan, while granting large increases in P.L. 480, Title II food aid to Bangladesh and India. The Consolidated Appropriations Act, FY2005 (P.L. 108-447) provides \$702.25 million in FMF and \$561 million in ESF for the entire South Asia region (including Afghanistan), compared to the President's request of \$701.5 million and \$564 million, respectively.³²

³¹ See H.Rept. 108-337, Section 2213.

³² This total includes up to \$150 million for assistance to Pakistan that may be drawn from unobligated balances of funds appropriated under ESF and FMF headings in prior appropriations acts and not otherwise designated in those acts for a specific country, use, or purpose.

Country Aid Levels and Legislative Conditions — South Asia

Bangladesh

Table 13. U.S. Assistance to Bangladesh, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	15,500	39,950	27,600	36,000	36,300
DA	42,050	21,670	21,391	18,850	19,187
ESF	0	3,000	4,000	4,971	5,000
FMF	0	0	0	0	250
IMET	507	648	772	800	900
Peace Corps	908	581	1,248	1,575	2,133
Totals	58,965	65,849	55,011	62,196	63,770
Food Aid (not including freight costs)					
P.L. 480 Title II Grant	67,658	23,974	38,577	19,616	46,000
Section 416(b)	62,810	12,871	49	53	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

U.S. foreign aid policy emphasizes sustainable economic development and effective, democratic governance in Bangladesh, one of the poorest and most populous countries in the world. The Department of State reports that Bangladesh is a moderate Islamic democracy; however, poverty and political corruption, combined with porous borders, have increased the attractiveness of radical ideologies.³³ U.S. development assistance program areas include family planning, child health, HIV/AIDS prevention, private enterprise development, environmental protection, political party reform, and local governance. Since 2003, USAID has administered a basic education program primarily in rural areas. IMET programs help to professionalize the Bangladesh military. IMET also enhances international peacekeeping skills and U.S.-Bangladesh military relations. The Consolidated Appropriations Act for FY2005 (P.L. 108-447) provides \$250,000 in FMF to Bangladesh.

In 2000, the United States signed an agreement with Bangladesh reducing the country's debt payments to the United States by \$10 million over 18 years. In return, Bangladesh is to set aside \$8.5 million to endow a Tropical Forest Fund to protect and conserve its mangrove forests.³⁴ In FY2004, USAID's Office of Foreign Disaster Assistance provided \$180,000 for flood monitoring and forecasting.

³³ U.S. Department of State, "FY2005 Congressional Budget Justification for Foreign Operations," February 2004.

³⁴ Pursuant to the Tropical Forest Conservation Act (P.L. 105-214).

The major bilateral aid donors to Bangladesh are Japan, the United Kingdom, and the United States.

India

Table 14. U.S. Assistance to India, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	24,593	41,678	47,438	48,300	43,400
DA	28,805	29,200	34,495	25,739	25,400
ESF	4,989	7,000	10,500	14,912	15,000
IMET	498	1,000	1,000	1,250	1,400
NADR	892	900	1,000	685	685
Totals	59,777	79,778	94,433	90,886	85,885
Food Aid (not including freight costs)					
P.L. 480 Title II Grant	78,064	93,679	44,849	30,796	44,849
Section 416(b)	0	11,961	0	0	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

In 1998, the United States imposed sanctions on India and Pakistan for detonating nuclear devices. Non-humanitarian assistance was terminated or suspended. India, one of the largest recipients in the world of U.S. development assistance and food aid, continued to receive funding for health and food programs. In 1998, Congress passed the India-Pakistan Relief Act of 1998 (P.L. 105-277, Title IX), which authorized the President to waive the sanctions for one year. On October 25, 1999, Congress provided permanent waiver authority in the Department of Defense Appropriations Act, FY2000 (P.L. 106-79). On October 27, 1999, President Clinton, signaling a warming of bilateral relations, waived the applicability of nonmilitary aid and IMET restrictions on India. On September 22, 2001, President Bush issued a final determination removing remaining sanctions on Pakistan and India resulting from their 1998 nuclear tests.

The United States significantly increased its foreign assistance to India in FY2002 and FY2003. Development programs include health and family planning, environmental protection, and disaster management. Since 2003, greater emphasis has been placed upon education for children and economic growth. Economic growth programs are to focus on state fiscal reforms and economic sectors that will likely produce investment opportunities for U.S. companies.

IMET helps to strengthen professionalism in the Indian military and facilitate cooperation in U.S.-India joint exercises. NADR funding for the Export Control and Related Border Security Assistance (EXBS) program assists India in strengthening its export control system. OFDA provided \$1.45 million in 2004 for earthquake safety and disaster response training. India also received some regional flood and drought mitigation assistance in 2004.

India has an estimated 4.5 million people infected with the HIV virus. CSH funds are to support HIV/AIDS prevention and control programs in three states. On March 11, 2002, Senator Jon Corzine introduced a bill (S. 2203) to include India in the Bush Administration's Global AIDS Initiative. The Foreign Affairs Authorization Act, FY2005 (S. 2144), as reported by the Senate Committee on Foreign Relations (S.Rept. 108-248), also contained a provision that would designate India as a beneficiary of Global AIDS Initiative funds.

The United States is the fifth largest aid donor to India, after Japan, the United Kingdom, Germany, and the European Union.

Nepal

Table 15. U.S. Assistance to Nepal, 2001-2005
(thousands of dollars)

Account	FY2001	FY2002	FY2002 S.A. ^a	FY2003	FY2004 estimate	FY2005 estimate
CSH	9,250	20,000	—	19,899	24,840	23,350
DA	11,858	7,597	—	10,247	11,274	11,000
ESF	0	3,000	—	4,000	4,971	5,000
FMF	0	2,000	12,000	2,950	3,975	1,000
IMET	237	377	—	500	600	650
Peace Corps	1,735	2,111	—	2,624	2,505	2,887
Totals	23,080	35,085	12,000	40,220	48,165	43,887
Food Aid (not including freight costs)						
P.L. 480 Title II Grant	0	2,352	—	0	0	0
FFE	—	—	—	2,130	0	n/a
Section 416(b)	2,666	0	—	0	0	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. Supplemental Appropriations (P.L. 107-206)

The United States has an interest in helping Nepal to reduce poverty in rural areas, which have become recruitment areas for Maoist insurgents. The largest U.S. aid program in Nepal is health and family planning, which includes child mortality prevention and HIV/AIDS control. Other program areas include hydropower development, civil society, women's participation in politics, government performance, rule of law, and political reform. In 2002, Nepal received \$12 million in supplemental appropriations (FMF) to help the government fight Maoist rebels.

IMET supports professionalism, intelligence, civil affairs, psychological operations, special forces, medical, and logistics needs of the RNA.

In FY2004, OFDA funded programs for earthquake risk management and preparedness in the Kathmandu Valley, flood and drought mitigation, and conflict preparedness.

The FY2005 appropriations act (P.L. 108-447) provides that FMF in the amount of \$1.5 million may be made available to Nepal if the Secretary of State reports to the Committees on Appropriations that the Government of Nepal has satisfied several conditions, including: (1) complying with habeas corpus orders issued by the Supreme Court of Nepal; (2) cooperating with the National Human Rights Commission of Nepal to resolve all security-related cases involving individuals in government custody; (3) granting the National Human Rights Commission of Nepal unimpeded access to all places of detention; (4) taking effective steps to end torture by security forces. The Secretary of State may waive these requirements if such action is in the national security interests of the United States.

The largest aid donors to Nepal are Japan, the United States, Denmark, the United Kingdom, and Switzerland.

Pakistan**Table 16. U.S. Assistance to Pakistan, 2001-2005**

(thousands of dollars)

	FY2001	FY2002	FY2002 E.R.F.^a	FY2002 S.A.^b	FY2003	FY2003 W.S.^c	FY2004 estimate	FY2004 E.S.^d	FY2005 estimate
CSH	0	14,000	—	—	15,645	—	25,600	—	21,050
DA	0	10,000	—	—	34,500	—	42,350	—	29,000
ESF	0	9,500	600,000	15,000	188,000	—	—	200,000	300,000
FMF	0	0	—	75,000	49,500	175,000	74,560	—	300,000
ERMA	—	—	25,000	—	—	—	25,000	—	—
IMET	—	894	—	—	990	—	1,250	—	2,000
INCLE	3,500	2,500	73,000	15,000	6,000	25,000	36,500	—	40,000
NADR	0	100	—	10,000	717	—	4,180	—	8,000
PKO	0	0	220,000	—	0	—	0	—	0
Totals	3,500	36,994	918,000	115,000	295,352	200,000	209,440	200,000	700,050
Food Aid (not including freight costs)									
P.L. 480 Title I USDA Loan	0	10,000	—	—	0	—	0	—	n/a
P.L. 480 Title II Grant	1,855	5,134	—	—	6,792	—	8,383	—	0
FFE	—	—	—	—	4,200	—	0	—	n/a
FFP	0	0			8,977	—	5,980	—	n/a
Section 416(b)	85,075	76,614	—	—	0	—	9,583	—	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

- a. Emergency Response Fund (P.L. 107-38)
- b. Supplemental Appropriations (P.L. 107-206)
- c. Emergency Wartime Supplemental Appropriations (P.L. 108-11)
- d. Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106)
- e. Economic grants that can be used to cancel a total of approximately \$2 billion in debt owed by Pakistan to the U.S. government. Amounts for FY2004 “shall not be considered ‘assistance’ for the purposes of provisions of law limiting assistance to a country” (P.L. 108-106).

Foreign Aid Programs. Pakistan faces daunting development challenges related to not only the war on terrorism but also massive and rising poverty and undemocratic, weak, or ineffective political institutions. In addition to Pakistan’s anti-terrorism efforts and cooperation with the United States in Operation Enduring Freedom (OEF), U.S. assistance has focused upon educational activities. Since 2002, USAID has carried out a \$100 million, five-year secular education program with the goals of offering a popular alternative to the *madrassas*, or religious schools, and building foundations for economic development and political moderation. The program identifies four areas: education sector policy and planning; capacity of teachers and education administrators; youth and adult literacy; and public-private partnerships to improve access and delivery of education services. Other major foreign aid areas are health (including HIV/AIDS prevention), economic growth, and democratic governance.

FMF helps Pakistan acquire training and purchase aircraft, helicopters, vehicles, surveillance systems, and other equipment and for OEF along the Afghan border. INCLE funds enhance the effectiveness of Pakistan’s police efforts in three areas — law enforcement, border security, and counter-narcotics. NADR helps to prevent weapons transfers, support anti-terrorism training, and curtail the spread of Man Portable Air-Defense Systems (MANPADS). IMET promotes increased professionalism, interoperability between Pakistan and the United States, and technical skills and expertise. The FY2005 appropriations measure (P.L. 108-447) extends \$200 million in ESF to Pakistan for debt relief.³⁵

Lifting of Foreign Aid Restrictions. Prior to September 2001, Pakistan received only counter-narcotics (INCLE) and food assistance due to U.S. prohibitions related to nuclear weapons testing, delinquent debtor status, and the military coup of 1999. Pakistan, one of the largest recipients of U.S. assistance before 1990, received very little economic and military aid during the 1990s. In 1985, the Pressler Amendment to the Foreign Assistance Act of 1961 (Section 620e) barred U.S. foreign assistance to Pakistan unless the President determined that Pakistan did not possess nuclear weapons and that U.S. assistance would reduce the risk of Pakistan’s obtaining them. In 1990, President George H. W. Bush declined to make such determinations and imposed Pressler Amendment sanctions against Pakistan. This restriction was eased in 1995 to prohibit only military assistance.³⁶ Although the Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President

³⁵ Such funds would not be considered “assistance” for the purposes of provisions of law limiting assistance to Pakistan.

³⁶ The Brown Amendment to the FAA (1995) narrowed the prohibition to military assistance only.

authority to permanently waive all nuclear test-related sanctions, President Clinton waived few restrictions toward Pakistan (e.g., USDA credits and U.S. commercial bank loans) compared to India. Furthermore, Pakistan continued to be ineligible for most forms of U.S. foreign assistance due to the 1999 military coup and its delinquency in servicing its debt to the United States.³⁷

Following the September 2001 terrorist attacks on the United States, Pakistan was designated as a front-line state in the war on terrorism and received dramatically increased U.S. aid levels. In late September 2001, President George W. Bush waived nuclear weapons sanctions that prohibited military and economic aid to Pakistan and India. The Bush Administration also rescheduled \$379 million of Pakistan's \$2.7 billion debt to the United States so that Pakistan would not be considered in arrears, a requirement for further foreign assistance. On October 27, 2001, President Bush signed S. 1465 into law (P.L. 107-57), allowing the President to waive sanctions related to the coup through 2003, provided the President determined that making foreign assistance available would facilitate democratization and help the United States in its battle against international terrorism. P.L. 107-57 also exempted Pakistan from foreign assistance restrictions related to loan defaults. The Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106) amended P.L. 107-57 by extending the President's waiver authority and loan payment exemption through 2004. President Bush exercised the waiver authority in March 2003 and March 2004. P.L. 108-447 extends the provisions of P.L. 107-57 through FY2005.

³⁷ See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*, by Dianne E. Rennack. The Foreign Operations Appropriations Act, FY2001 (P.L. 106-429), Section 508, denies foreign assistance to any country whose duly elected head of government is deposed by military coup or decree; Section 512 of the act, the Brooke Amendment, prohibits assistance to any country that is in default on loan payments to the United States for over one year. Sec. 620(q) of the Foreign Assistance Act of 1961 denies foreign assistance to any country that is in default for more than six months in servicing or repaying loans to the United States. The President may waive this restriction if he finds that assistance is in the national interest and so notifies Congress. For additional information, see CRS Issue Brief IB94041, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

Sri Lanka

Table 17. U.S. Assistance to Sri Lanka, 2001-2005

(thousands of dollars)

Account	FY2001	FY2002	FY2003	FY2004 estimate	FY2005 estimate
CSH	300	300	300	300	300
DA	3,399	5,150	6,150	4,750	6,624
ESF	0	3,000	3,950	11,929	10,000
FMF	0	0	0	995	500
IMET	252	259	307	500	500
NADR	0	0	2,400	1,875	1,900
PKO	0	0	0	994	1,000
Totals	3,951	8,709	13,107	21,343	20,824
Food Aid (not including freight costs)					
P.L. 480 Title I USDA Loan	7,900	8,000	0	0	n/a
P.L. 480 Title II Grant	0	1,325	596	2,712	0
FFP		0	2,775	0	n/a
Section 416(b)	6,030	0	0	923	n/a

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

USAID programs help to promote the peace process between the government of Sri Lanka and Tamil insurgents, the Liberation Tigers of Tamil Eelam (LTTE). U.S. assistance also helps to meet the reconstruction, rehabilitation, and reconciliation costs stemming from the conflict. Ongoing and planned programs include delivering “peace dividends,” such as skills training and local infrastructure improvements; humanitarian assistance for victims of armed conflict, utilizing Leahy War Victims Funds; economic growth; HIV/AIDS prevention and awareness; and constitutional reform. Planned FMF uses include maritime surveillance and interdiction equipment, military communications and mobility items, defense and intelligence improvements, and equipment for basic soldier safety and survivability. IMET helps to professionalize the Sri Lankan military, build the capabilities of officers in the fight against the LTTE and global anti-terrorism activities, and enhance interoperability with U.S. forces. NADR programs assist in de-mining activities and demilitarization efforts.

Appendix. Selected Acronyms for U.S. Foreign Aid Accounts and Programs

CSD:	Child Survival and Disease
CSH:	Child Survival and Health (replaces CSD)
DA:	Development Assistance
EDA:	Excess Defense Articles
ERMA:	Emergency Migration and Refugee Assistance
ESF:	Economic Support Funds
FFP:	Food for Progress
FFE:	Food for Education
FMF:	Foreign Military Financing
IMET:	International Military Education and Training
INCLE:	International Narcotics Control and Law Enforcement
MRA:	Migration and Refugee Assistance
NADR:	Non-proliferation, Anti-terrorism, De-mining, and Related Programs
OFDA:	Office of Foreign Disaster Assistance
PKO:	Peace-keeping Operations
P.L. 480 Title I:	Food Aid (USDA loans)
P.L. 480 Title II:	USAID emergency food program
Section 416(b):	Surplus Food Commodities