

The FY 2005 Foreign Assistance Budget Request for South Asia
Statement Before the United States Senate
Committee on Foreign Relations
by
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Accomplishing Our Mission

Chairman Lugar and members of the Committee, thank you for inviting me to come here today to talk about how our FY 2005 budget request will help implement U.S. policy priorities in South Asia.

Mr. Chairman, since September 2001 we have advanced our most vital security interests in South Asia quite dramatically. A moderate, democratic Afghan constitution was adopted in January, with national elections scheduled for June. Estimates now put Afghanistan's annual economic growth at 30% over the past two years; and we helped the government institute reforms to facilitate that growth. Completion of the first layer of paving of the Kabul-Kandahar road in December was a major step towards extending the authority of the central government and linking key regions. We are pleased that our NATO allies agreed last year to assume leadership of the International Security Assistance Force for Afghanistan (ISAF). With our help, Afghanistan has made significant progress in establishing a new national army (ANA) and police force, and we have extended security through a network of civil-military Provincial Reconstruction Teams in the provinces.

Pakistan remains a crucial ally in the war on terror. Over 550 al-Qaeda and former Taliban operatives have been captured, including al-Qaeda operational commander Khalid Shekh Mohammed and September 11th plotter Ramzi bin al-Shibh. We have strengthened border security through support for an air wing, checkpoints, new outposts in Quetta and Peshawar, road construction to improve access, and training for -- and improved cooperation between -- law enforcement entities in the Federally Administered Tribal Areas. Pakistan's economy has moved from crisis to stabilization. The government continues to pursue education reform, including for madrassahs, aimed at preparing young Pakistanis to gain employment and compete in the global marketplace. Pakistan is making good progress in unearthing the A.Q. Khan proliferation network, and we are asking them to share what they find with us.

In January, we launched our Next Steps in Strategic Partnership (NSSP) initiative with India. The rapprochement between India and Pakistan that began last year has enabled not only a successful meeting on regional cooperation in January, but the beginning of a composite dialogue on the issues that divide them. Despite suspension of

formal negotiations between the government and the Tamil Tigers in Sri Lanka since last year, and a political crisis within the government, the ceasefire there continues to hold.

Impressive as these developments are, we cannot afford to rest until we see a fully peaceful, democratic and prosperous South Asia, entirely free from terror and nuclear threat. Our FY 2005 resource request for South Asia will help consolidate hard-won gains and enable us to press ahead against the challenges that remain. Chief among these are -- in the spirit of the Afghanistan Freedom Support Act -- assisting Afghanistan's new democratic institutions, broadening security (including through the Act's Department of Defense drawdown authority), ensuring a full economic recovery, and helping to end the drug trade in Afghanistan. In Pakistan, recent attempts on President Musharraf's life underscore the need to shut down terrorist organizations and the networks that support them; something the government is working hard to do. Resources requested for Pakistan will help facilitate the war on terror on all fronts. We must help Sri Lanka achieve a lasting peace and rebuild a war-torn society and economy. In Nepal, our resources will help to counter a brutal Maoist insurgency. Our programs also aim to help the moderate democracy of Bangladesh address governance, transparency and economic challenges.

Fighting Terror in the Frontline States

Over \$1.6 billion of our \$1.9 billion FY 2005 foreign operations resource request supports our number one policy goal -- combating terror and the conditions that breed terror in the frontline states of Afghanistan and Pakistan. Total U.S. assistance for Afghanistan thus far, including this year's acceleration of reconstruction, comes to over \$4 billion. The President's \$1.2 billion request for Afghanistan in FY 2005, which includes \$300 million from the Department of Defense, will sustain our accelerated programs. Following national elections this summer, we will help strengthen new democratic institutions from the national to local levels, and support the nascent civil society and independent media. We will also support counternarcotics activities, and provide training and equipment for additional ANA battalions and train the remaining national and border police. The nexus between narcotics and terrorism is becoming increasingly apparent, and it is a top priority of ours, and of our international coalition partners, to stamp out drug production where we find it. While we will support continued macroeconomic reforms, invest in private sector development to create sustained growth and build necessary roads and bridges, at the grassroots level, we are reaching out to ensure a Bonn dividend. We will support women's centers that provide health and legal services; will build hundreds of schools and clinics through Provincial Reconstruction Teams; will train teachers and provide schoolbooks; and will help farmers re-establish their livelihoods.

The Government of Pakistan continues to capture al-Qaeda terrorists and Taliban remnants. President Bush has committed to work with Congress to demonstrate sustained support for these efforts and for ongoing economic, education and democracy reforms. Our FY 2005 request for Pakistan includes \$300 million in economic and \$300 million in security assistance for the first of a five-year, \$3 billion commitment. The

symmetry is no accident. As we enable Pakistan to combat terror by providing \$300 million in Foreign Military Financing, we must help tackle conditions that breed terror by expanding education and economic growth and employment opportunities and by helping to restore a fully-functioning democracy. The \$300 million in FY 2005 Economic Support Funds (ESF) requested will include both macro-stabilization and social sector elements. Remaining budget resources requested for Pakistan in FY 2005 -- including Development Assistance; Child Survival and Health; International Narcotics, Crime and Law Enforcement; and Nonproliferation, Anti-Terrorism, Demining and Related Programs resources -- will fund critical border security, counternarcotics and law enforcement programs, in addition to ongoing development programs for education, democracy and health that demonstrate our support to ordinary Pakistanis.

Next Steps in our Strategic Partnership with India

In January, President Bush and Prime Minister Vajpayee announced our Next Steps in Strategic Partnership (NSSP), an initiative designed to cement our strategic ties with the world's largest democracy. This expanded cooperation on civilian nuclear activities, civilian space programs, high technology trade and an expanded dialogue on missile defense will bring significant economic benefits to both sides, while also achieving our nonproliferation goals through enhanced export control regimes in India and maintaining all our international nonproliferation obligations. Our FY 2005 resource request for India will help complete successful economic reforms, support HIV/AIDS and child survival programs, and provide aid for her most vulnerable groups.

Regional Stability

Regional Stability is another high policy priority in South Asia. We credit the vision and statesmanship of Prime Minister Vajpayee and President Musharraf and their governments for the remarkable progress recently achieved towards resolving the issues that divide them. At the same time, India is conducting a simultaneous dialogue with the Kashmiri group, the All Parties Hurriyat Conference. We will be watching developments with hopes for continued success and will continue to support these efforts to resolve the long-running conflict. Our bilateral interaction with India and Pakistan includes wide-ranging discussions on how to control the onward proliferation of nuclear technology. We are urging both countries to bring their export controls in line with international standards and to enforce them effectively. Our FY 2005 request includes program support for their efforts in this regard.

In Sri Lanka, the 2003 suspension of formal peace negotiations between the government and the separatist Liberation Tigers of Tamil Eelam (LTTE) was followed by an October LTTE proposal for an interim administration in the predominantly Tamil areas of the north and east of the country, which we hoped would help the parties resume formal negotiations. But a continuing standoff between the Prime Minister and President has prevented a return to the talks; with parliamentary elections called for April. However, the Sri Lankan people want to see their leaders bring an end to this war. The ceasefire continues to hold. An informal peace process continues, bringing increased

interaction among the ethnic communities, and growing trade and economic opportunity. Our FY 2005 request for Sri Lanka will fund short-term, high impact programs that are both an incentive to peace, and a boost to reconstruction and reconciliation in war torn areas. Nation-wide development and health programs will support the Government's economic competitiveness and anti-poverty efforts, while our democracy programs will support reconciliation and promote reintegration.

In August, 2003 the Maoist insurgents in Nepal unilaterally withdrew from a seven-month ceasefire and resumed military attacks and terrorist activity, leading the U.S. in October to designate the Maoists as a terrorist organization under E.O. 13224, which imposes financial sanctions against the group. The United States, India, the UK, and others in the international community stand with the Government of Nepal against the Maoists, but also share the view that a military solution is not possible and that a negotiated settlement is required. The balance between our FY 2005 requests for security and development programs in Nepal underscores this point. We are deeply concerned about suspension of the electoral process and numerous human rights abuse allegations against the government security forces and Maoists alike. Political parties and the King must unify under a multi-party democracy, ensure respect for human rights, and reach a political solution to the conflict for the benefit of all Nepalis. Our FY 2005 request will provide strategically-targeted economic, governance and humanitarian assistance in areas vulnerable to Maoist control, while long-term development programs address the broader conditions of desperate poverty and lack of opportunity that have bred instability.

Good Governance

Promoting effective democratic governance is a goal firmly grounded in the President's belief in expanding freedom. Democratic development will bolster our counterterror, conflict prevention, and development efforts over the long term by establishing political stability and good governance. U.S. democracy programs in South Asia address the historic challenge of centralized, patronage politics. At one end of the spectrum, we are supporting Afghanistan's national elections in 2004. Throughout the region we are working with legislatures, judiciaries, local government, political parties, civil society and the independent media to tackle corruption and increase citizen participation. Our human rights programs combat trafficking in persons and child labor, while promoting women's rights and religious freedom.

Economic Growth

As we support Afghanistan's economic reconstruction and Pakistan's economic stabilization, we must help the other South Asian countries to reduce poverty, and countries dependent on textiles to diversify. Our bilateral economic programs support macro reforms to spur long term growth and trade, while helping ordinary people to gain access to better education, health care and income-generating opportunities.

Conclusion

Of one billion Muslims in the world, over 400 million reside in South Asia. Our public diplomacy and development assistance programs are building stronger ties and understanding between the United States and South Asian Muslim communities. Like the President's recently announced Greater Middle East Initiative -- now being developed in consultation with prospective participants -- our bilateral programs support freedom and prosperity throughout the South Asia region.

Our bilateral programs are complemented by our \$2 million regional Economic Support Fund (ESF) program, which serves as an incubator for innovative or multi-country pilots to foster democracy or support education, income generation and conflict resolution in key South Asian Muslim communities. Projects thus far include expanding USAID Dhaka's successful community leader training on health, development and human rights and hopefully, helping to explore a similar program in Afghanistan. We are taking a regional Muslim women's rights network to the next level, helping to establish ongoing collaboration across borders to gain acceptance of women's rights under Islam, using successful models from Southeast Asia. We are also supporting the development of Pakistan's new independent radio through a grant to Internews.

In conclusion, our FY 2005 resources request will enable us to continue implementing U.S. policy goals that remain crucial to our national security as well as to the future stability of South Asia. Mr. Chairman, I thank you and the Committee for your generous time and deep interest.

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Cleared:SA:Msison -ok
SA:Dcamp - ok
SA/AR:Phaslach -ok
SA/PB:Jwagner - ok
SA/INS:Ndean -ok
SA/PD:Lschwartz -ok
D:Jgastright -ok
P:Jcarpenter -ok
E:Tsmitham -ok
RM:Jjones -ok
S/P:Spatrick -ok
S/P:Dmarkey -ok
H:Jmacmanus - ok