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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 the war on terrorism began in 2001, and the Bush Administration's Millennium Challenge Account (MCA) and Global HIV/AIDS Initiative (GHAI) were initiated in 2004, the United States has increased foreign aid spending dramatically in some regions. The United States has raised military, economic, and development assistance primarily for anti-terrorism objectives in the East Asia-Pacific (EAP) and South Asia regions, with Pakistan, India, the Philippines, and Indonesia receiving the bulk of the increases. Average annual funding for the EAP region (excluding North Korea) during 2002-2006 was \$494 million compared to \$368 million in 2001. Annual foreign aid spending for South Asia (excluding Afghanistan) during 2002-2006 averaged \$953 million compared to \$201 million in 2001. The United States government has acknowledged other aid recipients, particularly Malaysia, Mongolia, and Thailand, for cooperating with global counterterrorism efforts and for making progress in developing their economies and democratic institutions.

The Bush Administration has emphasized using foreign aid to promote democracy which it sees as advancing global development and U.S. strategic interests. 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. In February 2005, the Secretary of State determined that the Indonesian government and armed forces had satisfied legislative conditions for the resumption of full International Military Education and Training (IMET). In November 2005, the Bush Administration waived restrictions on Foreign Military Financing to Indonesia on national security grounds pursuant to Section 599F(b) of P.L. 109-102. The FY2006 foreign operations appropriations measure renewed the President's waiver authority on coup-related sanctions against Pakistan. The President again certified the waiver on February 8, 2006, thus making U.S. foreign assistance available to Pakistan for another year.

For 2007, the Senate Appropriations Committee (S.Rept. 109-277 on H.R. 5522, the foreign operations appropriations measure for FY2007) recommends increasing the amount of democracy assistance from the Bush Administration's budget request for several countries, including Burma, Cambodia, China, East Timor, Indonesia, the Philippines, Thailand, and Pakistan. H.R. 5522, as passed by the House on June 9, 2006, would suspend IMET funds to Nepal and reduce FMF to Pakistan by one-third below the budget request.

This report will be updated periodically.

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

## Overview

### New Approaches to Foreign Aid

The United States acts to advance U.S. foreign policy and national security goals and respond to global development and humanitarian needs through its foreign assistance programs. Traditionally, U.S. foreign aid has emphasized economic and social development as foundations for democracy and regional stability. Following the September 2001 terrorist attacks, foreign aid gained importance as a “vital cornerstone,” along with diplomacy and defense, in U.S. national security strategy.<sup>1</sup> Within this context, the Bush Administration reoriented U.S. foreign assistance programs: aid to “front line” states in the war on terrorism has been directed at the conditions that may make radical ideologies and religious extremism attractive, such as poverty, limited educational opportunities, and ineffective or unaccountable governance; special attention has been placed upon “fragile states” that may allow international security threats, particularly terrorist ones, to spread; promoting democracy has become key to advancing global development and U.S. strategic interests. In addition, foreign aid now aims to help achieve “transformational development” — development that “transforms countries, through far-reaching, fundamental changes in institutions of governance, human capacity, and economic structure that enable a country to sustain further economic and social progress without depending on foreign aid.”<sup>2</sup> This objective is reflected in the Millennium Challenge Account (MCA), established in 2004, which rewards countries that demonstrate good governance, investment in health and education, and sound free market policies.

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<sup>1</sup> See CRS Report RL33491, *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance*, by Larry Nowels and Connie Veillette.

<sup>2</sup> Another State Department initiative, “transformational diplomacy,” involves restructuring and repositioning U.S. diplomatic resources in order to achieve the objective of working “with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system.” See U.S. Agency for International Development, “U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century,” January 2004; U.S. Department of State, *Fact Sheet: Transformational Diplomacy*, January 18, 2006; Roger Winter, Statement before the Committee on International Relations, Subcommittee on International Terrorism, Nonproliferation and Human Rights, July 7, 2004.

**Conflicting Policy Objectives.** Some policy-makers have expressed concern that the emphasis on fighting terrorism may conflict with other U.S. foreign aid objectives, such as promoting democracy and funding development programs. Administration officials suggest that the Millennium Challenge Account — a separate assistance program that conditions U.S. foreign aid on social, economic, and political criteria — provides a means of rewarding or encouraging effective and accountable government independently of U.S. efforts to garner international cooperation in the war on terrorism. Furthermore, they contend, the MCA’s emphasis upon good governance in developing countries supports U.S. economic and security interests around the globe. Some foreign aid experts contend that new programs, such as the MCA and Global HIV/AIDS Initiative, are making U.S. foreign aid increasingly incoherent and ad hoc.<sup>3</sup> Others argue that development programs may suffer a lack of U.S. support in countries that neither play a role in U.S. global counterterrorism efforts nor meet MCA criteria.

**Foreign Aid Restrictions.** The United States has imposed restrictions on non-humanitarian development aid, Economic Support Funds (ESF),<sup>4</sup> and military assistance to some Asian countries in order to pressure them to improve performance related to democracy, human rights, weapons proliferation, foreign debt payments, and other areas. Several countries in Asia, including Burma, Cambodia, China, Indonesia, and Pakistan, 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.<sup>5</sup> Most sanctions on aid to Indonesia and Pakistan have been lifted.<sup>6</sup>

## Funding Trends

Foreign operations appropriations declined from a peak of \$35 billion in 1985 to \$15.3 billion in 1997 (in constant 2007 dollars). Many of the fluctuations in aid flows over the past 25 years can be attributed to U.S. foreign policy responses to events such as natural disasters, humanitarian crises, and wars and to U.S. military

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<sup>3</sup> 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, *Millennium Challenge Account*, by Curt Tarnoff.

<sup>4</sup> 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.

<sup>5</sup> 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).

<sup>6</sup> Sanctions against Pakistan related to the 1999 military coup and debt arrearage have been waived or lifted on an annual basis since 2002.

assistance and other security initiatives in the Middle East. Since 2001, U.S. assistance to front line states in the war on terror and Iraq war-related aid have propelled foreign aid funding to new highs. Other sources of growth include the Millennium Challenge Account, the President's Emergency Plan for AIDS Relief (PEPFAR), and U.S. assistance to Africa. Despite the growth in foreign aid spending since 2001, however, the share of the federal budget allocated for foreign policy programs has declined (with the exception of FY2004).<sup>7</sup>

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.

Since the war on terrorism began in 2001, and the Bush Administration's Millennium Challenge Account (MCA) and Global HIV/AIDS Initiative (GHAI) were initiated in 2004, the United States has increased foreign aid spending dramatically in some regions. 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 methods. These countries have received the bulk of the increases in U.S. foreign aid (non-food) to Asia (excluding Afghanistan). Average yearly U.S. assistance to Pakistan during 2002-2006 is estimated to be \$678 million compared to \$3.4 million in 2000-2001. Annual U.S. assistance to India has increased by over 50% in 2002-2006 compared to 2000-2001, while annual U.S. assistance to the Philippines during the same period has tripled compared to 2000-2001. Beginning in 2004, both Indonesia and the Philippines received new funding for education programs in order to promote diversity, non-violent resolution of social and political conflict (Indonesia), and livelihood skills among Muslims residing in impoverished and conflict-ridden areas (southern Philippines). See **Figure 1**.

As part of the Bush Administration's emphasis on, and congressional support for, democracy-building around the world, the Department of State's Human Rights and Democracy Fund (HRDF) has grown significantly. HRDF spending increased from a yearly average of \$13 million in 2001-2002 to \$31.4 million in 2003, \$34.2 million in 2004, and \$35.7 million in 2005. Congress appropriated \$63 million for HRDF in FY2006. The Bush Administration requested \$35 million for the Democracy Fund in 2007. For 2005-2006, approximately one-third of the

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<sup>7</sup> CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

Democracy Fund is to be allocated to Asia, mostly for democracy programs in China.<sup>8</sup>

Some analysts have 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.<sup>9</sup> However, due to competing budget priorities, since the MCA's inception in 2004, Congress has not granted the Bush Administration's full requests for MCA funding. The Consolidated Appropriations Act, FY2004 (P.L. 108-199) extended nearly \$1 billion to the Millennium Challenge Corporation (MCC) for development assistance, about one-third less than the Bush Administration's request of \$1.6 billion. Congress appropriated \$1.5 billion and \$1.77 billion for the MCC in 2005 and 2006, respectively, compared to the President's requests of \$2.5 billion for 2005 and \$3 billion for 2006. For 2007, the House and Senate Appropriations Committees recommend \$2 billion and \$1.87 billion, respectively, for the MCC compared to the Administration's request of \$3 billion. Three Asian countries are eligible to apply for MCA assistance — East Timor, Mongolia, and Sri Lanka — while two countries — Indonesia and the Philippines — have been designated as “threshold” or close to meeting MCA criteria and eligible for assistance in qualifying.

**FY2007 Highlights.** The FY2007 budget request for foreign operations is \$23.69 billion, 14% above FY2006 appropriations (not including supplemental appropriations). A large portion of the increase constitutes additional funding for Iraq, Afghanistan, and anti-terrorism programs, the Millennium Challenge Account, and HIV/AIDS relief. However, “core” assistance — Child Survival and Health (CSH) and Development Assistance (DA) — would decrease by 11.8% under the request.<sup>10</sup> The FY2007 budget request for East Asia and the Pacific (\$514 million) is 1.8% less than FY2006 appropriations. Under the FY2007 budget, funding for South Asia (excluding Afghanistan) would be 2.3% less than FY2006. The Senate Appropriations Committee (S.Rept. 109-277 on H.R. 5522, the foreign operations appropriations measure for FY2007) recommends \$21.5 billion for foreign aid in 2007. The Senate report would increase the amount of democracy assistance from the Bush Administration's FY2007 budget request for several countries, including Burma, Cambodia, China, East Timor, Indonesia, the Philippines, Thailand, and Pakistan. The report would raise FMF for the Philippines by \$12.4 million over the Administration's request of \$17.6 million to fight terrorism. The House version of H.R. 5522 would provide a total of \$21.3 billion for foreign assistance in 2007.<sup>11</sup> The House would suspend IMET funds to Nepal and reduce FMF to Pakistan by one-third below the Administration's budget request.

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<sup>8</sup> 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).

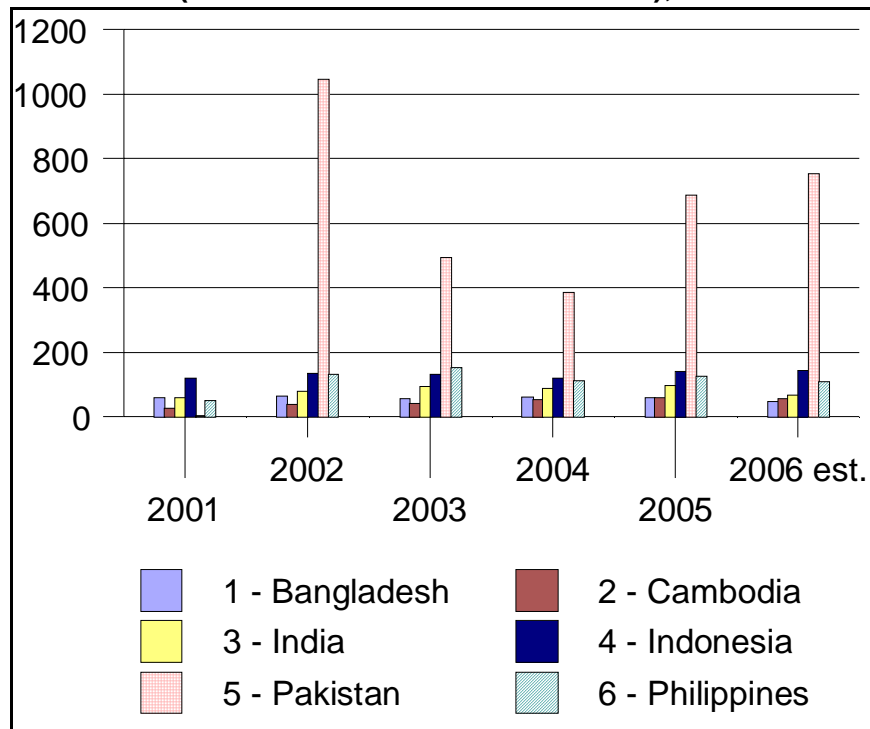
<sup>9</sup> Murray Hiebert, “More Aid, but Strings Attached,” *Far Eastern Economic Review*, February 20, 2003.

<sup>10</sup> CRS Report RL33420, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations*, by Larry Nowels, Connie Veillette, and Susan B. Epstein.

<sup>11</sup> The House of Representatives passed H.R. 5522 on June 9, 2006.



**Figure 1. Major U.S. Aid Recipients in Asia, by Aid Amount (millions of current U.S. dollars), 2001-2006**



**Regional Comparisons.** Africa remained the largest regional recipient of Child Survival and Health (CSH) and Development Assistance (DA) funding in FY2005.<sup>12</sup> The largest regional recipients of Economic Support Funds in FY2005 were Near East Asia (Middle East) and South and Central Asia (mostly to Afghanistan, with a large portion going to Pakistan as well). The largest recipient of military assistance was Near East Asia followed by South Asia.<sup>13</sup> See **Table 1, Figures 2-4, and Appendix.**

<sup>12</sup> The State Department divides foreign aid allocations into six regions: Africa, East Asia and the Pacific (EAP), Europe and Eurasia, Near East Asia (Middle East), South and Central Asia (formerly South Asia), and Western Hemisphere (Latin America and Caribbean).

<sup>13</sup> Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peacekeeping Operations (PKO).

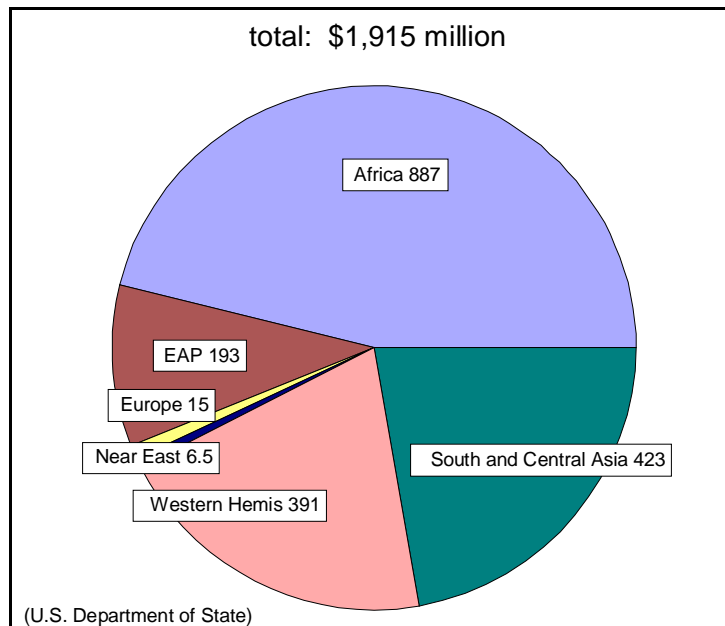
**Table 1. U.S. Foreign Assistance by Region  
(Excluding Food Aid), 2001-2007**  
(millions of current U.S. dollars)

	FY01	FY02	FY03	FY04	FY05	FY06 est.	FY07 req.
Africa	1,313	1,481	1,706	2,091	2,795	2,924	3,826
East Asia-Pacific (excluding North Korea)	368	455	477	474	525	523	514
Europe and Eurasia	2,017	2,435	2,871	1,577	1,323	1,068	900
Near East Asia	5,401	5,567	8,409	5,556	5,755	5,369	6,039
South Asia (excluding Afghanistan)	201	1,403	785	685	970	966	910
Western Hemisphere	749	1,385	1,559	1,545	1,723	1,581	1,512

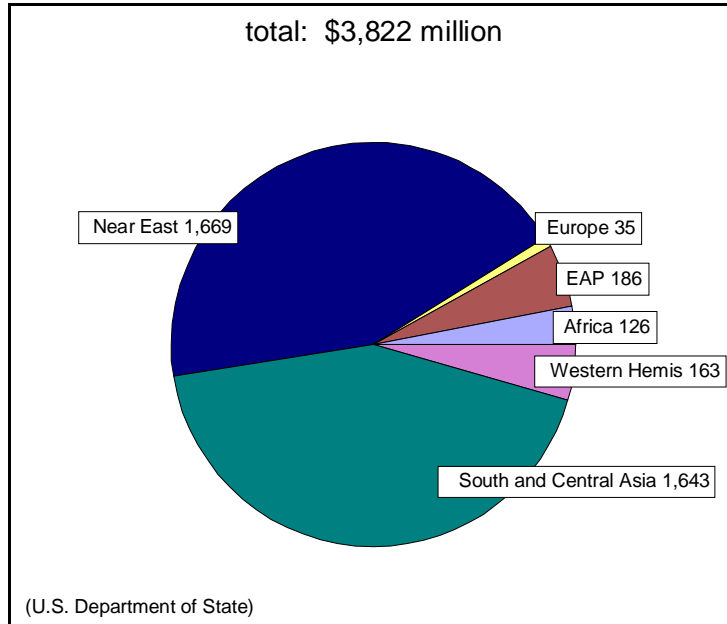
Source: U.S. Department of State, *Country/Account Summaries (2001-2007)*

**Note:** 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.

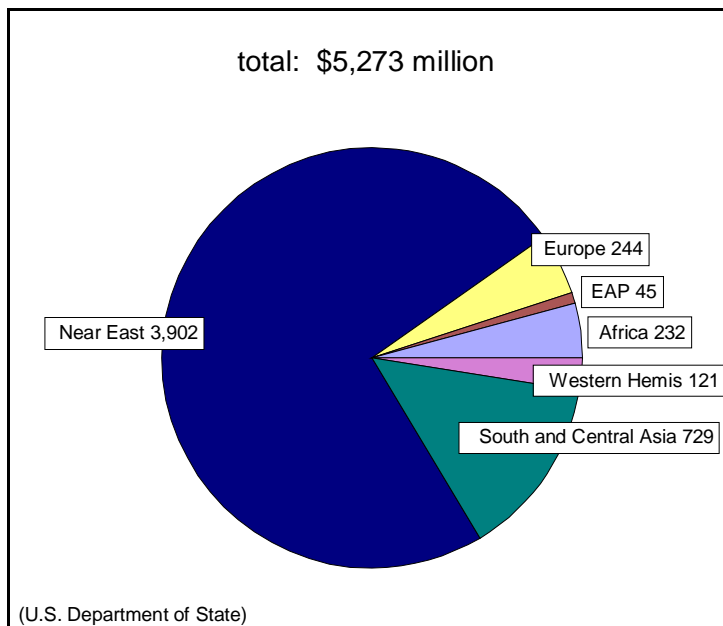
**Figure 2. Health and Development Assistance (CSH and DA) by Region, FY2005**  
(millions of dollars)



**Figure 3. Economic Support Funds  
by Region, FY2005  
(millions of dollars)**



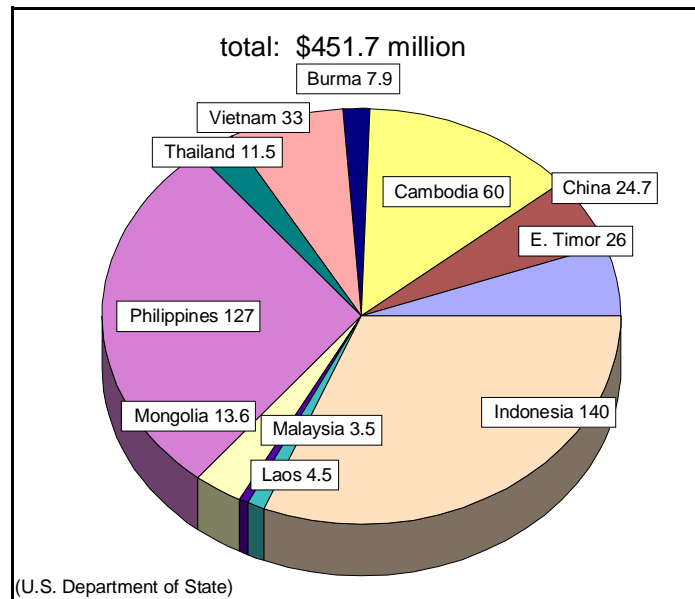
**Figure 4. Military Assistance  
by Region, FY2005  
(millions of dollars)**



## East Asia

Major objectives and program areas for U.S. assistance in East Asia include counterterrorism, 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 home 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).<sup>14</sup> USAID's programs in East Asia aim to address the conditions that may give rise to radical ideologies and terrorism — poverty and unemployment, lack of education, failing governments, political disenfranchisement, and violent conflict. In October 2003, the Bush Administration launched education programs in Muslim communities in the Philippines and in Indonesia as part of its regional counterterrorism efforts.

**Figure 5. U.S. Foreign Aid (Non-food) to East Asian Countries, FY2005 (millions of dollars)**



Among EAP countries (excluding the Pacific Island nations), in FY2005, Indonesia was the largest recipient of U.S. foreign aid, particularly health and development assistance (CSH and DA) 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). Counter-narcotics and

<sup>14</sup> For further information on Southeast Asian terrorist activities, see CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn, et. al.

law enforcement assistance (INCLE) were provided to the Philippines, Laos, and Thailand. Indonesia, Cambodia, and Vietnam were the largest recipients of Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). See **Figure 5**. Vietnam, as one of 15 focus countries under the President's Emergency Plan for AIDS Relief (PEPFAR), was the only Asian country to receive Global HIV/AIDS Initiative (GHAI) funding.

Economic Support Funds support several EAP regional programs. These include the Association of Southeast Asian Nations (ASEAN) Fund, Developing Asian Institutions Fund, and Regional Women's Issues. The ASEAN Fund, introduced in FY2004, promotes regional cooperation on several fronts, including terrorism, border security, HIV/AIDS and avian influenza, human trafficking, narcotics, and trade. The Asian Institutions Fund advances U.S. strategic interests through support of regional, multilateral fora such as the Asia-Pacific Economic Cooperation (APEC) meeting and the ASEAN Regional Forum (ARF). EAP also receives assistance through USAID's Regional Development Mission-Asia, including programs for reducing trafficking in persons, improved economic policy and governance, protecting the rights of people with disabilities, and the prevention and control of HIV/AIDS and other infectious diseases.

**Foreign Aid Restrictions.** In some East Asian countries, the United States has withheld assistance or restricted it to non-governmental organizations (NGOs) or to exiled democratic political groups in response to government actions that the United States has deemed undemocratic. The Consolidated Appropriations Act for FY2006 maintained human rights-related restrictions on U.S. foreign assistance to the governments of Burma, Cambodia, and Indonesia while supporting Burmese dissident groups and promoting civil society, human rights, and democracy in Cambodia, Indonesia, East Timor, Thailand, China, and Mongolia.

Between 1993 and 2005, Indonesia faced sanctions on military assistance largely due to U.S. congressional concerns about human rights violations, particularly those committed by Indonesian military forces (TNI). In February 2005, Secretary of State Condoleezza Rice determined that the Indonesian government and armed forces (TNI) had satisfied legislative conditions and certified the resumption of full IMET for Indonesia. The foreign operations appropriations act for FY2006 (P.L. 109-102), Section 599F(a), continued existing restrictions on FMF, stating that such assistance may be made available for Indonesia only if the Secretary of State certifies that the Indonesian government is prosecuting, punishing, and resolving cases involving members of the TNI credibly alleged to have committed gross violations of human rights in East Timor and elsewhere. Section 599F(b) provided that the Secretary of State may waive restrictions on FMF for Indonesia if such action would be in the national security interests of the United States. In November 2005, the Secretary of State waived restrictions on FMF to Indonesia on national security grounds pursuant to Section 599F(b).

**Indian Ocean Earthquake and Tsunami.** The December 26, 2004 tsunami caused catastrophic losses of lives and property in Aceh province, Indonesia,

with nearly 130,000 persons dead and over 500,000 displaced.<sup>15</sup> The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13) appropriated \$631 million for tsunami recovery and reconstruction in East and South Asia. The Bush Administration pledged \$400 million for relief and reconstruction efforts in Indonesia and \$5.3 million for Thailand.<sup>16</sup>

## Country Aid Levels and Restrictions — East Asia<sup>17</sup>

### Regional Development Mission-Asia

USAID's Regional Development Mission-Asia (RDM-Asia), inaugurated in 2003 to manage regional and country-specific aid primarily in mainland Southeast Asia, administers the following programs: Vulnerable Populations & Foreign Policy Interests; HIV/AIDS and Other Infectious Diseases; Improved Environmental Conditions in Asia; and Regional Governance and Economic Reform. The vulnerable populations program supports basic education, health care, victims of war, anti-trafficking, and mass media activities in Burma, Vietnam, Laos, and Thailand. Regional health programs assist health efforts in China, Laos, Thailand, and Vietnam. Environmental assistance includes improved access to clean water and sanitation, sustainable management of natural resources and biodiversity conservation, and pollution mitigation in Southeast Asia. Regional government programs focus on commercial legal reforms in Laos, Thailand, and Vietnam. Funding for RDM-Asia has increased dramatically since 2003. See **Table 2**.

**Table 2. Regional Development Mission-Asia, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	9,602	17,073	18,511	18,941	20,007
DA	1,969	9,200	10,400	16,446	14,440
ESF	3,720	994	3,472	18,216	11,400
Global HIV/AIDS	0	0	16,370	8,385	8,385
Totals	15,291	27,267	48,753	61,988	54,232

Source: U.S. Agency for International Development, *Budget Justification to the Congress, FY2007*.

<sup>15</sup> USAID, *Fact Sheet #39, Indian Ocean — Earthquakes and Tsunamis* (July 7, 2005).

<sup>16</sup> USAID, *USAID Rebuilds Lives after the Tsunami* (April 27, 2006).

<sup>17</sup> Including Southeast Asia and excluding North Korea and Pacific Island nations.

## Burma

**Table 3. U.S. Assistance to Burma, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	2,000	0	0	0	0
DA	0	0	0	0	0
ESF	6,950	12,923	7,936	10,890	7,000
Other			4,000 <sup>a</sup>	3,000 <sup>a</sup>	—
Totals	8,950	12,923	11,936	13,890	7,000

**Sources:** U.S. Department of State; USAID

a. 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 provides no direct aid to the Burmese government 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 arrest.<sup>18</sup> In addition, the SPDC reportedly has mismanaged the economy and has embarked upon a sudden, costly relocation of the capital from Rangoon to Pyinmana, a remote town in the center of the country. Continuing U.S. sanctions against Burma include opposition to international bank loans to Burma and a ban on debt restructuring assistance. In addition, U.S. foreign operations legislation mandates withholding contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) in amounts that correspond to the GFATM's assistance to the Burmese government.<sup>19</sup> 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.<sup>20</sup>

<sup>18</sup> For Burma aid sanctions, see P.L. 104-208, Section 570. For further information on Burma, see CRS Report RL33479, *Burma.-U.S. Relations*, by Larry A. Niksch.

<sup>19</sup> See P.L. 109-102, Section 526.

<sup>20</sup> The State Department has also awarded grants to the National Endowment for Democracy (NED) for assisting Burmese pro-democracy groups.

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

**FY2007 Foreign Operations Appropriations Legislation.** The Senate Appropriations Committee (S.Rept. 109-277) recommends \$13 million for democracy and humanitarian programs in Burma, \$6 million above the Bush Administration's budget request.

## Cambodia

**Table 4. U.S. Assistance to Cambodia, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	22,100	29,360	29,300	28,556	27,378
DA	3,687	2,750	8,950	5,487	6,597
ESF	15,000	16,900	16,864	14,850	13,500
FMF	0	0	992	990	500
NADR	2,765	3,916	4,170	3,700	5,050
<b>Totals</b>	<b>43,552</b>	<b>52,926</b>	<b>60,276</b>	<b>53,583</b>	<b>53,025</b>
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>a</sup>	0	703	0	0	0
FFP <sup>b</sup>	1,715	3,444	3,643	—	—
FFE <sup>b</sup>	650	0	0	—	—
Section 416(b) <sup>b</sup>	0	0	0	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

- a. USAID data — includes freight costs.
- b. USDA data — does not include freight costs.

Cambodia ranks 130<sup>th</sup> 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 infrastructure, and weak human resource base hinder not only economic but also political development.

U.S. restrictions on foreign assistance to Cambodia reflect congressional disapproval of Prime Minister Hun Sen's seizure of power in 1997 and other undemocratic political practices. Foreign operations appropriations have barred U.S. assistance to the central government of Cambodia and to the Khmer Rouge tribunal and instructed 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; and counter-narcotics activities.<sup>21</sup>

Cambodia is the recipient of a relatively large amount of foreign aid from a variety of sources. External funding accounts for over half of the country's government budget. Since 1996, the Consultative Group for Cambodia, a consortium of seven international financial organizations and 22 donor countries under the auspices of the World Bank, has met annually to set economic and political reform guidelines for the Cambodian government and to extend aid packages averaging \$500 million per year. Japan, Australia, and the United States are the largest bilateral aid donors to Cambodia.

ESF for Cambodia supports justice system reform, anti-corruption activities, democratic political parties, and civil society groups that monitor human rights conditions and investigate allegations of abuse. For FY2007, the Bush Administration requests \$2.5 million for a garment sector competitiveness program.

Cambodia receives FMF for border control and counterterrorism efforts, subject to congressional notification requirements. The United States provides small arms/light weapons destruction (NADR/SALW) funds to stop their proliferation. The FY2007 Congressional Budget Justification for Foreign Operations requests terrorist interdiction program (NADR/TIP) funds to help provide for a computerized system for collecting and analyzing traveler data to identify possible terrorists.

Cambodia is among the top five countries in the world for the number of landmine casualties (approximately 800 victims per year). Cambodia is to receive approximately \$5 million annually in 2006 and 2007 for de-mining (NADR/HD) programs. Cambodia participates in a USAID Office of Foreign Disaster Assistance (OFDA)-funded project (2003-2007) that aims to improve flood forecasting capacity and communications capabilities in communities in the Lower Mekong River Basin. On October 12, 2005, U.S. Secretary of Health and Human Services Michael Leavitt, on a visit to Southeast Asia, signed a cooperation agreement with Cambodian officials in which \$1.8 million was pledged to help the country guard against the spread of H5N1 (avian influenza).

**FY2007 Foreign Operations Appropriations Legislation.** The Senate Appropriations Committee (S.Rept. 109-277) does not continue restrictions on assistance to the central government of Cambodia, but requests that the State Department and USAID consult with the Committee when allocating funds for activities not currently exempt from such restrictions.

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<sup>21</sup> For most of these activities, USAID collaborates with the central government of Cambodia but continues to provide funding through the country's large and vibrant NGO community.

## People's Republic of China (PRC)

**Table 5. U.S. Assistance to China, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
DA	0	0	0	4,950	5,000
ESF	15,000	13,500 <sup>a</sup>	19,000 <sup>b</sup>	23,000 <sup>c</sup>	—
ESF/Tibet	—	3,976 <sup>a</sup>	4,216 <sup>b</sup>	3,960 <sup>d</sup>	—
Peace Corps	977	863	1,476	1,785	1,886
Totals	15,977	18,339	24,692	33,695	6,886

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

- a. P.L. 108-199.
- b. P.L. 108-447.
- c. House Rpt. 109-265.
- d. P.L. 109-102, Section 575.

USAID does not have a presence or mission in the People's Republic of China (PRC) and China does not receive development aid, largely stemming from U.S. objections to human rights conditions in China. However, the Peace Corps has been involved in English language and environmental education in China since 1993, and U.S. funding for democracy and Tibet programs has almost doubled since 2003. Economic Support Funds (ESF) have been appropriated for democracy, human rights, and rule-of-law programs in China since 2000, primarily to U.S.-based non-governmental organizations (NGOs) working in the PRC.

China received only Peace Corps assistance prior to 2000. The consolidated appropriations act for FY2000 appropriated \$1 million for foreign-based NGOs working in Tibet and authorized ESF for foreign NGOs to promote democracy in China. For FY2001, the United States extended \$28 million to the PRC as compensation for damages caused by the accidental NATO bombing of the Chinese Embassy in Belgrade in 1999. Since 2002, Congress has increased its annual earmark for democracy, human rights, and rule-of-law programs in China, from \$10 million in 2002 to \$23 million in 2006. Appropriations for cultural preservation, economic development, and environmental conservation in Tibetan communities in China has also grown. In 2004, the Bureau of Democracy, Human Rights and Labor (DRL) of the Department of State became the principal administrator of China democracy programs. Major U.S. grantees have included the National Endowment for Democracy (NED), the Asia Foundation, Temple University (School of Law), the American Bar Association, and the Bridge Fund (Tibet).

**FY2006 Appropriations.** The conference agreement (House Rpt. 109-265) on the 2006 foreign operations appropriations bill (H.R. 3057, signed into law as P.L. 109-102) authorized \$20 million for China/Hong Kong/Taiwan from the Human Rights and Democracy Fund (HRDF). In addition, Congress provided \$3 million to NED for democracy programs and up to \$5 million in Development Assistance to American educational institutions for programs in China related to democracy, rule

of law, and the environment, subject to the regular notification procedures of the Committees on Appropriations.<sup>22</sup> For Tibet, the FY2006 foreign aid measure authorized \$4 million to NGOs for cultural preservation, sustainable development, and environmental conservation in the Tibetan Autonomous Region and in Tibetan communities in China and \$250,000 to NED for human rights and democracy programs related to Tibet. In addition, the National Endowment for Democracy (NED) provides grants (approximately \$2 million per year since 1999) for programs that promote human rights, labor rights, legal and electoral reforms, and independent mass media in China from its annual congressional earmark.<sup>23</sup>

Since 2002, foreign operations appropriations legislation has prohibited funding to the United Nations Population Fund (UNFPA) because of its programs in China, which the State Department has determined involve coercive abortion. The United States continues to impose other restrictions that were put in place in the aftermath of the 1989 Tiananmen Square military crackdown, including “no” votes or abstentions by U.S. representatives to international financial institutions regarding loans to China (except those that meet basic human needs) and a ban on Overseas Private Investment Corporation (OPIC) programs in the PRC. 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, Tibet programs are still restricted to NGOs. Congress continues to require that U.S. representatives to international financial institutions support projects in Tibet only 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.<sup>24</sup>

**FY2007 Foreign Operations Appropriations Legislation.** The Senate Appropriations Committee (S.Rept. 109-277) recommends \$49 million for democracy and rule of law programs in the PRC in 2007, an increase of \$44 million above the President’s budget request, as part of the Bush Administration’s “transformational diplomacy” initiative. Of this amount, the Committee recommends \$14 million in DA funds to American educational institutions and NGOs for programs and activities related to the environment, democracy, and the rule of law in the PRC.

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<sup>22</sup> For descriptions of HRDF projects in China, see U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *FY2005-2006 Human Rights and Democracy Fund Projects Fact Sheet*, December 6, 2005.

<sup>23</sup> See General Accounting Office, “Foreign Assistance: U.S. Funding for Democracy-Related Programs,” February 2004.

<sup>24</sup> For further information, see CRS Report RL31910, *China: Economic Sanctions*, by Dianne E. Rennack.

## East Timor (Democratic Republic of Timor-Leste)

**Table 6. U.S. Assistance to East Timor, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
DA	0	0	500	0	0
ESF	24,838	22,367	21,824	18,810	13,500
FMF	1,990	2,420	1,023	990	500
IMET	119	159	364	297	320
INCLE	0	0	0	1,485	0
PKO	3,250	1,050	1,228	0	0
Peace Corps	1,219	1,320	1,372	1,632	1,703
<b>Totals</b>	<b>31,416</b>	<b>27,316</b>	<b>25,811</b>	<b>23,214</b>	<b>16,023</b>
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>a</sup>	0	669	994	0	0

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

a. USAID data — includes freight costs.

East Timor (Democratic Republic of Timor-Leste) gained full independence in May 2002. The United States supports a wide 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. USAID programs in the country support maternal and child health. Economic programs include commercial law development, private sector competitiveness, trade and foreign investment. Political aid activities include building judicial institutions, supporting political parties and the electoral process, 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 Timor Leste Defense Force, with an emphasis on maritime security and the transition to a democratic, professional, and effective force. In November 2005, the Millennium Challenge Corporation selected East Timor as eligible for MCA assistance. The United States is the third largest bilateral aid donor to East Timor after Australia and Portugal.

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), granting excess defense articles and International Military Education and Training (IMET) to East Timor.<sup>25</sup>

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<sup>25</sup> 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.

## Indonesia

**Table 7. U.S. Assistance to Indonesia, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	31,955	33,000	37,100	28,017	27,507
DA	39,016	33,291	27,848	33,212	26,724
ESF	59,610	49,705	68,480	69,300	80,000
FMF	0	0	0	990	6,500
IMET	0	599	728	792	1,285
INCLE	0	0	0	4,950	4,700
NADR	1,008	5,998	6,262	6,092	7,771
<b>Totals</b>	<b>131,589</b>	<b>122,593</b>	<b>140,418</b>	<b>143,353</b>	<b>154,487</b>
<b>Food Aid/Disaster Relief</b>					
P.L. 480 Title I USDA Loan	0	0	0	—	—
P.L. 480 Title II Grant <sup>a</sup>	29,540	4,115	10,489	0	24,000
FFP <sup>b</sup>	0	5,597	6,194	—	—
Section 416(b) <sup>b</sup>	7,926	17,700	9,078	—	—
Tsunami Relief <sup>c</sup>	—	—	400,000	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

- a. USAID data — includes freight costs.
- b. USDA data — does not include freight costs.
- c. Tsunami Recovery and Reconstruction Fund, P.L. 109-13.

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 in Muslim countries. According to the Department of State, Indonesia, as the largest Muslim country in the world, “is known for its moderate, pluralistic, and tolerant practice of Islam.” The country “continues to cooperate with the U.S. and regional players on improving its law enforcement capabilities to counter terrorist attacks and financial crimes associated with them.”<sup>26</sup> U.S. assistance programs target corruption, terrorism, and weak foreign investment inflows. A major U.S. aid initiative is the six-year, \$157 million education program begun in 2004. The MCC has designated Indonesia as a “threshold” country for 2006, meaning that the country is close to meeting MCA criteria and may receive assistance in reaching eligibility status. The United States is the second-largest bilateral donor to Indonesia after Japan.

Other USAID programs and proposals for Indonesia include the following: CSH funds for local maternal and child health care, clean water, and HIV/AIDS and other infectious diseases prevention and treatment; DA allocations for natural

<sup>26</sup> U.S. Department of State, *FY2006 Congressional Budget Justification for Foreign Operations*.

resource management and biodiversity conservation; and ESF for several targeted areas — the justice sector, government accountability, corruption, conflict resolution, civil society, and economic growth.

INCLE programs aim to help develop the Indonesian National Police “into modern and effective civilian forces respectful of the rule of law and human rights.” NADR assistance for Indonesia includes counterterrorism training, counterterrorism financing, and export control and border security.

**Military Assistance.** In 2005, the Bush Administration determined that Indonesia had met legislative conditions for the resumption of full IMET and waived restrictions on FMF on national security grounds, thus lifting sanctions that were first imposed in 1993.<sup>27</sup> The Consolidated Appropriations Act for 2004 (P.L. 108-199) made IMET available to Indonesia if the Secretary of State determined that the Indonesian 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 Indonesian government was prosecuting and punishing those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights, particularly in East Timor in 1999. The FY2005 foreign operations appropriations measure (P.L. 108-447) contained similar provisions. In February 2005, Secretary of State Condoleezza Rice determined that the Indonesian government and armed forces had cooperated with the FBI’s investigation into the Papua murders, thereby satisfying legislative conditions, and certified the resumption of full IMET for Indonesia. The foreign aid appropriations act for FY2006 (P.L. 109-102) continued existing restrictions on FMF to Indonesia; however, the law provided that the Secretary of State may waive restrictions if such action would be in the national security interests of the United States. In November 2005, the Secretary of State exercised the waiver authority and allowed FMF for Indonesia.

**2004 Tsunami Relief.** The December 26, 2004 tsunami caused catastrophic losses of lives and property in Aceh province, Indonesia, with nearly 130,000 persons dead and over 500,000 displaced.<sup>28</sup> The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13) appropriated \$631 million for tsunami recovery and reconstruction in East and South Asia. Of this amount, the Bush Administration pledged \$400 million for relief and reconstruction efforts in Indonesia.<sup>29</sup>

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<sup>27</sup> Notwithstanding the restrictions on IMET and FMF, from 1997-2004, Congress allowed Indonesia to participate in *Expanded* International Military Education and Training (E-IMET), which emphasizes and teaches human rights, military codes of conduct, and the principles and practices of civilian control of the military; the FY2005 foreign operations appropriations measure (P.L. 108-447) allowed FMF to the Indonesian navy to enhance maritime security.

<sup>28</sup> USAID, *Fact Sheet #39, Indian Ocean — Earthquakes and Tsunamis* (July 7, 2005).

<sup>29</sup> USAID, *USAID Rebuilds Lives after the Tsunami* (April 27, 2006).

## Laos

**Table 8. U.S. Assistance to Laos (LPDR), 2003-2007**  
(thousand of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
ESF	0	0	0	0	500
CSH	1,000	0	0	0	0
DA	1,000	0	0	0	0
INCLE	2,500	2,000	1,984	990	900
NADR	1,200	1,412	2,500	3,300	3,400
Totals	5,700	3,412	4,484	4,290	4,800
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>a</sup>	685	0	0	0	0
Section 416(b) <sup>b</sup>	0	0	0	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

- a. USAID data — includes freight costs.  
b. USDA data — does not include freight costs.

Laos is one of the poorest countries in the world, with a per capita GDP of \$1,900 (purchasing power parity), a life expectancy of 55 years, and a literacy rate of 66%.<sup>30</sup> However, the country does not receive CSH or Development Assistance. Although there are no formal restrictions, U.S. foreign assistance to Laos remains relatively limited and channeled through NGOs rather to the government of Laos due to strained bilateral relations and to the country's status as a Tier 3 country on the State Department's Trafficking in Persons Report (TIP).<sup>31</sup> INCLE funding supports counter-narcotics efforts, such as road construction, which would help enable farmers to market crops other than opium, and the training of counter-narcotics police units.<sup>32</sup> NADR humanitarian demining (HD) assistance is provided in cooperation with NGOs and UXO Lao, a quasi-governmental entity. Unexploded ordnance from the Vietnam War has injured over ten thousand Laotians and resulted in over five thousand deaths and continues to wreak havoc on farmers and children. For FY2007, ESF would promote economic and judicial reform.

In October 2005, U.S. Secretary of Health and Human Services Michael Leavitt signed a cooperation agreement with Lao officials in which the United States pledged \$3.4 million to Laos for controlling outbreaks of avian flu.

<sup>30</sup> CIA, *The World Factbook*, 2006.

<sup>31</sup> Department of State, Office to Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report*, 2006.

<sup>32</sup> Laos is the world's third-largest producer of opium.

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

## Malaysia

**Table 9. U.S. Assistance to Malaysia, 2003-2007**

(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
IMET	831	939	1,100	891	885
NADR	1,267	230	2,308	1,632	3,465
Totals	2,098	1,169	3,408	2,523	4,350

Sources: U.S. Department of State; USAID

The United States and Malaysia share important interests in Southeast Asia, including counterterrorism objectives, 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. The United States extends IMET and NADR funds to Malaysia. 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 attempts to impart democratic ideals and norms upon the armed forces of Malaysia. NADR programs support joint counterterrorism activities, counterterrorism financing, the Southeast Asia Regional Counterterrorism Center, and export control and border security.

## Mongolia

**Table 10. U.S. Assistance to Mongolia, 2003-2007**

(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
ESF	10,000	9,941	9,920	7,425	7,500
FMF	990	995	992	2,970	3,000
IMET	767	872	1,009	866	910
Peace Corps	1,765	1,646	1,694	1,876	1,956
PKO	0	1,000	0	0	0
Totals	13,522	14,454	13,615	13,137	13,366
<b>Food Aid</b>					
FFP <sup>a</sup>	3,612	8,572	3,658	—	—
Section 416(b) <sup>a</sup>	0	0	0	—	—

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

a. USDA data — does not include freight costs.



U.S. assistance programs in Mongolia, a strategically-important nation that has actively supported U.S. policy goals in the East Asia-Pacific region and in the global war on terrorism, aim to help the country transform itself into a free market democracy. Economic Support Funds target private sector development and effective and accountable governance. FMF supports efforts at controlling Mongolia's borders with China and Russia against trafficking in illegal drugs and goods. IMET objectives include civilian control of the military, respect for international human rights standards, officer training, military justice, and preparation for participation in peacekeeping operations. Since 2004, Mongolia has been eligible for MCA assistance. In September 2005, the government of Mongolia submitted a proposal to the Millennium Challenge Corporation for several projects to be funded by MCA funds, including railroad construction, improved housing, and health services.

The top bilateral aid donors to Mongolia are Japan, Germany, and the United States.

## Philippines

**Table 11. U.S. Assistance to Philippines, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2003 W.S. <sup>a</sup>	FY2004	FY2005	FY2006 Estimate	FY2007 Request
CSH	22,920	—	28,850	27,050	22,671	21,072
DA	28,209	—	21,568	27,576	25,522	19,603
ESF	15,000	30,000	17,645	30,720	19,800	20,000
FMF	19,870	30,000	19,880	29,760	29,700	17,600
IMET	2,400	—	2,700	2,915	2,871	2,865
INCLE	0	—	2,000	3,968	1,980	1,900
NADR	2,094	—	750	2,257	5,277	5,487
Peace Corps	2,624	—	2,774	2,820	2,776	2,910
PKO	0	—	15,000	0	0	0
<b>Totals</b>	<b>93,117</b>	<b>60,000</b>	<b>111,167</b>	<b>127,066</b>	<b>110,597</b>	<b>91,437</b>
<b>Food Aid</b>						
P.L. 480 Title I USDA Loan	40,000	—	20,000	20,000	—	—
FFP <sup>c</sup>	0	—	3,517	1,720	—	—
Section 416(b) <sup>b</sup>	7,936	—	0	5,644	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

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

b. USDA data — does not include freight costs.

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 in the EAP region. The major program areas of U.S. foreign aid are corruption and economic governance; basic education; family planning and

health care; and the environment. Most education assistance and 60% of all CSH, DA, and ESF to the Philippines support programs in Muslim areas of Mindanao. The MCC has designated the Philippines as a “threshold” country for 2006 or close to meeting MCA criteria and eligible for assistance in qualifying.

CSH programs in the Philippines support maternal and child health and nutrition, the prevention and treatment HIV/AIDS and other infectious diseases, and family planning. Development Assistance targets corruption, economic growth, the environment, and education. Economic Support Funds promote economic development and access to education in Mindanao, home of Philippine Muslim insurgency groups such as the Moro Islamic Liberation Front (MILF) and Abu Sayyaf, which reportedly have ties to Jemaah Islamiyah (JI). JI is a Southeast Asian Muslim terrorist organization which purportedly has links to Al Qaeda. FMF contributes to the military capabilities of the armed forces of the Philippines and to the Philippine Defense Reform Initiative. IMET promotes military professionalism, civilian control of the military, and military-to-military contacts between the United States and the Philippines. INCLE and NADR help to strengthen the anti-narcotics and anti-trafficking-in-persons capabilities of the Philippines police forces. Other NADR activities include counterterrorism financing, terrorist interdiction, and export control and border security. In addition, the Philippines has been made eligible for priority delivery of Excess Defense Articles (EDA).<sup>33</sup>

The United States signed a Tropical Forest Conservation Act Agreement with the Philippines on September 19, 2002.<sup>34</sup> 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.

The United States is the largest grant donor to the Philippines. According to USAID, other major bilateral donors are Japan, China, Germany, and the United Kingdom.

**FY2007 Foreign Operations Appropriations Legislation.** The Senate Appropriations Committee (S.Rept. 109-277) recommends the following changes to the Bush Administration’s 2007 budget request for the Philippines: the addition of \$9 million in Democracy Funds to support free mass media; \$30 million in FMF for anti-terrorism efforts (\$12.4 million above the President’s request); and \$12.3 million in ESF (\$7.7 below the request).

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<sup>33</sup> Excess Defense Articles consist of used U.S. weapons and equipment given away for free.

<sup>34</sup> The Tropical Forest Conservation Act (P.L. 105-214).

## Thailand

**Table 12. U.S. Assistance to Thailand, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
DF	—	—	—	1,980	—
CSH	1,500	0	0	0	0
DA	1,250	0	0	0	0
ESF	0	0	992	990	0
FMF	1,990	881	1,488	1,485	1,300
IMET	1,768	2,572	2,526	2,376	2,370
INCLE	3,700	2,000	1,608	990	900
NADR	200	1,380	1,782	4,301	2,134
Peace Corps	1,818	1,840	2,143	2,190	2,185
PKO	0	500	0	0	0
<b>Totals</b>	<b>12,226</b>	<b>9,173</b>	<b>10,539</b>	<b>14,312</b>	<b>8,889</b>

Sources: U.S. Department of State; USAID

Thailand is one of five U.S. treaty allies in Asia and was designated a Major Non-NATO Ally in 2003. Thailand has sent troops to both Afghanistan and Iraq and has aggressively pursued terrorist cells within its borders. According to the State Department, “U.S. government assistance to Thailand enhances U.S. influence in a strategically important region, strengthens Thailand’s efforts to combat terrorism, narcotics trafficking and other international crime, and reinforces military cooperation.”<sup>35</sup> FMF helps to boost the counterterrorism capabilities of Thailand’s Special Forces units. Thai IMET graduates hold a majority of senior military positions. INCLE programs help Thailand fight corruption in its criminal justice system as well as organized crime in the region. NADR assistance helps Thai police counter terrorist activities in majority-Muslim provinces of the south, where a separatist insurgency has claimed the lives of 1,300 Thais since 2004.

**Environmental and Disaster Assistance.** 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. Since 2003, Thailand has participated in an OFDA-funded, five-year Mekong River flood early warning project. The United States government pledged \$5.3 million in relief and reconstruction assistance for areas in Thailand affected by the December 2004 tsunami.

**FY2007 Foreign Operations Appropriations Legislation.** The Senate Appropriations Committee (S.Rept. 109-277) recommends \$5 million in Democracy

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<sup>35</sup> U.S. Department of State, *FY2006 Congressional Budget Justification for Foreign Operations*.

Funds for Thailand. Some observers have criticized Prime Minister Thaksin for weakening democratic institutions through his authoritarian style of leadership and harsh measures against Muslims in the southern part of the country.<sup>36</sup>

## Vietnam

**Table 13. U.S. Assistance to Vietnam, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	5,300	6,100	1,200	0	0
DA	7,671	3,000	4,750	2,818	2,440
ESF	0	0	0	1,980	1,000
GHAI	0	10,000	24,044	31,214	54,000
IMET	0	0	50	50	95
NADR	2,527	3,214	3,331	3,690	3,700
Totals <sup>37</sup>	15,498	22,314	33,375	39,752	61,235
<b>Food Aid</b>					
FFP <sup>a</sup>	15,122	7,898	0	—	—
FFE <sup>a</sup>	4,796	0	0	—	—
Section 416(b) <sup>a</sup>	0	6,170	0	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture

a. USDA data — does not include freight costs.

The United States is not a major aid donor to Vietnam. However, Vietnam, with over 200,000 HIV-positive persons and a higher HIV infection rate than India and China, is the only Asian country to receive assistance through the President's Emergency Plan for AIDS Relief (PEPFAR) using Global HIV/AIDS Initiative (GHAI) funds. When PEPFAR is included, Vietnam is one of the largest recipients of U.S. assistance in East Asia. Other U.S. 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 NADR support programs for war and land mine victims. Development Assistance for Vietnam supports the country's efforts to implement the 2001 Bilateral Trade Agreement with the United States and prepare for World Trade

<sup>36</sup> See CRS Report RL32593, *Thailand: Background and U.S. Relations*, by Emma Chanlett-Avery.

<sup>37</sup> 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, Bureau of International Labor Affairs projects in Vietnam, Centers for Disease Control (CDC) HIV/AIDS programs, and Fulbright educational exchanges.

Organization (WTO) accession, which is expected in 2006 or 2007. ESF supports development projects in the Central Highlands, where many reported human rights abuses against the Christian, ethnic minority Montagnards allegedly have occurred. In June 2005, the United States and Vietnam concluded an agreement whereby the United States would establish an IMET program in Vietnam involving medical, technical, and language support.<sup>38</sup>

Political and security relations between Hanoi and Washington have improved markedly in recent years, as symbolized in 2005 by the signing of a bilateral IMET agreement and the sending of Vietnamese officers to the United States for English language training. During a trip to Hanoi in June 2006, Secretary of Defense Donald Rumsfeld and his Vietnamese counterpart discussed expanding the IMET program. Reportedly, the Vietnamese also inquired about acquiring certain U.S. military equipment and spare parts.

Many Members of Congress have supported placing conditions upon U.S. assistance to Vietnam. The Vietnam Human Rights Act of 2005 (H.R. 3190) would prohibit non-humanitarian assistance to the government of Vietnam unless the President certifies to Congress that Vietnam has made substantial progress regarding freedom of religion, the human rights of ethnic minority groups in the Central Highlands, and combating trafficking in persons.<sup>39</sup> At present, the bilateral IMET agreement is the only aid program that would be affected, because it is the only U.S. non-humanitarian assistance that is given directly to the government of Vietnam.

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.

## South Asia

Key U.S. foreign aid objectives in South Asia include combating terrorism, developing bilateral military ties, 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, counterterrorism 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 participation in Operation Enduring Freedom

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<sup>38</sup> Sharon Behn, "U.S. Military Specialists Headed to Vietnam," *Washington Times*, June 23, 2005.

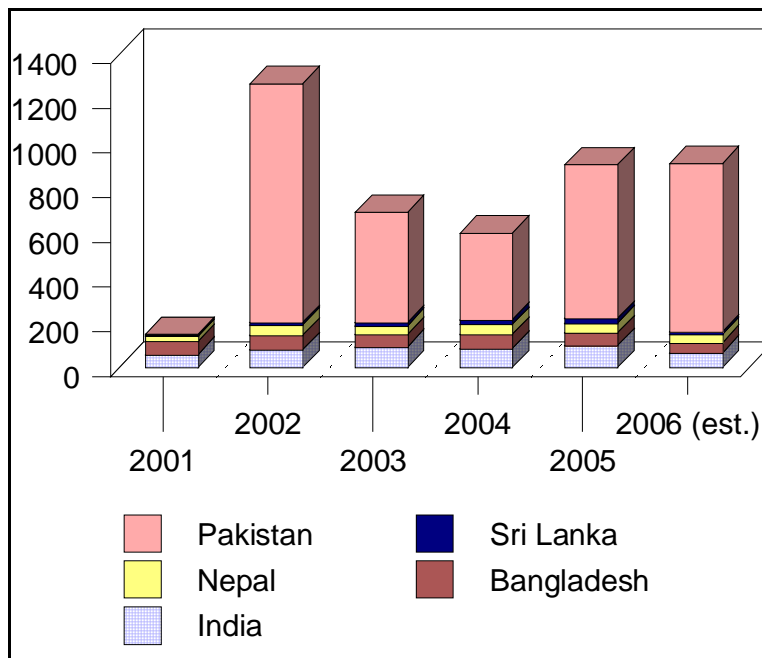
<sup>39</sup> For further information about United States foreign aid to Vietnam and proposed sanctions, see CRS Report RL33316, *U.S.-Vietnam Relations: Background and Issues for Congress* and CRS Report RL32636, *U.S. Assistance to Vietnam*, both by Mark E. Manyin.

(OEF) in Afghanistan, the country became the largest beneficiary of U.S. foreign assistance in the region after Afghanistan, followed by India. See **Figure 6**.

South Asia faces daunting development challenges, including poverty, HIV/AIDS and childhood diseases, illiteracy, and fast-growing populations. These conditions in turn threaten political stability and, according to some observers, create fertile ground for the rise of radical religious thinking and political ideologies. 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.<sup>40</sup> Since 2005, Bangladesh, India, and Nepal have received significant increases in Anti-Terrorism Assistance (ATA).

USAID's South Asia Regional Initiative for Energy promotes international energy cooperation, infrastructure investment, and regulatory reform. The South Asia Regional Fund (an estimated \$900 million in 2006) addresses "the conditions that breed extremism as well as the perceptions that feed extremism" with programs that advance economic opportunity, democracy projects that foster government accountability and citizen participation, and education initiatives that aim to enhance tolerance, critical thinking, problem solving, and employment skills. South Asian countries also receive assistance through USAID's Asia Near East (ANE) regional programs, including workforce development, democracy building, and education programs for promoting social tolerance and political moderation.

**Figure 6. U.S. Assistance to South Asia  
(Excluding Food Aid), 2001-2006  
(millions of current U.S. dollars)**



<sup>40</sup> See CRS Report RL32259, *Terrorism in South Asia*, by K. Alan Kronstadt and Bruce Vaughn.

**Foreign Aid Restrictions.** Both India and Pakistan 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 its delinquency on foreign loan payments and because of the military coup that took place in October 1999. 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), exempting Pakistan from coup-related sanctions through FY2002, providing waiver authority on the sanctions through FY2003, and granting an exemption from foreign aid prohibitions related to the country's loan defaults.<sup>41</sup> Congress has extended the waiver authority on coup-related sanctions and the exemption regarding loan arrearage on a yearly basis through FY2006. Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan. The President again certified the waiver on February 8, 2006. 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 U.S. foreign policy imperatives.

**Disaster Assistance.** In the December 2004 earthquake and tsunami, Sri Lanka suffered heavy human losses and property damage. The United States government pledged \$134 million in disaster assistance (including USAID disaster assistance and food aid and USDA food aid) to Sri Lanka and \$17.9 million to India.<sup>42</sup> On October 8, 2005, a catastrophic, magnitude 7.6 earthquake struck Pakistan, killing over 73,000 persons in Pakistan and 1,333 in India and leaving nearly 3 million people homeless. The United States pledged \$300 million in economic assistance to the affected region.<sup>43</sup>

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<sup>41</sup> Pursuant to P.L. 107-57, the President must determine and certify that such a waiver: (a) would facilitate the transition to democratic rule in Pakistan; and (b) is important to United States efforts respond to, deter, or prevent acts of international terrorism.

<sup>42</sup> USAID, *Fact Sheet no. 39, Indian Ocean — Earthquake and Tsunamis* (July 7, 2005); USAID, *Tsunami Assistance, One Year Later* (December 21, 2005).

<sup>43</sup> USAID, *Fact Sheet no. 44, South Asia — Earthquake* (August 25, 2006).

## Country Aid Levels and Restrictions — South Asia

### Bangladesh

**Table 14. U.S. Assistance to Bangladesh, 2003-2007**

(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	27,600	35,500	33,412	26,384	25,884
DA	21,391	18,200	16,535	10,859	8,400
ESF	4,000	4,971	4,960	4,950	5,000
FMF	0	0	248	990	875
IMET	772	862	1,035	891	985
NADR	0	0	893	200	3,713
Peace Corps	1,248	1,566	1,773	1,804	1,870
<b>Totals</b>	<b>55,011</b>	<b>61,099</b>	<b>58,856</b>	<b>46,078</b>	<b>46,727</b>
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>a</sup>	38,577	33,451	22,122	29,934	46,000
Section 416(b) <sup>b</sup>	49	53	3,257	—	—

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

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

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. According to the Department of State, Bangladesh is a moderate Islamic democracy; however, poverty, political divisiveness, and corruption, combined with porous borders, have increased the attractiveness of radical ideologies, including rising Islamist militancy: “Bolstering democracy and advancing development in Bangladesh are, therefore, essential to promoting stability and preventing the spread of terrorism in South Asia.”<sup>44</sup> CSH funding supports the following efforts: child, maternal, and reproductive health; family planning; HIV/AIDS programs; and TB and Avian Influenza prevention. Development Assistance targets effective and accountable governance, anti-corruption activities, private sector development, basic education, water and sanitation, and disaster mitigation. ESF programs support parliamentary reforms and economic initiatives. FMF helps to build the country’s Coast Guard. IMET aims to promote an apolitical, professional Bangladeshi military as well as build counterterrorism and peacekeeping capabilities. NADR programs include anti-terrorist police training, counter-terrorist financing, and terrorist interdiction.

<sup>44</sup> U.S. Department of State, “FY2007 Congressional Budget Justification for Foreign Operations,” February 2006.



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.<sup>45</sup>

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

## India

**Table 15. U.S. Assistance to India, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	47,438	47,800	53,222	47,690	48,366
DA	34,495	22,539	24,856	10,892	10,004
ESF	10,500	14,912	14,880	4,950	6,500
IMET	1,000	1,366	1,502	1,188	1,480
NADR	1,000	685	4,181	2,445	1,478
<b>Totals</b>	<b>94,433</b>	<b>87,302</b>	<b>98,641</b>	<b>67,165</b>	<b>67,828</b>
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>a</sup>	42,812	40,869	35,763	44,053	45,000
Section 416(b) <sup>b</sup>	0	0	0	—	—

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

- a. USAID data — includes freight costs.  
b. USDA data — does not include freight costs.

The United States significantly increased bilateral aid to India in FY2002 and FY2003, largely as part of its anti-terrorism efforts in the region. Both counterterrorism efforts and daunting economic and social problems remain key targets of U.S. assistance. Current programs are viewed in the context of a strengthening strategic partnership between the two countries.

CSH funds target health programs, HIV/AIDS prevention and treatment, and family planning. According to the Department of State, India is home to one-third of the world's poor, and more than half of the country's children are malnourished. India has an estimated 5.1 million people infected with the HIV virus, the second highest national total in the world after South Africa. Many members of Congress have called for India to be included in the President's Emergency Plan for AIDS Relief.<sup>46</sup> Development Assistance initiatives include water and sanitation programs, basic education, disaster management, and economic growth programs that may

<sup>45</sup> Pursuant to the Tropical Forest Conservation Act (P.L. 105-214).

<sup>46</sup> See 108<sup>th</sup> Congress, H.R. 4449 and S. 2203 and 109<sup>th</sup> Congress, H.R. 1408 and S. 674.

provide opportunities for U.S. investment. ESF for India has several components, including fiscal reform, power sector distribution, vocational education, disaster mitigation, and urban infrastructure and services. IMET helps to strengthen professionalism in the Indian military and facilitate cooperation in U.S.-India joint exercises. NADR Anti-Terrorism Assistance supports training courses related to explosive detection and countermeasures. NADR funding for the Export Control and Related Border Security Assistance (EXBS) program assists India in strengthening its export control system in order to help stem the spread of weapons of mass destruction.

**Non-Proliferation Sanctions.** 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.<sup>47</sup> 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 all remaining sanctions on India and Pakistan resulting from their 1998 nuclear tests.

The United States government pledged \$17.9 million in disaster relief and reconstruction assistance to India for areas affected by the December 2004 tsunami.

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

## Nepal

**Table 16. U.S. Assistance to Nepal, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	19,899	24,840	25,165	18,613	17,985
DA	10,247	8,874	10,000	7,895	7,051
ESF	4,000	4,971	4,960	4,950	5,000
FMF	2,950	3,975	0	—	1,300
IMET	500	546	648	644	790
NADR	0	0	2,771	991	1,186
Peace Corps	2,624	2,108	179	—	—
<b>Totals</b>	<b>40,220</b>	<b>45,314</b>	<b>43,723</b>	<b>33,093</b>	<b>33,312</b>

<sup>47</sup> Department of Defense Appropriations Act, FY2000 (P.L. 106-79).

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
<b>Food Aid</b>					
P.L. 480 Title II Grant <sup>b</sup>	0	0	966	0	0
FFE <sup>c</sup>	2,130	0	3,871	—	—
Section 416(b) <sup>c</sup>	0	0	0	—	—

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

- a. Supplemental Appropriations (P.L. 107-206).
- b. USAID data — includes freight costs.
- c. USDA data — does not include freight costs.

In 2005-2006, Nepal experienced a period of political instability marked by sharp conflict between King Gyanendra, democratic political parties, students, and Maoist insurgents. According to the Department of State, U.S. assistance in Nepal has refocused on democracy and governance objectives: “Working to persuade Nepal’s constitutional political actors to reconcile in order to counter that Maoist threat from a position of strength is key to achieving U.S. regional and bilateral goals.”<sup>48</sup> The FY2007 budget request includes a new, multi-pronged development program which aims to enhance stability and security through addressing “key sources of fragility” — exclusion, weak governance, lack of economic opportunities and inequitable growth.”

In 2004, the United States suspended the Peace Corps program in Nepal after Maoist rebels bombed the United States Information Center in Kathmandu.

IMET helps the Royal Nepal Army (RNA) to conduct disciplined military operations within the constraints of the rule of law, international human rights standards, and democratic values. NADR Anti-Terrorism Assistance funds programs that respond to a resurgent Maoist insurgency. The FY2007 budget request includes funding for a NADR Terrorist Interdiction Program (TIP).

Since 2005, the United States has placed restrictions upon FMF for Nepal due to human rights concerns and unless the Secretary of State determines that waiving such restrictions is in the national security interests of the United States. The Foreign operations appropriations measure for FY2006 (P.L. 109-102) provided that FMF may be made available to Nepal only if the Secretary of State certifies that the Government of Nepal has restored civil liberties, is protecting human rights, and has demonstrated a commitment to restoring multi-party democratic government. The FY2007 budget justification states that “FMF is critical, both for combating the Maoists and for the incentive it provides for the country to improve its record in human rights and democracy in order to qualify for FMF.”

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<sup>48</sup> U.S. Department of State, “FY2007 Congressional Budget Justification for Foreign Operations,” February 2006.

**FY2007 Foreign Operations Appropriations Legislation.** The House Appropriations Committee (H.Rept. 109-486), expressing concern about the alleged “disproportionate military response” to student democracy demonstrators in 2006 in Kathmandu, does not recommend IMET funding for 2007 and argues that the Department of State and Defense should review this matter before implementing IMET in 2006.

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

## Pakistan

**Table 17. U.S. Assistance to Pakistan, 2003-2007**  
(thousands of dollars)

	FY2003	FY2003 W.S. <sup>a</sup>	FY2004	FY2004 E.S. <sup>b</sup>	FY2005	FY2005 <sup>d</sup>	FY2006 est.	FY2007 req.
CSH	15,645	—	25,600	—	21,000	—	32,172	21,700
DA	34,500	—	49,400	—	29,000	—	40,590	29,000
ESF	188,000	—	—	200,000 <sup>c</sup>	297,600	—	337,095	350,000
FMF	49,500	175,000	74,560	—	148,800	150,000	297,000	300,000
IMET	990	—	1,384	—	1,885	—	2,024	2,075
INCLE	6,000	25,000	31,500	—	32,150	—	37,620	25,500
NADR	717	—	4,930	—	7,951	—	7,800	10,920
Totals	295,352	200,000	187,374	200,000	538,386	150,000	754,301	739,195
<b>Food Aid</b>								
P.L. 480 Title II <sup>e</sup>	6,792	—	13,067	—	0	—	3,427	0
FFE <sup>f</sup>	4,200	—	0	—	5,796	—	—	—
FFP <sup>f</sup>	8,977	—	5,980	—	10,170	—	—	—
Section 416(b) <sup>f</sup>	0	—	9,583	—	1,972	—	—	—

a. Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11).

b. Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106).

c. 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).

d. Emergency Supplemental Appropriations Act, 2005 (P.L. 109-13).

e. USAID data — includes freight costs.

f. USDA data — does not include freight costs.

**Foreign Aid Programs.** The State Department's FY2007 congressional budget justification states that "Pakistan is a front-line state and firm ally in the global war on terrorism." Most U.S. assistance programs in the country claim to directly or indirectly serve U.S. counterterrorism goals. To offset the costs of ongoing military operations, Pakistan has received emergency economic aid and bilateral debt reduction assistance. Programs supporting health care, education, economic development, and democratization aim to promote social and political moderation. Since 2002, USAID has carried out a \$100 million, five-year education program, especially in Baluchistan and Sindh provinces in southern Pakistan.<sup>49</sup> ESF and DA funds support activities to improve and strengthen elections processes, political parties, legislative functions, local government, and human rights. The United States government has committed over \$69 million in humanitarian assistance to Pakistan in response to the devastating October 2005 earthquake centered in Pakistan-administered Kashmir.<sup>50</sup> In addition, in 2006, USAID implemented an earthquake reconstruction program with planned and proposed expenditures of \$55 million and \$50 million in FY2006 and FY2007, respectively.

According to the State Department, in 2007, FMF is to be used for Pakistani military modernization, including the acquisition of helicopters, vehicles, spare parts, communications and surveillance equipment, and night vision gear. IMET supports education in professional military conduct and increasingly technical training in information and financial management, logistics, and weapons operation and maintenance. INCLE programs focus on reversing the recent growth in opium production, after almost eradicating poppy cultivation in 2000, providing economic alternatives, and reducing demand for heroin. NADR programs include anti-terrorism assistance, including crisis response training, terrorist interdiction software, counterterrorism finance capabilities, and reform of export control laws.

**Lifting of Foreign Aid Restrictions.** Pakistan received limited U.S. assistance during the 1990s — counter-narcotics support, food aid, and Pakistan NGO Initiative programs<sup>51</sup> — due to congressional restrictions in response to Pakistan's nuclear weapons program. 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.<sup>52</sup> In 1998, following nuclear weapons

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<sup>49</sup> Pakistan's literacy rate, at 49%, ranks among the world's lowest.

<sup>50</sup> The United States government pledged a total of \$300 million in economic assistance to the areas affected by the disaster. See USAID, *South Asia — Earthquake, Fact Sheet #44* (August 25, 2006).

<sup>51</sup> The USAID Pakistan NGO Initiative delivered education and health services primarily through the Asia Foundation and Aga Khan Foundation USA and independently of the government of Pakistan. Total funding for the program (1994-2003) was \$10 million.

<sup>52</sup> The Brown Amendment to the Foreign Assistance Act (1995) narrowed the prohibition to military assistance only.

tests carried out by India and Pakistan, President Clinton imposed restrictions on non-humanitarian aid to both countries pursuant to the Arms Export Control Act of 1968 (Section 102). Furthermore, Pakistan continued to be ineligible for most forms of U.S. foreign assistance due to its delinquency in servicing its debt to the United States and to the 1999 military coup.<sup>53</sup> Although the Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President authority to permanently waive all nuclear test-related sanctions, President Clinton waived few restrictions on Pakistan (e.g., USDA credits and U.S. commercial bank loans) as compared to India.

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 India and Pakistan. 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 United States government to waive sanctions related to the military coup and authorizing presidential waiver authority 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 its default on international loans.<sup>54</sup> 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. P.L. 108-447 and P.L. 109-102 extended the provisions of P.L. 107-57 through FY2005 and FY2006, respectively. Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan.<sup>55</sup> The United States is the major bilateral aid donor to Pakistan, followed by Japan and the United Kingdom.

**FY2007 Foreign Operations Appropriations Legislation.** The House Appropriations Committee (H.Rept. 109-486) recommends \$300 million for ESF programs for Pakistan and \$200 million in FMF, decreases of \$50 million and \$100 million from the Bush Administration's FY2007 request, respectively. The Senate Appropriations Committee (S.Rept. 109-277) would significantly increase

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<sup>53</sup> 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. 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. P.L. 106-429, Section 512 (the Brooke Amendment), prohibits assistance to any country that is in default on loan payments to the United States for over one year. This latter restriction includes no waiver authority for the President.

<sup>54</sup> See P.L. 107-57, Sections 1(b) and 3(2).

<sup>55</sup> For additional information, see CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

Democracy Fund support (\$30 million) as well as health and development assistance but reduce ESF by \$94 million from the Administration's budget request.

## Sri Lanka

**Table 18. U.S. Assistance to Sri Lanka, 2003-2007**  
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	300	300	300	0	0
DA	6,150	4,750	6,774	3,465	3,500
ESF	3,950	11,929	9,920	3,690	4,000
FMF	0	2,495	496	990	900
IMET	307	553	461	445	540
NADR	2,400	1,775	2,700	4,075	1,200
<b>Totals</b>	<b>13,107</b>	<b>21,802</b>	<b>20,651</b>	<b>12,665</b>	<b>10,140</b>
<b>Food Aid/Disaster Assistance</b>					
P.L. 480 Title II Grant <sup>a</sup>	596	4,190	1,996	0	0
FFP <sup>b</sup>	2,775	0	9,690	—	—
Section 416(b) <sup>b</sup>	0	923	0	—	—
Tsunami Relief <sup>c</sup>	—	—	134,600	—	—

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

- a. USAID data — includes freight costs.
- b. USDA data — does not include freight costs.
- c. Tsunami Recovery and Reconstruction Fund, P.L. 109-13

USAID programs aim to promote the peace process between the government of Sri Lanka and Tamil separatists led by the Liberation Tigers of Tamil Eelam (LTTE). In 2006, the 2002 ceasefire agreement showed signs of unraveling. U.S. assistance also helps to promote economic growth and advance democracy and human rights. Sri Lanka suffered a major setback from its reconstruction efforts due to the 2004 tsunami disaster. Since 2004, Sri Lanka has been eligible for MCA assistance. The United States ranks fourth after China, Japan, and Germany in foreign aid assistance to the country.

ESF and DA funding support programs that foster non-violent dispute resolution, reconstruction, economic reintegration and growth, local democratic processes and institutions, political party development, civil society, and objective mass media. FMF enables the Sri Lankan military to purchase non-weapon items such as uniforms, flack vests, night vision goggles, and communications equipment. IMET helps to professionalize the Sri Lankan military, build the capabilities of its officers in combat against the LTTE and in global anti-terrorism activities, and



enhance interoperability with U.S. forces. NADR programs include de-mining activities and non-proliferation efforts.

**2004 Tsunami Relief.** Sri Lanka suffered heavy human losses (an estimated 31,000 dead, 4,100 missing, and 519,000 displaced) and property damage worth approximately \$1 billion (or 4.4% of GDP) in the December 2004 earthquake and tsunami.<sup>56</sup> The Bush Administration pledged \$134.6 million for disaster relief and reconstruction to Sri Lanka.

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<sup>56</sup> USAID, Fact Sheet no. 39, *Indian Ocean — Earthquake and Tsunamis*, July 7, 2005

## **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
- DF:** Democracy Funds
- 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
- GHAI:** Global HIV/AIDS Initiative
- IMET:** International Military Education and Training
- INCLE:** International Narcotics Control and Law Enforcement
- MCA:** Millennium Challenge Account
- MCC:** Millennium Challenge Corporation
- 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
- USDA:** United States Department of Agriculture