

CRS Report for Congress

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

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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 Millennium Challenge Account (MCA) and Global HIV/AIDS Initiative (GHAI) were launched 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 counterterrorism 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 new Strategic Framework for U.S. Foreign Assistance groups foreign aid objectives into five categories as part of the Bush Administration's overarching goal of *transformational diplomacy*: peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. Counterterrorism efforts, democracy building, and the MCA are major, complimentary components of the Administration's foreign aid policy, which promotes good governance as a crucial condition for both development and global security.

The United States has restricted foreign assistance to many countries in East and South Asia in order to encourage democracy. Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan. In 2005, the United States government resumed full military assistance to Indonesia, based upon the satisfaction of legislative conditions and national security grounds. In response to the September 2006 military coup in Thailand, the Bush Administration suspended military and peacekeeping assistance pursuant to Section 508 of the Foreign Operations Appropriations Act.

The Administration's FY2008 foreign operations budget request reduces assistance to some Asian countries. The Senate report on H.R. 2764, the Department of State, Foreign Operations and Related Programs Appropriations Act for 2008, recommends additional FMF for the Philippines and Economic Support Funds (ESF) for Nepal as well as increased funding for democracy and human rights programs in Burma, Cambodia, China, Hong Kong, and Taiwan (S.Rept. 110-128). H.R. 2764 as passed by the House recommends more ESF for Burma, East Timor, and Tibet and greater Development Assistance to India than the amounts provided by the Administration's request, and opposes military assistance to Thailand (H.Rept. 110-197). 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. In the past decade, the main emphasis of U.S. foreign assistance has evolved from economic and social development to counterterrorism and “transformational diplomacy.” 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.¹ Within this context, the Bush Administration reoriented U.S. foreign assistance programs: aid to “front line” states in the war on terrorism included both military aid and efforts to mitigate conditions that may make radical ideologies and religious extremism attractive, such as poverty, limited educational opportunities, and ineffective or unaccountable governance.

In 2007, the Bush Administration restructured U.S. foreign aid programs to better serve the goal of *transformational diplomacy*, which places greater emphasis on U.S. security and democracy building as major goals of foreign aid. Toward these ends, the new Strategic Framework for U.S. Foreign Assistance divides aid programming among five objectives: peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. The Millennium Challenge Account (MCA), established in 2004, promotes these objectives by rewarding countries that demonstrate good governance, investment in health and education, and sound economic policies. Some policy-makers have expressed concern that transformational diplomacy and MCA funding may take resources away from local development programs, particularly in countries that contain no security threats to the United States or where the government does not perform well. Furthermore, according to some analysts, promoting democracy in some countries prematurely may result in a waste of foreign aid.²

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

² Marcela Sanchez, “A Risky Shift in Direction,” *South Florida Sun-Sentinel*, January 27, 2006; Guy Dinmore, “U.S. Poised for Radical Reform of Foreign Aid Programme,” *Financial Times*, January 19, 2006; Guy Dinmore, “Critics of ‘Utopian’ Foreign Policy Fail to Weaken Bush Resolve,” *Financial Times*, January 13, 2006.

Funding Trends

Foreign operations appropriations declined from a peak in 1985 to a low in 1997, after which they began to rise again. 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 assistance and other security initiatives in the Middle East. Since 2001, U.S. assistance to front line states in the global war on terrorism and Iraq war-related funding 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).³

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. 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.

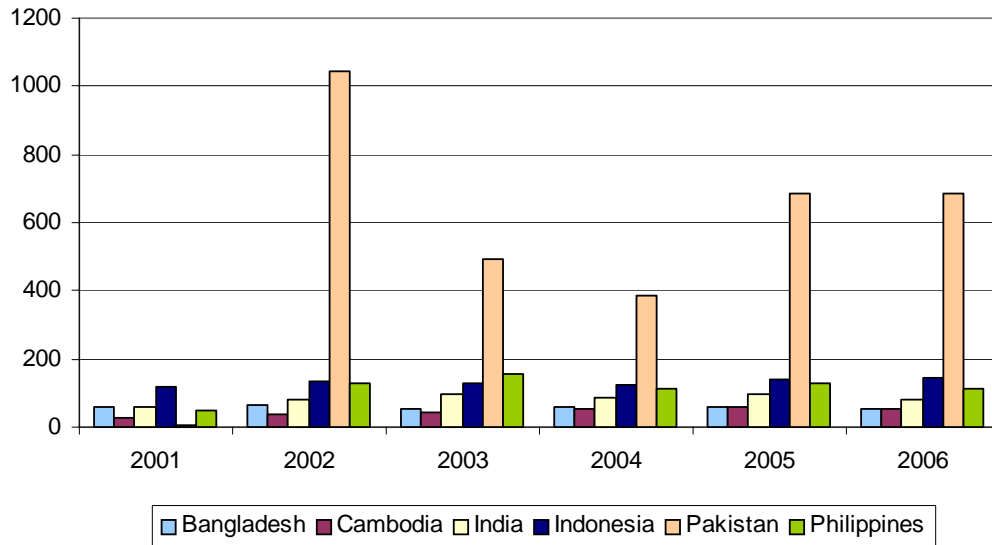
Since the war on terrorism began in 2001, and the Bush Administration's Millennium Challenge Account (MCA) and Global HIV/AIDS Initiative (GHAI) were initiated in 2004, the United States has increased foreign aid spending dramatically in some regions. Pakistan, India, the Philippines, and Indonesia became the foci of the Bush Administration's counterterrorism 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 \$665 million compared to \$3.4 million in 2000-2001. Annual U.S. assistance to India increased by over 50% in 2002-2006 compared to 2000-2001, while annual U.S. assistance to the Philippines during the same period 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**.

Both the Bush Administration and Congress have supported increased funding for the Department of State's Human Rights and Democracy Fund (HRDF). Spending for HRDF increased from a yearly average of \$13 million in 2001-2002 to \$33.7 million in 2003-2005. Congress appropriated \$63 million for HRDF in

³ CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

FY2006. For 2005-2006, approximately one-third of the Democracy Fund was allocated to Asia, mostly for rule of law and civil society programs in China.⁴

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



Some analysts estimated that the MCA would substantially bolster U.S. foreign assistance to Asia, if fully funded and if several candidate countries in Asia were chosen.⁵ 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 call for \$1.6 billion. Congress appropriated \$1.5 billion and \$1.7 billion for the MCC in 2005 and 2006, respectively, compared to the President's requests of \$2.5 billion in 2005 and \$3 billion in 2006. For FY2008, the Administration has requested \$3 billion for the MCC. Four Asia-Pacific countries are eligible to apply for MCA assistance — East Timor, Mongolia, Sri Lanka, and Vanuatu — while two countries — Indonesia and the Philippines — have been designated as "threshold," qualifying them for assistance to help them become Millennium Challenge Compact-eligible.

⁴ 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).

⁵ Murray Hiebert, "More Aid, but Strings Attached," *Far Eastern Economic Review*, February 20, 2003.

Foreign Aid Restrictions

The United States has imposed restrictions on non-humanitarian development aid, Economic Support Funds (ESF),⁶ 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, Thailand, and Pakistan, have faced congressional restrictions on U.S. bilateral assistance. However, the United States continues to fund non-governmental organizations (NGOs) that run development and democracy programs in some of these countries. Most sanctions on aid to Cambodia, Indonesia, and Pakistan have been lifted.

FY2008 Budget Request

Due to the late enactment of the Continuing Appropriations Resolution for FY2007⁷ as well as the restructuring of aid and reporting procedures at the State Department and USAID, some program funding levels and activities for FY2007 have not yet been specified. The Administration's FY2008 total budget request for the East Asian countries that are covered in this report (\$453 million) would change little from FY2007 (estimated \$442 million). With the exception of Indonesia and Vietnam, assistance to most EAP countries would decrease or remain about the same compared to FY2007 appropriations. The budget request for Indonesia includes large increases in funding for Development Assistance and Foreign Military Financing. Global HIV/AIDS Initiative funding for Vietnam would grow by 56% under the FY2008 proposed budget, from \$56 million in FY2007 to \$87.7 million. The FY2008 budget would increase assistance to South Asian countries by 8% (from \$900 million to \$974 million). This reflects greater proposed funding for Bangladesh (mostly Development Assistance) and Pakistan (ESF). For FY2008, the Administration requests new INCLE funding for counter-narcotics programs in Bangladesh and India and law enforcement enhancement activities in Nepal and Sri Lanka.

Regional Comparisons

Africa remained the largest regional recipient of Child Survival and Health (CSH) and Development Assistance (DA) funding in FY2006.⁸ The largest regional recipients of Economic Support Funds in FY2006 were Near East Asia (Middle East) and South and Central Asia (mostly to Afghanistan, with a large portion going to

⁶ 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.

⁷ P.L. 110-5, the Revised Continuing Appropriations Resolution, FY2007 amends the Continuing Appropriations Resolution, FY2007 (P.L. 109-289, division B, as amended by P.L. 109-369 and P.L. 109-383).

⁸ 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).

Pakistan as well). The largest recipient of military assistance was Near East Asia followed by South and Central Asia.⁹ These rankings were the same as those for FY2005. See **Table 1** and **Figures 2-4**.

**Table 1. U.S. Foreign Assistance by Region
(Excluding Food Aid), 2001-2006**
(millions of current U.S. dollars)

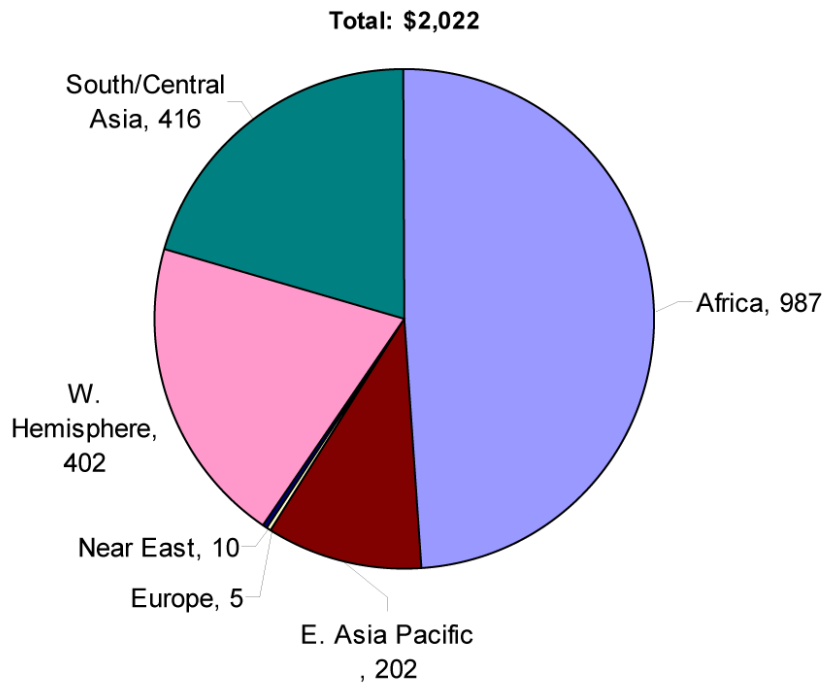
	FY01	FY02	FY03	FY04	FY05	FY06
Africa	1,313	1,481	1,706	2,091	2,795	2,771
East Asia-Pacific	368	455	477	474	525	1,022
Europe and Eurasia	2,017	2,435	2,871	1,577	1,323	1,023
Near East Asia (Middle East)	5,401	5,567	8,409	5,556	5,755	5,217
South Asia (excluding Afghanistan)	201	1,403	785	685	970	875
Western Hemisphere	749	1,385	1,559	1,545	1,723	1,516

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.

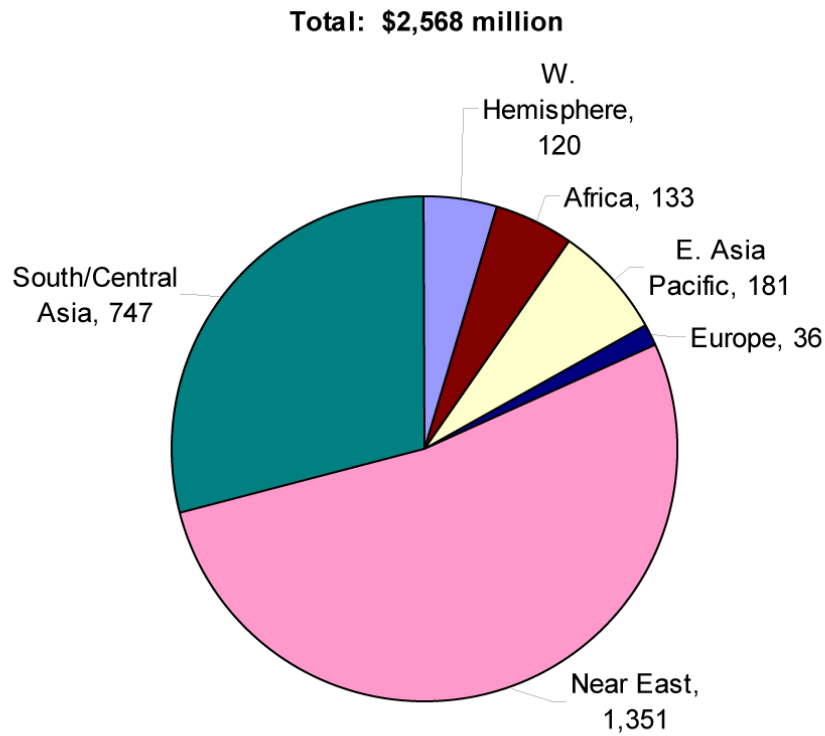
⁹ Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peacekeeping Operations (PKO).

**Figure 2. Health and Development Assistance (CSH and DA)
by Region, FY2006 (\$million)**



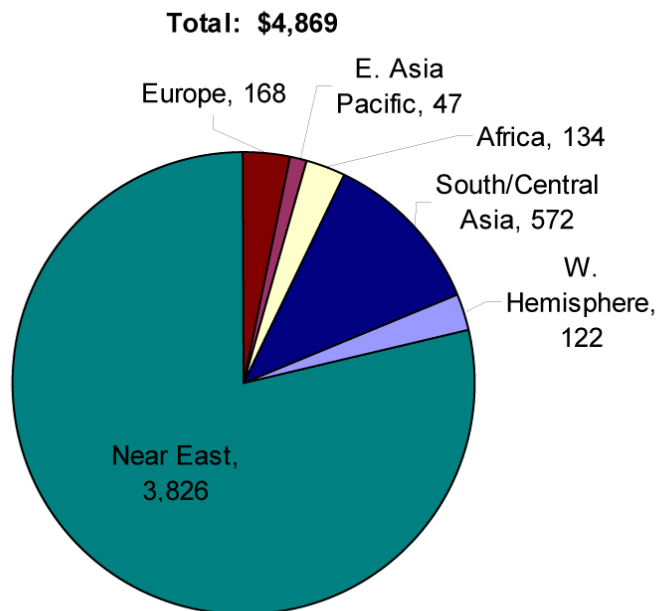
U.S. Department of State

Figure 3. Economic Support Funds by Region, FY2006 (\$million)



U.S. Department of State

Figure 4. Military Assistance by Region, FY2006 (\$million)



U.S. Department of State

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 counterterrorism 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). USAID's programs in East Asia aim to address the conditions that may give rise to radical ideologies and terrorism, such as 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.

Among EAP countries (excluding the Pacific Island nations),¹⁰ in FY2006, Indonesia was the largest recipient of U.S. foreign aid, particularly ESF and health and development assistance (CSH and DA), 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 law enforcement assistance (INCLE) were provided to Indonesia, the Philippines, and East Timor. Indonesia, Cambodia, and the Philippines were the largest recipients of Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). 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. See **Figures 5 and 6**.

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 counterterrorism, border security, HIV/AIDS and avian influenza, combating human trafficking, counter-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, improving economic policy and governance, protecting the rights of people with disabilities, and preventing and controlling HIV/AIDS and other infectious diseases.

¹⁰ For information on U.S. foreign assistance to the Pacific Island countries, see CRS Report RL34086, *The Southwest Pacific: U.S. Interests and China's Growing Influence*, by Thomas Lum and Bruce Vaughn.

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. Foreign operations appropriations measures have imposed human rights-related sanctions on U.S. foreign assistance to the governments of Burma and Cambodia while supporting Burmese dissident groups and promoting human rights, civil society, and democracy in Cambodia, China, East Timor, Indonesia, Mongolia, and Thailand.

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. 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).

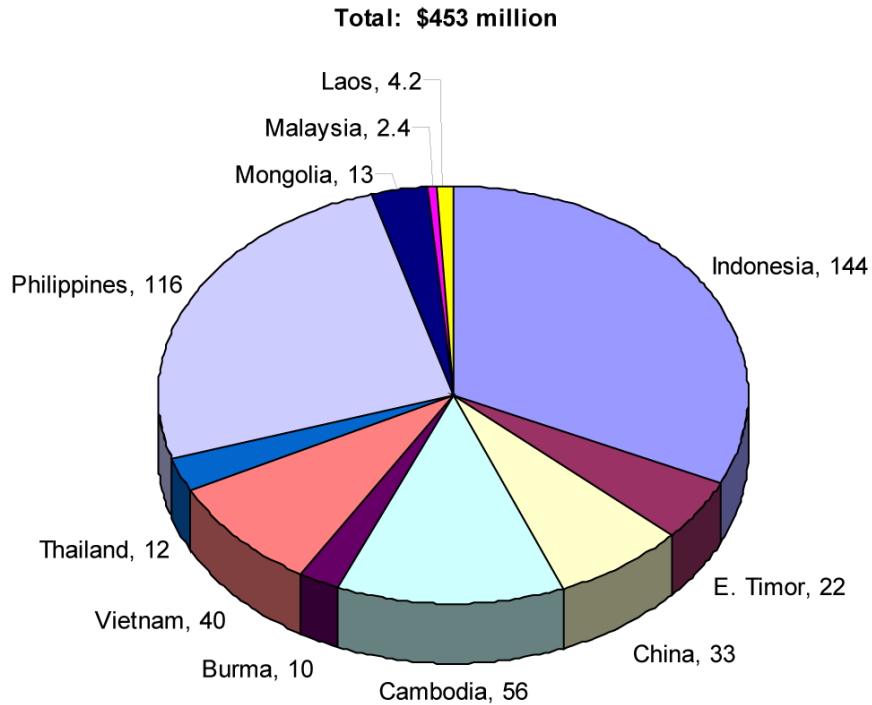
September 2006 Military Coup in Thailand. In response to the September 19, 2006, military coup in Thailand, the Bush Administration suspended military and peacekeeping assistance pursuant to Section 508 of the Foreign Operations Appropriations Act, which provides that such funds shall not be made available to any country whose duly elected head of government was deposed by military coup. The U.S. government also suspended funding for counter-terrorism assistance provided under Section 1206 of the National Defense Authorization Act for FY2006. Other aid programs not affected by Section 508 or in the U.S. national interest would continue to receive funding.

Chinese Aid to Southeast Asia

The People's Republic of China (PRC) has become an important source of economic assistance to the Southeast Asian least developed countries of Burma, Cambodia, and Laos. Such assistance includes low-interest loans, trade agreements, foreign direct investment, technical assistance, and infrastructure and public works projects. Some analysts have criticized PRC assistance and investments for being non-transparent, supporting urban "trophy projects" rather than sustainable development, and lacking performance criteria and environmental safeguards. Others have argued that the benefits of PRC assistance to these countries, particularly Cambodia and Laos, have outweighed any adverse effects, and that China has helped to address needs not met by Western and Japanese aid. Many U.S. observers argue

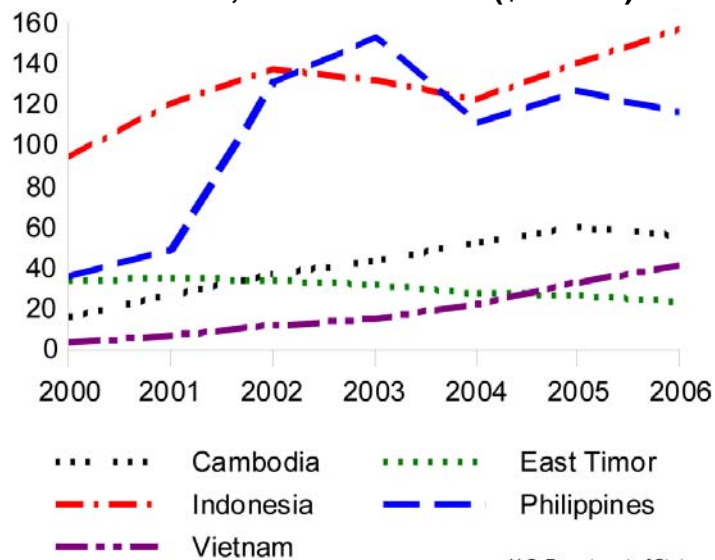
that the United States should bolster its aid programs, trade activities, and diplomatic presence in the region in order to counteract China's growing influence.

Figure 5. U.S. Foreign Aid (Non-food) to East Asian Countries, FY2006 (\$million)



U.S. Department of State

Figure 6. Top U.S. Foreign Aid Recipients in East Asia, FY2001-FY2006 (\$million)



U.S. Department of State

Country Aid Levels and Restrictions — East Asia¹¹

Burma

Table 2. U.S. Assistance to Burma, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	0	0	0	2,100	1,040
DA	0	0	0	0	800
ESF	12,923	7,936	10,890	10,890	2,790
Other		4,000 ^a	3,000 ^a	—	—
Totals	12,923	11,936	13,890	12,990	4,630

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. Furthermore, 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. 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.¹² Ongoing and new U.S. assistance programs in Burma and to Burmese refugees in Thailand include English language training, civil society development, HIV/AIDS prevention, care, and treatment, aid to victims of human trafficking, and basic health care. The appropriations committees of both the House and Senate favor spending levels above the Administration's FY2008 budget request for democracy programs in Burma (H.Rept. 110-197 and S.Rept. 110-128).

On June 11, 2003, the 108th Congress passed the Burmese Freedom and Democracy Act of 2003 (P.L. 108-61), which bans imports from Burma unless democracy is restored. Additional U.S. foreign aid sanctions against Burma include opposition to international bank loans to Burma and a ban on debt restructuring assistance. Since the Office to Monitor and Combat Trafficking in Persons was established by the U.S. State Department in 2001, Burma has received a "Tier 3"

¹¹ Including Southeast Asia and excluding North Korea and Pacific Island nations.

¹² 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.

assessment annually by the Office for failing to make significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking in persons. The Tier 3 ranking could serve as a basis for withholding non-humanitarian aid.

Cambodia

Table 3. U.S. Assistance to Cambodia, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	29,360	29,300	28,556	27,826	24,700
DA	2,750	8,950	5,483	7,597	1,056
ESF	16,900	16,864	14,850	14,850	12,170
FMF	0	992	990	990	200
IMET	0	0	54	43	70
INCLE	0	0	0	0	200
NADR	3,916	4,170	5,000	3,838	2,510
Peace Corps	0	0	1,081	—	1,379
Totals	52,926	60,276	54,933	55,144	42,285
Food Aid					
P.L. 480 Title II Grant ^a	703	0	0	—	0
FFP ^b	3,444	3,643	—	—	—
FFE ^b	0	0	1,257	—	—

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.

Cambodia ranks 129th out of 175 countries and regions on the United Nations Development Program'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.

In February 2007, the United States government lifted a decade-long ban on direct bilateral aid to Cambodia. The U.S. government had imposed restrictions on foreign assistance to Cambodia following Prime Minister Hun Sen's unlawful seizure of power in 1997 and in response to other abuses of power under his rule. Foreign operations appropriations 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 met basic human needs. U.S. assistance was permitted only to Cambodian and foreign NGOs and to local governments. Statutory exceptions allowed 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.¹³

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. The European Union, 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. 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 control their proliferation.

In other U.S. assistance programs, Cambodia, one of the top five countries in the world for the number of landmine casualties (approximately 800 victims per year), is to receive approximately \$5 million annually in 2006 and 2007 for humanitarian de-mining activities (NADR/HD). In addition, in the past decade, USAID has supported programs worth \$13 million providing for prostheses, physical rehabilitation, employment for persons with disabilities, and coordination of services using Leahy War Victims Funds. 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).

In January 2007, the Peace Corps launched programs in Cambodia to teach English and develop sustainable community activities.

The Senate Committee on Appropriations recommends \$57 million for assistance to Cambodia in FY2008, \$15 million above the Administration's request, including funding for HIV/AIDS, democracy and rule of law programs that were trimmed in the President's budget proposal (S.Rept. 110-128).

¹³ For most of these activities, the U.S. government has collaborated with the central government of Cambodia but continued to provide funding through the country's large and vibrant NGO community.

People's Republic of China (PRC)

Table 4. U.S. Assistance to China, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	0	0	0	4,800	7,290
DA	0	0	4,950	5,000	0
ESF	13,500 ^a	19,000 ^b	23,000 ^c	N/A ^e	2,000
ESF/Tibet	3,976 ^a	4,216 ^b	3,960 ^d	3,960	0
Peace Corps	863	1,476	1,683	1,886	1,953
Totals	18,339	24,692	33,593	15,646	11,243

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

a. P.L. 108-199.

b. P.L. 108-447.

c. Authorized by H.Rept. 109-265.

d. P.L. 109-102, Section 575.

e. Not yet determined

USAID does not have a presence or mission in the People's's Republic of China (PRC). However, the Peace Corps has been involved in English language and environmental education in China since 1993, and United States funding primarily to U.S.-based non-governmental organizations (NGOs) for democracy and Tibet programs has grown substantially since 2002 (approximately \$15 million per year).

China received only Peace Corps assistance prior to 2000. The consolidated appropriations act for FY2000 provided \$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. Congress has increased its annual appropriation for democracy, human rights, and rule of law programs in China from \$10 million in 2002 to \$23 million in 2006. Amounts for FY2007 and FY2008 have not yet been determined or authorized.¹⁴ Appropriations for cultural preservation, economic development, and environmental conservation in Tibetan communities in China have 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.¹⁵ Major U.S. grantees have included the National Endowment for Democracy (NED), the Asia Foundation, Temple University (School of Law), the American Bar Association,

¹⁴ For further information, see CRS Report RL33662, *U.S.-Funded Assistance Programs in China*, by Thomas Lum.

¹⁵ 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.

and the Bridge Fund (Tibet). In addition, NED provides grants (approximately \$2 million per year since 1999) for programs that promote human rights, labor rights, electoral and legal reforms, and independent mass media in China from its annual congressional appropriation.¹⁶

The Department of State, Foreign Operations and Related Programs Appropriations Act for 2008 (H.R. 2764), as passed by the House, and the Senate report on the bill (S.Rept. 110-128) recommend \$5 million for Tibet as well as assistance to Tibetan refugees in Nepal and India.¹⁷ The Senate Committee on Appropriations also recommends \$15,000,000 for democracy, human rights, and rule of law programs in the People's Republic of China, Hong Kong and Taiwan (S.Rept. 110-128).

In 2006, Congress appropriated \$5 million in Development Assistance (DA) to American educational institutions for exchange programs related to democracy, rule of law, and the environment in China. In 2007, DA is to be used for higher education exchanges, environmental protection, and natural resource management. Beginning in 2007, the U.S. government has funded HIV/AIDS programs in China through the CSH account.

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.¹⁸

¹⁶ See General Accounting Office, “Foreign Assistance: U.S. Funding for Democracy-Related Programs (China),” February 2004.

¹⁷ The House Report on H.R. 2764 recommends \$2.5 million for Tibetan refugees in Nepal and India (H.Rept. 110-197).

¹⁸ For further information, see CRS Report RL31910, *China: Economic Sanctions*, by Dianne E Rennack.

East Timor (Democratic Republic of Timor-Leste)

Table 5. U.S. Assistance to East Timor, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	0	0	0	1,000	0
DA	0	500	0	0	0
ESF	22,367	21,824	18,810	18,810	8,640
FMF	2,420	1,023	990	475	0
IMET	159	364	193	307	400
INCLE	0	0	1,485	0	1,010
PKO	1,050	1,228	0	0	0
Peace Corps	1,320	1,372	827	0	0
Totals	27,316	25,811	22,305	21,964	10,050
Food Aid					
P.L. 480 Title II Grant ^a	669	994	1,182	—	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. Aid for developing political institutions includes 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.

In May 2006, the Peace Corps suspended its programs in East Timor due to civil and political unrest in the country.

Indonesia

Table 6. U.S. Assistance to Indonesia, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	33,000	37,100	28,017	27,507	32,060
DA	33,291	27,848	33,199	29,524	60,950
ESF	49,705	68,480	69,300	69,300	60,000
FMF	0	0	990	6,175	15,700
IMET	599	728	938	1,234	974
INCLE	0	0	4,950	4,700	10,050
NADR	5,998	6,262	6,888	8,881	5,905
Totals	122,593	140,418	144,282	147,321	185,639
Food Aid/Disaster Relief					
P.L. 480 Title II Grant ^a	4,115	10,489	12,886	10,951	0
FFP ^b	5,597	6,194	—	—	—
Section 416(b) ^b	17,700	9,078	—	—	—
Tsunami Relief ^c	—	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 maintaining political and economic stability in Southeast Asia, combating terrorism, and promoting democracy in the region and the Islamic world. 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 deter terrorist attacks and financial crimes associated with them.”¹⁹ 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

¹⁹ 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.

Resumption of 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 1993.²⁰ 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.²¹ 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.²²

²⁰ 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 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.

²¹ USAID, *Fact Sheet #39, Indian Ocean — Earthquakes and Tsunamis* (July 7, 2005).

²² USAID, *USAID Rebuilds Lives after the Tsunami* (April 27, 2006).

Laos

Table 7. U.S. Assistance to Laos (LPDR), 2004-2008
(thousand of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	0	0	0	1,000	1,051
ESF	0	0	0	375	470
INCLE	2,000	1,984	990	900	1,580
NADR	1,412	2,500	3,300	2,550	1,400
Totals	3,412	4,484	4,290	4,825	4,501
Food Aid					
FFE ^a	0	0	289	—	—

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

a. 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%.²³ 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.²⁴ 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. Humanitarian demining (NADR/HD) assistance is provided in cooperation with NGOs and UXO Lao, a quasi-governmental entity. In addition, USAID has administered two projects to assist victims of UXO accidents in Laos using Leahy War Victims Funds (\$917,000 in 2004-2007). 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. New program areas include public health, economic development, judicial reform, and civil society.

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.

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

²³ CIA, *The World Factbook*, 2006.

²⁴ Department of State, Office to Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report*, 2006.

Malaysia

Table 8. U.S. Assistance to Malaysia, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
IMET	939	1,100	891	850	920
INCLE	0	0	0	0	800
NADR	230	2,308	1,526	2,401	2,010
Totals	1,169	3,408	2,417	3,251	3,730

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 provides 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 based in the country, and export control and border security.

The U.S. State Department's 2007 Trafficking in Persons Report placed Malaysia in the "Tier 3" category for failing to "make significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking in persons." Such an assessment could trigger the withholding of non-humanitarian, non-trade-related U.S. foreign assistance.

Mongolia

Table 9. U.S. Assistance to Mongolia, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
ESF	9,941	9,920	7,425	6,625	6,200
FMF	995	992	2,970	2,970	1,000
IMET	872	1,009	866	874	970
INCLE	0	0	0	0	670
Peace Corps	1,646	1,694	1,747	1,694	1,995
PKO	1,000	0	0	0	0
Totals	14,454	13,615	13,008	12,163	10,835
Food Aid					
FFP ^a	8,572	3,658	5,375	—	—
Section 416(b) ^a	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 which 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 aimed 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 10. U.S. Assistance to Philippines, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	28,850	27,050	24,651	24,362	17,510
DA	21,568	27,576	24,212	14,998	22,900
ESF	17,645	30,720	24,750	24,750	25,996

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
FMF	19,880	29,760	29,700	29,700	11,100
IMET	2,700	2,915	2,926	2,750	1,550
INCLE	2,000	3,968	1,980	1,900	1,150
NADR	750	2,257	4,968	4,573	4,463
Peace Corps	2,774	2,820	2,767	2,820	2,753
PKO	15,000	0	0	0	0
Totals	111,167	127,066	115,954	105,853	87,422
Food Aid					
P.L. 480 Title I USDA Loan	20,000	20,000	—	—	—
FFP ^a	3,517	1,720	6,335	—	—
Section 416(b) ^a	0	5,644	—	—	—

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

a. 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 Islamist 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).²⁵

²⁵ Excess Defense Articles consist of used U.S. weapons and equipment given away for free.

For FY2008, the Administration requests \$11.1 billion in FMF for the Philippines, about \$18 million below 2005-07 levels. The Senate Committee on Appropriations, in its report on the FY2008 foreign operations appropriations bill, recommends \$30 million in FMF for the Philippines (S.Rept. 110-128).

The United States signed a Tropical Forest Conservation Act Agreement with the Philippines on September 19, 2002.²⁶ This accord cancels a portion of the Philippines' debt to the United States. The money saved by this rescheduling — estimated at about \$8 million — is to be used for forest conservation activities over a period of 14 years.

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.

Thailand

Table 11. U.S. Assistance to Thailand, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	0	0	0	1,400	1,040
ESF	0	992	990	990	0
FMF	881	1,488	1,485	0	500
IMET	2,572	2,526	2,369	2,275	1,200
INCLE	2,000	1,608	990	900	2,300
NADR	1,380	1,782	3,989	2,100	2,500
Peace Corps	1,840	2,143	2,212	2,144	2,278
PKO	500	0	0	0	0
Totals	9,173	10,539	12,035	9,809	9,818

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. In 2006, the U.S. State Department declared, "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."²⁷ CSH programs include HIV/AIDS activities related to prevention, care, and treatment. FMF programs help to boost the counterterrorism capabilities of Thailand's Special Forces units. Thai IMET graduates hold a majority of senior

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

²⁷ U.S. Department of State, *FY2006 Congressional Budget Justification for Foreign Operations*.

military positions. INCLE activities help Thailand fight corruption in its criminal justice system as well as organized crime in the region. NADR assistance supports Thai police against terrorist activities in majority-Muslim provinces of the south, where a separatist insurgency has claimed the lives of 1,300 Thais since 2004.

September 2006 Military Coup. In response to the September 19, 2006, military coup in Thailand, the U.S. State Department announced the suspension of nearly \$24 million in U.S. foreign assistance to the country, including military and peacekeeping assistance and training under foreign operations appropriations (\$7.5 million) and counterterrorism assistance under Section 1206 of the National Defense Authorization Act for FY2006 (\$16.3 million).²⁸ The bans were imposed pursuant to Section 508 of the Foreign Operations Appropriations Act, which provides that such funds shall not be made available to any country whose duly elected head of government was deposed by a military coup. Under Section 508, the funds can be reinstated once a democratically-elected government is in place. Other aid programs not affected by Section 508 or in the U.S. national interest would continue to receive funding. The House Committee on Appropriations, in its report on the FY2008 foreign aid bill (H.Rept. 110-197), rejects the Administration's request for FMF and IMET funding for Thailand. The Senate report on the bill (S. Rept. 110-128) opposes FMF for Thailand.

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.

Vietnam

Table 12. U.S. Assistance to Vietnam, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	6,100	1,200	0	0	0
DA	3,000	4,750	3,818	2,440	0
ESF	0	0	1,980	1,000	5,700
GHAI	10,000	24,044	31,214	54,000	87,700
IMET	0	50	49	95	195
INCLE	0	0	0	0	200
NADR	3,214	3,331	3,770	3,700	920
Totals ^a	22,314	33,375	40,831	61,235	94,715

²⁸ For further information, see CRS Report RL32593, *Thailand: Background and U.S. Relations*, by Emma Chanlett-Avery.

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
Food Aid					
FFP ^b	7,898	0	—	—	—
FFE ^b	0	0	—	—	—
Section 416(b) ^b	6,170	0	—	—	—

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

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

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. assistance provided to Vietnam focuses on the following: accelerating Vietnam's transition to an open and market-based economy; upgrading access to government 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, a new member of the WTO, supports the country's efforts to promote trade, investment, and the private sector. 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.²⁹

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.

²⁹ Sharon Behn, "U.S. Military Specialists Headed to Vietnam," *Washington Times*, June 23, 2005.

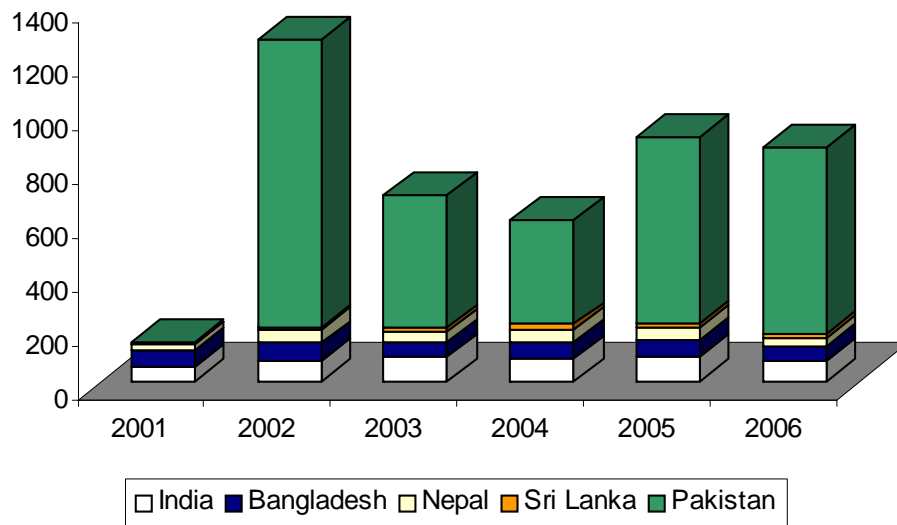
Prior to September 2001, South Asia was the smallest regional recipient of U.S. non-food assistance. Since the war on terrorism began, counterterrorism and related funding for South Asia, especially Afghanistan and Pakistan, have made the region a relatively large recipient of humanitarian, development, 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 (OEF) in Afghanistan, the country became the largest beneficiary of U.S. foreign assistance in the region after Afghanistan, followed by India. See **Figure 7**.

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 have long dealt with terrorist and insurgent groups to varying degrees, while some Al Qaeda forces are believed to have fled to Bangladesh.³⁰ Since 2005, Bangladesh, India, and Nepal have received significant increases in Anti-Terrorism Assistance (NADR/ATA).

USAID's South Asia Regional Initiative for Energy promotes international energy cooperation, infrastructure investment, and regulatory reform. The South Asia Regional fund (\$4.9 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 the South and Central Asia Regional fund, which supports programs related to good governance, economic development, civil society, health, and education.

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

Figure 7. U.S. Assistance to South Asia (excluding Food Aid), 2001-2006 (millions of current U.S. dollars)



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. In subsequent years, Congress has extended the waiver authority on coup-related sanctions. Since 2003, President Bush has annually exercised the waiver authority. A crucial challenge for the United States, according to some U.S. leaders, is how to assist Pakistan in its counterterrorism 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.³¹ 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.³²

Country Aid Levels and Restrictions — South Asia

Bangladesh

Table 13. U.S. Assistance to Bangladesh, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	35,500	33,412	31,509	29,935	39,615
DA	18,200	16,535	10,889	10,400	39,650
ESF	4,971	4,960	4,950	3,750	0
FMF	0	248	990	990	875
IMET	862	1,035	930	946	800
INCLE	0	0	0	0	1,500
NADR	0	893	5,094	2,575	6,350
Peace Corps	1,566	1,773	706	0	0
Totals	61,099	58,856	55,068	48,596	88,790
Food Aid					
P.L. 480 Title II Grant ^a	33,451	22,122	30,207	35,618	31,000
Section 416(b) ^b	53	3,257	3,833	—	—
FFE ^b	0	0	2,868	—	—

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

³¹ USAID, *Fact Sheet no. 39, Indian Ocean — Earthquake and Tsunamis* (July 7, 2005); USAID, *Tsunami Assistance, One Year Later* (December 21, 2005).

³² USAID, *Fact Sheet no. 44, South Asia — Earthquake* (August 25, 2006).

advancing development in Bangladesh are, therefore, essential to promoting stability and preventing the spread of terrorism in South Asia.”³³ CSH funding supports the following efforts: child, maternal, and reproductive health; family planning; HIV/AIDS programs; and TB and Avian Influenza prevention. Development Assistance (DA) 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, counterterrorist financing, and terrorist interdiction.

In March 2006, the Peace Corps suspended its programs in Bangladesh due to concerns that volunteers might become targets of terrorists.

In 2000, the United States signed an agreement with Bangladesh reducing the country’s debt payments to the United States by \$10 million over 18 years. In return, Bangladesh is to set aside \$8.5 million to endow a Tropical Forest Fund to protect and conserve its mangrove forests.³⁴

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

India

Table 14. U.S. Assistance to India, 2004-2008

(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	47,800	53,222	52,815	53,411	62,200
DA	22,539	24,856	19,700	10,804	900
ESF	14,912	14,880	4,950	4,875	0
IMET	1,366	1,502	1,272	1,421	1,300
INCLE	0	0	0	0	400
NADR	685	4,181	2,711	1,108	2,700
Totals	87,302	98,641	81,448	71,619	67,500
Food Aid					
P.L. 480 Title II Grant ^a	40,869	35,763	43,501	31,033	13,500
Section 416(b) ^b	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.

³³ U.S. Department of State, *FY2007 Congressional Budget Justification for Foreign Operations*, February 2006.

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

The United States significantly increased bilateral aid to India in FY2002 and FY2003, largely as part of its counterterrorism efforts in the region. Both counterterrorism efforts and daunting economic and social problems remain 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. Development Assistance (DA) initiatives include water and sanitation programs, basic education, disaster management, and economic growth programs that may 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 explosives detection and counter measures. NADR/EXBS funding for the Export Control and Related Border Security Assistance program assists India in strengthening its export control system in order to help stem the spread of weapons of mass destruction.

The House report on the FY2008 foreign operations appropriations bill (H.Rept. 110-197) opposes the cut in Development Assistance to India under the FY2008 budget justification. The report provides \$10 million for clean energy development, water and sanitation programs, women's rights programs, and basic education programs in India.

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

Nepal

Table 15. U.S. Assistance to Nepal, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	24,840	25,165	18,613	17,940	17,985
DA	8,874	10,000	8,393	9,201	4,000
ESF	4,971	4,960	4,950	6,250	0
FMF	3,975	0	—	1,435	0
IMET	546	648	644	758	790
INCLE	0	0	0	0	2,700
NADR	0	2,771	0	840	1,150

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
Peace Corps	2,108	179	0	0	0
Totals	45,314	43,723	32,600	36,424	26,625
Food Aid					
P.L. 480 Title II Grant ^a	0	966	1,213	—	0
FFE ^b	0	3,871	—	—	—
Section 416(b) ^b	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.

In 2005-2006, Nepal experienced a period of political instability marked by sharp conflict between King Gyanendra, democratic political parties, students, and Maoist insurgents. In February 2005, the King dismissed parliament and assumed absolute powers. During this period, the United States placed restrictions upon some military assistance (FMF) to Nepal due to human rights concerns. The foreign operations appropriations measure for FY2006 (P.L. 109-102) provided that FMF may be made available only if the Secretary of State certified that the Government of Nepal was protecting human rights and had restored civil liberties and demonstrated a commitment to restoring multi-party democratic government.³⁵ In April 2006, King Gyanendra reinstated parliament, which then stripped the monarch of his major powers in June 2006. In November 2006, a coalition government reached a peace agreement with the Maoists. The State Department supports FMF to Nepal both for combating continued Maoist violence and as an incentive to the government to improve human rights conditions.³⁶ The Administration's FY2008 request does not include ESF for Nepal. The Senate Committee on Appropriations recommends providing \$10 million in ESF to Nepal with the following aims: "building democratic institutions, disarming and reintegrating Maoist combatants, and overcoming centuries of caste discrimination, corruption, poverty and injustice" (S.Rept. 110-128).

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 helps the military respond to continued Maoist violence. In 2004, the United States suspended

³⁵ These restrictions could be waived if the Secretary of State determined that removing them was in the national security interests of the United States.

³⁶ State Department, Bureau of Political-Military Affairs, *Nepal: Security Assistance*, July 11, 2007.

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

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

Pakistan

Table 16. U.S. Assistance to Pakistan, 2004-2008
(thousands of dollars)

	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	25,600	21,000	22,757	22,385	39,800
DA	49,400	29,000	26,990	95,327	18,000
ESF	200,000	297,600	296,595	283,677	382,900
FMF	74,560	298,800	297,000	297,000	300,000
IMET	1,384	1,885	2,037	1,992	2,000
INCLE	31,500	32,150	34,970	24,000	32,000
NADR	4,930	7,951	8,585	9,977	10,300
Totals	187,374	688,386	688,934	734,358	785,000
Food Aid					
P.L. 480 Title II Grant ^a	13,067	0	17,675	—	0
FFP ^b	5,980	10,170	11,197	—	—
FFE ^b	0	5,796	5,169	—	—
Section 416(b)	9,583	1,972	—	—	—

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 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 related 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.³⁷

In other programs, 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.³⁸ 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.

FMF assists Pakistan's 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 programs³⁹ — 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.⁴⁰ In 1998, following nuclear weapons 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

³⁷ Pakistan's literacy rate, at 49%, ranks among the world's lowest.

³⁸ 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).

³⁹ 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.

⁴⁰ The Brown Amendment to the Foreign Assistance Act (1995) narrowed the prohibition to military assistance only.

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.⁴¹ 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.⁴²

Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan.⁴³ 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. The Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) extended the waiver authority allowing for foreign assistance to Pakistan through FY2008. The Foreign Operations and Related Programs Appropriations Act for 2008 (H.R. 2764), as passed by the House, would authorize the President's waiver authority and an exemption from restrictions on foreign aid to Pakistan related to default on debt.

The United States is the major bilateral aid donor to Pakistan, followed by Japan and the United Kingdom.

⁴¹ 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.

⁴² See P.L. 107-57, Sections 1(b) and 3(2).

⁴³ For additional information, see CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt, and CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*, by Dianne E Rennack.

Sri Lanka

Table 17. U.S. Assistance to Sri Lanka, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 request
CSH	300	300	0	0	0
DA	4,750	6,774	3,705	3,500	4,000
ESF	11,929	9,920	3,960	3,000	0
FMF	2,495	496	990	990	850
IMET	553	461	529	518	600
INCLE	0	0	0	0	350
NADR	1,775	2,700	3,615	1,350	1,150
Totals	21,802	20,651	12,799	9,358	6,950
Food Aid/Disaster Assistance					
P.L. 480 Title II Grant ^a	4,190	1,996	0	—	—
FFP ^b	0	9,690	8,798	—	—
Section 416(b) ^b	923	0	70	—	—
Tsunami Relief ^c	—	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). U.S. assistance also helps to promote economic growth and advance democracy and human rights. 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 counterterrorism activities, and

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

The United States ranks fourth after China, Japan, and Germany in foreign aid assistance to the country. Since 2004, Sri Lanka has been eligible for MCA assistance. In 2006, Sri Lanka received Transition Initiative (TI) funding (\$1.7 million) for the peace process and \$1.1 million in disaster assistance.

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.⁴⁴ The Bush Administration pledged \$134.6 million for disaster relief and reconstruction to Sri Lanka.

⁴⁴ 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