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

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Summary

The war on terrorism has given new impetus to U.S. foreign aid to Asia. Since September 2001, the United States has raised military, economic, and development assistance for anti-terrorism objectives in the East Asia Pacific (EAP) and South Asia regions. Pakistan, India, the Philippines, and Indonesia have received the bulk of the increases in U.S. foreign assistance to EAP and South Asia since 2001. This report discusses U.S. aid trends and programs in 16 East Asian and South Asian countries. This report does not cover North Korea, the Pacific Islands, and Afghanistan.

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, China, Laos, Indonesia, and Pakistan — face constraints or conditions on U.S. bilateral assistance because of their human rights violations. However, the United States continues to fund non-governmental organizations (NGOs) that run development and democracy programs in these countries as well as political opposition activities outside these countries. On October 27, 2001, the President signed S. 1465 into law (P.L. 107-57), providing waiver authority through 2003 on sanctions against Pakistan related to the 1999 military coup and debt arrearage. 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 through 2004.

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, or divert funds from other programs. Proponents of the Bush Administration's proposed Millennium Challenge Account (MCA) argue that the program would provide a means of rewarding good governance and other goals independently of U.S. efforts to garner international cooperation in the war on terrorism. Some analysts estimate that MCA programs, if fully funded, could double U.S. assistance to Asia over the next three years, particularly if countries such as Mongolia in East Asia and Bangladesh, Nepal, and Sri Lanka in South Asia qualify. However, for those Asian nations that are not targeted by MCA, U.S. foreign assistance, including funding for good governance and democracy programs, are likely to increase only slightly in 2003 and 2004 compared to 2002.

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

Overview

Congressional Interests

The United States responds to global humanitarian needs and advances U.S. foreign policy and national security goals through its foreign assistance programs. Traditionally, U.S. foreign aid policy has emphasized social and economic development as foundations for effective governance, democratization, and regional security. Since the war on terrorism began in 2001 and President Bush introduced the Millennium Challenge Account (MCA) in 2002 and the Global AIDS Initiative in 2003, the United States has increased foreign assistance dramatically, focusing much of the additional resources on the “front line” states in the war on terrorism, democracy-building efforts, poverty reduction, and health emergencies. In many parts of Asia, widespread poverty, high illiteracy rates (especially among women), and pressing human rights problems, combined with growing economic influence, military strength, and strategic importance, present significant and often conflicting challenges and opportunities for U.S. foreign aid policy. The United States often imposes restrictions on non-humanitarian development aid, Economic Support Funds (ESF),¹ and military assistance in order to pressure recipient countries to improve performance related to human rights, weapons proliferation, debt arrearage, and other areas. Several countries in Asia, including Burma, Cambodia, China, Laos, and Indonesia, face limitations 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 these countries as well as political opposition activities outside these countries.² Most sanctions on aid to Pakistan and India have been lifted.³

Some policy-makers have expressed worry that the emphasis on fighting terrorism may conflict with other U.S. objectives, such as promoting democracy, controlling weapons proliferation, or funding other foreign assistance programs. Proponents of the MCA argue that this new, innovative program would provide a

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

² Administered by the U.S. Department of State’s Bureau for Democracy, Human Rights, and Labor (DRL), and USAID’s Office of Democracy and Governance in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

³ Sanctions related to democracy and debt arrearage have been lifted temporarily.

means of rewarding good governance and promoting other foreign aid objectives independently of U.S. efforts to garner international cooperation in the war on terrorism.⁴ According to some analysts, however, the costs of the war in Iraq may compel Congress to trim funds for both traditional foreign aid programs and the MCA.⁵

Trends

Foreign Aid Levels. 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 a reduction in 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 a reduced need for economic assistance, particularly in Southeast Asia, contributed to declines in U.S. aid levels. The Asian financial crisis of 1997-98 reversed the downward trend, as USAID funded a regional economic recovery program for Indonesia, the Philippines, Thailand, and Vietnam.

Following the New York and Washington, D.C. terrorist attacks, 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, or insurgency movements using terrorist tactics. These countries have received the bulk of the increases in U.S. foreign aid (non-food) to the South Asia and East Asia-Pacific regions. Since September 11, 2001, U.S. assistance to Pakistan has totaled over \$1.5 billion compared to just \$3.5 million in 2000. Annual U.S. assistance to India increased by 25% in 2002-2003 compared to 2001 while annual U.S. assistance to the Philippines during the same period nearly tripled compared to 2001. Africa remains the largest regional recipient of development aid — Child Survival and Health (CSH) and Development Assistance (DA).⁶ The largest regional recipient of Economic Support Funds in FY2003 was Near East Asia while the largest recipient of military assistance was Near East Asia followed by South Asia.⁷ See **Table 1, Figures 1-3, and Appendix.**

⁴ Murray Hiebert, "More Aid, But New Strings," *Far Eastern Economic Review*, February 20, 2003; Harold Molineu, "Linking Aid to Democracy Will Be a Challenge," *Newsday*, March 5, 2003; Paolo Pasicolan, "How to Prevent the Millennium Challenge Account from Becoming Like Traditional Foreign Aid," *Heritage Foundation Executive Memorandum*, No. 892, July 14, 2003.

⁵ CRS Report RL31687, *The Millennium Challenge Account: Congressional Consideration of a New Foreign Aid Initiative*, by Larry Nowels; Emad Mekay, "War Spending Expected to Cut into Foreign Aid," *Global Information Network*, September 17, 2003.

⁶ The State Department divides foreign aid allocations into six regions: Africa, East Asia-Pacific (EAP), Europe and Eurasia, Near East Asia (Middle East), South Asia, and Western Hemisphere (Latin America and Caribbean).

⁷ Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peace keeping Operations (PKO).

**Table 1. U.S. Foreign Assistance by Region
(Excluding Food Aid),⁸ 2000-04**
(million current U.S. dollars)

	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
Africa	1,082	1,313	1,481	1,460	1,846
East Asia-Pacific (excluding No. Korea)^a	282	368	455	469	394
Europe and Eurasia	1,754	2,017	2,435	2,796	1,725
Near East Asia	7,300	5,401	5,567	10,658	24,078
South Asia (excluding Afghanistan)^b	171	201	1,403	776	911
Western Hemisphere	1,677	749	1,385	1,343	1,576

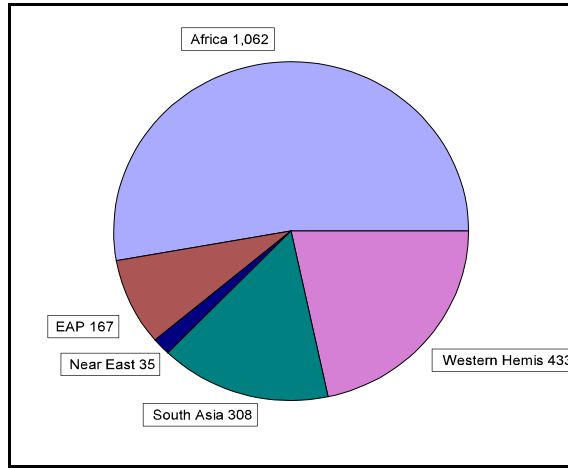
Note: These totals are approximations.

Sources: U.S. Department of State, USAID

- a. In FY 2003, the United States appropriated \$47 million for food aid to North Korea and \$5 million to the multilateral Korean Peninsula Energy Development Corporation (KEDO).
- b. Afghanistan received an estimated \$527 million in non-food aid in FY 2003 and will receive an estimated \$1.7 billion in non-food aid in FY 2004.

⁸ Food aid is provided through three federal programs: **P.L. 480, Title II** (the Agricultural Trade Development Act of 1954, as amended), emergency and humanitarian assistance, administered by USAID; **P.L. 480, Title I**, sales of agricultural commodities under concessional credit terms, administered by USDA; **Section 416(b)** (Agricultural Act of 1949, as amended), donation of commodities.

**Figure 1. Estimated Development Aid by Region, FY 2003
(million dollars)**



**Figure 2. Estimated Economic Support Funds by Region, FY2003
(million dollars)**

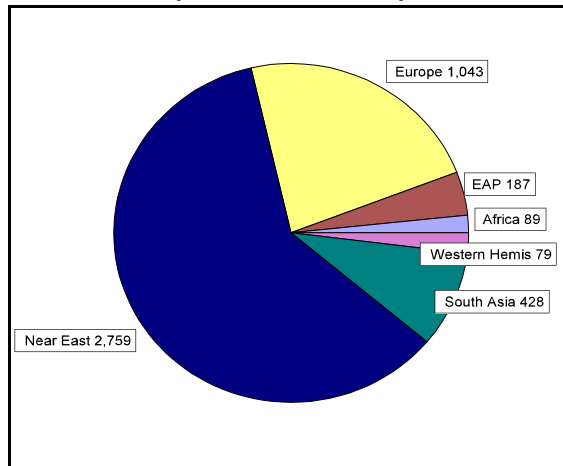
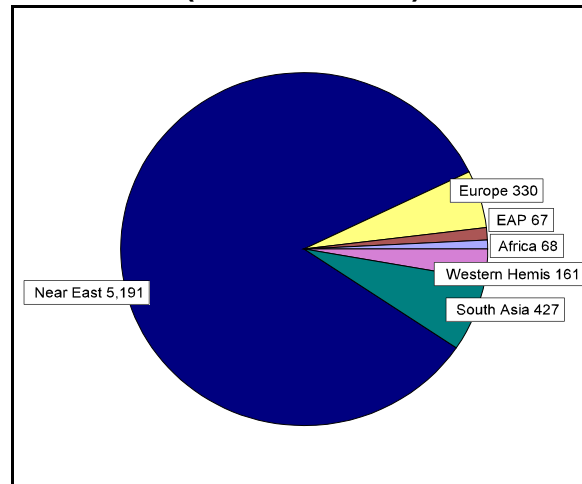


Figure 3. Estimated Military Assistance by Region, FY2003 (million dollars)



Democracy and Governance. The war on terrorism has both overshadowed and provided an impetus for U.S.-funded democracy programs in Asia. On the one hand, some policy-makers have argued that the emphasis on anti-terrorism cooperation with front line states has reduced pressure on countries such as Pakistan and Indonesia to show improvements in governance, democracy, and human rights as pre-conditions for U.S. bilateral assistance. On the other hand, the Bush Administration has also bolstered its foreign aid requests for democracy programs as a means toward reducing the appeal of terrorist movements.⁹ The Millennium Challenge Account, Peace Corps Expansion, and Foreign Relations Authorization Act of 2003 (H.R. 1950)¹⁰ would nearly double the authorization for Human Rights and Democracy (HRD) programs from the 2002 level of \$13 million. About 27% of these funds are currently being spent in Asia (mostly China).¹¹ Some analysts estimate that MCA programs could double U.S. assistance to Asia over the next three years, particularly for countries such as Mongolia in East Asia and Bangladesh, Nepal, and Sri Lanka in South Asia, which are likely to qualify.¹²

⁹ See the Millennium Challenge Account website: [<http://www.mca.gov>].

¹⁰ Millennium Challenge authorization was incorporated into H.R. 2800, the FY 2004 Foreign Operations Appropriations bill, and subsequently incorporated into H.R. 2673, the Consolidated Appropriations bill. The House agreed to the conference report on H.R. 2673 on December 8, 2003.

¹¹ The Human Rights and Democracy Fund, administered by the Bureau of Democracy, Human Rights, and Labor (DRL), was established by the Foreign Relations Authorization Act, FY2003 (P.L. 107-228). See U.S. Department of State, "Fact Sheet — FY2002-2003 Human Rights and Democracy Fund," June 5, 2003.

¹² Murray Hiebert, "More Aid, But Strings Attached," *Far Eastern Economic Review*, February 20, 2003. For further information, see See CRS Report RL31811, *Appropriations for FY2004: Foreign Operations, Export Financing, and Related Programs*, by Larry Nowels.

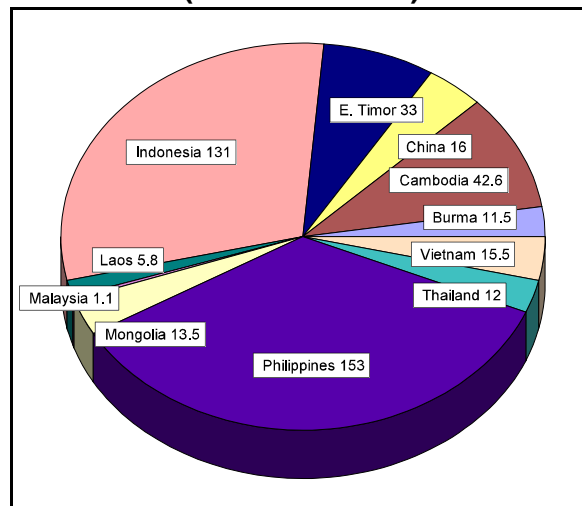
East Asia

U.S. foreign assistance programs in East Asia-Pacific (EAP) reflect major foreign policy objectives in the region. These aims include: reducing the threat of terrorism; promoting economic stability, growth, and trade; furthering democracy, human rights, and the rule of law; restricting the international flow of arms; and reducing the spread of HIV/AIDS. The United States also sponsors counter-narcotics, counter-trafficking in persons, and de-mining activities in the region. Through its foreign assistance to EAP, the United States aims to improve ties with the moderate Muslim nations of Indonesia and Malaysia, enhance relations with strategic allies such as the Philippines and Thailand, and thwart militant Islamic insurgency movements in the Philippines.

The East Asia-Pacific nations collectively receive the least amount of U.S. assistance of any foreign aid region, despite the region's economic and strategic importance. Since 2001, U.S. anti-terrorism efforts have raised foreign aid spending for some EAP countries, notably the Philippines and Indonesia. Overall, however, foreign aid spending to EAP is projected to remain flat through FY2004.

Among EAP countries (excluding the Pacific Islands), during fiscal years 1998-2002, Indonesia was the largest recipient of U.S. foreign aid, particularly development aid (CSH and DA accounts) and ESF. The Philippines is the region's largest recipient of Foreign Military Financing (FMF) and in 2003 was the largest recipient of U.S. bilateral assistance to EAP. Laos is the largest recipient of counter-narcotics assistance (INCLE) followed by Thailand. Cambodia, Laos, and Vietnam are the largest beneficiaries of Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). See **Figure 4**.

Figure 4. U.S. Foreign Aid (Non-Food) to East Asian Countries, FY2003 (million dollars)



One challenge is how to reconcile competing foreign aid goals in the EAP region. The Consolidated Appropriations Resolution for 2003 (P.L. 108-7) included human rights-related provisions restricting U.S. foreign assistance to Burma, Cambodia, China, and Indonesia, and Laos. The Foreign Assistance Act of 1961, as amended, restricts International Military Education and Training (IMET) and Excess Defense Articles (EDA) to Cambodia, Laos, and Vietnam. If the President determines and reports to Congress that it is in the national interest to extend IMET or EDA for locating American MIAs or for related purposes, then he may direct such assistance.¹³ However, some foreign aid experts have argued in favor of lifting restrictions in some cases, such as those that would prevent U.S. aid from going to the National Election Commission in Cambodia or to government health organizations in Laos. P.L. 108-7 dropped restrictions on IMET to Indonesia, which had been imposed in response to the country's severe human rights violations in East Timor.¹⁴ However, on July 16, 2003, the House passed an amendment to the Foreign Relations Authorization Act for Fiscal Years 2004 and 2005 (H.R. 1950, Section 1313) that would bar Indonesia from receiving IMET until the President certifies that Indonesia is "taking effective measures" to fully investigate and criminally prosecute those responsible for the August 2002 attack in Timika, Papua, where three school teachers, including two Americans, were killed. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673) contains similar language. The report continues restrictions on FMF unless the President certifies that the Indonesia government is prosecuting those members of the Indonesian armed forces who are credibly alleged to have committed gross violations of human rights.

Economic Support Funds support several EAP regional programs, for which large increases are proposed for FY2004. These include the Association of Southeast Asian Nations (ASEAN) fund; Regional Democracy; Regional Security; Anti-Terrorism Assistance; and Regional Women's Issues. The ASEAN fund, to be introduced in FY2004, supports regional cooperation on several fronts, including terrorism, human trafficking, narcotics, economic integration, and HIV/AIDS. Regional Democracy programs promote civil society and political institution-building as well as expanded educational and economic opportunities, particularly in areas with majority Muslim populations. The Regional Security Fund supports multinational dialogue, the development of multilateral institutions, and mechanisms to tackle regional security problems, including terrorism. Anti-Terrorism Assistance provides grants for equipment and training for terrorism event responses and investigations. The East Asia-Pacific region also receives assistance through USAID's Asia Near East (ANE) regional programs, including the U.S.-Asia Environmental Partnership and Stabilize Population Growth and Protect Human Health Program. East Asian countries — particularly Indonesia, the Philippines, and Vietnam — have recently also benefitted from U.S. foreign disaster assistance worth approximately \$1.28 million in 2003, including programs for internally displaced persons, conflict preparedness, and weather forecasting.

¹³ Section 506, Foreign Assistance Act of 1961, as amended (P.L. 87-195; 22USC 2318).

¹⁴ The Foreign Operations, Export Financing, and Related Programs Appropriations Act, FY2002 (P.L. 107-115, Section 572(a)).

Country Aid Levels and Legislative Conditions — East Asia¹⁵

Burma

Table 2. U.S. Assistance to Burma, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
CSH	3,000	2,000	0	2,000	2,500
DA	0	993	0	0	0
ESF	3,500	3,492	6,500	6,950	13,000 ^a
NADR	0	0	0	2,600	0
Totals	6,500	6,485	6,500	11,550	15,500

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

a. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673).

The United States suspended bilateral assistance to Burma in 1988 and resumed it on a limited basis in 1993. The United States restricts bilateral assistance to Burma in response to the Burmese military junta's (State Peace and Development Council or SPDC) repression of the National League for Democracy (NLD), failure to honor the NLD's parliamentary victory in 1990, and harassment of its leader, Aung San Suu Kyi. Continuing sanctions include a prohibition on assistance to the government of Burma, a ban on military assistance, and U.S. opposition to lending from international financial institutions. U.S. foreign aid to Burma is limited to Burmese ethnic minorities, displaced Burmese inside the country and along the Burma-Thailand border, Burmese pro-democracy students and mass media personnel living in foreign countries, and programs for HIV/AIDS and other infectious diseases. USAID administers health and education programs for Burmese refugees and internally displaced people, scholarship programs for Burmese students and journalists living outside the country, and some English language training within Burma. In addition, the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), Section 115, authorized \$2 million from the USAID's Migration and Refugee Assistance Account (MRA) for displaced Burmese. Burma has significant foreign aid needs owing to its having the largest population of displaced persons in East Asia and one of the world's highest HIV/AIDS infection rates, and being the world's largest trafficker of methamphetamine and second largest producer of opium. Burma does not receive counter-narcotics funding (INCLE).

¹⁵ Including Southeast Asia and excluding North Korea and Pacific Island nations.

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

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

Cambodia

Table 3. U.S. Assistance to Cambodia, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
CSH	3,550	9,420	15,000	22,100	22,800
DA	0	0	0	2,500	2,000
ESF	10,000	14,967	20,000	15,000	17,000 ^a
IMET	0	0	0	0	—
NADR	2,580	2,469	2,290	3,020	3,000
Totals	16,130	26,856	37,290	42,620	44,800
Food Aid					
P.L. 480 Title II Grant	7,071	2,422	1,085	0	0
Section 416(b)	0	7,401 ^b	9,920 ^c	0	—

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

- a. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673)
- b. estimate
- c. programmed, not including shipping

Cambodia ranks 121st of 162 countries 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 decimated human resource base hinder not only economic but also political development. Nonetheless, a vibrant civil society has emerged, and some observers considered the 2003 elections to the National Assembly to be an improvement over previous elections, with relatively minor voting irregularities.¹⁶

¹⁶ "Summary of Observations of the U.S. Long Term International Observation Group during the Cambodian National Assembly Election, September 2003." Election monitoring

Restrictions on U.S. assistance to Cambodia largely reflect congressional disapproval of Prime Minister Hun Sen's seizure of power in 1997 and the political violence that preceded nation-wide local elections in February 2002. The Consolidated Appropriations Resolution for FY 2003 (P.L. 108-7), Section 560, prohibited U.S. assistance to the central government of Cambodia and instructed U.S. representatives to international financial institutions to oppose loans to Cambodia, except loans that met basic human needs. These restrictions remain in effect. U.S. assistance may be provided only to Cambodian and foreign non-governmental organizations (NGOs) and to local governments. Statutory exceptions allow for U.S. assistance to the central government of Cambodia for health care, basic education, cultural and historic preservation, combating human trafficking, and preventing and treating HIV/AIDS and other infectious diseases. For most of these activities, however, USAID collaborates with the central government of Cambodia but continues to provide funding only through NGOs. U.S. assistance to Cambodia, which suffers approximately 800 land mine victims per year, also includes Leahy War Victims funds.

The conference agreement (H.Rept. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673) permits IMET for Cambodia only if the Secretary of State provides the committees on appropriations a list of those individuals involved in gross human rights violations, particularly the 1997 grenade attack against the Khmer Nation Party. The agreement prohibits U.S. foreign assistance to the Khmer Rouge tribunal, arguing that it is unlikely to be impartial.

USAID grantees include the Asia Foundation, the National Democratic Institute, the International Republican Institute, Participating Agencies Cooperating Together (PACT), the University of San Francisco, and Cambodian NGOs. The largest bilateral aid donors to Cambodia are Japan and Australia, followed by the United States.

People's Republic of China (PRC)

Table 4. U.S. Assistance to China, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
ESF	1,000	28,000	10,000 ^a	15,000 ^a	13,500 ^b
Peace Corps	1,500	1,298	1,559	1,330	2,372
Totals	2,500	29,298	11,559	16,330	15,872

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

by the Long Term International Observation Group was administered by the Asia Foundation and funded by USAID.

- a. For FY2002, Congress appropriated \$10 million for activities to support democracy, human rights, and the rule of law in the People's Republic of China (P.L. 107-115, Section 526a). For FY2003, Congress appropriated \$15 million under the heading "Democracy Programs" for activities to support democracy, human rights, and the rule of law in the People's Republic of China (P.L. 108-7, Section 526a).
- b. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673)

USAID does not have a presence or mission in the People's Republic of China (PRC) and China does not receive development aid. However, the Peace Corps has been involved in teacher training in China since 1993, and Economic Support Funds (ESF) have been allocated for rule of law, democracy, and human rights programs in China since 2000, primarily to U.S.-based non-governmental organizations (NGOs) working in China. In FY2001, \$28 million was appropriated to compensate China for damages to the PRC Embassy in Belgrade caused by the accidental NATO bombing of the building in 1999. Congress earmarked \$10 million for FY2002 and \$15 million for FY2003 for China rule of law and Tibet cultural and development programs, administered by the Democracy, Human Rights and Labor (DRL) and East Asia-Pacific (EAP) Bureaus of the Department of State and USAID. According to USAID, over the past year, it has trained 650 members of the PRC legal profession in the importance of independent and impartial judicial and administrative decision-making. U.S. rule of law program grantees have included the National Endowment for Democracy, Temple University, New York University Law School, Brigham Young University, and the American Bar Association. The Foreign Operations Appropriations Act for FY2002 (P.L. 107-115) lifted the restrictions (effective since FY2000) requiring that ESF for China (excluding Tibet) be provided only to NGOs located outside the PRC. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673) restricts assistance for Tibet to non-governmental organizations located outside the PRC.

The United States continues to impose some post-Tiananmen sanctions, including "no" votes or abstentions by U.S. representatives for international bank lending to China, a ban on Overseas Private Investment Corporation (OPIC) programs in the PRC, and a ban on U.S. exports of law enforcement equipment to China.

In May 2003, the United States extended \$500,000 in emergency funds to China's public health system to help combat the SARS epidemic.

East Timor (Democratic Republic of Timor-Leste)

Table 5. U.S. Assistance to East Timor, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
ESF	25,550	24,945	25,000	24,800	22,500 ^a
FMF	0	1,796	1,000	1,990	2,000
IMET	0	0	50	100	150
PKO	8,500	8,500	8,000	5,000	2,000
Peace Corps	0	0	612	1,179	1,559
Totals	34,050	35,241	34,662	33,069	28,209
Food Aid					
P.L. 480 Title II Grant	6,089	0	0	0	0

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

a. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673)

East Timor (Democratic Republic of Timor-Leste) gained full independence in May 2003. The United States supports a range of aid programs in East Timor with the goal of building a viable economy and democratic political system. These activities include ongoing humanitarian relief, economic reconstruction, and peacekeeping assistance. USAID administers the “Cooperativa Café Timor” (CCT) project with a U.S. non-profit organization, the National Cooperative Business Association, to develop small-scale coffee production for export. Other objectives include building a civil society and developing effective legal and political institutions. USAID helped to design East Timor’s constitution and provided assistance toward the presidential elections of 2002 that many international observers reported as free and fair. U.S. military assistance to the country will help to equip and train the new East Timor Defense Force. The State Department’s budget request of \$13.5 million in ESF for 2004 reflected the expectation that natural gas would begin to generate revenues, thus reducing the need for external aid. However, the conference agreement (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673) maintains existing levels and earmarks \$22.5 million in ESF for East Timor. On March 28, 2003, President Bush issued a certification and report pursuant to Section 637(a)(2) of the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), Section 637, granting excess defense articles and international

military education and training (IMET) to East Timor.¹⁷ Peacekeeping (PKO) funds are expected to be phased out after 2004.

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

Indonesia

Table 6. U.S. Assistance to Indonesia, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2002 S.A. ^a	FY2003 estimate	FY 2004 estimate
CSH	18,950	19,580	35,568	—	31,955	29,250
DA	53,050	51,483	38,704	—	39,016	31,691
ESF	22,450	49,890	50,000	—	59,600	50,000 ^b
IMET	0	0	405	—	400	600
NADR	0	0	0	8,000	0	4,000
INCLE	0	0	0	4,000	0	0
Totals	94,450	120,953	124,677	12,000	130,971	115,541
Food Aid						
P.L. 480 Title I USDA Loan	40,000	15,000 ^c	19,000 ^d	—	0	—
P.L. 480 Title II Grant	18,110	12,233	5,670	—	16,500 ^d	11,194
Section 416(b)	93,503 ^c	0	11,209 ^d	—	7,926 ^d	—

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

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

b. The conference report (House Rpt. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673)

c. estimate

d. programmed, not including shipping

¹⁷ 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.

The world's largest Muslim country, Indonesia plays an important role in U.S. efforts toward curbing terrorism, maintaining regional economic and political stability, and promoting democracy in Southeast Asia. The United States is the second largest bilateral donor to Indonesia after Japan. The October 2002 terrorist bombing in Bali that killed nearly 200 persons, mostly Western tourists, has further motivated U.S.-Indonesia cooperation.

CSH funds for Indonesia finance programs for maternal and child health care and HIV/AIDS prevention. DA allocations provide assistance for the development of the energy sector. ESF targets several areas, including economic recovery and banking reform, natural resources management, civil society, local government capacity building, democratic institutions, and regional conflict resolution. New U.S. aid activities include thwarting terrorist financing and preparing for the 2004 national elections. According to USAID, U.S. assistance has helped to disseminate the views of moderate Muslim thinkers, train NGO members and hundreds of journalists, create a second chamber of the National Parliament, and amend Indonesia's constitution to allow for direct elections of President and Vice-President. If funded, the IMET would promote counter-terrorism cooperation through improved communications between United States and Indonesian military officers and civilian leaders.¹⁸

According to USAID, since 1999 USAID's Office of Foreign Disaster Assistance has provided more than \$12.5 million in emergency assistance for internally displaced persons numbering about 700,000 in Indonesia.

Restrictions on IMET and FMF. The Foreign Operations Appropriations Act for 2002 (P.L. 107-115, Section 572(a)), stipulated that military assistance (IMET and FMF) may be provided to Indonesia only if the President determined and submitted a report to the appropriate congressional committees that the Indonesian government and armed forces were taking effective measures to prosecute and punish members of the armed forces and militia groups who committed human rights violations in East Timor in 1999. Notwithstanding the above restrictions, P.L. 107-115 allowed for *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. On January 23, 2003, the Senate defeated an amendment to the 2003 Consolidated Appropriations bill that would block IMET to the Indonesian military. The Consolidated Appropriations Resolution for 2003 (P.L. 108-7) applied restrictions only to Foreign Military Financing.

On July 16, 2003, the House passed an amendment to the Foreign Relations Authorization Act for Fiscal Years 2004 and 2005 (H.R.1950, Section 1313) barring Indonesia from receiving IMET until the President certifies that Indonesia is "taking effective measures" to fully investigate and criminally prosecute those responsible for the August 2002 attack in Timika, Papua where three school teachers, including two Americans, were killed. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673) contains similar language.

¹⁸ For additional information, see: CRS Report RL31672, *Terrorism in Southeast Asia*, by Mark Manyin, et. al.

The report continues restrictions on FMF unless the President certifies that the Indonesia government is prosecuting those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights.

Laos

Table 7. U.S. Assistance to Laos (LPDR), 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
CSH	0	0	1,000	1,000	1,350
DA	0	0	1,000	1,000	0
IMET	0	0	0	100	100
INCLE	4,000	4,200	4,200	2,500	3,000
NADR	1,486	993	1,328	1,200	1,700
Totals	5,486	5,193	7,528	5,800	6,150
Food Aid					
P.L. 480 Title II Grant	0	0	513	246 ^a	0
Section 416(b)	0	0	330 ^a	0	—

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

a. programmed, not including shipping

Laos is one of the ten poorest countries in the world, with a per capita GDP of \$330 in 2001, a life expectancy of 54 years, and a literacy rate of 57%. Unexploded ordnance have caused thousands of deaths and injuries in northern Laos and continue to wreak havoc on farmers and children.

The largest U.S. foreign aid account in Laos, the world's third-largest producer of opium, funds counter-narcotics efforts. Other U.S. aid programs in Laos include the Laos Economic Acceleration Program for the Silk Sector (LEAPSS), initiated in 1998 through a Congressional earmark, which aims to develop an economic alternative to opium production. CSH funds support HIV/AIDS prevention programs. IMET assists American POW/MIA accounting efforts through English language training programs. The United States assists Laos in the removal of unexploded ordnance left from U.S. bombing during the Vietnam War (NADR account). In addition, since 1990, Leahy War Victims funds have provided over \$6.5 million for the care of victims of unexploded ordnance. Although there are no formal restrictions, U.S. foreign assistance to Laos remains relatively small and channeled through NGOs due to strained bilateral relations.

USAID coordinates activities with Japan, Germany, Sweden, France, Australia, and Norway.

Malaysia

Table 8. U.S. Assistance to Malaysia, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
IMET	740	757	831	800	1,200
NADR	0	120	150	300	100
Totals	740	877	981	1,100	1,300

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

The United States and Malaysia share important interests in Southeast Asia, including counter-terrorism, international trade, democracy, and regional security cooperation. Because of its relatively high level of economic development, Malaysia is not a recipient of U.S. development and economic aid. However, the United States provides IMET and NADR funds to Malaysia. IMET programs help to familiarize the Malaysian armed forces with U.S. military doctrine, management techniques, and equipment. IMET also imparts U.S.-style norms of military-civilian interaction and enhances military cooperation between the two countries. NADR programs aid in the control of transfers of sensitive materials and technologies that could contribute to weapons proliferation. On October 27, 2003, the Senate, responding to Malaysian Prime Minister Mahathir's speech of October 16, 2003, which included remarks that many observers characterized as anti-Semitic, amended H.R. 2800 (the foreign operations appropriations bill for FY 2004) to withhold IMET unless the Secretary of State determined that the government of Malaysia "supports and promotes religious freedoms, including tolerance for people of Jewish faith" or unless the President determined that it was in the national security interests of the United States to continue IMET programs. The conference agreement (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673) does not include this provision.

Mongolia

Table 9. U.S. Assistance to Mongolia, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
ESF	6,000	11,974	12,000	10,000	10,000
FMF	0	1,995	2,000	990	1,000
Freedom Support Act	6,000	—	—	—	—
IMET	512	750	686	725	850

Peace Corps	1,557	1,460	1,710	1,859	2,073
Totals	14,069	16,179	16,396	13,574	13,923
Food Aid					
Section 416(b)	4,800 ^a	0	3,350 ^b	0	—

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

a. estimate

b. programmed, not including shipping

U.S. assistance to Mongolia aims to help the country transition to a free market democracy. Economic Support Funds target private sector development, civil society, and democratic institution building. FMF supports border controls over drugs and illegal goods trafficking. IMET aims to help transform the Mongolian military from a Soviet-era organization into one that is compatible with democratic government and capable of cooperating with U.S. military forces.

The United States ranks third, behind Japan and Germany, in grant assistance. The International Monetary Fund, World Bank, the Asian Development Bank, and Japan also provide loans for development purposes.

Philippines

Table 10. U.S. Assistance to Philippines, 2000-04

(thousand dollars)

Account	FY 2000	FY 2001	FY 2002	FY 2002 S.A. ^c	FY2003 Est.	FY 2003 W.S. ^d	FY2004 Est.
CSH	7,200	9,450	25,599	—	22,927	—	22,000
DA	22,500	30,334	24,459	—	28,209	—	23,068
ESF	0	3,991	21,000	12,000	15,000	30,000	17,750 ^e
FMF	1,415	1,995	19,000	25,000	19,870	30,000	20,000 ^e
IMET	2,000	1,436	2,025	—	2,400	—	2,700
INCLE	0	0	0	—	0	—	2,000
NADR	0	0	95	—	1,950	—	2,045
Peace Corps	1,718	1,843	2,436	—	2,528	—	2,946
Totals	34,833	49,049	94,614	37,000	92,884	60,000	92,509
Food Aid							
P.L. 480 Title I USDA Loan	0	40,000 ^a	19,000 ^b	—	40,000 ^b	—	—
Section 416(b)	0	0	12,787 ^b	—	7,936 ^b	—	—

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

- a. estimate
- b. programmed, not including shipping
- c. Supplemental Appropriations (P.L. 107-206)
- d. Emergency Wartime Supplemental Appropriations (P.L. 108-11)
- e. The conference report (House Rpt. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673)

The United States shares important security, political, and commercial interests with the Philippines, a treaty ally that has been designated as a front-line state in the war on terrorism. Philippine President Gloria Arroyo has been a staunch supporter of the war in Iraq. Largely for these reasons, the Philippines has received the most dramatic increases in U.S. foreign assistance to the EAP region since 2001. In addition, The Philippines has been made eligible for priority delivery of Excess Defense Articles (EDA).¹⁹

CSH programs include HIV/AIDS prevention, child health, and family planning. ESF promotes economic development and peace in Mindanao and Sulu Archipelago, home of several Muslim insurgency groups, some with purported ties to Al Qaeda. DA funds support civil society and democracy programs. FMF contributes to improving the military capabilities of the Armed Forces of the Philippines and to enhancing cooperation under the U.S.-Philippines Visiting Forces Agreement. IMET promotes civilian control of the military and military-to-military contacts between the United States and the Philippines.²⁰

The United States signed a Tropical Forest Agreement with the Philippines on September 19, 2002. This agreement, authorized under the Tropical Forest Conservation Act or TFCA (P.L. 105-214), cancels a portion of the Philippines' debt to the United States. The money saved by this rescheduling — estimated at about \$8 million — will be used for forest conservation activities over the next 14 years.

The United States is the fifth largest individual donor in the Philippines after Japan, the Asian Development Bank, Germany, and the World Bank.

¹⁹ Excess Defense Articles consist of used U.S. weapons and equipment given away for free. See also Alex Spillius, "Bush Calls on Asia to Renew Support for War on Terror," *The Daily Telegraph*, October 20, 2003.

²⁰ For additional information, see: CRS Report RL31672, *Terrorism in Southeast Asia*, by Mark Manyin, et. al.

Thailand

Table 11. U.S. Assistance to Thailand, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
CSH	0	0	1,000	1,500	3,000
DA	0	0	750	1,250	750
FMF	0	0	1,300	1,990	1,000
IMET	1,730	1,852	1,650	1,750	2,450
INCLE	3,000	4,095	4,000	3,700	2,000
NADR	1,220	1,300	720	50	1,500
Peace Corps	1,178	1,144	1,267	1,887	1,922
Totals	7,128	8,391	10,687	12,127	12,622

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

Thailand is one of five U.S. treaty allies in Asia and considered a model of democratic development. The U.S. State Department asserts that assistance to Thailand enhances our influence in a strategically important region, strengthens Thailand's efforts to combat terrorism, narcotics trafficking and other international crime, and reinforces military cooperation. CSH and DA funds provide assistance for the prevention of HIV/AIDS and other infectious diseases, reducing trafficking in persons, and improving environmental management. INCLE, IMET, and FMF allocations for Thailand support programs to counter drug trafficking, combat terrorism, promote interoperability with U.S. armed forces, and enhance international peace keeping efforts (East Timor, Aceh, and Afghanistan). NADR funds provide assistance to the control, detection, and interdiction of transfers of sensitive materials and technologies that could contribute to weapons proliferation.

The U.S. Department of the Treasury has declared Thailand eligible for Tropical Forest Conservation Act of 1998 (TFCA) funds, which provide debt relief for low and medium-income countries with tropical forests.

Vietnam

Table 12. U.S. Assistance to Vietnam, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY 2004 estimate
CSH	1,500	2,494	4,106	5,300	7,200
DA	1,250	2,999	6,950	8,450	4,000
IMET	0	0	50	0	100
NADR	1,000	1,675	1,500	1,750	1,650
Totals	3,750	7,168	12,606	15,500	12,950
Food Aid					
Section 416(b)	3,000 ^a	9,182 ^b	3,674 ^b	0	—

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

a. estimate

b. programmed, not including shipping

CSH and DA for Vietnam provide assistance to victims of war, land mines, and unexploded ordnance (Leahy War Victims Fund), orphans (Displaced Children and Orphans Fund), and those at high risk of contracting HIV/AIDS. Requested IMET would help to teach English language proficiency among Vietnamese military personnel, in part to promote joint U.S.-Vietnam efforts to account for American MIAs. NADR programs bolster export control and border security and help the Vietnamese government in de-mining efforts and agricultural development in affected areas.

Some Members of Congress have introduced bills that would link foreign assistance or trade to improvements in human rights conditions. On April 3, 2003, the Vietnam Human Rights Act of 2003 (H.R. 1587) was introduced. The measure would ban increases (over FY2003 levels) in non-humanitarian aid to the Vietnamese government if the President does not certify that Vietnam is making “substantial progress” in human rights. The act allows the President to waive the cap on aid increases if non-humanitarian assistance would promote the purposes of the Act or the interests of the United States.²¹

Vietnam also receives regional HIV/AIDS, environmental management, and anti-trafficking in persons assistance as well as U.S. foreign disaster assistance (flood and storm early warning systems). Other major donors to Vietnam are the World Bank, the Asian Development Bank, Japan, and Australia.

²¹ For additional information, see: CRS Issue Brief IB98033, *The Vietnam-U.S. Normalization Process*, by Mark E. Manyin.

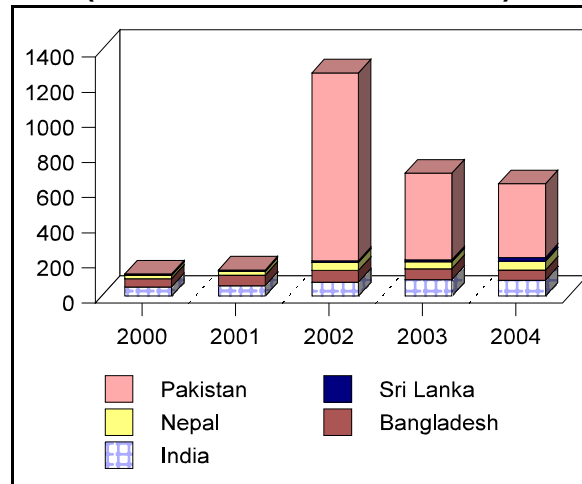
South Asia

Key U.S. foreign policy objectives in South Asia are reflected in U.S. foreign assistance programs, which include combating terrorism, developing bilateral military relations, fostering political stability, reducing poverty and disease, spreading secular education, and strengthening democratic institutions. South Asia faces daunting development challenges. According to USAID, the region is home to one-fifth of the world's population and 40% of the world's poor. More than half of the region's children under the age of five are malnourished. South Asia also has alarming infant and child mortality rates, the world's highest adult illiteracy rates and second highest fertility levels, and a rapidly spreading HIV/AIDS epidemic. These conditions, in turn, threaten political stability and, according to many observers, create fertile ground for the rise of radical political ideologies and activities.

Although India and Bangladesh received relatively large amounts of food aid, in non-food terms, South Asia was the smallest regional recipient of U.S. foreign assistance prior to September 2001. Since that time, counter-terrorism and related funding for South Asia, especially Pakistan, have made the region a relatively large recipient of development aid and security-related economic assistance (ESF) and the second largest recipient of military assistance after the Middle East.

Before the United States began the war against terrorism in 2001, India and Bangladesh were the largest recipients of U.S. foreign assistance in South Asia. Following Pakistan's promise to cooperate with Operation Enduring Freedom in Afghanistan, it became the largest beneficiary of U.S. foreign assistance in the region, followed by India. Both Pakistan and India faced sanctions on non-humanitarian foreign aid for conducting nuclear weapons tests in 1998. The United States imposed additional restrictions on aid to Pakistan because of debt delinquency and the military coup that took place in October 1999. The United States began lifting many of the nuclear test-related sanctions soon after they were imposed, and was prepared to normalize relations with India before the terrorist attacks of September 11, 2001. On September 22, 2001 President Bush issued a final determination removing all nuclear test-related economic sanctions against India and Pakistan pursuant to the Department of Defense Appropriations Act, 2000 (P.L. 106-79). On October 27, 2001, President Bush signed into law S. 1465 (P.L. 107-57), authorizing the President to waive foreign aid sanctions related to democracy and debt arrearage for Pakistan. President Bush exercised this authority in March 2003. See **Figure 5**.

Figure 5. U.S. Assistance to South Asia (excluding food aid), 2000-04 (million current U.S. dollars)



One key challenge for U.S. foreign policy makers is how to assist Pakistan in its anti-terrorism activities and reward its cooperation in Operation Enduring Freedom while still applying pressure regarding nuclear non-proliferation, democratization, and other imperatives. Other foreign aid challenges in South Asia include halting the spread of HIV/AIDS in India, countering the Maoist insurgency in Nepal, maintaining ethnic harmony in Sri Lanka, and carrying out education sector reforms in Pakistan and Bangladesh. Another issue involves selecting candidates for the President's Millennium Challenge Account. Bangladesh, Nepal, and Sri Lanka are considered as possible qualifiers for MCA funds.

South Asia regional programs include: Anti-Terrorism Assistance (\$9.8 million in FY2003); South Asia Regional Funds (\$2 million in FY2003); and South Asia Regional Democracy (\$1.9 million in FY2003). The region also receives assistance through USAID's Asia Near East (ANE) regional programs, including the U.S.-Asia Environmental Partnership and Encourage Economic Growth Program. South Asian countries — particularly Bangladesh, India, and Nepal — have received U.S. foreign disaster assistance worth approximately \$4.25 million between 2000 and 2007, including disaster response planning, flood forecasting, and earthquake preparedness.

Country Aid Levels and Legislative Conditions — South Asia

Bangladesh

Table 13. U.S. Assistance to Bangladesh, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
CSH	14,836	15,500	39,950	33,100	32,000
DA	31,063	42,050	21,670	22,620	18,850
ESF	0	0	3,000	4,000	5,000 ^c
IMET	456	507	648	750	800
Peace Corps	977	908	581	1,070	1,255
Totals	47,332	58,965	65,849	61,540	57,905
Food Aid					
P.L. 480 Title II Grant	23,525	67,658	23,974	25,181 ^b	45,445
Section 416(b)	0	62,810 ^a	12,871 ^b	0	—

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

a. estimate

b. programmed, not including shipping

c. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673)

U.S. foreign aid policy emphasizes economic development and effective 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 and its role in promoting regional stability has served U.S. interests. However, problems of political corruption and violence threaten to undermine progress on many fronts.²² U.S. foreign assistance programs include family planning; early education; child health; HIV/AIDS prevention; private enterprise development; political party institution building; and environmental protection. IMET programs help to professionalize the Bangladesh military, which helped to enforce free and fair national elections in 2001 and has contributed to international peacekeeping missions. Bangladesh is also a large recipient of Title II food aid. During FY2000, Bangladesh became the first country to sign an agreement with the United States under the Tropical Forest Conservation Act (P.L. 105-214), under which the United States cancelled \$10 million in debt owed by Bangladesh in return for the country

²² U.S. Department of State, "FY2004 Congressional Budget Justification for Foreign Operations — Bangladesh," February 2003.

setting aside \$8.5 million to endow a Tropical Forest Fund to protect and conserve the country's mangrove forests. The largest international aid donors to Bangladesh are the World Bank, Japan, the Asian Development Bank, the United Kingdom, the United States, the European Union, and the United Nations.

India

Table 14. U.S. Assistance to India, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
CSH	22,750	24,593	41,678	39,312	40,800
DA	28,700	28,805	29,200	36,400	27,100
ESF	0	4,989	7,000	10,500	15,000 ^b
IMET	480	498	1,000	1,000	1,250
FMF	0	0	0	5,000	5,000
NADR	285	892	900	1,750	1,000
Totals	52,215	59,777	79,778	93,962	90,150
Food Aid					
P.L. 480 Title II Grant	116,782	78,064	93,679	35,708 ^a	45,000
Section 416(b)	0	0	11,961 ^a	0	—

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

a. programmed, not including shipping

b. The conference report (House Rpt. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673)

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

The United States significantly increased its foreign assistance to India in FY2002 and FY2003. Current and planned aid programs include reproductive health and child survival; HIV/AIDS prevention; education for girls, women, and other

vulnerable groups; economic growth, including programs to strengthen financial markets; power distribution; and disaster management. FMF supports interoperability between U.S. and Indian military forces. IMET helps to strengthen professionalism in the Indian military and facilitate cooperation in U.S.-India joint exercises. NADR funding for the Export Control and Related Border Security Assistance (EXBS) program assists India in strengthening its export control system. In addition, USAID Office of Foreign Disaster Assistance (OFDA) spending in India in 2003 totaled \$1.8 million for disaster preparedness and ongoing drought relief in Rajasthan.

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

Nepal

Table 15. U.S. Assistance to Nepal, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2002 S.A. ^b	FY2003 estimate	FY2004 estimate
CSH	7,000	9,250	20,000	—	19,899	18,500
DA	9,900	11,858	7,597	—	10,247	14,311
ESF	0	0	3,000	—	4,000	5,000 ^c
FMF	0	0	2,000	12,000	2,950	10,000
IMET	216	237	377	—	500	600
Peace Corps	1,754	1,735	2,111	—	2,408	2,402
Totals	18,870	23,080	35,085	12,000	40,004	50,813
Food Aid						
P.L. 480 Title II Grant	0	0	2,352	—	0	0
Section 416(b)	0	2,666 ^a	0	—	0	—

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

a. estimate

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

c. The conference report (House Rpt. 108-401) on the Consolidated Appropriations bill for FY 2004 (H.R. 2673)

The United States has an interest in helping Nepal to reduce poverty in rural areas, which have become breeding grounds for Maoist insurgents. USAID programs focus on child health care, women's literacy and anti-trafficking in persons, rural

market reforms, local legal and judicial systems, civil society, and electoral processes. In 2002, Nepal received \$12 million in supplemental appropriations (FMF) to help the government to fight Maoist rebels. IMET supports developing counterintelligence, civil affairs, psychological operations, special forces, medical, and logistics needs of the Royal Nepalese Army.

Largest donors are Japan, the United States, Denmark, the United Kingdom, and Switzerland.

Pakistan

Table 16. U.S. Assistance to Pakistan, 2000-04
(Million dollars)

	FY2000	FY2001	FY2002	FY2002 E.R.F. ^b	FY2002 S.A. ^c	FY2003 Est.	FY2003 W.S. ^d	FY2004 Est.	FY2004 E.S. ^e
CSH	0	0	14,000	—	—	15,645	—	25,000	—
DA	0	0	10,000	—	—	34,500	—	50,000	—
ESF	0	0	9,500	600,000	15,000	188,000 ^f	—	—	200,000 ^f
FMF	0	0	0	—	75,000	49,500	175,000	75,000	—
ERMA	—	—	—	25,000	—	—	—	25,000	—
IMET	—	—	894	—	—	1,000	—	1,250	—
INCLE	3,250	3,500	2,500	73,000	15,000	6,000	25,000	38,000	—
NADR	0	0	100	—	10,000	0	—	6,000	—
PKO	0	0	0	220,000	—	0	—	0	—
Totals	3,250	3,500	36,994	918,000	115,000	294,645	200,000	220,250	200,000
Food Aid									
P.L. 480 Title I USDA Loan	0	0	10,000 ^a	—	—	0	—	—	—
P.L. 480 Title II Grant	537	1,855	5,134	—	—	5,540 ^a	—	0	—
Section 416(b)	0	85,075 ^a	76,614 ^a	—	—	0	—	—	—

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

- a. programmed, not including shipping
- b. Emergency Response Fund (P.L. 107-38)
- c. Supplemental Appropriations (P.L. 107-206)
- d. Emergency Wartime Supplemental Appropriations (P.L. 108-11)
- e. Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106)
- f. Economic grants that can be used to cancel a total of approximately \$2 billion in concessional 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).

Lifting Foreign Assistance Restrictions. Prior to September 2001, Pakistan received only counter-narcotics (INCLE) and food assistance due to U.S. prohibitions related to nuclear weapons testing, delinquent debtor status, and the military coup of 1999. Pakistan, one of the largest recipients of U.S. assistance before 1990, received very little economic and military aid during the 1990s. In 1985, the Pressler Amendment to the Foreign Assistance Act of 1961 (Section 620e) barred U.S. foreign assistance to Pakistan unless the President determined that Pakistan did not possess nuclear weapons and that U.S. assistance would reduce the risk of Pakistan’s obtaining them. In 1990, President Bush declined to make such determinations and imposed Pressler Amendment sanction against Pakistan. This restriction was eased in 1995 to prohibit only military assistance.²³ 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 toward Pakistan (e.g. USDA credits and U.S. commercial bank loans) compared to India. Furthermore, Pakistan continued to be ineligible for most forms of U.S. foreign assistance due to its military coup and delinquency in servicing its debt to the United States.²⁴

Following the September 2001 terrorist attacks on the United States, Pakistan was designated as a front-line state in the war on terrorism and along with India received dramatically increased U.S. aid levels. In late September 2001, President Bush waived nuclear weapons sanctions that prohibited military and economic aid to Pakistan and India, and rescheduled \$379 million of Pakistan’s \$2.7 billion debt to the United States, so that Pakistan would not be considered in arrears in servicing its debt, a requirement for further foreign assistance. On October 27, 2001, President

²³ The Brown Amendment to the FAA (1995) narrowed the prohibition to military assistance only.

²⁴ 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 6 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. Sec. 512 of the Foreign Operations Appropriations Act, FY2001 (P.L. 106-429), the Brooke Amendment, denies foreign assistance to any country that falls into arrears for more than 12 months. This latter restriction includes no waiver authority for the President. For additional information, see CRS Issue Brief IB94041, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

Bush signed S. 1465 into law (P.L. 107-57), allowing the President to waive human rights sanctions against Pakistan 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. President Bush exercised this authority in March 2003. 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 through 2004.²⁵

Foreign Aid Programs. In addition to military and economic assistance for Pakistan's anti-terrorism efforts and cooperation with the United States in Operation Enduring Freedom, U.S. assistance focuses on basic health, primary education, poverty reduction, civil society, and democratic institutions. In 2000, Congress authorized basic education assistance for Pakistan.²⁶ In 2001, USAID launched an education program in Pakistan with the goals of offering a popular alternative to the *madrassas*, or religious schools, and building foundations for economic development. Less than one month after its reopening in Pakistan, USAID pledged \$100 million in assistance for Pakistan's education sector. An agreement formalizing this assistance was signed on August 9, 2002. It identified four areas: education sector policy and planning; capacity of teachers and education administrators; youth and adult literacy; and public-private partnerships to improve access and delivery of education services.

Sri Lanka

Table 17. U.S. Assistance to Sri Lanka, 2000-04
(thousand dollars)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
CSH	700	300	300	300	500
DA	3,650	3,399	5,150	6,250	5,000
ESF	0	0	3,000	3,950	12,000 ^e
FMF	0	0	0	0	1,000
IMET	203	252	259	350	500
NADR	0	0	0	0	1,700
Totals	4,553	3,951	8,709	10,850	20,700
Food Aid					

²⁵ See House Report 108-337, Section 2213.

²⁶ FY2001 Foreign Operations Appropriations Act, (P.L. 106-429, Section 597)

Account	FY2000	FY2001	FY2002	FY2003 estimate	FY2004 estimate
P.L. 480 Title I USDA Loan	5,000	7,900 ^a	8,000 ^b	0	—
P.L. 480 Title II Grant	0	0	1,325	363 ^b	0
Section 416(b)	0	6,030 ^a	0	0	—

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

a. estimate

b. programmed, not including shipping

c. The conference report (H.Rept. 108-401) on the Consolidated Appropriations bill for FY2004 (H.R. 2673)

USAID programs promote the peace process between the government of Sri Lanka and Tamil insurgents, the Liberation Tigers of Tamil Eelam (LTTE). USAID funds help to meet the “enormous reconstruction, rehabilitation and reconciliation needs” stemming from the conflict. Ongoing and planned programs include economic reconstruction; humanitarian assistance for civil war survivors and victims of violence; HIV/AIDS awareness and prevention; strengthening private industry and workforce enhancement; civil society, constitutional reform and legal aid. IMET assists in the modernization of the Sri Lankan Army Staff College.

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

- AERA:** Accelerating Economic Recovery in Asia
CSD: Child Survival and Disease
CSH: Child Survival and Health (replaces CSD)
DA: Development Assistance
EAPEI: East Asia and Pacific Environmental Initiative
EDA: Excess Defense Articles
ERMA: Emergency Migration and Refugee Assistance
ESF: Economic Support Funds
FMF: Foreign Military Financing
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement
MRA: Migration and Refugee Assistance
NADR: Non-proliferation, Anti-terrorism, De-mining, and Related Programs
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