

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 appropriations 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, including East and South Asia. 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. In 2007, the Bush Administration restructured U.S. foreign aid programs to better serve the goal of *transformational development*, which places greater emphasis on U.S. security and democracy building as the chief goals of foreign aid.

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 Consolidated Appropriations Act for FY2008 (P.L. 110-161) places human rights conditions upon portions of the U.S. military assistance grants to Indonesia, the Philippines, and Pakistan.

The Administration's FY2008 budget request for the East Asian countries that are covered in this report (\$453 million) represents a slight increase compared to the total for FY2007 (\$442 million). With the exception of Indonesia and Vietnam, assistance to most East Asian countries is to decrease or remain about the same compared to FY2007 appropriations. The FY2008 budget raises assistance to South Asian countries by 8%, according to estimates (from \$900 million in FY2007 to \$974 million). The Consolidated Appropriations Act for FY2008 makes some changes to the Administration's proposed funding levels. These revisions include additional ESF for democracy and humanitarian activities in Burma; funding for democracy, rule of law, and Tibet programs in China as well as U.S.-China educational exchanges; and increased Foreign Military Financing (FMF) for the Philippines. The spending measure also imposes new restrictions on FMF for Sri Lanka. This report will be updated periodically to reflect new data.

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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. 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 The Bush Administration reoriented foreign assistance programs, particularly to “front line” states in the war on terrorism. For many countries, the U.S. government directed not only increased security and military assistance but also development aid for counterterrorism efforts, including programs aimed at mitigating conditions that may make radical ideologies and religious extremism attractive, such as cycles of violence, 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 development*, which places greater emphasis on U.S. security and democracy building as the principal goals of foreign aid.² 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.

Critiques. According to some analysts, recent U.S. foreign policy trends have weakened programs and institutions that specialize in basic development. Some policy-makers have expressed concern that transformational development and MCA funding priorities have taken resources away from traditional programs, particularly in countries that contain lesser security threats to the United States or where governments do not meet various U.S. performance criteria. Other analysts argue that promoting democracy in some countries prematurely may result in a waste of

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 *Transformational development*, which involves foreign aid, is to work in tandem with the Administration’s *transformational diplomacy*, which emphasizes diplomatic resources. See USAID Fact Sheet, “New Direction for U.S. Foreign Assistance,” January 19, 2006.

aid.³ According to one study, insufficient funding for foreign assistance objectives has reinforced a “migration of foreign aid authorities and functions to the Department of Defense.”⁴

Funding Trends

Foreign operations appropriations declined from a peak in 1985 to a low in 1997, after which they began to grow 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 (MCA) and the President’s Emergency Plan for AIDS Relief (PEPFAR).⁵ 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 eligible for MCA funds. In October 2007, the Mongolian government and the Millennium Challenge Corporation (MCC) signed a five-year, \$285 million agreement. Vietnam is the only Asian country to receive Global HIV/AIDS Initiative (GHA) funding under PEPFAR.

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, 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 with links to terrorist groups. These countries have received the bulk of the increases in U.S. foreign aid (non-food) to

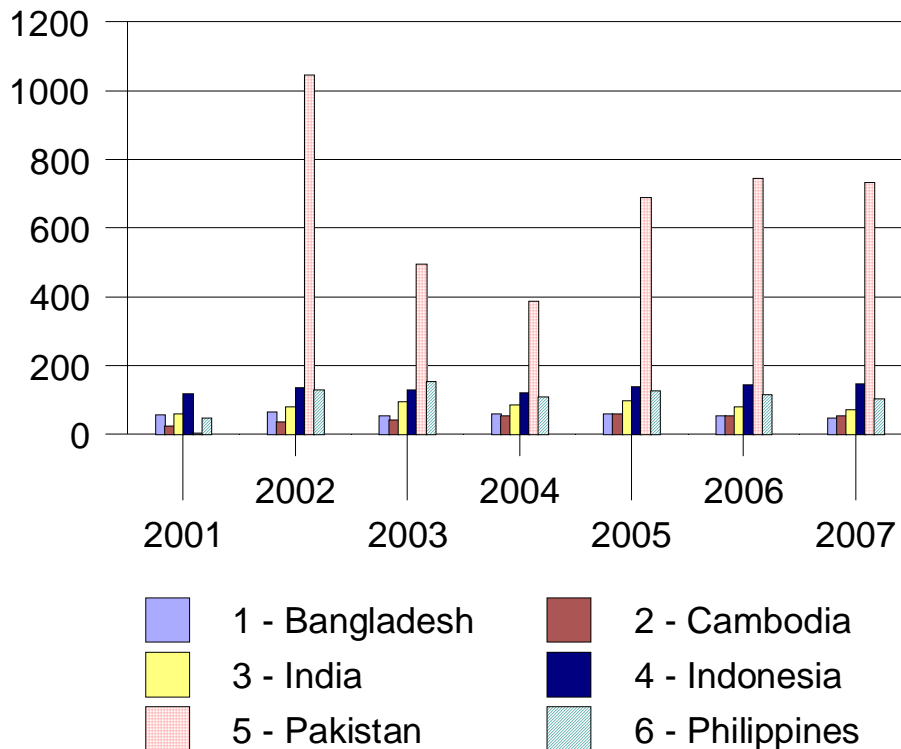
³ Marcela Sanchez, “A Risky Shift in Direction,” *South Florida Sun-Sentinel*, January 27, 2006; Guy Dinmore, “U.S. Poised for Radical Reform of Foreign Aid Programme,” *Financial Times*, January 19, 2006; Guy Dinmore, “Critics of ‘Utopian’ Foreign Policy Fail to Weaken Bush Resolve,” *Financial Times*, January 13, 2006.

⁴ *Embassies Grapple to Guide Foreign Aid: A Report to Members of the Committee on Foreign Relations*, United States Senate Committee Print, November 16, 2007.

⁵ CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

Asia (excluding Afghanistan), although funding for aid programs in India and the Philippines reached a peak in 2006 and fell in 2007 and 2008. 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**.

Figure 1. Major U.S. Aid Recipients in Asia, by Aid Amount, 2001-2007 (\$million)



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. The Fund received \$94 million in both FY2006 and FY2007. Approximately one-third of the Democracy Fund has been allocated to Asia, mostly for rule of law and civil society programs in China.⁶

Foreign Aid Restrictions

In the past decade, the United States has imposed restrictions on non-humanitarian development aid, Economic Support Funds (ESF),⁷ and military

⁶ 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).

⁷ 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

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. These countries include Burma, Cambodia, China, Indonesia, Thailand, and Pakistan. 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. The Consolidated Appropriations Act for FY2008 places human rights conditions upon portions of the U.S. military assistance grants to Indonesia, the Philippines, and Pakistan.

FY2008 Budget

The Administration's FY2008 budget request for the East Asian countries that are covered in this report (\$453 million) represents a slight increase compared to the total for FY2007 (\$442 million). With the exception of Indonesia and Vietnam, assistance to most East Asian countries is to decrease or remain about the same compared to FY2007 appropriations. The budget request for Indonesia includes large increases in Development Assistance (DA) and Foreign Military Financing (FMF). Global HIV/AIDS Initiative funding for Vietnam is to grow by 56% under the FY2008 proposed budget, from an estimated \$56 million in FY2007 to \$87.7 million. The FY2008 budget is to increase assistance to South Asian countries by an estimated 8% (from \$900 million in FY2007 to \$974 million). This reflects greater funding for Bangladesh (mostly Development Assistance) and Pakistan (ESF). For FY2008, the Administration requested new funding for counter-narcotics programs in Bangladesh and India and law enforcement enhancement activities in Nepal and Sri Lanka. In addition, Regional Development Mission Asia program (\$20.4 million in FY2008) supports public health efforts, improved water and sanitation services, trade, environmental preservation, and investments in energy efficiency, renewable energy, and clean technologies.⁸

The FY2008 Foreign Operations Appropriations Legislation. The Consolidated Appropriations Act, 2008 (H.R. 2764, signed into law as P.L. 110-161), Division J, makes some changes to the Administration's request. These revisions include additional ESF for democracy and humanitarian activities for Burma; funding for democracy, rule of law, and Tibet programs in China as well as U.S.-China educational exchanges; and increased FMF for the Philippines. The spending measure also imposes new restrictions on FMF for Sri Lanka.

Regional Comparisons

Africa remained the largest regional recipient of Child Survival and Health (CSH) and Development Assistance (DA) funding in FY2007.⁹ The largest regional

recipient countries and regions.

⁸ Most figures for FY2007 remain estimates.

⁹ 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

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 Pakistan as well). The largest recipient of military assistance, by far, was Near East Asia followed by South and Central Asia.¹⁰ These rankings were the same as those for FY2006. See **Table 1** and **Figures 2-4**.

**Table 1. U.S. Foreign Assistance by Region
(Excluding Food Aid), 2001, 2003-2007**
(\$million)

	FY01	FY03	FY04	FY05	FY06	FY07
Africa	1,313	1,706	2,091	2,795	2,771	3,486
East Asia-Pacific	368	477	474	525	1,022	500
Europe and Eurasia	2,017	2,871	1,577	1,323	1,023	845
Near East Asia (Middle East)	5,401	8,409	5,556	5,755	5,217	5,099
South/Central Asia (excl. Afghanistan)	201	785	685	970	875	1,025
Western Hemisphere	749	1,559	1,545	1,723	1,516	1,439
Totals	10,049	15,807	11,928	13,091	12,424	12,394

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

Note: In addition to the above, 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.

Asia (formerly South Asia), and Western Hemisphere (Latin America and Caribbean).

¹⁰ Military assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peacekeeping Operations (PKO).

Figure 2. Health and Development Assistance (DA and CSH) by Region, FY2007 est. (\$million)

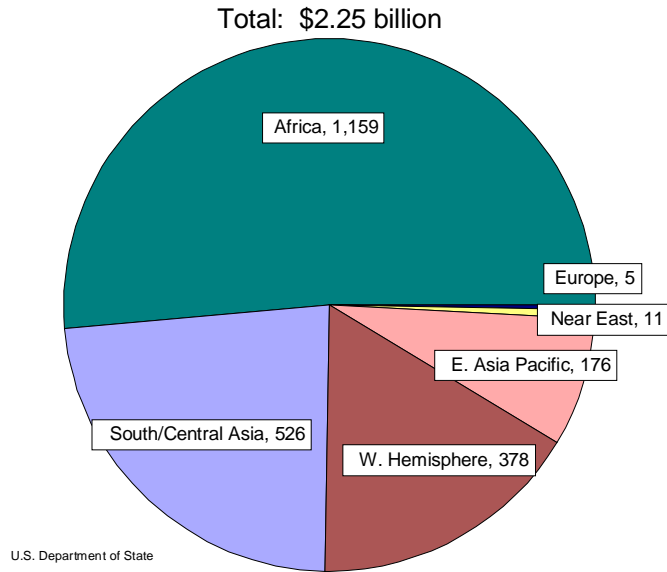


Figure 3. Economic Support Funds by Region, FY2007 est. (\$million)

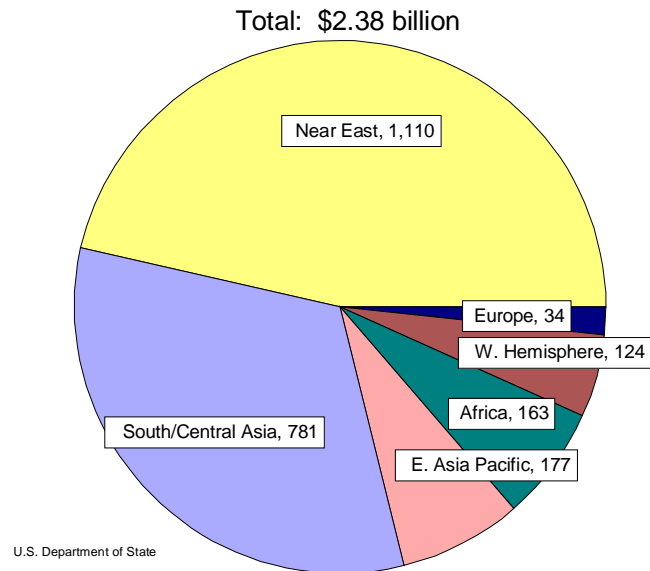
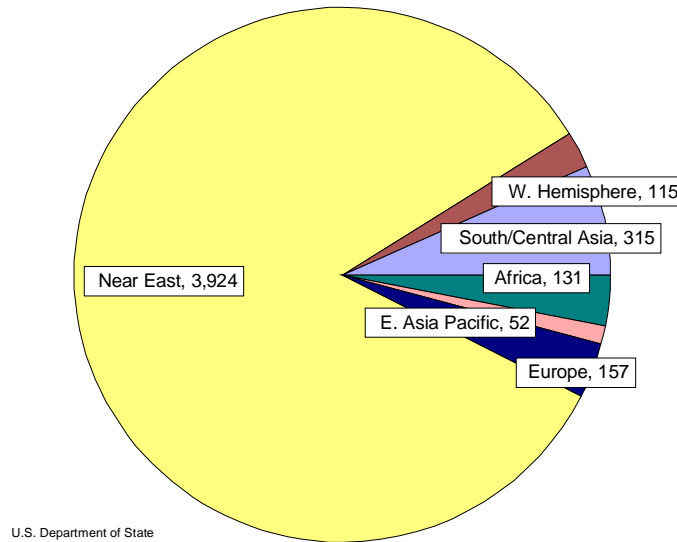


Figure 4. Military Assistance by Region, FY2007 est. (\$million)

Total: \$4.7 billion



East Asia

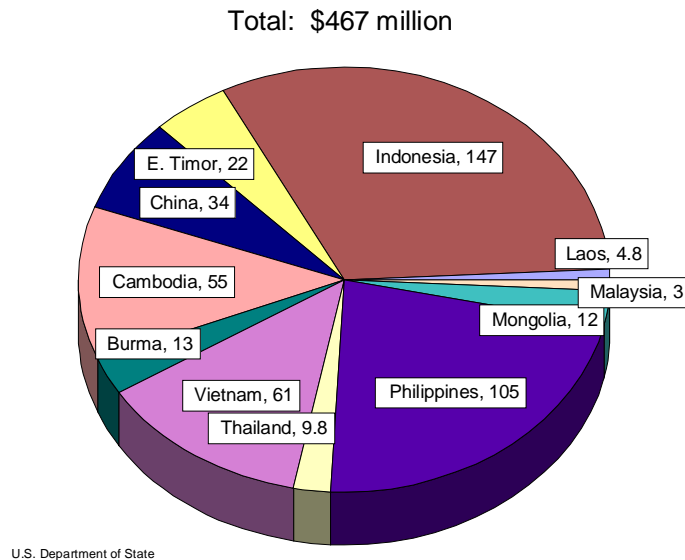
Since 2001, foreign aid spending in East Asia has grown markedly, largely due to counterterrorism efforts in the Philippines and Indonesia. The Philippines, a Major Non-NATO Ally, and Indonesia, a democratizing nation with the world's largest Muslim population, are home to several insurgency movements 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 also 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 East Asia and the Pacific (EAP) countries (excluding the Pacific Island nations),¹¹ in FY2007, Indonesia was the largest recipient of U.S. foreign aid, particularly ESF, 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, Laos, and Thailand. Indonesia, Cambodia, and the

¹¹ 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.

Philippines were the largest recipients of Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR).¹² 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.**

Figure 5. U.S. Foreign Aid (Non-food) to East Asian Countries, FY2007 est. (\$million)



U.S. assistance also finances several EAP regional programs. Estimated funding for such programs in FY2007 was \$27 million, a slight decrease from that provided in FY2006. Most of the funding — approximately 75% — supports economic growth efforts. In addition, the United States contributes to the Developing Asian Institutions Fund as part of the establishment of a Free Trade Area of the Asia-Pacific. The second largest regional aid objective is the advancement of peace and security (nearly 20% of regional program funding), including the following aid activities: counterterrorism, counternarcotics, fighting transnational crime, non-proliferation, and maritime cooperation. The third largest aid area is democracy-building.

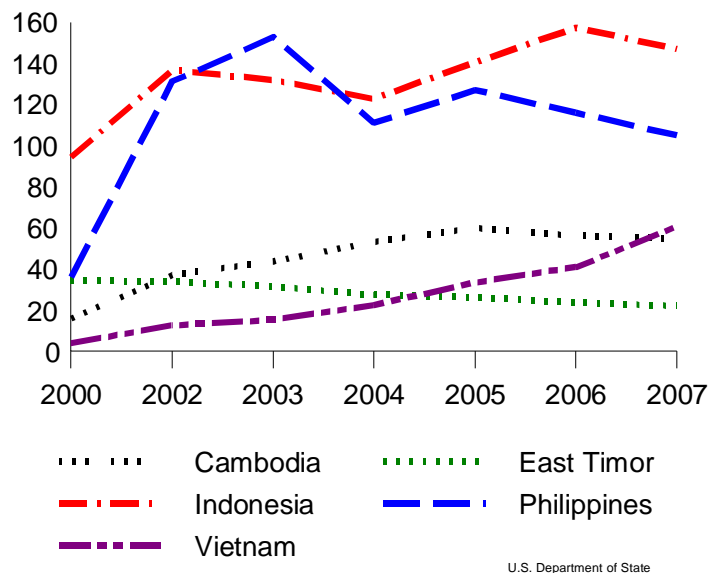
Taiwan and Singapore. Taiwan and Singapore, two newly developed countries in East Asia, also receive limited U.S. assistance. Taiwan receives approximately \$500,000 annually to develop its export control system and combat trafficking in persons. The United States government provided nearly \$700,000 to Singapore in 2007 help the country deter, detect, and interdict the flow of illegal arms across its maritime borders.

¹² The INCLE and NADR accounts are often referred to as “security assistance.”

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 U.S. government has deemed in violation of international human rights standards. In the past decade, foreign operations appropriations measures have imposed human rights-related sanctions on U.S. foreign assistance to the governments of Burma and Cambodia and to the Indonesian military while supporting Burmese dissident groups and promoting human rights, civil society, and democracy in Cambodia, China, East Timor, Indonesia, Mongolia, and Thailand. Since 2006, most sanctions on aid to the government of Cambodia and to the Indonesian military have been lifted, although restrictions have been imposed on aid to Thailand.

Figure 6. Top U.S. Foreign Aid Recipients in East Asia, FY2000, FY2002-FY2007 (\$million)



Lifting Sanctions on Indonesia. 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

In comparison to major bilateral donors in the region, the People's Republic of China (PRC) provides relatively little official development assistance (ODA). Furthermore, the PRC government lacks a foreign aid system with a centralized organizational structure, long-term development goals, open funding processes, and published data. Nonetheless, the PRC administers a wide range of economic assistance to Southeast Asia that includes many forms of aid that generally are not counted as ODA by established international aid agencies: infrastructure and public works projects, trade and investment agreements, pledges of foreign direct investment, and technical assistance. China is also a large source of loans. According to some analysts, when these kinds of assistance are included, China is one of the largest bilateral aid donors in Southeast Asia. The PRC has been described as the "primary economic patron" of the region's least developed countries (Burma, Cambodia, and Laos).¹³ China also has provided considerable foreign aid to Vietnam as well as other large and more developed countries (Thailand, Indonesia, and the Philippines).

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 adverse effects, and that China has helped to address needs not met by Western and Japanese aid. Many 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.

¹³ Catherin E. Dalpino, "Consequences of a Growing China," *Statement before the Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs*, June 7, 2005; Heritage Foundation program, "Southeast Asia's Forgotten Tier: Burma, Cambodia and Laos," July 26, 2007.

Country Aid Levels and Restrictions — East Asia¹⁴

Burma

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
CSH	0	0	0	2,100	1,040
DA	0	0	0	0	800
ESF	12,923	7,936	10,890	10,890	13,000 ^c
Other ^a	5,000	4,000	3,000	3,000 ^b	3,000 ^c
Totals	17,923	11,936	13,890	15,990	17,840

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

a. Humanitarian assistance for displaced Burmese and host communities in Thailand through an unspecified account.

b. estimate

c. P.L. 110-161

Burma's political, economic, educational, and public health institutions and systems have deteriorated under 40 years of military rule. 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.¹⁵ U.S. sanctions were tightened, especially travel and financial restrictions against SPDC leaders, following the Burmese government's violent suppression of democracy demonstrators in September 2007.

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" 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.

¹⁴ Including Southeast Asia and excluding North Korea and Pacific Island nations.

¹⁵ For Burma aid sanctions, see P.L. 104-208, Section 570. For further information on Burma, see CRS Report RS22737, *Burma: Economic Sanctions*, by Larry A. Niksch and Martin A. Weiss.

Inside Burma, the United States provides assistance for HIV/AIDS prevention, care, and treatment, English language training, and civil society. The largest U.S. aid programs assist Burmese refugees in Thailand.

The Consolidated Appropriations Act for FY2008 (P.L. 110-161) appropriates \$13 million (ESF) primarily for Burmese student groups and other democratic organizations located outside Burma, and for the provision of humanitarian assistance to displaced Burmese along Burma's borders. The Act also provides \$3 million for community-based organizations operating in Thailand to provide food, medical and other humanitarian assistance to internally displaced persons in eastern Burma.

**Top Donors of Bilateral
Official Development
Assistance (\$US million) to
Burma**

1. Japan: 26
2. EC: 14
3. United Kingdom: 11
4. Australia: 11
5. Korea: 7

2004-2005 average. Source: OECD

Cambodia

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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 131th out of 177 countries and regions on the United Nations Development Program's Human Development Index, which measures GNP per capita, life expectancy, and educational attainment. The U.S. State Department reports that Cambodia's fragile institutions, weak rule of law, and rampant corruption are major challenges to Cambodia's democratic development and economic growth. Furthermore, Cambodia's health and education systems were decimated under the

rule of the Khmer Rouge (1975-1979) and subsequent Vietnamese control.¹⁶ The largest U.S. assistance sectors in Cambodia are health and education (\$25 million), including a significant HIV/AIDS program component. The U.S. assistance mission in Cambodia also aims to promote transparency and accountability in government, combat corruption, and strengthen civil society. Other program areas include economic reform and growth and improving the military's capability to protect Cambodia's borders from transnational threats.

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.¹⁷

Cambodia, one of the top five countries in the world for the number of landmine casualties (approximately 800 victims per year), received \$5 million 2006 and an estimated \$3.8 million in 2007 in U.S. de-mining assistance. Under the Administration's FY2008 budget, the country is to receive \$2.5 million in de-mining assistance. In addition, in the past decade, USAID has supported programs worth \$13 million providing for prostheses, physical rehabilitation, employment, and related services for mine victims using Leahy War Victims Funds.

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.

**Top Donors of Bilateral
Official Development
Assistance (\$US million) to
Cambodia**

1. Japan: 94
2. United States: 60
3. France: 28
4. Australia: 27
5. Germany: 24

2004-2005 average. **Source:** OECD

¹⁶ Congressional Budget Justification for Foreign Operations, FY2008.

¹⁷ For most of these activities, the U.S. government 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)¹⁸**Table 4. U.S. Assistance to China, 2004-2008**
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
CSH	0	0	0	4,800	7,290
DA	0	0	4,950	5,000	10,000*
ESF	13,500	19,000	20,000	19,000	17,000*
ESF/Tibet	3,976	4,216	3,960	3,960	5,250*
Peace Corps	863	1,476	1,683	1,886	1,953
Totals	18,339	24,692	21,683	34,646	41,493

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

* The Consolidated Appropriations Act, FY2008 (P.L. 110-161) provides \$10 million for U.S.-China educational exchanges (DA), \$15 million for China/Hong Kong/Taiwan democracy programs (ESF), and \$5.25 million for Tibetan community assistance (ESF).

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 2006.¹⁹ 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.²⁰ Major U.S. grantees have included the National Endowment for

¹⁸ Since 2004, the annual congressional authorization for democracy funds for China have included Hong Kong and Taiwan. Funding for legal and political reforms in Taiwan shall only be made available to the extent that they are matched from sources other than the United States Government.

¹⁹ For further information, see CRS Report RL33662, *U.S.-Funded Assistance Programs in China*, by Thomas Lum.

²⁰ 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.

Democracy (NED), the Asia Foundation, Temple University (School of Law), the American Bar Association, 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.²¹

Since 2006, Congress has appropriated Development Assistance (DA) to American educational institutions for exchange programs related to democracy, rule of law, and the environment in China. In 2007, the U.S. government began funding HIV/AIDS programs in China using CSH account funds.

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.²² In addition, foreign operations appropriations legislation forbids funding to the United Nations Population Fund (UNFPA) for programs in China due to alleged coercive family planning practices.

**Top Donors of Bilateral
Official Development
Assistance (\$US million) to
China**

1. Japan: 1,662
2. Germany: 470
3. France: 164
4. United Kingdom: 74
5. EC: 58

2004-2005 average. **Source:** OECD

²¹ See General Accounting Office, “Foreign Assistance: U.S. Funding for Democracy-Related Programs (China),” February 2004.

²² 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 estimate
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, functional government, and democratic political system. The largest strategic objective of U.S. assistance is economic growth, targeting agriculture, private sector competitiveness, and economic opportunity. Other major objectives are improved governance and peace and security. Program areas include rule of law, human rights, and civil society. IMET activities aim to develop more professional military and police forces. In November 2005, the Millennium Challenge Corporation selected East Timor as eligible for MCA assistance.

Top Donors of Bilateral Official Development Assistance (\$US million) to East Timor

1. Australia: 37
2. Portugal: 30
3. United States: 24
4. Japan: 22
5. EC: 11

2004-2005 average. **Source:** OECD

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 estimate
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

The U.S. State Department reports that the “overarching U.S. foreign policy priority in Indonesia is to assist its transformation into a stable, moderate democracy capable of addressing regional and global challenges in partnership with the international community.” The country faces many development and security challenges, including terrorist threats, ethnic and separatist conflicts, weak institutions, high levels of corruption, poverty and unemployment, low levels of education, and poor health conditions.²³ The largest strategic objective in terms of funding is investing in people (\$87.6 million), which includes education, health, and clean water programs. A major U.S. assistance initiative is the six-year, \$157 million education program that began in 2004. The second largest area of U.S. aid is peace and security — the Administration requested \$41.7 million for FY2008 for the Indonesian military and police to fight terrorism, combat weapons proliferation and other transnational crimes, monitor strategic waterways, and cooperate with the United States armed forces. This increase in funding reflects the normalization of military ties in 2005.

For FY2008, over \$29 million in U.S. assistance are to support programs for strengthening the justice and legislative branches, participatory governance, human rights, and civil society. Economic growth programs worth \$27 million are to

²³ Congressional Budget Justification for Foreign Operations, FY2008.

promote greater transparency and combat corruption, and are expected to lead to an improved trade and investment climate, financial sector soundness, and increased private sector competitiveness.

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. In November 2006, USAID and the government of Indonesia signed a \$55 million, two-year agreement for MCA assistance under the MCC Threshold Program.

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 on military assistance that were first imposed in 1993.²⁴ 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 (TNI) 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.

The Consolidated Appropriations Act for FY2008, Section 679(a) appropriated up to \$15.7 million in Foreign Military Financing (FMF) for Indonesia, of which \$2.7 million “may not be made available” unless the Government of Indonesia has taken steps to prosecute and punish members of the TNI credibly alleged to have committed human rights violations in East Timor and elsewhere, implement reforms related to

**Top Donors of Bilateral
Official Development
Assistance (\$US million) to
Indonesia**

1. Japan: 963
2. Germany: 191
3. United States: 163
4. Australia: 145
5. Netherlands: 128

2004-2005 average. **Source:** OECD

²⁴ 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.

improved transparency and accountability of the military, and allow public access to Papua.

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.²⁵ 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.²⁶

Laos

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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.

The bulk of U.S. aid programs in Laos are related to peace and security. The Administration's request for FY2008 includes the following programs: removing unexploded ordnance (UXO), English language training for Lao defense officials, counter-narcotics efforts, and combating transnational crime. Other program areas include public health, rule of law, and improving the country's trade and investment environment. Laos also receives assistance through the Leahy War Victims Fund (\$1.5 million during the 2004-2009 period) to assist victims of UXO. U.S. mines from the Vietnam War cause an average of 120 deaths per year (nearly 4,000 deaths, and over 13,000 casualties, since

Top Donors of Bilateral Official Development Assistance (\$US million) to Laos

1. Japan: 65
2. France: 21
3. Sweden: 19
4. Germany: 15
5. Australia: 12

2004-2005 average. **Source:** OECD

²⁵ USAID, *Fact Sheet #39, Indian Ocean — Earthquakes and Tsunamis* (July 7, 2005).

²⁶ USAID, *USAID Rebuilds Lives after the Tsunami* (April 27, 2006).

1975). UXO also takes a significant economic toll on rural areas, affecting 25% of villages or one-third to one-half of the nation's land area.

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.

Malaysia

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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.

Malaysia is not a recipient of U.S. development and economic aid. The U.S. State Department describes Malaysia as a “key Muslim-majority state in Southeast Asia and an important contributor to conflict resolution and peacekeeping both regionally and internationally.”²⁷ Regional terrorist organizations, most notably Jemaah Islamiyah, are known to use Malaysia for planning and fund raising. Over half of U.S. assistance to the country is related to antiterrorism and non-proliferation activities. Other assistance is provided for military operations and law enforcement restructuring.

Top Donors of Bilateral Official Development Assistance (\$US million) to Malaysia

1. Japan: 297
2. Denmark: 14
3. Germany: 8
4. France: 4
5. United States: 2

2004-2005 average. Source: OECD

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.

²⁷ Congressional Budget Justification for Foreign Operations, FY2008.

Mongolia

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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 efforts in Mongolia aim to build foundations for the country's private economic and democratic political development. Security assistance focuses on reform of the Mongolian armed forces and regional stability. 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. In October 2007, the Mongolian government and the Millennium Challenge Corporation (MCC) signed a five-year, \$285 million agreement.

**Top Donors of Bilateral
Official Development
Assistance (\$US million) to
Mongolia**

1. Japan: 67
2. Germany: 28
3. United States: 22
4. Netherlands: 9
5. Turkey: 8

2004-2005 average. **Source:** OECD

Philippines

Table 10. U.S. Assistance to Philippines, 2004-2008
(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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
FMF	19,880	29,760	29,700	29,700	30,000*
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	106,322
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.

* P.L. 110-161

The United States shares important security, political, and commercial interests with the Philippines, a Major Non-NATO Ally and front-line state in the global war on terrorism. Since 2001, the Philippines has received the most dramatic increases in U.S. foreign assistance in the EAP region. The main goals of U.S. assistance in the Philippines are: fighting terrorism through military means and education; supporting the peace process in Muslim Mindanao; improving governance; promoting economic reform and encouraging foreign investment; preserving the environment; and reversing the deterioration of the educational system. The largest U.S. aid accounts in the country fund health and education programs, especially in conflict-affected areas of Mindanao. Other large funding priorities are economic growth and security. Security programs include support for Philippine Defense Reform, joint military exercises, and enhanced counterterrorism capabilities. U.S. assistance also supports the battle against transnational crime (money laundering, trafficking in persons, and narcotics trade).

In 2006, the MCC designated the Philippines as a “threshold” country or close to meeting MCA criteria and eligible for

**Top Donors of Bilateral Official
Development Assistance (\$US
million) to the Philippines**

1. Japan: 706
2. United States: 114
3. Germany: 60
4. Australia: 38
5. EC: 20

2004-2005 average. **Source:** OECD

assistance in qualifying. The Philippines recently initiated a two-year, \$21 million MCA threshold program that focuses on fighting corruption and improving government revenue collection.

The Consolidated Appropriations Act for FY2008, Section 699E provides up to \$30 million for FMF for the Philippines, of which \$2 million may be made available after the Secretary of State reports that:

- the Philippine government is implementing the recommendations of the United Nations Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions;
- the Philippine government is implementing a policy of promoting military personnel who demonstrate professionalism and respect for human rights, and is investigating and prosecuting military personnel and others who have been credibly alleged to have committed extrajudicial executions or other violations of human rights; and
- the Philippine military is not engaging in acts of intimidation or violence against members of legal organizations who advocate for human rights.

The United States signed a Tropical Forest Conservation Act Agreement with the Philippines on September 19, 2002.²⁸ 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.

Thailand

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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.

²⁸ The Tropical Forest Conservation Act (P.L. 105-214).

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 in its southern provinces. For FY2008, the Bush Administration proposed funding for domestic counterterrorism activities, border security, countering the proliferation of weapons of mass destruction, and military reform. Thailand would also receive funding for HIV/AIDS programs.

September 2006 Military Coup and U.S. Aid Sanctions. 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).²⁹ 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.

Other Programs. 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. The United States government pledged \$5.3 million in relief and reconstruction assistance for areas in Thailand affected by the December 2004 tsunami.

Top Donors of Bilateral Official Development Assistance (\$US million) to Thailand

1. Japan: 765
2. Germany: 31
3. France: 27
4. EC: 19
5. Denmark

2004-2005 average. Source: OECD

²⁹ For further information, see CRS Report RL32593, *Thailand: Background and U.S. Relations*, by Emma Chanlett-Avery.

Vietnam

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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
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 250,000 HIV-positive persons in 2006, 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.³⁰ Other U.S. assistance objectives in Vietnam include the following: accelerating Vietnam's transition to an open and market-based economy; de-mining; promoting human rights and supporting civil society; and countering illegal cross-border transport of arms and narcotics. 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.³¹

Top Donors of Bilateral Official Development Assistance (\$US million) to Vietnam

1. Japan: 670
2. France: 116
3. United Kingdom: 82
4. Germany: 79
5. Denmark: 73

2004-2005 average. **Source:** OECD

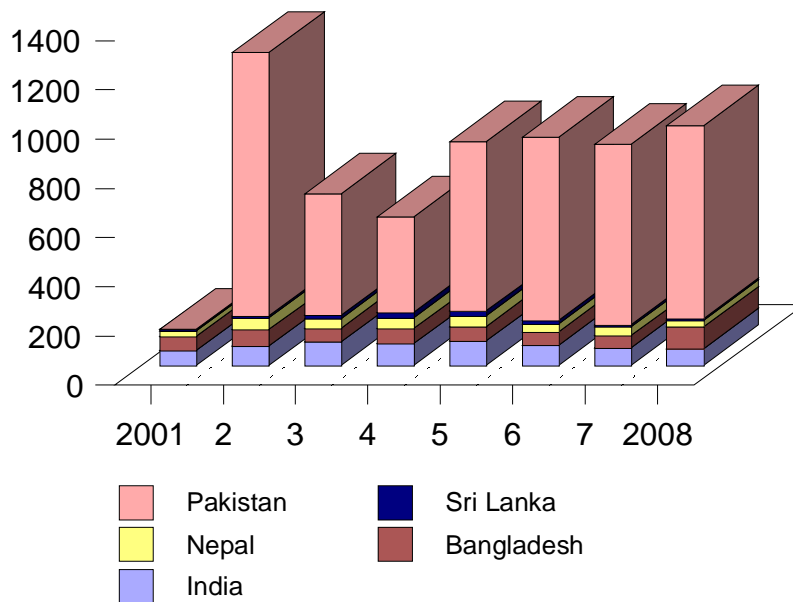
³⁰ "HIV/AIDS on the Rise in Asia," December 1, 2006 <www.rfa.org>.

³¹ Sharon Behn, "U.S. Military Specialists Headed to Vietnam," *Washington Times*, June 23, 2005.

South Asia

Key U.S. foreign aid objectives in South Asia include combating terrorism, developing bilateral military ties, and reducing the social and economic sources of political instability and extremist religious and political thinking. These causes include lack of accountable governance, inter-ethnic conflict, poverty, disease, and illiteracy. 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**.

Figure 7. U.S. Assistance to South Asian Countries (excluding Food Aid), 2001-2007 (\$million)



Regional programs focus upon economic growth, combating terrorism, and fighting international crime. The South Asia Regional Fund (\$5 million in FY2007) promotes economic growth through addressing energy needs in South Asia, such as assisting countries to find energy resources and facilitating trade in energy. The South and Central Asia Regional Fund (\$1.5 million in FY2007) supports programs related to border control and education. The aim of assistance for education is to help reduce religious and ideological extremism and regional instability.

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.³² 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.³³

³² USAID, *Fact Sheet no. 39, Indian Ocean — Earthquake and Tsunamis* (July 7, 2005); USAID, *Tsunami Assistance, One Year Later* (December 21, 2005).

³³ USAID, *Fact Sheet no. 44, South Asia — Earthquake* (August 25, 2006).

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 estimate
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.

In addition to problems related to development, corruption remains a key obstacle to social, economic, and political advancement in Bangladesh. The largest elements of the U.S. aid presence involve public health, including HIV/AIDS programs, and basic education. In other areas, the U.S. government provides support for anti-corruption reforms and democratic institutions. U.S. assistance also aims to expand economic opportunities and equitable growth in the country. Security and military assistance help to strengthen the police and military forces to counter terrorist activity, enhance border security, and fight international financial and drug crimes.

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,

Top Donors of Bilateral Official Development Assistance (\$US million) to Bangladesh

1. Japan: 234
2. United Kingdom: 232
3. United States: 89
4. EC: 68
5. Netherlands: 63

2004-2005 average. **Source:** OECD

Bangladesh is to set aside \$8.5 million to endow a Tropical Forest Fund to protect and conserve its mangrove forests.³⁴

India

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

(thousands of dollars)

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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.

The United States significantly increased bilateral aid to India in FY2002 and FY2003, largely as part of its counterterrorism efforts in the region. The current aid program aims to further Indian economic development in order to enhance the country's rise as "an influential U.S. partner in the international system."³⁵ Furthermore, U.S. assistance serves the poorest segments of the population in order to mitigate economic and social conditions that may give rise to political extremism.

Top Donors of Bilateral Official Development Assistance (\$US million) to India

1. Japan: 651
2. United Kingdom: 535
3. Germany: 166
4. EC: 164
5. United States: 164

2004-2005 average. **Source:** OECD

For FY2008, the largest portion of U.S. assistance is to India funds public health and HIV/AIDS care, treatment, and prevention. Security and military assistance supports programs related to military professionalism, counterterrorism, counternarcotics, and border security. Economic Support Funds are to promote the private agricultural sector.

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

³⁵ Congressional Budget Justification for Foreign Operations, FY2008.

Nepal

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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
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.

U.S. assistance to Nepal aims to further the peace process between the government of Nepal and Maoist insurgents, establish stability, and promote development. IMET, INCLE, and NADR programs help the Nepal military and police to restore law and order. The Consolidated Appropriations Act for FY2008 allows for only *Expanded International Military Education and Training (E-IMET)* for Nepal. E-IMET emphasizes and teaches the military about human rights, military codes of conduct, and civilian control of the military. Other major components of United States aid programs in Nepal include building the capacity of local and national governments to provide social services and improving public health.

Top Donors of Bilateral Official Development Assistance (\$US million) to Nepal

1. Japan: 76
2. United Kingdom: 64
3. Germany: 58
4. United States: 45
5. Denmark: 31

2004-2005 average. Source: OECD

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

Pakistan

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

	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
CSH	25,600	21,000	28,100	22,385	39,800
DA	49,400	29,000	37,500	95,327	18,000
ESF	200,000	297,600	337,100	283,677	442,900
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 ^c	387,374	688,386	745,292	734,358	845,000
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.
 c. Totals include supplemental appropriations.

Pakistan is a front-line state in the global war on terrorism. Most U.S. assistance programs in the country claim to directly or indirectly serve U.S. counterterrorism goals. The United States government has pledged \$600 million in economic and security assistance and \$50 million in earthquake reconstruction aid on an annual basis through FY2009. Approximately 43% of U.S. assistance to Pakistan supports counterterrorism and border security efforts. The second largest strategic objective (36% of funding) is economic growth, aimed at nurturing a middle class as a foundation for democracy. Economic Support Funds (13%) “help Pakistan to improve the quality of and access to public education, primary healthcare,

Top Donors of Bilateral Official Development Assistance (\$US million): Pakistan

1. United States: 224
2. Japan: 120
3. United Kingdom: 92
4. Turkey: 63
5. Norway: 45

2004-2005 average. **Source:** OECD

and water and sanitation services” in part to help provide alternatives to services provided by terrorist-linked charities and schools.³⁶ Other assistance directly promotes democracy through support of legislative processes, democratic practices within political parties, free and fair elections, civil society, and the mass media.

Lifting of Foreign Aid Restrictions. Pakistan received limited U.S. assistance during the 1990s — counter-narcotics support, food aid, and Pakistan NGO Initiative programs³⁷ — 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.³⁸ 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 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.³⁹ 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.⁴⁰

³⁶ Congressional Budget Justification for Foreign Operations, FY2008.

³⁷ 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.

³⁸ The Brown Amendment to the Foreign Assistance Act (1995) narrowed the prohibition to military assistance only.

³⁹ 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.

⁴⁰ See P.L. 107-57, Sections 1(b) and 3(2).

Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan.⁴¹ 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 Consolidated Appropriations Act for FY2008, Section 699F, provides \$300 million in FMF to Pakistan, of which \$50 million may be made available after the Secretary of State reports that the government of Pakistan:

- is making concerted efforts to prevent Al Qaeda and associated terrorist groups from operating in the territory of Pakistan, including by eliminating terrorist training camps or facilities, arresting members of Al Qaeda and associated terrorist groups, and countering recruitment efforts;
- is making concerted efforts to prevent the Taliban from using the territory of Pakistan as a sanctuary from which to launch attacks within Afghanistan, including by arresting Taliban leaders, stopping cross-border incursions, and countering recruitment efforts; and
- is implementing democratic reforms.

Sri Lanka

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

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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 ^d	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

⁴¹ 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.

Account	FY2004	FY2005	FY2006	FY2007 estimate	FY2008 estimate
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
- d. unspent

United States assistance programs aim to promote the peace process between the government of Sri Lanka and Tamil separatists led by the Liberation Tigers of Tamil Eelam (LTTE). In order to help pressure the LTTE to return to the negotiating table, the United States provides assistance to help strengthen the capabilities of the Sri Lankan military. INCLE and NADR programs support the police force and counterterrorism activities. U.S. assistance also promotes economic growth, especially in less developed, conflict-ridden areas, and helps to advance democracy, human rights, and civil society.

Top Donors of Bilateral Official Development Assistance (\$US million) to Sri Lanka

1. Japan: 317
2. Germany: 65
3. Norway: 48
4. United States: 43
5. Netherlands: 38

2004-2005 average. **Source:** OECD

Since 2004, Sri Lanka has been eligible for MCA assistance, due in large part to positive governmental, social, and economic indicators in the Western province.

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.⁴² The Bush Administration pledged \$134.6 million for disaster relief and reconstruction to Sri Lanka. In 2006, Sri Lanka received Transition Initiative (TI) funding (\$1.7 million) for the peace process and \$1.1 million in disaster assistance.

FY2008 Appropriations. The Consolidated Appropriations Act for FY2008, Section 699G, withholds FMF from Sri Lanka, with the exception of technology or equipment related to maritime and air surveillance and communications, unless the following conditions are met:

⁴² USAID, Fact Sheet no. 39, *Indian Ocean — Earthquake and Tsunamis*, July 7, 2005

- the Sri Lankan military is suspending and the Sri Lankan government is bringing to justice members of the military who have been credibly alleged to have committed gross violations of human rights or international humanitarian law, including complicity in the recruitment of child soldiers;
- the Sri Lankan government is providing access to humanitarian organizations and journalists throughout the country consistent with international humanitarian law; and
- the Sri Lankan government has agreed to the establishment of a field presence of the Office of the United Nations High Commissioner for Human Rights in Sri Lanka with sufficient staff and mandate to conduct full and unfettered monitoring throughout the country and to publicize its findings.

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
- EAP:** East Asia and the Pacific
- 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
- OECD:** Organization for Economic Co-operation and Development
- 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
- USAID:** United States Agency for International Development
- USDA:** United States Department of Agriculture