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

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## Summary

The U.S. war on terrorism has given new impetus to U.S. aid to Asia. In addition to the goals of alleviating poverty, encouraging democratic social and political forces, fostering economic growth and stability, and cultivating bilateral relations in Asia, since September 2001, the United States has redoubled its efforts in fighting terrorism in parts of the region. This report discusses changing U.S. aid programs for 16 East Asian and South Asian countries.

Before September 2001, U.S. development and security-related economic assistance to East Asia and South Asia was projected to rise about 8% and 6.5%, respectively, in FY 2002 over FY 2001. After the war on terrorism began, the United States promised increases of 17% and 250% to East Asia and South Asia, respectively. In South Asia, Pakistan and India have become “front line” states in the U.S. campaign against terrorism. Pakistan will receive an estimated \$610 million in Economic Support Funds (ESF) in FY 2002. For FY 2003, the State Department has requested \$200 million in ESF for Pakistan and \$25 million in ESF for India (compared to an estimated \$7 million in ESF for India in FY 2002). The Bush Administration has also significantly raised military assistance to the Philippines, as part of an expansion of U.S. anti-terrorism efforts in Southeast Asia. In FY 2002, the Philippines will receive 80% of all Foreign Military Financing (FMF) assistance to East Asia.

For years, the United States has restricted foreign assistance to many countries in East and South Asia in order to encourage democracy and reduce the spread of nuclear weapons capabilities. The Foreign Operations Appropriations Act, 2002 (P.L. 107-115) includes provisions restricting U.S. foreign assistance to Burma, Cambodia, China, Indonesia, and Laos. Both India and Pakistan 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 1999. In order to promote bilateral cooperation in the U.S. war on terrorism, on September 22, 2001, President Bush issued a final determination removing all remaining nuclear test-related economic sanctions against Pakistan and India. On October 27, 2001, the President signed S.1465 (P.L. 107-57) into law, providing waiver authority on sanctions related to democracy and debt arrearage against Pakistan through 2003.

Asia (East Asia and South Asia combined) remains a large recipient of development aid, about the same level as the Latin America and Caribbean region but less than Africa. Indonesia is the largest recipient of U.S. development aid in East Asia. India is one of the largest recipients in the world of U.S. development and food aid. For FY 2003, the Bush Administration has requested \$500 million for HIV/AIDS programs, an increase of 25% over FY 2002, which would benefit several Southeast Asian and South Asian countries. Despite the focus on targeted anti-terrorism measures, many policy-makers continue to advocate using foreign aid to build democratic institutions and alleviate poverty in Asia and elsewhere.

## Contents

Overview . . . . .	1
Congressional Concerns . . . . .	1
Trends . . . . .	2
Regional Comparisons . . . . .	2
East Asia . . . . .	5
Country Summaries – East Asia . . . . .	7
Burma . . . . .	7
Cambodia . . . . .	8
People’s Republic of China (PRC) . . . . .	9
East Timor . . . . .	10
Indonesia . . . . .	11
Laos . . . . .	12
Malaysia . . . . .	13
Mongolia . . . . .	13
Philippines . . . . .	14
Thailand . . . . .	15
Vietnam . . . . .	16
South Asia . . . . .	17
Country Summaries – South Asia . . . . .	18
Bangladesh . . . . .	18
India . . . . .	19
Nepal . . . . .	20
Pakistan . . . . .	21
Sri Lanka . . . . .	23
Appendix. Selected U.S. Foreign Aid Accounts and Programs . . . . .	24

## List of Figures

Figure 1. Estimated Development Aid by Region, FY 2002 (million dollars) . . . . .	4
Figure 2. Estimated Military Assistance by Region, FY2002 (million dollars) . . . . .	4
Figure 3. Estimated Economic Support Funds by Region, FY 2002 (million dollars) . . . . .	5
Figure 4. U.S. Foreign Aid (Non-Food) to East Asian Countries, FY 2002 (percent) . . . . .	5
Figure 5. Selected U.S. Assistance to South Asia (excluding Afghanistan), 2000-03 (million current U.S. dollars) . . . . .	17

## List of Tables

Table 1. U.S. Foreign Assistance by Region (Excluding Food Aid), 1999-2002 .....	3
Table 2. Selected Restrictions on Foreign Aid for Human Rights Purposes – East Asia .....	6
Table 3. U.S. Assistance to Burma, 2000-03 .....	7
Table 4. U.S. Assistance to Cambodia, 2000-03 .....	8
Table 5. U.S. Assistance to China, 2000-03 .....	9
Table 6. U.S. Assistance to East Timor, 2000-03 .....	10
Table 7. U.S. Assistance to Indonesia, 2000-03 .....	11
Table 8. U.S. Assistance to Laos (LPDR), 2000-03 .....	12
Table 9. U.S. Assistance to Malaysia, 2000-03 .....	13
Table 10. U.S. Assistance to Mongolia, 2000-03 .....	13
Table 11. U.S. Assistance to Philippines, 2000-03 .....	14
Table 12. U.S. Assistance to Thailand, 2000-03 .....	15
Table 13. U.S. Assistance to Vietnam, 2000-03 .....	16
Table 14. U.S. Assistance to Bangladesh, 2000-03 .....	18
Table 15. U.S. Assistance to India, 2000-03 .....	19
Table 16. U.S. Assistance to Nepal, 2000-03 .....	20
Table 17. U.S. Assistance to Pakistan, 2000-03 .....	21
Table 18. U.S. Assistance to Sri Lanka, 2000-03 .....	23

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

## Overview

### Congressional Concerns

The United States advances fundamental foreign policy goals through extending foreign assistance – humanitarian and development aid, economic assistance that promotes U.S. security interests (Economic Support Funds), and military assistance. Because of their large impoverished populations, pressing human rights problems, growing economic influence, and military and strategic importance, Asian countries present significant challenges and opportunities for U.S. foreign aid policy.<sup>1</sup> The United States often applies restrictions on Economic Support Funds (ESF) and military assistance because of concerns over human rights, weapons proliferation, terrorism, debt arrearage, and other conditions of a recipient country. Several countries in Asia, including Burma, Cambodia, China, and Indonesia, continue to face some restrictions on U.S. foreign aid because of human rights concerns. However, the United States continues to fund non-governmental organizations (NGOs) that run development and democracy programs in these countries or that support policy research and dissident activities in the United States. Most sanctions on aid to Pakistan and India – “front line” states in the U.S. campaign against terrorism – have been lifted.<sup>2</sup> Some policy-makers have expressed concern that the emphasis on anti-terrorism and security-related assistance may conflict with other U.S. objectives and congressional interests, such as promoting democracy, controlling the proliferation of weapons of mass destruction, reducing global poverty, and providing debt-relief. Others argue that development and security goals can compliment one another and that funds targeted toward reducing poverty can help to reduce terrorism.

In March 2001, USAID requested development and economic assistance of \$275 million for East Asia and \$280 million for South Asia (excluding Afghanistan) for FY2002. The FY2002 request represented an 8% increase for East Asia and a 6.5% increase for South Asia over FY2001. However, in March 2002, estimates for FY 2002 foreign aid increased to \$298 million for East Asia and \$914 million for South Asia. Most of these gains, particularly in South Asia, represent post-September 11,

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<sup>1</sup> Afghanistan and North Korea are not included in this report. For information on U.S. aid to Afghanistan, see CRS Report RL30588, *Afghanistan: Current Issues and U.S. Policy Concerns*, by Kenneth Katzman. For information on U.S. benefits to North Korea in return for a freeze of its nuclear weapons program, see CRS Issue Brief IB91141, *North Korea's Nuclear Weapons Program*, by Larry Niksch.

<sup>2</sup> Sanctions related to democracy and debt arrearage have been lifted temporarily.

2001 adjustments.<sup>3</sup> 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 and large Muslim populations and insurgency movements. In 2002, Pakistan will receive an estimated \$624.5 million in development assistance and Economic Support Funds, compared to \$1.8 million in food aid grants in 2001. India is expected to receive \$164.3 million in development aid, ESF, and food aid grants in 2002, compared to \$136.4 million in 2001. U.S. foreign aid to the Philippines is expected to rise by 50% in FY 2002, to \$71 million.

## Trends

U.S. anti-terrorism efforts have reoriented foreign assistance priorities toward Asia. The terrorist attacks accelerated a trend toward increased aid to Asia that began in FY2000. Throughout the 1990s, U.S. assistance to Asia fell due to a reduction in Cold War security concerns, new worries about nuclear proliferation, and favorable economic and political trends in much of the region. For example, the withdrawal of U.S. military

forces from the Philippines, the termination of aid to Pakistan due to nuclear proliferation sanctions, and healthy economic conditions, particularly in Southeast Asia, contributed to the declines in U.S. aid. The Asian financial crisis of 1997-98 reversed the downward trend, as USAID funded a regional economic recovery program in Indonesia, Thailand, the Philippines, and Vietnam.

Selected U.S. Foreign Aid Programs	
<b>CSD</b>	Child Survival and Disease
<b>CHS</b>	Child Survival and Health
<b>DA</b>	Development Assistance
<b>EDA</b>	Excess Defense Articles
<b>ESF</b>	Economic Support Funds
<b>FMF</b>	Foreign Military Financing
<b>IMET</b>	International Military Education and Training
<b>INCLE</b>	International Narcotics Control and Law Enforcement
<b>MRA</b>	Migration and Refugee Assistance
<b>NADR</b>	Non-proliferation, Anti-terrorism, Demining, and Related Programs
<b>PKO</b>	Peace Keeping Operations
<b>P.L. 480 Title I</b>	Food Aid (USDA commodity loans)
<b>P.L. 480 Title II</b>	Food Aid (USAID food grants)

## Regional Comparisons

Over the past decade, the East Asia and Pacific (EAP) and South Asia regions have been relatively small recipients of U.S. aid.<sup>4</sup> Until 2001, South Asia and EAP

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<sup>3</sup> See the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115) and the Emergency Supplemental Appropriations measure for anti-terrorism efforts (P.L. 107-38). See also CRS Report RL31011, *Appropriations for FY2002: Foreign Operations, Export Financing, and Related Programs*, by Larry Nowels and CRS Report RL31187, *Terrorism Funding: Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels.

<sup>4</sup> The State Department divides foreign aid into seven regions: Africa, East Asia and Pacific, Europe, Near East Asia (Middle East), Newly Independent States (former Soviet republics), South Asia, and Western Hemisphere (Latin America and Caribbean).

received the lowest and second lowest funding levels, respectively. Following the September 2001 terrorist attacks, U.S. foreign assistance to South Asia, particularly Pakistan, rose markedly; EAP is now the smallest regional recipient of U.S. aid (all programs combined except food aid). The largest regional recipient remains the Near East. See Table 1.

**Table 1. U.S. Foreign Assistance by Region  
(Excluding Food Aid),<sup>5</sup> 1999-2002**  
(million current U.S. dollars)

	FY1999	FY2000	FY2001	FY2002 est.
<b>Africa</b>	1,060	1,082	1,224	1,264
<b>East Asia (excluding the Pacific Islands)</b>	311	282	373	392
<b>Newly Independent States</b>	880	877	898	906
<b>Europe</b>	1,141	877	1,052	947
<b>Near East Asia</b>	5,635	7,300	5,409	5,313
<b>South Asia (excluding Afghanistan)</b>	152	171	203	955
<b>Western Hemisphere</b>	891	1,677	706	1,346

Sources: U.S. Department of State, USAID – 2001, 2002

Among the major U.S. foreign aid accounts for FY 2002, the South Asia and East Asia and Pacific regions are the third and fourth largest recipients, respectively, of development aid, which includes the Child Survival and Health (CSH) – formerly Child Survival and Disease (CSD) – and Development Assistance (DA) accounts. Until 2001, EAP was the third largest recipient of Economic Support Funds (ESF), after Near East Asia and the Western Hemisphere; South Asia ranked sixth – ahead of the Newly Independent States, which received no ESF.<sup>6</sup> However, since Pakistan

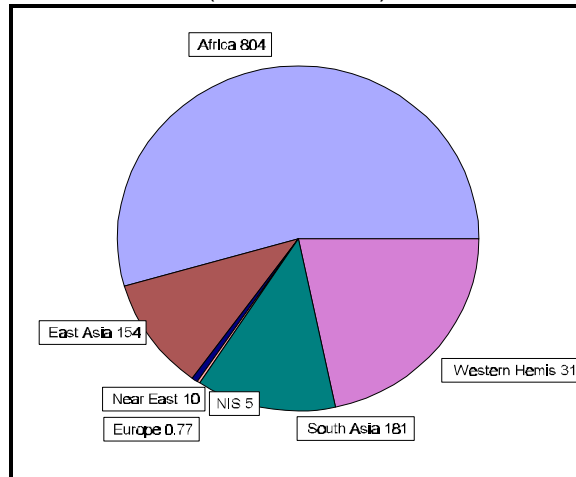
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<sup>5</sup> Food aid is provided through three federal programs: **P.L. 480, Title II** (the Agricultural Trade Development Act of 1954, as amended), emergency and humanitarian assistance, administered by USAID; **P.L. 480, Title I**, sales of agricultural commodities under concessional credit terms, administered by USDA; **Section 416(b)** (Agricultural Act of 1949, as amended), donation of commodities. See CRS Report RS20520, *Foreign Food Aid Programs: Background and Selected Issues*, by Geoffrey S. Becker and Charles E. Hanrahan.

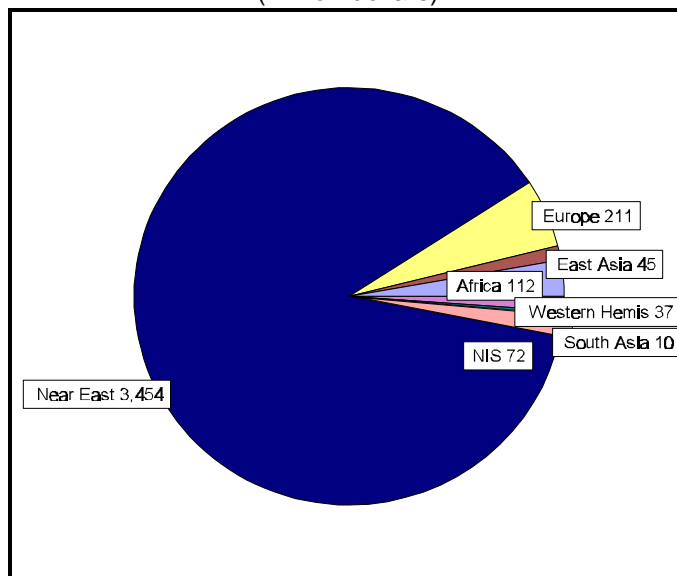
<sup>6</sup> ESF programs involve a wide range of uses (except military) that support U.S. security interests and promote economic and political stability in the recipient country and region.

began cooperating with U.S. military efforts in the region, South Asia has become the second largest beneficiary of ESF after Near East Asia. EAP and South Asia remain relatively minor recipients of U.S. military assistance in FY2002,<sup>7</sup> with the exception of enlarged Foreign Military Financing (FMF) for the Philippines and Nepal. For FY 2003, the State Department has requested large increases in FMF to Pakistan and India and smaller increments of International Military Education and Training (IMET) for the Philippines and Nepal. See Figures 1-3.

**Figure 1. Estimated Development Aid by Region, FY 2002**  
(million dollars)



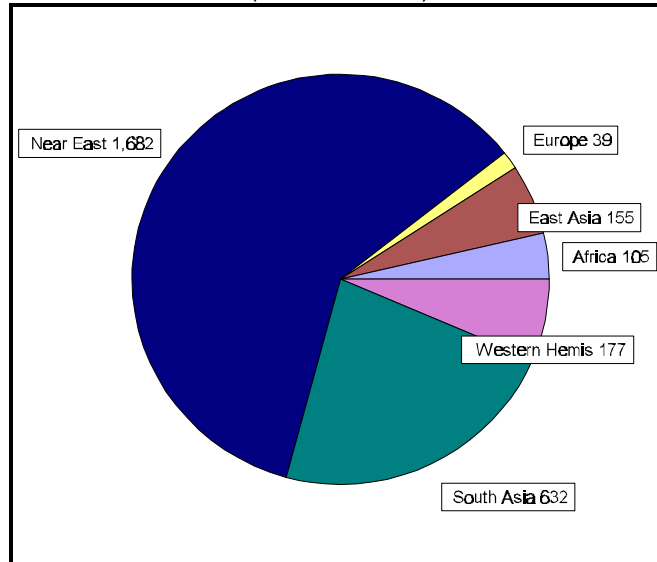
**Figure 2. Estimated Military Assistance by Region, FY2002**  
(million dollars)



<sup>7</sup> Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), Peace keeping Operations (PKO), and Non-proliferation, Anti-Terrorism, De-mining, and Related Programs (NADR).



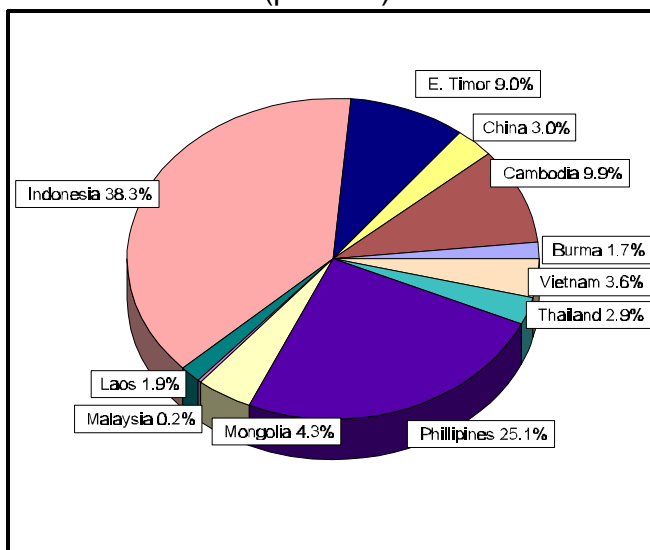
**Figure 3. Estimated Economic Support Funds by Region, FY 2002**  
(million dollars)



## East Asia

Among East Asian countries (excluding Pacific Island countries) during fiscal years 1998-2002, Indonesia was the largest recipient of U.S. foreign aid, particularly development aid (DA and CSH) and ESF. The Philippines was the largest recipient of Foreign Military Financing (FMF). Laos was the largest recipient of anti-narcotics assistance (INCLE) followed by Thailand. Cambodia, Laos and Vietnam were the

**Figure 4. U.S. Foreign Aid (Non-Food) to East Asian Countries, FY 2002**  
(percent)



largest beneficiaries of Non-proliferation, Anti-terrorism, De-mining, and Related (NADR) programs over the same period. **See Figure 4.**

The State Department provides ESF support for several EAP regional programs. These include: Accelerating Economic Recovery in Asia (AERA) – \$5 million in 2002; East Asia-Pacific Environmental Initiative (EAPEI) – \$4 million in 2002; Regional Democracy – \$6 million in 2002; Regional Security – \$250,000 in 2002; and Regional Women’s Issues –

\$5 million in 2002. AERA focused its five-year "relief-recovery-reform" program initially on Indonesia, Thailand, and the Philippines. In 2001, its efforts were extended to Vietnam.

The Foreign Operations Appropriations Act, 2002 (P.L. 107-115) includes human rights-related provisions limiting U.S. foreign assistance to Burma, Cambodia, China, 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. **See Table 2.** 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 other related purposes, then he may direct such assistance.<sup>8</sup>

**Table 2. Selected Restrictions on Foreign Aid for Human Rights Purposes – East Asia**

<b>Country</b>	<b>Foreign Aid Restrictions</b>	<b>Policy Purpose</b>
<b>Burma</b>	Bilateral assistance  Debt reduction assistance  Other assistance may be provided to support pro-democracy groups and displaced Burmese	Encourage democratic change – response to Burmese military junta’s anti-democratic activities since 1988
<b>Cambodia</b>	Bilateral assistance  Non-basic-human-needs loans from International Financial Institutions	Encourage democratic change – response to the Cambodian People’s Party’s anti-democratic activities since 1997
<b>People’s Republic of China (PRC)</b>	Foreign assistance to the PRC government in Tibet  United Nations Population Fund (UNFPA) programs  Other assistance may go to the PRC government but is limited to rule of law and democracy programs	Encourage democratic change – response to anti-democratic crackdown and human rights abuses since 1989
<b>Indonesia</b>	International Military Education and Training (IMET)  Foreign Military Financing (FMF)	Build democratic institutions – response to human rights abuses committed by Indonesian armed forces in East Timor in 1999
<b>Laos</b>	Bilateral assistance	Encourage democratic change – response to human rights abuses in Laos

<sup>8</sup>Section 506, Foreign Assistance Act of 1961, as amended (P.L. 87-195; 22USC 2318).

## Country Summaries – East Asia<sup>9</sup>

### Burma

**Table 3. U.S. Assistance to Burma, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY 2001 Actual	FY2002 Estimate	FY 2003 Request
CSH	3,000	2,000	0	0
DA	0	993	0	0
ESF	3,500	3,492	6,500	6,500
<b>Totals</b>	<b>6,500</b>	<b>6,485</b>	<b>6,500</b>	<b>6,500</b>

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

The United States provides no bilateral assistance to the government of Burma (Myanmar). It restricts U.S. foreign aid to humanitarian, counter-narcotic, and crop substitution assistance and to support for democratic groups and activities located within and outside Burma. These sanctions and others were first instituted under the Reagan and Bush administrations in response to the Burmese military junta's suppression of political liberties and repression of the National League for Democracy beginning in 1988. The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115) mandates Economic Support Funds for democracy activities in Burma, exiled Burmese democracy activists, and humanitarian efforts for displaced Burmese and refugees living along the Burma-Thailand border. The Act denies debt reduction assistance to Burma unless the Secretary of Treasury determines and notifies the Committees on Appropriations that a democratically elected government has taken office. Increased U.S. assistance is contingent upon improved human rights conditions, democratization, and more rigorous anti-drug efforts in Burma.<sup>10</sup>

The Organization for Economic Cooperation and Development (OECD) ranks the United States fourth among Burma's principal aid donors behind Japan, France, and Germany. Multilateral donors include the United Nations Children's Fund, the United Nations Development Programme (UNDP), the World Food Program, and the United Nations High Commission on Refugees.

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<sup>9</sup> Including Southeast Asia and excluding the Pacific Islands

<sup>10</sup> For additional information on Burma, see CRS Report RS20749, *Burma-U.S. Relations*, by Larry Niksch.

## Cambodia

**Table 4. U.S. Assistance to Cambodia, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	3,550	9,420	15,000	22,500
DA				
ESF	10,000	14,967	20,000	17,000
IMET	0	0	0	200
NADR	2,580	2,475	2,225	N/A
P.L. 480 Title II Grant	7,071	2,422	0	0
Section 416(b)		7,977	N/A	N/A
Disaster assistance – Cambodian Red Cross, 2000-03	524			
<b>Totals</b>	<b>23,725</b>	<b>37,261</b>	<b>37,225</b>	<b>39,700</b>

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

Since 1997, when Premier Hun Sen assumed power by non-democratic means, the United States has not provided bilateral foreign aid to the government of Cambodia; The United States remains the only major donor that has not resumed bilateral or government-to-government aid. Restrictions on U.S. assistance to Cambodia largely reflect congressional concerns about heavy-handed political actions by Hun Sen and his Cambodian People's Party against opposition political groups and individuals. However, U.S. assistance may be provided to American, international, and Cambodian non-governmental organizations (NGOs) for activities in Cambodia. Major USAID programs in Cambodia include election monitoring and human rights activities, child and reproductive health services, assistance for war and mine victims, HIV/AIDS education and medical care, and rural credit. The United States does not oppose multilateral development bank (MDB) loans to the government of Cambodia if the loans are intended for humanitarian purposes.

The Foreign Operations, Export Financing and Related Programs Act, 2002 (P.L. 107-115), Section 563, prohibits assistance to the central government of Cambodia unless the Secretary of State determines and reports to the Committees on Appropriations that progress is made regarding certain human rights cases, democratic elections, and environmental protection. U.S. representatives are instructed by the Secretary of the Treasury to oppose loans to the central government of Cambodia, except loans that meet basic human needs. Furthermore, Victims of

War and Displaced Children Funds are available to Cambodia subject to the following conditions: a requirement that economic or political assistance must support the national interests of the United States (Section 531(e) of the Foreign Assistance Act of 1961); a prohibition on any such assistance that would help the Khmer Rouge (Section 906 of the International Security and Development Cooperation Act of 1985).

Foreign Operations legislation and the Foreign Assistance Act of 1961 grant some general exceptions to the restrictions on assistance to Cambodia. The Foreign Operations Appropriations Act allows U.S. assistance to the Cambodian government, regardless of the above-stated restrictions, for basic education and to the Ministry of Women and Veteran's Affairs for combating human trafficking. Other statutory exceptions provide for Cambodia to receive U.S. aid for HIV/AIDS programs, Leahy War Victims activities, and international disaster assistance.<sup>11</sup>

The largest aid donors to Cambodia are Japan, the Asian Development Bank, the World Bank, the UNDP, the European Union, the International Monetary Fund, and Australia.

## People's Republic of China (PRC)

**Table 5. U.S. Assistance to China, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
ESF	1,000	28,000	10,000	5,000
Peace Corps	1,500	1,500	1,500	N/A
<b>Totals</b>	<b>2,500</b>	<b>29,500</b>	<b>11,500</b>	<b>5,000</b>

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

U.S. foreign assistance to China is largely restricted to activities that promote civil society, the rule of law, and democracy. The FY2000 and FY2001 Foreign Operations Appropriations Acts (P.L. 106-113 and P.L. 106-429) authorized the use of ESF for NGOs located outside China to foster democracy in the PRC. Except for National Endowment of Democracy (NED) activities, ESF for China was prohibited from directly assisting the PRC government. The 2000 and 2001 foreign operations measures also authorized the extension of ESF for NGOs located outside China, such as the San Francisco-based Bridge Fund, that promote Tibetan culture, development, and environment. P.L. 106-113 earmarked \$1 million for Tibet (FY2000). In 2001, \$28 million in Economic Support Funds was appropriated to compensate China for damages to the PRC Embassy in Belgrade from the accidental NATO bombing.

<sup>11</sup> Section 495H, Foreign Assistance Act of 1961, as amended (P.L. 87-195; 22 USC 2292n).

With the exception of the Tibet programs, the foreign operations legislation for FY 2002 (P.L. 107-115) does not include provisions that restrict assistance to NGOs located outside the PRC nor prohibit funds that directly assist the PRC government. P.L. 107-115 provides a minimum of \$10 million in ESF assistance for China to support democracy and rule-of-law programs, of which at least \$5 million should be made available to the Human Rights and Democracy Fund of the Bureau of Democracy, Human Rights, and Labor, Department of State. Of the latter amount, no more than \$3 million may be made available to non-governmental organizations located outside China to support Tibetan culture, development, and environment.

The State Department also requested ESF appropriations in the amounts of \$5.8 million and \$6 million in FY2001 and FY2002, respectively, for the East Asia and Pacific Regional Democracy Fund. Some of these funds would be allocated for rule-of-law and environmental programs in China and for cultural preservation in Tibet. In 1999, NED received \$1.6 million for China programs, which include support for politically sensitive print and electronic publications and research, labor rights, village elections, and economic reforms. In 2001, Temple University received \$1.7 million in USAID funding to develop a law center in Beijing and expand its existing degree-granting law program in China. In 2001, PACT (Participating Agencies Cooperating Together) received \$300,000 to help build grass roots organizations in China.

## East Timor

**Table 6. U.S. Assistance to East Timor, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
ESF	25,550	24,945	25,000	19,000
FMF	0	1,796	1,000	2,000
IMET	0	0	50	100
PKO	8,500	8,500	8,000	5,000
P.L. 480 Title II Grant	6,089	0	0	0
Totals	40,139	35,241	34,050	26,100

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

In the aftermath of the violence and destruction caused by Indonesian military-backed local militia groups against independence supporters in 1999, economic conditions in East Timor have remained very poor. East Timor, which is scheduled to gain full independence in May 2002, has a per capita GDP of \$303 and an adult literacy rate of less than 50%. ESF is targeted at rebuilding the East Timorese economy (schools, infrastructure, and industries) and establishing democratic institutions (civil society, NGOs, political institutions, and a free press). FMF and IMET are provided to help equip and train the East Timor Defense Force (EFDF).

Both reconstruction assistance and peace keeping operations (PKO) are proposed to be reduced in 2003. East Timor will be eligible in 2002 to receive Grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act for both humanitarian and military uses.

In December 1999, over 50 countries and international agencies pledged \$522 million in bilateral aid and multilateral development and humanitarian assistance over a period of three years. In 2000, international donors agreed to contribute to two trust funds – Trust Fund for East Timor (TFET) for reconstruction projects, administered by the World Bank, and Consolidated Fund for East Timor (CFET) for establishing democratic institutions, administered by the United Nations Transitional Administration in East Timor. Japan, the European Union, the United States, and Australia were the top donors (TFET, CFET, and emergency assistance) in 1999-01, extending \$67.4 million, \$47.4 million, \$45.2 million, and \$44.6 million, respectively.

## Indonesia

**Table 7. U.S. Assistance to Indonesia, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	18,950	19,580	35,568	71,472
DA	53,050	51,483	38,704	
ESF	22,450	49,890	50,000	60,000
IMET	0	0	400	400
P.L. 480 Title I USDA Loan	40,000	15,000	20,000	N/A
P.L. 480 Title II Grant	18,110	12,233	4,831	10,244
Section 416(b)	93,503	0	N/A	N/A
Disaster assistance – ethnic violence		11,421		
<b>Totals</b>	<b>246,063</b>	<b>159,607</b>	<b>149,503</b>	<b>142,116</b>

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

DA funds are provided for basic education and to help the Indonesian government and NGOs develop democratic institutions, including electoral mechanisms, an independent judiciary, labor unions, and a free press. ESF targets several areas, including economic stabilization, conflict reduction, and health care. In 2001, the U.S. government provided humanitarian assistance for the adverse effects of ongoing ethnic violence and political conflict in several regions of the country. IMET and FMF may be extended under P.L. 107-115 if the President determines and

submits a report to the appropriate congressional committees that the Indonesian government and armed forces are taking effective measures to prosecute members of the armed forces and militia groups who committed human rights violations in East Timor, allowing displaced persons to return to East Timor, cooperating with international humanitarian and human rights organizations in West Timor, Aceh, West Papua, and Maluka, and releasing political detainees (Section 572a). The State Department has requested that IMET be resumed for Indonesia in 2002 and 2003. Indonesia would also be eligible for EDA under section 516 of the Foreign Assistance Act upon resumption of Security Assistance programs.

Large foreign aid donors to Indonesia include the International Monetary Fund, the World Bank, the Asian Development Bank, the Islamic Bank, and Japan.

## Laos

**Table 8. U.S. Assistance to Laos (LPDR), 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY 2003 Request
CSH	0	0	1,000	2,000
DA	0	0	1,000	
IMET	0	0	50	100
INCLE	4,000	4,200	4,200	3,000
NADR	1,486	793	800	N/A
Section 416(b)		1,086	N/A	N/A
<b>Totals</b>	<b>5,486</b>	<b>6,079</b>	<b>7,050</b>	<b>5,100</b>

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

U.S. assistance to Laos supports counter narcotics efforts (INCLE) – the LDPR is the world’s third-largest producer of opium – and removal of unexploded ordnance left from U.S. bombing during the Vietnam War (NADR). IMET assists American POW/MIA accounting efforts through English language training programs. P.L. 107-115 provides that CSH funds to Laos should be made available only through nongovernmental organizations (NGOs). Although there are no additional formal restrictions, U.S. foreign assistance to Laos remains small due to strained bilateral relations.<sup>12</sup>

Other U.S. assistance to Laos includes the Laos Economic Acceleration Program for the Silk Sector (LEAPSS – initiated in 1998 through a Congressional earmark)

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<sup>12</sup> For additional information, see CRS Report RL20931, *Laos-United States Trade Issues*, by Thomas Lum.



and the Leahy War Victims Fund, which has provided over \$6.5 million for the care of victims of unexploded ordnance in Laos.

Major international donors are Japan, Germany, Sweden, France, Australia, and Norway, which focus on education, health, and rural development. The World Bank and the Asian Development Bank target the financial sector and state-owned enterprise reforms.

## Malaysia

**Table 9. U.S. Assistance to Malaysia, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY 2001 Actual	FY2002 Estimate	FY2003 Request
IMET	740	757	700	800
NADR	0	120	250	N/A
Totals	740	877	950	800

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

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 to Malaysia, which supports the U.S. military presence in Asia. Malaysia will remain eligible in FY 2002 to receive EDA for military and peace keeping activities. Malaysia plays host to EAPEI environmental programs.

Japan, the World Bank, and the Asian Development Bank were important financial supporters of Malaysia's economic restructuring efforts following the Asian financial crisis of 1997-98. The largest lender, the Government of Japan, committed \$2.6 billion in aid to Malaysia in the late 1990s.

## Mongolia

**Table 10. U.S. Assistance to Mongolia, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
ESF	6,000	11,974	12,000	12,000
FMF	0	1,995	2,000	1,000
Freedom Support Act	6,000			
IMET	512	750	650	725
Peace Corps	1,557	1,698	1,648	N/A
Section 416(b)	4,800	0	N/A	N/A
Totals	18,869	16,417	16,298	13,725

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

In Mongolia, the Department of State directs ESF toward building sustainable economic growth and democratic institutions. FMF has been provided for communications equipment for border troops. IMET for Mongolia's armed forces focuses on issues related to civilian control, military justice, international human rights standards, and peace keeping operations.

The Security Assistance Act of 2000 (P.L. 106-280) authorizes Mongolia's eligibility for Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act.

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 11. U.S. Assistance to Philippines, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	7,200	9,450	25,599	50,659
DA	22,500	30,334	24,459	
ESF	0	7,202	21,000	20,000
FMF	1,415	1,995	19,000	20,000
IMET	2,000	1,436	2,000	2,400
Peace Corps	1,718	2,048	2,639	N/A
P.L. 480 Title I USDA Loan	40,000	20,000	0	N/A
<b>Totals</b>	<b>74,833</b>	<b>72,465</b>	<b>94,697</b>	<b>93,059</b>

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

The State Department asserts that the United States has important security, political, and commercial interests in the Philippines. CSH funds AIDS prevention and other health programs. DA and ESF assistance promote sustainable economic growth, the environment, health care, and living conditions in Mindanao, home of the Moro National Liberation Front (MNLF), a Muslim rebel movement.<sup>13</sup> FMF contributes to improving the military capabilities of the Armed Forces of the Philippines. IMET supports civilian control of the military and military-to-military contacts between the United States and the Philippines. The Philippines will be eligible in FY 2002 to receive EDA for military and peace keeping activities.

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<sup>13</sup> See CRS Report RL31265, *Abu Sayyaf: Target of Philippine-U.S. Anti-Terrorism Cooperation*, by Larry Niksch.

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

## Thailand

**Table 12. U.S. Assistance to Thailand, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	0	0	1,000	3,250
DA	0	0	750	
FMF	0	0	1,300	2,000
IMET	1,730	1,852	1,650	1,750
INCLE	3,000	4,095	4,000	3,750
NADR	1,220	1,270	1,050	N/A
Peace Corps	1,178	1,323	1,273	N/A
Totals	7,128	8,540	11,023	10,750

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

IMET and INCLE for Thailand support drug enforcement capabilities, interoperability with U.S. armed forces, and international peace keeping. NADR funds are directed at export controls, border security, and de-mining. Thailand is one of five U.S. treaty allies in Asia and considered a model of democratic development. Thailand will be eligible in FY 2002 to receive EDA for military, peace keeping, and anti-narcotic activities.

USAID formally ended its bilateral assistance program in September 1995. Three Asian regional programs that continue in Thailand are EAPEI, AERA, and HIV/AIDS.

Thailand has also been declared eligible for Tropical Forest Conservation Act of 1998 (TFCA) funds, which provided debt relief for low and medium-income countries with tropical forests.

## Vietnam

**Table 13. U.S. Assistance to Vietnam, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	1,500	2,494	4,106	12,456
DA	1,250	2,999	6,950	
IMET	0	0	50	100
NADR-ECA	0	25	140	N/A
NADR-HD	1,000	1,650	2,500	N/A
Section 416(b)	3,000	8,311	N/A	N/A
Disaster assistance – Flood Control, 2001-2004	--	1,400	--	--
<b>Totals</b>	<b>6,750</b>	<b>16,879</b>	<b>13,746</b>	<b>12,556</b>

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

In FY 2002, CSH for Vietnam provides support to victims of war (Leahy War Victims Fund), orphans (Displaced Children and Orphans Fund), victims of floods, and those at high risk of contracting HIV/AIDS. DA is aimed at helping Vietnam to meet its obligations under the Bilateral Trade Agreement. IMET helps build 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 and agricultural development in affected areas. In 2002, Vietnam is the latest participant in USAID's Accelerating Economic Recovery (AERA) in Asia program.<sup>14</sup>

Other major donors to Vietnam are the World Bank, the Asian Development Bank, Japan, and Australia.

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<sup>14</sup> For additional information, see CRS Issue Brief IB98033, *The Vietnam-U.S. Normalization Process*, by Mark E. Manyin.

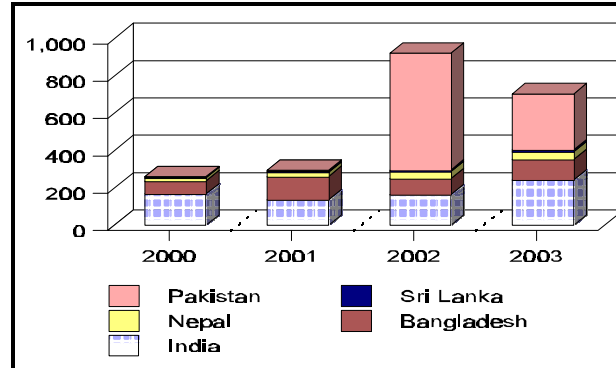
## South Asia

Before the United States began its anti-terrorism war in Afghanistan in 2001, India and Bangladesh were the largest recipients of U.S. foreign assistance in South Asia. Following Pakistan's promise to cooperate with the United States in its military efforts in Afghanistan, it became the largest beneficiary of U.S. foreign assistance in the region, followed by India. Both India and Pakistan 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 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). In addition, on October 27, 2001, President Bush signed into law S.1465 (P.L. 107-57), authorizing the President to waive sanctions related to democracy and debt arrearage for Pakistan. Consequently, U.S. assistance to India and Pakistan will increase dramatically in 2002-03.<sup>15</sup> See Figure 5.<sup>16</sup>

**Figure 5. Selected U.S. Assistance to South Asia (excluding Afghanistan), 2000-03**

(million current U.S. dollars)



South Asia regional programs include: Anti-Terrorism Assistance (ATA) – \$4.4 million in 2002 – and Migration and Refugee Assistance (MRA) – \$35.5 million in 2002.

<sup>15</sup> P.L. 107-57, Sections 508 and 512. Sanctions on U.S. assistance to Pakistan could be reimposed in FY 2003 if democratic elections do not take place or if Pakistan does not make sufficient progress in paying its international loans. See CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*, by Dianne E. Rennack.

<sup>16</sup> Figure 5 includes data from the following accounts: CSH, DA, ESF, P.L. 480 Title II, IMET, and FMF.

## Country Summaries – South Asia

### Bangladesh

**Table 14. U.S. Assistance to Bangladesh, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	14,836	15,500	39,950	57,220
DA	31,063	42,050	21,870	
ESF	0	0	3,000	7,000
IMET	456	507	600	750
PEACE CORPS	977	1,088	1,194	N/A
P.L. 480 Title II Grant	23,525	67,658	19,176	45,082
Section 416(b)	0	68,158	N/A	N/A
Disaster assistance – Flood Control, 2000-03	1,166	--	--	--
<b>Totals</b>	<b>72,023</b>	<b>194,961</b>	<b>85,790</b>	<b>110,052</b>

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

USAID implements family planning, health, and economic development programs in Bangladesh. ESF provides support for election reform and monitoring efforts, improved working conditions, including the elimination of child labor, prostitution, and domestic servitude, and helps Bangladesh uphold its WTO commitments. IMET programs strengthen the country's large international peace keeping force. Bangladesh will be eligible in FY2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.

During FY 2000, 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 Bangladesh setting aside \$8.5 million to endow a Tropical Forest Fund to protect and conserve the country's mangrove forests.

**India****Table 15. U.S. Assistance to India, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	22,750	24,593	41,678	75,185
DA	28,700	28,805	29,200	
ESF	0	4,989	7,000	25,000
IMET	480	498	1,000	1,000
FMF				50,000
NADR	285	637	900	N/A
P.L. 480 Title II Grant	116,782	78,064	86,431	91,288
Section 416(b)	0	6,420	N/A	N/A
Disaster Assistance	1,027	18,717	--	--
<b>Totals</b>	<b>170,024</b>	<b>162,723</b>	<b>166,209</b>	<b>242,473</b>

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

In 1998, the United States imposed sanctions on India and Pakistan for detonating nuclear devices. Non-humanitarian assistance was terminated or suspended. India, one of the largest recipients in the world of U.S. development assistance and food aid, continued to receive funding for child survival, health, and food. In 1998, Congress passed the India-Pakistan Relief Act of 1998 (P.L. 105-277, Title IX) which authorized the President to waive the application of sanctions for one year. Congress provided permanent waiver authority in the Department of Defense Appropriations Act, FY 2000 (P.L. 106-79). On October 27, 1999, President Clinton waived the applicability of nonmilitary aid restrictions and sanctions on IMET and other foreign assistance programs to India.

The United States has significantly increased its foreign assistance to India for FY 002 and FY2003. Although India is not directly involved in Operation Enduring Freedom, it is often treated as a “front line state” in the U.S. war on terrorism. U.S.-India relations were becoming friendlier even before September 11, 2001. India has experienced terrorist attacks of its own and has expressed strong support for U.S. efforts against terrorism. Its volatile relationship with Pakistan, which the United States hopes to help stabilize by not favoring one country too heavily over the other, has regional and global implications.

U.S. assistance to India addresses such problems as hunger and disease, HIV/AIDS, and child labor. Funds also support international peace keeping, export controls, and human rights. In 2001, the Office of U.S. Foreign Disaster Assistance (USAID/OFDA) provided \$3.6 million in disaster assistance for flood relief in West Bengal, \$1 million for floods in Orissa, \$12.8 million for earthquakes, and \$1.2 million for drought relief.

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

## Nepal

**Table 16. U.S. Assistance to Nepal, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY 2001 Actual	FY2002 Estimate	FY 2003 Request
CSH	7,000	9,250	20,000	31,696
DA	9,900	12,158	7,597	
ESF	0	0	3,000	6,000
FMF			2,000	3,000
IMET	216	237	400	500
Peace Corps	1,754	1,988	1,859	N/A
P.L. 480 Title II Grant	0	0	2,603	0
Section 416(b)	0	6,799	N/A	N/A
Disaster assistance – Earthquake, 2000-03	442	0	--	--
<b>Totals</b>	<b>19,312</b>	<b>30,432</b>	<b>37,459</b>	<b>41,196</b>

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

For FY2002, USAID focuses on health and family planning, hydropower development, and strengthening democratic processes in Nepal. The United States has an interest in helping Nepal to reduce poverty in rural areas, which have become breeding grounds for Maoist insurgents. Economic Support Funds support Nepal's fledgling democratic institutions and civil society, combat trafficking in women and children, and provide educational opportunities for women. IMET supports Nepalese involvement in international peace keeping. In 2002, Nepal will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.



**Pakistan****Table 17. U.S. Assistance to Pakistan, 2000-03**  
(thousand dollars)

Program or Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	2002 Emergency Response Measure (P.L. 107-38)	FY2003 Request
CSH	0	0	5,000	--	50,000
DA	0	0	10,000	--	
ESF	0	0	9,500	600,000	200,000
INCLE – border security	3,250	3,500	2,500	73,000	4,000
MRA <sup>17</sup>	--	--	--	100,000	--
ERMA	--	--	--	25,000	--
P.L. 480 Title I USDA Loan	0	0	10,000	--	N/A
P.L. 480 Title II Grant	537	1,855	0	--	0
FMF	--	--	--	--	50,000
IMET	--	--	1,000	--	1,000
Totals	3,787	5,355	38,000	798,000	305,000

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

Prior to September 2001, Pakistan had received only counter-narcotics (INCLE) and food assistance (totaling \$5.4 million in FY2001) 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. aid before 1990, received very little development aid during the 1990s. In 1985, the Pressler Amendment to the Foreign Assistance Act of 1961 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

<sup>17</sup> Migration and Refugee Assistance (MRA) is extended to Pakistan and neighboring countries.

to make such determinations. This restriction was eased in 1995 to prohibit only military assistance.<sup>18</sup> Although P.L. 106-79 gave the President authority to permanently waive all nuclear test-related sanctions, President Clinton waived few restrictions toward Pakistan (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 under provisions of the annual foreign assistance appropriations act for its military coup and delinquency in servicing its debt to the United States.<sup>19</sup>

On September 22, 2001, the President waived nuclear weapons restrictions that prohibited military and economic aid to Pakistan and India. On September 24, 2001, the United States 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, the President signed S. 1465 into law (P.L. 107-57), that allows the President to waive the remaining sanctions against Pakistan through 2003, provided the President determines that making foreign assistance available facilitates democratization in that country and helps the United States in its battle against international terrorism.

In addition to debt relief, the removal of sanctions, at least temporarily, allowed the United States to extend to Pakistan \$600 million in Economic Support Funds, \$73 million for border security, and \$25 million in Emergency Refugee and Migration Assistance (ERMA) in FY 2002 as part of the emergency supplemental appropriations measure (P.L. 107-38). These amounts dwarf the foreign aid appropriations under the FY 2002 Foreign Operations Appropriations Act (P.L. 107-115) of \$38 million to Pakistan. In February 2002, President Bush also promised \$220 million in reallocated emergency funds for Pakistan "for costs incurred in aiding U.S. military forces in Operation Enduring Freedom."<sup>20</sup>

In 2000, Congress authorized basic education assistance for Pakistan.<sup>21</sup> 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. In FY 2002, USAID's Primary Education and Literacy Program in Pakistan is to provide \$15 million for education planning and administration, teacher training, girls' education, and community involvement. Areas bordering Afghanistan are expected to get a disproportionate share of the support.

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<sup>18</sup> Section 620(e) (the Pressler Amendment) of the Foreign Assistance Act of 1961 (FAA). The Brown Amendment to the FAA (1985) narrowed the prohibition to military assistance only. See also CRS Report 98-570 F (November 24, 1998), *India-Pakistan Nuclear Tests and U.S. Response*, by Barbara Leitch LePoer, et.al.

<sup>19</sup> Foreign Assistance Act, Sections 508 and 512.

<sup>20</sup> Karen DeYoung, "Meeting Pakistan Leader, Bush Pledges New Aid," *Washington Post*, February 14, 2002.

<sup>21</sup> FY2001 Foreign Operations Appropriations Act, Section 597

**Sri Lanka****Table 18. U.S. Assistance to Sri Lanka, 2000-03**  
(thousand dollars)

Account	FY2000 Actual	FY2001 Actual	FY2002 Estimate	FY2003 Request
CSH	700	300	300	6,050
DA	3,650	3,399	5,150	
ESF	0	0	3,000	4,000
IMET	203	252	275	350
P.L. 480 Title I USDA Loan	5,000	8,000	8,000	N/A
P.L. 480 Title II Grant	0	5,625	0	N/A
<b>Totals</b>	<b>9,553</b>	<b>17,576</b>	<b>16,725</b>	<b>10,400</b>

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

ESF assistance helps to strengthen human rights and peaceful conflict resolution in Sri Lanka, which has experienced an 18-year war between the government and Tamil insurgents. IMET and regional ATA (Anti-Terrorism Assistance) contributes to the effectiveness of the Sri Lankan military forces in their fight against domestic terrorism. Sri Lanka will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.

## **Appendix. Selected 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