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FOREIGN ASSISTANCE OVERSIGHT

WEDNESDAY, MARCH 2, 2005

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:08 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Lincoln Chafee, presiding.

Present: Senators Chafee, Boxer, Martinez, Nelson, Obama, and Feingold.

OPENING STATEMENT OF HON. LINCOLN CHAFEE, U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. The hearing will commence of the Foreign Relations Committee and the South Asian Subcommittee. Welcome, gentlemen.

I would like to start with Mr. Camp. Is that appropriate?

STATEMENT OF DONALD CAMP, DEPUTY ASSISTANT SECRETARY, BUREAU OF SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. CAMP. Thank you. Thank you, Mr. Chairman and Senator Boxer.

First of all, I'd like to express the regrets of Assistant Secretary Rocca, that she could not be here today. She is ill; sent me in her stead. She sends her regrets and her best wishes.

In many parts of South Asia, there has been increased momentum for positive change. Our productive relationships with India and Pakistan continue to improve, and significant progress is being made in rebuilding Afghanistan and lowering tensions between India and Pakistan.

Not all the news is good, unfortunately. In particular, we are deeply troubled by the political crisis in Nepal, where the Maoist threat continues to grow. In Sri Lanka, the cease-fire continues to hold, but negotiations remain stalled. Problems with corruption, lawlessness, governance, and political violence plague Bangladesh. Our fiscal year 2006 foreign operations assistance requested for South Asia will be used to support our policy in the region and to maintain momentum in our programs for progress and meet these challenges.

I'd like to begin with Afghanistan. Last year, Afghans adopted a moderate democratic constitution and successfully conducted their first multiparty Presidential election. Afghanistan's economy has grown by 50 percent in 3 years. United States assistance is helping

the Afghan people win the peace, preventing Afghanistan from ever again becoming a haven for terrorists.

Much remains to be done, and we are committed to finishing the task. Nine hundred and fifty-six million dollars requested in fiscal year 2006 foreign-ops assistance for Afghanistan will sustain critical ongoing and accelerated stabilization programs, including $1.98 billion in urgent foreign-ops programs included in our 2005 supplemental funding request.

Holding parliamentary elections in 2005 is one of the primary political tasks for President Karzai's administration. We will support this process and, at the same time, help the government build and strengthen democratic institutions. Economic support funds requested for budget assistance will support government operations as revenue generation and collection capacity are strengthened. As DOD continues training of an Afghan National Army, our ESF assistance will sustain accelerated programs for disarmament, demobilization, and reintegration, and support a multifaceted counternarcotics strategy.

In India, our strong bilateral partnership includes security and economic ties and working together to address regional problems, such as the tsunami disaster and the crisis in Nepal. Our next steps in strategic partnership expands cooperation on civilian nuclear, civilian space, and high-tech trade development, provides for expanded dialog on missile defense and for enhanced nonproliferation export regimes in India. Military-to-military cooperation is greatly increased. United States assistance programs are helping India to complete financial, trade, energy, water, and agricultural reforms, to improve economic stability and reduce poverty. Our programs also promote better access to education, justice, healthcare, and services by women and vulnerable groups.

Pakistan. Though our long-term commitment—through our long-term commitment to Pakistan, we support its efforts to combat extremism and become a moderate, prosperous, democratic state. We seek a Pakistan that is secure and at peace with all its neighbors, a voice for tolerance and moderation in the Islamic world, living up to its great economic potential, and serving as an inspiring model for the broader Middle East and South Asia region. Our relations with Pakistan have grown steadily closer and more productive. It is a key ally against terrorism. Our $698 million fiscal year 2006 request for Pakistan contains $300 million in FMF and $300 million in ESF for the second of the 5-year $3 billion Presidential commitment.

A return to full democracy in Pakistan is central to long-term stability and a primary objective of our policy. United States democracy programs support this goal, including by helping Pakistanis prepare themselves to participate in successful 2007 national elections that are free and fair.

Bangladesh. Bangladesh has built a functioning, albeit challenged, democracy that has achieved important economic growth. Nevertheless, significant problems with corruption, increase in violent political attacks, poor governance, and the opposition's general strikes threaten democratic stability and impede economic growth. United States development and democracy programs in Bangladesh seek to address the challenges that foster extremism.

Nepal. The United States has a strong interest in helping the Nepalese overcome the serious political problems they face. Unity among Nepal's legitimate political forces is key to assuring that a brutal Maoist insurgency does not seize power. We see King Gyanendra's February 1 dismissal of the government and declaration of a state of emergency and detention of politicians and dissidents as a serious setback for Nepalese democracy that risks eroding even further the government's ability to resist the insurgency. We told the king that he needs to move quickly to reinstate and protect civil and human rights, release those detained under the state of emergency, and begin a dialog with the political parties. We have made it clear to the government that, in the current political situation, our security assistance is at risk. The overwhelming preponderance of the assistance that the United States is providing to Nepal is devoted to the political and economic development the country so desperately needs.

Sri Lanka. The United States has been in the forefront of the effort to support Sri Lankan tsunami relief efforts, and will remain engaged in reconstruction. We are committed to help resolve the conflict between the government and the Liberation Tigers of Tamil Eelam. We support Norway's facilitation of a peace settlement, and remain prepared, along with other donors, to help Sri Lanka address urgent post-conflict reconstruction needs. Our nationwide development and health programs support the government's economic growth and antipoverty efforts.

In concluding, let me say just a word about our public diplomacy and regional programs. Our public diplomacy programs remain a key part of the war on terrorism in South Asia. Through people-to-people programs, we will continue to promote shared values on education and democratic reforms, regional conflict resolution, and strong civil societies. We are also addressing, in a regional context, many of the issues of concern to us in South Asia, such as trafficking in persons, fighting deadly diseases like HIV/AIDS, ending corruption, and improving the status of women and girls.

Finally, achieving United States goals in South Asia remains crucial to our own national security and to a stable future for the region. While there has been much progress over the past few years, continued success depends on adequate resources to manage our policy and support our foreign assistance programs.

Thank you very much for your support. And, after Mr. Kunder speaks, I'd be very happy to take questions.

[The prepared statement of Mr. Camp follows:]

PREPARED STATEMENT OF DEPUTY ASSISTANT SECRETARY DONALD CAMP, BUREAU OF SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

MOMENTUM FOR PROGRESS IN SOUTH ASIA

Mr. Chairman and members of the committee, thank you for inviting me to meet with you today to discuss United States policy interests in and our program request for South Asia. In many parts of the region, I am happy to report, there has been increased momentum for positive change. Our relations with India and Pakistan continue to improve, and significant progress is being made in rebuilding Afghanistan and lowering tensions between India and Pakistan. Although Sri Lanka was devastated by the Indian Ocean tsunami, there is hope that cooperation on relief between the government and the Liberation Tigers of Tamil Eelam may increase trust between the two sides. Not all the news is good, unfortunately. In particular, we are deeply troubled by developments in Nepal, where the King dismissed the

government and imposed a state of emergency while the Maoist threat continues to grow. Although the cease-fire continues to hold in Sri Lanka, negotiations remain stalled. Problems with corruption, lawlessness, governance and political violence plague Bangladesh.

We will have, during the next few years, a crucial opportunity to assist South Asia toward a future that is stable and free from terrorism, conflict and proliferation; prosperous and economically integrated; governed through accountable democratic institutions; and a responsible voice for moderation in the Muslim world. Our fiscal year 2006 foreign assistance requested for South Asia will be used to support our policy in the region and to maintain momentum in our programs for progress and to meet these challenges.

Afghanistan

In January of last year, Afghans adopted a moderate, democratic constitution, and in October successfully conducted their first multiparty Presidential election. With the rebuilding of major roads, schools, health facilities, and other infrastructure, the country is being physically knit back together, which in turn will assist economic and political integration. The IMF estimates that Afghanistan's economy has grown by 50 percent in 3 years. NATO agreed to lead the International Security Assistance Force, as a new United States-trained Afghan Army and police are gathering strength, and civil-military Provincial Reconstruction Teams are extending security and development in the provinces.

United States assistance is helping the Afghan people win the peace in their country. By doing so, we prevent Afghanistan from ever again becoming a haven for terrorists. Much remains to be done and we are committed to helping the Afghans finish the task. We are requesting $956.4 million in FY 2006 Foreign Operations assistance for Afghanistan to sustain accelerated programs to stabilize the country (the request for Afghanistan is $1.1 billion including DOD and DEA counternarcotics programs, and State and USAID operations), to follow $1.986 billion in foreign operations funding in the FY 2005 supplemental request. Between fiscal years 2001 and 2005 Congress has appropriated over $6.2 billion for Afghanistan as an investment in a more democratic and prosperous future and a more secure future for Americans.

Holding legitimate parliamentary elections in 2005 is one of the primary political tasks for President Karzai's administration. We will support this process and at the same time help the government build and strengthen democratic political institutions able to peacefully channel the intense competition for power and resources among Afghanistan's rival groups. U.S. and other donors' assistance to the 2005 election process will include civic education and training for newly elected officials. A portion of the FY 2006 Economic Support Funds (ESF) will assist local elections, develop effective public education, and strengthen the women's ministry and centers throughout the country, as well as the judicial infrastructure, the Human Rights Commission, civil society groups, and the independent media.

ESF-funded budget assistance will support government operations as revenue generation is strengthened. ESF-funded civil-military Provincial Reconstruction Teams established by the United States and our allies in Afghanistan have increased stability and development in Afghanistan's provinces, helping link central and local governments with communities. The number of PRTs has expanded to 19 today, with two more to be established in coming months. Expanding security and the government's control of the territory is an ongoing challenge to Afghanistan's progress. As DOD continues training of the Afghan National Army, our FY 2006 ESF assistance will also sustain accelerated programs for disarmament, demobilization, and economic reintegration of militia and support a multifaceted counternarcotics strategy. FY 2006 International Narcotics Control and Law Enforcement (INCLE) funds will continue to fund training for border police, national police, and a highway patrol, as well as institutional reform at the Ministry of the Interior.

Agriculture and the rural economy provide a way of life for about 70 percent of the Afghan population. In FY 2006, Transition Initiatives (TI) funding will be used to help farmers re-establish production, become more profitable and efficient, improve food security, provide employment for more Afghans, and rehabilitate water systems. Credit programs for operating and investment capital will support production and processing activities. TI funds, along with ESF, will also be aimed at increasing access to primary education through community-based school construction, textbook production, classroom-based teacher training, and primary school equivalency/accelerated learning.

Afghanistan's counternarcotics program will also be supported by FY 2006 INCLE funds, which will continue to fund crop eradication, public diplomacy, and demand reduction programs. ESF funds will also continue to play an important role in sup-

porting government efforts to end poppy cultivation and narcotics trafficking through alternative development programs.

Economic reconstruction and development and rebuilding of infrastructure continue to be key factors in ensuring stability and a "democracy dividend" for the Afghan people. Requested FY 2006 ESF continue assistance for restructuring the banking system, strengthening fiscal management capacity and revenue generation, and spurring private enterprise and trade initiatives. We must sustain programs for employment, agriculture (the livelihood of most Afghans), health, and education. Completion of the Kabul-Kandahar-Herat ring road will extend central government authority, increase trade, and continue to knit the country back together. We have vaccinated millions of children, and constructed or rehabilitated scores of schools, clinics, and hospitals.

A significant reconstruction dividend is the steady decline in humanitarian needs. The 3 million refugees who have returned and the millions saved from famine and cold are now contributing to the Afghan economic boom. But humanitarian problems have not disappeared, and we cannot turn our backs on the remaining Afghans who are destitute. We will continue to support remaining Afghan refugees in Pakistan and Iran, internally displaced persons, and returnees. U.S. and donor demining assistance will enable continued safe returns and facilitate economic reconstruction.

India

United States relations with India, the preeminent power in the region, continue to improve and expand. As India increasingly fills a global leadership role, we must build strong bilateral partnership. Our partnership is growing across multiple fronts, including our security and economic ties and we are working together to solve regional problems. India, along with the United States, was a charter member of the group of countries formed to coordinate tsunami relief, and we are consulting closely with the Indians on how to help the Nepalese resolve their political crisis.

Through our Next Steps in Strategic Partnership, we are working to expand cooperation on civilian nuclear, civilian space and high technology trade development as well as an expanded dialog on missile defense and enhanced nonproliferation export regimes in India. DOD's bilateral Defense Planning Group, joint exercises, and military exchanges have greatly increased military-to-military cooperation. A High Technology Cooperation Group is advancing trade and investment in this vital area where our two countries have complementary strengths.

United States assistance programs are helping India to complete financial, trade energy, water, and agriculture reforms to improve economic stability and reduce poverty. Our programs also promote better access to education, justice, and services by women and vulnerable groups. Our health programs support the prevention of HIV/AIDS, tuberculosis and other diseases, and increased child survival—issues also addressed though a bilateral Global Issues Forum whose concerns range from trafficking in persons and human rights abuses to environment, science, and health.

Pakistan

In the Intelligence Reform and Terrorism Prevention Act, Congress adopted the 9/11 Commission's recommendation that the United States make a long-term commitment to the future of Pakistan. We see this commitment—which requires that we support Pakistan's own efforts to combat extremism and transform itself into a moderate, prosperous, democratic state—as a pillar of our strategy to win the war on terrorism. We seek a Pakistan that is secure and at peace with all its neighbors, a voice for tolerance and moderation in the Islamic world, a country that lives up to its great economic potential and can serve as an inspiring model for the broader Middle East and South Asia region.

United States relations with Pakistan have grown steadily closer and more productive. As a key ally against terrorism, throughout 2004 Pakistan mounted successful operations against terrorists and their supporters near the border with Afghanistan and as well as in the country's urban areas. Hundreds of terrorist operatives have been captured in Pakistan since September 11, 2001. In recent months, terrorists linked to Daniel Pearl's murder, the 1998 Embassy Dar Es Salaam bombing, the 2002 Consulate Karachi attack, the 2004 Afghanistan election worker kidnappings, and assassination attempts against President Musharraf and Pakistani Prime Minister Aziz have been arrested by Pakistani law enforcement or killed in police shoot-outs. Last year the A.Q. Khan proliferation network was unmasked and we continue to work closely with Pakistan to ensure that this global security threat can never be reconstituted.

Our $698.3 million FY 2006 request for Pakistan contains $300 million in Foreign Military Financing funds and $300 million in Economic Support Funds for the second of the 5-year, $3 billion Presidential commitment. This reflects the critical im-

portance of both aspects of the war on terror. As we facilitate the capture of al-Qaida and Taliban remnants and strengthen our military ties through the FMF program, we will help tackle the conditions that terrorists seek to exploit providing up to $200 million in ESF for macroeconomic stabilization and growth, plus at least $100 million in ESF to support social sector programs.

A return to full democracy in Pakistan is central to long-term stability and a primary objective of our Pakistan policy. U.S. democracy programs and exchanges are assisting the development of accountable, responsive democratic institutions and practices, including effective legislatures and local councils that respond to citizens and that play a positive role in governance. Our programs will also support much-needed political party reform, the development of an independent media that provides balanced information, and effective civil society that advocates for the rights of those most vulnerable, such as women and religious minorities. All of these programs will be crucial to helping Pakistanis prepare themselves to participate in successful 2007 national elections that are free and fair.

Pakistan's economy has moved from crisis to stabilization and now to significant growth. The government's ongoing pursuit of structural reform, prudent economic policy initiatives, and effective macroeconomic management has impressed the IMF and donor community. We are assisting this positive momentum with ESF, but also continue to support the grassroots economic development and health programs that are just as important, and much more visible to ordinary Pakistanis, through USAID's programs.

Pakistan recognizes the critical need for, and is pursuing, education reform, including for madrassahs. Pakistan's need for improvements in education is profound. Beyond the very real problem created by the intolerance and extremism inculcated in some madrassahs, the education system in general has been failing the youth of Pakistan. For political, economic, and social reforms to succeed, young Pakistanis must have the preparation needed to gain employment and compete in the global marketplace. Funds requested for education will be used to support and help the government shape these reforms, including through incentives for schools to join the government's reform programs, teacher training, and increased access for girls.

FY 2006 INL funds will be used to further strengthen Pakistan's border security, and law enforcement and intelligence capabilities and coordination, including on counternarcotics. Funds will also help extend law enforcement access and enhance monitoring in the Federally Administered Tribal Areas along the Afghan border through construction of roads and infrastructure. Road construction will also, in tandem with USAID projects, facilitate access to education and economic development to help integrate these areas with the rest of the country.

India-Pakistan Relations

Reducing the threat of conflict between India and Pakistan is of critical importance to both countries as well as to the United States and the international community. We have long encouraged Indo-Pak engagement while working to reduce the tensions between these two countries. The rapprochement and Composite Dialogue that began nearly 2 years ago between India and Pakistan has seen a number of successes. Most recently, during Indian Foreign Minister Natwar Singh's February 15–17 visit to Islamabad, both sides made real compromises in agreeing to begin bus service across the Line of Control in Kashmir. This is one of the most significant developments since the composite dialog began in January 2004. It shows that the parties are committed to increasing their engagement, and we will encourage further progress.

Bangladesh

Bangladesh, despite its stormy birth and initial dismal prospects, has built a functioning, albeit challenged, democracy that has achieved important economic growth. Credit for Bangladesh's accomplishments, past and present, does not rest with a single leader, party, or organization. And, neither does responsibility for the current problems rest with a single Bangladeshi administration, institution, or leader.

Nevertheless, Bangladesh's significant problems with corruption, increase in violent political attacks, poor governance, and the opposition's "hartals" (general strikes), threaten democratic stability and impede economic growth. United States development and democracy programs in Bangladesh seek to address the challenges that foster extremism. Poverty, lack of education, and endemic corruption combined with porous borders and lack of public faith in elected government have increased the appeal of radicalism.

United States democracy programs seek to increase the accountability and transparency of democratic institutions, which can help defuse bitter rivalries, and support civil society advocacy groups such as Transparency International Bangladesh.

To promote sustainable development, our programs will continue to improve basic education, foster scientific cooperation, assist economic growth and trade, combat trafficking in persons, and increase health services for women and children.

Nepal and Bhutan

The United States has a strong interest in helping the Nepalese overcome the serious political problems they face, and the developmental problems from which much of their current political crisis derives. We want Nepal to be a peaceful, prosperous, and democratic country, but it confronts the possibility that a brutal Maoist insurgency might seize power; not through military force but through a collapse of will to resist it. For this reason we were particularly concerned about King Gyanendra's February 1 dismissal of the government, declaration of a state of emergency, and detention of politicians and dissidents. This serious setback for Nepalese democracy risks eroding the government's ability to resist the insurgency even further. The King has said that his recent actions are intended to strengthen Nepal's multiparty democracy and to bring the Maoist insurgency to an end. He needs to move quickly to reinstate and protect civil and human rights, release those detained under the state of emergency, and begin a dialog with the political parties intended to restore multiparty democratic institutions under a constitutional monarchy.

Following on the King's actions, India and the United Kingdom announced they are suspending assistance to Nepal's Armed Forces. We have the same step under consideration, but have not yet made a decision. However, we have made it clear to the government that in the current political situation our security assistance is at risk. In our security assistance so far, we have supported Nepal's military through professional training, modern rifles, and nonlethal equipment. A central part of our program has been ensuring that the security forces improve their record with respect to human rights.

The overwhelming preponderance of the assistance the United States is providing to Nepal is devoted to the political and economic development the country so desperately needs. Nepal has some of the world's lowest social indicators, and more than half of our development assistance has been earmarked for health and family planning. We will also continue to focus on the restoration of democratic institutions and seek to increase citizen participation and representational diversity, provide assistance for elections, if and when they are held, and strengthen key rule of law and anticorruption institutions.

We continue to work with the governments of Bhutan and Nepal to resolve the situation of the 100,000 refugees of Bhutanese origin in Nepal and are working closely with UNHCR and NGOs to assure the welfare of the many resident and transiting Tibetans in Nepal.

Sri Lanka and Maldives

The focus of almost everyone in Sri Lanka, over the past several weeks, has been on recovery from the effects of the tsunami. The United States has been in the forefront of the effort to assist Sri Lankan recovery efforts and will remain engaged as we transition into meeting the country's enormous reconstruction needs. Other important long-term concerns remain, however. First among them is resolving the conflict between the government and the Liberation Tigers of Tamil Eelam. Despite the largely successful ceasefire begun in 2003, peace negotiations between the two sides have not been restarted. The necessity for cooperation between the two sides on tsunami relief may help establish a higher level of trust helpful to the peace process.

The United States continues to support Norway's facilitation of a peace settlement and remains prepared, along with other donors, to help Sri Lanka address urgent post-conflict reconstruction needs. The goal of peaceful reconciliation will also need to help guide our post-tsunami reconstruction assistance. As we and other donors encourage a resumption of talks, we continue to provide a package of assistance programs aimed at providing a boost to reconstruction and reconciliation in war-torn areas.

Our nationwide development and health programs support the government's economic growth and antipoverty efforts, while our democracy programs promote human rights and political reintegration and reconciliation. Increased FY 2006 FMF funding will be used to help Sri Lanka's navy meet threats posed by national and regional terrorist groups, and will help to reform and upgrade its military.

Another country devastated by the tsunami was Maldives. As with Sri Lanka and other countries, the United States made a major contribution to relief in Maldives and is committed to help with reconstruction. The recent visit of former Presidents Bush and Clinton to Maldives and Sri Lanka underlines the seriousness of our commitment.

PUBLIC DIPLOMACY AND REGIONAL PROGRAMS

Public Diplomacy programs remain a key part of the war on terrorism in South Asia. Throughout the region the Bureaus of South Asian Affairs and Economic and Cultural Affairs and the Office of International Information Programs are implementing both traditional and innovative outreach programs, targeting younger, nonelite audiences. Through these people-to-people programs we will continue to promote shared values on education and democratic reforms, regional conflict resolution, and strong civil societies. Our American Centers remain key to these efforts. Our English teaching programs will advance academic potential and engagement with the United States and its values.

These programs are complemented by our regional Economic Support Fund initiative for Education, Democracy and Development in South Asia (EDSA). We are requesting $2.5 million in FY 2006 ESF for this initiative, which seeks more effective ways to address extremism through small, innovative pilot and multicountry projects in education, democracy, and income generation. These projects are coordinated with and will inform our larger bilateral development programs.

Many of the issues of concern to us in South Asia, particularly those that affect ordinary South Asians on a personal level, need to be addressed in a regional context. Our diplomatic efforts and programs aimed at combating trafficking in persons have been refocused and intensified to raise the performance of South Asian governments in accord with criteria in the Trafficking Victims Protection Act. We are combating HIV/AIDS throughout the region, with the principal focus on India, where the problem is by far the worst. Corruption lies at the nexus of the governance and economic failures in South Asia. Our development, democracy programs, and law enforcement programs combat corruption by promoting transparency, accountability, and efficiency, including through strengthened private sector, civil society, and independent media involvement. Finally, we remain ever mindful of the plight of women throughout the region, and our programs across the board have integrated components to improve literacy, education, health, and economic and legal rights for women and girls.

CONCLUSION

Achieving United States goals in South Asia remains crucial to our own national security and to a stable future for the region. While there has been much progress over the past few years, continued success depends on adequate resources to manage our policy and support our foreign assistance programs.

Thank you for your support. I'd be happy to take questions.

Senator CHAFEE. Thank you very much, Mr. Camp.

Mr. Kunder, welcome.

STATEMENT OF HON. JAMES R. KUNDER, ASSISTANT ADMINISTRATOR FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. KUNDER. Thank you, Senator, Senator Boxer.

I am the Assistant Administrator for Asia and the Near East. Our Bureau is responsible for those countries between Morocco and the Philippines, and extending north to Mongolia. In that area, we have the world's largest concentration of poor people; and so, many of our development programs focus on the needs of those poor.

I also want to point out one other demographic statistic. Across that region, there are 324 million people, a number exceeding the population of the United States, in the age category between 15 and 24. So we've got an enormous opportunity, but also an enormous recruiting ground for instability. And so, the need to focus on jobs programs and education programs is driven home by that 324 million number.

Our primary focus in South Asia is, naturally, on stability and reconstruction. Our reconstruction program in Afghanistan is preeminent among those programs, but we also have unstable situations, as Don has said, in Nepal, in Pakistan along the border re-

gion, in Sri Lanka. So, the area of focusing on counterterrorism, instability, and reconstruction is primary for us.

We've also tried to look at, in our program request for 2006, a number of strategic issues that extend across the region. Number one is education and the need to transform the educational systems in the region. Number two is democracy and governance, with greater participation, focus on specific issues, like gender issues, participation of women, participation of civil-society organizations, antitrafficking, and other issues generally in the cone of democracy and governance. A third area is economic growth. For that burgeoning population, we have got to focus on job programs.

We have tried to focus on creative modalities for working in these areas. In addition to our ESF and development-assistance programs, we have emphasized public/private partnerships. USAID's Global Development Alliance tries to take advantage of the increasing investment across Asia; and, thus far, we have been able to leverage private contributions to the development process, on an order of 5-to-1 ratio for every taxpayer dollar we've invested in these Global Development Alliance programs.

We have also tried to look over the horizon, if you will, at problems that are not yet prominent in our discussions, but we think are going to be increasingly prominent issues in the coming years. Preeminent among those is water, both the water shortages that we face across the region and the potential for water disputes to be the source of conflict and friction in the future. We have suggested—this is something we will want to discuss with the committee, and with the Congress—the need to have a "Blue Revolution," like the Green Revolution that we led several decades ago, to increase food production around the world.

We have also looked at the need to create regional hubs. Right now, we are looking at regional hubs in Cairo and in Bangkok to supplement our bilateral programs and start looking at regional issues and engagement with regional institutions across Asia as a way of leveraging the taxpayers' dollars in the foreign-assistance field.

Finally, in terms of modalities, we have increasingly tried to perfect our technique of working with the United States military in places like Afghanistan. We have got to figure out ways to make that relationship more productive. In the recent tsunami response, USAID, State, and the military worked very closely together to deliver humanitarian assistance. We're trying to build on that kind of relationship through the use of Provincial Reconstruction Teams—that is, joint State, DOD, and USAID teams—working in the countryside to help win the war on terrorism and assist in the reconstruction effort.

In closing, I would just like to focus a little bit further on Afghanistan. I had the honor of being sent out in January 2002, right after the Taliban abandoned Kabul, to reopen the USAID mission there. If someone had predicted, in January 2002, that we would be as far along in the reconstruction process as we are in March 2005, I would have thought they were crazy. The situation, obviously, is not without its problems, not without its occasional terrorist attacks, and not without significant reconstruction hurdles yet to cross, but we have made enormous progress, and I think the

request for substantial assistance in Afghanistan needs to be supported, and I think we have a track record of proving that we can do the job there.

And, finally, I want to make a request for full support for our operating-expense request. I know that this is a de rigeur thing that I have to do, but I really want to make a personal appeal, because it's not just an abstract operating-expense issue. When we have to take on these reconstruction and instability issues, as we do in South Asia—just as we say for the military, we have to have "boots on the ground," well, we have to have "Reeboks on the ground," if you will. We need people out there.

We've got, now, 20 reconstruction teams scattered across Afghanistan. We can do a good amount of work through our contractors, through our NGO partners, but the U.S. Agency for International Development, from a height of around 10,000 officers during the Vietnam war period, is down to about 2,200 officers around the world, in more than 80 countries. As one of my military colleagues said, in shock, "This is nothing but a reinforced battalion, worldwide."

We are doing the job. We have proven we can do the job in tough places, like Iraq and Afghanistan. And we simply need the resources. That's an important part of the U.S. Government's toolkit in the war on terrorism, and we simply need the bodies to continue to do the job.

So, my report on South Asia is that we've made enormous progress. We've got very significant challenges, as Mr. Camp has said. And I'd be prepared to answer any questions you have.

Thank you.

[The prepared statement of Mr. Kunder follows:]

PREPARED STATEMENT OF HON. JAMES KUNDER, ASSISTANT ADMINISTRATOR FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

I welcome the opportunity to appear before you today to discuss the work of the U.S. Agency for International Development in Asia and the Near East.

USAID works in 28 countries in Asia and the Near East—from Morocco to the Philippines and as far north as Mongolia. The region is home to 64 percent of the world's population and two-thirds of the world's poor.

Foreign assistance is an essential component of U.S. foreign policy in the region. To meet the needs of the people of Asia and the Near East, we have missions in 19 countries. Five of those missions—Afghanistan, Pakistan, Thailand, Yemen, and Iraq—opened recently. We established them to handle priorities arising from U.S. foreign policy goals and ongoing development challenges in the region. Three countries in ANE are eligible for the Millennium Challenge Account, and three have been selected as MCA threshold countries. Our fiscal year 2006 request is consistent with U.S. foreign policy priorities and rewards countries that demonstrate commitment to democracy, good governance, and economic freedom.

There are struggling democracies throughout Asia and the Near East that need help building stronger legal and governing institutions; promoting citizen participation, particularly that of women; and strengthening the basic services they provide to the public.

Corruption is a pervasive problem, making it difficult for economies and legal systems to function properly—particularly in South and East Asia. This also makes foreign investors less likely to put more money into the region.

Fundamentalism is spreading, especially in the Middle East. The insurgency in Iraq and the ongoing Israeli-Palestinian issue make the Middle East one of our greatest challenges and foreign policy priorities. Radicals are taking advantage of the sense of hopelessness caused by oppressive regimes and extreme poverty. Severe restrictions on human rights impose a sense of fear among many.

Threat of Instability and Terrorism

USAID's overriding focus is countering the threat posed by instability and terrorism in Asia, the Middle East, and North Africa. Conflicts permeate the region—from ongoing insurgencies in Iraq, Afghanistan, and Nepal to the separatist movements in Mindanao, Philippines, and Sri Lanka. Many countries harbor extremist groups that prey on disenfranchised populations left vulnerable by their government's inability or lack of commitment to meet their daily needs. As these extremist groups grow, they threaten to destabilize their own countries and often support terrorism directed at the United States. USAID is an integral player in the U.S. Government's response to these threats.

All of USAID's programs, ranging from democracy and economic governance to education and health care, address the poverty, extremism, and corruption that threaten the region's stability. USAID plays an indispensable role in stabilizing and rebuilding Afghanistan and Iraq; and mitigating conflict and improving conditions for peace in the Middle East and elsewhere.

In fiscal year 2006, USAID proposes shifting $275 million in Development Assistance funds to the more flexible Transition Initiative (TI) account for Afghanistan, Ethiopia, Haiti, and Sudan. TI funds provide the necessary resource flexibility to target the sources of fragility in countries where political and economic conditions remain volatile. Afghanistan is a prime example. In its changing security and economic environment, the ability to adjust priorities and programs quickly is critical to supporting its successful transition to a democracy and rebuilding its social and economic fabric. TI funds comprise 24 percent of the total fiscal year 2006 request for Afghanistan.

Operating large programs in high threat environments, such as Iraq and Afghanistan, where we can have only a limited footprint is demanding and has challenged the skills and creativity of our staff. Our American staff on the ground and our host country national staff remain the backbone of overseas missions, but particularly in these countries, which are some of the most dangerous places in the world. Granting USAID's Operating Expense request is vital to the Agency's ability to adequately manage its expanding portfolio and develop a workforce with the depth and skills to respond to the challenges of development in the 21st century.

Although increasing stability and minimizing terrorism are USAID's highest priority, we have other important objectives in the Asia and Near East region such as improving education and workforce training, strengthening democratic and economic institutions, and improving health. A few of these are described below.

Burgeoning Youth Population Requires an Education for Work and Life

Giving young people appropriate skills and hope for a better future is essential for economic, political, and social development. The Asia and Near East region has experienced a drastic demographic shift and now houses the largest generation of youth ever—368 million young people in the 19 countries where USAID has a presence. The youth population has grown disproportionately compared to the rest of the population, putting enormous pressure on governments with limited capacity and resources to provide education and employment opportunities. Developing a workforce with the right skills to be productive is a key issue across the region. USAID implements school-to-work and vocational programs to equip the youth population with skills needed in the job market.

A Blue Revolution

USAID hopes to spearhead a "blue revolution" to address the life-threatening and growing constraint of scarce water resources. Some of the most important international security interests in Asia and the Middle East either derive from, or are significantly exacerbated by, transboundary water disputes over water sources. Water needs in Jordan exceeded supply by 78 percent in 2000, and West Bank/Gaza has water to meet only one-third of its minimum drinking needs. Projections show that much of South Asia will be facing similar shortages of potable water by 2025. A serious challenge to maintaining the quantity and quality of water is land degradation due to deforestation and settlement by growing populations.

Public-Private Partnerships

USAID recognizes that the private sector is a huge factor in the places we work, either through their presence in East Asia or lack, thereof, in the oil and utility industries in the Middle East. Partnerships with the private sector enable USAID to leverage funds, technologies, and new ideas to address the growing challenges in our region. Identifying synergies between our goals and our comparative advantages have led to a number of successful partnerships, including an education initiative

in the Broader Middle East and North Africa and campaigns against illegal logging in Asia.

Regional Hubs

One of our strategies for increasing surge capacity and enhancing management efficiency is the opening of regional offices in Bangkok and more recently in Cairo. These offices provide contracting, legal, and financial services to field missions and manage programs in countries with no USAID presence and programs targeting key regional issues with a regional dimension such as HIV/AIDS and trafficking in persons.

Tsunami Response and Reconstruction

In December 2004, a major earthquake followed by a tsunami hit Asia and Africa, devastating many coastal areas. Over 220,000 people in eight countries perished in a few hours and many more had their homes and livelihoods swept away. The coastal areas of Indonesia and Sri Lanka, the Maldives and two Indian island chains bore the brunt of the calamity and will require significant investments in rehabilitation and reconstruction. President Bush has pledged long-term U.S. commitment to help the tsunami victims rebuild their lives.

USAID's presence in these countries, our expertise with disaster assistance, and solid working relationships with the region's governments and our partner nongovernmental organizations meant we were able to respond immediately, providing life-saving food, water, medical care, and shelter. Lessons learned from working with the Department of Defense in Afghanistan and Iraq also bore fruit in the weeks following the disaster. Close coordination between USAID and the military was a key part of the success of the U.S. response.

Now, we have moved on to rebuilding the communities devastated by the tsunami. Cash-for-work programs to give families incomes, loans, and training to develop livelihoods and design of longer term reconstruction projects of water systems and critical infrastructure are underway.

USAID's Work Pays Off

Despite the growing security challenges, our work has brought substantial and measurable results.

In less than 2 years on the ground in Iraq, we are managing $4.2 billion in contracts and grants. We laid the foundation for democracy and good governance. The first free elections in more than 40 years were held on January 30, 2005. We have trained 10,000 local council members, and we have rehabilitated over 2,300 schools and trained 32,000 teachers.

Despite ongoing security challenges, the progress we are seeing in Afghanistan is noteworthy. Eight million people, 40 percent of them women, voted in the country's first Presidential election. USAID played a prominent role in that success, through voter education programs and distributing and counting ballots. We have built a good relationship with the new government, substantially completed the Kabul-Kandahar highway and contributed to the best wheat harvest in over two decades through seeds, fertilizer, and irrigation projects. We have printed 10.3 million textbooks and provided basic health services to 4.7 million people.

In Indonesia, where corruption has been a major stumbling block, we have helped pass antimoney laundering laws. And in the Philippines, where a separatist movement threatens peace in the South, we have helped reintegrate over 21,000 combatants into society and helped equip them with jobs and other social services.

Ninety-five percent of children ages 2–8, in Egypt, tune in to the Egyptian version of Sesame Street, learning to be tolerant, practice good hygiene, and get a head start in school.

USAID supported the recent free trade agreement with Morocco, the second Arab country after Jordan (2001). We have also worked with Lebanon, Yemen, Vietnam, Cambodia Nepal, Laos, and Algeria on accession to the WTO. A bilateral trade agreement with Vietnam was completed in 2000. These efforts are critical because regional and international trade is an important source of growth for the region.

PRIORITIES IN EAST ASIA

In East Asia, as in much of the Asia/Near East region, conflicts threaten stability. Oppressive and corrupt governments and disenfranchised populations contribute to discontent and obstruct economic growth.

USAID will continue to focus attention and resources on two conflict-affected countries, Indonesia and the Philippines, which are also two important allies in the war on terror. In both of those countries, education is a major part of our programs. Like the rest of the region, access to basic and secondary education remains un-

equal. Both Indonesia and the Philippines have Presidential initiatives for education of $157 million and $33 million respectively. Throughout the region, we are rapidly expanding our education programs.

We will work to open up corrupt and closed political and economic systems, major barriers to investment, good governance and human rights. In addition to targeted efforts in countries like Indonesia, USAID is developing a new regional governance initiative for East Asia. Where possible, we will support trade capacity building to complement the United States-Thailand Free Trade Agreement negotiations.

Our intensive efforts to fight the spread of HIV/AIDS in Cambodia have been a resounding success to date. However, the threat persists. We will continue our vigilance against this potential epidemic through regional and bilateral programs.

We will also continue to combat trafficking. Over the last 10 years, the number of people trafficked has grown, and the average age has dropped. Profits from trafficking rank third only to drugs and guns, encouraging criminal syndicates to work closely with local trafficking networks. USAID will continue to work with vulnerable people in high-risk environments, but we will give added attention to children and youth, who are most at risk.

Regional Development Mission in Asia

The East Asia and Pacific region is one of the world's most important trading routes, which facilitates the spread of HIV/AIDS and other infectious diseases, as well as trafficking of persons and illicit narcotics. Many challenges remain for the region, not the least of which is recovering from the recent tsunami. Many countries in mainland Southeast Asia still have relatively centralized systems of government. Another threat is the health and economic impact of poor air quality, unclean water, and lack of safe sanitation. Countries in the region continue to suffer from the scourge of HIV/AIDS, malaria, and tuberculosis.

A secure, robust, and integrated Southeast Asia Pacific region would bode well for the economic well-being of all nations in the world. Highly unbalanced growth and political or social instability could jeopardize vital U.S. strategic interests in the region.

USAID's Regional Development Mission/Asia manages regional programs, strengthening United States relations with ASEAN members, and country-specific programs in mainland Southeast Asia (Burma, China, Laos, and Vietnam) as well as HIV/AIDS and environmental programs that extend east into the Pacific and west into South Asia.

Burma

The State Peace and Development Council continues to maintain political and military control of the country. The Council's economic mismanagement of the country's resources has led to a deterioration of social and economic conditions.

The intensifying economic hardship in Burma over the past decade has resulted in many Burmese relocating to the Thai-Burma border region. There are over 144,000 Burmese living in refugee camps and hundreds of thousands registered and unregistered Burmese migrants.

USAID provides humanitarian assistance, including health care and efforts to control infectious diseases. Democracy programs train Burmese journalists and public information workers to improve the quality and dissemination of news and information on the situation inside Burma. Scholarships are available for Burmese refugees to study at universities around the world.

Cambodia

After a year of political stalemate, the country has inaugurated a new administration and a new monarch, signaling new prospects for stability. However, corruption permeates all aspects of daily life.

More than half of Cambodia's 13 million people are under the age of 18. Ensuring that they receive an adequate education that will prepare them to be productive citizens remains a major challenge. The forests of Cambodia are one of its most valuable resources. The Government has attempted to regulate forest exploitation, with limited success.

United States interests in Cambodia include strengthening democracy; expanding regional cooperation and integration; promoting greater economic openness and lower trade barriers; and addressing terrorism. USAID programs address HIV/AIDS prevention and care; expand access to maternal, child, and reproductive health services; increase the participation of political parties, NGOs, and the private sector in promoting human rights and documenting evidence of Khmer Rouge atrocities; and improve the quality of basic education.

China

USAID's activities in China are limited to assisting Tibetan communities, a regional HIV/AIDS program and support for American Schools and Hospitals Abroad.

The Tibetan Plateau presents a challenging implementation environment for development assistance. Those most in need of assistance live in small nomadic communities scattered across vast rural tracts, unserved by roads or other public infrastructure, and the harsh climate limits assistance to the warmer 9 months of the year.

The principal goal of the program is to strengthen Tibetan communities' capacity for meeting their socioeconomic needs, while conserving the environment and preserving their cultural heritage. This program is implemented through U.S. nongovernmental organizations.

East Timor

In 2002, after 24 years of Indonesian occupation, East Timor became the first newly independent nation of the millennium. It is one of the 10 poorest countries in the world with an estimated population of 924,642. Its small domestic market, island status, extreme mountainous terrain, and poor infrastructure present formidable challenges.

Despite these challenges, East Timor has made solid progress since 1999 in establishing a democratic state and revitalizing its economy and export market for coffee. However, its bid for the Millennium Challenge Account failed in the economic growth area. Given the Government's willingness to respond, dedication of the international community, and concentration of MCA threshold resources in this area, rapid progress is possible.

The overall goal of the USAID program will continue to address the long-term development needs in accordance with key United States foreign policy interests in East Timor. USAID programs address Timor's most pressing concerns; accelerating economic growth and job creation; good governance; and improving basic health services.

Indonesia

Besides the new challenges created by the tsunami, significant social, political, and economic barriers continue to impede Indonesia's progress toward becoming a moderate, stable, and productive nation. More than half of Indonesia's population subsists on less than $2 per day. Governing institutions remain weak and corruption is endemic. Approximately half of Indonesian nchildren who start primary school do not complete junior secondary school, and dropout rates are increasing.

In 2004 Indonesians voted in a new President, Vice President, and legislators in free and fair elections. By holding the largest and most complex single-day elections in history, the most populous Muslim nation demonstrated to the world the compatibility of democracy and Islam.

The GOI commitment to tackling terrorism and regional conflicts is strong, but the September 2004 terrorist bombing of the Australian Embassy and continued violence in Aceh in 2004 demonstrated that sustainable solutions to these issues remain elusive. The current ceasefire in post-tsunami Aceh offers hope for future conflict resolution.

The outcome of Indonesia's democratic transition has profound implications for United States strategic interests in fighting terrorism; preserving regional stability in Asia; strengthening democratic principles, the rule of law, and respect for human rights; and expanding access for U.S. exports and investment.

USAID immediately responded to the tsunami disaster with relief assistance. Additional relief and reconstruction activities will respond to the needs in Aceh. USAID focuses on economic growth and job creation; clean and good governance; and improving the education and health sectors. The Millennium Challenge Corporation has identified Indonesia as an eligible country for the Millennium Challenge Account. USAID will play an active role in helping Indonesia qualify for these new funds.

Mongolia

Mongolia's harsh climate, small domestic market, land-locked status, and lack of infrastructure present formidable challenges. Yet the country provides an important example to others in East Asia, Central Asia, and elsewhere on how to manage an economic transition within a democratic political framework. Mongolia has also been a visible supporter of the United States in the continued war on terrorism.

USAID's programs directly address two of Mongolia's most pressing concerns: Sustainable private sector-led economic growth and more effective and accountable governance. This includes work on growth at the policy, sector, individual firm, and

"grassroots" levels. Judicial reform is the largest program within USAID's governance work, leading to fully automated courtrooms that increase public access dramatically.

Philippines

The Philippines has long been a close strategic ally of the United States. However, the Philippines continues to be held back by internal conflict and violence. The sizeable Muslim population in Mindanao is marginalized economically and lacks adequate access to basic social services.

Weak leadership, powerful vested interests, and ongoing conflict feed the cycle of poor economic performance by discouraging private investors and tourism and draining public coffers.

Nevertheless, the Philippines can accelerate its economic and social development as well as the ongoing peace process with the Mindanao-based Moro Islamic Liberation Front. With USAID assistance, more than 24,000 former combatants from the Front have been successfully reintegrated into the productive economy, demonstrating the tangible benefits of peace.

USAID concentrates on reducing conflict in Mindanao and other areas vulnerable to violence; fighting corruption and supporting improved performance of selected government institutions. Other programs promote the health and well-being of Filipinos through improved and decentralized service delivery, increased private sector involvement, social acceptance of family planning, and policy reform. In addition, USAID protects the Philippine's rich natural resources by strengthening their management and governance and encouraging better urban environment management and reliable and cleaner energy. In Mindanao, USAID increases access to quality education and livelihood skills in the conflict-affected areas, and in the rest of the country, USAID supports broader education sector policy reform.

Vietnam

Since the late 1980s, Vietnam pursued a policy of economic openness and has transformed its centrally planned economy into a market-driven system. As a result of more market-based policies, the Vietnamese economy has achieved a relatively high GDP growth rate (7 to 8 percent per year) for the last several years. However, Vietnam still ranks as one of the world's 25 poorest countries.

Presently, Vietnam's strict regulatory environment, lack of rule of law, inadequate infrastructure, and lack of market competitiveness handicap the private sector. The HIV/AIDS epidemic is now widespread, not just in high-risk groups, but also among the general population.

An expanded United States-Vietnam relationship is important for fostering regional security, prosperity, human rights, and peace in the Southeast Asia region. USAID's progam focuses on two areas: Accelerating Vietnam's transition to a more open, market-based economy and improving access to services for selected vulnerable groups.

PRIORITIES FOR SOUTH ASIA

With a young, impoverished, and rapidly growing population, governments in South Asia strain to provide basic human services and economic opportunities.

USAID will continue to rebuild Afghanistan. Working hand-in-hand with the Afghans, we have made significant progress, and the country is well on its way to self-rule through democratic processes. However, there is much more to be accomplished. We will also promote economic and political transitions in conflict-ridden countries, such as Pakistan, Nepal, and Sri Lanka. These efforts will remain central to our efforts to bring prosperity to the region.

To combat the region's dire poverty, USAID will spur the rapid creation of jobs and the delivery of essential human services, especially education and health. Boosting incomes among the large numbers living in rural populations will require attention to agribusiness and other nonfarm endeavors.

Trafficking

USAID has been instrumental in increasing awareness and understanding of human trafficking in South Asia. In addition to educating governments and populations largely unaware of the issues, USAID has directly assisted about 27,000 people and many more indirectly. The program has spawned policy reforms in India, Nepal, and Sri Lanka. In Bangladesh, the government has made significant progress with USAID's help, thereby removing the threat of Tier III sanctions.

Afghanistan

Afghanistan remains at the center of United States strategic interests. We began our work there in 2002 to address a humanitarian crisis. Three years later, we see a future bright with hope. The most important development in the post-Taliban era occurred this past October with the completion of highly successful Presidential elections in which over 8 million people voted, with over 40 percent of voters being women. We are in a unique position to support this deserving population living on the front lines in the war on terror. Working closely with other U.S. Government agencies, USAID plays a key role in the development of the country.

Despite remarkable progress, much crucial work remains. Afghanistan has some of the worst social and economic indicators in the world. Curbing the alarming growth of the illicit narcotics trade, in part by providing viable alternatives for rural farmers, is essential for stability. Agriculture, which makes up over 60 percent of GDP, is hampered by lack of access to markets. Ruined infrastructure is a factor in this, as it impedes economic growth in all areas. Among all other factors, the most important constraint to USAID's work is the security situation.

Our programs support the country's transition from a failed state to a stable, productive country. To boost the economy, USAID works with the Government to strengthen economic policy and increase rural incomes, especially from licit agriculture. Other programs improve basic health care for women and children. In addition, USAID has expanded access to basic education and strengthened democratic practices through funding for elections, media, and civil society.

Bangladesh

Bangladesh is a populous and important ally of the United States in the Islamic world. U.S. interests include a stable democracy, economic prosperity to stem the potential growth of extremism, and improved understanding between the two countries.

Bangladesh has responded with remarkable promptness to the threat of Tier III sanctions under the Trafficking Victims Protection Act. At the same time, endemic corruption and deteriorating quality of governance are serious problems. Nearly half of Bangladeshis live below the national poverty level of $1 per day, and natural disasters, compounded by substandard and unavailable public services, condemn millions of people to misery.

USAID's overall goal is to reduce poverty through a vibrant economy. Additional programs help reduce fertility, improve family health, strengthen small businesses, improve environmental management, strengthen the energy industry, provide food for the most vulnerable, improve disaster response, promote democracy, and improve the quality of the basic education system. Measures to more directly address governance and corruption are also being built into the program. Underscoring this work are efforts to engage current and future opinion leaders on key development issues while demonstrating U.S. commitment. Some examples include engaging Islamic leaders with respect to our antitrafficking program and acquainting journalists with USAID programs and beneficiaries.

India

India is home to 1.1 billion people and has the world's 12th largest economy. India also has the world's third largest Muslim population. As the two largest democracies in the world, the United States and India share many values and strategic interests. India is both a key partner in the war on terrorism and an anchor for security and economic growth in strategically important South Asia.

India's strong democratic traditions and financial stability are forces of equilibrium in a volatile region. However, economic development in India is uneven and varies by region and social factors. India is also one of the most disaster-prone countries in the world. The December 2004 tsunami underlines the importance of ongoing investments in disaster management.

USAID seeks to promote economic prosperity through financial market development and expanded trade and investment, reduce incidence of infectious diseases, and enhance family welfare. In addition, USAID supports development and democracy to alleviate poverty, reduce malnutrition, and improve the status of women; and humanitarian responses to save lives and reduce suffering associated with disasters.

Nepal

In the last 54 years, Nepal has made a remarkable transition from an isolated kingdom with limited basic services and infrastructure to a constitutional monarchy. Today, the most pressing problems are the Maoist insurgency and its impact on security and economic development, the stabilization of a democratic multiparty sys-

tem and return to the rule of law. Nepal remains one of the poorest countries in the world, with an annual per capita income of $276 and 38 percent of the population living below the national poverty line. Moreover, Nepal is grappling with an incipient HIV epidemic.

On the political front, there are reasons for serious concern, particularly given the King's actions on February 1 when he dismissed the government, announced a state of emergency, suspended fundamental rights and press freedoms, and arrested leading politicians, human rights activists and journalists. This is a serious setback for democracy and rule of law in Nepal and risks increasing support for the Maoists.

The United States has an interest in an economically and politically stable multiparty democracy in Nepal, serving as a geographic buffer between the world's two most populous nations in a volatile region. By addressing the underlying causes of poverty, inequality, and poor governance in Nepal, USAID makes an important contribution to fighting terrorism, promoting regional stability and freedom, and diminishing the likelihood of a humanitarian crisis.

Pakistan

Pakistan is of unquestioned strategic importance to the United States. With 159 million people, it is home to the world's second largest Muslim population and has been key to United States-led counterterrorism efforts in South Asia. Over the past year, Pakistan has improved relations with India in the conflict over Kashmir and with Afghanistan.

However, Pakistan faces daunting challenges: Poverty, low literacy, little foreign investment, sectarian strife, and terrorism. A stable, democratic, economically thriving Pakistan is vital to United States interests in South Asia. However, continued high fertility rates and the large number of youth mean that demand for schools, health care, water and sanitation services, and jobs will strain Pakistan's fundamentally weak service delivery systems in the coming years.

In Pakistan, USAID concentrates on improving the quality of education, increasing reproductive health and health care services for women and children, building democratic institutions, and increasing rural incomes and employment. These objectives not only address Pakistan's fundamental social and economic challenges, but also exemplify the long-term commitments needed to establish the United States as a reliable partner and ally to this strategically important nation.

Sri Lanka

Sri Lanka, struggling to recover from two decades of armed conflict, will now have to deal with recovery from the recent tsunami, which flooded coastal areas and wiped away communities along the south and east coasts of the island nation.

Prior to the tsunami, USAID emphasized the opportunities presented by the 2002 ceasefire agreement between the government and the separatist Liberation Tigers of Tamil Eelam. Now, along with ongoing activities to support the peace process, foster economic growth and civil society participation, and provide physical and psychological rehabilitation for those affected by the war, USAID is undertaking a range of recovery and reconstruction activities.

The United States continues to support measures to enhance the peace process, improving democratic institutions and processes, promoting respect for human rights, and enhancing economic growth through market-oriented policy reform and financial stability. By helping resolve Sri Lanka's civil war, the United States contributes to regional stability and the global war on terrorism. Sri Lanka is also eligible for the Millennium Challenge Account and is working with the MCA to develop a concept paper that addresses its post-tsunami needs as well as the wider development context.

PRIORITIES IN THE MIDDLE EAST

In the Middle East and North Africa, a region persistently lacking in political and economic opportunities, a disproportionately large youth population frays today's social fabric and threatens future stability. Like the rest of the region, economic growth is just not rapid enough to absorb all the new entrants into the workforce. As a result, high unemployment and underemployment rates are typical throughout the region.

Priorities here include rebuilding Iraq, establishing self-rule through democratic processes and the expanding education programs to give youth the skills to earn a living and be productive members of society. In a region where the youth population is exploding and unemployment remains disturbingly high, a relevant education is critical. In addition, USAID supports free trade agreements, infrastructure and business development programs to create jobs and help jumpstart a stagnant economy.

Reform in the Middle East and North Africa

In his State of the Union speech, President Bush said that to "promote peace and stability in the broader Middle East, the United States will work with our friends in the region to fight the common threat of terror, while we encourage a higher standard of freedom. Hopeful reform is already taking hold in an arc from Morocco to Jordan to Bahrain."

To support this growing momentum for reform and respond to the region's aspirations for democratic, economic, and social progress, President Bush led the G–8 last year at the Sea Island Summit in establishing a partnership with countries of the Broader Middle East and North Africa (BMENA). The foundation of this partnership is the Forum for the Future, which brings together ministers from G–8 and BMENA countries to discuss reforms and new ideas for cooperation. The first Forum meeting was held in Rabat, Morocco, in December 2005, and brought together foreign, finance, and economic ministers from 28 countries. Other efforts developed under this partnership include initiatives on literacy, democracy assistance, microfinance, development of small- and medium-sized businesses, and entrepreneurship training. USAID is supporting these reform efforts.

Many Arab countries have been attempting to reform their political systems for more than a decade. Although change has been slow, space has been created in several countries for increased political debate and action. In some of these countries, political reforms have been fairly continuous. In others, progress has been followed by regression. In a third category, countries have only recently embarked on reform efforts.

USAID supports reform in many sectors and through a variety of approaches. In Egypt, for example, assistance in tariff adjustments have simplified customs procedures, boosted investment and promoted trade. In Lebanon, USAID works with local governments to strengthen administration and with citizens to encourage their participation in public decisions. A manual to educate women on human rights has been distributed throughout Morocco, and programs to train judges in the West Bank and Gaza have strengthened the judicial system and promoted rule of law.

Middle East Partnership Initiative

Under the Middle East Partnership Initiative (MEPI), managed by the State Department, USAID administers a variety of activities across the MEPI pillar areas of economic reform, political reform, education reform, and women's empowerment. Some USAID-administered activities in the political reform arena include the development of campaign training schools for women candidates in the region, and a regional rule-of-law program focused on judicial independence, procedure, and training for legal professionals. In the education arena, USAID helped to establish United States-Middle East university partnerships to strengthen programs in such areas as education, business/economics, journalism, and information and communications technology. In the economic reform area, USAID provided technical assistance and training to improve commercial banks' capacity to provide credit and other critical financial services, as well as strengthen central bank supervision and regulation.

Egypt

Egypt, a strong moderating force in the Middle East, has long been an important United States ally. Egypt and the United States share strategic interests that include combating terrorism, resolving regional conflicts, advancing regional peace, ensuring domestic and regional security, and promoting economic development.

The greatest threat to domestic stability results from popular frustration with recent economic performance and a persistent lack of economic opportunity. On the other hand, favorable trends in 2004 included advances in intellectual property rights protection, new legislation promoting business competition, and accession to several important trade ageements. In all of these areas, USAID worked closely with the government to reach these goals.

USAID focuses first on accelerating economic growth—essential to strengthening Egypt as a stable and prosperous United States ally. Second, we emphasize the creation of private sector jobs: Strengthening the trade and investment environment and increasing access to sustainable utility services. Third, we have targeted the enhancement of the human resource base: Providing health services; strengthening governance and participation in the political process; and improving basic education.

Iraq

Misguided economic policies and three wars wrought terrible damage to Iraq's society and economy. Per capita income fell to very low levels, unemployment increased, poverty expanded, and basic services deteriorated along with social indicators in areas such as health and education. The reconstruction efforts have been un-

dertaken in the midst of a growing violent insurgency of former regime elements, foreign fighters, and other enemies of democracy. Over past decades, Iraq has deteriorated from a nation with enormous natural resources and a relatively healthy, educated population to a failed nation.

It is in the United States national interest to create a stable, democratic Iraq with a free-market economy. If this can be achieved, it will have far reaching impacts on an unstable region with little experience in democracy.

In 2004, USAID carried out programs in agriculture, economic growth, infrastructure, transportation, telecommunications, seaport and airport rehabilitation/operation, local governance, health, education, electricity, water, and sanitation. Just last month with USAID support, for the first time in decades, Iraqis had the opportunity to vote, express their views publicly, debate important issues and policy alternatives, and have a part in the decisionmaking process.

Israel

The close bilateral relationship that the United States has with Israel serves the national security interests of both countries. The Government of Israel's political and economic stability continues to be a key objective of United States foreign policy in the Middle East.

The fundamental USAID objective in Israel is to support the Israeli economy, a task of special importance as the Government of Israel implements a series of ambitious reforms required for financial stability and sustainable growth. Though the United States cash transfer is not conditioned on economic policy reform, the United States continues to encourage Israeli efforts to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets, and liberalize its trade regime.

Jordan

Jordan continues to play a vital role in the Middle East as both a key United States ally in the war on terror and a model of reform for the rest of the Arab world. This role is enhanced by the strong will and dynamism of King Abdullah II, who has actively promoted major reform initiatives in all sectors to create a better future for Jordanians. However, the Jordanian economic, political, and social sectors are still very vulnerable to regional developments, particularly in Israel and the Palestinian Territories and Iraq.

Serious social challenges clearly exist in Jordan. First, Jordan's growing population has now reached 5.29 million. Second, most schools do not provide students with the skills they need for work. Third, the vast majority of early childhood education services are provided by the private sector and only affordable by the upper classes. A growing population will also place a tremendous strain on Jordan's limited water resources.

USAID focuses on increasing water supplies and using existing water resources better; improving economic opportunities for all Jordanians through private sector development; fostering the democratic process; improving Jordan's educational system; and improving primary and maternal health care.

Lebanon

Significant events took place in Lebanon last year, including the formation of around 180 new municipalities reflecting a stronger trend toward decentralization. The controversial extension of the President's term for an additional 3 years, and the formation of an unpopular government and the current events of this week, culminating with the resignation of Prime Minister Karami and his government, have brought Lebanon's internal politics to the forefront of the international arena. Lebanon's accumulating public debt has reached $35 billion, which is equivalent to approximately 180 percent of GDP, one of the highest ratios in the world.

USAID contributes to U.S. policy priorities of promoting democratic principles and free economies through investing in the people. It is helping the people of Lebanon by improving their standard of living, protecting their environment and health, building their local institutions, addressing their legal rights as citizens, and addressing their humanitarian needs.

Morocco

Morocco has a per capita income of $1,200, placing it in the lower class of middle-income countries in the region. Its social indicators are among the lowest in the region. Urban poverty is a direct consequence of unemployment, which is particularly high among youth, contributing to insecurity and instability in urban areas.

Morocco is important for United States interests in the region as its oldest ally and as a stable, democratizing, and liberalizing Arab Muslim nation. The key chal-

lenges for the country are creating jobs for a fast growing labor force and addressing the gaps in meeting the basic needs of the population.

In Morocco, USAID helps increase productivity in agriculture and agribusiness, create new business opportunities in other areas, and improve the business environment. In addition, USAID improves education and training for employment. Last, USAID works with the Government to improve its response to citizen needs.

West Bank and Gaza

USAID continues to play an integral role in promoting the U.S. Government's strategic foreign policy priority of advancing the Middle East peace process and creating an independent, viable, and democratic Palestinian State living side by side with Israel in peace and security. This includes improving the quality of life for Palestinians. The conflict with Israel has severely constrained development, especially since the Intifada began in September 2000.

A forceful and well-coordinated donor response during the past 4 years, and the successful USAID-led effort for the resumption of Israeli revenue clearances in the past 2 years, has meant that an outright humanitarian disaster, especially in Gaza, has been averted.

USAID's strategy has been guided recently by a more flexible plan to promote stability in the West Bank and Gaza by responding to emergency needs; promoting reform; revitalizing the private sector; and maintaining infrastructure and human capital development.

Yemen

Yemen has made impressive progress with the establishment of a constitutional government, a parliamentary system with multiparty elections, and laws to strengthen nongovernmental organizations. Recently, though, economic reform has slowed, and Yemen's internal stability is threatened by a combination of forces challenging the government's movement to increased democracy. These forces include extreme poverty, Islamic extremism, internal and international terrorism, and the alienation from the central government by relatively independent tribal leaders in remote areas.

Despite progress made over the last decade, Yemen remains one of the least developed countries. Poverty reduction remains Yemen's most compelling challenge.

USAID's overall goal in Yemen is to support the United States Government's (USG) foreign policy objectives in the war on terrorism by helping to develop a healthy and educated population with access to diverse economic opportunities. To gain support from tribal leaders for government decentralization, development, democracy, and counterterrorism objectives, USAID helps create jobs, increase income, improve health, education, and community empowerment, and strengthen democratic institutions.

Senator CHAFEE. Well, thank you very much.

Mr. Camp, could we run down the numbers for South Asia, as you go through the various categories, and just some of the decisionmaking that went into coming up with those numbers, the development, child survival, the transition initiative, economic support, the narcotics. Do you have that same chart?

Mr. CAMP. I do have a chart outlining the—yes—the individual accounts for each country, and we can discuss that.

Senator CHAFEE. Rather than each country, the one I have has it for the region. Is it more appropriate to go country by country or can we look at just regionally?

Mr. CAMP. I think it would—I don't know. Jim? I think it would be more rational to go country by country, because we're doing different things in different countries, rather than putting the accounts together. That would be my preference.

Senator CHAFEE. OK. Sounds good.

Mr. CAMP. OK. Maybe I could address, in particular, the ESF and FMF for each of the countries. And, Jim, do you want to handle the DA and CSH accounts?

Let me start with a couple of the big ones. And that would be Afghanistan ESF, in particular, where we have a request, in 2006,

for $430 million. A lot of this is focused on infrastructure in Afghanistan. The infrastructure needs in Afghanistan are simply enormous. This funding is intended for items such as completion of the major road between Kandahar and Herat, which is part of the larger ring road around Afghanistan. It is intended for farm-to-market roads, smaller secondary roads, and even graveled roads throughout the country. It is—it will help rebuild the irrigation ditches that were destroyed over many years, some of which were built by USAID in the 1950s, but have deteriorated over the years. Power generation is a huge issue in Afghanistan. A lot of that money is going for thermal power-generation plants and the like. That's one of our really big-ticket items.

The INCLE, International Narcotics and Law Enforcement, $260 million for Afghanistan. This is focused on the—several things. One is the emerging huge counternarcotics issues we face in Afghanistan. We are working—we have an estimate, this year, of something like 206,000 hectares of land under poppy. We've got to get this down. And we're focusing on several different methods: Eradication, interdiction, police enforcement, public information. All of that is in that INCLE account. And then, as well, police training, the Afghan national police, building up the security forces of Afghanistan, that is a very important portion of that account.

Let's see, Jim, do you want to talk about the CSH and DA accounts in Afghanistan?

Mr. KUNDER. In the 2006 budget request, we are not requesting any development assistance money for Afghanistan. We're relying extensively on the ESF account.

We are requesting $42.8 million in child survival and health. Despite the progress, obviously Afghanistan has some of the worst socioeconomic indicators in the world, very high infant mortality rate, very high maternal mortality rate. We are working with a very receptive Ministry of Health to reform the delivery of healthcare in Afghanistan, build more rural clinics across the country and try to get those clinics made part of an overall coordinated healthcare system that reaches out to isolated populations across the country. And most of that child survival and health funding will go to build more rural clinics, staff those rural clinics, and help reform the Ministry of Health.

Mr. CAMP. Moving on to Pakistan. Here, the big-ticket items, if I may, are $300 million for ESF and $300 million for FMF. This is part of the President's multiyear commitment to Pakistan, to President Musharraf, of $3 billion over 5 years. This is the second year of that program.

The FMF is focused on helping Pakistan help us in the global war on terrorism. It will mean providing the means to help Pakistan combat remnants of al-Qaida in the frontier areas. It relates also to Pakistan's own defense needs.

The ESF is divided, $200 million and $100 million—$200 million for budget support, $100 million for education and a variety of social-sector needs that Pakistan faces.

Jim, do you want to add to that?

Mr. KUNDER. I'm not sure what would be most helpful. We have, obviously, a detailed breakdown of exactly what individual projects the money is going for. Do you want me to go through those in de-

tail, sir? I'll be glad to do it at whatever level of detail you want. I'm not sure you want to spend the time, I'll be glad to do it. What'll——

Senator CHAFEE. Well——

Mr. KUNDER [continuing]. Be most helpful?

Senator CHAFEE. What would be helpful for me is: Where are you taking from as you receive the increases? How do you make priorities as you look at the region? You mentioned just—Afghanistan, up on the narcotics; in Pakistan, up on the military, foreign military financing. Where is it coming from?

Mr. CAMP. This is part of the larger request. We're not—we, unfortunately, are increasing most of our accounts in South Asia, so we are not—we don't find a lot of areas to cut in South Asia. Because we have such growing, large, expanding programs in Afghanistan and Pakistan, our programs in the rest of the region have traditionally been rather small by comparison, including in India and Bangladesh. So we're not really drawing from South Asia programs. We're requesting new money, in many cases.

Senator CHAFEE. Now, my chart has, when you put all the programs together—development, child survival, transition initiative, economic support, narcotics, law, Peace Corps, refugees, foreign military financing—fiscal year 2004 was $2.4 billion, and this year, total for the region is $1.8?

Mr. CAMP. I don't have that chart in front of me. One big difference—and this may account for the variation. Last year, we requested substantial amounts for FMF in Afghanistan—let me look at my chart just a moment—$400 million in FMF for Afghanistan. We're down to zero this year in our request because that $400 million in 2005 was primarily for training of the Afghan National Army. That was implemented by the Department of Defense. This year, in a change in our accounting, the Defense Department is asking for the money for Afghan National Army training, rather than State Department. So that's an accounting change that accounts for at least $400 million of that.

Mr. KUNDER. I believe, sir, the other major factor in all of this is the heavy use of supplemental funding for Afghanistan. I don't have the chart that you have in front of you. But if you're looking at year by year, what we would call, operating-year budget, actual expenditures in the year, as opposed to budget request, then you would also have to look at the substantial supplemental request for Afghanistan and add those numbers in, as well. I know it's a separate issue about whether we should be asking for the money in supplemental funding, as opposed to the 2006 budget, but I believe, when you compare historical expenditures to budget requests, then we'd have to weave in the supplemental requests, as well.

Senator CHAFEE. Thank you, you've answered my question.

Senator Boxer.

Senator BOXER. Thank you so much, Mr. Chairman.

Thank you very much for your testimony. And could you send Secretary Rocca our best wishes and hope that she has a speedy recovery?

Mr. CAMP. Thank you; I'll do so.

Senator BOXER. I want to talk a minute about Afghanistan. I have a very soft spot for Afghanistan. I think our country does.

This is a nation that was crushed by the Taliban, and it was the tragedy of 9/11 that led to their liberation, because, otherwise, we were not doing that much. And as the author of the first resolution that called on President Clinton not to recognize the Taliban, I was aware—not of my own work, but because of the work of many feminists in America—I was very aware of what the Taliban was doing to the women there, essentially making them invisible, or worse.

So when we had what I call this "accidental liberation," it was this amazing opportunity to free these good people. And I think that Hamid Karzai is really an extraordinary human being.

And I also think that, were it not for Iraq and the fact that it's costing a billion dollars a week there, we could have had the resources necessary. And I feel it is, you know, exceedingly sad, because, in Afghanistan, I think we have a situation where we could work with them to create a true model of democracy and freedom, but, because we are so hampered by our lack of resources, it's very difficult.

And I want to talk to you about the status of women there, because, when you gave your report, it was very glowing, but what—you didn't talk about the latest report by the Human Rights Watch, and I want to ask you about that.

First of all, we continue to see delay in parliamentary elections. I want to ask you about that delay, how you view that. In a recent article, Nisha Varia, of Human Rights Watch, wrote—and I'd ask unanimous consent that Human Rights Watch article, published in The World Today, be placed in the record.

Senator CHAFEE. Without objection.

[The article referred to follows:]

[From Human Rights Watch, Mar. 1, 2005]

STRUGGLE FOR RIGHTS

(By Nisha Varia)

Images of long lines of Afghan women patiently waiting to cast their votes in last October's presidential election, and the candidacy of a female doctor for president, seem vividly to symbolise the progress of women since the fall of the Taliban just over 3 years ago. The images of hope are not wholly misleading. Large numbers of women participated as voters, poll workers, and civic educators in many parts of the country. However, the real test—for women's rights, and for Afghanistan itself—lies ahead, with local and parliamentary elections. This time women will run for office in greater numbers, and the rule of local warlords will be at stake as never before.

The parliamentary and local elections, to be held later this year carry a greater risk of violence, vote-buying, and intimidation, with intense jockeying for control over districts and provinces. Given the slow pace of disarmament and demobilisation and the continued security vacuum, the omens are mixed, at best. From attacks on girls' schools to death threats, violence against women remains routine.

The areas with the most Taliban and insurgent activity continue to be particularly hostile to women's rights. The insecurity and attacks have prevented many aid projects in the south and southeast. Thus, in Zabul province, only 1 percent of 7- to 12-year-old girls attends primary school. In Uruzgan province, only 2 percent of those who cast their ballots in the presidential election were women.

FACING DANGER

In theory, women's political rights are clearly outlined in the new constitution. It guarantees men and women equal rights and duties before the law, and reserves a quarter of the seats in the lower house of parliament, the Wolesi Jirga, for women. One-sixth of the upper house, the Meshrano Jirga, is also reserved for women, by presidential appointment.

In practice, things look very different. Independent candidates face violent retaliation if they run campaigns advocating justice and women's rights. The worry is that

the only women who will feel safe enough to stand will be compliant daughters, sisters and wives of local commanders, or other proxies, who promise to toe the party line.

Women still struggle to participate in the country's evolving political institutions. This is not just a question of social expectations, or about the conservatism of Afghan society, it is to do with power. Those who put their heads above the parapet powerfully describe the dangers that they face. From Kabul to Kandahar to Herat, women talk of how the failure of disarmament and the continued dominance of regional warlords threatens their ability to work and speak freely.

Women aid workers, government officials, and journalists face harassment, violent attacks, and death threats. Those who challenge the powerful, conservative elements of the country's political structures are targeted because they can be made into chilling examples for other women considering political activity.

Last June, gunmen fired into the home of a women's rights activist who had spoken publicly about sexual harassment, trafficking, and violence against girls. The bullets missed her by inches. "To fear losing your life," she told me, "is part of living in this country."

One organisation was forced to close a project that provided classes for internally displaced women in the central Panjshir region. Two armed men declared: "We don't want to see you here again or else you risk your lives." The provincial government could not provide safety guarantees. In the words of one staff member: "Nothing worked. We felt we had lost."

In the north a woman working for a literacy programme was repeatedly threatened by local strongmen. They told her: "We will kill you as an example to other women." A magazine editor says she has been threatened many times, but has not even reported the threats, because to do so would be pointless. "If I want to report it, what can [the government] do? Nothing at all."

The pervasive mood of fear, and the lack of accountability for perpetrators of violence, could seriously undermine women's participation in the elections. These are not isolated examples, I talked to more than 80 women from around the country considering running for office. Almost all say they expect warlords and dominant political factions to intimidate them through violence or threats if they decide to become candidates.

Some say they will not run because they are afraid for themselves and their families. These fears of harassment are often reinforced by previous threats women faced during the emergency and the constitutional Loya Jirga grand councils, or in their everyday work. As one female community leader in northern Afghanistan said, "Most of the women who are running have connections with [General Rashid] Dostum or [Governor Mohammed] Atta. Their men will come at night and make problems for my family so it's not possible [to run for parliament]. I have to sit quiet."

Others are determined to be candidates—but are clear about the risks. One woman told me: "I am sure, l00 percent, [military factions] will make problems for me. I will try, what else can we do? For five years, they should take us hostage? If they kill me, no problem, but I will run for parliament."

WARLORDS REMAIN

Part of the underlying problem is that many of the men who replaced the Taliban share the same views on women that made the Taliban so notorious. But another key reason is that the United States and its allies have helped prop up regional warlords and their factions—many with atrocious human rights records—in the fight against the Taliban and Al Qaeda. These warlords have had a chokehold on regional and local governments.

There has been no coherent strategy for helping President Hamid Karzai remove the warlords from power and replace them with civilians loyal to the central government. The replacement of General Mohamed Qasim Fahim as defence minister in Karzai's new cabinet, is welcome. However, the president failed to appoint women to powerful cabinet posts, relegating them to traditional roles overseeing ministries for women and young people. And at the local level, many influential provincial governors—in effect, more militia leaders than civilian governors—remain in place.

LAWLESS

NATO leads the international peacekeeping force but has repeatedly failed to muster the necessary resources to expand its presence throughout the country. NATO member states, while in theory acknowledging the security needs, and recently expanding their activities in the East, have not translated this into decisive action. In the meantime, much of the country remains lawless.

Again and again, Afghan women activists identify improvement of the security environment as the most significant step that the government and international actors can take to ensure their freedom to assert political rights without fear of violence. Almost all who talked to Human Rights Watch expressed their dismay at the failure of the disarmament process, the continued dominance of warlords, and the lack of accountability for abuses.

An expansion of NATO-led peacekeeping troops throughout the country and renewed efforts at disarmament could help transform it from the rule of the gun to the rule of law. Instead, Afghanistan remains one of the most poorly funded conflict zones in the world.

The Taliban stripped women and girls of their most basic rights. Banished completely from public life, the slightest infraction could result in arrest or execution. With the fall of that regime at the end of 2001, it seemed such nightmares were a thing of the past. But the pressures on women today are sometimes almost as severe as they were in that brutal era.

Three years ago, the United States, Britain, and their allies pledged to support women in their struggle to reclaim their rights, and to provide a supportive environment for them to do so. After decades of conflict, those promises should be kept.

Senator BOXER. She wrote that, quote, "The parliamentary and local elections to be held later this year carry a greater risk of violence, vote-buying, and intimidation, with intense jockeying for control over districts and provinces." And she goes on, "Given the slow pace of disarmament and demobilization and the continued security vacuum, the omens are mixed, at best. From attacks on girls' schools to death threats, violence against women remains routine." And you didn't mention that in your statement.

What we know is, many women in Afghanistan still live in fear, especially in the southern parts of the country. NATO only has 8,500 troops conducting peacekeeping duties in a country that's the size of Texas. And I don't have a lot of confidence that women will be able to vote without facing threats, violence, and intimidation.

Now, as I said, we're spending a billion a week in Iraq, and the entire ask for Afghanistan is $1.3 billion in economic and development assistance. So I want to know how much of that assistance will be directly targeted to improve the lives of women. And where in your budget might I find that?

Mr. CAMP. OK. Several good questions. Let me start on the parliamentary-election side.

I think we share, with President Karzai, the desire to see those parliamentary elections take place as soon as possible. Obviously—you know, the Bonn Agreement talked about having them by June 2004, I believe. That deadline has obviously passed. There was a decision taken last year to separate the Presidential and parliamentary elections. Now we are faced—and I would say, more pointedly, Afghanistan is faced—with moving forward with those as quickly as possible.

Senator BOXER. What does that mean?

Mr. CAMP. Well, it means as soon as the logistics can be arranged. And I would say security, as well, is part of that. We don't have a date yet. We would like—it's not really up to us. The Government of Afghanistan has to decide when it can hold those. I know that President Karzai wants to do those as soon as he possibly can. He's working with the United Nations on the logistics and on the—basically, the modalities of getting this done.

Senator BOXER. Do we have anything in the budget that's—to help with this?

Mr CAMP. Absolutely.

Senator BOXER. And where would we find that?

Mr. CAMP. That would be in the Afghanistan ESF. That is—actually, it's 2005 supplemental, I believe, to assist Afghanistan in the holding of elections. We made a large contribution——

Senator BOXER. And how much is that?

Mr. CAMP. I'm sorry?

Senator BOXER. How much would that be?

Mr. CAMP. I do not know the answer to that right now. I think it's $60 million, but I'd have to check and get back to you on that.

Senator BOXER. Yes.

Mr. CAMP. We contributed——

Senator BOXER. I need to know that.

Mr. CAMP [continuing]. For the parliamentary—for the Presidential election. We want do the same for the parliamentary.

Senator BOXER. Yes, I would like you to get back to us, if you can, on how——

Mr. CAMP. Sure.

Senator BOXER [continuing]. Much that is, and if it is in the supplemental.

Mr. CAMP. OK. It is in the supplemental. And as far as what the exact amount was, I'll get that to you. In fact, my colleagues might have the answer, behind me.

[The submitted written answer to the requested information follows:]

Question. What is the USG contribution for the Afghanistan National Assembly elections?

Answer. The United States has already contributed $12 million to the United Nations for Afghanistan's 2005 National Assembly elections, scheduled for September 18, 2005. Once funds are available from the administration's FY05 supplemental funding request, the administration intends to make an additional significant contribution consistent with U.S. support for the Presidential election last year.

We are also actively reaching out to the international community on this issue and encouraging them to help fully fund the elections.

Senator BOXER. OK.

Mr. CAMP. But on the question of——

Aha. Thank you very much. In the supplemental, a request includes $280 million to support preparation for upcoming parliamentary elections and to extend the stabilizing influence of the new democratic government. So that combines two things. But the elections portion is substantial.

Senator BOXER. All right.

Mr. CAMP. The United Nations will be putting out an appeal for every—a global appeal for support in the elections.

Senator BOXER. Good.

Mr. CAMP. We will be supporting that. But also on the followup——

Senator BOXER. Good.

Mr. CAMP [continuing]. Of the $280 million——

Senator BOXER. OK.

Mr. CAMP. The question of women's participation in elections. I think we can take some confidence from the fact that, in the Presidential election, women's participation was actually rather high, as a percentage, higher than some might have expected.

Senator BOXER. What was it?

Mr. CAMP. Forty percent is the figure that I recall. And I think that——

Senator BOXER. And what was the participation of men? How many——

Mr. CAMP. I'm sorry. Forty percent of the voters were women.

Senator BOXER. So 60 percent of the voters were men.

Mr. CAMP. Right.

Now, moving into the question that you asked about where funding exists in our budget for—focused on women and girls. I would say it is virtually everywhere. It is a crosscutting issue. We are providing funding under ESF for women's and girls' education. We are—in our health programs, we have programs focused specifically on women and girls. I think we're helping to set up hospital wings devoted to women and girls, which, in the Afghan social context, is necessary. Training of female doctors. So it's——

Senator BOXER. OK.

Mr. CAMP [continuing]. Across the board.

Senator BOXER. If you could get back to us with a breakdown——

Mr. CAMP. OK.

Senator BOXER [continuing]. It would be very helpful. Because the committee has been interested in this, and we have passed some amendments that passed the committee; we never got the foreign relations bill, authorization bill, onto the floor—but that deal with women and girls. So I would be very interested.

So do you not agree with Human Rights Watch when they say that the attacks on girls—I'll read it, exactly, to you—"Women aid workers, government officials, and journalists face harassment, violent attacks, and death threats. Those who challenge the powerful conservative elements of the country's political structures are targeted because they can be made into chilling examples for other women considering political activity.

"Last June, gunmen fired into the home of a women's rights activist who had spoken publicly about sexual harassment, trafficking, and violence against girls. The bullets missed her by inches. 'To fear losing your life,' she said, 'is part of living in this country.'

"The pervasive mood of fear, the lack of accountability for perpetrators of violence, could seriously undermine women's participation. These are not isolated examples. She spoke to more than 80 women from around the country considering running. Almost all say they expect warlords and dominant political factions to intimidate them through violence, threats, if they decide to become candidates."

And she goes on—this is Human Rights Watch—"Part of the underlying problem is that many of the men who replaced the Taliban share the same views on women that made the Taliban so notorious. But another key reason is that the United States and its allies have helped prop up regional warlords and their factions—many with atrocious human-rights records—in the fight against Taliban and al-Qaida. These warlords have had a choke hold on regional and local governments."

What is your response to that?

Mr. CAMP. My response would be that, in fact, our program is designed very much to ensure that the central government takes—re-

gains authority over the whole country and that, in fact, warlords are minimized, marginalized, and eventually——

Senator BOXER. They're minimized and marginalized.

Mr. CAMP [continuing]. And eventually eliminated.

Senator BOXER. You think they are being minimized and marginalized.

Mr. CAMP. I think that our DDR program, in particular, is focused on making sure that people—the warlords are brought into Kabul, lose their, sort of, regional support, in terms of militia. It's a long-term task. And I would certainly not dispute the fact that there is still—there are still problems, particularly in the south, I would say, where the traditional social structure is extremely conservative. There are problems. And that—those are what we're trying to address.

And I would say that our funding commitment to Afghanistan is quite substantial. I think the numbers that we are citing are large numbers and seek to solve the problems that Human Rights Watch has identified.

Jim, did you have anything to add on——

Mr. KUNDER. I'm glad you raised it, Senator. When we first went into Kabul, in January 2002, we made a point of making our first grant—first USAID grant—to the Ministry of Women's Affairs, as both a practical and symbolic indication of how important this issue was to us.

I think you made a comment earlier about the Taliban and it's oppression of women. But I think, in fairness, that to understand the depth of the problem, women in rural Afghanistan live in medieval conditions in many places. The problem is a structural problem, with deep structural roots, cultural roots, as Don just said. So that to solve that problem is going to require a long-term approach. Now, we've taken the congressional earmark that was in the 2005 appropriations bill for $50 million, specifically targeted for Afghan women, and we've exceeded that earmark. We're trying to drive resources to women. And we just met again with the Minister of Women's Affairs, Minister Jalal, to try to come up with a comprehensive and accelerated program of establishing women's centers in regional capitals.

We're taking this very seriously. But while life was dramatically worse for urban elite women in Kabul under the Taliban, my honest view is that women in rural Afghanistan had it rough before the Taliban, during the Taliban, and still have it rough because of these structural problems.

So we're taking the earmark seriously. We're taking cooperation with the Ministry of Women's Affairs seriously—we're passionately committed to doing something about this. But I would be misleading you if I suggested that the allocation of $50 or $60 million is going to dramatically change things in the short term.

I have one last comment—and I feel very strongly about this—there have been bombings of girls' schools in the countryside, and there have been attacks on women activists. But, to some extent, this is us being on the offensive. The reason there are attacks on girls' schools—and they're in the most isolated regions—is that we are pushing girls' schools up into the most isolated valleys and regions of the countryside, in places where there are men who do not

want women to leave medieval conditions, and they are pushing back. But we are pushing very hard. This it not happening in downtown Kabul, or even downtown Kandahar. It's happening in the most isolated rural areas. So we're seeing those incidents, but we're seeing in, in part, I would argue, because democracy is on the march.

Senator BOXER. Well, I'd just make the point that when you talk about deep culture, there—from my conversations with Afghan women, before the Taliban women were quite involved in society. So you're not talking about something that goes back, you know, hundreds and thousands of years, as you could point in other places.

I would just say thank you very much for your comments, both of you, and especially those last comments. I think it shows that you do get what's going on there.

I would just make a point to you, Mr. Chairman—I don't know whether you would agree with me or not—but I feel that the opportunity here in this country is—in Afghanistan—is just tremendous. And it, to me—and it's true that a billion-three is not chump change, and no one would suggest that at all. But after years of the Taliban and this opportunity that we have, it is just so unfortunate that we don't have more international troops outside of the main cities.

And I know we have more now than we did. It was a big push by this committee, in many ways, to just get them to get outside of Kabul. And to the extent that we can do more there—we obviously are hampered by the unrelenting cost of our military in Iraq. I mean, it's just plain and simple. And I'll say again, a billion a week on the military, a billion-three for the entire year for aid to Afghanistan, a place where I think we have an atmosphere, an underlying atmosphere, of change, that we really could exploit, in the best sense of the word.

So I just thank both of you for your comments, and I look forward to getting a followup from you on, if you can analyze the aid, both in the supplemental and in your regular budget request, and how you see the different line items being applied to condition of women in the country.

Mr. CAMP. Be glad to.

[The submitted written answer to the requested information follows:]

Question. Can you provide a breakdown in fiscal year 2005 of how much economic and development assistance for Afghanistan will be directly targeted to improve the lives of women (provide a breakdown by program), and where in the budget it might be found?

Answer. While exact funding figures will be unavailable until final program allocations of the fiscal year 2005 supplemental have been determined, we plan to apportion a significant amount of funding directly at initiatives designed to improve the lives of women and girls. Project in fiscal year 2005 to include:

- Health programs and services that have a direct impact on women;
- Education programs designed to increase school attendance for girls, expand literacy, and commence renovation of the Carte Seh Girls' School;
- Promotion of Afghan civil society opportunities for women through training and grants to women-led NGOs;
- Entrepreneurship training workshops for women and networking assistance to develop market linkages inside and outside Afghanistan;

- Integrated Development programs to empower and strengthen women-led community organizations such as development councils, saving and investment clubs, and enterprise development vehicles;
- Expanded focus on alternative livelihood opportunities in provincial areas (i.e., employment creation programs and small business and vocational training.

These proposed activities are above and beyond the $50 million earmarked by Congress in the fiscal year 2005 conference report for support of programs that directly address the needs of Afghan women and girls. In response to that earmark, over $56 million within existing projects have been identified and tailored to include activities that have a direct impact on women and girls.

In fiscal year 2006, we fully expect to continue our focus on projects aimed at improving the lives of Afghan women and girls. While funding levels for the next fiscal year are not yet determined, it is anticipated that our fiscal year 2006 programs benefiting Afghan women and girls will approximate those planned for fiscal year 2005. As figures become available, we will be glad to provide you with further information on our activities in this area.

Senator BOXER. And I think if we can make real progress there, it also sends a message to a place like Saudi Arabia, where the women couldn't even vote in their election, and the women can't drive, and it's a disastrous situation.

The last point I would make is, if you ever, sort of, get tired of hearing about the condition of women in Afghanistan, just put on a burqa, once, for 15 minutes, and keep it on, even though you're going to want to pull it right off. And you—the sense that you have is of being completely invisible and having no soul and no humanity whatsoever. And I think if everyone could do that—I wish everyone could do that, who's interested in foreign policy, to understand what it means to women throughout the world who are made to feel invisible.

And as Bernard Lewis said—the noted historian, a conservative one, at that, when he was asked, and I saw this interview, which I am paraphrasing—"If you had to say what—why is the economic development in the Muslim world behind the times?" He said, "If I had to give one reason, it would be the condition of the women and the way the women are treated."

So there's so much to this, liberating the women there, because it's going to mean so much for democracy, so much for economics; and, frankly, it's going to mean so much for our spirit, because, if we do that, we're helping, you know, half the world's population just by fostering equality.

So I thank you very much, Mr. Chairman.

Again, I thank the witnesses.

That would conclude my questions.

Senator CHAFEE. Thank you, Senator Boxer.

I have a couple of followup questions, if I could, on the counternarcotics effort. What is the real truth? We have, at some of our hearings, testimony that it—the spread of the poppy-growing is destabilizing the country; it's getting worse. I think one of our witnesses said they're growing—they grow the poppies right in the town square in some of the communities. And then the militias that are—the warlords that are growing the crops have their own militias, and it affects the judicial system, such as it is. The corrosive aspect of narcotics in Afghanistan. What is happening? And are dollars being well spent? You testified to eradication and crop substitution and some of the other initiatives that we have there. But are we making any gains?

Mr. CAMP. I would start out by saying it is a huge, huge problem. There is no denying that. Two hundred thousand hectares under cultivation is a frightening statistic. Afghanistan has quickly surpassed Burma as the largest producer of opium. That is something that no one can ignore, and it is something that has focused us to look very, very severely at our programs and what we can do to begin to address this problem. And I won't say that we're going to end it next year. It is an ongoing problem that we have to address. I think we've come up with a coordinated program that is going to be making progress over the coming years. That's all I can commit to, I would say. Certainly, eradication is an important part, but it is not the entire part.

And I would also say that, first of all, Afghanistan is fully committed—the Government of Afghanistan and President Karzai is fully committed to wiping out this scourge. He has strong moral authority that he is using in this respect. Growing narcotics is against Islam, and that is a message that we are sending, and that the Government of Afghanistan is sending, through every public-information medium it has.

But we're also working on interdiction, we're also working on alternative livelihoods. And I think USAID is heavily involved there.

Mr. KUNDER. Sir, first of all, I would like to say, for the record, to Senator Boxer's comments, I don't get tired of hearing about women's issues in Afghanistan, so you don't have to worry about that. We're more than glad to debate that anytime.

All of our experience around the world in counternarcotics says that we've got to have all three legs of the stool in place. We've got to have good law enforcement. We've got to have active interdiction. And we've got to have an economy that gives people other alternatives. Unless you have the economy, interdiction, and law enforcement in place, you're not going to have success. And because the infrastructure, the institutional infrastructure was so damaged in Afghanistan after 23 years of civil war, we don't have law enforcement active in the countryside.

So in terms of short-term gains, until we get the law enforcement and the interdiction and the economic opportunities all working in sync, it's going to be a while until we get this thing turned around.

Our administrator, Andrew Natsios, just came back from Afghanistan last week. He was in Nangahar Province, one of the centers of poppy-growing. And his sense, anecdotally, talking to farmers, was that these messages are getting through—the public-education message that Don is talking about, the public-health message, and President Karzai's personal strong opposition to narcotics. What Andrew was out there seeing were jobs programs, where people were rebuilding irrigation systems as an alternative to growing poppy. And they were successful. Now, we're getting anecdotal information that this combination of programs is starting to have an impact in the countryside.

I think, truth in advertising, you're not going to see an immediate dramatic decline in the next year, because it's going to take a while to rebuild the law-enforcement infrastructure and the economic infrastructure in the countryside. Over time, I think we're going to win it better than we are in Latin America, because we've got open countryside to work in, we've got poppies that happen to

grow red flowers on them that are easily noticeable, and some factors that are on our side. But until we get all three legs of the stool—interdiction, law enforcement, and alternative livelihoods—working in sync, we're not going to have an immediate dramatic turnaround. That's my estimation.

Senator CHAFEE. Well, thank you very much.

One last question. On the ring road, what's the status? What do we have—what have we completed, and what do we have in front of us?

Mr. KUNDER. The main section, from Kabul to Kandahar, south, the part that was completed last year, is handling traffic. We've had some maintenance problems. We've had to go back to a couple of contractors, sort of the way we do in the United States, who didn't do quite as good a job paving as we expected them to. But, essentially, that segment of 240 miles from Kabul to Kandahar is in service.

The next stretch that we're focused on is the one to the west, from Kandahar to Herat. The U.S. Government is responsible for 220 kilometers; the Saudis and Japanese, about 100 kilometers apiece. We are under construction. We are shooting for a target date of completion of December of this year for the Kandahar-to-Herat section of the road.

On the good-news/bad-news front, we had record snows in Afghanistan this winter. That's good news for irrigation and agriculture. It was bad news for highway construction. So we'll be reporting to you later this year about whether we're going to meet the December deadline for the Kandahar-to-Herat portion.

The northern portions of the ring-road, where the Europeans and the World Bank are working, they have not made quite as much progress. But the United States sections, between Kabul to Kandahar, and then Kandahar to Herat, we're, generally speaking, on schedule.

Senator CHAFEE. Do you have many bridges? Is that an issue?

Mr. KUNDER. It is a huge issue. The section from Kandahar to Herat is the major drainage basin for the Helmand River and others, that are subject to rapid flooding in the springtime from the Hindu Kush Mountains, some of the highest mountains in the world, so that the construction of bridges and culverts is a huge engineering task. And so, that's a major part of it, and that's one of the reasons we have the timeline we do.

Senator CHAFEE. I've been asked to ask a question on behalf of the committee, and that is: What is the status of our assistance programs to Nepal?

Mr. CAMP. The status of our assistance programs to Nepal is, frankly, that they're under review, after what happened on February 1. We're looking at how we can express our dismay at what the King has done, without harming the people of Nepal, and without making any more likely the possibility of a Maoist takeover. So we have really not come to a conclusion as to how best to deal with the assistance issue here. We are hoping that the King will do what we have urged, and what the Indians and the British and the rest of the international community has urged, which is to quickly restore civil liberties and release political—the prisoners that have been picked up after February 1, and restore multiparty democ-

racy. If we see no progress on that, then I think we're going to have to take a very careful look and see how we use our assistance programs in that respect.

Senator CHAFEE. Thank you very much, gentlemen. And we will recess for the second panel. Thank you once again.

[Recess from 9:56 to 10:02 a.m.]

Senator CHAFEE. Welcome, Mr. Satterfield. And we will welcome your testimony.

STATEMENT OF HON. DAVID M. SATTERFIELD, ACTING ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador SATTERFIELD. Thank you very much, Senator. Very pleased to be here this morning.

I would ask permission for the written statement, which I have prepared, to be entered into the record.

Senator CHAFEE. Without objection.

Ambassador SATTERFIELD. And I understand that time is short today, and I think there will be a number of questions asked. Rather than do a normal summary statement, I'd simply like to note, I have just returned, yesterday evening, from a rather extraordinary 3 days in Beirut, Lebanon. The developments that we have witnessed on the ground in that country, which emerged from its civil war 15 years ago, but which has remained under Syrian dictate, in terms of its political process, and with the presence of Syrian occupying forces and intelligence elements on the ground, is now moving forward in a quite exceptional manner. Secretary of State, our colleagues in Europe, the French Government, have spoken to these developments in London last night. We are doing all we can to support and encourage a continuation of an atmosphere in Lebanon which allows the people of Lebanon, at long last, to make their own political decisions in an atmosphere of freedom—freedom from violence, freedom from threat of intimidation. It is long past time that Lebanon be able to assume its sovereign independent role in the region. But we are very, very encouraged by what is taking place on the ground there.

Thank you, Senator.

[The prepared statement of Ambassador Satterfield follows:]

PREPARED STATEMENT OF HON. DAVID M. SATTERFIELD, ACTING ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman and members of the committee, thank you very much for providing me the opportunity to come here today and discuss the year ahead for the Middle East region.

As we look forward to the year ahead, it's safe to say that we have greater reason for optimism for the region than has been the case for many years. We see as harbingers of a much brighter future for the people of the region:

- The political process under way in Iraq;
- New Palestinian leadership that has committed itself to an end to violence, a return to negotiations with Israel, and internal reform;
- A rising tide of demand throughout the region for the political, economic, and social reform that we believe is critical for regional security, stability, and prosperity; and
- Libya's abandonment of its weapons of mass destruction programs.

Just over a month ago, we witnessed a historic day for the Middle East. Millions of courageous Iraqi men and women, defying threats to their lives, lined up on the

streets to cast their votes in Iraq's first democratic and transparent elections in generations. On that day, the Iraqi people demonstrated to the world their determination to shed the shackles of an authoritarian past and to build a democratic, stable, and prosperous Iraq, at peace with its neighbors. The Iraqi people still face a challenging road ahead. But the United States remains firmly committed to providing the support Iraq needs to progress in its transition.

In February, the United States Government sent an assessment mission to Iraq headed by Ambassador Dick Jones. This mission aimed to take a fresh look at our overall engagement in Iraq and ensure that we do everything we can to support the Iraqi Transitional Government and maintain momentum in the political and economic development in Iraq throughout 2005. We are now assessing the results of that mission.

As we look ahead, it remains clear that the success of Iraq's transition will depend upon continued progress in three key areas: Security, the political process, and the economy and reconstruction.

The key to establishing and maintaining security in Iraq is the development of Iraqi Security Forces capable of taking full responsibility for external and internal security. The horrific suicide bomb in Hilla on February 28 was only the latest tragic reminder of the challenge that Iraq faces as it emerges from decades of dictatorship. The discipline and bravery exhibited by the ISF on Election Day gave us a glimpse into what is possible as more Iraqi forces are trained, equipped, and spurred by patriotism to serve and protect their country. It is this specter of capable Iraqi forces that drives the insurgents to target Iraqis who are determined to support the new government. The capacity of the ISF also will increase as its leadership is trained, including more military officers developed through the NATO training mission. We are very pleased by NATO's decision, taken during the President's visit last week, to increase participation in this critical mission.

Political progress will depend largely on Iraqi efforts to promote national unity, both over the year ahead and in the long-term. On Election Day, some Iraqis chose to stay home—some out of fear, and others out of alienation and disenchantment. However, we are encouraged by the post-election statements of Iraqi leaders, calling for broad participation in the political process moving forward. In 2005, according to the Transitional Administrative Law: Iraq will form a Transitional Government; the Transitional National Assembly will draft a new permanent constitution—to be completed by August 15 and put before Iraqi voters in a referendum by October 15; and elections for an Iraqi Government under the new constitution will be held in December. Although the fundamental freedoms and protections set forth in the TAL will serve as a guide, it will be up to the Iraqi people to decide the shape and content of the new constitution. Broad participation will be essential to the creation of a pluralistic, democratic system of government that respects the rights and freedoms of all Iraqis.

It also will be essential to accelerate Iraq's economic recovery and reconstruction. We have seen significant progress on the economic side in Iraq, including debt reduction and movement toward WTO accession. Most importantly, international assistance and Iraq's own national funding must continue to be applied in ways that ordinary Iraqis can see and feel, particularly through the improved delivery of essential services. Development of a strong private sector is also a key to Iraq's success. The goal is productive, immediate infrastructure improvements, which in turn will stimulate sustainable job creation.

Finally, we are very encouraged by signs of increasing international engagement in supporting the Iraqi people. The tremendous success of Iraq's January elections has been recognized by many countries and international organizations, which publicly reaffirmed their commitments to the reconstruction and political development of Iraq. Moreover, some countries that were reluctant to participate in the past now are stepping forward to assist Iraq. In coordination with the Iraqi Government, we also are continuing to reach out to friends and allies; on February 22, the EU announced its readiness to cohost with the United States a conference to demonstrate international support—political, economic, and security—to Iraq following its elections, if the Iraqis request such a conference.

Dramatic changes within the Palestinian Authority and between Israelis and Palestinians have also greatly improved the atmosphere in the Middle East over recent months although the horrific terrorist bombing in Tel Aviv February 25 painfully illustrates just how fragile that progress is, and how critical it is that the PA take decisive action—now against terrorists who kill innocent civilians and act to subvert progress. Following the overwhelming electoral victory by Mahmoud Abbas in a free and fair Presidential election at the beginning of the year, the Palestinian Authority has begun to take positive steps to implement many of the reforms that we have long stressed are critical to the successful implementation of the road map and the

establishment of a stable, democratic, and economically prosperous Palestinian State. We were struck by the robust debate within the Palestinian Legislative Council in recent days over the shape of the new cabinet, and the insistence of a majority of council members that ministers be free of the taint of corruption and cronyism that has long plagued the Palestinian Authority. General Ward's presence on the ground, working closely with the new Minister of Interior, General Nasir Yusuf, will provide us with a greatly enhanced opportunity to aid crucial Palestinian security reform.

Palestinians will go to the polls again this year to elect a new Legislative Council for the first time in nearly a decade. These elections will be another strong signal in favor of democratic reform throughout the region and will be a critical test for President Abbas and his reform agenda. We anticipate that he will face a strong challenge from Hamas and other extremist Palestinian groups. We are committed to taking steps to demonstrate to Palestinians that their interests are best served by cooperating with President Abbas, pursuing the path of peace, and abandoning the destructive tools of terror. The President's announcement of a United States commitment to increase our aid levels to the Palestinians substantially to $350 million, subject, of course, to congressional approval, is intended to provide the immediate boost that we hope will help jump start the Palestinian economy and restore Palestinian confidence in the future, and to ensure that Palestinian and Israeli interests are safeguarded as Prime Minister Sharon's Disengagement Plan is implemented. Similarly, we are working both bilaterally and in multilateral channels to encourage our partners in the region and internationally to increase their own economic assistance to the Palestinians to alleviate Palestinian poverty, reduce unemployment, rebuild critical infrastructure, and promote new private sector investment. We will work closely with the Palestinian Authority to ensure that the economic reforms required to make these assistance programs succeed are implemented.

The resumption of Israeli-Palestinian dialog is greatly encouraging; it gives both Israelis and Palestinians new hope for the future. Successful implementation of the Israeli planned withdrawal from Gaza this summer will be a key milestone marking a move away from the violence of the past 4 years and toward a political process that will allow implementation of the road map, which remains the internationally agreed strategy for achieving the President's vision of two democratic states, Israel and Palestine, living side by side in peace and stability. As the President has made clear, we continue to press on both sides the need to abide completely by the obligations and commitments they made on the road map.

We also look to the neighbors, especially Egypt and Jordan, to take steps that will contribute constructively to the efforts of the two parties in making progress toward peace. Egypt's willingness to work with Palestinian security forces to improve the security climate in Gaza, its hosting of the Sharm al-Sheikh summit, and the decision by both Egypt and Jordan to return their Ambassadors to Tel Aviv are all indicative of the many ways that these two states can play a crucial supportive role in the peace process. Beyond the immediate neighbors, the other states in the region also have important roles to play, not only in providing Palestinian economic assistance, but also in lobbying for internal Palestinian Authority reform, resuming contacts with Israel, reopening trade or other representative offices, and finally and forever abandoning the Arab League boycott, which remains an obstacle to peace and economic advancement. With promising openings between Israelis and Palestinians, we will be working aggressively over the coming months to encourage our friends and partners in the region to help create a positive environment for peace.

As President Bush noted in his inaugural address, in our world today, the survival of liberty at home increasingly depends on the success of liberty in other lands. In cooperation with our regional and G–8 partners, last summer we formally launched last summer the Broader Middle East and North Africa Initiative (BMENA), which will serve increasingly as a forum for mobilizing our energies to promote democracy and reform with our partners in the Arab world and beyond. We believe that our efforts to promote reform measures across the political, economic, and education spectrum have already put these issues on the regional agenda to an extent not previously known. The Forum for the Future held in Rabat last December laid out an ambitious agenda of programs in support of reform for this year. The Palestinian and Iraqi elections have inspired prodemocracy forces throughout the region to demand that their own societies similarly enjoy the benefits of true popular participation in government. Further, through the Middle East Partnership Initiative, this administration has strengthened a commitment to work cooperatively, using all of the resources available to the Department of State and USAID for this region, with the governments and civil society in the region to support and promote democratic, economic, and educational reform and to reduce barriers to

women's full participation in society. The Middle East Partnership Initiative has requested additional funding for FY06 that will ensure that the United States is in a position to continue playing a central role in developing programs that will advance this important reform and democratization agenda. Strengthening bilateral economic ties through, for example, the conclusion of Free Trade Agreements, will also promote economic reform in the region.

In his State of the Union address, the President stated that "the Government of Saudi Arabia can demonstrate its leadership in the region by expanding the role of its people in determining their future. And the great and proud nation of Egypt, which showed the way toward peace in the Middle East, can now show the way toward democracy in the Middle East." Both Egypt, with President Mubarak's announcement that the Egyptian constitution would be amended to allow multiple candidates for the Presidential election, and Saudi Arabia, which is currently holding unprecedented municipal elections, have taken modest but important steps in the right direction. But much more remains to be done to promote political reform and foster democracy. In particular, it is essential if true political reform is to take hold that we see an end to politically motivated arrests, like that of Ayman Nour, and a real commitment to accepting the principles of freedom of speech and expression as a foundation block for democratic institutions. Intensifying our dialog on democracy and reform with these two critical regional partners, as with all of our friends in the region, will remain a high priority for the administration as we look to the future.

We continue to confront difficult, even daunting challenges in achieving our regional goals and objectives. Over the coming months, we will press ahead with our critical work in support of the global war on terror. We will continue robust, cooperative efforts with regional governments to prevent terrorist attacks, disrupt terrorist finance, and bring terrorists to justice. Through our assistance and training programs, we are helping our friends in the region build their legal, regulatory, enforcement, and operational counterterrorism capabilities, including strengthening regional military and law enforcement forces and financial oversight and regulatory capabilities. Our highest priority is and will remain using all of our resources to protect American citizens and facilities, to prevent terrorist operations, to deny terrorists and their financiers refuge or support anywhere in the region and to eliminate the disenfranchisement and despair that contribute to terrorist recruitment.

The pursuit of weapons of mass destruction by regional powers and nonstate actors remains a principal source of threat and instability in the Middle East. As the President made clear in his visit to Europe last week, the United States and its key European allies are in full accord that Iran must not be allowed to acquire a nuclear weapon capability. A nuclear-armed Iran pursuing aggressive regional policies and supporting terrorism, especially aimed at derailing Arab-Israeli efforts to achieve peace, would pose a unique danger to regional and global security and stability. Over the coming year, we will continue to work closely with our friends and allies, particularly the United Kingdom, France, and Germany, in finding a means to convince Iran to abandon its efforts to develop this capability or to respond appropriately if it does not. The United States has demonstrated in Libya that it is prepared to respond positively to concrete steps taken to address United States WMD concerns. In response to Libya's implementation of its December 2003 commitment to eliminate WMD and MTCR-class missile programs, the United States has returned United States diplomatic personnel to Tripoli, lifted the travel ban, removed the National Emergency and effectively ended the economic embargo. Over the coming year, we will continue to develop our new relationship with the Libyan regime.

The tragic assassination of former Lebanese Prime Minister Rafiq Hariri also underscores the urgency of implementing UNSCR 1559, ending Syria's occupation of Lebanon and its interference in Lebanese internal affairs. We cannot say more clearly or explicitly that Syria must leave Lebanon now. We have seen Syria's words to the effect that it intends to withdraw its forces to the Beqa'a valley, but the time for words is past. We need to see Syrian action, and we will be watching very carefully to ensure that the parliamentary elections scheduled for this spring are allowed to proceed freely, fairly, and without any outside interference. The people of Lebanon deserve to live in freedom, no less than any other people in the Middle East or elsewhere. And, as we saw earlier this week, the people of Lebanon are now demanding a voice in their own political future.

Finally, as we address these critical priorities, we are aware that we must also confront unprecedented popular hostility to the United States in the Arab world. We have developed a coordinated strategy that aims to explain our policies and culture through a broad range of regional media as well as USG-funded outlets, cultural exchanges, English-language training, "American Corners" information centers, and enhanced Arabic and Farsi websites to reach out to younger and nonelite audiences

in the region. Over the course of the year, we will be redoubling our efforts to strengthen our public diplomacy outreach in the region.

Mr. Chairman and members, thank you very much for providing me with this opportunity to describe our views on the state of the Middle East region.

Senator CHAFEE. Thank you.

And as the hearing here is on the budget, can you talk somewhat about how—your priorities in addressing the region?

Ambassador SATTERFIELD. Certainly.

Senator, our priorities with respect to the region are focused on encouraging the key elements of the President's program for the Middle East; that is, to support continued developments in Iraq toward a democratic, pluralistic, stable, and prosperous state; to support peacemaking between Israel and the Palestinian Authority, which both guarantee that Israel remains secure—secure in a regional context, secure as it moves forward with its extraordinary step in withdrawing from the Gaza Strip and cities in the West Bank; support for the new Palestinian Authority and the democratically elected President of that Authority, Mahmoud Abbas; support for our friends and allies throughout the region, not just in traditional terms, Senator—for their security, for their development—but also in terms of providing focused support for the process of regional reform and transformation.

The Broader Middle East/North Africa Initiative, which incorporates the economic pillar of the Middle East Partnership Initiative run by the Department of State, is very much keyed to encouraging, supporting, and sustaining democratic developments on the ground throughout the Middle East.

The President and his Secretary have spoken out, quite directly, on the fact that we have strategic partnerships, partnerships that are vital to our broadest interests, in the Middle East and beyond, with countries throughout the Middle East, including Egypt and Saudi Arabia. But the fact of that partnership, and the fact of our strong support for, and acknowledgment of, the steps being taken by states—such as Saudi Arabia, and Egypt, in areas that include the Israel/Palestinian peace process, Iraq, the global war on terrorism—does not mean that we're not able, also, to address, as partners and friends, those areas of internal reform or development where we do see progress, as needed.

We will continue to make our focus on that, and you will see, in the budget request, support for civil-society development, for broad democratization, and for reform.

Senator CHAFEE. Thank you.

Having just returned from Lebanon, what is the status of our aid to that country? And do you think there will be need for further than you have put in the budget?

Ambassador SATTERFIELD. Certainly.

We are not recommending, at present time, an increased amount of assistance for Lebanon. The amount—the moneys that we had been providing to Lebanon have been targeted, through PVOs and NGOs, at support for civil society, as well as support for development in those areas of the countries most deprived, primarily in the rural areas. We will be looking, aggressively, given developments on the ground, at how we can best focus, perhaps more specifically, on preparing for democratic free and fair elections in Leb-

anon, including training of Lebanese elections observers, how best to encourage the development of civil society there. And we will obviously come back and consult with the Congress, as developments there may shift our own decisions with respect to assistance.

And I would defer to my colleague from AID for any further comment on that.

Mr. KUNDER. I think he said it all.

Senator CHAFEE. And moving away from the numbers to some of the policy, is there concern about Hezbollah and their sphere of influence in Lebanon?

Ambassador SATTERFIELD. We're obviously concerned, Senator, about Hezbollah. We have made very clear, we regard Hezbollah as a terrorist organization. We do not differentiate between the leadership which is involved in unacceptable support for, conduct of, acts of violence and terror directed against Israel and the leadership which works on social, economic, political, or religious programs in Lebanon. We can't make that decision. And we have strongly encouraged our European allies, similarly, to take steps addressing Hezbollah as a terrorist organization, particularly with respect to the possibility of financing flowing to Hezbollah.

We are concerned about Hezbollah's and Iran's destructive role in Arab/Israel peacemaking. It is a significant issue—significant for the Palestinians, significant for us.

Senator CHAFEE. Is there fear that, with the withdrawal of the Syrians, the Hezbollah would then become more dominant in Lebanon?

Ambassador SATTERFIELD. Senator, Hezbollah is a political force in Lebanon. In view of potential developments on the ground which open the scope for true free and fair elections, the possibility does exist that Hezbollah will be able to obtain more parliamentary seats than it otherwise would have been able to.

There are other specific developments which Syrian withdrawal from Lebanon could produce, in terms of the internal scene. But we believe, if civil society is supported, if efforts against corruption are supported and advanced—and we do have specific assistance programs that have been focused on anticorruption efforts—that Hezbollah's appeal can be reduced.

Senator CHAFEE. It would seem to make sense that we try and establish a better relationship with Assad. What's the impediment to doing that?

Ambassador SATTERFIELD. Well, the impediment, Senator, is the Syrian Government, itself, and it's refusal to move—unwillingness or inability to move—on those demands that we have posed to them now for 2 years, demands that have been made very specifically in the three areas of concern over Iraq, concern about Syrian support for, tolerance of, groups involved in or through Syrian territory in support for terror and violence, and Syria's position/presence in Lebanon and refusal to admit or to acknowledge implementation of U.N. Security Council Resolution 1559's provisions.

We have spoken with the Syrian Government, the most senior levels, on this, most recently in January, by then-Deputy Secretary of State Armitage and then-Assistant Secretary of State Burns. We have not seen satisfactory progress from the Syrian Government on these issues. And so, the answer, Senator, to your question, is,

Syria, itself, bears responsibility for the failure to move our relationship forward, failure, indeed, to move forward on a broad range of critical issues for the United States.

We will continue to make clear, there are two directions in which this bilateral relationship can move. There is a further downward direction in which the administration will have to consider whether further steps directed to the Syrian Government are appropriate. There is another direction, however, which is much more positive, but that direction very much depends, if it is to be taken, on the steps which the Syrian Government now adopts.

Senator CHAFEE. What do you make of the Russian's sale of weapons, or proposed sale of weapons, to Syria?

Ambassador SATTERFIELD. I cannot clarify the motives, plural, behind the Russian decision to choose this moment to warm their political/military/economic relationship with the government in Damascus.

I can say this, though. We have registered, at the most senior levels, including the President in his discussion with President Putin, our very serious concern over these steps, particularly any step which would result in the provision of advanced weaponry to Syria. This will continue to be a concern. We will continue to raise it.

Senator CHAFEE. You must have some idea of why they're doing this. Could you share those with us?

Ambassador SATTERFIELD. I can offer an analysis which would reflect upon a Russian desire to differentiate itself, in its relationship with the Arab world, from the United States. The Russian position in the Security Council on a number of Middle East-related issues, not focused on the Middle East peace process, but, rather, on Syria and Lebanon, has not been constructive. This is of concern to us.

I think it may be a form of identification of Russia as an independent political force, an independent political actor. There may, as well, be an economic element in this. Russia has recently agreed to a significant debt forgiveness for Syria, which would permit, in theory, a return to military sales. It may be a complex of all of these issues.

Senator CHAFEE. Thank you.

Senator Boxer.

Senator BOXER. Thank you, Mr. Chairman.

Mr. Satterfield, should I call you "Ambassador"? Because you were an ambassador once.

Senator CHAFEE. That's right. Ambassador.

Ambassador SATTERFIELD. You're welcome to, Senator.

Senator BOXER. So I'll say Mr. Ambassador. OK.

I was the coauthor of the Syria Accountability Act, which—you probably know about the Syria Accountability Act—called for Syria's withdrawal from Lebanon. And I wrote that a couple of years ago. We had a very hard time getting the administration to go along with it. And eventually—they never actually supported it publicly, but they—I was very pleased that President Bush did sign it. I'm beginning to see some of the sanctions put in place. The other thing the act talked about was Syria's response to the ter-

rorist groups in its midst; Islamic Jihad being a classic case in point.

So I want to ask you about a couple of things. You said you were encouraged by what you saw. I think that no one could help but be encouraged by the people, themselves. This is what I keep saying I hope we see in Iraq more. We did see a good turnout in the election, but the people have to just stand up and say, you know, "We want to control our own destiny." And so, of course, we can't forget that all that happened because of a tragedy, which was the assassination of former Prime Minister Hariri. And now we also hear that there's a belief that Islamic Jihad is behind the latest suicide bombing that killed a few people in Israel, in the nightclub—the cowardly nightclub bombing.

So, I guess, what I want to know from you is this. With Syria apparently not taking action to close down these terrorist groups in its midst—and yet we did hear they cooperated with turning over Saddam's brother, so it seems like there's a give with one hand, a take with another—but with—first of all, do you believe that we know enough to say that Islamic Jihad operating out of Syria was responsible for the nightclub bombing? Second, when you were there—I understand the U.N. team is there trying to figure out who was responsible for Mr. Hariri's assassination. Can you give us an update on both of those issues? Because I think they weigh heavily in terms of whether we increase sanctions on Syria or not.

Ambassador SATTERFIELD. Absolutely, Senator.

I cannot, in this particular forum, go further into the information available on the specifics of the Islamic Jihad responsibility for this attack, but that's information which, certainly, we can provide and brief on separately, or my colleagues will be able to.

What I can say is this. We have made clear, very specifically, to the Syrian Government, over this 2-year period, that the continued presence on their soil of operational elements of Palestinian groups—including Islamic Jihad and Hamas, but not restricted to those two groups, which we know, and are confident the Syrian Government knows, are involved, not just in political or public-relations work, as the Syrians maintain, but in operational direction, facilitation of acts of violence and terror against Israelis in Gaza, in West Bank, and in Israel proper—is unacceptable; that if Syria wishes, as President Bashar has repeatedly said, to seek a comprehensive Middle East peace, if he wishes to see a United States partnership for that peace process, then this support for terror and violence from and through Syrian soil must cease. It is simply not realistic to believe that the United States will be able or willing, or that the United States will be able or willing, or that indeed, the Israeli people will be able or willing, to see a Syrian negotiation commence, while, with one hand, Syria talks rhetorically about support for a peaceful resolution, and, with the other, continues to tolerate the presence on its soil of groups involved in exploding that very situation. We are also concerned with the presence, and facilitation of, Hezbollah and Iranian activities, from and through Syrian soil, also directed at detonating the chance of peace between Israelis and Palestinians. This, too, has been part of our agenda with Syria.

Senator, I would agree with you that if Syria wishes to move upward in their relationship with us, including on the issue of additional sanctions, steps in this area are going to have to be taken. And we are watching very closely, very carefully to see what is or is not done.

Senator BOXER. And that message, you believe, has been conveyed to Syrian leader Assad.

Ambassador SATTERFIELD. President Bashar al Assad understands all that I have said here, and more, on the specifics of our agenda, including on the issues revolving around Iraq and Lebanon, in face-to-face conversation. And we continue to speak to these issues through our charge in Damascus and through the Syrian Ambassador.

Senator BOXER. Were you able to meet with him on this 3-day trip that you took?

Ambassador SATTERFIELD. No. My meetings were only in Lebanon.

Senator BOXER. OK.

Ambassador SATTERFIELD. I did not travel to Syria on this trip.

Senator BOXER. OK.

Ambassador SATTERFIELD. You had asked, Senator, about the status of the U.N. inquiry into former Prime——

Senator BOXER. Yes.

Ambassador SATTERFIELD [continuing]. Hariri's assassination. That team arrived last Friday, on the ground in Beirut. They are holding discussions with a wide range of Lebanese and other officials. We stand ready to provide any technical facilitation or assistance to the Government of Lebanon or to the United Nations in that regard. Such requests have not yet been posed. There is no report of findings, even preliminary, yet available from the inquiry.

Senator BOXER. The Syrian leader said that Syrian forces will be completely out of Lebanon, quote, "in the next few months." Having just come back from there, do you think the Lebanese people believe that is real?

Ambassador SATTERFIELD. Senator, I think the question is: Does the U.S. Government attach credibility to that statement? And my answer would have to be, we have seen a number of very conflicting statements coming from senior Syrian officials in the news media over the last 4 days. We do not know from that rhetoric what, in fact, the position of the Syrian Government is on withdrawal of their forces, as required by Resolution 1559.

What is needed now is not rhetoric, whether private or public. What's needed is actions on the ground. The Syrian Government needs to make a commitment to take those steps related to its presence and activities in Lebanon called for in Resolution 1559, nothing less. And I think neither this government nor the people of Lebanon will believe anything other than what we see with our eyes.

Senator BOXER. So the answer to the question is? I asked you if the people in Lebanon believe it, because they're living with this and——

Ambassador SATTERFIELD. I think they're deeply skeptical.

Senator BOXER. OK, they're skeptical. And we're skeptical, until they actually start withdrawing.

I was a little confused by your ducking the issue on Islamic Jihad. And I understand you're being very careful. But, yesterday, White House Press Secretary Scott McClellan said, quote, "We do have firm evidence that the bombing in Tel Aviv was not only authorized by Palestinian Islamic Jihad leaders in Damascus, but that Islamic Jihad leaders in Damascus participated in the planning." So——

Ambassador SATTERFIELD. I'm not contradicting that statement——

Senator BOXER. Thank you.

Ambassador SATTERFIELD [continuing]. Of course. But specific information——

Senator BOXER. Well, I was just——

Ambassador SATTERFIELD [continuing]. Detailing our views, we can provide in another forum.

Senator BOXER. Well, that's pretty specific. Because in the Syria Accountability Act we lay out these escalating sanctions based on Syria's support or—let's put it this way—lack of action against terrorists within their country.

I have just one question on the Palestinian support. The President's supplemental includes—well, I have two questions—$200 million in support for the Palestinian people; and I support that aid, but I want to make sure that it's transparent, it's not wasted. And I wondered, you know, what assurances you can give us on tracking that funding.

Ambassador SATTERFIELD. Senator, the assistance we have provided to the Palestinian people since October 1, 1993, have all been done in a completely transparent and fully accountable manner. We have, on two occasions, provided extraordinary assistance directly to the Palestinian Authority through the Ministry of Finance. And, in those two instances, again, absolute transparency and accountability has been maintained.

We are very concerned, as we know the Congress is, regarding these issues. We will continue to pursue our assistance efforts with the Palestinian people, and, indeed, with the Palestinian Authority, on that basis of absolute transparency, absolute accountability.

Senator BOXER. And you know of no incidents where we've had problems with that aid in the past.

Ambassador SATTERFIELD. No instance——

Senator BOXER. OK.

Ambassador SATTERFIELD [continuing]. Whatsoever.

Senator BOXER. All right. My last question is about the burden-sharing question in Iraq.

Ambassador SATTERFIELD. Yes.

Senator BOXER. And many of us believe that—not all of us, but many of us believe that the burden-sharing in the first gulf war was worthy of emulation. We wound up spending 20 percent, and our allies, 80 percent. And, here, in this war, I would go so far as to say it's close to 98 percent or 96 percent American dollars. And in making the case for war, the administration repeatedly assured Congress that we'd have a large coalition that would share the burden, but we were not told that the U.S. taxpayers would be paying for this assistance. You know, we were told, when we questioned

it, that we were being ungrateful to our allies who did join with us.

Now, here we have a circumstance where countries are withdrawing their troops, and yet the administration is requesting between $200 and $400 million in economic and military aid to our coalition partners in Iraq and Afghanistan as part of the supplemental. The DOD portion of the request includes an additional $600 million in transportation and other assistance.

Now, I don't expect that you'd have this at your—at a moment's notice, that you can give us this information. But before we get this supplemental, would you please make available to the committee a list of the countries that have been our coalition partners, and what they have provided to us in military or reconstruction assistance, and what are we asking for those coalition partners?

Because if we knew we were hiring people, it would have been—we would have been one response. We were told these were people who shared our values and were contributing. And now we're being asked—taxpayers are being asked, in addition to the billion dollars a week we're spending just on the military in Iraq, to now give money, hundreds of millions, for these coalition partners.

So I need to know, in every case—and I'm going to make an issue of it on the Senate floor, if we don't have it, but even if we have it. I need to know what they've spent and what—instead of just giving a blank check of $200 to $600 million to the administration to hand out to folks—which we were not told that was going to be the case—you know, I need specific information.

So I will be looking to you, in the next couple of weeks, whatever it takes you—be very aware that it's going to be difficult—please tell us what these countries have spent, what we've already reimbursed them, because I know we've already—in some cases, we've paid for the troops. I believe it was in Poland. And we paid for the uniforms, and we paid for a lot of other things. So what have we already paid these countries for their contribution? And out of that pot of money the administration wants, what are we planning to reimburse or pay each of these countries in the future? So I would really appreciate that.

Would that be forthcoming, Mr. Ambassador?

Ambassador SATTERFIELD. I'll check that.

Senator BOXER. Thank you.

Ambassador SATTERFIELD. Certainly.

Senator BOXER. Thank you very much, Mr. Chairman.

Ambassador SATTERFIELD. Thank you, Senator.

[The submitted written answer to the requested information follows:]

Question. What have Coalition members spent in Iraq (to include both military and economic/reconstruction spending)?

Answer. Economic contributions by the international community have been significant. Of the $32 billion in pledges for 2004–2007 at the Madrid Donors' Conference, $13.584 billion was from non-U.S. sources. This consisted of $5.55 billion in lending pledged by the World Bank and IMF and $8.034 billion in grants and loans from 37 bilateral donors, of which $5.9 billion was from Coalition members.

About half (just over $1 billion) of the $2.1 billion disbursed by donors by the end of the first year (pledges were made over 4 years) has been in deposits to the International Reconstruction Fund Facility for Iraq (IRFFI), which is comprised of U.N. and World Bank trust funds. These trust funds are now implementing their initial IRFFI projects.

In addition to reconstruction assistance, Paris Club creditors, in November 2004, agreed to forgive 80 percent of Iraqi sovereign debt (approximately $31 billion in debt relief) in three stages.

In terms of security assistance, the NATO Training Mission—Iraq (NTM–I) is benefiting from financial contributions. Over $4 million has been pledged by all 26 NATO members to a recently established trust fund for training of Iraqi security forces, providing for troops, equipment, and financial assistance to NTM–I. NATO trainers were in Baghdad within 6 weeks of NATO's decision to launch a training mission in Iraq. Mission advisors have coordinated in-country training courses and mentored over 200 Iraqi staff-level officers. NTM–I is currently staffed by personnel from 14 different countries, including the United States, and is now supported with either personnel or financial assistance by every ATO member.

The international community has also provided extensive assistance in the areas of military/security manpower. MNF–I currently has 27 non-United States contributors with roughly 24,700 soldiers in Iraq. These forces were trained, equipped, and deployed at significant expense to the contributing nations, funds that had been allotted to other national priorities.

UNSCR 1546 notes the MNF's intention to create a distinct entity under its command to provide security for the U.N. presence in Iraq. Japan and many EU member states have pledged over $20 million for U.N. security. Georgia and Romania, already with troops inside MNF–I ranks, are the first contributors; over 500 new Georgian troops have deployed to the region and Romania is expected to deploy 100 new troops this month. In addition, over 150 Fijian security personnel are providing close-up security as an integral part of the U.N. mission.

Contributions from non-Coalition countries are making an impact as well. Jordan hosts an 8-week police training course at an academy outside Amman, where international police trainers implement basic police training and border enforcement officer training through a program sponsored by the State Department. The graduation of 1,500 students every month is due to the support of 16 nations (including Iraq and Jordan) that collectively provide 325 International Police Trainers (IPTs). A company of 134 soldiers recently conducted training in Egypt, and the United States is helping Bosnia prepare an explosive ordnance disposal unit for their first deployment to Iraq this summer. Germany established a military and police training program in the UAE and has trained over 100 Iraqis in truck driving and maintenance. In May, Australia will deploy 450 troops to provide security for Japanese and to train Iraqi Security Forces. Macedonia, the United Kingdom, Canada, Poland, the Czech Republic, Austria, Slovenia, Slovakia, Hungary, and Finland have all offered police training.

Question. What have Coalition members been reimbursed for their contributions?

Answer. The United States only provides assistance to countries for which such assistance is an absolute financial necessity. The United States often provides strategic lift (i.e., transportation to and from the region), sustainment (i.e., consumables such as food, water, fuel, and ammunition), and certain items of individual soldier equipment (e.g., desert pattern uniforms, flack jackets, helmets, boots, etc.) and other required equipment. In addition, the United Nations has established a Trust Fund to consolidate and disburse donations to forces providing U.N. protection. Funds have been deposited in the account, but it is not yet operational.

U.S. assistance still leaves every Coalition partner responsible for a significant set of financial obligations, including soldier salaries and per diem, benefits and insurance, and the depreciation and recapitalization of all nationally owned equipment such as weapons, vehicles, and communications gear. The Polish Government, for example, estimates it has spent over $550 million in support of its operations in Iraq thus far, in addition to other bilateral contributions and assistance they have provided to the Iraqi Govemment and people. Despite United States assistance, our Coalition partners sustain significant expenses in Iraq and elsewhere.

Question. What are we planning to reimburse them in the future (with reference to the supplemental and how Coalition partners will be assisted)?

Answer. The current supplemental requests include $400 million for Coalition Partner Support [$200 million in a new account for economic assistance and $200 million for Peacekeeping Operations (PKO)]. The purpose of the request is to provide assistance to Coalition or Global War on Terrorism (GWOT) partners that have taken on significant political risks and financial burdens in order to support United States-led operations in Iraq, Afghanistan, and elsewhere.

When a new troop contributor comes forward, or a current Coalition partner decides to deploy additional troops, military-to-military discussions take place to work out such details as timing and location for the deployment, equipment requirements, logistical support, and financial costs. The United States does not offer assistance

to Coalition partners that do not require it, nor does U.S. assistance come close to covering all deployment costs. However, in some instances it often allows certain countries to contribute forces, or more forces than they could otherwise afford to deploy. While we believe the amount of assistance given is, in all cases, the required amount that will help the U.S. efforts in the GWOT, we have simultaneously sought to minimize financial burdens on the U.S. taxpayer. For example, we worked with our European allies in getting the United Nations to establish a (U.N.) Trust Fund to provide funding for middle ring security for the U.N. presence in Iraq. Our NATO allies help to provide all finances required to resource the NATO Training Mission. We are committed to working with the international community to appropriately share future costs.

Senator CHAFEE. Thank you, Senator Boxer.

Senator Martinez.

Senator MARTINEZ. Thank you, Mr. Chairman.

And, Mr. Ambassador, I wanted to ask you a couple of quick questions. One is—during a recent trip to the Middle East, I was taken by the need for there to be a lasting peace process, for there to be security, obviously, for Israel. And one of the real problems, obviously, was Southern Lebanon. Their withdrawal—or the potential withdrawal of troops is an encouraging sign. In addition to the 15,000 or so troops, there appear to be thousands of intelligence agents that are also in Syria. Is there any talk of the withdrawal of, also, these intelligence agents?

Ambassador SATTERFIELD. Absolutely, Senator. The requirement of Resolution 1559 is for the withdrawal of all Syrian forces from Lebanon immediately. That includes their military intelligence personnel. And we have reiterated that demand. The President of the United States has made that specific requirement clear. During my visit, I reiterated that requirement, as well. So, yes; it does include their military intelligence personnel.

Senator MARTINEZ. If, in fact, there were to be a withdrawal, what occurs in Southern Lebanon, where there appears to be little governmental control by the Lebanese Government, and where there are, in fact, substantial forces that are not the forces of peace and not the forces of—that would assist the peace process?

Ambassador SATTERFIELD. Senator, we have called—U.N. Security Council Resolution 425 calls for the extension of Lebanese Government authority throughout its territory, specifically in the south, to the border. And Resolution 1559 picks up that call and makes clear that all armed elements, other than those belonging to the Lebanese Government, need to be disarmed or to give up their arms. There should be only one gun, one authority, in this country, and that includes on the border area.

Those are requirements, requirements of a variety of U.N. Security Resolutions; they are requirements of the U.S. Government, as well. And we very much hope that, in a political environment in Lebanon established—if this current, very encouraging and very dramatic trend continues—with free and fair parliamentary elections, that there will be the possibility of real steps on these areas: Full establishment of Lebanese Government authority, an end to unauthorized armed presences, as well. These are difficult issues that have an internal complex content to them within Lebanese politics. But they need to be worked on. And, in this environment that we have lived with for the past 15 years, it's been impossible to see progress achieved. We very much hope that that changes.

Senator MARTINEZ. How are we doing on our support for political and economic and educational reforms under the Middle East Partnership Initiative? And how effective is the aid that we're providing through that effort?

Ambassador SATTERFIELD. Well, I'll defer to my colleague from AID, but I can tell you, generally speaking, we have made quite a focus on both education, in the civil-society sense and otherwise, in the MEPI programs, and will continue to do so. It is part and parcel of the efforts to generate support for both reform and for civil society, for creating a viable economic new generation in that region, that are both employed, but employed in a manner that makes them competitive in a 21st century environment. And we have been pleased by the progress made, in the limited life span of this program so far.

And, Jim——

Senator MARTINEZ. Mr. Kunder.

Mr. KUNDER. I mentioned earlier, Senator, that across the entire Asia and Middle East region there's a population of young people between 15 and 24 that exceeds the entire population of the United States of America. So we've got an enormous opportunity, but also an enormous problem. So we're focusing extensively on education and job creation, and the linkages between the two; not just abstract education, but education that is going to lead to jobs in the 21st century economy.

I can deliver more information to you, but we've got substantial successes across the region in getting schools constructed, in getting teachers trained in more participatory teaching techniques that teach children to think a little more creatively, not the rote learning that they've been used to, which we think makes a contribution both to education and democracy and antiterrorism. We've also made significant contributions in getting parents and communities involved in education, because the culture there was to keep the parents and the community leaders excluded from participating in the education process, which was very centralized.

So we've got a lot of work to do, but I think there's been substantial progress, and it's a high priority for us.

Senator MARTINEZ. One last question is—the Israelis I know expressed some concern to me, when I visited there, about arms smuggling that oftentimes takes place through Egypt. And I know that Egypt is an ally of ours, and one that is the recipient of substantial assistance, military, and otherwise. Is it possible—first of all, do you concur that a substantial amount of arms smuggling takes place through Egypt that finds its way to this troubled region, where no more arms are needed? And is there more that we can do with Egypt, in terms of encouraging their cooperation in stopping this smuggling?

Ambassador SATTERFIELD. Senator, the issue of arms transfers coming across the Egyptian/Gaza border is a significant one. It is an issue which not only has been the object of discussion between the United States and Egypt, but, more importantly, has been the object of direct discussion at very senior levels between the Egyptian and Israeli Governments. Those two governments are in the process, as we speak here, of reaching agreement, upon a change in disposition of Egyptian forces on that border, which can provide

for a more effective control over this kind of very destructive, very detrimental smuggling.

We very much hope that these understandings come to conclusion soon, that Egyptian forces are able to deploy to that area. It does require the mutual agreement of Egypt and the Israeli Governments, because of the peace-treaty limitations there. We hope it does conclude, because, yes, it is a problem. It's a threat to Egypt, it's a threat to Israel, it's a threat to the Palestinians, as well.

Senator MARTINEZ. Thank you.

Thank you, Mr. Chairman.

Senator CHAFEE. Thank you, Senator Martinez.

Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

Back on the question of Iran. After the President's seemingly successful meetings in Europe, what steps is the administration going to take now to address the Iranian situation? Give me specifics of what the administration plans to do.

Ambassador SATTERFIELD. Senator, we've made clear it would be unacceptable to us—indeed, we believe it should be unacceptable to the world—to see Iran acquire a nuclear-weapons proficiency.

Senator NELSON. We all embrace that. I need to know, specifically, what is the administration planning?

Ambassador SATTERFIELD. We have been discussing, with our EU allies, their own discussions, negotiations with Iranian authorities on achieving an absolutely verifiable and sustainable suspension of the enrichment cycle which could lead to a weapons-development program.

Senator NELSON. And what do you see in the cooperation of Russia and other European leaders that will lead us to be able to verify elimination of the Iranian nuclear program?

Ambassador SATTERFIELD. We are supportive of the EU negotiations with Iran and their demand for a suspension, a full suspension, in a verifiable manner, of the enrichment cycle. We have our own doubts regarding the credibility of Iranian commitments made, which is why we underscore "verifiable" and——

Senator NELSON. Do we have our doubts about the——

Ambassador SATTERFIELD. The Iranians——

Senator NELSON [continuing]. Commitment of the Europeans?

Ambassador SATTERFIELD. We have our doubts—no, we have our doubts about the committee of the Iranians in this regard. The Iranian track record is not a positive one.

Senator NELSON. I understand that. How much confidence do we have that the Europeans are not looking out for their own financial arrangements?

Ambassador SATTERFIELD. Senator, in the course of these discussions that the European Union is conducting with Iran, we have made very clear, the President's made clear, we support the content of those discussions as we understand what the European Union is insisting upon. We hope very much they achieve a satisfactory result.

Senator NELSON. Well, I hope so, too.

What about Russian President Vladimir Putin?

Ambassador SATTERFIELD. We have made clear to the Russian Government, as well, our concerns about Russia's own unique en-

gagement in the Russian nuclear program. We would not want to see—we have made clear—any steps from the Government of Russia that would undermine, undercut the efforts being undertaken by the European Union in this regard. We see this all as a package. Every state dealing, either with the missile program in Iran or with its nuclear program, broadly writ, need to be on the same script with respect to controls and limiting the ability of Iran to develop a nuclear weapons program.

Senator NELSON. OK. Now, everything you've said, we would embrace unanimously here, as the congressional committee charged with the oversight of the administration. Now, will you give me specifics of what has changed, other than what you said about the EU, that would lead us to the conclusion that we have a chance of getting Iran to dismantle their nuclear program?

Ambassador SATTERFIELD. Well, our focus all along had been on Iranian lack of good faith, based on their historical record, not on a challenge to EU good faith in the conduct of the discussions. We have had a very intense discussion with the EU, including at the level of the President, on where they are going with this dialog. And we believe they are moving in the right direction on this. They, the EU. The issue is whether Iran will respond to the demands, the quite appropriate demands, being made by the European Union in this regard.

Senator NELSON. Do you see that that EU effort is being embraced by specific people, such as Chirac, such as the leadership of Germany?

Ambassador SATTERFIELD. We certainly believe that the EU effort is one that is informed at the political level by the key players in the European Union, yes, there's no question about that.

Senator NELSON. Well, let me just say that I'm a Doubting Thomas.

Ambassador SATTERFIELD. We all are.

Senator NELSON. And the problem is that if we continue to see this thing drift, as it has in the past 4 years, suddenly Iran is going to be like North Korea and they're going to have a nuclear weapon, and then it's all the more difficult to get them to dismantle.

Ambassador SATTERFIELD. Senator, we have seen steps taken on the ground. And a briefing in other channels can be provided on our assessment of what Iran has or has not done to date. But whatever current steps may be, whatever current measures Iran may have put in place, we want to see it continued and we want to see it monitorable and verifiable. That's——

Senator NELSON. Well, Mr.——

Ambassador SATTERFIELD [continuing]. The bottom line.

Senator NELSON [continuing]. Mr. Chairman, in our oversight capacity, what the Secretary has just said is, in another setting, that we would be able to understand the specifics of what has been done. And I wish that you would consider doing that. He's referring to a classified setting, and I think——

Ambassador SATTERFIELD. Certainly, Senator.

Senator NELSON. I mean, the alternative is unthinkable, that they start peddling nukes to terrorists, just like our concern is that North Korea starts peddling nukes to terrorists. Or, that they put a nuke on top of their rocket that has a range to go to Israel.

Ambassador SATTERFIELD. We absolutely agree, Senator. We share those concerns.

Senator NELSON. Why have we dillydallied for 4 years?

Ambassador SATTERFIELD. Well, Senator, we have not. We have been as engaged as possible with the Iranian regime in addressing these areas. We have been as supportive as possible of other efforts to constructively deal with this. And by "constructive," I mean to establish a verifiable and a sustainable suspension of the Iranian nuclear program. I do not believe we have been lacking in efforts to deal with this very, very difficult issue, either our own or through our allies.

Senator NELSON. Well, I'm glad you feel that way. There are others that think that we haven't been nearly as aggressive as we should. But, we can talk about that another day.

Let me ask you—the administration has come forth, which I embrace, with a $350 million package with regard to the Palestinians. What are we doing to get other Arab countries to step up to their responsibility?

Ambassador SATTERFIELD. In the course of the discussions over the last month, that preceded the London meeting that just concluded yesterday evening, we have been engaged, the Palestinian Authority has been engaged directly, with states in the Persian Gulf, Saudi Arabia, other potential donors, to mobilize as much as possible of an additional broad international and regional economic support effort for the Palestinians. We have seen significant progress in that direction through the meetings held in December of last year of the Ad Hoc Liaison Committee, which groups the principal donors for Palestinian assistance.

We are, all of us, looking toward a donor pledging session later this spring. I think the political environment on the ground, if it continues as it is now, will be supportive for such a session.

We have made specifically clear to states in the gulf that the windfall of profits they have received from the increase in oil prices, and the dramatic changes in the Palestinian Authority with the death of Yasser Arafat, the free and fair election of Mahmoud Abbas, means they have a role, as well as do we, as does the international community, in providing support for the new Palestinian leadership. It is our expectation, it is the Palestinian expectation, that those Arab States will see it in their direct interest to provide significant assistance, and we will continue to make that point clear.

Senator NELSON. You know, it's the opinion of this Senator that it is absolutely inexcusable for Saudi Arabia, as much money as they have, to have given such a paltry sum for the economic development of the Palestinian people. And, in fact, that's been the case. Are we coming down hard now? Is this administration coming down hard on Saudi Arabia to get them to help economically develop the Palestinians?

Ambassador SATTERFIELD. Senator, Saudi Arabia is one of the very few Arab States which has actually met in full its commitment under the 2002 Arab League Summit to provide assistance to the Palestinian Authority. But the answer to your question is: Yes; we have been extremely direct with the Government of Saudi Arabia, as well as with other governments throughout the gulf, not on

those past obligations, but on what the changed circumstances mean in terms of future and current obligations to help the Palestinians. Absolutely.

Senator NELSON. One more question, Mr. Chairman.

You may have covered this in some of the discussion with Senator Boxer. It seems that this tragic assassination of Rafik Hariri has brought to the surface the desire of the Lebanese people to be free. What can this United States Government, right now, do to help the Lebanese people throw off the shackles that have been put around them, not only by the Syrian Government, but by these terrorists groups?

Ambassador SATTERFIELD. Senator, we can continue to do several things that we have underway right now. The first is to speak very bluntly, and at the most senior levels, as the Secretary of State and her colleagues at the London meeting have done, as the President has done, as we all are doing, to say that it is long past time for the people of Lebanon to be able to live in sovereignty, independence, and freedom, which are the three slogans of this unique development taking place on the ground in Beirut. We can provide continued emphasis on the part of the international community, not just the United States, on the absolute need for full implementation of Security Council Resolution 1559, which calls for the withdrawal of Syrian forces, including intelligence forces, from Lebanon. We can continue to emphasize that the goal here is an atmosphere on the ground in Lebanon, in these months before spring elections are expected, that allows Lebanese to campaign, to face choices regarding their representatives in an atmosphere free of threats and free of intimidation.

The tragic murder, the terrorist killing, of former Prime Minister Hariri has, indeed, been a catalytic event, but it has underscored, I think, for Lebanese, as it has for the international community, the simple fact of, "Enough. The time has come for Syria to go. The time has come for the Lebanese people to be able to step forward."

On the specific economic side, we are, indeed, working on programs which gear to preparation for elections, gear to civil-society development in Lebanon, can help the people of Lebanon move forward.

Finally, we will continue to maintain all possible pressures on the government in Damascus to meet their obligations and responsibilities in all of those areas we have identified in our bilateral dialog, but, in particular, on their international obligations, under Council Resolution 1559, to withdraw their forces from Lebanon.

Senator NELSON. Do you think President Assad wants to withdraw the Syrian troops, but is prevented so by his daddy's men surrounding him?

Ambassador SATTERFIELD. Senator, we do not, in the conduct of our own relationship with Syria, make a differentiation between any particular officials of that government. We believe it must be treated as a single government in which the statements by all of its officials are taken with equal seriousness.

Do we know what the Syrian Government wishes to do? We have—I said it already to Senator Chafee—we will judge what the Syrian Government is doing based on what we see on the ground, not on its rhetoric.

Senator NELSON. Why did the Government of the United States not follow up on President Assad's offer to cooperate with the United States military in sealing the Syrian/Iraqi border, which was conveyed through your Ambassador over a year ago?

Ambassador SATTERFIELD. We followed up in full. It is disingenuous on the part of the Syrian Government, in this area or any other areas of requested cooperation, to claim that there was some United States reluctance or failure to follow up. It's simply not true. We followed up in full on all of these steps. It——

Senator NELSON. Are those——

Ambassador SATTERFIELD [continuing]. It was Syrian unwillingness to move that created the problems that Syria now faces today.

Senator NELSON. Has that unwillingness changed now?

Ambassador SATTERFIELD. We have seen some steps taken by the Syrian Government with respect to the Iraqi border, but those steps fall below the level of comprehensiveness. We have seen very few steps taken, to this date, on the very important issue of former regime elements moving through, or resident in, Syria and providing support to this brutal insurgency.

Senator NELSON. Does this recent turnover of this al-Qaida figure portend a change in Syria?

Ambassador SATTERFIELD. We would hope that that step indicates that all of the other measures which we have told Syria it must take with respect to former regime elements will now be conducted. But, again, we will have to judge this on what we see on the ground. The disposition of Mr. Sab'awi was part of, but not a completion of, a list of very specific measures we have asked the Syrian Government to take.

Senator NELSON. Are there government-to-government contacts going on right now with regard to the sealing of the Syrian/Iraqi border?

Ambassador SATTERFIELD. Yes, there are, Senator.

Senator NELSON. Are there military-to-military contacts?

Ambassador SATTERFIELD. There have been military contacts on this issue.

Senator NELSON. Thank you, Mr. Chairman.

Senator CHAFEE. Thank you, Senator Nelson.

You were Ambassador to Lebanon for several years in the late nineties, so you know the Lebanese people well. And you spoke recently about the strength of the political party, Hezbollah. Is it a fair question—some would say that the antipathy that the Lebanese have toward the Syrians is only equaled by their antipathy toward Israel and the United States. Is that accurate?

Ambassador SATTERFIELD. No, Senator; I don't think that's an accurate statement. There is clearly a concern throughout the region regarding U.S. policies. Some of that is based on misinformation as to what our policies and values truly are, some of it is outright opposition to specific policy decisions we've made. But I do not believe it is fair to say that the majority of the Lebanese people are unfavorably disposed to the United States.

Senator CHAFEE. How strong is the political party, Hezbollah?

Ambassador SATTERFIELD. It has significant strength, particularly in the south and in the Beqa'a Valley, and that strength depends largely on the fact that it was regarded by Lebanese as less

corrupt and more effective in providing basic services than the all-too-absent Lebanese Government or other political parties functioning on the ground there.

The way to get at that particular phenomenon, whether it's Lebanon we're speaking of or any other country around the world, is to be able to build the capacity for a corruption-free national government to take its responsibilities in providing that assistance. It's true in Lebanon, as it is true in any other country in the Middle East or elsewhere.

Senator CHAFEE. So you're saying their strength is minimal. Am I hearing you accurately?

Ambassador SATTERFIELD. Their strength is a phenomenon of the absence of a Lebanese Government role on the ground which is capable of providing basic services and support to its own people. Hezbollah has stepped into that void, and it's a void which needs to be filled by the government itself.

Senator CHAFEE. OK. And my last question is: You are the Ambassador to Jordan, is that correct?

Ambassador SATTERFIELD. I was confirmed by the Senate as Ambassador to Jordan. I will be going to Baghdad in May.

Senator CHAFEE. Who, then, will be our diplomat in Jordan?

Ambassador SATTERFIELD. The President has not yet made a recommendation for the next Ambassador to Jordan.

Senator CHAFEE. Who's carrying those tasks at present?

Ambassador SATTERFIELD. Our very able charge, David Hale, is currently carrying out those duties.

Senator CHAFEE. And is that—the lack of—that being resolved, is that a problem?

Ambassador SATTERFIELD. We have an excellent operational relationship with the Government of Jordan.

Senator CHAFEE. Thank you.

Senator Martinez.

Senator MARTINEZ. A couple of quick questions. May I congratulate you, then? Will you be taking Ambassador Negroponte's place? Is that——

Ambassador SATTERFIELD. I will not be taking Ambassador Negroponte's place. The administration will be submitting a recommendation for John Negroponte's replacement. I will be taking the number two position in Baghdad.

Senator MARTINEZ. OK; very good.

In coordinating aid, I know that it's always something we want to see happen to ensure the best use of taxpayer dollars. Is there a need for a full-time coordinator to support aid efforts? Is there a need for coordination between the State Department arm and the USAID arm and how that function takes place?

Ambassador SATTERFIELD. We are looking right now at structural issues as the situation on the ground moves forward, as the international assistance effort moves forward, and we will be in close touch with the Congress on how we would recommend moving forward in this regard. And I wouldn't prejudge the outcome of those discussions with respect to a coordinator position.

Senator MARTINEZ. I would just say thank you both for your service, and particularly best wishes to you in your new assignment, and thank you for your testimony today.

Ambassador SATTERFIELD. Thank you very much, Senator.

Senator CHAFEE. Thank you, Senator Martinez.

I echo those words also. Thank you for your service——

Ambassador SATTERFIELD. Thank you.

Senator CHAFEE [continuing]. To the country and for your testimony today.

Ambassador SATTERFIELD. Appreciate it.

Mr. KUNDER. Senator Chafee, you asked earlier, in the South Asia hearing, about the 2006 budget request specifically and whether there were dramatic changes. I just want—truth in advertising—to point out that there is, in an addition to the supplemental request, a request for an increase in West Bank/Gaza funding, because the anticipation is, with the transfer of Gaza, we will have a need for a more robust program ongoing there.

And also, in Iraq, we have been working off of the generous $18 billion that the Congress provided under the Iraq Reconstruction Fund. There is, for the first time, a request for an ongoing program at a much lower level. And this is not to do the major reconstruction work, but to do the kind of transformational change in the Iraqi economy, in the Iraqi educational system, that we think will continue the work that's been done during this immediate reconstruction phase.

So you asked that question earlier. I just wanted to point out, in this region, as opposed to South Asia, we have asked for several dramatic changes in the appropriations level between 2005 and 2006.

Thank you, sir.

Senator CHAFEE. Thank you, sir.

The hearing is concluded.

[Recess from 10:51 to 10:57 a.m.]

OPENING STATEMENT OF HON. MEL MARTINEZ, U.S. SENATOR FROM FLORIDA

Senator MARTINEZ [presiding]. Good morning. We'll call the hearing to order.

And I wanted to just begin by welcoming Mr. Michael Ranneberger, Principal Deputy Assistant Secretary of Bureau of African Affairs, and the Honorable Lloyd Pierson, Assistant Administrator for Africa of the United States Agency for International Development. I want to thank both of you for joining us today.

And this, of course, is the six-regional panel today, and the focus of this hour will be on sub-Saharan Africa. And today also represents my first official business as the chairman of the Africa Subcommittee, and I'm quite pleased and honored to be in this position. And I look forward to working with our distinguished ranking member, Senator Feingold, in this matter.

And I should point out that Senator Feingold has, currently, an amendment being debated on the floor of the Senate. And that has not allowed him to be with us, momentarily. There will be a vote on that amendment shortly. And so, I may have to recess the hearing so that I, myself, might go vote. And then I presume, after that vote, both the Senator and I will be able to return.

Today's discussion about our foreign-assistance efforts is a very appropriate stating point, and I will hopefully encourage a com-

prehensive and thoughtful exchange of our priorities and programs in sub-Saharan Africa.

And before we go to our panelists, I'd like to just briefly highlight some of my key priorities and interests related to the subcommittee and to the region.

First and foremost, I think United States foreign policy needs a stronger and more focused effort on Africa. I'm very pleased by the increased assistance that is being provided through the HIV/AIDS funding and, obviously, the Millennium Challenge Account and our counterterrorism efforts that are so important to our national security. I'm very concerned that we also increase our focus on traditional development assistance.

I believe we need to advance a comprehensive strategy for Africa, a strategy that focuses on democracy and governance, institution-building, human rights, and sustainable economic growth, a strategy that focuses on building domestic capacity, which will bring about lasting, positive change for the people of Africa.

I'm particularly troubled that, despite the considerable level of international aid, the record of development in sub-Saharan Africa is still very poor, and there are statistics to back that up. For example, per-capita GDP in sub-Saharan Africa has fallen from $660 in 1980 to $585 in 2003. This poor growth occurred despite U.S. development assistance that totaled over $32 billion from 1980 to 2003. Total development assistance from all sources, bilateral and multilateral, totaled over $361 billion. Clearly, a lack of foreign assistance has not been the predominant reason for the lack of development in the region.

At the same time, sub-Saharan Africa is the world's least free nation, with 31 of 38 countries greater than—the 2005 Index of Economic Freedom as being greater—that's mostly unfree or repressed. As such, it is not surprising that it is the world's poorest region, as well.

Countries that embrace economic freedom, including freedom of trade, labor, and capital, experience stronger economic growth than those that seek to thwart the market through regulatory hurdles and political policy restrictions.

A final concern, I want to briefly highlight, is security. Sub-Saharan Africa is home to many unstable governments. Over the past decade, there have been wars and serious insurrections in 28 of the 48 countries in sub-Saharan Africa. In fact, most new peacekeeping operations in the past decades have involved—in the past decade have involved conflict in the region.

In addition to contributing to serious humanitarian crises, instability in the region aggravates poverty and poses an important security concern for the United States. As we have learned all too well, unstable regions are ripe for terrorist exploitation as bases of operations and recruitment. There has also been increased evidence of terrorist activity in sub-Saharan Africa over the past decade, ranging from attacks on United States assets in Kenya to Islamic terrorists in Nigeria, Niger, and Chad. And this is obviously alarming as we go forward.

The bottom line is, we need to advance bold policies which will target the root causes of challenge, of conflict in the developing countries around the world. We need to aggressively fight the

causes of poverty—poor institutions and poor economic policies—which plague the people of Africa.

And I look forward to discussing these issues in greater detail after hearing from our distinguished witnesses today. Unfortunately, our ranking member will not be here to give an opening statement at this time, so we will immediately go ahead and turn to our distinguished panel, and then allow the ranking member to give his opening statement.

So, Mr. Ranneberger, we'll turn to you first.

STATEMENT OF MICHAEL E. RANNEBERGER, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. RANNEBERGER. Thank you, Senator.

Mr. Chairman, thank you for asking me to testify today on the most pressing issues in, and the budget priorities for, sub-Sahara Africa in fiscal year 2006.

Our increasing engagement in Africa advances United States national interests: To promote peace and stability, to advance democracy, to combat terrorism, to foster economic development, and to alleviate human suffering. As we move ahead, we are forging a partnership with Africa that advances shared interests and values. As Secretary Rice said in recent congressional testimony, "We don't consider Africa to be a target of our policy, but, rather, very good partners in what we are doing."

Substantial progress is being made. During the past 4 years, there have been over 50 democratic elections, and the majority of African economies are growing. It is particularly significant that African regional institutions are becoming stronger and playing more effective roles to mitigate conflict, foster democracy, promote regional integration, and act against terrorism. We see timely, specific examples in the decisive role that the economic community of West African States is playing to restore democracy in Togo, and in the effective mediation of the Comprehensive Peace Accord in Sudan by the Intergovernmental Authority on Development.

It is also important to highlight the growing role of the African Union, as evidenced, for example, by the crucial mission it has undertaken in Darfur in western Sudan. Strengthening these African regional organizations, and our relationship with them, is a major goal of United States policy.

Yet the challenges are daunting. African development is not advancing at a sufficient pace to alleviate widespread poverty. And Africa will not likely reach the international development goals of the Millennium Declaration. We are working closely with African partners to alleviate the poverty that enables terrorists to continue to find refuge, resources, recruits, and training grounds in the region.

The administration's $2.8 billion fiscal year 2006 budget request addresses the most serious problems facing our interests in Africa and is designed to help African governments and organizations implement African solutions to African problems, both urgent and long term.

While Africans want to, and are, taking the lead in addressing many of their problems, our assistance remains indispensable. Our

request includes $152 million in economic support funds, $24 million in foreign military finance, $11 million in international military education and training, $41 million in peacekeeping operations, and at least $1.2 billion in global HIV/AIDS initiatives, as well as child survival and development assistance funds, and transition initiatives moneys. In addition, the United States will continue to be the largest donor of humanitarian assistance to Africa, and Peace Corps programs will continue to make major contributions throughout the continent.

Our six priority goals in using this assistance are:

First, expand democratic values and respect for human rights by promoting democratic government and good governance, particularly through efforts to combat corruption and to strengthen civil society.

Second, increase economic prosperity and security by expanding trade and investment, strengthening Africa's private sector, and improving the productivity of African economies.

Third, strengthen Africa's capacity to fight terrorism.

Fourth, foster regional stability by preventing, mitigating, and resolving crises and conflict through coordination with international allies and, most importantly, with the African Union and other subregional African organizations.

Fifth, counter the spread of HIV/AIDS and other infectious diseases.

And, sixth, assist with the conservation of Africa's natural-resource base.

These six priorities reflect the fact that the continent's challenges are, in our increasingly global environment, linked to our broader interests and to those of the international community. And in that context, I want to emphasize that the United States is collaborating at an unprecedented level with the European Union and its member states; with other countries, such as Japan, Australia, and Canada; and with international institutions, particularly the United Nations, the international financial institutions, and, of course, very importantly, with the African Union and the subregional African organizations. This approach maximizes the impact of our assistance and our influence.

The African Continent is increasingly hearing a concerted message from the international community on the core issues of democracy, economic development, HIV/AIDS, counterterrorism, and conflict mitigation.

Africa remains a major focus of the G–8 process, particularly with respect to efforts to combat corruption, to train Africans for peacekeeping, and to promote development.

Our engagement with Africa is, then, inextricably tied to the broader goal of strengthening United States security. We count, in that regard, many sub-Saharan African countries as allies in the global war against terrorism.

American leadership will remain crucial to Africa's stability and progress. Three examples stand out:

Nowhere is this more evident than in the Sudan. The United States played a leading role to support the mediation by the Intergovernmental Authority on Development (IGAD) of the Comprehensive Peace Accord in Sudan. We will remain at the forefront of

international efforts to support implementation of this accord. And this Comprehensive Peace Accord then provides a solid basis for resolving the crisis in Darfur.

We have intensified, at the same time, efforts to end the violence and atrocities in Darfur, and to achieve a political settlement there. And we have made clear to all parties that we will not normalize relations with Sudan until the Darfur crisis is resolved.

In Liberia, our sustained involvement has been crucial to ending armed conflict and assisting preparations for elections.

The United States is also remaining strongly engaged to support completion of the peace process in the Great Lakes Region.

We will remain focused on areas where conflict and tension threaten regional stability. We continue to follow closely the developments in Somalia, and have supported the IGAD-sponsored reconciliation process there.

We're also engaging with the problem of the border dispute between Ethiopia and Eritrea.

For fiscal year 2006, Senator, we have requested $152 million in Economic Support Funds, $138 million of which is targeted on 12 key focus countries. These include five key partner countries: Nigeria, South Africa, Ethiopia, Kenya, and Djibouti. Their size, the size of their economies, the strength of their militaries, their cooperation on counterterrorism, and their roles in promoting regional stability all warrant our investment in their development as prosperous democracies.

Six of our focus countries—Angola, Burundi, the Democratic Republic of the Congo, Sierra Leone, Liberia, and Sudan—are emerging from, have recently emerged from, or are still enduring, long periods of conflict and instability.

In Zimbabwe, our last focus country, we will channel funds to organizations working to restore democracy and good governance.

Nine million seven hundred thousand dollars in our fiscal year 2006 ESF request has been sought for the Africa Regional Fund, which will be used, among other purposes, to support good governance, encourage trade and investment, assist judicial reform, bolster civil society, strengthen borders, and help preserve Africa's ecosystems and natural resources. This fund is essential to provide the flexibility to target problems as they arise. For example, some of this year's regional fund will be used to help support the elections process in Togo, which was, of course, an unforeseen need. If the regional fund were not available, we would not be in a position to respond quickly, as U.S. interests are impacted in late-breaking developments. We, of course, will notify the Congress each time when these moneys are used.

The Bureau has requested $1 million in ESF to strengthen regional and subregional organizations, such as the AU and ECOWAS, by bolstering their institutional capacities and their ability to reach and implement regional solutions.

Assisting African States to fight terrorism is one of our most important priorities.

Economic progress and prosperity are essential to Africa's future; and, thus, a paramount United States goal. Our efforts are directed toward a trade and development-based approach that encourages the growth of Africa's private sector. We will continue to reinforce

the policies of African governments that promote economic liberalization and successful private-sector development.

Over the past 4 years, in that regard, Senator, the Africa Growth and Opportunity Act has created over 190,000 new jobs. Two-way trade is up to just over $44 billion, as of last year. In addition to the progress generated by AGOA, we can point to other signs of positive economic activity in Africa. For example, foreign direct investment in Africa increased by 28 percent. United States investment in sub-Sahara Africa alone has increased by about 37 percent. Average GDP in sub-Sahara Africa, while still not at acceptable levels, is at a record level of about 4.5 percent, on average.

The Millennium Challenge Account (MCA) holds enormous promise, of course, for growing Africa's economies. The worldwide fiscal year 2006 MCA request of $3 billion will, to a large extent, go to Africa, in that half of the MCA-eligible countries are located in sub-Sahara Africa.

One very positive development that we will reinforce in fiscal year 2006 is the willingness of African militaries to be trained for, and to participate in, peacekeeping operations. Training of these forces continues under the African Contingency Operations Training and Assistance program, and will now be incorporated into the Global Peacekeeping Operations Initiative, the so-called GPOI, starting this year. The global request for 2006 for GPOI is $114 million, of which a substantial percentage will be used in sub-Sahara Africa.

Progress on so many fronts—economic, governance, professionalization of the military, health, and education—is threatened by the continuing plagues of HIV/AIDS, malaria, and tuberculosis. Twelve of the fifteen countries, however, in the President's emergency plan for AIDS relief, are located in sub-Sahara Africa. At least $1.2 billion from the global AIDS initiative is designated for programs in Africa.

In closing, Mr. Chairman, I want to emphasize the importance we attach to strong public diplomacy efforts to strengthen ties between the people of Africa and the American people. Our request for public-diplomacy programs in Africa in 2006 is $33 million.

We estimate that approximately 75 percent of our current public-diplomacy resources are directly engaged in reaching out to Africa's Muslim community, which makes up about 43 percent of the continent's population.

By and large, people throughout Africa have positive attitudes about the United States, and we need to build on these. Our histories and cultures are intertwined. We share fundamental values that link us together. That is why the American public supports increased aid to Africa as long as it's done with accountability and transparency in expenditure.

Mr. Chairman, I appreciate your, and this committee's, continuing interest in Africa. I look forward to discussing our budget request and other issues of concern with you and members of the committee.

Thank you.

[The prepared statement of Mr. Ranneberger follows:]

PREPARED STATEMENT OF MICHAEL E. RANNEBERGER, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman and members of the committee, thank you for asking me to testify on the most pressing issues in, and our budget priorities for, sub-Saharan Africa in FY2006. Our increasing engagement in Africa advances United States national interests to promote peace and stability, to advance democracy, to combat terrorism, to foster economic development, and to alleviate human suffering. As we move ahead, we are forging a partnership with Africa that advances shared interests and values. As the Secretary stated in recent congressional testimony: "We don't consider Africa to be a target of our policy, but rather, like the rest of the world, very good partners in what we're doing."

Substantial progress is being made. During the past 4 years there have been over 50 democratic elections, and the majority of African economies are growing significantly. It is particularly significant that African regional institutions are becoming stronger, and playing more effective roles to mitigate conflict, foster democracy, promote regional integration, and act against terrorism. We see timely, specific examples in the decisive role that the Economic Community of West African States (ECOWAS) is playing to restore democracy in Togo, and in the effective mediation of the comprehensive peace accord in Sudan by the Inter-Governmental Authority on Development (IGAD). It is also important to highlight the growing role of the African Union as evidenced, for example, by the crucial mission it has undertaken in Darfur in western Sudan. Strengthening these African regional organizations and our relationship with them is a major goal of United States policy.

Yet the challenges are daunting. African development is not advancing at a sufficient pace to alleviate widespread poverty, and Africa will likely not reach the International Development Goals of the Millennium Declaration. We are working closely with African partners to alleviate the poverty that enables terrorists to continue to find refuge, resources, recruits, and training grounds in the region. Although most of African countries are willing partners in the war on terrorism, many lack the resources to counter effectively this threat in their midst. Failed or failing states present tempting opportunities to terrorist networks. Long-running conflicts, some nearing resolution and others not, threaten regional and subregional security.

Persistently high HIV/AIDS rates, hunger, drought, and poverty undercut progress that is being made in establishing democratic frameworks and liberalizing economies. The same is true of corruption, armed conflict, and human rights abuses. Addressing these problems is essential so that Africa can harness the vast potential of its people and natural resources. Increasing our engagement now is a wise investment that will pay dividends in the United States-Africa partnership for many years to come.

The administration's $2.8 billion fiscal year 2006 budget request addresses the most serious problems facing our interests in Africa, and is designed to help African governments and organizations implement African solutions to African problems, both urgent and long term. While Africans want to, and are taking, the lead in addressing many of their problems, our assistance remains indispensable. Our request includes $152 million in Economic Support Funds (ESF), $24 million in Foreign Military Finance (FMF), $11 million in International Military Education and Training (IMET), $41 million in Peacekeeping Operations (PKO), at least $1.2 billion in Global HIV/AIDS Initiative, and $849 million in Child Survival and Health (CSH), Development Assistance (DA), and Transition Initiatives (TI) moneys. In addition, the United States will continue to be the largest donor of humanitarian assistance to Africa, and Peace Corps programs will continue to make major contributions throughout the continent. My colleague from USAID, Lloyd Pierson, the Assistant Administrator for Africa, will speak to the details of development assistance.

Our six priority goals are:

- Expand democratic values and respect for human rights by promoting democratic government and good governance, particularly through efforts to combat corruption and to strengthen civil society;
- Increase economic prosperity and security by expanding trade and investment, strengthening Africa's private sector, and improving the productivity of African economies;
- Strengthen Africa's capacity to fight terrorism;
- Foster regional stability by preventing, mitigating, and resolving crises and conflict through coordination with international allies, and most importantly, with the African Union and other African subregional organizations;
- Counter the spread of HIV/AIDS and other infectious diseases; and,
- Assist with the conservation of Africa's natural resources base.

These six priorities reflect the fact that the continent's problems are, in the increasingly global environment, linked to our broader interests and to those of the international community. There are numerous examples. The progress of democracy in Africa reinforces United States efforts to promote freedom throughout the world. Twenty African counties are now members of the Community of Democracies. Africa supplies over 30 percent of U.N. peacekeeping forces worldwide. Resolution of conflicts in Africa sends a positive message to other conflict-prone areas of the world. Most notably, the achievement of peace in Sudan will send a very positive message to the people of the Middle East that even the most intractable conflicts can be resolved. Finally, Africa is an increasingly important producer of petroleum, with exports growing to the United States, Europe, and other areas.

The United States is collaborating at an unprecedented level with the European Union and its member states, other countries such as Japan, Australia, and Canada, the United Nations, and international institutions to work with African countries and regional organizations. This multilateral approach maximizes the impact of our assistance and influence. The African Continent is increasingly hearing a concerted message from the international community on the core issues of democracy, economic development, HIV/AIDS, counterterrorism, and conflict mitigation. Africa remains a major focus of the G-8 process, particularly with respect to efforts to combat corruption, to train African countries for peacekeeping, and to promote economic development.

Unfortunately, there remain African governments that are unable to govern effectively parts of their countries outside the capital area. As has been demonstrated in other parts of the world, failed, failing, and fragile states breed the conditions where terrorists recruit and take haven. They also afford bases for terrorist networks to attack the interests of the United States and its allies. Porous borders and weak governments in Africa are conducive to drug trafficking, arms smuggling, corruption, human rights abuses, and conflicts. Deadly diseases and environmental problems in African States have effects far beyond their borders.

Our engagement in Africa is, therefore, inextricably tied to strengthening United States security. We count many sub-Saharan African countries as our allies in the Global War on Terrorism. They are eager for U.S. counterterrorism programs and training. These partner governments are willing to apprehend terrorist suspects and host forward operating sites for U.S. and coalition forces. Our FY06 request addresses threats to the United States via counterterrorism programs, as well as addressing our partners' economic, social, and security needs.

American leadership will remain crucial to Africa's stability and progress. Three examples stand out. Nowhere is this more evident than in Sudan. The United States played a leading role to support the mediation by the Inter-governmental Authority on Development (IGAD) of the comprehensive peace accord in Sudan. We will remain at the forefront of international efforts to support implementation of the North/South peace accord. This comprehensive peace accord provides a solid basis for resolving the crisis in Darfur. The African Union has made substantial progress in constraining violence through the deployment of observers and protection forces. A United States-drafted U.N. Security Council resolution will be considered soon that calls on the U.N. Secretary General to develop a plan for the eventual rehatting of the African Union mission into a U.N. peacekeeping operation. The total appropriated for Sudan-Darfur through FY05 is $753 million; the United States has already provided $545 million in humanitarian relief in Darfur and Chad from the FY04 and FY05 regular budgets, and will continue to provide urgent humanitarian assistance as long as is necessary. We have intensified efforts to bring about an end to violence and atrocities, and a political settlement, and have made clear to all parties that we will not normalize relations with Sudan until the Darfur crisis is resolved. In addition to the fiscal year 2006 request, we have requested $242 million in the fiscal year 2005 supplemental for Darfur, and $100 million in the fiscal year 2005 supplemental to support implementation of the North/South accord, and development and reconstruction in southern Sudan.

In Liberia our sustained involvement has been critical to ending armed conflict and assisting preparations for elections. Congress' appropriations in FY04 and FY05, the activities of the U.N. Peacekeeping Mission in Liberia (UNMIL), strongly supported by the United States, the hands-on involvement of our Embassy in Monrovia, and daily attention here in Washington have all played a role in Liberia's reconstruction. We are coordinating closely with other donor nations and the World Bank, especially in the crucial area of security sector reform, which will be funded in part by PKO funds. However, our work here is not done. One of the key lessons we have learned over the years in West Africa is that we must not pull back from these challenges too soon. The problems in Sierra Leone, Liberia, and Cote d'Ivoire are all linked. We will do this in close consultation with ECOWAS, which played

a vital role in helping stabilize Liberia. We must, therefore, continue to ensure Liberia's peace and successful development, so that democratic national elections can finally be held for the people of Liberia.

The United States will also remain strongly engaged to support the completion of the peace process in the Great Lakes region. The United States has taken the lead to foster a tripartite mechanism among the Democratic Republic of the Congo, Rwanda, and Uganda to ease tensions and to build confidence among the three to move forward. We are working closely with the European Union, the United Nations, and the Africa Union in these efforts, particularly to end the violence in eastern Congo. At the same time we are heartened by developments in Burundi, where on February 28 voters went to the polls in a referendum on the country's new constitution. This is a key step in the country's transition to democracy after a decade of civil war.

We will remain focused on other areas where conflict and tension threaten regional stability. We continue to follow closely the developments in Somalia, and have supported the IGAD-sponsored reconciliation process. While serious challenges lie ahead, we will work with the international community to foster the development of a stable Somalia at peace with its neighbors.

We remain engaged with the problem of the border dispute between Ethiopia and Eritrea, which constantly threatens to disrupt regional stability and holds back the economic progress of both countries. High-level interagency delegations have visited both countries in recent months, encouraging both sides to meet their obligations under the Algiers Agreement. The United States also supports the U.N.'s efforts to resolve this dispute and avert further hostilities.

For FY06 we have requested $152 million in Economic Support Funds, $138 million of which will be targeted on 12 key focus countries. These include five key partner countries—Nigeria, South Africa, Ethiopia, Kenya, and Djibouti. Their size, the size of their economies, the strength of their militaries, their cooperation on counterterrorism and/or their key roles in regional stability warrant our investment in their development as prosperous democracies.

Six of the focus countries (Angola, Burundi, the Democratic Republic of the Congo, Sierra Leone, Liberia, and Sudan) are emerging from, have recently emerged from, or still are enduring long periods of conflict and instability. Our assistance will support efforts to resolve these conflicts and help people reintegrate into society. Of the $138 million for the focus counties, $75 million is for Liberia, and $20 million is for Sudan.

In Zimbabwe, we will channel funds to organizations working to restore democracy and good governance. We remain gravely concerned by the situation in Zimbabwe. Its once-thriving economy has shrunk by 40 percent over the past 5 years; inflation and unemployment have soared; the once strong Zimbabwe dollar is now trading informally at over 10,000 to one United States dollar; and new investment has disappeared. Parliamentary elections at the end of this month provide an opportunity to the Zimbabwe Government to demonstrate that it wants to return to the path of free market democracy. The Southern Africa Development Community (SADC) is insisting that Zimbabwe adhere to SADC electoral principles to provide for fair elections. We are urging Zimbabwe to take specific steps to end violence, allow freedom of assembly, allow a free press, and invite international election observers, among others.

Nine million seven hundred thousand dollars in fiscal year 2006 ESF has been requested for the Africa Regional Fund, which will be used, among other purposes, to support good governance, encourage trade and investment, assist judicial reform, bolster civil society, strengthen borders, fight money laundering, and help preserve Africa's ecosystems and natural resources. This fund is essential to provide the flexibility to target problems as they arise. For example, some of this year's Regional Fund will help support elections in Togo. If the Regional fund were not available, we would not be in a position to quickly advance U.S. interests in such late-breaking situations. We, of course, notify Congress in a timely manner regarding the use of these funds.

The Bureau has requested $1 million in ESF to strengthen regional and subregional organizations such as the AU and ECOWAS by bolstering their institutional capacities, and their ability to reach and implement regional solutions. Also, through the Global Peace Operations Initiative (GPOI), the Department will provide significant support to African Union and ECOWAS peace and security structures. In addition to Darfur, the AU's Peace and Security Council has recently pressured Togo to restore its constitutional order, and supported South African President Thabo Mbeki's mediation in Cote d'Ivoire. The AU's reach across the continent, including northern Africa, makes it an especially important partner. Three million

dollars is requested for the Safe Skies for Africa program, both to combat terrorism and promote economic development by improving aviation safety and security.

Assisting African States to fight terrorism is one of our most important priorities. Both Development Assistance (DA) and ESF funds will be utilized to improve the long-term economic prospects of Africa's people, while furthering United States gaols and interests. Along with Public Diplomacy (PD) funds, these programs promote goodwill toward the United States. The history of terrorist attacks in East Africa, the problems in Somalia and Africa's growing Muslim population all make Africa an important venue in the Global War on Terrorism. Significant proportions of FMF funding will assist counterterrorism efforts by strengthening border and coastal security in key partner states. For example, a large part of our requested FMF will be allocated for follow-on support to the $100 million East Africa Counter-Terrorism Initiative (EACTI). In addition, we will sustain efforts to help stabilize the pan-Sahel region of West Africa through Africa Coastal/Border Security Program FMF funds.

Economic progress and prosperity are essential to Africa's future, and thus a paramount United States goal. We continue to encourage economic reforms and the development of functioning capital markets. American trade and commerce with Africa continues to grow. Our efforts are directed toward a trade and development-based approach that encourages the growth of Africa's private sector. We will continue to reinforce policies of African governments that promote economic liberalization and successful private sector development.

Over the past 4 years, the African Growth and Opportunity Act (AGOA) has created over 190,000 jobs. Two-way total trade (exports plus imports) between the United States and sub-Saharan Africa increased 37 percent to just over $44 billion in 2004. AGOA encourages high standards for market-based economies, progress on governance and human rights issues, broader economic reforms and building goodwill toward the United States. Thirty-seven countries in sub-Saharan Africa are now eligible for AGOA. We expect more to meet the criteria during 2005 and 2006.

In addition to the progress generated by AGOA, we can also point to other signs of positive economic activity in Africa. For example, foreign direct investment in Africa (including north Africa) increased by 28 percent in 2003. United States investment in sub-Saharan Africa alone increased by 37.2 percent in 2003. Average real GDP grown in sub-Saharan Africa reached a record level of 4.5 percent in 2004. Despite these encouraging statistics, however, sub-Saharan Africa still has not made sufficient progress toward reaching its full economic potential.

The Millennium Challenge Account (MCA) holds enormous promise for growing Africa's economies. The MCA funds only countries that have demonstrated a commitment to democracy and good governance, investing in people and economic freedom. The worldwide FY06 MCA request is $3 billion. Half of MCA eligible countries for both fiscal year 2004 and fiscal year 2005 are in African countries.

We will continue to support the AU's New Partnership for Africa's Development (NEPAD), as an important initiative to provide a road map to development through good political and corporate governance, sound economic practices, and peer review.

One very positive development that we will reinforce in FY06 is the willingness of African militaries to be trained for, and participate in, peacekeeping operations. Training of these forces continues under the African Contingency Operations Training and Assistance (ACOTA) Program, which will be incorporated into the Global Peacekeeping Operations Initiative (GPOI), starting in fiscal year 2005. The fiscal year 2006 worldwide request for GPOI is $114 million. We have also requested $11 million in IMET funding for sub-Saharan Africa, which is largely aimed at fostering respect for human rights, democratic governance, and civilian control of the military. This is in addition to $41.4 million in PKO funds for regional peacekeeping.

Many of the troops now involved in peacekeeping operations in Africa were trained under ACOTA and/or include personnel who received IMET training. ECOWAS troops were essential in bringing order to Sierra Leone, Liberia, and Cote d'Ivoire. The key partner states of Nigeria and Ethiopia have taken an important lead in peacekeeping matters, and are currently the second and fifth largest troop contributors respectively to U.N. peacekeeping operations around the world.

In Central Africa, the AU mission to Burundi made excellent progress before its transition to a U.N. force, and peace has returned to this once war-torn country. Other recent successes in Africa include the long periods of post-conflict stability, including elections, in countries such as Mozambique and Namibia. We've been able to reopen our Embassy in the Central African Republic and are encouraging a return to democracy in that country.

Progress on so many fronts—economic, governance, professionalization of the military, health, education—is threatened by the continuing plagues of HIV/AIDS, malaria, and tuberculosis. Over half the people infected with HIV in the world live in

Africa. Africa's most important resource is its people, yet trained professionals and key workers die of this disease every day. Twelve of the fifteen focus countries for the President's Emergency Plan for AIDS Relief (the Emergency Plan) are in Africa. The principal source of funding for the Emergency Plan is the Global HIV/AIDS Initiative (GHAI). At least $1.2 billion from this account is designated for programs in Africa.

On a related issue, the important Child Survival and Health (CSH) request for sub-Saharan Africa for FY06 is $326 million; that for Development Assistance is $428.5 million and for Transition Initiatives is $95 million. The President's budget contains DA/CSH requests aimed at improving health systems, building human capacity in the health field, working to prevent the spread of disease, enhancing food security, increasing access to education and promoting conservation of natural resources. The DA/CSH program provides support for the Initiative to End Hunger in Africa (IEHA), Trade for African Development and Enterprise (TRADE), the Congo Basin Forest Partnership (CBFP), and the President's Africa Education Initiative.

In closing, Mr. Chairman, I want to emphasize the importance we attach to strong public diplomacy efforts to strengthen ties between the people of Africa and the American people. Our request for public diplomacy programs in Africa (not including exchange programs) in FY06 is $40 million. In addition to this, the President's request for the Bureau of Educational and Cultural Affairs includes an estimate of just over $49 million for exchanges and cultural programs in sub-Saharan Africa for FY06. Through outreach, cultural centers, American corners, exchanges, dissemination of information using the latest technology, and other steps we are promoting understanding of and support for our foreign policy objectives.

Our Embassies are engaging community leaders, using ESF for girls' education in marginalized areas, for example, and we are working with moderate local Muslim nongovernmental organizations through grants and other means. We are providing scholarships for the study of English, distributing information in local languages and conducting media training. We estimate that 75 percent of our current public diplomacy resources are directly engaged in reaching out to Africa's Muslim community, which makes up about 43 percent of the continent's population.

By and large, people throughout Africa have positive attitudes about the United States, and we need to build on these. Our histories and cultures are intertwined. We share fundamental values that link us together. That is why the American public supports increased aid to Africa as long as it's done with accountability for funds and transparency in expenditure.

Mr. Chairman, I appreciate your and this committee's continuing interest in Africa. I look forward to discussing our budget request and other issues of concern relating to Africa with you and members of the committee.

Senator MARTINEZ. Thank you, sir, very much.

And now, Mr. Pierson, we'd be pleased to hear from you.

STATEMENT OF HON. LLOYD O. PIERSON, ASSISTANT ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. PIERSON. Thank you very much, Mr. Chairman. I am honored today to be before this committee and also to be here with my colleague from the Department of State, Ambassador Ranneberger.

I have a brief opening statement that I would like to make, but do request that a longer written statement that has been submitted be included in the record.

Senator MARTINEZ. Without objection, it will be made part of the record.

Mr. PIERSON. Mr. Chairman and members of this committee, I am pleased to appear before you today as the U.S. Agency for International Development's Assistant Administrator for Africa to discuss the opportunities and challenges for sustainable development in sub-Sahara Africa and how the President's proposed budget for assistance to the region in fiscal year 2006 will enable us to address these opportunities and challenges.

I would particularly like to highlight, at the outset, a few key priorities that USAID has considered in developing in its FY06 program for Africa.

In fiscal year 2006, USAID is proposing to shift $275 million of development assistance funding for four fragile states to the more flexible transition initiatives account to permit focus on the source of fragility and faster, shorter term, high-impact visible response. Four countries—Afghanistan, Sudan, Haiti, and Ethiopia—were chosen because they are the largest fragile states, in budgetary terms, which would most diminish flexible resources available if left in the development assistance account.

The Agency has made efforts to prioritize our use of resources that better assures results by emphasizing support for countries that demonstrate a commitment to sound development principles and democracy.

The future for sub-Sahara Africa continues to look brighter. The resolution and recovery from several violent conflicts which inhibited economic and social development is particularly encouraging. The peace in Liberia is holding. A comprehensive peace agreement ending the conflict in Southern Sudan was signed in January of this year. And Sierra Leone and Angola continue their transitions to peace and stability after years of protracted conflict.

Unfortunately, the crisis remains unsettled in Darfur. Instability persists in Cote d'Ivoire, and conflict still plagues the Great Lakes Region.

Encouragingly, African institutions are beginning to demonstrate increased capacity to deal with conflict and instability and to adopt more realistic policies to address poverty and economic growth. Interventions of the economic community of West African States in Liberia, and its most recent efforts to avert a crisis in Togo, and the deployment of African Union forces in Darfur are cases in point.

Measurable progress is now being made in increasing the availability of the specific treatment, care, and prevention services required to address one of the continent's most overwhelming crises; the spread of HIV/AIDS.

Despite these positive trends, sub-Sahara Africa continues to face enormous development challenges. It remains the world's poorest region, with half of its 700 million people living on less than $1 per day. Income and gender inequality are also widespread. While many countries have taken positive steps to improve democratic governance and governmental accountability, ongoing instability in countries such as Zimbabwe, Sudan, and the Democratic Republic of the Congo, act as a deterrent to increased domestic and international involvement.

Rapid urbanization poses new and different challenges as cities, which will harbor more than half of Africa's population in just over a decade, struggle to provide sufficient jobs and services, particularly for the young, who can become quickly disillusioned and easy targets for extremist propaganda, criminal gangs, or armed militias. Meeting these challenges will require an extraordinary and sustained effort on the part of African governments, the private sector, civil society, and the international community.

In fiscal year 2006, USAID's Africa Bureau proposes to invest $849.4 million in development assistance and child survival and health, and transition initiative funding in sub-Sahara Africa as well as $151.9 million in ESF. It should be noted that this excludes all funding for HIV/AIDS in the 12 focus countries in sub-Sahara Africa covered by the President's emergency plan for AIDS relief; $459.3 million.

Support to the Sudan peace process is the single-highest priority in sub-Sahara Africa. And USAID's Africa Bureau is requesting a total of $89 million in transition initiatives and child-survival-and-health account funding for Sudan in fiscal year 2006.

The support of Ethiopia's efforts to address issues of chronic food insecurity and poverty is also one of USAID's highest priorities in Africa.

The centerpieces of USAID's 2006 program will continue to be the four Presidential initiatives launched in fiscal year 2002, the Initiative to End Hunger in Africa, the Trade for African Development and Enterprise Initiative, the Congo Basin Forest Partnership, and the African Education Initiative.

Other key elements in the program include the continuation of the African Anti-Corruption Initiative, the Conflict and Peace Building Initiative, and the Leland Initiative to Increase Access to Information Technology.

Mr. Chairman, I appreciate this committee's continuing interest in Africa. I would be pleased to discuss our budget request and our proposed program and other issues of concern in Africa with you and members of this committee at this time.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Pierson follows:]

PREPARED STATEMENT OF HON. LLOYD PIERSON, ASSISTANT ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. Chairman and members of the committee, I am pleased to appear before you today as the U.S. Agency for International Development's (USAID) Assistant Administrator for Africa to discuss the opportunities and challenges for sustainable development in sub-Saharan Africa and how the President's proposed budget for assistance to the region in FY06 will enable us to address these opportunities and challenges. I would particularly like to highlight, at the outset, a few key priorities that USAID has considered in developing its FY06 program for Africa.

In FY06, USAID is proposing to shift $275 million of Development Assistance (DA) funding for four fragile states to the more flexible Transition Initiatives (TI) account to permit focus on the source of fragility, and faster, shorter term, high-impact, visible response. Four countries, Afghanistan, Sudan, Haiti, and Ethiopia, were chosen because they are the largest fragile states in budgetary terms, which would most diminish flexible resources available for others if left in the Development Assistance (DA) account.

In addition, the Agency has made efforts to prioritize our use of resources that better assures results by emphasizing support for countries that demonstrate a commitment to sound development principles and democracy.

THE DEVELOPMENT CHALLENGE

The future for sub-Saharan Africa continues to look brighter as many countries in the region begin to reap the benefits of sound changes to economic policy, improved governance and investments in key social sectors undertaken during the past decade. With the rebounding of the global economy, the continued growth of responsible and representative governments, and the recovery from several lengthy conflicts, much of the continent is poised to see more robust economic growth and an improvement in living standards in the years ahead. The IMF estimates that GDP in the region grew by 4.5 percent in 2004, up significantly from 3.5 percent in 2003

and projects that growth will accelerate further in 2005. While growth will be highest in oil producing countries, it is also expected to be strong in several important nonoil producing countries.

The resolution and recovery from several violent conflicts which inhibited economic and social development is particularly encouraging. The peace in Liberia is holding, a comprehensive Peace Agreement ending the conflict in southern Sudan was signed in January of this year, and Sierra Leone and Angola continue their transitions to peace and stability after years of protracted conflict. Unfortunately, the crisis remains unsettled in Darfur, instability persists in the Cote d'Ivoire, and conflict still plagues the Great Lakes region.

Encouragingly, African institutions are beginning to demonstrate increased capacity to deal with conflict and instability and to adopt more realistic policies to address poverty and economic growth. Interventions of the Economic Community of West African States (ECOWAS) in Liberia, its most recent efforts to avert a crisis in Togo, and the deployment of African Union forces in Darfur are cases in point. The policy framework and the program of action adopted by the New Partnership for Africa's Development (NEPAD) is sending a very positive signal to the world that African leadership is increasingly ready to take primary responsibility for economic and social development and improved governance in the region. NEPAD continues to deepen its support among African Government leaders and its road map for action is gaining wider credibility. NEPAD is demonstrating through its initiation of peer reviews of political, economic, and corporate governance in four countries that Africans are indeed serious about tackling some of their most difficult development issues. Twenty-four countries have now agreed to undergo the process. The United States continues to affirm its endorsement of NEPAD.

Measurable progress is now being made in increasing the availability of the specific treatment, care, and prevention services required to address one of the continent's most overwhelming crises, the spread of HIV/AIDS. Fiscal year 2004 was the first year of implementation of the President's Emergency Plan for AIDS Relief, which proposes $15 billion over a 5-year period for the treatment, care, and prevention of HIV worldwide. Of this, a total of $10 billion is designated to scale up HIV/AIDS programs and services in 15 focus countries, 12 of which are in Africa. The extraordinary response by the international community combined with the wider availability of treatment, prevention, and care offers new hope that the advance of the pandemic can be contained with sustained support.

Despite these positive trends, sub-Saharan Africa continues to face enormous development challenges. It remains the world's poorest region, with half of its 700 million people living on less than $1 per day. Income and gender inequality are also widespread. As mid-decade approaches, it is becoming increasingly evident that the region will fall seriously short of meeting many of the Development Goals of the Millennium Declaration (DGMD). In order to meet the goal of halving poverty by 2015, overall GDP growth must increase substantially from today's levels to between 6 and 7 percent per annum. While many countries have taken positive steps to improve democratic governance and governmental accountability, on-going instability in countries such as Zimbabwe, Sudan, and the Democratic Republic of the Congo act as a deterrent to increased domestic and international investment. Food security remains elusive in many parts of the continent, particularly in the Horn of Africa, with children being particularly vulnerable. It is projected that by 2015, two-thirds of the world's hungry will be in Africa, and it is the only continent where the trends are actually getting worse. Africa still lags far behind other developing regions in educational attainment, particularly in rural areas and for girls, and despite the rapid growth of information and telecommunications technology, the digital divide between Africa and the rest of the world continues to widen.

Rapid urbanization poses new and different challenges as cities struggle to provide sufficient jobs and services, particularly for the young, who can become quickly disillusioned and easy targets for extremist propaganda, criminal gangs, or armed militias. While some health indicators have improved, the HIV/AIDS pandemic has overwhelmed health systems and further impoverished families in many countries, particularly in eastern and southern Africa. Dramatically reduced life expectancies and a shrinking labor pool due to HIV/AIDS will slow economic growth in the region by as much as 1.5 percent a year. Lingering conflicts, both large and localized, continue to exact a huge toll on efforts to bring stability and improve livelihoods. The presence of 4–5 million refugees and 12–13 million internally displaced persons in the region complicates the challenge.

Meeting these challenges will require an extraordinary and sustained effort on the part of African governments, the private sector, civil society, and the international community. Through the fiscal year 2006 foreign affairs budget, the President has pledged to continue and augment, where possible, U.S. programs to address some

of the most critical problems facing the continent. USAID will focus its efforts on supporting economic growth and agriculture, improving governance, mitigating conflict, improving education (particularly basic education for girls), preserving the diversity of the continent's resources, and fighting disease.

USAID's programs will be bolstered by the significant additional resources to be provided through the Millennium Challenge Account, which will be channeled to countries that govern justly, invest in their people, and practice economic freedom. Eight sub-Saharan African countries, out of 16 total worldwide, have been deemed eligible for MCA assistance and an additional seven sub-Saharan African countries are close to the threshold of eligibility. We view these combined efforts as an extremely worthwhile investment in Africa's future. They equally serve our own interests as stability in the region is important to U.S. security concerns. Sub-Saharan Africa is also a source of natural resources of growing importance to the United States and represents an expanding market for American goods and services.

THE USAID RESPONSE

The proposed fiscal year 2006 USAID program for sub-Saharan Africa will support a broad range of activities which address the most pressing development challenges of the region. USAID programs in Africa will also contribute directly to the priorities outlined in the joint State/USAID Strategic Plan for 2004–2009, particularly those which advance sustainable development and global interests, including regional stability and counterterrorism. Critical to the success of these efforts is full support for USAID's Operating Expense request. The Agency's ability to manage its portfolio and develop a workforce with the depth and skills to respond to the challenges of development in the 21st century is dependent on these resources.

Beginning in fiscal year 2006, USAID will move deliberately to reorient its programming in sub-Saharan Africa to reflect the principles of maximizing aid effectiveness. This shift will be formally codified through the adoption of a new USAID Strategic Framework for Africa to be completed in mid-2005. In order to maximize the impact of its resources, USAID will increasingly direct its development assistance funding toward those African countries that are performing relatively well, demonstrate need, and exhibit commitment to the principles of sound governance, investing in their people and economic freedom. Experience has shown that it is in these countries that foreign assistance has been most effective.

At the same time, USAID recognizes the significant number of fragile states in sub-Saharan Africa and the destabilizing influence that these countries have on economic and social development of their subregions. USAID will target its resources in these countries specifically to address the root causes of fragility and potential conflict. In fiscal year 2006, USAID also proposes to expand the use of the "Transition Initiatives" (TI) funding account to program its resources for four key countries: Afghanistan, Haiti, Ethiopia, and Sudan. The Transition Initiatives account will provide support to countries that are confronting crisis or are in transition from crisis toward more steady "transformational" economic and social development. The use of the Transition Initiatives account for the high profile programs in Ethiopia and Sudan will provide a mechanism that retains the responsiveness and flexibility of humanitarian aid, but with a focus on addressing the causes of crisis, advancing democratic governance, and managing conflict within highly charged and fluid environments. This required flexibility is not readily available within the traditional development assistance account which is used to fund long-term initiatives appropriate for transformational development. Using Transition Initiatives account funds in Sudan and Ethiopia will better enable the USAID Missions in these countries to direct their programs at the sources of instability and weakness and to redirect funds if necessary to maximize impact.

In fiscal year 2006, USAID's Africa Bureau proposes to invest $849.4 million in Development Assistance (DA), Child Survival and Health (CSH) and Transition Initiative (TI) funding in sub-Saharan Africa. Of this, 50.4 percent will be directed toward transformational development, strengthening fragile states and addressing global issues and special concerns, such as climate change, through the development assistance (DA) account; 11.2 percent for assistance in stability, reform, and recovery to Ethiopia and Sudan through the Transition Initiatives (TI) account; and 38.4 percent for child survival and health, infectious disease reduction and family planning programs through the Child Survival and Health (CSH) account. It should be noted that this excludes all funding for HIV/AIDS in the 12 "focus" countries in sub-Saharan Africa covered by the President's Emergency Plan for AIDS Relief (PEPFAR), which is budgeted directly through the Office of the U.S. Global AIDS Coordinator in the Department of State.

Support to the Sudan peace process is the single highest priority in sub-Saharan Africa and USAID's Africa Bureau is requesting a total of $89 million in Transition Initiatives and Child Survival and Health (CSH) account funding for Sudan in fiscal year 2006. USAID's goal in Sudan is to establish a foundation for a just and durable peace with broad-based participation of the Sudanese people. Transition Initiatives funding will help to lay the groundwork for long-term recovery and to help the country move from crisis toward economic and political stability. Key programs will strengthen institutions of democratic governance and political parties, improve the justice sector, strengthen civil society, improve the access to quality education in the south, and create and strengthen market support infrastructure and institutions.

The support of Ethiopia's efforts to address issues of chronic food insecurity and poverty is also one of USAID's highest priorities in Africa. USAID is implementing a strategy to manage a transition from an emergency-dominated program to one which proactively builds capacity to prevent famine and also promotes economic growth, especially in the agricultural sector. The goal of the strategy is to promote increased capacity of the government, the private sector, nongovernmental organizations, communities, and households to generate economic growth and to build a foundation for permanently reducing famine vulnerability, hunger, and poverty.

The centerpieces of USAID's fiscal year 2006 program will continue to be the four Presidential Initiatives, launched in fiscal year 2002, the Initiative to End Hunger in Africa (IEHA), the Trade for African Development and Enterprise (TRADE) Initiative, the Congo Basin Forest Partnership (CBFP), and the Africa Education Initiative (AEI). Other key elements of the program include the continuation of the African Anti-Corruption Initiative, the Conflict and Peacebuilding Initiative and the Leland Initiative to increase access to information technology.

Agriculture and the Environment

Agriculture remains the mainstay of most sub-Saharan African economies. It serves as the primary source of livelihood for 65 percent of its people, represents 30 to 40 percent of GDP and accounts for almost 60 percent of export income. Improved performance of the agricultural sector is, therefore, critical to efforts to achieve food security and reduce poverty. The major constraints to increasing agricultural productivity include low usage of improved technologies, limited access to credit, low levels of public investment, inefficient land use and environmental degradation, market distortions that discourage production, poor rural infrastructure and the debilitating effects of the HIV/AIDS pandemic. Now in its second full year of implementation, USAID's flagship program in the agriculture sector, the Presidential Initiative to End Hunger in Africa (IEHA), is helping agriculture generate more income and employment, unleashing the power of new technologies, promoting policy and program changes to liberalize trade and improve the efficiency of markets and developing human capital, infrastructure and institutions. IEHA is also assisting NEPAD efforts to launch the G–8 supported Comprehensive African Agricultural Development Plan (CAADP). In fiscal year 2006, USAID proposes to invest $47.1 million through the Initiative to End Hunger in Africa.

Africa is a continent of great natural riches, unmatched biodiversity, and vast unspoiled landscapes. Prudent management and protection of these assets can contribute to sustainable economic growth as well as to worldwide efforts to improve the global environment and maintain biodiversity. Yet the region's environment is under serious threat. Sub-Saharan Africa contains 45 percent of global biodiversity yet has the highest rate of deforestation in the world. Serious efforts must be taken immediately to preserve, protect and improve Africa's environmental patrimony. USAID's environmental programs, which focus on linking better management of natural resources with improved livelihoods and strengthened environmental governance, are now demonstrating very positive results in over a dozen countries. The Central Africa Regional Program for the Environment (CARPE), a 20-year effort begun in 1995, is USAID's premier environmental program in Africa and serves as the Agency's primary vehicle for the U.S. contribution to the Congo Basin Forest Partnership (CBFP) Presidential Initiative, launched in 2002. The Congo Basin Forest Partnership, an association of 29 governmental, nongovernmental, and private sector organizations, addresses two of the world's most significant global issues, global climate change and the loss of biodiversity in the world's second largest tropical forest. In fiscal year 2006, USAID proposes to invest $15 million through CARPE in support of the CBFP activities.

Trade

The globalization of the world economy offers Africa genuine opportunities to increase trade and attract foreign investment. Yet Africa remains at the margins of the world economy, accounting for just 1.4 percent of world exports in 2002, down

from 3.5 percent in 1970. The region has enormous potential to become a much more significant player in international trade. However, to realize this potential Africa must continue to liberalize economic policies and implement institutional reforms required of the changing economic environment. The United States has continued to demonstrate worldwide leadership in expanding trade with Africa through the African Growth and Opportunity (AGOA) Acceleration Act of 2004. AGOA is yielding ever more encouraging results with total two-way United States trade with sub-Saharan Africa rising 37 percent in calendar year 2004, to $44.4 billion. AGOA imports totaled $26.6 billion in 2004, an 88-percent increase over 2003. While petroleum continues to constitute the bulk of AGOA imports, it is worth noting that non-petroleum AGOA imports—including apparel and agricultural products—are also on the rise, totaling $3.5 billion in 2004, up 22 percent over 2003. To support the AGOA process as well as to promote business linkages between the United States and Africa and to enhance the competitiveness of African products and services, USAID will continue to work with the United States Trade Representative and other United States Government agencies to design and implement trade capacity building activities, in recognition of the importance of such assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade. USAID plays a critical role in providing trade capacity building assistance in Africa, which has mainly been implemented through the Presidential Trade for African Development and Enterprise (TRADE) Initiative. Through this initiative three regional "Hubs for Global Competitiveness" in southern, eastern, and West Africa, are improving public services that support trade (such as customs procedures), building African capacity for trade policy formulation, and strengthening the enabling environment for African businesses. USAID will continue its trade capacity building activities in support of the United States-Southern African Customs Union (SACU) free trade agreement negotiations. In addition, the Agency is working to support the WTO negotiations by focusing on the development obstacles facing the cotton industry in West Africa. In fiscal year 2006, USAID proposes to provide $15 million of its development resources in the TRADE Initiative. Overall, USAID proposes to invest $311 million, or 36.7 percent of its development resources, for programs in economic growth, agriculture, and the environment in fiscal year 2006.

Education

Advances in education are critical to Africa's economic, social, and political development. Although literacy rates have risen from 50 percent in 1990 to 62.4 percent in 2003, Africa continues to lag behind much of the world in educational attainment. While access to formal education has improved, 39 percent of boys and 43 percent of girls are still not enrolled in primary school. Drop out rates remain high, with just 20 percent of all children completing primary school. Educational quality is also poor with large class sizes, significant numbers of poorly qualified teachers, and severe shortages of textbooks and teaching aids. HIV/AIDS continues to decimate the ranks of qualified teachers. Systemic education reform is critical if Africa's children are to compete successfully in today's world. USAID programs focus on educational policy and systems development, decentralized decisionmaking, and greater parental and community involvement. An emphasis on basic education, particularly for girls, has proven to yield high returns. USAID's flagship program in education is the $200 million President's Africa Education Initiative (AEI), launched in 2002. USAID proposes to invest $121 million, or about 14.3 percent of its program resources, in education programs in Africa in fiscal year 2006, of which $55 million will support the Education Initiative. The Education Initiative is on track to provide 250,000 scholarships for girls, 4.5 million much-needed textbooks, and training for 420,000 teachers over a 5-year period.

Health, Population, and HIV/AIDS

Improved health is both an important development goal in and of itself, as well as a major factor in reducing poverty and accelerating economic growth. Health conditions in sub-Saharan Africa remain the poorest in the world, with gains in access to care and wider availability of treatment often undermined by persistent poverty, conflict, poor governance, and the continued spread of HIV/AIDS and other infectious diseases such as tuberculosis (TB), malaria, polio, meningitis, and cholera. Life expectancy has continued to decline, to less than 50 in those countries most severely impacted by HIV/AIDS. Malaria claims over 2.3 million African lives a year, mostly of young children. In 2003, polio, which had almost been eliminated worldwide, spread from two endemic countries, Nigeria and Niger, to 10 other countries. Sub-Saharan Africa also has the highest maternal and neonatal mortality rates in the world.

USAID Missions throughout the region are implementing broad-based programs to increase the availability, effectiveness, and access to quality health care. Successful efforts to create alternative community-based health care financing schemes in Senegal, Rwanda, and Zambia offer promise to hundreds of thousands of households and provide successful models for replication. Immunization campaigns have reduced disease rates, and expanded use of bed nets has begun to significantly reduce the incidence of malaria in target areas. Several countries, including Eritrea, Malawi, and Guinea, have realized important reductions of 19 percent to 32 percent in child mortality rates. USAID proposes to invest $142.7 million, or 16.8 percent of its program resources, for child, maternal, or reproductive health, and the reduction of disease.

With a growth rate of 2.4 percent a year, the highest in the world, Africa's population of 700 million will swell to over 1 billion by 2025, despite the impact of HIV/AIDS. This will place natural resources, public services, and the social fabric under enormous strain and impact economic growth. Though the majority of women indicate the desire for fewer children, contraceptive prevalence rates remain under 20 percent in all but five countries and above 50 percent only in Zimbabwe and South Africa. Dramatic increases in contraceptive prevalence rates in Botswana and Malawi over the past 15 years, however, offer proof that reproductive health programs, such as those supported by USAID, can indeed promote behavioral change. In fiscal year 2006, USAID proposes to program $101 million to continue its efforts to support a range of family planning programs, including public education, advocacy, and outreach through traditional and community structures, community-based distribution of contraceptives, and encouragement of child spacing programs.

Fighting HIV/AIDS is the number one health priority in sub-Saharan Africa. The pandemic continues to ravage the continent, although there are hopeful signs that prevention and treatment measures are beginning to slow its spread. Prevalence rates remain high in all of southern Africa, reaching 25 percent in Zimbabwe and almost 40 percent in Swaziland and Botswana. Of the estimated 34–46 million people infected by HIV worldwide, 25–28 million reside in sub-Saharan Africa. Over 80 percent are in their productive years and two-thirds are female. The number of AIDS orphans is expected to rise from 11 million to 20 million by 2010. However, the experience of Uganda, where infection rates have decreased by 50 percent from 1997–2001, and promising results in Zambia and elsewhere, demonstrate that strong leadership and an integrated approach to prevention, care, and treatment can be effective in stabilizing and/or reducing prevalence rates. The President's Emergency Plan is offering a new future to people who are infected with the virus through rapid expansion of prevention, care, and treatment programs of all participating U.S. Government agencies. In coordination with the U.S. Global AIDS Coordinator, USAID proposes to invest $82.2 million of its FY 2006 Child Survival and Health funding in the fight against AIDS in the "nonfocus" countries in Africa and will coordinate closely with the other U.S. Government Agencies administering other components of the Emergency Plan.

Democracy, Governance and Conflict Mitigation

Transparency in government, observance of the rule of law, respect for human rights, and inclusive political processes are essential ingredients for the continued economic and social development of sub-Saharan Africa. Good governance, coupled with improved economic and social well-being, also diminishes the appeal of extremist ideologies and terrorist agendas. USAID democracy and governance programs throughout the continent promote representative political processes and institutions, the growth of a vibrant civil society, building the capacity of local governments to deliver essential services, and respect for the rule of law and human rights. USAID is also addressing the insidious issue of corruption in the region through its Africa Bureau Anti-Corruption Initiative, launched in 2003. In fiscal year 2006, USAID proposes to invest $7.5 million in this initiative, which promotes public access to information, citizen awareness and advocacy, transparency and accountability of government functions and procedures, support for public oversight institutions, and public-private dialog.

The United States has played a seminal role in successful international efforts to bring an end to several of the violent conflicts that have plagued sub-Saharan Africa. In January 2005 the Government of Sudan and the Sudan People's Liberation Movement signed a comprehensive peace agreement after more than 2 years of negotiations. The agreement ends the world's longest running civil war, and provides for fundamental changes in governance through power sharing, wealth sharing, security arrangements, and a formal ceasefire. Across the border, there have been signs of progress in addressing the 18-year-old conflict in northern Uganda. In addition, the Intergovernmental Authority on Development (IGAD) has achieved several

major breakthroughs in efforts to restore peace to Somalia. Liberia remains on the road to recovery after two decades of instability and civil war. In mid-2004, the Congolese Assembly for Democracy was persuaded to remain engaged with the Transition Government. In Burundi, the Parliament agreed to extend the transition until April 2005 when elections are scheduled. Through the Conflict and Peace Building Fund, the USAID Africa Bureau is implementing conflict response programs that aim to avert imminent violence, mitigate ongoing violence, or address its immediate aftermath. The Fund also supports conflict management programs that address the causes and consequences of conflict such as youth unemployment, ethnically based economic competition, and inequitable control over natural resources. USAID proposes to augment its investment in the Africa Conflict and Peace Building Fund by $20 million in fiscal year 2006. Overall, in fiscal year 2006, USAID proposes to invest $91.2 million, or 10.7 percent of its resources, in efforts to strengthen democracy and governance and mitigate conflict in Africa.

Aid Effectiveness and Partnership

While the United States is the largest bilateral donor in sub-Saharan Africa, we must actively collaborate with our development partners in the donor community and with our African counterparts in order to achieve our common goal of a better life for all Africans. The United States supports ongoing efforts to harmonize our assistance flows with those of other bilateral and multilateral donors around sound African country-led development strategies. Experience has demonstrated time and again that without buy-in to donor programs from country and African regional partners, assistance funds will have little lasting impact.

In conclusion, USAID is proposing a well-balanced program to address the major development challenges of the sub-Saharan Africa. The additional flexibility to be provided through the expanded Transition Initiatives account will assist us in implementing our important programs in Sudan and Ethiopia.

Mr. Chairman, I appreciate this committee's continuing interest in Africa. I would be pleased to discuss our budget request and our proposed program and other issues of concern in Africa with you and members of the committee at this time.

Senator MARTINEZ. Thank you very much.

We've been called for a vote. What I want to do is deal with some of the questions that are before us and allow my distinguished colleague, that has joined us, from Illinois—and then—to also ask.

So I'll ask a couple of questions, defer to Senator Obama, and then come back to questions, further, until we have to depart for our vote.

The Millennium Challenge Account—you know, one of the things that I pointed out in my opening remarks is the poor development record, in spite of significant aid, over years—the Millennium Challenge Account is a new approach to development assistance. And I wanted to ask—eight of the countries eligible for this aid are in the sub-Sahara, and my question to you is: What types of projects are we funding under the Millennium Challenge Account? How is this aid reaching out to make the situation better there? How is it going to work better than prior aid efforts? Give me your take on the Millennium Challenge Account, and how it's working, and some specifics.

Mr. RANNEBERGER. Just let me say a quick word, and then let Assistant Administrator Pierson talk.

These projects, of course, Senator, are still in development. But the kinds of projects that are on the boards now and that are being drafted, for example, include an anticorruption initiative, which would pull together government and nongovernmental organizations, in a country which is plagued tremendously by corruption at this time. There's another that's, I think, an environmentally related project, conserving natural resources in conjunction with private-sector and nongovernmental groups.

So they are the kinds of projects. Of course, none have actually been signed yet. We do hope that, within the coming near future—I'd say the next couple of months—that we will start signing the first compacts with African countries.

With that, let me——

Mr. PIERSON. Mr. Chairman, we believe that the Millennium Challenge Corporation is one of the best strategic-planning exercises that we've seen, in terms of Africa. The Administrator of USAID is on the board of directors. We work very closely with the Millennium Challenge Corporation.

The type of programs in which they are involved, as I understand it, is widely varied, but they certainly look, in terms of the economic activity, the type of government programs that a given country has. Anticorruption is a major part of their programs.

The first compact country under the MCA provisions, I understand, has not been voted on, as yet, by the board, but that is progressing. There are also threshold countries in Africa in which USAID missions, USAID staff, work very closely to try to help elevate that country from the threshold status, so they can be considered under the other provisions of the MCA.

But we work very closely, as I know the Department of State does, with MCA.

Senator MARTINEZ. The other transitional—transitional initiatives account—and I was going to ask, on that, the rationale between shifting—behind shifting from development assistance account to transitional initiatives account for Ethiopia and Sudan, while, at the same time, not doing it for Liberia and Congo. And, again, what types of assistance projects fall under that category, and what are we doing there?

Mr. PIERSON. Mr. Chairman, that's a very good question. The transition initiative account is increased in fiscal year 2006 for USAID. It is an attempt on the part of the agency in terms of Ethiopia and Sudan, to prioritize, to give focus, to give added attention to those countries in which we feel the country—the particular instances in the country may vary, as they would from Ethiopia and Sudan, but it is a focus, it is a priority, to give more immediate attention to those countries that have the higher budget impact in which immediate results are more visible.

And that is not to mean that there are other countries that could not be considered. I just returned from visiting seven countries in Africa; Liberia was one of them, also in the Democratic Republic of Congo. And there certainly are other countries that could make a case. Their situations are very pressing. We want peace, democracy, and good governance in all of the countries.

But the selection in the transition account, we had worked very closely with both the Senate and the House, in terms of consultation. That account does not have earmarkings. It is an opportunity. It is a priority, a focus, to address specific needs in these larger-budgeted countries for us, as Africa Bureau.

Senator MARTINEZ. Senator Obama.

Senator OBAMA. Thank you, Mr. Chairman. You know, my suggestion would be, given the short time that we have remaining—and I don't want to give 2 minutes to responses on an entire continent—that I submit some written questions. And if the gentlemen

here would be willing to respond to them in that fashion, then I think that——

Senator MARTINEZ. That would be fine.

Senator OBAMA [continuing]. May be the best way to proceed.

Senator MARTINEZ. Very good.

We probably should then—what is our schedule, vote-wise? I think we probably have to recess at this time, go take care of our vote, and then resume after the vote. I understand it may be two votes, now, I'm told, so it may be a bit, in which case we may see you after lunch.

Thank you very much.

Mr. PIERSON. Thank you, Mr. Chairman.

Mr. RANNEBERGER. Thank you.

[Recess from 11:26 to 12:01 p.m.]

STATEMENT OF HON. RUSSELL D. FEINGOLD, U.S. SENATOR FROM WISCONSIN

Senator FEINGOLD [presiding]. Call the hearing back to order, and thank everybody for their patience.

The chairman, Chairman Martinez, was kind enough to ask me, on the floor, to continue the hearing and make my opening comments and ask a few questions. So I appreciate that very much, a good start to our relationship together, working on this subcommittee.

I want to thank Ambassador Ranneberger and Mr. Pierson for being here today, and, again, thank Chairman Martinez for taking on the challenging, but very rewarding, task of leading this Subcommittee on African Affairs.

I've been either the chair or the ranking member of this subcommittee for a decade now, and I have enjoyed some wonderful relationships with partners on the other side of the aisle on this subcommittee, from Senator Nancy Kassebaum to Senator John Ashcroft to Senator Bill Frist to Senator Lamar Alexander.

Today, for the first time, I join my new partner, Senator Martinez, on this subcommittee. And I want to state publicly and for the record, that I genuinely look forward to working with him in the cooperative spirit that has always characterized this Subcommittee on African Affairs.

There is much to discuss today. As we sit here, a crisis that both the Congress and the administration have acknowledged is a genocide raging in Darfur. Instability continues to plague parts of Africa, from the Eastern Congo to Cote d'Ivoire. The insidious influence of corruption is threatening to steal the victory that Kenyan voters won just a few years ago, when they chose democratic change for their country. The Government of Zimbabwe continues to wage a deliberate and coordinated campaign of repression targeting its own citizens. The people of Somalia still live in near anarchy. Parts of Nigeria are controlled by organized criminal syndicates that do not simply intimidate the state; in these areas the syndicates sometimes are the state. The children of Northern Uganda continue to have to flee their homes at night in fear.

But even as we focus on these urgent issues, we must also recognize that the news is certainly not all bad, and that our assistance must help contribute to the momentum behind African successes,

as well as addressing African crises. From Senegal to Botswana, governments and civil societies are making fighting HIV/AIDS a real priority. ECOWAS and the AU stood firmly on the side of democracy when Togo's longstanding President passed away, setting off a power struggle. Ironically, in Sudan, where violence in Darfur continues, the prospect of a lasting north/south peace is closer to reality than ever before.

As my colleagues in the administration know, I believe that we serve our own interest and our own best impulses when we pay close attention to the varied policy challenges we confront in Africa. It's unfortunate, however, that we are holding this hearing 1 day before marking up the foreign assistance authorizing bill. This timeframe provides little to no opportunity to take the information from this hearing and then use it to inform the committee's work.

Nevertheless, I welcome the opportunity to hear from our witnesses, and to work with them and with Chairman Martinez in the years ahead.

I have a number of questions, but I will put some of them in writing, certainly with regard to Somalia, where we haven't really had a policy. And I'm still waiting for my report on that. I've got questions relating to Uganda.

But let me turn to Darfur and the issue of famine. Jan Egeland, U.N. Under Secretary for Humanitarian Affairs, recently sounded the alarm about impending famine in Darfur, stating that some—some are predicting 3 million, some are predicting 4 million, some are predicting more than that, of people in desperate need of life-saving assistance, whose lives will be at stake as we approach the hunger gap in midyear.

As I understand it, the U.N. World Food Program reached 1.2 million needy recipients in January 2005, which was actually a decline of 3,000—300,000—from December 2004. It appears that our capacity to provide help is declining, while the magnitude of the problem is growing.

I'd ask the witnesses: Do you believe that there will be a gap between available assistance and humanitarian needs in Darfur in 2005? How big a gap? And how much of the problem is access? And how much is related to available resources?

Mr. PIERSON. Senator, at USAID we are doing everything that we possibly can to ensure that there is no gap in humanitarian assistance in the Darfur area. The FY05—the total amount, dollar amount, that we have budgeted for Sudan is $664 million, $370 million particularly for Darfur. And we are doing everything that we possibly can to ensure that emergency food aid, relief supplies, water sanitation, agriculture—anything related to the humanitarian assistance to that terrible area—that we are doing everything we can to try to make sure that humanitarian assistance is there, and on time.

There are issues. There are some constraints, certainly, that we have faced. There's also a rainy season. There's logistics issues. But, in terms of the agency, we've expanded the number of people on our disaster-assistance relief team that is there. And we would certainly not want to have, in terms of those human needs that are there, any type of gap in that assistance.

Senator FEINGOLD. Thank you, sir.

Mr. RANNEBERGER. And what I would add to that, Senator, is that we have made the access point a major issue in our discussions, of course, with the Sudanese Government. And I do think we've made some headway there. There's been good coordination with USAID, so that, as they get the food in place, the government does not pose the obstacles.

Now they are still posing some obstacles. They're slow on visa issuance. Sometimes their local people on the ground in Darfur don't get the word from Khartoum to cooperate the way they should. And, of course, the other big constraint is the violence itself, which does continue. Unfortunately, it's a little bit more sporadic now; and so, it's not always as predictable. So sometimes routes are shut down one day, and not shut down another. But it makes it hard to plan convoys and other logistical support.

And on that, I would add that the African Union is gradually expanding their role, in terms of things like patrolling humanitarian corridors.

Senator FEINGOLD. So, can we expect to see the number of people reached increase, let's say, March, April, in that timeframe?

Mr. PIERSON. Senator, I don't know that I can quantify a number on that, other than to say that the humanitarian assistance, that is desperately needed there, is the priority focus for the African Bureau. But in terms of the total number of individuals who will be reached within another month, 2 months, I don't know that, at this stage, I could quantify on that.

Senator FEINGOLD. Sir, anything to add?

Mr. RANNEBERGER. No. The only thing I'd add—I mean, is that, in addition to Jan Egeland, of course, this is a subject of—the Secretary regularly discusses these issues with Secretary General Kofi Annan, in terms of the United Nations also needing to push on this access issue. So the one point—and I think it's an important one—is, it's not just us pushing. There really is a good coordination between us, the United Nations, and the Europeans to push. But I agree with the Assistant Administrator, it really is impossible to predict where we're going to——

Senator FEINGOLD. Well, let's hope those numbers do get up there.

I strongly support the administration's request for an increase in the budget for educational and cultural exchange programs. And I am encouraged by Secretary Rice's strong statements about the importance of getting public diplomacy right and making it a priority. Often, we hear about new public-diplomacy initiatives in the Muslim world, but rarely do we hear how these initiatives will be pursued in Africa's many Muslim societies. In fact, I've been to eight different Islamic countries since January, and I have a pretty good sense of that. I was recently in Mali, actually, where I was shocked at how small the public-affairs budget was for the year.

Is it possible to break out for me how much you plan to spend on public diplomacy in sub-Saharan Africa this year and next year? And what is your strategic plan for reaching out to African Muslims?

Mr. RANNEBERGER. Perhaps I could start, and then if—first of all, we've projected $33 million in public-diplomacy funds, which come of, really, the state operating budget. But, in addition, we do

use ESF funds. Some of our ESF funds are used to support public diplomacy, as well.

But it really is a multipronged approach. And I think the good news, and the important news, in a sense, on outreach, Senator, is that it's now integrated into just about everything we do. And I think a case in point is the HIV/AIDS efforts. You wouldn't normally think HIV/AIDS in terms of outreach. But what we've done there, for example, is, we've channeled an increasing amount of funding, where possible, through moderate Muslim nongovernmental groups as a way of building those relationships. When you look at the vaccination issue in Northern Nigeria, that was ultimately resolved by working with the local Muslim authorities and nongovernmental groups. So this kind of integration into real-world, if you will, practical programs and outreach is important.

But, in addition to doing that, of course, our Ambassadors reach out to the Muslims in speeches, contacts, and more frequent visits to Muslim areas of countries. So that is a major priority.

But we've also got the full panoply of public-affairs actions. We've increased the amount of American Corners exhibits in Africa. We have developed, for example, a special program of international visitors to target more senior imams. Normally, they would be cut off by the age limit for International Visitor programs, but we're now bringing them in under a special program. In fact, I believe there was one for Mali.

So it's a very multifaceted approach, and it's a major priority for us in Africa. I mean, you have about 43 percent of the population, or, some people would say, maybe half the African population, being Muslim at this point. And, of course, education efforts, as I'm sure can be explained, factor into this, as well, in terms of what we're doing on curriculum development in all of these societies.

Senator FEINGOLD. Did you give me a figure for the public diplomacy in sub-Saharan Africa?

Mr. RANNEBERGER. Yes, sir; I said $33 million.

Senator FEINGOLD. Sub-Saharan.

Mr. RANNEBERGER. Yes, sir. As part of the State operations budget. And then in terms of the exact amount of ESF, it would be hard-pressed to tell you that, because that tends to be—you know, we tend to allocate that as the year develops, and I don't have a specific amount of ESF set aside at this point for the outreach. But some of it will go toward outreach.

Senator FEINGOLD. Do you want to comment on that?

Mr. PIERSON. Senator, I'd like to comment on three aspects of your question. One is the public diplomacy, other is education in general, and then specific Muslim education.

I've just returned from visiting seven countries in Africa. And one of the most memorable things on this trip that I've not seen before, and it's as a result, I believe, of the administrator's very strong efforts in terms of public diplomacy and branding, trying to ensure that those who receive assistance from the American people recognize that it does come from the people of this country. And for the first time—I've lived in Africa for a number of years, and I've never before seen this on—as I have on this trip—where the American people were being recognized for their assistance, either in terms of humanitarian assistance or our implementing partners. I

saw the "US AID from American people" in Liberia. Virtually every place that I went there, there would be a sign, "USAID. From the American people." I saw that in Kenya. I was in Southern Sudan, it was there.

The administrator has provided guidance, as we've relayed to all of our mission in Africa, that we need a communications person to work with the public-affairs individual at the U.S. Embassy. And that is being done.

For those of our staff who are involved in the southern region of Africa, we've recently had a conference with them, talking about communication matters, public diplomacy, in Johannesburg. And starting this weekend will be a similar conference for West Africa; it'll be held in Dakar, Senegal.

I think it is a matter of great pride. It's a matter of great pride for USAID and, I believe, for the American people who contribute the moneys that—for these programs—that, I believe for the first time we are really seeing that public diplomacy, that branding, take effect where people are really realizing that it comes from the American people. I don't have a specific dollar amount on that, but the effort is certainly there.

One of the fundamental approaches the President has, is the Initiative on Education in Africa. The budget includes $55 million in FY06 specifically for the President's Initiative on Africa. There are other education-related programs that we have. But that's a very results-oriented program. And I'm happy to provide more information. But, in terms of girls' scholarships, there's something. My recollection, it is something over 25,000 girls' scholarships that have been provided. Teacher training runs up into the hundred-thousand or so. Education is a very basic part of what we are doing.

In terms of Muslim education, specifically, we have a number of programs in East Africa, as well as West Africa, and I'm sure in Mali that you had some experience with, what our bilateral mission is doing, as well as the West Africa regional program. For instance, in West Africa and Nigeria, there are 70 Islamic schools in which they participate in learning-institution-specific education for those Islamic institutes.

So all of those areas are areas that we see as a fundamental part of our policies and actions in Africa.

Senator FEINGOLD. Thank you for your answers.

Finally, last year's budget request included a separate line for an anticorruption initiative in Africa, a portion of the development assistance account. For the current fiscal year, the administration requested over $39 million for this initiative, but this line item does not exist in the current budget request. Can you explain that?

Mr. RANNEBERGER. Senator, there are two major initiatives in Africa on counterterrorism, and then other areas that we're involved in. We have been pursuing this Pan Sahel Initiative. And I think that's one of them that you're referring to, sir. And the Pan Sahel Initiative was not envisioned as a permanent program. It was an initiative to help to increase the capacities of the Sahelian countries to address the counterterrorism. And those funds have been expended.

Now, we are looking at a Trans-Sahara initiative—it's being discussed—which would integrate both the North African countries and the Sahelian countries. But that is still in development. That was not developed to that point at which that we felt we could request funding in the 2006 allocation.

However, the other point I would make is that the PKO, the Peacekeeping—the PKO money that we have, some of that, in terms of training for African militaries, of course, relates to the counterterrorism efforts that we're making. In addition, of course, we've got training programs which will take place within the ESF account, as well.

So this is—there's not—while there's not a specific line item, the priority very much remains on the counterterrorism efforts.

Senator FEINGOLD. I appreciate that, but I—and I want to actually submit a question to you about the East Africa Counter Terrorism Initiative. My question was about the Anti-Corruption Initiative.

Mr. RANNEBERGER. Oh, I'm sorry.

Senator FEINGOLD. Obviously——

Mr. RANNEBERGER. I missed your——

Senator FEINGOLD. OK. Because, obviously, the issues are related, but——

Mr. RANNEBERGER. Excuse me.

Senator FEINGOLD [continuing]. I'm interested in the Anti-Corruption Initiative. There was——

Mr. RANNEBERGER. I'm sorry.

Senator FEINGOLD [continuing]. $39 million in there for this year—but there's no line item for it this year.

Mr. RANNEBERGER. No, excuse me. I misheard you.

Senator FEINGOLD. That's OK. Go ahead.

Mr. RANNEBERGER. I apologize.

Anticorruption, of course, is a major priority for us, and it is factored into all of our bilateral programs in the 12 focus countries that we have in Africa, in particular. And then the $9.7 million regional fund that we have requested for ESF for 2006; some of that funding will also be used to address anticorruption initiatives.

And I think USAID can speak to some of the funding that they're planning to include, that they've included in their 2006 request, as well.

Mr. PIERSON. Senator, there's no diminishment at all in our interest and activism on anticorruption issues. We're very—verbally and the different types of actions that are occurring within our missions is very strong. To some extent, publicly, is stronger, I think, that it's ever been. The money may appear to be different on the line, because the money's being allocated specifically and directly to our missions. And so, there may not be a separate line item. And I'll get back with you on that, if I may. But it's my understanding that the moneys on anticorruption are going directly to our bilateral missions, and there may not be a separate line item, as there has been——

Senator FEINGOLD. What I'm looking for is assurance that that money has continued—continuing to be used for anticorruption——

Mr. PIERSON. Absolutely.

Senator FEINGOLD [continuing]. Not only because it's critical for these countries' development, for their credibility, for their trade, but also it does directly relate to our ability to fight terrorism in countries like Kenya and Mali and many other countries in——

Mr. PIERSON. Absolutely. I was in Kenya when the secretary of the anticorruption unit there with the Kenyan Government resigned. And, in Liberia, of the three major issues that were there, one was the elections, but anticorruption and taking money constantly—the United States Ambassador made points that public funds must be managed in an open, transparent manner. There's anticorruption money that is there. There's absolutely no diminishment. In fact, it is even stronger that we are doing.

Mr. RANNEBERGER. Could I just make one point here? On the policy and the indication of what a priority it is for us, I want to just emphasize that under the G–8 initiative on Africa, anticorruption is going to be one of the three major issues that will continue to be addressed. In that connection, Nigeria is a focus country of that G–8 effort, and we're pressing Nigerians to develop an action plan with the G–8.

Senator FEINGOLD. Well, I appreciate that, because for all the talk here and throughout the administration about antiterrorism and how we are doing everything we can to stop terrorism, if this aspect of fighting corruption in some of these countries is not part of it, we are not serving the American people, we are not truly stopping the things that can lead to terrorism and facilitate terrorism.

I'm sure you know that, and appreciate your answers. I want to thank you for your help with this hearing.

And, with that, I adjourn the hearing.

[Whereupon, at 12:21 p.m., the hearing was adjourned.]

AFTERNOON SESSION

The committee met, pursuant to notice in room SD–419, Dirksen Senate Office Building, Hon. Norm Coleman, presiding.

Present: Senators Coleman, Allen, Murkowski, and Martinez.

OPENING STATEMENT OF HON. NORM COLEMAN, U.S. SENATOR FROM MINNESOTA

Senator COLEMAN. This hearing of the Senate Foreign Relations Committee will come to order.

It gives me great pleasure to return to the chairmanship of the Subcommittee on Western Hemisphere, Peace Corps and Narcotics Affairs for 109th Congress. I'm equally pleased to continue to work with my good friend and colleague, Senator Dodd, whose breadth of knowledge and years of experience in Latin America are virtually unmatched in these halls.

It goes without saying that the United States has a number of interests in the Western Hemisphere. We have an interest in ensuring that democratic gains made in the hemisphere in the past two decades continue. We support democracy by working for political inclusion, the rule of law and economic opportunity, and by standing with our partners in the region in the fight against drug trafficking. The impact of drugs is acutely felt by too many Amer-

ican families and communities, but we, in the United States, are not the only ones who struggle with the effects of narcotics trafficking. Drug traffickers breed violence, corruption, and fear, all factors which threaten democracy in Latin America and in the Caribbean. The United States and other nations in this hemisphere have similar interests in cooperating in the fight against other transnational threats like gangs, and international terrorism.

The United States also has important economic ties to the region. Latin America can represent a major market for United States exports. We have an interest in making sure that there are economic opportunities south of the Rio Grande, so that fewer people feel compelled to cross it. Cooperation in the energy sector could yield economic benefits to the United States, as well as our hemispheric neighbors. In the age of globalization, I believe there is much we, as a hemisphere, can do together to make our region more competitive with the rest of the world.

Finally, the United States enjoys cultural and value-driven ties with our neighbors to the south. One cannot watch the Oscars, for example, without observing the influence of Latin American culture here in the United States. Issues such as immigration, international education and adoptions, and humanitarian work have created strong links between the United States and the other nations in the hemisphere.

As America looks around the world for friends and allies, we are wise to look in the neighborhood of the Western Hemisphere, and do more to strengthen these ties. This is a region of great opportunity during an important time historically, but it is also a region with challenges. Some of our neighbors appear to be taking steps back from their commitments to democracy and the rule of law. Cuba is still not a free society. Certain laws of concern are being considered in Venezuela, and Nicaragua's progress against corruption and destroying weapons left over from the civil war is in jeopardy. Haiti continues to face huge challenges, from natural disasters, to security concerns, to economic strife.

Economically the region's performance has improved along with the U.S. economy, but the challenges remain. Latin America has the largest income disparities of any world region, an issue which has given rise to ever more populist leaders. Protection of intellectual property rights remains a concern, and over half of Latin Americans, in a recent survey, said they would choose an authoritarian leader over a democratic one if it would solve their economic problems.

Despite the best of intentions, our relations with the countries of this region are not as good as they could be. The war on terror has necessitated our attention elsewhere in the world, and anti-United States rhetoric and sentiments are, unfortunately, evident in many parts of Latin America as well as elsewhere in the world.

This budget advances American foreign policy goals in the Western Hemisphere in a number of ways. The budget maintains funding for the Andean Counterdrug Initiative which supports Plan Colombia as well as counternarcotics efforts in the countries that border Colombia, so as to prevent gains in Colombia from being offset by losses in Peru, Bolivia, Ecuador—the balloon effect that we have heard about and talked about and focused on.

In many ways the results in Colombia speak for themselves. Kidnapings are down, murders are down, the people in Colombia are confident once again to travel within their own country. Insurgent groups are feeling the pressure and are abandoning their weapons and their dangerous ways of life.

The ACI represents a substantial part of the budget, and it is not a blank check. It comes with a commitment to support human rights and human development. Plan Colombia expires at the end of this fiscal year, but our funding continues. I think it is important to have a road map going forward, and I look forward to working with the administration to put that in place.

After Colombia, Haiti is the largest Western Hemisphere recipient of foreign aid in this budget. Haiti, our close neighbor to the south, is beginning a pivotal year as it progresses toward democratic elections in November. This budget would shift much of our assistance to Haiti to the Office of Transition Initiatives at USAID. This funding is designed to create job opportunities, implement justice sector reforms, ensure free and fair elections, and support reconciliation throughout the country. I look forward to the comments of our witnesses with regard to the issue of assistance for Haiti.

The President's budget doubles funding for the Millennium Challenge Account. This innovative approach to foreign assistance stresses good governance, economic reform, and investing in people. For 2004, three Latin American countries are eligible for MCA assistance, with two additional countries being eligible in 2005. We look forward to the signing of MCA country compacts and disbursals of aid for this valuable program.

This budget supports democracy throughout the hemisphere, including in Cuba. Throughout the region, this budget proposes $144 million in Economic Support Funds (ESF), much of which will support the consolidation of democracy through judicial reform, anticorruption initiatives, education and economic opportunities. The budget recognizes the democratic strides made in Guatemala by proposing the resumption of a tiny amount of military assistance after a 15-year hiatus.

Even as we pursue these lofty goals, the budget will provide assistance to vulnerable populations in the Americas. The budget designates some $125 million in child survival funding and $224 million in development assistance for Latin America. Of the President's $3.2 billion request for global AIDS, Haiti and Guyana would receive some $68 million. American farmers will continue to provide food assistance to millions of at-risk individuals in the Americas, and the United States will continue to lend a helping hand in times of emergency as we have done recently in Grenada and Venezuela.

Another way America demonstrates its commitment to global engagement is through the Peace Corps. The Peace Corps is a unique institution that harnesses the American spirit for the twin goals of supporting international development and showing the true face of America overseas. Writing in the December 2004 edition of the Foreign Service Journal, former U.S. Ambassador Tibor Nagy observes, "During my long overseas service, I consistently met two categories of people who were highly favorable toward our country:

Those who had close contact with the Peace Corps volunteers, and those who had studied in the United States."

This week as we celebrate the 44th anniversary of the Peace Corps, I'm pleased that the President's budget calls for a $27 million increase for the Peace Corps. This funding will enable the Corps to expand into two additional countries. At the same time, we must acknowledge that during each of the last several years, Congress has failed to fully fund the President's request for the Peace Corps. While the small increases we have passed are, no doubt, welcome, they have not been enough to bring to reality the President's vision of doubling the size of the Peace Corps, particularly as the costs per volunteer are climbing in the areas of safety, security, and health care. I hope this year we, in Congress, will fully fund the President's request for the Peace Corps.

As Americans, we are blessed to live in the greatest nation on earth. There are times and places where America must exercise its military might, recently in Iraq and Afghanistan. Sometimes great sacrifice is required. Last week, we, in Minnesota, received the news that three Minnesota National Guardsmen were killed in Iraq. The news shook my State and caused all of us to reflect on what their sacrifice has been for. I attended the funeral of one of those servicemen yesterday in Marshall, MN. But as we consider the free elections and new leaders in Iraq, Afghanistan, and the Palestinian territories, and as the ripple effect spreads to Egypt, Saudi Arabia, and Lebanon, it is clear to me that these sacrifices were not made in vain.

At the same time, America has other tools for exerting our influence in the world and winning the war on terrorism. I've spoken at length about the role international exchanges can play in breaking down barriers that too often lead to hate. I would submit that the budget for foreign affairs is another way to win over hearts and minds around the world. The President's request for a 13-percent increase in foreign aid this year speaks volumes about America's commitment to using our "soft power." This commitment is all the more striking in a tight budgetary year, and should be recognized.

The Foreign Assistance budget contributes to the shared goals of supporting democratic governance, encouraging economic opportunity, and demonstrating compassion in the Western Hemisphere. It is good for America, and it is good for the Americas.

We are pleased to have before the committee the two most foremost officials who look after American policy and American assistance in the Western Hemisphere, Assistant Secretary of State for Western Hemisphere Affairs, Roger Noriega, and Assistant Administrator of USAID for Latin America and the Caribbean, Adolfo Franco. At a certain point in time when Senator Dodd will be here, I will turn to him for a statement, but I do want to thank our witnesses for coming before us. I appreciate all that you do, I appreciate you being before this committee in the past.

I have a great sense of optimism about the possibilities to strengthen the relationship between America and our neighbors in the Western Hemisphere. We are, quite obviously, very occupied with things going on in the Middle East, but for those who have complained that somehow we've ignored the hemisphere, I would argue that that's not the case. That certainly this chairman and

ranking member of this committee, and the gentlemen sitting in front of us, understand the importance of this relationship and are working very hard to see that it's strengthened. I look forward to that continuing and growing during the course of this 109th Congress.

With that, since my colleague Senator Dodd is not here, I think what we will do is hear first from Assistant Secretary of State for Western Hemisphere Affairs, Roger Noriega, and then we will hear after that from Adolfo Franco.

Secretary Noriega.

STATEMENT OF HON. ROGER F. NORIEGA, ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. NORIEGA. Thank you very much, Mr. Chairman. Let me just say at the outset that we certainly look forward to continuing to work with you. I'm sure that with your leadership and insight and commitment to the issues, we will make the most of an opportunity to build even closer relations with this region of the world, with which we have so many important ties.

Our policy in this region, Mr. Chairman, which is supported by the President's budget request, is to help countries consolidate and extend the democratic gains of the past two decades. We aim to build an inter-American community where all governments are not only democratic, but the people are genuinely free. Trade with the region is growing faster than with the rest of the world. At the same time, the region's economies grew at the fastest rate in 25 years. The challenge remains, however, to sustain this faster rate of growth to help reduce chronic poverty.

Also, income distribution in the Western Hemisphere continues to be among the most skewed in the world, and competitiveness lacks behind other regions of the developing world. In this environment, we have fine-tuned our programs and assistance to help governments and the region deliver the benefits of democracy to populations that are increasingly impatient. We want to help our neighbors to strengthen their democratic institutions, and retool their economies to consciously extend political power and economic opportunity to everyone, especially the poor.

Our policy rests on four interdependent pillars: Strengthening democratic institutions, promoting a prosperous hemisphere, investing in people, and bolstering security. Our policy is both a lens for analyzing the needs of the hemisphere, and a road map to guide our actions.

On strengthening the democratic institutions, we have seen too many political crises in the region, resulting from weak, democratic institutions. In response, we are advancing an ambitious reform agenda to help extend political power, promote the rule of law, ensure accountability and transparency, guarantee basic rights, and help resolve disputes. Of course, in this regard we have, at the moment, some important concerns, for example, in Haiti, Bolivia, Nicaragua, Venezuela, and Cuba. Each of them represents different challenges, but what is constant is the need for an active U.S. policy and the means for carrying it out.

On promoting prosperity in the hemisphere, the key to sustained economic growth is a reform agenda that further opens markets, encourages investment and expands free trade. In conjunction with this effort, we will pursue an ambitious trade agenda in the next 4 years. We remain committed to comprehensive free trade in the Americas, with our Brazilian partners cochairing that process.

We will be working with Congress very soon, we hope, to approve a Central American-Dominican Republic Free Trade Agreement, and we are concluding similar pacts soon, we hope, with Panama and the Andean countries.

CAFTA–DR, Mr. Chairman, presents another significant step in the remarkable transformation that Central America has undertaken toward democratic governance and free market economics. We can make no greater contribution to this process, at this time, than to secure the approval by Congress of this historic accord. CAFTA–DR not only will allow all parties in the agreement, including the United States, to increase prosperity through opening up of markets and increased investments, but it will also strengthen democracy in the region, encourage critical second generation economic reforms, and contribute to anticorruption and poverty alleviation efforts.

Another pillar of our policy is investing in people. Trade and development go hand in hand, but governments must also adopt policies that spread prosperity to people from all walks of life. In addition, citizens are better able to claim their fair share of economic opportunity when their government invests in them, specifically in basic health and education services. This is a crucial component of President Bush's Millennium Challenge Account initiative. The MCC is currently negotiating agreements with three Western Hemisphere countries, Bolivia, Honduras, and Nicaragua. In addition, Guyana and Paraguay are eligible to receive threshold funding to help them quality for full MCA programs. We are also providing the Caribbean with more than $68 million from the President's HIV/AIDS initiative, destined to assist Haiti and Guyana to dramatically expand prevention and treatment and to reduce, significantly, the prevalence of HIV in Haiti.

On security, the focus of our assistance is to help countries reestablish control of their national territory, improve the interdiction capabilities of countries on the southern approaches to the United States, and to help modernize partner countries so their defense forces can participate in peacekeeping and other operations, including counterterrorism operations, around the world.

The Department's requested Western Hemisphere Regional Security Fund will be used to help resolve territorial disputes, and promote conflict resolution, train security forces to respond to 21st century threats, and expand security cooperation, as well as reduce arms trafficking.

You made specific mention of Colombia, and our assistance to Colombia will continue. It has made a crucial difference in President Uribe's fight against terrorism and narcotrafficking, and he is transforming Colombia in a dramatic fashion.

Eradication of illicit crops is at record levels, as are interdictions and extraditions. Our goal is producing a solid success story that will be irreversible in Colombia and with its Andean neighbors.

We've reduced cocoa cultivation and increased seizures dramatically. We're committed to sustaining support in Congress for our program to help President Uribe win the peace by defeating narcoterrorists and immobilizing illegal groups.

Finally, we're attacking crime by fighting corruption. Our regional anticorruption funds will train law enforcement personnel, support legal reform, and mobilize the private sector through ethics pacts. As we work to implement our strategy in the hemisphere, we will retain our commitment to multilateralism.

In 2005, two key multilateral events will help the hemisphere advance a common agenda. In June, the United States will host the OAS General Assembly in Fort Lauderdale, FL. In November 2005, Argentina will host the fourth Summit of the Americas, where the focus will be on creating sustainable jobs.

To sustain the momentum of the past two decades, this administration will be a creative partner with our neighbors seeking to reinforce freedom and to expand opportunity. We want what they want, a safer and more prosperous neighborhood, where dictators, traffickers, and terrorists cannot thrive. We are optimistic because we know these goals are within our reach, as we work together in a spirit of mutual respect and partnership. Thank you very much, Mr. Chairman.

Senator COLEMAN. Thank you, Secretary Noriega, I would note that your full statement will be entered into the record in its entirety.

Mr. NORIEGA. Thank you, sir.

[The prepared statement of Mr. Noriega follows:]

PREPARED STATEMENT OF HON. ROGER F. NORIEGA, ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss the administration's foreign assistance priorities for the Western Hemisphere.

In his second inaugural address, President Bush proclaimed, "The best hope for peace in our world is the expansion of freedom in all the world . . . Our goal . . . is to help others find their own voice, attain their own freedom, and make their own way."

Putting the President's words into action in the Western Hemisphere, our policy is to help countries consolidate and extend the democratic gains of the past two decades. We aim to build an Inter-American community where all governments are not only democratic, but their people are truly free.

U.S. trade with the region is growing faster than with the rest of the world. At the same time, while the region grew at its fastest rate in 25 years, the challenge remains to sustain this faster rate of growth in order to reduce chronic poverty. Income distribution in the hemisphere continues to be among the most skewed in the world; and competitiveness lags behind other developing regions. Some citizens are losing faith in the benefits of democracy.

In this environment, we have fine-tuned our programs and assistance to help governments in the region deliver those benefits. We want to help our partners to strengthen their democratic institutions and retool their economies to extend political power and economic opportunity to everyone, especially the very poor.

Our policy rests on four interdependent pillars: Strengthening democratic institutions, promoting a prosperous hemisphere, investing in people and bolstering security. Our policy is both a lens for analyzing the needs of the hemisphere and a roadmap to guide our actions.

• *Strengthening Democratic Institutions*

Democracy is our priority. All citizens in the hemisphere deserve a voice in how their lives are governed. Moreover, many political crises in the region are a direct result of weak democratic institutions. In response, we are advancing ambitious re-

form agendas to help extend political power, promote the rule of law, ensure accountability and transparency, guarantee basic rights, and resolve disputes.

In Haiti, for example, we have an exceptional opportunity to help the Haitian people develop the good government they have always deserved, but rarely had. We are encouraged that the interim government has set an elections timetable and that the United Nations and OAS are working to make that timetable a reality.

Much of the United States foreign assistance in Haiti will improve the prospects for the new government that will be elected in late 2005, continuing the reform and training of the Haitian National Police and judiciary, boosting anticorruption programs, laying the groundwork for economic growth, and promoting human rights.

In Bolivia, we are focused on ensuring political stability and maintaining constitutional democracy. A significant portion of United States aid to Bolivia will shore up democratic institutions there, through training for political parties, technical assistance to local governments, programs on human rights, judicial reform and anticorruption, and efforts to help the majority indigenous population play its rightful role within the democratic process.

And in Nicaragua, United States funding will support national elections in 2006 by assisting with preparations and oversight. President Bolaños and the two major opposition parties that control the National Assembly are seeking agreement on a broad range of governability issues through a national dialog process sponsored by the United Nations. We are also engaged in high-level talks with the Government of Nicaragua on a joint plan to secure and destroy man-portable air defense missiles (MANPADS) left over from the internal conflict that pose a threat to civil aviation in the region and beyond. Should the Bolaños government successfully compete for support through the MCC, these funds will spread the benefits of his development plan and help sustain his government.

Venezuela has the resources it needs for its own development, but we are concerned that President Hugo Chavez's very personal agenda may undermine democratic institutions at home and among his neighbors. Despite our efforts to establish a normal working relationship with his government, Hugo Chavez continues to define himself in opposition to the United States. His efforts to concentrate power at home, his suspect relationship with destabilizing forces in the region, and his plans for arms purchases are causes of major concern to the Bush administration. We will support democratic elements in Venezuela so that they can continue to maintain the political space to which they are entitled, and we will increase awareness among Venezuela's neighbors of President Chavez's destabilizing acts with the expectation that they will join us in defending regional stability, security, and prosperity.

In Cuba, the President's message to democratic reformers facing repression, prison, or exile is clear: "When you stand for your liberty, we will stand with you." We are implementing the recommendations of the President's Commission for Assistance to a Free Cuba designed to hasten a democratic transition, and the regime is being pressured as never before. We will continue to prepare to support a rapid, peaceful transition to democracy. And, we will assist Cuba's democratic opposition and civil society as it seeks to organize itself for the coming transition.

• *Second Pillar: Promoting a Prosperous Hemisphere*

Because U.S. purchases, investment, and remittances to the hemisphere dwarf U.S. aid, the key to sustained economic growth in the Western Hemisphere is a reform agenda that further opens economies, encourages investment, and expands free trade. We are urging our partners, therefore, to remove impediments to business creation, improve access to capital, strengthen property rights, and revise their labor laws. In this way, we can create opportunity and reduce poverty by expanding the ability of individuals to profit from their labor and creativity.

In conjunction with this effort, we will pursue an ambitious trade agenda in the next 4 years. In many respects, this free trade agenda takes its inspiration from the success of the North American Free Trade Agreement; in the case of Mexico, our trade has increased 135 percent since NAFTA inception in 1994. We also have in place a new free trade agreement with Chile. In the next several months, we will be working with Congress to approve a Central America-Dominican Republic Free Trade Agreement; and we are concluding similar pacts with Panama and our Andean partners. We remain committed to a comprehensive Free Trade Agreement of the Americas, with our Brazilian cochair as a key player

In Brazil, the personal relationship between President Bush and President Lula has yielded the most positive and open relations with Brazil in recent memory. We have a strategy for building even closer ties. We will reach out to engage industry and the media in support of the FTAA and free trade. In addition, we will orient our development assistance programs in Brazil to help develop small- and medium-

sized enterprises to boost trade-led growth. And we will continue to welcome Brazil's cooperation on our shared regional responsibilities.

The trade agreements we are signing don't simply create economic opportunity, they transform societies by encouraging the good governance needed to attract investment. Trade accords also require that countries enforce their own workers rights and environmental legislation.

With your permission, I will return to the subject of the approval of the Central America-Dominican Republic Free Trade Agreement, or CAFTA–DR, which is one of the administration's highest priorities. This free trade agreement represents another significant step in the remarkable transformation that Central America has undertaken toward democratic governance and free market economies. We can make no greater contribution to this process at this time than to secure the approval of this historic accord. CAFTA–DR not only will allow all parties in the agreement, including the United States, to increase prosperity through the opening of markets and increased investment flows, but it will also strengthen democracy in the region, encourage critical second generation economic reforms, and contribute to anticorruption and poverty alleviation efforts.

Along these lines, trade capacity building (TCB) for CAFTA–DR countries is integral to our implementation of the accord. In a first for any free trade agreement, the CAFTA–DR includes a Committee on Trade Capacity Building, in recognition of the importance of such assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade. We support such important work. We are working through environmental and labor cooperative mechanisms in CAFTA–DR, and in the other free trade agreements under negotiation, to channel assistance to improve environmental and labor conditions in our trading partners. In FY05, Congress appropriated nearly $20 million in funds for labor and environmental cooperation for CAFTA–DR countries. We are now working to identify the best way to utilize these resources. We'll also gain synergy with ongoing TCB efforts and our bilateral assistance in the region, which supports democratic institutions and anticorruption programs.

• *Third Pillar: Investing in People*

Citizens are better able to claim their fair share of economic opportunity, when their government invests in people—specifically, in health and education.

This is a crucial component of President Bush's Millennium Challenge Account. As you know, to be eligible for MCA funds—amounting to $2.5 billion for fiscal years 2004 and 2005—nations must govern justly, uphold the rule of law, fight corruption, open their markets, remove barriers to entrepreneurship, and invest in their people. By placing a premium on good governance and effective social investment, the MCA approach should help countries attract investment, compete for trade opportunities, and maximize the benefits of economic assistance funds. The MCC is currently negotiating full MCA agreements with three WHA countries—Bolivia, Honduras, and Nicaragua. In addition, two WHA countries, Guyana and Paraguay, are eligible to receive "threshold" funding to help them qualify for full MCA programs.

Our other assistance programs likewise stress investment in people. We are providing the people of the Caribbean with more than $68 million from the President's HIV/AIDS initiative, destined to assist Haiti and Guyana, to dramatically expand prevention and treatment and have reduced significantly the prevalence of HIV in Haiti.

We are also making quite substantial investments of Development Assistance and Child Survival and Health funds in several nations—more than $25 million per country in Bolivia, El Salvador, Honduras, Nicaragua, and Peru—in an effort to improve education, health care, and food security.

• *Fourth Pillar: Bolstering Security*

We cannot strengthen democratic institutions, promote a prosperous hemisphere, and invest in people without bolstering security. The focus of our security assistance is to help countries reestablish control of their national territory; improve the interdiction capabilities of countries on the southern approaches to the United States; and help modernize partner countries so that their defense forces can participate in peacekeeping, coalition, and counterterrorism operations.

The nations of the hemisphere recognize that we all share responsibility to protect ourselves from terrorism and the illegal trafficking of arms, people, and drugs. For the United States, this means working with Mexico to strengthen our respective borders through the Border Partnership Action Plan, and with Canada via the Smart Border Accord. In the Caribbean, we are strengthening regional security and protecting the southern approaches by implementing our Third Border Initiative as well as supporting the Enduring Friendship program. In both the Caribbean and

Central America, we are boosting drug interdiction programs, advancing the establishment of entry/exit systems at ports of entry, conducting port and airport assessments, providing airport and port security and crisis training. These programs are funded through the Department of State and other USG agencies, and the OAS Counter Terrorism Committee, of which the United States is the largest supporter. We need to strengthen local law enforcement capabilities to address transnational threats.

In Colombia, United States assistance has made a crucial difference in President Uribe's fight against terrorism and narcotrafficking; he is transforming Colombia in dramatic fashion. While the various terrorist organizations are still serious adversaries, as shown in several recent attacks, President Uribe's democratic security policy has the guerrillas in retreat and the overall number of terrorist attacks has dropped dramatically as the armed forces have expanded their level of operations. Eradication of illicit crops is at record levels as are interdictions and extraditions. Our policy is a solid success story, with a 33-percent reduction in coca cultivation from 2001 to 2003. In 2004 more than 178 metric tons of coca were seized, a 23-percent increase over 2003. We are committed to sustaining bipartisan support in Congress for our program to help President Uribe win the peace by defeating the narcoterrorists and demobilizing illegal groups.

By combining eradication, interdiction, alternative development, and strengthening government institutions in Bolivia, Ecuador, and Peru, we have also helped those governments limit the spillover of drug cultivation. Overall, Andean regional coca cultivation declined by 16 percent in 2003, compared to 2002. However, much still needs to be done to eradicate illegal coca in Bolivia and Peru, especially in the face of organized cocalero opposition. With Argentina, Brazil, and Paraguay, we are strengthening cooperation in the Tri-Border region in the 3+1 Counter-Terrorism Dialogue.

The Department's requested Western Hemisphere Regional Security Fund will be used to help resolve territorial disputes and promote conflict resolution, train security forces to respond to 21st century threats, expand security cooperation, and reduce arms trafficking.

Finally, we are attacking crime by fighting corruption. Our regional anticorruption funds will train law enforcement personnel and support legal reform, and mobilize the private sector through "ethics pacts." Bilateral assistance in Mexico, Central America, and the Andean region will increase government transparency and accountability.

As we work to implement our strategy in the hemisphere, we will retain our commitment to multilateralism. Our neighbors share our values and interests, so we can get results through multilateral organizations.

In 2005, two key multilateral events will help the hemisphere advance common interests. In June, the United States will host the OAS General Assembly in Fort Lauderdale, FL. That gathering will advance our agenda of delivering the benefits of democracy to ordinary citizens.

In November 2005, Argentina will host the Fourth Summit of the Americas, where the focus will be on creating sustainable jobs through policies that promote more competitive economies, attract investment, and foster private sector-led growth—through small and medium enterprises in particular. We will again push for concrete commitments, including simplifying and expanding access to credit, so we can empower individuals to benefit from their own efforts.

We have witnessed great advances of freedom and opportunity in the region, but we need to accelerate our progress or risk being left behind in the global competition for capital and trade. The Bush administration will be a creative partner to our neighbors seeking to reinforce freedom and opportunity. We already have many good-intentioned and hard-working partners in the region.

For the second Bush term, our objectives are the same: A safer, more prosperous neighborhood where dictators, traffickers, and terrorists cannot thrive. The hemisphere can be optimistic because we know these goals are within our reach, and we work together in a spirit of mutual respect and partnership.

Thank you very much and I look forward to answering any questions you may have.

Senator COLEMAN. Thank you.

Mr. Adolfo Franco.

STATEMENT OF HON. ADOLFO FRANCO, ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. FRANCO. Thank you very much, Mr. Chairman. It's a pleasure to appear before the Senate Committee on Foreign Relations to discuss how USAID's Bureau for Latin America and the Caribbean is implementing the President's vision for the hemisphere.

At the outset, Mr. Chairman, I want you to know that I fully share your optimism for our region, and your eloquent statement is far better than anything I could present here, I fully share it. And I also like the phrase "soft power" which is what we are promoting at USAID on behalf of the President.

I've submitted my complete statement for the record, Mr. Chairman, with your permission I'd like to summarize my statement here today.

Senator COLEMAN. Mr. Franco, your complete statement will be entered into the record, without objection.

Mr. FRANCO. Thank you, Mr. Chairman.

Mr. Chairman, the essence of President Bush's policy for the Latin American and Caribbean region is that long-term economic growth and political stability are only possible if governments extend political power and economic opportunity to all of their citizens, especially the very poor. By promoting prosperity throughout Latin America and the Caribbean, the United States can provide expanded opportunities to promote a peaceful and democratic hemisphere, and Secretary Noriega is absolutely right, we want exactly what they want.

USAID, therefore, remains committed to the promotion of the consolidation of democracy and improved political stability, advanced market-based development, and increased human well-being for the fulfillment of human potential in our region.

Mr. Chairman, there is good news in our region. With the exception of Haiti, 2004 has seen a healthy turn in the region's economic activity, which averaged a 5.5-percent growth. Of all United States exports, 40 percent were sold to Latin America and the Caribbean, and the United States continues to be the largest buyer of all of Latin America and the Caribbean's exports.

However, as you have noted, Mr. Chairman, and so has Secretary Noriega, there is a huge income disparity in the region compared to the rest of the world, and the challenge will be to remain competitive with other regions of the world as we move to a further globalized economy, and therefore these remain monumental challenges in our region.

Mr. Chairman, I would like to highlight some key areas of concern to us and to the committee. First, corruption is continuing to lead in terms of the crisis and challenges of the region, and continues to pose a threat to democracy. As you noted, Mr. Chairman, recent polling data is disturbing, and suggests that many citizens would prefer authoritarian regimes, that can deliver economic benefits, to democratic governments.

Corruption is a real threat to economic development as well, and the growth of democratic and strong societies will be impossible if it is not tackled. Therefore, good governance will remain a top pri-

ority for the Bush administration. I think the President eloquently stated that vision when he spoke at the Development Bank 3 years ago, announcing the Millennium Challenge Account.

Despite, Mr. Chairman, bold efforts by Colombia, Bolivia, and Peru to combat narcotrafficking, the continuing lack of state presence and functioning public institutions have allowed illegal narcotics production and armed terrorist organizations to continue to flourish, particularly in the Andean region.

We also face the growing problem of global demand for forest products. Illegal and destructive logging remains a key threat to our region. It is important to underscore that Latin America has the largest remaining forests in the world and they are under increasing stress. In addition, as you noted, Mr. Chairman, inequalities and access to quality health services also present a major obstacle to achieving overall economic and social development in Latin America and the Caribbean which has the second highest prevalence rate of HIV in the world.

To help address these challenges, USAID will continue to focus on four strategic program priorities. Number one, democracy and governance. Number two, economic prosperity and security. Number three, counternarcotics, and lastly, social and environmental development issues.

In addition, USAID is implementing a number of President Bush's initiatives from the President's Emergency Plan for HIV/AIDS Relief, to the Centers for Excellence in Teacher Training, to the Amazon Basin Initiative, and lastly to the Water for the Poor initiative, which I know, Mr. Chairman, is of great interest to you.

I would like to give you some of the details of the priority areas I've outlined. On democracy and governance, as stated previously, legal and judicial reforms remain the highest priority for USAID governance program in the region. This is because corruption remains the chief obstacle to economic development, and to effective democratic governance throughout the hemisphere. USAID-supported criminal justice system reforms, are improving access to courts, providing more open and participatory processes, leading to faster resolution of cases, and increasing citizen confidence, and we need to redouble these efforts.

On the economic, prosperity, and security front, the United States continues to help Latin American and Caribbean countries to enact legal policy and regulatory reforms that promote trade liberalization, hemispheric market integration, and improved competitiveness. USAID provided technical assistance and public outreach in Central America, and the Dominican Republic during the negotiations for the United States-Central America Free Trade Agreement, which was signed by five countries in Central America in 2004. CAFTA implementation will continue to be a major priority in 2006, along with increased efforts to negotiate other free trade agreements in the region, particularly the Andean region of South America.

On the counternarcotics front, as you know, Mr. Chairman, narcotics trafficking leads to violence, crime, and corruption, and weakens governments, especially in the Andean region. To address this threat to democracy, the Andean counternarcotics initiatives have three primary goals. First, disrupt the production of illicit

drugs. Second to strengthen law enforcement in the region, and third, to develop licit income alternatives to illegal drug production.

Since its inception in fiscal year 2003, USAID's assistance to Andean governments has expanded state presence, strengthened democracy, created licit income streams, improved social conditions, and provided assistance to displaced people. And, as Secretary Noriega underscored, I think our assistance was critical to assisting the courageous government of President Alvaro Uribe in Colombia.

On the social and environmental issues, Mr. Chairman, USAID assistance in the health sector has helped to advance cure rates for tuberculosis, expand vaccination coverage, reduce major childhood illnesses and deaths, lower maternal mortality rates, and develop cost-effective methods for combating malaria and other contagious diseases. Under the President's emergency plan for AIDS relief, USAID will continue to assist the two high-risk focus countries in our region, which are Guyana and Haiti, and also establish two subregional programs on HIV/AIDS in the Caribbean and Central America, as well as in 10 other countries, and I'm also working personally very closely with the business community, both United States and international in the region to establish business councils to promote HIV training, education programs, and treatment.

USAID education programs also continue to develop effective service delivery models that provide promise to people's lives in the future, for young people to have training, particularly on the technical and IT areas, which have been lacking in our region. We support monitoring student performance, better information systems for ministries of education, and special training for young adults to compete in the workforce. I wish to note that we have an enormously large youth population in this region, and this is of concern to the President, I know he'll discuss it at the Summit in November, we need to create future jobs for this growing population in our region.

USAID also implements a wide array of environmental programs that respond to the President's priorities to protect and conserve the region's natural resource base and biodiversity by reducing environmental hazards, and increasing the management of, and access to, clean water in the region. A major strategy will be launched this year to further expand our efforts in biodiversity conservation, particularly in the Amazon basin countries.

In conclusion, Mr. Chairman, the programs I have mentioned offer you an insight into the steep development challenge that the countries of our hemisphere face. I, as you, remain optimistic though, that with the leadership and vision of President Bush, Secretary Rice, and Administrator Natsios, we are setting a new standard, particularly on the corruption and good governance front that will instill a deserved sense of security, opportunity, and prosperity for all Latin Americans and Caribbeans.

I would be pleased to answer any questions that you or the distinguished members of the committee might have for me. Thank you very much.

[The prepared statement of Mr. Franco follows:]

PREPARED STATEMENT OF HON. ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. Chairman, Members of the Committee, it gives me great pleasure to appear before the Senate Committee on Foreign Relations to discuss with you how USAID's Bureau for Latin America and the Caribbean (LAC) continues to promote the President's vision for the Western Hemisphere. The essence of President Bush's policy is that real, long-term economic growth and political stability are only possible if governments consciously extend political power and economic opportunity to everyone, especially the very poor. In her January 18 confirmation hearing before the Senate Foreign Relations Committee, Secretary of State Condoleezza Rice stated that the Western Hemisphere is "extremely critical" to the United States. "With our close neighbors in Latin America we are working to realize the vision of a fully democratic hemisphere bound by common values and free trade."

The strong economic, cultural, and geographic ties between the United States and the countries of the Western Hemisphere make their political and economic stability of vital interest to the United States. Approximately 40 percent of imports for LAC countries come from the United States, 50 percent of the region's exports ($217 billion) are purchased by the United States, and Latin America supplies more than one-third of United States energy imports. In 2003, $20 billion of U.S. private investment was made in the region, and according to the Inter-American Development Bank May 2004 report, an estimated $30 billion in remittances were expected to flow to the region from the United States. Still, the people of the LAC region suffer from huge income disparity compared to the rest of the world, and competitiveness lags behind other developing regions of the world.

The challenges remain formidable as it becomes obvious that many regional economies are not growing sufficiently fast to generate enough jobs to keep up with population growth, let alone address chronic poverty.

Mexico is the largest source country for unauthorized immigration to the United States, and of the six other countries with more than 100,000 unauthorized residents in the United States, five are in Latin America. As stated by President Bush in November 2004, "In this century, countries benefit from healthy, prosperous, confident partners. Weak and troubled nations export their ills—problems like economic instability and illegal immigration and crime and terrorism. . . . Healthy and prosperous nations export and import goods and services that help to stabilize regions."

The challenge ahead for the LAC region is to produce more sustainable, equitable growth, and develop diversified, broad-based economies if U.S. assistance is expected to make a substantial difference in reducing poverty. To this end, the United States can provide expanded opportunities that promote a peaceful and democratic hemisphere.

There is growing consensus that corruption is leading to a crisis for democracy in this region. Corruption is not only a consequence of weak governance, but is a barrier to economic development and growth of democratic and strong societies. The Center for Strategic and International Studies reported in 2003 that a corrupt or inefficient justice sector can slow economic development, undermine the strength and credibility of democratic institutions, and erode the social capital necessary for increased human well-being and the fulfillment of human potential.

Further, research by the World Bank shows that countries that effectively address corruption and improve the rule of law can increase their national incomes by fourfold over the long term, and child mortality can fall as much as 75 percent.

Both policymakers and the public are growing more aware that corruption has significantly increased. A 2003 survey by the World Economic Forum of business leaders in 102 countries found that 7 of the 10 countries with consistently high measures of political corruption are in Latin America. Growing awareness of corruption has influenced the rhetoric of politicians, and many officials have won elections by promising to fight corruption. Similarly, civic organizations and the media are increasingly promoting transparency, lobbying for reforms, and informing citizens.

LAC countries have adopted a wide range of legal, accounting, and auditing procedures to combat corruption, and some are prosecuting corrupt public officials. The pervasive nature of high-level corruption across the region makes prosecution and punishment imperative.

In December 2003, former Nicaraguan President Arnoldo Alemán was sentenced to 20 years in prison for corruption. Accused of helping to divert nearly $100 million of state funds into his party's election campaign and found guilty of money laundering, fraud, embezzlement, and electoral crimes. Alemán has been released from

prison to serve his sentence in his home, where he continues to negotiate political deals that could result in reversing his conviction.

In January 2004, prosecutors in Guatemala initiated a formal investigation of embezzlement charges against former President Alfonso Portillo, as well as his Vice President, Finance Minister, and three other top officials, who are now in jail. Former Costa Rican President Miguel Angel Rodriguez resigned as secretary general of the Organization of American States in October 2004. This action followed allegations of corruption against Rodriguez, who is presently under house arrest. And, in Paraguay, six Supreme Court justices charged with corruption were impeached and replaced in 2004, and judges selected in an open and transparent process for the first time in Paraguayan history.

Just and effective legal systems increase government credibility amid its citizens and bolster support for democratic institutions. The 2004 United Nations Development Program Report on Democracy in Latin America drew attention to declining public faith in democracy due to persistent poverty and governments' inability to effectively deliver public services, including security. In addition, countries with more effective and equitable justice systems provide more stable and attractive investment environments by offering legal protections for investors.

Although LAC countries have made strides to adopt procedures to make criminal justice more transparent, efficient, and participatory, much remains to be done to fully implement these reforms and provide access to justice for all. Crime and organized gangs, fueled by a combination of population density and resource conflict, rapid urbanization (World Bank estimates that 58 percent of Latin Americans live in urban areas), and persistent income inequality, present a growing problem that places further stress on democratic institutions. A study by the Inter-American Development Bank notes that Latin America's per capita gross domestic product would be 25 percent higher today if the region had a crime rate similar to the rest of the world.

Free and fair elections have become the norm in the LAC region. However, Haiti's fraudulent parliamentary elections in 2000 led to a protracted political impasse characterized by arbitrary and authoritarian rule, lawlessness, and violence. The impasse ended in 2004 with the resignation of President Aristide. To demonstrate commitment to advance and consolidate democracy, alleviate poverty, and restore stability in Haiti, the donor community pledged more than $1 billion in short-term assistance to the interim Government of Haiti. That available funds are being utilized at a significantly slower than envisioned rate is indicative of Haiti's weak public institutions, unskilled workforce, and insecure working environment—hallmarks of a fragile state.

Despite bold efforts by Colombia, Bolivia, and Peru to combat narcotrafficking, the continuing lack of state presence and weak institutions in some areas allow illegal narcotics production and armed terrorist organizations to operate. Profits from narcotics offer large trafficking organizations the means to corrupt and undermine legitimate governments, and the lack of effective rule of law threatens business interests and puts citizens and Americans at risk.

Economic growth in LAC reached 5.5 percent in 2004 (according to a preliminary estimate by the Economic Commission for Latin America and the Caribbean), outperforming the most optimistic forecasts. With the exception of Haiti (where GDP fell 3.0 percent), every country in the region posted positive growth. This growth is a reflection of improved macroeconomic policies throughout the region, including fiscal consolidation and prudent monetary management. As a result, the countries in the region were able to reverse the trend where GDP has grown, on average, by a paltry 2.0 percent annually for the last 9 years.

The region's macroeconomic performance is closely tied to the international economy. World economic activity increased in 2004 and global GDP is expected to grow just under 4.0 percent (up from 2.6 percent in 2003), while world trade is expected to grow more than 9.0 percent. This international environment, especially rising prices for oil, metals, and agricultural commodities, also boosted the terms of trade in LAC. In 2003 the region marked its first balance of payments surplus in 50 years, and posted a surplus again in 2004. Importantly, this surplus is not only a reflection of high commodity prices, with export volumes rising an estimated 11 percent last year, but also improved terms of trade and migrant remittances, which rose 16.8 percent over 2003 levels.

Significant challenges remain, however, to lock in this higher rate of economic growth and reduce poverty. These include putting in place the macroeconomic reforms needed to boost competitiveness and productivity growth. Nearly 128 million people (about 25 percent of the region's population) earn less than $2 per day and 50 million people earn less than $1 per day. The urban unemployment rate has hovered around 10 percent for the last several years. External debt for the region re-

mains a concern; since the mid-1990s, external debt as a share of GDP has risen from a low of 35 percent in 1996 to 43.9 percent in 2003. Although the IMF estimates external debt fell to 38.4 percent in 2004 on the back of strong fiscal performances, this level of debt is still too high. This indicator was highest for Guyana (202 percent), Nicaragua (162 percent), Argentina (130 percent), and Belize (90 percent).

Spurred by a growing global demand for timber and paper, illegal and destructive logging remains one of the key threats to the world's oldest forests. Illegal logging destroys forest ecosystems and displaces the poor, robs governments and communities of needed revenues, and acts as a disincentive to sustainable forest management. Only 0.5 percent of all forests are under ecologically sound management, as certified by independent international certification bodies.

Inequalities in access to quality health services, especially for maternal and child health, present major obstacles to achieving overall health improvements as well as economic and social development in the LAC countries. HIV/AIDS prevalence is increasing across the LAC region, with significant increases noted between 2001 and 2003 in Belize, Honduras, Suriname, and Jamaica. The adult HIV/AIDS prevalence rate in the Caribbean is surpassed only by sub-Saharan Africa, and AIDS has become the leading cause of death in the Caribbean for both men and women aged 15–24. More than 2 million people now live with HIV in LAC countries. In the past year, over 250,000 people were newly infected with HIV and well over 140,000 people died from AIDS in 2004.

The increased risk of transmission stems from social patterns of early sexual initiation and multiple partners, as well as stigma and discrimination, which keep the disease underground and discourage people from seeking testing and treatment. This poses a serious threat for the security and health of the United States, given the high mobility of LAC populations regionwide for employment, education, and tourism.

The quality of primary and secondary education in LAC countries is poor. In a recent study by the Organization for Economic Cooperation and Development of math and science skills among 15-year-olds in 43 countries, the 5 participating LAC countries ranked among the lowest. The majority of students attends weak and underfunded schools, and fails to acquire basic skills in mathematics, language, and science. Educational systems lack adequate financing, which translates into poorly trained and motivated teachers and a shortage of materials.

Rural and poor populations, the majority in most LAC countries, face many obstacles—language barriers, long distances to schools, and poorly trained teachers—resulting in very high dropout rates. Fewer than 30 percent of students in the region complete secondary school, and many who do finish lack the skills to compete in the workplace, especially in an increasingly competitive global economy.

U.S. NATIONAL INTERESTS

As outlined in the U.S. National Security Strategy of September 2002, and the joint State-USAID 2004–2009 Strategic Plan, USAID's overarching goal is to advance sustainable development and global interests.

In LAC, the four top strategic priorities are: (1) To advance democracy and human rights; (2) to increase economic prosperity and security; (3) to combat narcotics trafficking; and (4) to address social and environmental issues. These strategic priorities give paramount importance to the implementation of policies that address the key constraints to development.

USAID OPERATIONAL GOALS FOR THE LAC REGION

USAID's challenge in the LAC region is to continue to assist with building a hemispheric community where all governments are not only democratic, but their people are truly free. Within this environment USAID continues to target its scarce development assistance resources mainly to those countries that are making the difficult decisions to help themselves. We want to help our partners to retool their economies to take advantage of the new trade opportunities, to strengthen their social and political institutions through greater investments in health and education, and to encourage responsible policies and effective government.

The LAC Bureau determines strategic priorities for transformational development countries (all of the 16 USAID presence countries except Haiti and Colombia—both grouped as strategic states) according to their performance against Millennium Challenge Account (MCA) indicators that reflect effective governance, economic growth, and investment in people. In low-income (MCA eligible) countries where there is political will and commitment to address the performance gaps, USAID's programs are designed to improve country performance to meet the MCA assistance criteria.

Three countries from our own hemisphere were among the first 16 to be declared eligible for MCA assistance: Bolivia, Honduras, and Nicaragua. Two additional countries were recently selected as "MCA threshold countries" for fiscal year 2005: Guyana and Paraguay. These countries will receive USAID assistance aimed at helping them achieve full eligibility.

In both the low- and middle-income countries, USAID is strengthening the skills of host country government institutions and local organizations to address MCA performance gaps and ensure sustainability of development progress, as well as addressing global and transnational issues such as HIV/AIDS, conservation of biological diversity and global climate change, trafficking in people, direct support for trade agreements, and counternarcotics.

In Haiti, a top hemispheric priority country, USAID's core program focuses on humanitarian assistance and support to the interim government in its efforts to reestablish political stability and improve economic performance, implement justice and police reform, and hold free and fair elections. To implement these activities, USAID is requesting additional resources from the planned Transition Initiative Appropriations account to fund the creation of short-term employment, environmentally sound agricultural production, improving access to microfinance, primary education, justice, human rights protection, and civil society strengthening. The USAID program in Colombia, another Presidential priority country, is designed to attack narcotics trafficking. Other strategic program goals in the region include implementation of the Peru/Ecuador Peace Accords, bolstering security in the Caribbean and building international solidarity for human rights activists, especially strengthening the voice to Cuba's independent journalists.

In the Caribbean, USAID provides significant humanitarian assistance to countries recovering from several hurricanes and tropical storms which caused significant human suffering and economic loss in September 2004. Grenada, Haiti, and Jamaica were particularly hard hit. Following the disaster relief phase, the economic recovery program has drawn on lessons learned from post-Hurricane Mitch reconstruction efforts in Central America to implement community infrastructure rehabilitation and economic revitalization, including targeted assistance to particularly damaged economically important sectors, such as the tourism, agriculture, and fishing industries to create employment and revitalize economic growth.

DEMOCRACY AND GOVERNANCE

Justice sector modernization remains the largest focus of USAID governance programs in the LAC region. USAID is advancing criminal justice reforms, strengthening judicial independence, expanding access to justice, and improving administration of justice. Criminal justice system reforms developed and enacted over the last decade are making an impact through improved access to courts; more transparent, efficient, and participatory processes; faster resolution of cases; and increased citizen confidence in the integrity of the process.

USAID has also made significant progress to provide alternative case resolution mechanisms, including the establishment of 61 mediation centers in eight countries. In addition, 61 community justice centers bring together a variety of justice-related institutions and services in a single location, often in areas where no access was previously available to justice. USAID plans to make operational 15 additional mediation centers and 15 additional justice centers by the end of 2006. These and other justice reform efforts will reduce the time to process cases in eight target countries by an additional 20 percent by the end of 2006 (for Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru). New efforts in justice reform will target crime prevention and commercial codes.

USAID's governance programs promote accountability and transparency in national and local government institutions, strengthen civic organizations to advocate for citizens' rights, and increase the skills of national and local governments to manage resources and provide services. We can see the results of electoral reform in Honduras, where for the first time in history, citizens were able to vote directly for representatives, rather than for a party slate. Anticorruption programs, such as establishment of transparent management and recordkeeping systems or auditing agencies, improve citizen oversight and build local capacity to address issues of weak governance, entrenched political institutions, and poor public sector management.

USAID investments, since 1990, have encouraged adoption of national-level integrated financial management systems by all USAID presence countries in LAC, bringing transparency to national budgets for the first time. USAID, plays an active role in anticorruption efforts. At the local level, technical assistance and training for

municipal leaders improves coverage of basic public services and infrastructure, transparent financial administration, and public participation in decisionmaking.

USAID collaborates with U.S. Government agencies in planning and managing the biennial Global Forum against Corruption, and convenes the Donor Consultative Group for Latin America and the Caribbean. The Agency advises the State Department in the work of the committee of experts for the implementation mechanism of the Inter-American Convention Against Corruption by involving USAID missions and civil society in the review process.

ECONOMIC PROSPERITY AND SECURITY

USAID is assisting LAC countries to enact legal, policy, and regulatory reforms that promote trade liberalization, hemispheric market integration, competitiveness, and investment. USAID was instrumental in providing technical assistance and public outreach in Central America and the Dominican Republic during negotiations for the United States-Central America Free Trade Agreement (CAFTA), which was signed by five countries in 2004. USAID continues to help countries meet new standards for rules of trade, such as customs and rules of origin, sanitary and phytosanitary measures (animal and plant health and food safety), and intellectual property rights. In addition, USAID assistance helps smaller economies benefit from a global trading system by addressing longer term challenges, such as rural economic diversification and small and medium enterprise development and competitiveness.

Implementation of CAFTA will continue to be a major priority in 2006, along with increased efforts to negotiate other free trade agreements, including a United States-Andean Free Trade Agreement. USAID will continue to play a vital role with the United States Trade Representative and partners in the Andean region in trade negotiations with Colombia, Ecuador, and Peru. Our work related to CAFTA and in the Andean region is expanding as we partner with different governments, producers, associations, nonprofit organizations, think tanks and especially corporations to promote an enlightened dialog about the role trade can play in stimulating economic growth.

USAID will continue to support development of regulatory frameworks and innovative approaches to widen and deepen financial intermediation in the small and microenterprise sector to give marginalized business people greater access to borrowing capital. USAID plans to train an additional 10,000 people across the region in trade-related areas in 2006. USAID is also supporting cutting edge efforts to increase the developmental impact of remittances, which were estimated at $38 billion in 2003—more than all other development assistance combined.

ANDEAN COUNTERNARCOTICS

Narcotics trafficking, guerrilla and paramilitary violence, human rights abuses, corruption, crime, and a lack of effective government presence in the coca-growing areas in the Andes pose a threat to democracy in the region.

The Andean Counternarcotics Initiative has three goals: (1) Disrupt the production and trafficking of illicit drugs in the Andean region; (2) strengthen law enforcement and judicial institutions that combat narcotrafficking; and (3) develop viable alternatives to illegal drug production. Working in partnership with the leadership in the Andean region, USAID's assistance has helped to expand state presence, strengthen democracy, create licit economic opportunities, improve social conditions, and provide assistance to internally displaced people. For example, in Peru from 1995 to 2001, the alternative development program contributed to a 75-percent reduction in the hectares under illicit coca. Today, the legal agricultural economy in the coca growing regions is larger than the coca economy.

In his remarks at an international donors' conference for Colombia held February 3–4, 2005, in Cartagena, Colombia, USAID Administrator Andrew Natsios noted the Government of Colombia's political will and commitment to coca eradication and asserted that the global community, by working together, can provide the appropriate types and levels of assistance Colombia needs to end the drug trade and strengthen "legitimate" state institutions in a manner that protects the rights and freedoms of its citizens. He added that the United States will continue to provide assistance on alternative development programs to expand opportunities for social, economic, and democratic progress by farmers "caught up in illicit drug cultivation."

SOCIAL AND ENVIRONMENTAL ISSUES

USAID programs in the health sector are improving access to and quality of health services offered by both private and public sector care providers. USAID assistance has directly contributed to important advances in detection and cure rates

for tuberculosis, significantly raised vaccination coverage rates, and helped reduce or eliminate major childhood illnesses, such as measles in LAC countries. While progress is being made to lower maternal mortality and apply proven, cost-effective methods to combat malaria and other contagious diseases, infection rates remain unacceptably high.

In the LAC region, the HIV/AIDS epidemic is largely concentrated in high-risk populations. Under President Bush's Emergency Plan for AIDS Relief (PEPFAR), USAID assists in two focus countries (Guyana and Haiti), subregional programs in the Caribbean and Central America, and 12 nonfocus countries. These 12 "nonfocus" programs are extremely important in combating the epidemic since they not only cover non-USAID presence countries (such as Costa Rica, Belize, and nine Eastern Caribbean countries), and Panama, but they also engender economies of scale in cross-border initiatives. For example, the Central America program saves money by negotiating regional prices for media programs across Central America.

In addition, these programs ensure effective collaboration with and among regional bodies working to fight HIV/AIDS. In the Caribbean, for example, USAID helps support the Caribbean Epidemiology Centre in its HIV/AIDS surveillance activities, and PANCAP (Pan-Caribbean AIDS Program), which was the first regional program to receive a Global Fund grant. Regional programs are also effective at leveraging other donor resources. In the past 2 years the Guatemala-Central America Program has leveraged 7.6 million Euros from the Germans (KFW) and an $8 million World Bank grant to complement USAID regional program efforts.

Across the LAC region, USAID activities have resulted in a significant decrease in risky behavior and an increase in protective behavior, a substantial increase in access to treatment and diagnosis, and a marked improvement in the quality of care and support available for people living with HIV/AIDS.

USAID education and training programs develop innovative and more effective service delivery models, many of which are being expanded by host governments and multilateral development banks. USAID programs support the following: Improved testing and student assessment; development of school-level report cards; management information systems to help Ministries of Education make targeted investments in low-performing schools; and greater parental and community involvement in education.

In direct response to the poor quality of primary and secondary educational structures in LAC countries, USAID will train an additional 5,500 teachers and administrators in 2005 and 2006 through the Centers of Excellence for Teacher Training (CETT), a Presidential Initiative to improve the quality of reading instruction in the 1st through 3rd grades. USAID also supports advancements in workforce training and higher education to help young adults prepare to enter the workforce.

USAID's environment programs protect the region's natural resource base and biodiversity, and reduce environmental hazards. As part of the Global Climate Change Initiative, USAID strives to improve land use and management of scarce biological resources, and promote the transfer and wider adoption of clean energy technologies. Through the Initiative Against Illegal Logging, USAID attempts to reverse the sale and export of illegally harvested timber products and assist countries to establish and strengthen enforcement of laws related to forest management, strengthen protected areas management, and promote good business practices, transparent markets, and legal trade. Under the Clean Energy Initiative in Mexico, USAID supports clean energy production and promote energy efficiency concepts to selected municipalities.

USAID is also continuing efforts to improve the management of water resources and accelerate access to clean water in support of the Water for the Poor Initiative. A regional strategy for biodiversity conservation in the countries comprising the Amazon Basin will improve the capacity of indigenous communities and local law enforcement agencies to protect the biodiversity of indigenous peoples' reserves. As part of the work USAID conducts in this sector, an additional 1.5 million hectares (bringing the total to 19.5 million) will be under improved management for biodiversity conservation and an additional 5.3 million hectares (for a total of 23.5 million hectares) will be under increased protection and sustainable management of forest ecosystems by the end of 2006.

MANAGEMENT EFFICIENCY AND EFFECTIVENESS

To improve management efficiency and ensure that operating expense and staff allocations respond to priorities, the LAC Bureau has undertaken Mission Management Assessments in all 16 missions. These assessments have helped the Bureau streamline management support operations, focus program portfolios, reduce management units, identify efficiencies in procurement, and broaden the functions of its

regional platforms throughout the region. The LAC Bureau continues to work on finalizing the regional services platforms for Central and South America. The bureau is defining core staff requirements (technical and management support) for small-, medium-, and full-sized missions, and redefining the roles of U.S. direct hire staff, as well as the missions' program delivery models.

The Program Assessment Rating Tool (PART), a component of the President's Management Agenda, focuses on assessing whether goals, indicators, and targets are in place and used to determine whether a program achieves results. The original assessment found that while strategic planning and performance evaluation were effective at the level of USAID's individual operating units (the 16 country programs), the LAC Bureau could not assess regional level progress due to the lack of regional performance measures and targets. To facilitate regional performance monitoring, the LAC Bureau in collaboration with the Office of Management and Budget undertook an extensive effort in 2004 to develop a set of contextual and regional indicators that would provide valuable performance information to managers in the field and in Washington. The Bureau's long-term goals are now supported by annual outcome and/or output-related regional performance measures which the Bureau will use to assess program progress.

OTHER DONORS

Official development assistance across the LAC region by all donors totaled just over $5.2 billion in 2002 (latest available figures compiled by the OECD). Bilateral donors accounted for about 86 percent of this assistance and multilateral donors the remaining 14 percent. The largest multilateral donor is the European Commission, followed by the International Development Association and the Inter-American Development Bank.

The United States has been the largest bilateral donor since 2001, topping Japan, which was the largest donor for 6 years prior to 2001. United States assistance in 2002 totaled more than $1.2 billion in grant funds, followed by Japan and Spain. Germany, the Netherlands, and the United Kingdom are also active donors in the region. According to OECD, nearly 60 percent of the assistance to the LAC region was geared toward social (health, education, water, housing, employment) infrastructure and services; approximately 14 percent was focused on economic (transportation, energy, and business development) infrastructure and services; and 12 percent on improved economic production (agriculture, industry, trade, and tourism).

Mr. Chairman, this concludes my statement. I welcome any questions that you and other members of the committee may have. Thank you.

Senator COLEMAN. Thank you very, very much Administrator Franco. I'm pleased to have with us my colleague from Florida who brings a personal perspective, a life experience perspective to U.S./Western Hemisphere relations, and I'm just thrilled to have him as part of this subcommittee, Senator Martinez.

STATEMENT OF HON. MEL MARTINEZ, U.S. SENATOR FROM FLORIDA

Senator MARTINEZ. Thank you, thank you, Mr. Chairman, I appreciate that very much, and if I may begin by welcoming good friends, Secretary Noriega and Administrator Franco, what a pleasure it is to be with you in this setting.

Let me just, as a matter of opening, and before any questions might come up, I just wanted to say a few things about my view of the region. First, and foremost, it is obviously a region of the world that has had such a close and long neighbor relationship with the United States, and it's one that we have to continue to keep a strong presence in, and a more vibrant presence. And I think if I hear anything consistently from people, in the region from those that are interested in Latin America, is that our foreign policy needs to be more focused on the region, so I would hope that in this President's term, and as we go to the future, that there will be continued and renewed revitalization and enthusiastic new perspectives in our very vital relation with the region.

And, it's a region while, at the same time, having made a tremendous amount of progress over the last decade, many challenges remain, and at times we even see new challenges arising, so I for one, I think I will just say that I'm staunchly committed to the President's call for democracy, for freedom, for the President's call that I think ought to be heard far and wide, but certainly in the region that we care so much about.

I believe that looking at Secretary Noriega's statement, I think you say it very well that this multifaceted approach, and I think it is correct that we should face it that way. I am very imbued with the great progress that President Uribe is making in Colombia, I think we're making headway against a very determined group that are more interested in the trafficking of narcotics than they are in lofty thoughts of freedom, democracy, or anything else, so I think the progress he's making is encouraging, it's positive, and I think what we must do is continue to foster that. I want to delve into that as we go into questions on how it's going, how we can do better to help President Uribe and the fledgling progress that's being made in Colombia, and how do we avoid allowing neighbors to disrupt that progress, how do we find a way that we can deal with the forces of the region that now seem more disruptive than they seem helpful?

I'm very concerned about the continuing stridency of the government of Venezuela, not so much toward the United States, because that will come and go, but as toward some people, and the departure from somewhat democratic beginnings into what is a course that is far from democratic.

A government cannot call itself democratic if it doesn't govern democratically. The first step to democracy is the election, what really proves out to be a democratic regime is the way it acts toward its own people, the way it behaves toward the standards, rights that we understand around the world to be freedom of religion, freedom of assembly, freedom of the press, the freedom of speech, which includes the free press, and then also the freedom to own property, and the property rights of people, so all of these things I view, are under challenge in Venezuela in a way that I think is threatening to the stability of the country.

I am extremely concerned about the tendency of this government to now wish to arm itself, I'm not sure against whom or for what purpose, but arms purchases in this region will only be destabilizing, will only trigger an arms race, it will only trigger a missed opportunity for a better life for its own people, and I think that's misguided and wrong.

I also am encouraged by the implementation of the President's policy toward a free Cuba. It is too long since the people of Cuba had the opportunity to see the exciting things that we've seen in the Middle East with elections, that we've seen in other parts of Latin America with elections, and I think that the time for Cuba to begin to join the family of nations is upon us. But I think the President's policies are wise, I think those things that would derail the success of that policy or I think are misguided and wrong, I think the President put together a comprehensive approach to Cuba, a strategic vision for how we bring the country to democracy,

and it uses several key ingredients as strategies for that, and I think that one of those, obviously, is information.

I'm always encouraged when I hear the subjugated people of Eastern Europe, now having an opportunity to be free, how they do not talk about tourist travel and they do not talk about agricultural sales making a difference in their lives or freeing them from the subjugation of communism, but they do consistently talk about Radio Free Europe, and how hearing a message of hope, knowing that they were not alone in the world, somehow made their prison, made their imprisonment, made their oppression somehow more tolerable because they knew they were not alone. That same power of communication can be achieved with an effective radio and TVMRT, and I've been looking forward to some specifics on that effort. I think also a continuation of our current policies in Cuba will allow us to continue what we've seen as a very effective policy since May, when it began.

I think, also being from Florida, we have to be very concerned about Haiti, looking for stability and progress there so the people of Haiti can have a better life and so that the stability of their government can be enhanced.

But, also on a more positive note, I think we also need to look forward to the great success that we've had with NAFTA, the potential for CAFTA, and I think that other initiatives that would encourage and enhance the possibilities of commerce, of grade, of agreements that bring hope to people, that bring jobs to the region, we're very encouraged in Florida, and very hopeful that the free trade zone of the Americas will be housed in Miami, which I believe to be the trade and commerce capital of Latin America, so anyway, we're very excited and hopeful about that, and look forward to that.

So, with those comments, Mr. Chairman, thank you for allowing me, and I'll be happy to get into some questions.

Senator COLEMAN. Thank you, Senator Martinez, it's a great pleasure to have you as part of this committee. Let me turn to your colleague, the senior Senator from Florida has arrived, Senator Nelson, would you like to say a few words? The witnesses have already given their testimony, before they are questioned, I'd certainly like to give you an opportunity.

Senator NELSON. Are we the two anchors on this committee?

Senator COLEMAN. And fine anchors you are, too, by the way, Senator.

Senator NELSON. Well, I have visited with Mr. Noriega on lengthy occasions about many of these subject countries in the jurisdiction, and I assume that you've already discussed the matter of Venezuela, the matter of Haiti, and so forth, but I'll get into it in some of my questions.

Senator COLEMAN. Thanks, Senator Nelson. Let me talk a little bit, we'll start with Colombia. I think it would be fair to speak for all of the folks here that the leadership of President Uribe has been very strong. We've seen many positive things coming out of Colombia. Colombia is in the process now of working out details of legislation to demobilize insurgents, Senator Noriega, we had a little chance in private to talk about this issue, but I'd like to explore

it further. What's the role for the United States in this demobilization process?

Mr. NORIEGA. Thank you very much, Mr. Chairman. We believe that the progress that President Uribe is making through agreements whereby members of the AUC, the self-defense units, are stacking weapons, demobilizing themselves, taking themselves off the battlefield is an important part of his strategy and policy and is a fruit of our commitment. We need to make the most of this, because it's taking people out of the conflict. It demonstrates that his policy of imposing a rule of law and making significant investments in the security side, is producing dramatic results. And so our role in supporting demobilization is literally helping secure the peace.

It has to be done in a responsible, careful way. We know, for example, that the AUC, as well as the others, is deeply involved in drug trafficking. We want to make sure that as people are demobilized by the Colombian Government that there's an accountability, and an integrated and responsible policy that actually dismantles these groups, these blocks of fighters. So I think that it is important that there be a juridical framework for that. President Uribe and his team have presented to Congress in Colombia, a proposal on justice and reconciliation and we need to encourage them to work with their Congress to come up with a credible process that holds people accountable. In particular, one that never extends an amnesty to the notorious violators of human rights or undermines our extradition arrangements.

President Uribe has proposed that sort of draft law. It's being considered through good-faith, open negotiations with Members of the Colombian Congress. As they produce that, and I'm confident that they will, I think the United States will have more room to provide sustained substantial support to this demobilization process. Members of Congress of the United States have laid out their concerns, but I see that as a positive thing, because what they've laid out are certain conditions under which we would make a substantial commitment to support this demobilization effort. President Uribe, I think, sees that as an opportunity to get this right. If there is a juridical framework, it could potentially mean support, not only from the United States, but elsewhere in the international community. So I think we're going to get there.

In the meantime, we have provided some support to a vetting and tracking and monitoring system that the Organization of American States is running. We've consulted with Congress and are able, now, to provide an additional $1.8 million for that process. Again, this is a process that is essentially a census of the people that are being demobilized, and tracking them to ensure that they stay out of the fight. So we can pay for that filter process, and eventually be able to provide, perhaps, more substantial support to actually retrain people and reenter them into civilian life.

Senator COLEMAN. Let me go from one of the success stories, which I believe Colombia to be, to one of the areas of great concern, Haiti. Funding for Haiti has been transferred to the Office of Transition Initiative, OTI, both Administrator Franco, respond first and second, Secretary Noriega. Can you explain, kind of a multipart question, how is this going to help us with United States assistance

for Haiti, there's an election that's scheduled by the end of the year, I'd like to get a sense for whether you see it coming off, what's the role of the OAS, do they have resources, give me a little overview of what's happening with Haiti, both in terms of our funding and how you see it being more effective, and then if you can give me a view of the social and political situation in Haiti, in particular as we look to an election, Administrator Franco?

Mr. FRANCO. I'd be delighted to do so, Mr. Chairman. Let me just, if I could, add a couple of things on Colombia, so I can give you a very good, comprehensive answer. We want to get it right on Colombia, we've been engaged in consultations with Congress, we did notify the Congress last year of our intention to be supportive of the demobilization process, contingent on consultations which were ongoing.

I think it's important since we're concerned, now, that Plan Colombia is coming to an end, I know you said the ACI this fiscal year, about our continued role in the future that by getting this process right, as I think we will in very short order, this will also be a way to get by in and support from the European Union and other donors, because this will be an expensive proposition, something that we are consulting with Members of Congress as we do move toward, I hope in the future, of providing vocational training and the other, to have international cooperation and financial support forthcoming for this effort, in addition to being the right thing on the human rights front.

On the situation in Haiti, first on the OTI account and the mechanics of this, there is, what the administrator has proposed is a Transition Initiatives Account worldwide, for USAID, of which, for our region, for fragile and failing states. In our region the country that would be eligible for this, if it is approved by the Congress, would be Haiti in the amount of $30 million. So this is a proposal that a portion of the resources that would be made available would come from a new account called Transition Initiatives. In essence, what the difference is between Transition Initiatives and the other support that we give to Haiti, is that it would provide, notwithstanding, authority for the use of these resources.

Why that is important in a failing state, or a fragile state situation as we have in Haiti, is that we have a very changing circumstance happening, we have long-term development plans for the country, but we also have many short-term needs. Most of the funds that are appropriated to AID are appropriated to specific accounts, for specific purposes that are good, but tie our hands, so this is a way to be responsive to the Haitian Government and our own foreign policy priorities in the country. Obviously, there is a consultation process with the Congress, but it does not tie the money to a specific activity and it gives us that additional flexibility.

On the questions of elections, and support for elections, last year we provided $9.4 million for this effort, and it was largely through the OAS, we are in the process of the planning and oversight of the election for later this year that has taken place since last year, registration of voters, the resources we're requesting this year will be not only to continue those efforts, but also to promote an education campaign for voters, political party building, there are a lot of peo-

ple interested in the process in Haiti in terms of running for office, political parties in the country, on the media campaign, to explain to voters their responsibility, civic responsibilities, what the elections entail, and of course, monitors for these elections, which will be international, United States and domestic, meaning local monitors from Haiti.

So these are the chief activities, there's also an important component with Minustah, that is the name for the U.N. Stabilization Mission in Haiti, and the OAS to provide security at the polling places, and there's security prior, during, and after voting. So this is a very comprehensive plan that we have been engaged in, we work closely with the OAS with our mission, with the international community.

This is an area, Mr. Chairman, because it will be an expensive election, this is a society that, in terms of election experiences does not have the track record of other countries in the region, and has some major obstacles, namely a population that is not, does not have the literacy rates and so forth of some of the other Latin American countries, so we are looking for donor support through our donor coordination group, particularly from the Canadians and others, and France, that are engaged very closely in this effort.

Mr. COLEMAN. Senator Noriega, anything you want to add to that?

Mr. NORIEGA. Yes, Mr. Chairman, I appreciate the opportunity. We have a long way to go in Haiti. We've had a very tough couple of weeks recently, and the last year, although we see the elements occasionally coming together and we see some running room ahead of us in political normalization, getting the economy going, getting the security situation going. But, we have hit some serious tough spots.

One was last September when there was political violence inspired by President Aristide's engagement with the Lavalas settlements in the country, but also a natural disaster, tropical storm Jeanne, so September was a real blow.

In the last few weeks, some of this has to do with the anniversary of President Aristide's departure from the country, some of those people taking advantage, you've seen prison break and some political violence, including the possibility of some abuses by the police, so this has been a rough spell, too. But I think it's good that we're here being held accountable right now after this tough patch, because it reminds us that this is going to be a long effort.

The positive news is, I think, that the elections will give people hope, if they see that it's a genuine process that's open. So we have to provide support to democratic elements of the country. Security has to be improved so we have to go after those criminal elements and those who use political violence and put them back in jail. I should say, that the prison break had as much to do with narcotrafficking as it did anything else, so they have to be detained so that it restores a sense of security so that political leaders from across the political spectrum will get out and compete in the process and participate in a national dialog and go forward.

So, I think we need to recover our stride there. We have an international commitment. There was a donor meeting last July where over a billion dollars was committed by the international commu-

nity. We need to get that money moving more urgently, more effectively, more efficiently, and in a transparent and obvious way so that people see things improving in their lives. The United States has done an awfully good job. We initially had this conversation after Aristide's departure a year ago, and there was some question as to whether we would step up to the plate, and we did. The United States put $200 million toward this in the last year.

But we don't have to go it alone, other key donors are there. The United Nations is engaged, the U.N. Security Mission has done a tremendous job, I must say, under difficult circumstances, but they have to be encouraged to be even more proactive and to stay engaged and step up as bad guys in the country try to undermine the progress that they're making.

So, this is an integrated approach, it's very tough. The Haitian people deserve a good government, they've always deserved it, they've seldom had it, and the foundation of our policy is to give them that, to restore some sense of security, so that the economy can start to revamp. Economic assistance will always have to be a part of this equation, and we'll stay in there, and I think the international community will stay committed as well. But I don't want to leave you with the impression that it isn't going to be awfully tough.

Senator COLEMAN. Thank you. I have some more questions to ask of you, but we are limited in time, an hour that I will extend a little bit in deference to my colleagues. Why don't we do two 5-minute rounds, first Senator Nelson and then for Senator Martinez and Nelson.

Senator NELSON. Thank you, Mr. Chairman. Mr. Noriega, you just talked about economic assistance. Can you explain to this committee why you oppose Senator Mike DeWine's legislation, known as the HERO Act that would allow textiles from third parties to come into Haiti to be turned into manufactured garments that would then be duty free, and explain your opposition, in light of the fact that you supported doing the same thing for Africa.

Mr. NORIEGA. Thank you very much, Senator Nelson. The administration hasn't taken a formal position on the HERO Act, or the other measures that have been proposed.

Senator NELSON. It would pass in a nanosecond, if the administration said yes.

Mr. NORIEGA. I think the concern that we have is, frankly, the interests of American industry, particularly in the textile industry as we are working in good faith with our Congress to get approval of other trade measures. I'm not an expert in this issue, but it is my understanding that the area of concern is the ability under the HERO proposal to use fabric and fiber from outside of the——

Senator NELSON. From third countries.

Mr. NORIEGA. From outside of the hemisphere.

Senator NELSON. That's correct. Just like it's being done in Africa; sub-Sahara and Africa.

Mr. NORIEGA. And that in the case of Haiti, this could be meaningful. It is perceived by our textile industry as being a meaningful, significant problem, and frankly we just had to rely on the judgment of some of our allies up here about what is doable in terms of that industry. That does not mean, Senator, that we don't see

the importance of this kind of commercial arrangement as part of our long-term strategy in Haiti. During the course of this year, where we will be doing some very real bargaining with the Congress on trade legislation. There may be some opportunity for Haiti, but it may not take the form of the HERO proposal. But there are some other ideas on the table, and I can tell you, Senator, that I had the opportunity to discuss this at length with Deputy Secretary Zoellick yesterday. We spent an hour and a half on Haiti and this is one of the issues that he's very mindful of, and very sensitive to, and I think you'll find that we'll be prepared to engage during the course of the year.

In the meantime, right now, before we can talk about meaningful advances on the commercial side of things, we need to make additional strides on cleaning up the port and the customs procedures and eventually privatizing the port, so that you can make space for honest commerce. Right now that is not the case in Haiti, so we have a way to go on that front, and we're working on that earnestly right now. We're putting about $1.7 million to the customs and——

Senator NELSON. Well, other than cleaning up the port, which is clearly a step in the right direction, now what other things, if you want support, the building up of a garment industry in Haiti, for 200 years, Haiti has been a basket case, and it's the poorest nation in the Western Hemisphere, and it's going to continue to spiral downward unless the other nations of the Western Hemisphere get serious about it. It happens to affect Senator Martinez and my State probably more than any other, simply because we're on the receiving end, so other than cleaning up the port, what other, since you don't support, and I think you have stated the position of the administration, and now we have it on the record as to why you don't support Senator DeWine's legislation, what other things would you think and propose?

Mr. NORIEGA. Senator, what I've noted, what we do in terms of improving the security situation, and supporting the rule of law in Haiti, in the energy area, getting power, reliable sources of energy is also good for the private sector. USAID has given a terrific emphasis on microenterprise and come public works activities to generate economic activity. Haitians are good workers, and I'm convinced under the right conditions, the private sector will go in there without additional trade benefits. But we have to get to a certain stability and improve the security situation and transparency so people can get their product in and out of their country in a reliable way before you'll see room for a lot of commercial activity.

I don't want to suggest that anyone give up on the trade side of this, because, as I noted, it is something that is very much on our mind, and it is something that we could do at the appropriate time. But again the intricacy of moving trade legislation up here does play into this.

Senator COLEMAN. I noted that Administrator Franco wanted to respond. Please, go ahead.

Mr. FRANCO. Senator, if I could, I shared the concern about invigorating, I don't want to say reinvigorating, but invigorating for the first time, commercial activities in Haiti, and especially export potential. Obviously, Florida is the State particularly of interest in the Haitian community. As you know, Governor Bush has estab-

lished an advisory committee on this issue, and has appointed me to it. So this has been a discussion with private sector Haitian-Americans, and just as Secretary Noriega has said, I want to underscore that we're looking at every option and I think he's made it very clear, that we're looking to see what can be done in this field, but, there's an important "but" here. HERO, in and of itself, can't even if it were approved, is not going to transform the society until we have proper infrastructure, electrical delivery of service, it's important to understand right now, we've now taken it for granted in Port-au-prince, the lights are on.

Senator NELSON. Of course, that's true for any Third World country, but we did it for Africa.

Mr. FRANCO. Yes, sir, but there is a distinction. Currently, unlike Africa, and most of the countries in Africa, and I am familiar with AGOA, and I worked up here, I did work on AGOA, on the Africa issues, unlike the Africa situation, in the case of Haiti, Port-au-prince specifically, United States Government efforts and financing through USAID is providing electrical power. Now at some point, we need to transition from this, that there is private power, there is a functioning country that can actually have the investment climate necessary to fulfill the promise of something like AGOA or HERO.

Therefore when I've met with Haitian-Americans who are going to be the individuals investing, or the people in Haiti, the first thing they talk about is what Ambassador Noriega has mentioned, we've got to get security, which we're working on, under control, we have to have customs facility that's actually working and functionable, we have to see how these resources are collected so they can be reinvested, we have to have electrical power and grids that are working, working with the seat of the development agency to achieve those things, our sense is let's get the cart and the horse right to fulfill the promise of any potential for HERO-like situations in Haiti, and we have a way to go in that regard, and we're working on them.

Senator COLEMAN. Senator Martinez.

Senator MARTINEZ. I'll try to be brief in my questions just in the interest of time, Secretary, are we clear that the platform for the broadcast Taquiera is in the budget and will be part of this year's appropriation that you're seeking?

Mr. NORIEGA. Yes, Senator, there's $10 million in the 2006 budget for the Broadcasting Board of Governors from airborne platform.

Senator MARTINEZ. Right.

Mr. NORIEGA. It's just as important, and we were having a senior level discussion about this yesterday, it's just as important that we continue the broadcasting during the course of the year.

Senator MARTINEZ. Right.

Mr. NORIEGA. Until we get there to where that money kicks in, that means the Commando Solo continuing and also the blimp.

Senator MARTINEZ. Right, right.

Mr. NORIEGA. That was also used for broadcasting, because we have degraded the capability of the regime to jam and so we're producing real results there.

Senator MARTINEZ. The results I hear are very encouraging, in fact, I've heard fairly directly that it is getting through for the first

time, the TV images are being seen and it's very encouraging, and it's having, I think, the kind of impact that would expect it to have.

I'm very concerned, as I mentioned in my statement about Venezuela and the situation there, how will we monitor the arms purchases and those types of activities that I think are so threatening to the stability of the region?

Mr. NORIEGA. Senator, you put your finger right on the problem. It is not a question of new arms going in, it's the question of transparency and what it does to the arms balance. Within the inter-American system there is an awful lot of work on transparency in arms acquisition and a lot of confidence-building measures to ensure that we don't have an arms race set off.

MIGs are one thing, sophisticated aircraft. It's going to take many, many years before the Venezuelans can get them in the air and keep them in the air. The small arms are, on the other hand, another sort of problem. First, we're worried about apparent corruption in the acquisition of these arms, where additional resources of the state are being diverted to support certain illicit activities. We're worried about the arms that are displaced by this type of purchase, tens of thousands of rifles potentially ending up, not necessarily in the United States, but in jungles, and for that matter, on the mean streets of some countries in the Western Hemisphere; or in the hands of guerillas, like the FARC and the ELN; in the hands of radical groups with which the Venezuelan Government maintains a certain intimate contact, and; in the hands of other criminal elements in the big cities of South America. So that's why we've asked our neighbors to step up and ask Chavez about these things.

Senator MARTINEZ. But these neighbors are the ones making some of the sales. Brazil is engaging sales, how do we talk to President Lula who, as a responsible leader, must share our concerns, is that at all fruitful?

Mr. NORIEGA. Absolutely, I think that they want to be responsible. The sales of the Super Tucanos from Brazil to Venezuela, again, is relatively small and that is not of as much concern to us, and it's going to take years before they get there. We do communicate with our neighbors in the region and elsewhere, actually, in Europe about the need to look at the balance, at transparency in these transactions so that it doesn't set off an arms race.

Colombia had a run-in with Venezuela recently because something became public that we've known privately for a long time; the fact that the FARC and other bad guys maintain a presence, and are given, essentially, hospitality of the Venezuelan Government. Our message is that Colombia should not stand alone. They certainly don't in as much as we're with them, but their other Latin neighbors need to step up, too. I'm not saying isolate Chavez, but we're saying go and ask questions about what his intentions are in terms of supporting these illicit terrorists and criminal groups.

Senator NELSON. Mr. Franco, just briefly in the remaining moments that I have, you mentioned the goals for the region, human rights, property, prosperity, and security and all of the other issues, do you feel that the resources you have are sufficient for you to tackle the agenda that we have with this very vast region, and such a close neighbor?

Mr. FRANCO. Well, Senator Martinez, in a sense the short answer is resources, whether in our region or any place in the world, for the monumental tasks that we outlined, and that have been outlined here by the chairman as well, are in a sense, there's never enough, I think the same goes for domestic programs or any international program. I think the chairman noted, adequately, that there are other places in the world that are, right now, critical for the President and the administration, and that have become the priority foreign policy concerns, and we've got to look at things on a global standpoint.

I highlighted some of the good things coming from our region. We have largely democratic governments in our region, fragile, we're supporting them, we can work with them, many of the things we can do because we have friendly governments, we can do without the types of resources that are sometimes necessary in a country like Sudan, the Darfur or other places. So I think the levels are adequate to address the needs of the region. We can always use more in any place in the world, I think we can use more in Africa, I know we can use more in Asia. I know I've heard that from my colleagues, but I think the President's request is the right request, and I think we can address the summit goals and the other goals we have for the region.

Senator MARTINEZ. Good answer, not enough, but that's fine. Thank you very much.

Senator COLEMAN. I know we've got to keep this hearing to an hour; I'd like to extend it with the indulgence of the witnesses. I'm going to yield my time, I have a lot of other questions, the FARC involvement recently, the kidnaping and murder of a former President of Paraguay, and I want to talk about Guatemala, but I'll keep the record open until the end of this working week, until the end of Friday, but with that I'll yield my time and turn to Senator Nelson.

Senator NELSON. I'll just make a couple of comments in passing in the interest of brevity.

Mr. Franco, you indicated in your last response with regard to Haiti that you felt like that we had to get the security situation in order before you can get the economic situation in order, and if we do that we'll never get the economic situation in order, and I would respectfully suggest that what you have to do is you have to work on both at the same time. And it is not, in my judgment, an appropriate excuse to say that we are not going to consider something like the HERO Act until we can get the security situation under control. If there were something other than the HERO Act, but I'll tell you, I've been there with Senator DeWine, we see the industriousness of those people, we see the order in the midst of chaos in those slums such as Cite Soleil, and we have seen the success of those people in their manufacturing in the past. And you give them a little incentive and at the and of the day what we want and what's in our interest in this Senator's judgment, is to have Haiti politically stable and economically stable. And as long as they're at the bottom of the economic barrel, that then upsets the political stability. So I think you have to work both at the same time, and I'm sure that's what you meant but not what you said.

Senator COLEMAN. I'm going to leave that as a statement. Senator Murkowski I know is waiting for the next question.

Mr. FRANCO. Could I just respond, Mr. Chairman. First of all, we are doing both and we are doing a great deal on mango exports, on Haitian Blue, some products that are ongoing. I didn't suggest, Senator that there has to be a panacea, that it has to be perfect, and certainly that's not the standard to which we are holding, but we are, and we need to create the climate, both security and I mentioned infrastructure, customs, we need to make those, I think, initial investments ensuring that the climate, when there is an opportunity to attract investment is such that there is some predictable security situation on the ground, which I think is improving, but we are doing both.

Senator COLEMAN. Thank you, this hearing is adjourned.

[Recess from 2:10 p.m. to 2:13 p.m.]

STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Good afternoon, we are here to hear testimony from Mr. Revere and Mr. Kunder regarding the President's fiscal year 2006 budget requests for East Asia and the Pacific. I'd like to thank the panel for accepting the invitation to be with us this afternoon.

We have just until 3 o'clock to examine the budget request and its impact before the next budget subcommittee panel is scheduled, so I do want to get right into this, we've got a lot of ground to cover, literally, from Japan and the Korean Peninsula in the north, to Australia and New Zealand in the South Pacific, so this subcommittee has a very broad area under its jurisdiction. It's also a region that has seen its importance to the United States grow tremendously in the past century, both from an economic and national security perspective. It's not uncommon to hear Alaskans comment that we are geographically closer to our friends in Japan and Korea than we are to Washington, DC, so it tends to give us a different perspective on the region than someone from the mid-west or the east coast may have.

And whether it's the constant reminder that North Korea might have the ability to reach out and touch us, so to speak, or the longstanding trade relationships that we have with our Pacific partners, there are common factors that bind us together. We share a dependence on the ocean for transportation and economic livelihood, and in some cases, subsistence purposes.

When the December tsunamis struck parts of Indonesia and Thailand, along with other nations in South Asia and Africa, Alaskans recalled the 1964 Good Friday earthquake that caused tremendous damage throughout my State and created a tsunami that wiped out the town of Valdez. It was a result of that earthquake that Alaska became home to the Tsunami Alert Center for the west coast. Almost immediately, Alaskans asked whether a similar center could have reduced the massive loss of life in Indonesia, Thailand, and the other affected nations.

We heard from USAID Administrator Natsios at a full committee hearing not too long ago that the warning system is more than just about ringing an alarm, but also about educating the people, so

they know what the alarm means and what to do when it sounds. And I look forward to working with the administration in this education effort.

Trade continues to play an important role in the region. Last year, Congress passed the Singapore and Australian Free Trade Agreements. The administration is in the process of negotiating a trade agreement with Thailand. The implementation of these trade agreements will help American companies expand into additional markets, and our bilateral relationships are stronger as a result. Additionally, these agreements also signal the intent of the United States to remain a strong player in the Asian market. In recent years, we've seen China expand its sphere of economic influence, as it's beginning to negotiate trade agreements with the ASEAN nations and has surpassed the United States as Japan and South Korea's largest trading partner.

And while it should not be our goal to keep China out of the market or stunt its growth, neither should we be willing to concede the market. The United States must remain active in this part of the world in order to keep our companies at the forefront of the global marketplace.

National security issues must also remain a top priority. The budget contains funding for a number of bilateral programs to help combat the spread of terrorism and develop local economies to reduce the appeal of terrorist organizations.

While perhaps more suited for a discussion by the Armed Services Committee, North Korea's nuclear and missile programs are cause for concern, as is the European Union's potential lifting of their ban on the sale of arms to China. Whatever else the President's budget seeks to achieve in East Asia and the Pacific, the overarching concern must be to preserve stability in the region and promote the security of the United States and our allies.

So I look forward to the testimony by Mr. Revere and Mr. Kunder on how the administration's budget priorities seeks this result. And with that, Mr. Revere, if you would like to begin, please.

STATEMENT OF EVANS REVERE, ACTING ASSISTANT SECRETARY, BUREAU OF EAST ASIA AND PACIFIC AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. REVERE. Thank you very, very much Madame Chairman. I want to thank you right at the outset for providing me with an opportunity to be here today to speak to precisely the issues that you have addressed so eloquently in your own statement.

I'm here, of course, to spell out the strategic goals underlying our foreign affairs budget for East Asia and the Pacific region for fiscal year 2006. Let me just note at the outset that I have prepared a more formal statement, which I provided to your staff, possibly sufficient for the record, but if I may, let me just address very briefly, some of the issues that you have anticipated in your own opening remarks.

Indeed the East Asian/Pacific region is in the midst of a period of very dynamic change, and it is a situation, mind you, that presents the United States with both tremendous challenges, but also tremendous opportunities. Although the circumstances vary, in my view, from country to country, I think looking at the East Asia/Pa-

cific region as a whole, I think we can, indeed, discern a number of very favorable trends. Perhaps the most important and encouraging of these has been the regionwide strengthening of democracy that we have seen.

In the past year we have had successful elections in Japan, South Korea, Taiwan, Mongolia, the Philippines, Malaysia, Australia, Indonesia, Thailand, and Hong Kong. The progress in Indonesia, in particular, is quite noteworthy. That country is now the third largest democracy, and the largest Muslim democracy in the world, and in Thailand the February 6 election marked the first time that a democratically elected leader has served a full 4-year term there.

At the same time, throughout the region, as you've noted, prosperity is growing, fueled by China's rapid development, the resumption of growth in Japan and also broad recovery from the financial crisis of the late nineties throughout the ASEAN region. Regional economies are moving toward much greater economic openness, lower trade barriers, and regional cooperation, these are all good and healthy trends. Income levels in the region have climbed as extreme poverty levels have declined.

But also East Asia is an area largely at peace. Despite incidents in Indonesia, the Philippines, and Thailand, there has been widespread rejection of militant Islam, and of the terrorism it has spawned elsewhere in the world. And we are also, in the region, witnessing expanding cooperation, expanding regional cooperation, especially in terms of the willingness to work together on global issues.

Working bilaterally and through regional organizations, East Asian countries are beginning to seek ways to eliminate human misery through programs to combat human trafficking, narcotics trafficking, international crime, environmental degradation, and the spread of infectious diseases.

In our view, we attribute these favorable trends in great part to the leadership and to the assistance the United States has provided over the years. The region would probably not be enjoying this upturn were it not for the fact that it is experiencing a period of regional stability, during which it has been able to build political, social, and economic institutions. And for this reason, we have placed maintenance of regional stability at the top of our list of strategic goals for fiscal year 2006. Much of what we do in the region is directed precisely at the subjective, though different resource tools are, of course, required in different parts of the region.

In Southeast Asia, combating terrorism remains the principle means to work toward the goal of regional stability. In Northeast Asia we will continue, and we are continuing, to focus on the elimination of the threat posed by North Korea's nuclear programs, and on our efforts to ensure the positive integration of China into global and regional regimes and institutions. And regionwide, we plan to be increasingly active in promoting sustained economic growth and development. We will seek to maintain the region's dynamic growth rates through expanded trade and investment, through significant financial and corporate restructuring and improved economic and political governance, as well as including an end to endemic corruption.

We aim to accomplish these goals through bilateral assistance, free trade agreements, and multilateral trade and investment and ruralization, as well as facilitation programs for multilateral trade and investment liberalization in APEC and ASEAN.

Bilateral and multilateral cooperation to counter the proliferation of weapons of mass destruction, to foster democracy and human rights, and to address international crime and transnational issues are strategic objectives on their own, but clearly our success in pursuing these objectives will affect our overall success in maintaining regional stability.

We will bolster our relationships with key partners in the region, especially with our five NATO treaty allies, and we will build an open and inclusive regional institutional architecture. We will work to ensure that the region's major institutions including APEC and the ASEAN regional forum continue to advance the mutually reinforcing goals of economic prosperity and regional security. And we are also strengthening our ties to ASEAN to build mutually beneficial cooperation.

An additional goal addresses social and environmental issues, particularly health issues such as HIV/AIDS. And, of course, strong public diplomacy can leverage all of these efforts. And recently, as you pointed out, we experienced a dramatic refocusing of America and the world's attention on the region, as a result of the tsunami disaster of December 26 of last year.

We cannot yet predict the impact that our humanitarian response will have on our relations in the region, but our response was massive, and the impact will certainly be great. As one senior Asian leader told us just last week, "You have created a reservoir of goodwill throughout the region because of the assistance that you have provided." As the affected countries move further down the path toward this very complex and difficult reconstruction phase that they are in, the United States will work closely with them and the international community to coordinate long-term assistance, and of course, none of the official U.S. response would have been possible without the support of Congress.

We look forward to working with you to ensure that further funds appropriated by Congress in support of the President's request for supplemental tsunami assistance continue to be spent in ways that reflect credit on our government and our citizens.

And, in closing, let me just emphasize that we are, as you all know, an Asian Pacific nation ourselves, and we intend to stay vigorously engaged in the affairs of the region and we look at the period of favorable trends in the region that I've described as a tremendous opportunity to extend our political, economic, and social relations, and we intend to take best advantage of these opportunities, as always, with your support and in cooperation and in consultation with the Congress. Thank you very much.

[The prepared statement of Mr. Revere follows:]

PREPARED STATEMENT OF EVANS REVERE, ACTING ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman, I am pleased to outline for the committee the strategic goals underlying our foreign affairs budget for the East Asia and Pacific region for fiscal year 2006.

OVERVIEW: U.S. INTERESTS

The region is experiencing a period of growth marked by several trends favorable to our interests. Democracy is on the rise, more and more people are benefiting from economic prosperity, and the region is generally at peace. Governments throughout the region are beginning to work multilaterally to address transnational problems, as well. We attribute these and other favorable trends in part to the leadership and the assistance the United States has provided over the years.

It is doubtful that East Asia and the Pacific would be enjoying this upturn were it not for the fact that it is experiencing a period of regional stability upon which to build political, social, and economic ties. For this reason, the Bureau of East Asian and Pacific Affairs (EAP) has placed maintenance of regional stability at the top of its list of strategic goals for fiscal year 2006, complemented by our commitment to enhancing regional prosperity and liberty. Different resources are required to achieve these objectives in different parts of the region. In Southeast Asia, combating terrorism remains an essential requirement in maintaining regional stability. Our efforts returned some encouraging results in 2004 that we will want to build on. In Northeast Asia, we will continue to focus on the transformation of the Korean Peninsula and on the positive integration of China into global and regional regimes and institutions. Regionwide, we will promote sustained economic growth and development, bolster our relationships with key partners in the region and especially with our five major allies, and build an open and inclusive regional institutional architecture. Bilateral and multilateral cooperation to counter the proliferation of weapons of mass destruction, foster democracy and human rights, and attack international crime and trafficking in drugs and persons are strategic objectives on their own, but clearly our success in pursuing these objectives will affect our overall success in maintaining regional stability. An additional goal in fiscal year 2006 addresses social and environment issues, particularly health concerns such as HIV/AIDS. Strong public diplomacy can leverage all of these efforts.

Regional Stability: In an unstable region, U.S. goals become more difficult to achieve. Success in countering terrorism, enhancing economic prosperity, eliminating weapons of mass destruction, promoting democracy, and addressing transnational issues strengthens regional stability. The fight against terrorism is essential for the stability of Southeast Asia, and we require adequate funds to wage this war. We also recognize the need to address corruption, good governance and transparency in Southeast Asia, and in fiscal year 2006 we intend to add more assistance focus on these issues in key Southeast Asian countries. In Northeast Asia, we will continue to focus on the transformation of the Korean Peninsula and on the integration of China. We will continue to do all we can to keep peace and ensure stability in the Taiwan Strait. While foreign assistance funds factor less in our Northeast Asia objectives, it is essential that we have adequate diplomatic presence, public diplomacy funding, and other resources to permit us to pursue active, successful diplomatic strategies.

Our alliances with five key regional states—Australia, Japan, South Korea, Thailand, and the Philippines—leverages our ability to maintain regional stability, stay forward-deployed, and plan and execute force deployment adjustments. We will continue to strengthen these alliances. In the Philippines, we want to sustain and enhance the ongoing process of building the operational capabilities of the Armed Forces of the Philippines (AFP). With a 5-year plan for support and repair of operational platforms coming to an end, we will shift our attention to professionalizing and modernizing AFP through the Philippine Defense Reform (PDR) plan. We believe the results of the PDR will be enhanced now that the Philippine Government is controlling its own funding to the plan.

Following the devastating Indian Ocean Tsunami, the Thai Government generously allowed United States military forces to use Utapao Air Base as a regional hub for our humanitarian relief efforts. This successful operation was a direct result of decades of joint exercises, training, and cooperation between Thailand and the United States, and underscores the importance of FMF and IMET assistance to our friends and allies throughout the region.

Counterterrorism: Terrorism in the Asia-Pacific region remains a serious threat to United States national security interests, including the welfare and security of our citizens in the region and the security of our regional friends and allies. It threatens the positive regional trends toward stability, democratization, and prosperity. We strongly support funding to train and equip counterterrorism units in Indonesia and the Philippines, to provide CT training for Malaysia, the Philippines, Singapore, and Thailand, and to support regional CT training, including at the new Southeast Asia Regional Center for Counter-terrorism in Malaysia. Additionally, EAP has requested modest amounts for CT assistance to Cambodia and the Pacific islands. To deter the

movement of terrorists and their goods, EAP supports new border control installations in Thailand and Indonesia, sustained border control progress in the Philippines and Cambodia, and improved export/transshipment control systems in Indonesia, Thailand, Singapore, Taiwan, Malaysia, and Vietnam.

In fiscal year 2004, the bulk of our CT effort was still directed at terrorism Tier 1 countries. But in fiscal year 2006, we can anticipate funding needs for CT operations elsewhere in the region. One of these is maritime security in Southeast Asia, particularly in the Strait of Malacca, through which 30 percent of total shipping and 50 percent of oil and gas shipments pass. We have exercised strong leadership in shaping conceptual, legal, and diplomatic improvements. We will seek to build greater regional capabilities and new forms of cooperation to address the vulnerability of maritime shipping in Southeast Asia, where an attack on the Malacca Strait or other key sea lanes could have an enormous impact on the regional, and indeed, the global economy.

In fiscal year 2006, EAP will expand CT-related programs on economic growth and development, democratization, and such transnational issues as money laundering, counternarcotics, passport fraud, and maritime crime. We will remain committed to addressing the financial, economic, and political conditions in the region that either foster terrorism or allow its practitioners to establish themselves within vulnerable populations. Several of our Indonesia and Philippine programs, especially those in Mindanao, have been highly successful and could serve as models for similar programs in the region.

Economic Prosperity: We will seek to maintain the region's dynamic growth rates through expanded trade and investment, significant financial and corporate restructuring, and improved economic and political governance, including an end to endemic corruption. We aim to accomplish these goals through bilateral assistance, free trade agreements (FTAs), and multilateral trade and investment liberalization and facilitation programs in APEC and ASEAN.

The Millennium Challenge Account (MCA) funding, which channels assistance to nations that govern justly, invest in their people, and encourage economic freedom can be used in several countries in the region to achieve these goals. Mongolia and Vanuatu are eligible for fiscal years 2004 and 2005 MCA funding. By fiscal year 2006, we are hopeful several additional countries in the region will be eligible for MCA funding.

On trade and investment, we are working with countries in the region to advance the World Trade Organization (WTO) Doha Development Agenda. We are pressing China and Taiwan and Cambodia to fully implement their WTO obligations, and support Vietnam's accession to the WTO. We are working to increase regulatory and administrative transparency in the region, especially China, Indonesia, and Korea, and also in Japan, as it undertakes major privatization and pension reform programs. We will continue our work to reduce or eliminate tariff and nontariff barriers throughout the region, such as high agriculture tariffs in Korea and Japan, semiconductor taxes and discriminatory product standards in China, and price and tariff barriers on rice in Taiwan. We continue negotiations on a Free Trade Agreement with Thailand. We will support economic reform in areas like intellectual property rights, ranked by U.S. business as one of the greatest impediments to doing business in the region, biotechnology and competition policy bilaterally and through organizations such as APEC.

To accomplish these objectives, we are working to increase opportunities for economic dialog with the countries of the region both bilaterally and multilaterally.

Weapons of Mass Destruction: We remain deeply concerned about the proliferation of nuclear, chemical, and biological weapons and their delivery systems. We have held discussions with China to persuade it to adhere fully to bilateral and multilateral nonproliferation agreements and to cooperate fully in prelicensing and postshipment verification checks related to U.S. dual-use exports. We also have sought China's cooperation in encouraging other countries to adhere to arms control and nonproliferation arrangements, and China has responded positively, in particular by playing a valuable role in hosting the six-party talks to address the North Korean nuclear issue. In those talks, we will continue to insist on the complete, verifiable, and irreversible dismantlement of North Korea's nuclear program. In fiscal year 2006 we will continue our effort to prevent, contain, and reverse the possibility that any WMD might become available to rogue nations or nonstate terrorist organizations, building on the success of the Proliferation Security Initiative (PSI).

Democracy and Human Rights: Promoting democracy and human rights remain high priorities on the President's agenda, and are mutually reinforcing alongside our other goals of political stability and economic prosperity. The relative stability of the East Asia and Pacific region has provided for important advances in democracy in places as diverse as Taiwan, South Korea, the Philippines, Mongolia, and Thailand.

Indonesia is continuing its transformation into a democratic state but will continue to need assistance from us and other donors, including better educational opportunities, a government with greater respect for human rights, and good governance. A prosperous, democratic Indonesia will in turn be a stronger partner for the United States, as we advance our regional strategic, economic, and counterterrorist goals.

We will continue to work for more democratic governments and open societies, through individual country programs and regionally through the ASEAN Fund and other EAP regional funds. In Burma, the further consolidation of power by hardliners last October dealt a setback to international efforts to affect genuine national reconciliation and the establishment of democracy. We will support programs to promote democracy and provide humanitarian assistance to Burmese migrants in the Thai-Burma border region. In Cambodia, our efforts will focus on political party development and human rights monitoring. Programs that enhance transparency and good governance while combating corruption are key objectives.

The issue of human rights is an integral part of the United States approach to North Korea. United States officials work to raise awareness of the severity of North Korea's human rights abuses and humanitarian issues with the international community. In addition, when possible, United States officials raise these concerns directly with the North Korean regime. We are working to implement the North Korean Human Rights Act of 2004, which was enacted by Congress in response to serious concerns over North Korea's human rights record and the ongoing humanitarian crisis faced by the North Korean people. We will also continue to press other nations such as China and Vietnam for improvements in human rights and rule of law.

International Crime and Transnational Issues: Transnational issues, including terrorism, narcotics, human trafficking, piracy, transnational crime, and infectious diseases are a serious threat to regional stability. In fiscal year 2006, EAP will address some of these issues through our ASEAN Fund, Developing Asian Institutions Fund, and Regional Fund requests. We support funding of humanitarian demining in Cambodia, Vietnam, and Laos. We also support funding for trade-related environmental capacity building, wetlands restoration, transboundary water management, and access to clean water.

Social and Environmental Issues: As noted above, the East Asia and Pacific region faces growing environmental and health challenges. The rapid growth of major cities has brought on problems in air and water quality, deforestation, and waste management. These are frequently cross-border problems, making a common regional strategy important. Our fiscal year 2006 foreign assistance programs will support continued development of a regional approach toward sustainable management of both cities and natural resources and address the growing danger that unsustainable practices will exhaust forests, fisheries, and coral reefs. Requested funding will also support work under the President's Initiative against Illegal Logging, which specifically cites problems in Southeast Asia. In the Pacific Island countries, fisheries, climate change, and oceanic research are all high priority U.S. interests.

The impact of health issues on the stability and prosperity of East Asia is becoming increasingly clear. Of the 42 million people living with HIV/AIDS worldwide, an estimated 7.4 million are in Asia and the Pacific—more than in any region outside of sub-Saharan Africa. One example of our efforts to help stem the growing AIDS epidemic in Asia was the President's designation of Vietnam as the 15th focus country in his emergency plan for AIDS relief.

Public Diplomacy and Public Affairs: The Global War on Terrorism has demonstrated the importance of foreign publics' perceptions of our foreign assistance programs generally, and more specifically, U.S. efforts to counter terrorism. Public diplomacy is a critical factor in influencing these perceptions, both in the long and short terms. Fully 85–90 percent of the world's Muslims live outside the Middle East; most of these people are heirs to cultural traditions and values that in vital ways are distinct from cultures found in the Arab world. In fact, Indonesia is the country with the largest Muslim population in the world. The recent tsunami tragedy has shown the goodwill that can be generated when foreign publics understand the good work Americans do for fellow human beings, regardless of race, religion, or ethnicity. "American Corner" public diplomacy outreach platforms in Korea, as well as a creative online presence, have helped stem chronic anti-American sentiment there. Over 50 similar platforms throughout the region can provide long-term traction in helping both Muslims and non-Muslims to view our policies with objectivity.

"Regionalizing" Assistance Programs: The Asia-Pacific region is experiencing a dramatic increase in multilateral cooperation and institution-building to address economic, security, and transnational issues. This trend presents the United States with new opportunities to foster cooperation to address the major challenges that

face the region. It also challenges the United States to stay firmly entrenched in the region's developing architecture despite the recent growth of Asia-only groups. EAP has already taken important steps to enhance its engagement with ASEAN through the Secretary's ASEAN Cooperation Plan (ACP). In addition to promoting cooperation on issues as diverse as HIV/AIDS and competition policy, ACP projects have generated extensive goodwill in Southeast Asia and helped to counter regional misperceptions that counterterrorism is the sole United States policy imperative in the region. ACP projects support American interests, as well as ASEAN's, in areas like improved governance, protection of Intellectual Property Rights, and transparent regional integration.

We have a strategic interest in strengthening Asia Pacific regional institutions where the United States is an active participant. It is difficult, however, to support this strategic interest from a strictly bilateral funding portfolio. In an effort to address this problem, we are seeking to begin funding programs associated with EAP regional organizations such as APEC and ARF from a single new ESF budget line item, the Developing Asian Institutions Fund. The United States has successfully worked through APEC and ARF to advance U.S strategic goals for trade and investment liberalization and facilitation, regional security, and counterterrorism. The recent strengthening and expanding mandates of these organizations make them increasingly effective venues for achieving progress on U.S. priorities.

Tsunami Recovery: We experienced a dramatic refocusing of American attention on the region as a result of the tsunami disaster of December 26, 2005. The outpouring of goods, services, and funding, our government and our private citizens provided to those in need, was huge. We can look back on this as one of the proudest moments of our history. It reinforced a message to the peoples of Asia of American willingness to help those in need, generously and unhesitatingly. A transition is now taking place, as the affected countries move out of the emergency relief phase and enter the much longer, and more difficult, reconstruction phase. The United States will work closely with the countries concerned and the international community to coordinate the long-term assistance that will be needed. As our friends in Asia will see, we plan to see this effort through to its completion.

We cannot yet predict the exact impact our humanitarian response will have on our relations with the affected countries and their neighbors, but our response was massive, and the impact will likely be great. This one event will likely alter the views of millions of people in the region about U.S. intentions, our capabilities, and indeed the very nature of our culture.

Of course, none of the U.S. official response would have been possible without the visible support given to our relief efforts by Congress. We look forward to working with you to ensure that further funds appropriated by the Congress, in support of the President's request for supplemental assistance for our tsunami efforts, continue to be spent in ways that reflect credit on our government and our citizens.

In Conclusion: Promoting regional stability, and all of the elements that contribute to it, requires a steady, consistent focus on achieving each of our fiscal year 2006 objectives and the funding that allows us to maintain that focus. In every case, whether countering the terrorist threat in the region, promoting prosperity, combating the proliferation of WMDs, supporting democracy, or addressing transnational crime, the effective use of resources is the key to success. EAP looks forward to working with Congress to ensure adequate funding and effective utilization of these funds to promote a more stable, prosperous, and democratic Asia-Pacific region.

Senator MURKOWSKI. Thank you, Mr. Revere, for that report. And now, Mr. Kunder if you would like to make your presentation and then I'll ask my questions.

STATEMENT OF HON. JAMES R. KUNDER, ASSISTANT ADMINISTRATOR FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. KUNDER. Thank you. Because of the shortness in time, and we've provided the numbers to the committee, I'll just try to hit a few of the highlights.

The Bureau I manage, the Asian/Near East Bureau of USAID, runs from the Philippines and Mongolia, all the way to Morocco, and reviewing the numbers for this hearing, the one data point that struck me the most was that across the Asia region, there are

324 million people between the age of 15 and 24, many of those in East Asia, a number exceeding the population of the United States of America. So I agree with what Evan said, the timing is the time of great opportunity but also a time of great concern that we make sure that those 324 million young people have the jobs, the economic opportunity, and the education to be productive members of free societies, free markets, and democracies.

We have focused our efforts in the fiscal 2006 budget request in four broad areas across the region. We operate 10 USAID missions in the East Asia region of our portfolio, and the four priorities for those 10 missions are, number one, education, transformational education, going from rote learning to a more open education system that will prepare people for the workforce and prepare people to be citizens of vibrant democracies. Number two is economic opportunities, with all those young people coming into the workforce, we've got to make sure we've got the 21st century jobs that will encourage them to buy into their futures and not become recruits for terrorism or instability. The third area is broadly, democracy and governance. We know we have problems across the region in lack of participation, including lack of participation by women in political processes, corruption across the region, trafficking in persons and lack of participation, so we're broadly focusing in the democracy and governance arena, and the fourth area is, since we are operating in a disaster-prone part of the world, is preparation for, and response to, natural disasters. We believe the U.S. government response to the tsunami was a credit to all the civilian, military, government and nongovernmental individuals who participated in that response.

In order to deliver approximately $342 million of assistance that we're asking for in fiscal 2006, we've also tried to create some 21st century management structures and approaches that make sense in East Asia. We have created a regional hub, what we call the Regional Development Mission for Asia in Bangkok, so we can operate not only in those countries where we have a full USAID presence, but in those nonpresence countries where there are opportunities to promote democracy and free markets.

We've also invested a lot of money in what we call Pre-Market Enterprise Initiative at AID to try to get private sector firms that are investing in East Asia to be part of the development solution. Thus far, we've invested about $42 million of taxpayers' funds, and through that, leveraged more than $240 million of private enterprise funds, and these are American corporations who are willing to invest in early childhood development or education or health care for their workers. It's an enormous asset that can supplement the taxpayers dollars in having a positive outcome in East Asia.

And the third item we're trying to do is work better with our U.S. military colleagues across the region. We've had an enormously positive partnership in the wake of the tsunami which is still going on in terms of the transition from relief to reconstruction in Indonesia and the other affected countries, and we're continuing to work on building that partnership so that all parts of the U.S. Government are working together to meet our strategic objectives in East Asia. So far we think we can demonstrate a success across the region in areas like the reintegration of the former rebels in

Mindanao, where we've already demobilized and reintegrated into the economy more than 24,000 former fighters. We think the development programs that we're doing can have enormous strategic benefit, as you suggested both in providing security and stability in the region and enhancing the security of the United States.

I have to make one pitch, if I can, for operating expenses. I just came back from Iraq a week ago, in places like Iraq, like Afghanistan, like Mindanao, we're putting boots on the ground, as the military likes to say, in the front lines in the war on terrorism. In the Vietnam era, USAID had about 10,000 people working for it. We're down to about 2,200 officers worldwide; one of my military colleagues just referred to this as about a reinforced battalion worldwide. We've learned to operate efficiently using private sector partners, NGO's, leveraging private sector funds, but at some point there's sort of an irreducible minimum where we need a certain number of officers on the ground to do the broad range of programs that we need to do, and so we've asked for a slight increase in our operating expenses, and in my view that would be money well spent.

Thank you very much.

Senator MURKOWSKI. Thank you, Mr. Kunder.

I'm trying to get a handle on the demographics here, your 324 million that are between the ages of 15 and 24, am I to assume that the fastest growing segment of the population is within this age group? Is this a bubble that we've got coming up or is this just what we're dealing with?

Mr. KUNDER. I use that number because those are the folks who are either going to be entering the workforce, or potential recruits for terror organizations or instability. It's not necessarily a demographic bubble going through the system.

Senator MURKOWSKI. It's just a lot of people that we are talking about.

Mr. KUNDER. A lot of people between age 15 and 24; yes ma'am.

Senator MURKOWSKI. And your challenge as you point out with providing the education for the numbers, the population that we're talking about and even further so, providing that level of economic opportunity, jobs in a region, many of these regions where it's difficult to really get any kind of major programs moving forward.

Mr. KUNDER. These are the folks that will be making like decisions in the next couple of years whether they're going to buy into their country's democracies and job opportunities or whether they're going to be alienated and disaffected and potential recruits. Our analysis is there's not a direct causal relationship between poverty and recruitment, the people who bombed the World Trade Center were from middle-class backgrounds, it's not a direct causal relationship, but certainly folks who do not have a stake in their families, in their countries, in their system of governments and in jobs are certainly the pool from which terrorist organizations site, so that's why that figure struck me as such a dramatic number.

Senator MURKOWSKI. Let me ask you because you've kind of hinted to what you're doing, the efforts that you're engaged in on Mindanao and the effort to reduce the appeal of terrorism there, can you give me some more details in terms of what activities the United States Government and the Philippine Government are un-

dertaking in this effort? You've indicated that you feel that it's pretty effective. But what, exactly are you doing at this point?

Mr. KUNDER. I can give a quick description of our demobilization program, and then I think Evans will want to talk more generally about what we're doing with the Philippine Government.

What we've done there with the MNLF, is after the agreement with the Philippine Government, between the government and the rebels, we instituted a program to take fighters, young men under arms, and go through what is called in the trade, DDR programs, disarmament, demobilization, and reintegration programs. Certainly in our experience around the world, when you get young fighters, they are disaffected folks who are likely to have little opportunity, what you don't want is someone who's officially demobilized as part of a peace agreement, turns in one rifle, unburies their second rifle at home and then turns into a criminal or a recruit for another terrorist organization. There has to be a process of taking that person, giving him or her some opportunities, some job skills and then taking that person back into the workforce, trying to reintegrate them back into society. And that's what I think we've done with some pretty striking success in Mindanao, it is a very extensive program that takes them through each step of disarmament first, then into camps for training and reorientation, and then gives them some real-world job skills so that they can become productive citizens in the Philippines.

Mr. REVERE. If I could add to that, we estimate that about 60 percent of the ESF funds that we dedicate to the Philippines, as well as 60 percent of development assistance of child survival and health funding is focused on Mindanao, and one of the reasons for that, obviously, is our concern that this is a major area where there have been terrorist operations in the Philippines. The programs that we are engaging in in that area indirectly support our counterterrorism goals, in a very helpful way, by giving the people of Mindanao, who have been historically marginalized, and historically the poorest people in the Philippines, a stake in peace in the provision of livelihoods for these important populations. It also provides better local governance, and, of course, improved health care and education.

Our estimate is that our system has already helped reintegrate around 24,000 former combatants, which I think is a pretty significant number. Reintegrate them into the productive economy, and also it's helped restrict the ability of terrorists to find safe havens, and at the same time it has really supported our effort to reduce the alienation of local populations, and of course, anti-U.S. attitudes among local Muslim populations.

Senator MURKOWSKI. Tell me about the cuts for the Asia Foundation, I understand that this is the second straight year that we've seen a reduction in funding. Can you give me the rationale behind that?

Mr. REVERE. Looking over our numbers for this year, the request that we are making for fiscal year 2006 is $10 million and that figure is $2.8 million below the fiscal year 2005 appropriation that Congress enacted. But that $10 million requested for 2006 is actually above what was requested for 2005 in the President's budget for the Asia Foundation. The number for fiscal year 2006 was ar-

rived at in light of our assessment of the constrained budget environment that we're operating in. It also took into account competing priorities, and we were also attempting to keep in mind, obviously, the President's priorities. It is in line with our previous budget requests, and as I said, based on the requests that we've made, it is, in fact, an uptake of the fiscal 2005 request. And in our estimation it does reflect accurately our assessment, or it is justified in light of the importance that we attach to this program, but I believe it is in keeping with our previous requests.

Senator MURKOWSKI. Let's talk about North Korea just a little bit. We continue to provide humanitarian food aid although they continue to limit NGO access and transparency. What is the expected level of food aid for not only this year, but the following year, and what kind of transparency can we anticipate in ensuring that those who should be receiving the assistance actually do receive it?

Mr. REVERE. This is something that we watch very, very carefully. I've been involved in food aid for North Korea over the better part of 8 or 9 years, one way or the other. We have not, for this year, made any decisions on the level of food aid. Our decisions, just to repeat our criteria that we base our decisions on, are based on three criteria, obviously demonstrated need in the country concerned, competing needs elsewhere around the world, but also the degree of access that humanitarian groups have to populations that are in need, and of course, the ability to monitor the distribution of food aid. We do not link our food assistance decisions to political factors, six party talks, et cetera, but they linked very directly to those criteria that I pointed out.

As I've said, we have not made any decisions for the coming year, but we are concerned about a number of trends and developments in terms of transparency and in terms of monitoring. The North Korean Government has, for example, refused permission for an increasing number of requested World Food Program monitoring visits late last year, it has also denied the WFP access to 10 previously accessible counties in the DPRK counties and districts, and this has resulted in the WFP terminating food distributions in those areas because, of course, they don't want to be involved in distributions where they can't monitor.

We are also concerned about reports that the North Korean authorities are refusing, on some occasions, to issue visas to NGO staff members. This, of course, means that some NGO representatives may be unable to remain there if these visas are not extended, and this, of course, imperils their ability to monitor distribution and continue to operate their own programs in North Korea.

Other NGO staff have been allowed to continue making visits, and we have been working with the WFP and NGO to get a better understanding of the level of access, and have been monitoring this very carefully in conjunction with them.

It is not clear at this point whether there will be a problem that U.N. agencies international staff may have in the DPRK, but that's something that we're looking very carefully at. Most NGOs who are in North Korea right now are, at this time, not focused on food aid, but this is something that contributes to our overall perception and

assessment of the level of access and transparency there is, so it is an issue of concern to us and we are continuing to work very closely with the WFP and get constant feedback from them on their ability to access key areas in the north.

Senator MURKOWSKI. Let me ask you, in terms of how you balance the three criteria, your first criteria is demonstrated need, and based on all accounts, we would acknowledge that the people of North Korea in many, many areas are starving. And yet you've spoken more specifically to the access aspect of the criteria. Is there, it's probably not a fair question, but is there an equal balancing? Do you just have to weigh these criteria on a case-by-case basis? Does it depend on how long things play out, how cooperative the country is? Can you give me a little more guidance about how these criteria work?

Mr. REVERE. There is no specific numerical formula, there's no specific line that one has to cross in any one of these three categories, but let me just back up for a moment and reflect the DPRK is now in its ability to feed itself and call on resources of the international community and assistance and its own purchases, compared to where it was several years ago.

I think it would be fair to say that the food situation in the DPRK is much improved compared to where they were in the mid- to late-1990s when there was significant starvation. Malnutrition has been a problem in North Korea for decades now. The period of significant mass starvation in North Korea is behind us, fortunately. The horrific stories and pictures that we saw, for example, in the mid-1990s, very heart rendering film of young children, emaciated children, and children who were on the verge of death, that situation is no more, thanks to the generosity of the United States, thanks to the generosity of the international community and excellent work by NGOs. There continues to be a problem with food shortages in the DPRK. This past year's harvest by most reports, was better than the previous several years harvests, so there has been an uptake in domestic food production in the DPRK, which is not to say that they are flush with food, but the situation is much improved. The WFP has made another appeal this year, we're looking at that appeal, but their air of crisis, the sense of crisis that existed several years ago about the imminent starvation of thousands or even millions of people is fortunately behind us. If that situation were to return, obviously, we would look at this very, very carefully, that factor would, of course, be a very significant one. No one, especially America, wants to see children starving.

Senator MURKOWSKI. Now, you've indicated that you've not yet made a decision about what level you might provide for this year or for next year, and you've also indicated that that decision is not necessarily dependent with the politics, it goes back to the criteria. You've also mentioned that it doesn't necessarily hinge on what happens with the six party talks. When would you make that determination as to whether there would be any assistance this year?

Mr. REVERE. Several factors would be looked at, number one, we continue to stay in touch with NGOs in order to get their best assessment of the best timing for food deliveries to be made, we look at ongoing assessments of the harvest and distribution within North Korea, we would be looking at the international response to

the WFP appeal, that's always a key factor of ours over the years that we have looked at, if it looks as if the WFP appeal has not been positively or generously responded to by others, this is something that we take into account as well.

Last year, for example, we ultimately decided on a 50,000 metric ton of food donation through the WFP. All of that food is in the supply chain and has already arrived in North Korea, or is just reaching North Korean households. I can't give you a specific timeframe, but those are the factors that we would look at in the coming weeks and months.

Senator MURKOWSKI. You had mentioned spread of infectious diseases when you were speaking earlier, and we all have a growing concern about the bird flu in Vietnam. I'm not exactly certain but the number of individuals that they indicate may have died from it is, I understand, about 14 now. Apparently there are some recommendations by some to change the farming practices to combat this disease, can you tell me what role the United States is playing in this?

Mr. REVERE. My colleague may have something else on this, but this is something we are watching very carefully. We have our embassies in the region as well as science attachés in the region who are attending conferences and participating in a number of studies, passing back reports to Washington. It is an issue of concern to us as it is to the international health community, WHO, and others, something that we're watching carefully, but let me allow my colleague to expand on that.

Mr. KUNDER. We are, in fact, in the analytical phases, we've been in touch with our colleagues at the Centers for Disease Control and Prevention as well as local health officials, we have not yet made any decisions to reprogram any health funds. In other situations where you have incipient outbreaks of what could be epidemic diseases, either our office of U.S. Foreign Disaster Assistance might become involved, or we might take some of the funding that's already programmed in a country and redirect it toward supporting local health officials and heading off the spread of the epidemic. So at this point we have the data, we've been in touch with CDC and the local health officials, and this is exactly the stage we're at, we're trying to get a sense for if there is some potential for this breaking out into the larger population.

Senator MURKOWSKI. Something we're all sort of anxiously keeping an eye on.

Mr, KUNDER. Yes.

Senator MURKOWSKI. What is the recent trend in the number of refugees coming into the United States from Asia, and if you can identify for me what countries now have the highest rates?

Mr. REVERE. Yes, I think if you look at the overall flow into the United States, the two groups that occupy the largest raw numbers of refugees coming into the United States are the Hmong and Bernese. And by the end of last year, according to our statistics, we had over 6,100 Hmong who were admitted into the United States from Thailand, and a total of 15,000 of them had been approved to enter the United States, and the remainder of the approved group will be admitted as soon as some new health screening procedures are implemented to reduce the likelihood of trans-

mitting communicable diseases, such as tuberculosis. We're also working with the Royal Thai Government to resettle Burmese refugees who were recently, apparently, residing in Thailand. Some 3,100 Burmese refugees were referred to the United States and about 1,000 of them were admitted last year, and the rest we anticipate being admitted this year.

Looking at the region overall in terms of intraregional refugee flows, the greatest number of refugees in East Asia continues to be Burmese overall. There are about 144,000 refugees, from a variety of ethnic groups in Burma, who are still residing in camps in Thailand to which they fled to escape attacks by the Burmese military and to escape prosecution, and the Thai Government is continuing to cooperated with the UNHCR on the registration and protection of refugee camp population.

And, of course, North Korea is another area of concern. As a result of bad agricultural policy decisionmaking, natural disasters since about a decade ago, and the food shortages that we were referring to and other reasons, all of these events and more have prompted thousand of North Koreans to flee to the PRC and in many cases onward to other countries.

The latest estimates that we have of the number of North Koreans in China ranges from 30,000 to 50,000, although some organizations put the estimate a lot higher than that.

Senator MURKOWSKI. It's interesting, even in Alaska you would think that the Hmong would want to stay somewhere where it's warm, but that's one of our fastest growing populations right now, it's interesting.

What is the proposed $50,000 in IMET funding for Vietnam going to be used for?

Mr. REVERE. We are hoping to use that funding for English language training for military officers and Ministry of Defense officials from the Republic of Vietnam. The English language training course would be a prerequisite for any military training that the United States might provide to Vietnam in the future. We do not currently have, of course, an IMET program with Vietnam, the government of Vietnam has not signed a bilateral end use and retransfer agreement required by the Foreign Assistance Act, but we are hopeful that it will do so at some point, because IMET in our view, offers a tremendous opportunity down the line to develop professionalism among the members of the Vietnamese military.

Senator MURKOWSKI. Violence in southern Thailand. Can you give me any information as to how the administration's foreign assistance proposals pertain to the situation in southern Thailand right now?

Mr. REVERE. We are continuing to look at that situation with concern, it is one of the few flashpoints, if you will, where we have seen an uptake in violence, including a fairly horrific incident that happened last year. It is a constant element of our dialog with our Thai allies and friends, we know that the Government of Thailand is making efforts down there, we continue to urge them to deal with this in a humanitarian and transparent way. Our own Embassy officials have traveled in the region working with Thai and local community officials to try to enhance the level of transparency there and I think the ongoing cooperation that we have with the

Government of Thailand enables us to reach out, both to local communities, but also, importantly, to the Thai Government itself to urge on them, since it is their primary responsibility, this important goal of dealing with this in a transparent and open way and bringing these local communities onto the side of being cooperative citizens and trying to develop a greater understanding between the two communities that appear to be at odds there. Perhaps my colleague may have something else to say in terms of the——

Mr. KUNDER. Nothing to add to that one.

Senator MURKOWSKI. Let's talk about Burma, Cambodia. What, if any, foreign assistance needs or goals in these two countries might be better addressed if we were to consider lifting foreign aid restrictions?

Mr. REVERE. Burma is a very troubling country for us, its treatment of its people, its continuing incarceration of Aung San Suu Kyi and a number of political prisoners, the Burmese military regime has been treating its people in what we regard as a horrific fashion, the fact that there are so many refugees across the border, in Thailand, speaks to the severity of this problem. It is our hope that the nature of the regime will change as a result of the constant emphasis that we have placed on this in our own dialog with Burma's neighbors, we have urged Thailand and other countries to do whatever they can to impress upon the Burmese the need to restore democracy, to free political prisoners. We have an Embassy there, we have a charge in charge of our mission there, we have limited dialog with the Burmese regime, we have, at this point, no contact, unfortunately with Aung San Suu Kyi which is a worrisome factor to us. I think the fact that we have a diplomatic presence there is an important thing, it enables us to monitor developments there, it enables us to report back here to Washington, but also to report to visiting delegations the real situation on the ground. There is a lack of transparency in terms of the regime's decisionmaking, this is worrisome to us. We continue to support, keep a diplomatic presence in Burma, I think it's important for us to be there, it's important for us to consistently and constantly make the points that we make about transparency in return to democracy and the freeing of political prisoners there. This is a critical priority for us.

Senator MURKOWSKI. We've got about 5 more minutes here before we finish up, so I'd like to conclude with Indonesia. If you could speak to Indonesian cooperation with the United States as it relates to antiterrorism activities and how our relief efforts, particularly those of the military, have impacted United States/Indonesian relations and democratization?

Mr. REVERE. Indonesia is indeed an important partner in counterterrorism. We have a very active dialog in cooperative relationship with them. They have vigorously pursued investigations into some of the bombings, as you are aware there is an ongoing trial of Alou Baka Ba'asyir, we are anticipating a verdict in that trial tomorrow, but above and beyond that, Indonesia has been a good partner, especially in pursuing issues of terrorist organizations, finance, et cetera.

On the issue of our cooperation, I think we and the Indonesians have truly entered into a new phase of our relationship as a result

of the horrific events of late December, the tsunami. The level of transparency that we saw, the level of cooperation that we saw from the Indonesian authorities, the level of access that we were able to achieve in Aceh in the aftermath of that tsunami, that tsunami was truly unprecedented. From the President of Indonesia, right on down to the ranks, officials at all levels of the Indonesian Government worked very carefully and closely and cooperatively and transparently with our Embassy, with our military, with our AID mission, and with the NGOs who were there and are there today. We continue to work with them on the reconstruction efforts, and I think that the ironic outcome of the tsunami disaster was that Americans and Indonesians have seen that they can work togther in this transparent and cooperative fashion, and I think we have launched ourselves, I believe, into a new era of cooperation with Indonesia.

At the same time there continue to be some remaining issues that we're looking at very seriously. Despite our decision, our finding and determination that enabled us to resume full IMET relations with Indonesia, we are continuing to hold Indonesia's feet to the fire, so to speak, on pursuing the details and the case in the Timika killings. We have an FBI attaché in Jakarta now, we are getting cooperation, that was the basis for the determination that the secretary made, we'll continue to work closely with the Indonesians to pursue this case and bring the offenders to justice.

Senator MURKOWSKI. I appreciate that. Mr. Kunder.

Mr. KUNDER. In terms of our, in terms of the 2006 request, our largest increase that we're requesting for development assistance is in Indonesia, and as Evans has said, we've generally, across the board in terms of education reform and democracy and governance and so forth, had good cooperation, so we think that would be a useful additional investment.

Senator MURKOWSKI. It's terrible when we have to deal with a natural disaster, the consequence that we saw with the tsunami, but I suppose if there are bright linings that can be found in enhanced cooperation, we look for the bright linings.

I don't know if either one of you would care to offer any concluding remarks, Mr. Kunder, you haven't had as much of an opportunity to speak into the mike as Mr. Revere, so if you'd like to add anything finally, I'll give you that opportunity.

Mr. KUNDER. No, thank you, we tried to cover most of our main points in the opening remark, and obviously I've got a larger statement which covers additional detail. We work very closely with our State Department colleagues and obviously we've all cleared each others' statements here, so I completely concur with everything that Evans has said. In general, we share the same view, generally positive throughout the region, we've got a lot of work to do, but that's one place where I think we're making enormous progress both in regional and U.S. stability. Thank you.

Senator MURKOWSKI. Well, as chair of the subcommittee on this region, I'm pleased to hear the good news report. Mr. Revere, I notice on the schedule you have put your seat time in today, so I appreciate all the information that you have shared with the subcommittee and with that, we will conclude at three o'clock and I appreciate your attention.

Mr. REVERE. Thank you very much.

[Recessed 3 p.m. to 3:05 p.m.]

STATEMENT OF HON. GEORGE ALLEN, U.S. SENATOR FROM VIRGINIA

Senator ALLEN. Good afternoon, to everyone who is here. I understand that if there are any Ambassadors or individuals from any of the countries which are in the purview of this hearing, this afternoon, which is to examine President Bush's budget request for foreign assistance programs to Eurasia and Europe. If any of you all are here, if you want to rise you're welcome to, if not, we'll proceed. I just wanted to welcome any who might be here and interested in this hearing.

At this hearing we're going to be hearing from our witnesses who are with us. Mr. Robert A. Bradtke, who's the Principal Deputy Assistant Secretary, Bureau of Europe and Eurasian Affairs, Department of State. It's good to have, once again, the Honorable Kent Hill with us, the Assistant Administrator for the Bureau of Europe and Eurasia with the U.S. Agency for International Development.

I'll make a few opening comments here and then we'll hear from our witness or witnesses, however you all want to use your time.

Now then, I'll say to those watching and listening here, that the budget the President submitted to Congress, overall I look at it as a very tight and taut budget. There are some aspects of it which I would like to see reordering in, like in aeronautics and a few other areas. However, the President has tried to show proper discipline by reigning in excessive spending on nondefense, non-Homeland Security, discretionary spending. There is one area that he did propose an increase, and that is foreign aid.

Now, in light of all that, some people may question how the administration propose strict limits on domestic spending, while asking for a 16-percent increase in foreign assistance. I think it's important for us, at least in this subcommittee hearing and in the context of the whole foreign relations budget, to understand the scope and gravity of the United States operations overseas. If we, as a country, are going to be successful in the war on terrorism as well as to promoting freedom, it makes sense to provide assistance and advise in constructing those institutions to make such progress stable.

We have seen the advancement of freedom since the fall of the Soviet Union and the Iron Curtain mostly has been progress. Some cases there hasn't been progress, you see in some cases elections that don't meet international standards of fairness, some cases you see media outfits consolidated and just benefiting state-owned enterprises. Sometimes you see opposition groups being marginalized to the point of being ineffective or unable to fairly compete, but the majority, and I don't want to focus on the negatives, because there have been mostly positives. Just recently we've seen some great positives in the Ukraine and in Georgia with their revolutions, so there's reason for hope. Both of these countries, Georgia and the Ukraine rejected corruption, that was the business as usual for those governments for many years. In its place, the people of Georgia and the Ukraine elected candidates who have pledged sweeping reforms, transparency, and accountability in their government.

My view is that the United States ought to seize these opportunities, work with these new governments to help further and foster the democratic and free market reforms that were started after the fall of the Soviet Union. Now, continuing to provide funding for the Freedom Support Act and continued support for Eastern European Democracy Act funding, offers needed assistance to help make the transition to democracy smoother and more likely to be permanent.

President Bush has used the phrase, and the goal, a central theme that we heard in his inaugural address, "the spread of democracy." The way I would use the words, or my views are we need to be promoting the concepts of free and just societies. It's the same sort of thing, we want people to live in free and just societies where they have freedom of expression, freedom of religion, private ownership of property, and the rule of law to adjudicate in a fair manner, disputes, as well as protect what I like to call God-given rights. Through the accession of the Northern European countries, as well as Romania and Bulgaria, to NATO, we've seen how this advancement of freedom has improved hope and opportunity for the people living in those countries, but it has also furthered our security here in the United States.

A number of these countries in Europe and Eurasia have been extremely helpful in fighting the war on terrorism and in our military actions in Afghanistan and in Iraq. With countries like Bulgaria and Romania and many others making the sacrifice to combat terrorism, the United States should consider how we can provide aid to these partners and true friends and true allies for activities that are beneficial to them, but also beneficial to us as Americans.

With organized crime and corruption in some of these areas continuing to afflict people, particularly in Southeastern Europe and Eurasia, it's certainly in the interest of the United States to help secure borders that have been historically used to smuggle drugs, traffic in persons, and as far as actual worrisome matters, the actual transportation, sale, and dealing in dangerous materials and weapons.

Similarly, the United States will need to continue to help those nations who have uncovered terrorist cells within their borders. Al-Qaida groups that have been shut down in Albania and Bosnia, don't get much attention, but that's part of this overall global war on terrorism, and it's clearly in our interest as our country to continue in those efforts to assist those who are part of the whole effort.

Let me focus on one thing that I'm glad we've seen an improvement in that we will not have to address, and that has to do with the South Caucasus. I'm pleased that the administration has requested an equal amount of foreign military financing for Armenia and Azerbaijan. A peaceful settlement of the Nagorno-Karabakh conflict becomes less likely if one side were to gain a substantial military advantage over the other. I think reaching a lasting resolution in that conflict is also key to our United States interest in the region. We should be mindful how we allocate aid and its potential impact in the prospect for peace there.

So, let me close by saying that the United States has a tight budget; we need to be wise, we need to make sure that the money

we spend actually improves our security while also advancing freedom for the people in these countries. It can play, foreign aid, a major role in furthering our foreign policy objectives in securing troubled regions around the world. There has been great progress if you just want to look at history, recent history in the last 60 years in Europe, in Western Europe. In Central Europe there's been great progress, really for the last 15 years. First in Poland, and Hungary and Bulgaria and the Czech Republic and Slovakia, and the last 15 years have been wonderful.

And then in eastern, what I consider Eurasia and Eastern Europe, there have been some rays and areas of hope. They're behind, but in the last really few months and years, there's been progress there. There remains a number of areas, though, in Eurasia and Europe that continue to be of concern for our security and for our interest. I look forward to hearing our witnesses' testimony this morning, and if anybody has any cell phones, please turn them off, unless you have some really good music that we'd all like to hear in here.

So, with that, which one of you two gentlemen would like to proceed first? Mr. Bradtke.

STATEMENT OF ROBERT A. BRADTKE, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF EUROPE AND EURASIA AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. BRADTKE. Thank you very much, Senator, for this invitation to appear before you and discuss our assistance programs in Europe and Eurasia. I have a written statement that I would like to submit for the record, and with your permission then proceed with a summary of my remarks.

Senator ALLEN. Your entire statement will be made part of the record.

Mr. BRADTKE. Thank you. Let me begin by thanking this committee for your support and leadership on our assistance programs in Europe and Eurasia. As you mentioned, these programs are playing a vital role in supporting U.S. interests in the region, and we are grateful for the dialog we've had with this committee, and your support for our programs.

In addition to Kent Hill from USAID, who's next to me today, we have behind me, Tom Adams, who is our coordinator for European and Eurasian assistance. We are very fortunate in the Europe and Eurasian bureau to have a statutorily mandated coordinator in the bureau, who helps us to ensure that our policy objectives and our resources are closely linked together. It's also facilitated in our agency cooperation, not only with AID, but with other U.S. Government agencies which support our programs, and I think in the end, the result has been that we have been able to use the money that Congress has provided us more efficiently and more wisely.

Mr. Chairman, you mentioned President Bush's visit to Brussels and Bratislava last week, and these visits did provide us the opportunity to put into perspective our foreign policy successes in Europe and Eurasia, as well as the challenges that we still face there. Those successes could not have been achieved without the contribution of our foreign assistance, and without the contribution of our

foreign assistance we will not succeed in addressing the challenges that we still face.

In Brussels, the President consulted with our partners and friends in the EU and NATO. These two institutions have acted like magnets in recent years, very powerful forces, pulling countries toward democracy, free markets, the rule of law, the resolution of ethnic and territorial conflicts. In other words, toward the values consistent with American values and favorable to our foreign policy interests.

You mentioned the four pillars of freedom that you cited in your discussion with Dr. Rice at her testimony of her confirmation hearing, and we have seen great progress in these areas of freedom of religion, freedom of expression, private ownership, and the rule of law.

But even as we celebrate the progress we've made and the accession of countries to NATO and the European Union, there are challenges that we still face, and we need to recognize that the process, this progress, did not happen all by itself. Our assistance did play a vitally important role. Our military assistance, through our FMF program, IMET and our peacekeeping funding was crucial, every step of the way, first to helping new countries prepare for NATO membership, and then to help them make meaningful contributions to NATO operations.

Our political, economic, and social sector reform assistance through SEED and the Freedom Support Act have also been indispensable every step of the way to help create internal conditions that resulted in the aspiration to join Euro-Atlantic institutions, and then to help countries realize these aspirations.

We need, as you mentioned yourself, Mr. Chairman, to look no further than the recent headlines to see how this process can work. The Orange Revolution in Ukraine had several motivating factors. Certainly discussed were the corruption and stagnation from the previous regime was very important. But clearly, the attraction of Euro-Atlantic unions was a key element in the process of change that took place there.

Ukraine's democratic breakthrough did not come about because of United States assistance. Many other ingredients were necessary. Chief among them, of course, the courage and resolve of ordinary Ukrainian citizens who refused to allow their democratic rights to be stolen. But U.S. democracy programs played an important role. In the run-up to the elections, we helped improve the legal framework and electoral administration. We supported balanced media coverage, we helped educate voters about their rights and provided legal recourse when rights were denied. We strengthened political entities to participate effectively in elections, and we helped enable civil society groups and international organizations to monitor the process.

Perhaps, even more importantly, the response of the Ukranian political parties, nongovernmental organizations, an independent media to electoral fraud was a testament to the vibrancy of civil society. There's no doubt that the training, grants, and exposure to new ideas, provided through U.S. assistance and exchange programs over the past 13 years helped create that vibrant civil society. If I have my numbers correct, Mr. Chairman, even just in the

last 5 years alone, 10,000 Ukrainians participated in exchange programs with the United States.

Our assistance now will play a crucial role in helping advance the aim of integrating Ukraine with Europe and Euro-Atlantic institutions as quickly as possible. This will require consolidating recent democratic gains, accelerating economic reform, and especially dealing with corruption in establishing the rule of law.

We have requested, as part of the emergency supplemental recently sent by President Bush to Congress, $60 million to help the new government make rapid progress in these areas. We are also proposing to increase funding for Ukraine in the fiscal year 2006 budget for the Freedom Support Act to $88 million.

If I can return to the President's trip. His stop in Bratislava also highlighted the region's successes, especially triumph of freedom in Slovakia and many of its neighbors. The visit also put a spotlight on the serious challenges we face. The President's meeting there with President Putin allowed the two Presidents to identify common United States-Russian approaches to dealing with some of the most serious transnational problems we face, especially international terrorism, and the proliferation of weapons of mass destruction.

The meeting also allowed the President to discuss our concerns about Russia's own democratic development. Here again, you can see how our foreign aid programs provide the tools we need to maintain a constructive, and a very complex relationship with a strategically important country, such as Russia.

Our joint nonproliferation efforts are bolstered by funding from the NATO and Freedom Support Act accounts. Our common fight against terrorism is supported by law enforcement and counterterrorism programs, and our strong interest in seeing Russia get on the right track with democracy is furthered by Freedom Support Act programs that support the rule of law, independent media, and nongovernmental organizations.

Mr. Chairman, you'll see in my written statement a longer discussion of past successes, and the current and future challenges we face in Europe and Eurasia, and how foreign assistance plays a critical role. If I can, I would just like to stress three additional key points. First, we view our foreign assistance as a flexible policy tool. It can be used for long-term developmental goals, building civil society, introducing the elements of market economy, dealing with infectious diseases. But it can also be used for short-term strategic goals. Supporting free and fair conditions for the conduct of a specific election, or helping to implement an ambitious reform program proposed by a new government. And it can be used for mixed strategic and developmental purposes, what I might call medium-term objectives, such as helping a country for the final push to get ready for EU or NATO membership.

Preserving this flexibility is very important. Excessive legislative restrictions, even if they're well-intentioned, have not helped the process of providing our foreign assistance. We face an overwhelming number of legislative sanctions, certification requirements and other limitations as well as numerous funding earmarks. I'll be providing for the record a chart that shows some of the most important restrictions we're dealing with.

Let me move onto the second point I'd like to make here and that is that many of the challenges we face in our region are relatively new. The authors of SEED and the Freedom Support Act in the early 1990s could not have fully foreseen the scope of the transnational threats that we now face. Vastly increased poppy production, for example, in Afghanistan, is flowing into Central Asia, and then on to Russia, the Balkans, and Western Europe, leaving behind a trail of corruption and ruined lives. Organized crime, especially in the Balkans, is a major obstacle to establishing the rule of law there, and HIV/AIDS is poised to ravage several countries, especially Russia and Ukraine.

So we need to be creative in the way we deploy our resources, and to think beyond the traditional goals of SEED and the FSA which were primarily about achieving a transition from Communist systems to democracy and free markets. The problems go deep and touch on our important security interests, our involvement therefore, may need to have a longer time horizon.

Third and last, I would draw an important lesson from the experience of the last 15 years, and the fall of the Berlin Wall, namely long-term investments pay long-term dividends. We saw that in Georgia a little over a year ago, and in Ukraine 2 months ago, and we see it every day from the support we get from our European and Eurasian partners in the global war on terrorism. That support which we receive from the recipients of SEED and FSA funding in the global war on terrorism, is not just based on the policies of their governments. Rather it is based on shared values that go deeper into these societies and that have been promoted by our assistance in exchange programs over the past 15 years. Day after day, year after year, Americans are interacting with nongovernmental organizations, educational institutions, private companies, students, scientists and many, many others. From this engagement comes a network of linkages between our society and their societies, a web of linkages strong enough to withstand the ups and downs of bilateral relations over time. This is an excellent return on the investment of our foreign assistance dollars, and it is one that the members of this committee can be proud of having supported.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Bradtke follows:]

PREPARED STATEMENT OF ROBERT BRADTKE, ACTING ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman and other distinguished committee members, I am pleased to participate in your examination of U.S. foreign assistance programs. United States assistance is key to achieving our foreign policy goals in Europe and Eurasia, and we greatly appreciate your current and past support in providing us with this important diplomatic tool. With me today is Dr. Kent Hill, my counterpart from the U.S. Agency for International Development. Also, sitting behind me is Tom Adams, the Coordinator of Assistance to Europe and Eurasia. We are fortunate to have in our Bureau a Coordinator with statutory authority to coordinate all assistance going into our region; we think this helps ensure that foreign aid reinforces foreign policy objectives, in a way that maximizes the value of each taxpayer dollar.

Assistance Advances American Interests

Mr. Chairman, in Europe and Eurasia you will find a case study of how foreign assistance can serve America's national security interests in the short, medium, and long term. The past year, however, has provided ample evidence that the U.S. Government's strategy of the past 15 years—which has involved intensive engagement

with governments and with the broader society through technical assistance, training, grants, and exchanges—is beginning to bear fruit. First in Georgia, then in Ukraine, we witnessed the extraordinary expression of democratic spirit by ordinary citizens who refused to allow the will of the people to be subverted. Many ingredients were necessary for these breakthroughs to occur—the courage and resolve of the Ukrainian and Georgian people chief among them—but U.S. democracy programs played an important role. In the run up to elections we targeted our assistance to encourage improvement of the legal framework and electoral administration, to support more balanced media coverage, to educate voters about their rights and provide legal recourse when rights were violated, to strengthen political entities to participate effectively in the elections and to enable civil society groups and international organizations to monitor the process. The result of our assistance was increased expectations for democratic elections and a huge spotlight on electoral fraud, laying the basis for the Georgian and Ukrainian people to challenge manipulated results. The sustained and ultimately effective response of Ukrainian and Georgian political parties, NGOs, and independent media to electoral fraud, was a testament to the vibrancy of civil society in these countries. There is no doubt that the training, civil society grants, and exposure to new ideas provided through U.S. assistance and exchange programs, helped create the foundations for effective action.

The countries of the former Soviet Union and Communist Eastern Europe, all of which have received substantial United States assistance since the early 1990s, remain bulwarks of our Coalition operations in both Afghanistan and Iraq. Nineteen of them were active supporters of Operation Iraqi Freedom, Operation Enduring Freedom, and/or the International Security Assistance Force in Afghanistan in 2004. At the same time, many of these transition countries are strongly engaged with Euro-Atlantic institutions, and it is clearly in our long-term foreign policy interest to encourage their movement toward NATO and the European Union. We can try to do this through dialog alone, but it is much more effective when diplomacy is coupled with foreign assistance. The Foreign Military Finance (FMF), International Military Education and Training (IMET) and Peacekeeping Operations (PKO) accounts are helping countries make the operational and structural changes they need to integrate with NATO security structures. Political and economic transition assistance through the FREEDOM Support Act (FSA) and Support for East European Democracy (SEED) Act are helping build constituencies for reform, and once countries are committed to meeting EU or NATO standards, giving them the necessary tools to gain admission. Since this committee examined our foreign assistance in Europe and Eurasia 1 year ago, eight more Central and East European countries (Czech Republic, Hungary, Poland, Slovenia, Slovakia, Estonia, Latvia, and Lithuania) have joined the European Union and two (Romania and Bulgaria) joined NATO. Albania, Macedonia, and Croatia are poised as candidates for NATO.

We can clearly see how, in the short and medium term, many countries in this region are moving from being consumers of assistance to being contributors to our global security interests. It is sometimes more difficult to recognize the longer term trends. For many years now, this committee and many others in the Congress and in the administration have expressed frustration with the slow pace of democratization and economic reform, particularly in the former Soviet States. Some have questioned the efficacy of our assistance, and wondered whether the twin ills of official corruption and popular apathy might cause these countries to remain indefinitely in a post-Soviet twilight zone.

Democratic gains in both Ukraine and Georgia must be consolidated, and here, too, our assistance will play a crucial role. Georgia has made significant progress in economic and democratic reform in the year following the November 2004 Rose Revolution. Tax revenues have greatly increased; corrupt officials have been made to account for past actions; effective law enforcement institutions are being created; civil service reform has begun; and the government has begun to think strategically about issues such as energy and education. At the government's request, the United States has provided funding for advisors to six government ministries.

Ukrainian President Yushchenko aims to integrate his country with Europe and Euro-Atlantic institutions as quickly as possible. Our task over the next months and years will be to work with the Ukrainian Government to consolidate the country's recent democratic gains, and advance its economic reform and integration with the European and global economies. In addition to the fiscal year 2006 budget, we currently have a request before Congress for $60 million in supplemental funds to help the new government make immediate progress.

The Ukrainian and Georgian democratic "revolutions" have reverberated throughout the region, including in Russia. Last week in Brussels President Bush said "Russia's future lies within the family of Europe and the transatlantic community."

It is this future that our assistance programs in Russia aim to help secure. More than any other country in the Eurasia region, Russia's future stability—which is linked to its democratic development—directly affects United States national security interests. We are aligning resources within FSA funding for Russia to focus on support for democracy. In 2005, over half of the Russia budget will be dedicated toward supporting civil society, rule of law, and independent media in Russia, and we expect to dedicate an even larger proportion of the budget to these priorities in fiscal year 2006.

Presidents Bush and Putin announced in Bratislava a desire to dramatically increase bilateral exchanges between our countries. Their meeting reflected a relationship that acknowledges challenges but seeks to maximize opportunities for cooperation. Through our exchanges and assistance programs, we will work to increase these people-to-people collaborations that have proven so effective in removing the distrust of a bygone era.

Old and New Challenges

When the FSA and SEED accounts were created, the focus was on economic and democratic transition. There was a sense that if only the transition countries could get their political structures and economic policies "right," stability and prosperity would follow. And it has, in fact, turned out to be generally true that the level of commitment to reform has correlated to economic growth and internal stability.

But new factors, not anticipated by the authors of SEED and FSA, have complicated the picture. Familiar transnational threats, such as organized crime and the illegal narcotics trade, have grown in scope and virulence. Relatively new challenges—extremism, human trafficking, HIV/AIDS—have arisen, threatening to undermine political and social stability. Vastly increased poppy production in Afghanistan is flowing into Central Asia, and on into Russia, the Balkans, and Western Europe, leaving a trail of corruption in its wake. Organized crime is especially entrenched in the Balkans, and is a major obstacle to establishing good governance and rule of law. HIV/AIDS is poised to ravage these transition countries, most particularly Russia and Ukraine.

Furthermore, the creators of SEED and FSA did not foresee the complete collapse of the Communist-era social service infrastructure, which has resulted in an alarming decline in health and education indicators in many of these countries. In Ukraine, for example, the number of deaths surpasses the number of live births by a ratio of 197 to 100. In Tajikistan, secondary school enrollment is half what it was at the end of the Soviet Union. These are but a few of the manifestations of declining quality of life that may eventually be reflected in political and social instability.

Countries where political, economic, and justice sector reforms are incomplete (or completely absent, as in Belarus or Turkmenistan) are the most vulnerable to the destabilizing effects of transnational threats and deteriorating social conditions. That is why even as we direct an increasing proportion of our SEED and FSA assistance to address transnational threats and social sector problems, we continue to focus the largest share of these accounts on fundamental economic and political reform.

In the Balkans, we have energetically pursued the downsizing of the international military presence in a region recovering from more than a decade of violent ethnic conflict. In Bosnia and Herzegovina, defense reform took a quantum leap forward with the creation of a state-level Ministry of Defense and on December 2, 2004, the NATO-led Stabilization Force (SFOR), that had ensured the peace and stability as civilian reconstruction progressed, successfully completed its mission and a European entity, the European Union Force (EUFOR) assumed responsibility for stability. But Euro-Atlantic integration cannot be completed until Serbia and Montenegro, Croatia, and the Republika Srpska entity in Bosnia cooperate fully with the International Criminal Tribunal for the former Yugoslavia (ICTY); nothing would do more to advance the cause of peace than the arrest and transfer to The Hague of Radovan Karadzic, Ratko Mladic, and Ante Gotovina. Meanwhile, in Kosovo stability remains fragile, as evidenced by the ethnic conflict that erupted last March, resulting in death and injury. Our policy objective is to help build a secure, stable, and multiethnic Kosovo that can be fully integrated into Europe. United States assistance is helping Kosovo achieve that goal through implementation of the Standards for Kosovo. In mid-2005, the Contact Group will review progress on Standards implementation, and if results are positive the international community will move toward a process to address Kosovo's future status.

Looking Forward: Strategic Priorities

The fall of the Berlin Wall and the breakup of the Soviet Union fundamentally changed our world and challenged us to develop new foreign policy approaches,

backed up by new foreign assistance programs. Fifteen years later, we are faced with a new set of complex challenges, forcing us to to reorder priorities. Following is a list of the key priorities we have set for our assistance programs over the next few years.

1. Supporting Partners in the Global War on Terrorism: As I have mentioned, many countries are already contributing to internatonal peacekeeping efforts and to the Global War on Terrorism. These partnerships are nascent, and it is in our interest to help these countries do more. If not for the participation of these countries in the Balkans, OIF, OEF, and ISAF, the burdens on American troops would be greater. We need our partners to be interoperable with the U.S. military and with NATO. We need them to be trained in modern military practices. Our security assistance through FMF, IMET, and PKO is truly an investment in our own security.

2. Facilitating Euro-Atlantic Integration: For those countries with governments committed to integration with western institutions and willing to tackle the tough issues (like corruption) that stand in the way of that goal, we focus assistance on accelerating reforms and consolidating the institutions of a market-based democracy. Bulgaria, Romania and Croatia are examples of countries that soon will graduate from such United States assistance. Bulgaria and Romania are due to complete their SEED programs over the next few years, joining their fellow SEED graduates as EU members in 2007. Croatia's SEED program will begin to phase out in 2006, with prospective EU membership contingent on cooperation with the ICTY. Georgia and Ukraine are now on a similar track, but at the beginning of the process. In addition, security assistance helps with integration with NATO, which furthers trans-Atlantic relations. SEED and FSA funded programs are key to advancing the broad USG goal of creating law enforcement agencies, specialized units, legislation and criminal justice sector systems that are harmonized with European and internationally accepted standards.

3. Promoting Democracy: The experience of the past 15 years has shown us time and again the value of patient support for democratic transition. Even in places where democratization at one time seemed to be going in reverse—Slovakia, Serbia and Montenegro, or Ukraine, for example—slow and persistent support provided to civil society groups, human rights advocates, democratically oriented political parties and movements, and independent media eventually proved decisive. We have also learned how effective it can be to reinforce our technical assistance with the right diplomatic message about the priority we attach to democratic development. This will be particularly important in the future, as the events of the past year in Georgia and Ukraine have exacerbated government suspicion in the rest of the Eurasia region, leading to harassment of NGOs and democracy programs. As we look ahead to important elections this year in Macedonia, Moldova, Albania, the Kyrgyz Republic, and Azerbaijan, it will be critical to synchronize assistance with diplomacy.

4. Empowering Entrepreneurs: Quite simply, jobs for a middle class are a force for stability. Property ownership gives citizens a stake in their country. Support for job creation may seem unexciting. In this region it is radical. The creation of capital markets, strengthening of property rights, deregulation, rationalization of tax policies, commercial law reform, promotion of regional trade, identifying areas of competitiveness and privatization of land—especally in rural areas—are the keys to building a vibrant market economy, and we are working on all these issues throughout the region. Increasingly though, we are focusing on support for the emerging class of entrepreneurs, which we do through training and lending facilities. Small and medium businessowners can be the catalyst for job creation and economic growth, even in the most desperately poor areas of our region.

5. Fighting Transnational Threats: Heroin from Afghanistan is flooding into the former Soviet Union and Southeast Europe, but it is not just transiting these states. It is contributing to crime, disease, and corruption to such an extent that it threatens to overwhelm recent gains, particularly in Central Asia. Russia, Ukraine, and the Balkans have also been victims of this scourge, which is the principal cause of escalating HIV infection rates. Because our resources alone cannot fully address this problem, we are coordinating closely with the European Union and the United Nations on the drug issue, while also leveraging grant resources from the Global Fund to Fight AIDS, Tuberculosis, and Malaria to address the HIV/AIDS challenges. At the same time, we expect to continue devoting significant resources to combat human trafficking in fiscal year 2006.

FSA and SEED Phase Out

Mr. Chairman, although there have been clear successes in these transition countries we never stop retooling our strategies, adjusting programs to fit changing realities, and trying to ensure that our programs are cost-effective. We are also aware

that the ultimate goal is to see the need for the SEED and FSA accounts disappear. These were conceived as transitional accounts, with programs expected to phase out when stable market democracies emerged to take the place of the former Communist states. Consistent with this original intent, we conducted, in 2004, a comprehensive interagency review of the transition status of all 12 FSA countries and the 5 SEED countries slated to continue receiving assistance after fiscal year 2006. The review analyzed progress in the political, economic, social, and security/law enforcement sectors, and ultimately recommended phase-out dates for each sector of assistance in each country. These phase-out dates have been identified for planning purposes and do not convey any commitment to funding levels or entitlement to assistance until that time. Comparative analysis conducted in the course of the phase-out review made starkly clear that the post-Soviet transition process in democracy and the social sector has not been as fast as the founders of the SEED and FSA accounts had anticipated. In fact, in both of these sectors there has been considerable backsliding in recent years. Notwithstanding the important breakthroughs of the past year, there is a long way to go before the original intent of SEED and, especially, FSA can be realized. There are sure to be setbacks along the way, and the coming years will require us to maintain a long-term perspective and to persist in engaging the peoples and governments of the Eurasian countries through technical assistance, training, exchanges, and partnership programs.

Conclusion

We have not yet seen the emergence of full-fledged failed states in our region, but we are ever alert to the warning signs. In this regard, we view our assistance programs as a form of preventive medicine. We are making investments today aimed at preventing the future growth of extremist and anti-American ideologies, of organized crime and infectious disease and other forces that could ultimately touch our shores.

As I stated at the beginning of my remarks, we also view our assistance programs as an indispensable tool of our diplomacy, that helps us garner support for immediate, as well as longer term foreign policy objectives. And, in that context, it is worth emphasizing that the overwhelming support we have received from the recipients of SEED and FSA assistance in the global war on terrorism is not just based on the policies of governments currently in power. I truly believe that in most cases it is based on shared values that go deeper into these societies. These shared values have been promoted by our foreign assistance—including, very importantly, our public diplomacy and exchange programs—for the past 15 years since the fall of the Berlin Wall. Through our aid programs, Americans are engaging with nongovernmental organizations, educational institutions, private companies, students, scientists, and many, many others. And this engagement is helping to form a network of linkages between our society and their societies, a web of linkages strong enough to withstand the ups and downs of bilateral relations over time. That is an excellent return on the investment of our foreign assistance dollars, and it one that members of this committee can be proud to have supported.

Senator ALLEN. Thank you, Secretary Bradtke for that summation but also the spirit of your remarks and the purpose of these funds. I appreciate your leadership and guidance. Now we'd like to hear from Administrator Kent Hill.

STATEMENT OF HON. KENT R. HILL, ASSISTANT ADMINISTRATOR, BUREAU FOR EUROPE AND EURASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. HILL. Thank you, Mr. Chairman, for the opportunity to once again appear before this committee and you, to talk about the work of Europe and Eurasia and the work that USAID is doing there.

I do want to express my appreciation that I am here with my copanelist, Robert Bradtke, and I also want to acknowledge the presence in the chamber of Tom Adams, who is not only the coordinator for assistance from the State Department, but a close colleague and a good friend who models the kind of attitude that makes good collaboration possible. I really appreciate that, Tom.

I also want to suggest at the outset, strongly suggest, in fact, that I do affirm and strongly support our budget and operating ex-

pense requests for Europe and Eurasia. Allocations at such levels would help us to achieve the overriding goal that we share with you for the region which is, in a phrase, the establishment of market-oriented democracies with responsible social safety nets.

We have much to report that's positive, the performance of some of our recipients has been sufficiently impressive that we are ending our bilateral assistance, and, in fact, as you know, between 1996 and 2000, we graduated country programs for the eight states in the Northern Tier of Central and Eastern Europe, and over the next several years we will have graduated missions from Bulgaria, Croatia, and Romania. And we plan to phase out of economic sectors in Kazakhstan, Russia, and Ukraine over the next several years as well.

Within the Millennium Challenge Account, both Armenia and Georgia have been declared eligible for resources and Albania has been designated as a threshold country. Our missions in each of the three countries are collaborating with host country governments and the Millennium Challenge Corporation to produce programs that will effectively use MCA resources.

The region is growing robustly, a far cry from the 1990s when there were episodes of negative growth. In fact, in 2004, Southeast Europe grew 5 percent, and Eurasia 7.4 percent, owing in part, to United States aid efforts to encourage economic reforms, promote competitiveness, spur agricultural activity, enhance small and medium enterprises, and to make energy sectors more efficient. And we are making some progress and headway in the area of freedoms in the region.

The most tangible expressions of popular empowerment are indeed Georgia's Rose Revolution, and Ukraine's Orange Revolution, but, in fact, these were not revolutions at all. They were, instead, examples of democracy at work. What was revolutionary is that democracy simply was allowed to work.

Also, more than 70 percent of our recipients are now ranked as free, or partly free by Freedom House, though sadly we must note that Russia moved from the ranking of partly free, to not free in 2004, which emphasizes the need to continue our support of democracy activities in that country.

In the area of changes that affect peoples' lives, what we call the social transition region, USAID has developed effective HIV prevention programs, worked toward countering the deadly impact of injecting drug use, controlled a diphtheria epidemic in Eurasia, demonstrated internationally approved and cost-effective TB control approaches, offered women alternatives to abortion, revolutionized care for orphans and vulnerable children, strengthened pension programs for retirees, improved the targeting of social benefits, and made teaching methods more effective.

Nevertheless, a number of critical challenges persist. First, unemployment continues to plague the region. In Southeastern Europe unemployment rates can be as high as 42 percent in the case of Bosnia-Herzegovina, and on average they exceed 20 percent. We're especially cognizant of the need to support meaningful employment opportunity in Islamic majority countries and regions such as Albania, Central Asia, and the North Caucasians because, absent political rights and jobs and hope, segments of those popu-

lations are more vulnerable to extremist rhetoric, and may be drawn toward radical Islamic elements and terrorism. There is a connection between success in development, and whether these areas are more or less vulnerable to forces that we know are problematic.

A second challenge that needs to be mentioned, is since the collapse of the Soviet Union, democratic freedoms have generally stalled or regressed in Eurasia with the exception of Georgia and Ukraine, and the democracy gap between Southeastern Europe and Eurasia continues to widen, not narrow.

The committee is undoubtedly aware of the backsliding in Russia. Moldova elected a Communist government in 2001 and more importantly, shows some signs of moving away from earlier reforms. We weren't sure that was going to be associated with the Communist government initially, but that seems to be the direction they're headed. We're very much aware, of course, that Belarus and Turkmenistan remain extremely repressive states.

A third challenge is the area of social transition. We are contending with a health crisis, illustrated by falling life expectancies in Eurasia, a fast growing HIV infection rate which is mainly fueled by injecting drug use. In addition to most disturbing demographic trends in Eurasian countries such as Russia, there is the problem of multidrug resistant TB rates in the region, which are among the highest globally, and, in fact, are categorized as epidemic in proportion. These difficulties threaten the progress that we have made in the economic and democratic transition areas, and that's a point to keep seriously in mind.

Fourth, corruption and trafficking in persons are important crosscutting themes. The corruption index compiled by Freedom House scores 17 Europe and Eurasia countries at five or higher, on a scale where seven represents the worst possible level. As for trafficking in persons, as many as 25 percent of trafficking victims worldwide come from Europe and Eurasia. We need to redouble our efforts to get our recipients in the region to integrate into regional and global organizations such as the European Union, NATO, and the World Trade Organization. In the case of the European Union, that means having our missions continue to work with host country governments to meet EU accession requirements.

Now I want to say just a quick word about the foreign policy context for all of this. The Europe and Eurasia region remains extremely important to the United States. America's most important foreign policy and security interest in the region is still Russia, the world's second largest exporter of oil in 2002. The United States needs Russia as a strong and reliable long-term partner in addressing issues of mutual and global importance such as nonproliferation, counterterrorism, and HIV/AIDS. Quite apart from development objectives are maintenance of connections with Russia at a number of levels, including security and military, commercial, and science just to name a few. This is vital to American foreign policy understandings and interests.

And in conclusion, the committee's invitation letter, Senator Allen, asked us to testify about our strategy to promote freedom and democracy in the region, and I think it's imperative that our work in democracy, as well as in other areas, stay the course de-

spite the difficulty of the task and the occasional bumps along the way. After a decade and a half working in the region, we are more convinced than ever that premature disengagement can have enormous costs in a negative way long term. Many of our programs have long gestation periods.

A case in point is indeed Ukraine. We spent a number of years building up civil society, and a mature civil society together with timely elections assistance were the key tools that the country's populace required to make a contribution to the Orange Revolution. But in the end, it's got to be noted that final victory can only be secured by the will of the people, not by the assistance of international donors. We can, however, be a responsible supporter of the aspirations of free people, and those who long for freedom.

Thank you, Mr. Chairman, I would ask that my full written testimony be included in the record, and I welcome the opportunity to respond to questions. Thanks.

Senator ALLEN. Thank you, Administrator Hill, your entire statement will be made a part of the record.

[The prepared statement of Mr. Hill follows:]

PREPARED STATEMENT OF HON. KENT R. HILL, ASSISTANT ADMINISTRATOR FOR EUROPE AND EURASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

INTRODUCTION

Chairman Allen, distinguished members of the Committee on Foreign Relations, thank you for the opportunity to testify on United States foreign assistance programs for the countries of Europe and Eurasia.

When the Berlin Wall fell in 1989 and the Soviet Union collapsed in late 1991, the Europe and Eurasia region became a new frontier for the United States Goverment. Your committee responded through the authorship of the Support for East European Democracy (SEED) Act of 1989 and the Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act (FSA) of 1992. From the inception of these acts, USAID has been the main federal agency managing programs to promote democracy and human rights, to introduce and institutionalize a market economy, and to alleviate the social and humanitarian problems in the former Communist states of Europe and Eurasia. Our underlying objectives in the region have been and continue to be freedom, peace, prosperity, and regional stability.

Since we initiated work over a decade and a half ago, extraordinary progress has been registered across the region, particularly in the democracy/governance and economic growth areas, though much remains to be done in some countries. Notable achievements include (a) the reemergence of positive economic growth since 2000 after years of contraction, (b) Freedom House's ranking of 19 of the former Communist states as free or partly free with a return to communism unlikely in most countries, (c) Georgia's "Rose" Revolution and Ukraine's "Orange" Revolution, and (d) the significant integration of a number of the region's states into regional and global organizations such as the World Trade Organization (WTO), European Union (EU), and the North Atlantic Treaty Organization (NATO). In fact, performance has been sufficiently good that we have graduated country programs for the eight Central and East Europe (CEE) Northern Tier countries, enabling the closure of the five Missions that serviced these countries.[1] Three more country programs and their attendant Missions will close over the next several years—Bulgaria, Croatia, and Romania.

Still, a number of challenges persist—in encouraging economic growth, developing democracies and promoting respect for human rights, improving health, and increasing educational levels.

[1] The Northern Tier consists of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia; Southeastern Europe, Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Serbia and Montenegro, in addition to the province of Kosovo; and Eurasia, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, the Ukraine, and Uzbekistan.

- Encouraging Economic Growth. Unemployment and the lack of opportunity make a society vulnerable to extremism. A vibrant economy provides jobs and incomes. It allows people to buy houses, farms, and shops, and gives them a stake in the future. Job growth that benefits all regions and all ages, particularly the young, is vital to the long-term stability of our region.
- Developing Democracies and Promoting Human Rights. The seeds of democratic change are slow growing but can produce strong results over time—patient support for democratic institutions and human rights in Georgia and Ukraine gave their citizens strong political voices. Support for the persistent voices of freedom and democratic reform—civil society groups, democracy and human rights advocates and movements, and independent media—will prove decisive.
- Improving Health. Collapsing populations, eroding life expectancies, and rising rates of drug abuse and HIV/AIDS are too common in our region. To be viewed as viable, post-Soviet States must ensure that basic health services are available to their people. Improving health status, therefore, is critical to political stability and a significant challenge.
- Increasing Educational Levels. Along with health care, educational attainment was a bellwether of Soviet success. The erosion of educational levels is seen by many as a symptom of state failure. Lack of educational training also leaves youth ill-prepared to fill today's job needs. Increasing educational attainment, meeting current needs, is a significant challenge to our countries.

THE GEOPOLITICAL AND SECURITY CONTEXT

The E&E region continues to be of considerable foreign policy importance to the United States. Countering authoritarianism, human rights violations, and economic stagnation, which together provide fuel for domestic unrest, extremism of various sorts, and international terrorism, is key to protecting U.S. interests in the region.

Since the September 11, 2001, attacks on the United States, the geopolitical and security importance of the countries of Central Asia and the Caucasus has increased dramatically. These states constitute the front line in helping to create stability in a region vulnerable to extremism, drug trafficking, and terrorism. The Caspian region's tremendous oil and gas resources add to its importance to the United States. The proven oil reserves of just two states in the Caspian Sea basin, Kazakhstan and Azerbaijan, are just slightly less than those of the United States. Also, Kazakhstan's Kashgan field is perhaps the largest petroleum find in 30 years.[2]

In the Southern Caucasus, the region's significant Caspian energy reserves, unresolved ethnic and nationalist conflicts, and the threat of international terrorism, underscore the states' geopolitical and security importance to the United States. Both Azerbaijan and Georgia provide the routes for the planned Baku-Tbilisi-Ceyhan oil pipeline and a South Caucasus Gas Pipeline, together which will bring the Caspian region's vast oil and gas resources to world markets. Also, an uneasy stalemate over Nagorno-Karabakh exists between Armenia and Azerbaijan. In Georgia, separatist movements in Abkhazia and South Ossetia threaten the integrity of the state internally, while the conflict in the neighboring Russian Republic of Chechnya places pressure on regional stability. The simmering conflict in Chechnya also has been tied to terrorist incidents, including the downing of two civilian airplanes, bombings in the Moscow metro, and the tragic attack in Beslan, although not all Chechen fighters are terrorists.

The internecine warfare accompanying the collapse of the former Socialist Federal Republic of Yugoslavia in the 1990s not only caused humanitarian catastrophes but also threatened the peaceful democratic and economic transitions in neighboring post-Communist states. The United States and its NATO allies intervened with military, diplomatic, humanitarian, and technical assistance to protect human rights, establish peace, and lay the foundation for sustainable democracies and open market economies. While marked progress has been made in the Balkans since the Milosevic era of the 1990s, ethnic and nationalist tensions and human rights abuses, combined with ongoing economic hardship and soaring unemployment, continue to drive instability, and the area remains an important geopolitical and security concern to the United States.

Trade with, and investment in, the E&E region are certain to benefit the United States increasingly. From the natural resources sector to the industrial equipment sector to the service sector and beyond, the United States is broadening its trade relationships with the region. U.S. exports to the region totaled roughly $7.1 billion in 2003 with direct investment adding to no less than $4 billion in that same year.

[2] National Energy Policy, pp. 8–12, Report of the National Energy Policy Development Group, GPO; May 2001.

USAID's work to combat corruption, promote enforcement of contract and other commercial laws, help E&E countries join the WTO, and lay the foundations for the private sector, have helped pave the way for American trade and investment.

Extremism threatens to destabilize several areas within the E&E region. In particular, we must monitor the role of political and radical Islam and the conditions that permit Islamic extremism to flourish. USAID will continue to play a vital role promoting democracy and respect for human rights in the region. Not only is this the right thing to do, but it avoids adding fuel to the fire for any kind of extremism.

In the National Security Strategy of September 2002, development was officially recognized for the first time as one of the three pillars of national security (along with defense and diplomacy). This represents a profound new understanding of how dangerous failed states are to the security of the United States and the rest of the world, and how important development assistance is in dealing with failing and failed states. We cannot ignore those regions in Southeastern Europe and Eurasia struggling to escape the debilitating legacy of communism. Thus, the work of USAID to root firmly democratic, economic, and social reforms in formerly communist, corruption-ridden Eastern Europe and the former Soviet Union, is central to United States security.

Indeed, President Bush's National Security Strategy already has yielded fruit in Europe and Eurasia. E&E countries are becoming America's allies. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia joined NATO in March 2004; the Czech Republic, Hungary, and Poland had joined the Organization in 1999. The backing of the region's states in the international war on terrorism and of U.S. policy also has been strong. Indeed, 19 recipient countries in Europe and Eurasia have been active supporters of Operation Iraqi Freedom, Operation Enduring Freedom, and/or the International Security Force in Afghanistan in 2004.

Finally, America's most important foreign policy and security interest in the region is its relationship with Russia. The United States needs Russia as a strong, reliable, democratic, long-term partner in addressing issues of mutual and global importance such as nonproliferation, counterterrorism, and HIV/AIDS. Russia also is an energy powerhouse. In 2000, it was the world's second largest exporter of oil, and it holds one-third of the world's proven natural gas reserves.[3] Quite apart from development objectives, our maintenance of connections with Russia at a number of levels, including security, military, commercial, and science, to name a few, is vital to United States foreign policy interests.

RESOURCES

From the inception of the SEED and FSA accounts through fiscal year 2005, Congress has appropriated a total of $17.3 billion in assistance under both accounts to the region. This excludes this year's $60 million Ukraine supplemental appropriation. In coordination with the State Department's Assistance Coordinator for Europe and Eurasia (EUR/ACE), USAID has played a lead role in planning and implementing assistance programs for the E&E region. In fiscal year 2005—the last year for which moneys have been appropriated, USAID administered the lion's share of both SEED and FSA moneys, 66 percent in the case of SEED and 67 percent for FSA.

The fiscal year 2006 request, including $382 million for SEED and $482 million for FSA, will be directed to those remaining gaps defined by the Bureau's Monitoring Country Progress (MCP) system, taking into consideration the best judgment of EUR/ACE, Mission, and Bureau staff on the recipient's commitment, the likelihood of progress, and the need for continued investments.

JOINT STATE DEPARTMENT/USAID STRATEGIC PLAN

In order to make the new focus on development in the U.S. National Security Strategy operational, the U.S. Department of State and USAID developed a Joint Strategic Plan (August 2003). It identifies 4 strategic objectives, 12 subject areas, and 13 priorities. USAID's E&E Bureau focuses on mainly three subject areas under the objective "Advance Sustainable Development and Global Interests." These are:

- Economic prosperity and security;
- Democracy and human rights; and
- Social and environmental issues.

In addition, USAID programs in the E&E region advance the joint strategy's subject areas of regional stability, international crime and drugs, humanitarian re-

[3] National Energy Policy, pp. 8–12.

sponse, and public diplomacy.[4] We promote regional stability through our conflict resolution work—most of which takes place at the grassroots level—in the Balkans, the Caucasus, and Central Asia, and, with Economic Support Funds, Cyprus and Northern Ireland. Our work in helping to strengthen laws and judicial systems and in promoting transparent and accountable public and private institutions together which combat corruption contributes to minimizing the impact of international crime and drugs on the United States and its citizens. In the unfortunate cases when it has been necessary, we have provided humanitarian responses due to crises in the Balkans, the Caucasus, and elsewhere. Also, through public outreach in Mission-level strategy development as well as training and exchange programs, our Agency has been involved in public diplomacy and public affairs.

The priorities from the State-USAID strategic plan with high relevance in the E&E region are:

- Democracy and economic freedom in countries in the region with significant Muslim populations,
- Alliances and partnerships, particularly the strengthening of (a) ties to NATO and the European Union and (b) United States bilateral relationships with Russia and other E&E countries and allies in Asia and the Middle East, and
- HIV/AIDS prevention, treatment, and care.

WHITE PAPER

USAID has produced a document "U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century," the so-called "White Paper" that provides the framework for all its work. The core goals within the USAID "White Paper" are to (a) promote transformational development consisting of sustained democratic, economic, and social change, (b) fortify fragile states, (c) support strategic states as determined by the Department of State and the National Security Council, (d) provide for humanitarian help, and (e) address global and transnational issues and other special concerns, e.g., HIV/AIDS. While a number of E&E countries or entities can be classified as fragile (Bosnia-Herzegovina, the Kyrgyz Republic, Serbia and Montenegro, and Tajikistan) or strategic (Cyprus, Kazakhstan, Kosovo, Northern Ireland and the Republic of Ireland, Russia, Turkey, Turkmenistan, Ukraine, and Uzbekistan), the greatest proportion of activities, even in fragile or strategic countries, are transformational development in nature. The White Paper also disaggregates countries by income status (low income, middle income) and commitment to reform (weak, fair, good, top).

RESULTS

USAID is pleased to report to Congress that those programs that we administer are having a profound impact on the lives of the populaces of our recipient countries.

Economic Prosperity and Security

- In Azerbaijan, our program in agriculture has created over 35,000 jobs, working with over 150 enterprises that have entered new markets. Also, a 100-member Agro-lnput Dealers Association that we helped create is providing fertilizer, seeds, and other agricultural chemicals to some 40,000 farmers through a network of dealerships associates.
- While we have a number of credit programs in the region that are providing for jobs, at the forefront are those for Russia. Under the credit programs that we support, small and medium enterprises were provided last year over 51,100 loans worth $83 million. These loans created or sustained some 82,700 jobs by enabling these enterprises to grow their businesses 200 to 300 percent on average.
- To spur much-needed investment in Bulgaria that would provide for additional jobs, we helped the country to promulgate a new Law on the Promotion of Investments, develop a National Investment Strategy, produce an "Invest Bulgaria 2004 Guidebook," and promote the institutional development of the National Council for Economic Growth—now the leading body for public-private dialog and policy formulation. The end product is a share of foreign direct investment in GDP that is approaching 10 percent, the highest in Eastern Europe.
- We have assisted in the establishment of a robust mortgage industry in Kazakhstan, a development that is providing for much appreciated housing for the country. Residential and mortgage lending surpassed $564 million last year,

[4] The other joint strategic subject areas are: Counterterrorism, homeland security, weapons of mass destruction, support of American citizens, and management and organizational excellence.

a $200 million increase from the preceding year, owing to the creation of the Kazakhstan Mortgage Company that helped make housing more affordable.

- USAID provided business and trade advisory services to 81 companies in the Kyrgyz Republic, producing portfolio growth in excess of $18 million that provided for sales increases of 76 percent and productivity hikes of 66 percent for assisted enterprises.
- Major advances in business registration were achieved in Ukraine. Our program, active in more than 130 cities across the country, reached 70,000 enterprises via the hotline that was put in place, decreased the cost of business registration by 55 percent on average, reduced the time to obtain licenses and permits by about 50 percent, and lowered significantly the number of visits to government agencies, in addition to dropping corruption in the process by 84 percent.
- In the energy area, we helped introduce new energy laws in both Bulgaria and Macedonia, privatize seven electricity distribution companies in Bulgaria, and hike by $2.2 million collections by the state electricity entity in Georgia, among other accomplishments.

Democracy & Governance

- Years of USAID democracy support contributed to the peaceful democratic transitions that displaced corrupt, semiauthoritarian regimes in both Georgia and Ukraine. In both countries, USAID played a critical support role in fostering the development and maturation of civil society groups that ultimately mobilized to decry wide-scale electoral fraud. USAID also played an important role in helping civil society organizations to conduct necessary oversight over electoral processes. After fraudulent elections, this led eventually to elections which reflected the will of the people.
- In Croatia, USAID support has led to the vibrant growth of service delivery and issues-based advocacy NGOs, which in 2004 enabled the mobilization of 62,000 citizens in advocacy-related campaigns and the delivery of critical social services to 37,000 of the country's most vulnerable citizens.
- Through USAID assistance, the Macedonian Parliament increased transparency, conducting its first ever public hearings on key draft legislation that resulted in positive legislative reforms. In addition, 24 members of Parliament (MPs) opened new constituent offices, bringing to 60 the number of such members who hold regular meetings with the public.
- Over a dozen indigenous NGOs that have served as electoral process "watchdogs" in their own countries in Europe and Eurasia have begun to work together in observing elections in the region with USAID's sponsorship. This organization, the European Network of Election Monitoring Organizations, fielded approximately 1,000 monitors for the second and third rounds of the Ukranian Presidential election and will send observer missions to the parliamentary and Presidential elections in the Kyrgyz Republic.
- Throughout the region, independent media assisted by USAID and its partners are forcing governments and politicians to answer difficult questions, are opening up the airwaves and newspapers to stories that reveal both crime and corruption, and are providing important information to improve the lives of people.

Social & Environmental Issues

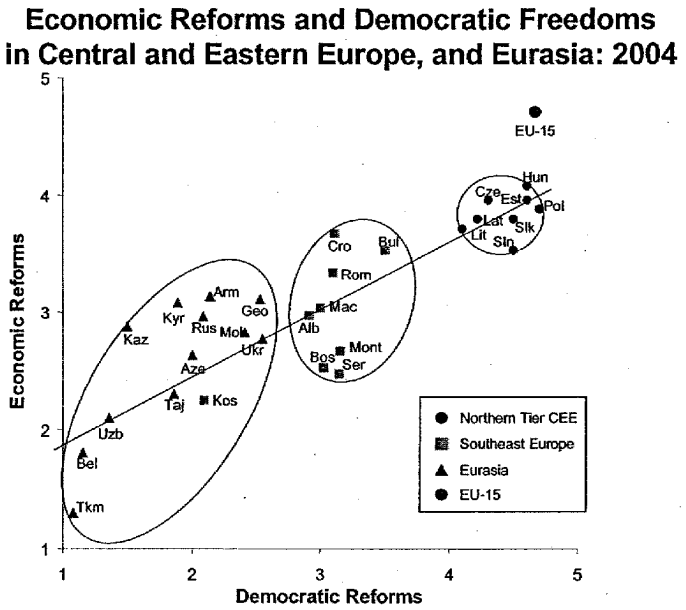
- Generally speaking, USAID has helped (a) control the diphtheria epidemic in Eurasia, (b) demonstrate internationally approved and cost-effective TB control approaches, (c) offer women alternatives to abortion, (d) revolutionize care for orphans and vulnerable children, (e) strengthen pension programs for retirees, (f) improve the targeting of social benefits, and (g) make teaching methods more effective.
- In Kazakhstan, where USAID has supported tuberculosis control efforts since 1998, TB deaths have decreased 41.6 percent between 1998 and 2003, and the Centers for Disease Control calculates that the USAID-supported TB control strategy has saved more than 20,000 lives during that time.
- In Romania, USAID pioneered community-based programs to reduce abandonment and institutionalization of children. The steady decline in the number of children abandoned in institutions over the past decade—from over 100,000 to just over 24,000—demonstrates increased effectiveness of community services provided to vulnerable groups. In the past year alone, 11,300 more children received community services than the year before, bringing the total number in community care to more than 76,800.
- In Ukraine, USAID's Maternal and Infant Health Project has introduced evidence-based best practices for the care of mothers and their newborns. These

practices have resulted in more rapid weight gain for mothers and their newborns, the near elimination of newborns that become hypothermic after birth (from 63 percent to near 0 percent), and an increase in "normal" deliveries from 22 percent to 68 percent. Based on this success, numerous other health care facilities have requested to be included in the project. In addition, USAID/Ukraine reports that its family planning interventions have contributed to an almost 50 percent reduction of the abortion rate over the last 5 years.

- USAID's Healthy Russia 2020 program recently received endorsement from the Ministry of Education for a family life and health education curriculum that is expected to be used throughout the country—the first such curriculum in Russia.

THE USAID PROGRAM

USAID's principal goal within the E&E region remains the establishment of functioning democracies that have open, market-oriented economic systems and responsive social safety nets. We will work to address the large disparities among E&E countries that exist in progress toward economic and democratic reforms (see the following chart). The eight countries of the European Northern Tier are well advanced in their transition to market-oriented democracies. Southeastern European countries have been plagued by instability from ethnic conflict throughout much of the 1990s and the disintegration of Yugoslavia. However, in recent years, reform progress among these countries has been impressive. In contrast, reform progress has lagged considerably in many Eurasian countries, particularly in democratization.

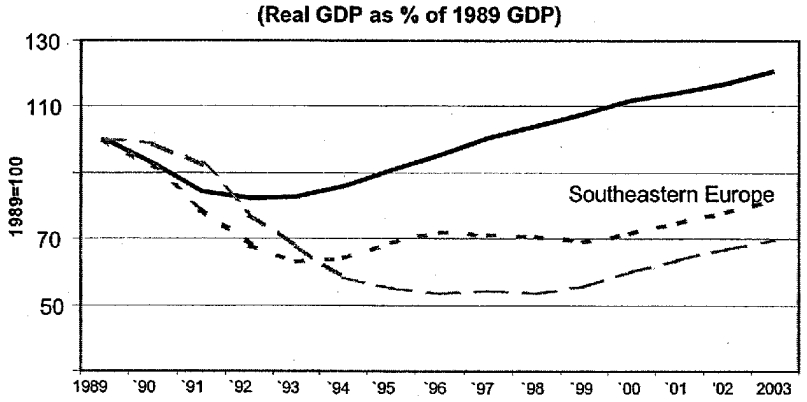


Ratings are based on a 1 to 5 scale, with 5 representing most advanced, drawing from Freedom House, *Nations in Transit 2004* (2004), and EBRD, *Transition Report 2004* (November 2004).

Assistance Area 1. Economic Prosperity and Security

Across the E&E region, per capita income in 2003 is only one-fourth the average of advanced European economies, despite 5.2 percent annual economic growth since year 2000. Among E&E countries, only the CEE Northern Tier has sustained healthy annual rates of economic gowth over an extended period of time (averaging 4 percent since the mid-1990s). This has been sufficient to raise GDP in that subregion 20 percent above 1989 levels (please see the chart below). On the other hand, in 2003, GDP in Southeastern Europe averaged about 10 percent below 1989 levels, and, in Eurasia, it averaged 30 percent below. Still, since 1999, economic growth

has been the highest in Eurasia, though driven by factors, some of which may not last, including price increases for primary product exports (energy, metals, and cotton) and devaluations following the 1998 Russian financial crisis. Economic progress in the western Balkans countries, as well, remains fragile, due to weak global integration (small export sectors and little foreign direct investment).



EBRD, *Transition Report Update* (May 2003).

Several E&E countries view agriculture and related rural enterprise development as potential sources of growth. However, rural economies in many of these countries have been held back by relatively poor market infrastructure, excessive State controls, and lack of access to finance. These problems are exacerbated by agriculture subsidies imposed by the developed world that undermine the international competitiveness of E&E agricultural products.

While the share of the economy controlled by the private sector has increased very impressively in nearly all E&E countries (excluding Belarus, Bosnia-Herzegovina, Serbia and Montenegro, Turkmenistan, and Uzbekistan), the international competitiveness of economies has shown little improvement, particularly so in Eurasia where monopolistic markets often prevail. In general, private enterprise in the region is inadequately prepared to participate in the global economy. Old systems for supplying inputs and for collecting and distributing products have collapsed, and new ones have yet to emerge. Institutions that support and regulate markets are weak.

Unemployment looms large as an issue, especially in Southeastern Europe where rates on average exceeded 20 percent in 2003, including a whopping 42 percent in Bosnia-Herzegovina. In Eurasia, while official unemployment rates are generally in the single digits, the region is characterized by considerable underemployment. Many workers in the region either have (a) poor-paying jobs in the informal sector or (b) employment with state enterprises in which there is little actual work or pay. Generally speaking, youth in both subregions are disproportionately affected.

More generally, E&E will target small- and medium-enterprise (SME) development across most of its recipient countries. Engines of economic growth, competitive SMEs can increase productivity, create jobs, provide incomes for an emerging middle class, and spearhead integration into regional and global economic systems. To stimulate SME growth, E&E will focus on (a) policy issues and (b) the development of clusters providing for enhanced competitiveness through the forging of linkages between economic agents and institutions. SME growth also depends on the adequacy and availability of appropriate labor skills. Hence, workforce development programs may be pursued to make SMEs more productive and competitive.

An important aspect of SME development is country performance in agriculture. As our recipients reform, we will increasingly move within the agricultural sector from taking on policy issues to the development of markets, both internal and external. Within our market development work, competitiveness will increasingly emerge as a thrust.

For selected SEED and FSA middle-income countries (Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Kazakhstan, Macedonia, Romania, Russia, and Serbia), a big push will be made to integrate them into global markets. These countries

are better prepared to enter global markets. Hence, trade and investment promotion will take precedence in these countries.

Most first stage economic reforms (liberalization of domestic prices, trade, and foreign exchange regimes and small-scale privatization) have been accomplished, except in the three Eurasian weak-performers (Tajikistan, Turkmenistan, and Uzbekistan). Therefore, most remaining policy assistance will emphasize second stage reforms that focus on building market-based institutional capacity and better public governance.

For their part, commercial law and property rights adjudication, important keys to the promotion of foreign investment, constitute complex issues that will be pursued across all our recipients, especially those recipients that possess a deep commitment to reform.

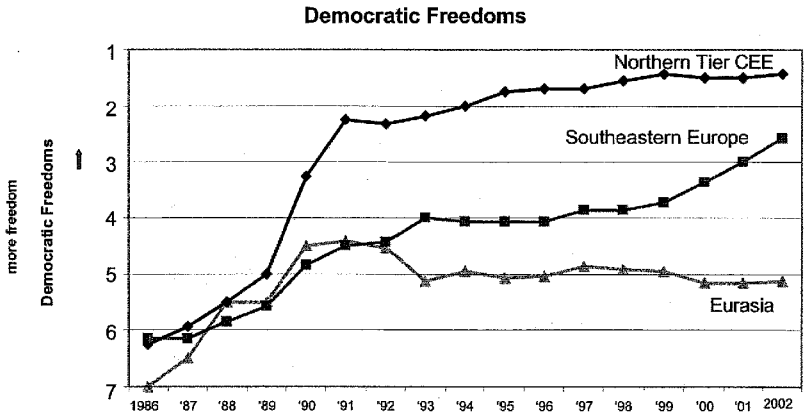
We also have much unfinished work in the energy sector. Energy is an extremely important issue for E&E, and E&E Missions must remain engaged. Energy sectors are large especially in our Eurasian recipients, owing to their significant petroleum and natural gas sectors. Energy sectors also pose a major drain on government resources.

Until energy sectors are reformed and efficiency gains realized, governments will not be able to devote the resources needed to address other critical problems, e.g., health and education. The deterioration of heating systems and the affordability of heat to the poor remain major economic and social problems in some countries.

Assistance Area 2. Democracy and Human Rights

Although much of the region has not yet achieved the prosperity, peace, and security expected in the post-Soviet era, the level of personal freedom that exists today is well beyond what millions in this region knew for decades, and people do not want to lose these freedoms. For the most part (with the exception of Belarus, Turkmenistan, and Uzbekistan), the totalitarian impulse to interfere with citizens' private matters (beliefs, choice of work, travel, etc.) is no longer pervasive, Sadly, however, among many of the states in Eurasia, a perceptible movement back toward authoritarian patterns of political authority is being felt in a number of areas, including constraints on freedom of the press, restrictions on political activity and competition, executive influence over judiciaries, and discrimination against minority religions. Significantly, Russia dropped in Freedom House's rankings in its global survey of democratic freedoms from "partly free" to "not free" in 2004.

The remaining challenges facing democracy and governance are generally far greater in Eurasia than in Southeastern Europe. Since the collapse of the Soviet Union, democratic freedoms have generally stagnated in most of Eurasia, and the gap between Europe and Eurasia in building democracy continues to widen (please see the chart below)



Data are from Freedom House, and are an aggregation of Freedom House's political rights and civil liberties indices. They come from Freedom House, *Freedom in the World 2003* (July 2003) and previous editions. Ratings from 1 to 7, with 1 representing greatest development of political rights/civil liberties.

Because democratic reforms are stalled or regressing in most countries in Eurasia except Georgia and the Ukraine, most areas of assistance in democracy and human rights will be emphasized in that region, including municipal governance, rule of

law, independent media, civil society including human rights advocacy, and political party development and elections. Especially important in the coming year will be assistance to support elections that meet OSCE standards in countries such as Azerbaijan, the Kyrgyz Republic, and Moldova, in addition to Macedonia in Southeastern Europe. Southeastern Europe is relatively advanced in civil society and electoral processes, so in that subregion the other forms of democracy and governance assistance will receive greater emphasis. As for states that are considered to be fragile, an important theme of programs early on was ethnic and religious tolerance.

Ethnic Extremism and Islam

Ethnic and religious extremism is a major source of instability in several subregions within E&E. In particular, we need to encourage Islam to be a source of stability, rather than instability, within the region. Several of our recipients' governments actively discriminate against Islamic communities, a development that encourages radicalism. Diminution of the role that Islam plays in serving as a source of instability can be best accomplished through encouraging economic, democratic, and social development, since extremist behavior is often linked to socially, economically, and politically disenfranchised populations. We will consider (a) institutional mechanisms that encourage all groups of citizens to feel that they are part of the State and (b) specific educational and communication programs that promote the discussion and advancement of democracy, religious freedom, and economic liberty within the context of both secular and religious world views.[5] USAID already has active programs to reduce tensions between, or discrimination against, religious groups in Kosovo, Macedonia, Uzbekistan, and elsewhere. E&E also will fund research to monitor such discrimination.

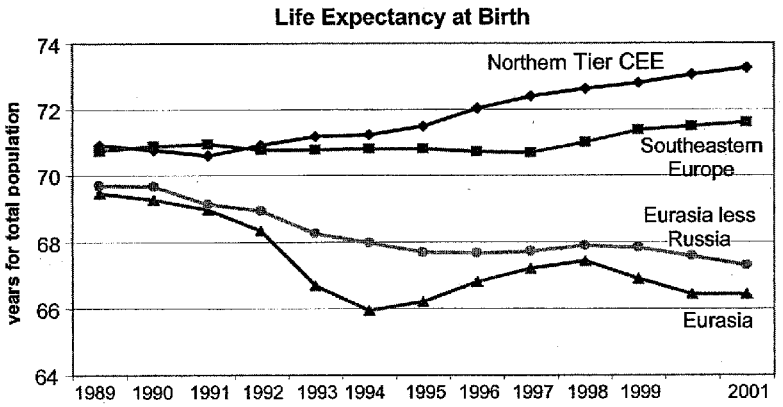
In addition, we are especially cognizant of the need to provide for meaningful employment opportunities in Islamic-majority countries and regions such as Albania, Central Asia, and the North Caucasus. Absent political rights, jobs, and hope, segments of the countries' communities are more vulnerable to extremist rhetoric and may be drawn to radical Islamic elements and terrorism.

Assistance Area 3. Social and Environmental Issues

Early assumptions that Soviet health and education sectors and social safety nets for vulnerable groups would survive and sustain the transition have often proven false. Indeed, the social transition has produced very disappointing indicators, revealing widespread declines in many aspects of health and education, degradation or elimination of social safety nets, and increased vulnerability of youth and other social groups. The fact that the majority of people in many E&E countries, today, are living less well materially than they did before the Soviet bloc crumbled threatens to undermine constituencies for economic and democratic reform in countries where people fail to perceive benefits from those reforms.

The difference between the Southeastern European and Eurasian subregions in health indicators demonstrates an especially alarming pattern of decline which is summarized starkly by divergence in life expectancy (please refer to the chart below). Life expectancy is rising in Southeastern Europe and falling in Eurasia. Based on data for 2002—the latest available, the largest gender differences in life expectancy worldwide also are found in Eurasian countries. Russian females with a life expectancy of 72, for example, live 13 years longer than Russian males (59 years). In contrast, the spread is 6 years in Western Europe and 7 years in the European Northern Tier countries. In sum, while in 2002 life expectancies averaged between 72 and 74 years in Southeastern Europe, they stood between 65 and 69 years in Eurasia. The rapid spread of infectious diseases combined with lifestyle behaviors and resultant diseases are contributing greatly to the health crisis in Eurasia.

[5] See Strengthening Education in the Muslim World, PPC, June 2003.



World Bank, *World Development Indicators 2003* (April 2003). Missing data were estimated by interpolation.

Major health risks or demographic pressures that threaten the sustainability of reform include:

- Fast growing HIV rates, particularly in Russia, the Western NIS states (Belarus, Moldova, and the Ukraine), and the Baltic countries (Estonia, Latvia, and Lithuania);
- A tuberculosis (TB) epidemic that continues to soar and is exacerbated by increases in HIV/TB coinfection and Multi-Drug Resistant TB, such problems being most salient in the Central Asian Republics (CARs), notably Kazakhstan (the other CARs are the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan);
- High infant and child mortality rates in the CARs and the Caucasus (Armenia, Azerbaijan, and Georgia);
- Continued high rates of abortion and maternal morbidity in Azerbaijan, the CARs, Georgia, Moldova, and Romania;
- Aging and shrinking populations combined with declining life expectancy in Eurasia;
- The decline in the capacity of health finance and delivery systems to address the evolving epidemiology and demographics;
- Cardiovascular and other noncommunicable diseases that account for three-fourths of all deaths (many prematurely); and
- Little attention to disease prevention and continued risky behaviors that reduce life expectancy.

The stock of human capital varies considerably across countries—highest in Slovenia (and the other European northern tier countries) and lowest in Tajikistan (and in the remaining CARs and the Caucasus). Some indicators allow optimism that the worst of the social deterioration already may have occurred. For example, trends in real wages and, possibly, education expenditures and secondary school enrollment shares (the share of the population aged 15 to 18 that is attending secondary school) are slowly improving in a majority of E&E countries. Secondary school enrollment shares had declined in Eurasian countries from 60–70 percent in 1989 to 30–40 percent in the early 2000s; declines, albeit not as great, also had taken place in these same countries at the primary level.

Health will be an increasing concern for all E&E's Missions, building upon USAID experience to date. High abortion rates and low contraceptive rates throughout the region require continued attention to reproductive health in most E&E countries. E&E will focus on child survival and maternal health interventions in countries of greatest need. The Caucasus countries and the CARs have the highest under-5 mortality rates in the transition region. Almost all our recipients are encountering difficulties with infectious diseases, including HIV/AIDS and tuberculosis (TB), and HIV/AIDS and TB funds will be targeted in those countries where infection rates for these diseases are highest, most notably Russia, Ukraine, and Central Asia. Also, work in health systems and administration will be entertained principally in those countries where there is commitment to reform, e.g., Albania and Uzbekistan,

although it also could be pursued in other countries to build commitment and improve system efficiencies.

Especially through further collaboration with the World Bank and other donors, education assistance to selected countries/entities in Eurasia (Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan) and Southeastern Europe (Kosovo, Macedonia) has particularly high long-term potential. E&E will continue its existing basic and secondary education program in Central Asia, with vocational education an added emphasis in selected countries. Also, general university education in countries where E&E has already established a role, e.g., selected middle-income Southeastern European countries, will be supported, in addition to university-level business management education.

We will address social protection and labor issues. E&E also will sponsor workforce competitiveness studies that identify skills training and labor market reforms required to spur economic growth. Finally, social sector reforms to deal with corruption will be an important element of E&E's programs; we will seek to eliminate rent-seeking in the delivery of services in both the health and education sectors.

CROSSCUTTING ASSISTANCE AREAS

While some of the most important USAID priorities do not easily fall into the above three assistance areas, they are indispensable for achieving our basics goals, including values and social capital, corruption, trafficking in persons, and conflict.

VALUES AND SOCIAL CAPITAL

USAID has always recognized that sustainable development is strongly supported by widespread acceptance among the beneficiary population of certain values necessary to the fair and efficient functioning of the State and the economy. To provide for values supportive of economic, democratic, and social development, E&E programs will more consistently seek ways to build social capital. The term "social capital" refers to the prevalent mindset that results in voluntary compliance with established laws, trust, cooperative behavior, and basic codes of conduct.[6]

Social capital has deteriorated significantly in the E&E region since the transition began a decade and a half ago. Academic analysts, news media, and donors have generally underestimated the degree to which weak social capital in the former Soviet Union and the Eastern Bloc has undermined efforts to promote democratic and economic reform. Differences in the stock of social capital account for the pattern across the E&E region in which countries that experienced a longer and deeper exposure to communism have shown a slower pace of reform in the post-Soviet era.

Our task is to seek ways to append a values and social capital enhancement dimension to existing programs. Likely involving more attention to youth, possible program areas include:

- Values education, including the development of curricula in the area of character education. Materials could be gathered and disseminated which rely on indigenous historical, literary, religious, and political figures who embody the values that need to be cultivated such as integrity and honesty;
- Exchange programs and training exercises that promote ethnic and religious tolerance;
- Media projects, both written and visual, which feature leadership and visionary characteristics; and
- Activities that strengthen civil society relationships. Positive values will emerge when citizens participate in civil society structures and see the benefits they bring.

CORRUPTION

Corruption is endemic to much of the E&E region. The corruption index compiled by Freedom House scores 17 E&E countries at 5 or higher on a scale where "7" represents the worst level. Recent surveys confirm that citizens view endemic corruption as one of the region's most serious societal problems, ranking close behind poverty, political instability, and crime. In the presence of corruption, the Bureau's transition goals (democracy, economic, and social) have been slowed or blocked. In sum, while programs directed specifically at reducing corruption may be undertaken, an orientation toward reducing corruption will run through numerous programs in countries where it is a widespread problem.

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[6] The phrase "social capital" has been used in recent times by many scholars (e.g., James Coleman, Francis Fukuyama, Robert Putnam, etc.) and institutions (e.g., the European Bank for Reconstruction and Development, the International Monetary Fund, and the World Bank).

The E&E strategic approach to addressing corruption promotes transparency, accountability, prevention, enforcement, and education. We are promoting transparency through our work to create open, participatory governments. We promote accountability through support of (a) checks and balances amongst government branches and from outside sources such as independent media, trade associations, and political parties, (b) inspector general functions, and (c) the decentralization of power to other layers of government. Our programs support prevention of corruption through the systemic reform of institutions and laws to decrease opportunities and incentives for rent-seeking behavior. USAID is working to promote enforcement through the consistent application of effective standards and prohibitions. Finally, USAID programs support educational efforts that point out the adverse consequences of corruption, the tangible benefits of reform, and the concrete potential for positive change. Our approach to corruption also relies on USAID's new agency-wide Anti-corruption Strategy.

TRAFFICKING IN PERSONS (TIP)

TIP is a major issue in the E&E region; as many as 25 percent of trafficking victims worldwide come from the E&E region. The USG considers human trafficking to be a multidimensional threat. It deprives people of their human rights and freedom; it is a global health risk; and it fuels growth of organized crime. Some of our field Missions already address TIP through activities which strengthen local government, promote SME development, support advocacy groups, utilize media to sensitize potential victims and populations, emphasize the health-related needs of victims, and fortify the rule of law.

When targeting TIP, efforts on the part of the USG, including those of USAID, should focus on the three "Ps," namely Prevention, Protection, and Prosecution:

—Prevention of TIP through economic empowerment; crisis prevention; public education and awareness; capacity building of government, NGOs and the media; and legal reform and implementation;

—Protection of victims through assistance for government and NGO referral services and protection of witnesses; and

—Prosecution of criminals through improved judicial coordination.[7]

Increasingly, we are expanding the anti-TIP paradigm to include the three "Rs," consisting of rescue, removal, and reintegration of victims.

CONFLICT MANAGEMENT AND MITIGATION

In the wake of the collapse of the Soviet bloc, political and ethnic tensions have risen and fueled bloody conflict in the name of national and ethnic liberation. For example, between 1991 and 1995, over 300,000 people lost their lives in violence associated with the breakup of Yugoslavia. The E&E Bureau has integrated its conflict mitigation efforts within its work in each of the three transition subject areas. In order to address conflict vulnerabilities, we encourage programming that implicitly builds social cohesion, communication, and understanding. This type of programming might include regional cooperation, the promotion of economic growth via SME development, the empowerment of communities through the collective resolution of practical local issues, support for civil society advocacy actions, the engagement of idle youth, the decentralization of government for improved service delivery at the local level, and the promotion of transparency by strengthening actors and institutions related to the rule of law. Notable activities include tolerance projects in both Bosnia-Herzegovina and Russia and the assessments for Kosovo and Serbia and Montenegro led by the Agency's Conflict Management and Mitigation Office.

THE MILLENNIUM CHALLENGE ACCOUNT (MCA)

Announced on March 14, 2002, by President Bush, the MCA is designed to provide additional assistance to countries that have met specific indicators related to ruling justly, investing in their people, and encouraging economic freedom. With strong bipartisan support, Congress authorized the Millennium Challenge Corporation (MCC) to administer the MCA and provided $1 billion in initial funding for fiscal year 2004. President Bush's request for the MCA in fiscal year 2005 was $2.5 billion, of which Congress appropriated $1.5 billion. The President has pledged to increase funding to $5 billion per annum in the future. These funds can be an important tool in helping leverage significant reforms.

The MCC, which administers the MCA and for which USAID Administrator Natsios is a board member, met in May 2004 and identified 16 countries as eligible

[7] See Trafficking in Persons: The USAID Strategy for Response, February 2003.

for MCA assistance, including Armenia and Georgia from the E&E region. The MCC Board also approved a "Threshold Country" program which will be directed toward a number of countries that have not met the requirements for MCA eligibility but demonstrate significant commitment to meeting those requirements. From the E&E region, the Board selected Albania to be eligible for threshold country status. New candidacy criteria for fiscal year 2006 may provide MCA-eligibility and threshold status for more E&E countries.

All USAID Missions in the E&E region will work to encourage our recipient countries to focus on MCA's criteria of ruling justly, encouraging economic freedom, and investing in people.

PHASE OUT OF USG ASSISTANCE

The USG Goverment always has planned that assistance to the region would be temporary, lasting only long enough to ensure successful transition to sustainable, market-oriented democracies with responsive social safety nets. The performance of Bulgaria and Romania in fiscal year 2002, the year the two countries were notified that they would be accepted into NATO, is used as thresholds, representing sufficient transition performance to phase out SEED and FSA assistance. Accession to NATO demonstrated that the two countries had progressed to the point that they had reached the irreversible path to becoming market-oriented democracies. USAID/E&E's MCP system provided the analytical base for systematic interagency review led by EUR/ACE to establish timeframes for the phase out of USG assistance in all our recipients. Through this interagency, analytical process, phase-out dates have been determined for each of the economic, democratic, social, and law enforcement sectors for our Southeastern European and Eurasian recipient countries. These phase-out dates have been identified for planning purposes and do not convey any commitment to funding levels or entitlement to assistance until the established dates. USAID/E&E's Bureau also uses these data to adjust strategies to address remaining gaps and maximize the impact of USG assistance.

Over the next several years, three country programs will graduate and their Missions will close, including Bulgaria, Croatia, and Romania. In addition, we plan to phase out of the economic sectors in Kazakhstan, Russia, and Ukraine also over the next several years. These decisions all assume that performance continues as projected. Across all the region's countries, E&E will monitor closely transition indicators using the Bureau's MCP system as well as Mission and Bureau staff understanding of problems, progress, and prospects in each sector.

CYPRUS, NORTHERN IRELAND AND THE REPUBLIC OF IRELAND, AND TURKEY

The E&E Bureau also administers Economic Support Fund (ESF) allocations for Cyprus, Northern Ireland and the Republic of Ireland, and Turkey, and the fiscal year 2006 request includes $42 million in such allocations. Turkey, as a front-line state against the war on terrorism, will benefit from $10 million under the fiscal year 2006 request; Cyprus, $20 million; and Northern Ireland and the Republic of Ireland, $12 million. For fiscal year 2005, $13.4 million had been appropriated for Cyprus; $21.8 million for Northern Ireland and the Republic of Ireland; and zero for Turkey. Turkey, however, had received $10 million in fiscal year 2004, and these moneys funded activities, including (a) support for a World Bank prenatal care and education activity under the Bank's Social Risk Mitigation Project; (b) an International Office of Migration antitrafficking activity; and (c) a business partnering program implemented through the American Chamber of Commerce. As for Cyprus and Northern Ireland, past allocations have supported reconciliation and conflict resolution amongst warring factions. For their part, moneys that Cyprus received in the past also have been funding partnership activities for economic growth and a scholarship program. An important intermediary for the Ireland moneys is the International Fund for Ireland.

CONCLUSIONS

We are proud of our successes in the E&E region, a region that remains of considerable foreign policy importance to the United States. Our programs, which are integrated into the frameworks set by the National Security Strategy, the Joint State/USAID strategy, and the USAID "White Paper," have permitted us, since the fall of the Iron Curtain, to make tremendous strides in furthering democracy, installing market-based economic systems, and tending to the social and humanitarian needs of the former Communist states of Europe and Eurasia. We are very aware that there is much left to be done. In particular, the post-Soviet States of Eurasia appear to have a long transition path ahead of them. As new priorities emerge in other parts of the world, I would urge the distinguished members of the Senate Foreign

Relations Committee to support our Budget and Operating Expense requests that are focused, for the most part, on countries that demonstrate a commitment to sound development principles and democracy. Allocations at such levels would help us to achieve our overriding goal in the region—the establishment of market-oriented democracies with responsible social safety nets. Our very close working relationships with the State Department Coordinator would allow us to program resources in a way that would help us meet that goal.

Finally, it is imperative that our work stay the course, despite the difficulty of the task and the occasional bumps along the way. After a decade and a half, working in the region, we have learned that premature disengagement can have enormous costs in the long run. Many of our programs have long gestation periods. A case in point is Ukraine. We spent a number of years building up civil society, and a mature civil society together with timely elections assistance were the key tools that the country's populace required to carry out the largely successful "Orange" Revolution.

In the end, final victory can only be secured by the will of the people, not by the assistance of international donors. We can, however, be a responsible supporter of the aspirations of free people and those that long for freedom.

Thank you, Mr. Chairman.

Senator ALLEN. I very much enjoyed looking at this statement and I recommend its reading to many others. We can talk in theory and principles, and that's important, but one needs to be guided by postulates of life principles and philosophy. Where I'm impressed by you and your agency is you take from different groups ratings, metrics, measurement. Maybe that's from the sports I've grown up with, you don't just play and think you're winning, you either are or you're not, that's why you have wins and losses, and play to win.

It is very interesting the various charts that you have in your testimony that will be made part of the record. You look on a chart economic reforms on one leg and democratic reforms on the other leg, and how the European Union, of course, is at the highest; the European Union, fifteen. Very close to them are Hungary and Poland, Estonia, Latvia, Lithuania, Slovenia, Slovakia, and the Czech Republic, and so they're making great progress, you see that. Then the next group is Bulgaria, Croatia, Romania, Macedonia, Bosnia and Servia, Montenegro, then Georgia and Ukraine in the third and furthest down as you went through these various gradations. That's a very interesting chart.

Then the next chart is what's the gross domestic product of certain areas, the ones with greater freedom have greater prosperity. When they have those economic and democratic reforms, which means it's good for the people, greater hope, greater opportunity and also it charts in with the Northern Tier C.E.E., versus Southeastern versus Eurasia, and interestingly, and that's on the democratic freedoms front.

Then you look at life expectancy at birth, so it's not just hope and opportunities, it's actually a healthier life that comes with greater freedoms and greater economic opportunities. In the Northern Tier life expectancy at birth has increased from it looks like about 71 now to 73 in just a little over 10 years, Southeastern Europe stayed about the same and picked up just about the time Southeastern Europe was picking up there. Now Eurasia, not including Russia, actually life expectancy has gone down from about 70 to 67, Eurasia is also down from where it was in 1989.

So these sort of things, and charts and graphs which are based on objective facts, give us an idea and a comfort that yes, these ideas are not just theory and they're not just platitudes, it's not

academia or elected officials espousing those wonderful Jeffersonian principles, they actually work and have a positive impact on peoples' lives in the real world. I appreciate the way you work, and this is something, I think is helpful to those of us who, when we're spending the taxpayers money, want to be able to show that there's an impact, and it's not just, "Gosh, don't we feel good by spending money?" Go ahead, Secretary Hill.

Mr. HILL. Yes, Mr. Chairman, I'd like to add one point to your observations, I'm pleased that the charts are helpful to you. We actually developed those at USAID 8 or 9 years ago, and we did it for two reasons: The first reason was we wanted a rational way to actually tell when a country was approaching a time when we could phase out or lower assistance, but we've discovered that there's been a second use of the charts that's been very helpful.

Sometimes when Tom and I are traveling in that part of the world, we meet with a Prime Minister, or Minister of the Economy, we'll simply take out one of those charts, if we're in Central Asia for example, and put it down on the table, hand it to the Minister and say, "This is where your country is in relation to your neighboring countries." And sometimes when they want to argue with us about what we have to say, when we show them the empirical facts that come from international agencies like the World Bank, or Freedom House, or the European Bank for Reconstruction and Development, they have to take seriously that they are lagging. And if you can also make a connection between the lack of democratic developments and the lack of economic development, it gets their attention, so we'll often leave the chart with them as something to think about. It sometimes seems to help.

Senator ALLEN. It also gives them a sense of competition that, while these other countries are doing better, especially if you have neighboring countries. I know the Heritage Foundation has their Freedom Index, and a lot of these will, of course, to the extent especially these emerging democracies want to get investment. Romania, for example, is happy that Smithfield has invested in Romania, but to the extent that they're trying to get more investment in Poland or any of these other countries, it does help to have some objective way you can say, "Hey, this is a good place to do business, here's someone else saying it. It's not just the economic development promoters saying, 'Gosh this is the best country.'" So, there are a variety of ways that these and other matrixes or measurements will make things better there.

Let me ask you, Mr. Hill, about Russia. Because you look at this and you see where Russia is, not where it ought to be. They have the resources, they have capability, the intelligence of a population that should not be where they are in every one of these charts. No matter whether it's life expectancy, economic reforms, freedom reforms, and so forth, they have been backsliding by most objective measures on democracy in a variety of forms. I just want to know if you're discouraged by it, what's the future of assistance programs in Russia, how long will it be appropriate for us to keep helping Russia while they're acting the way they are presently. And what will USAID do to ensure that the key connections stay in place to prevent even further strained relations?

Mr. HILL. It's a very interesting question, I remember 14 years ago my wife and I and our two children were living in Moscow in 1991 when the hammer and sickle flag came down over the Kremlin, and the Soviet Union ceased to exist, and there was an atmosphere of heady optimism; there was a freedom of conscience law that was passed that met international standards, everybody was enthusiastic, and after living there for 7 months and looking back, it's clear that in some ways that was the high point with respect to the freedom index. If you look at the freedom measures from that time on, they started to go down.

And yet, I would resist being too pessimistic about the future of Russia. My academic teeth were cut on Russia and the Soviet Union, and I can't forget where they were long before Glasnost and Perestroika and what has happened, and even though they have moved backward in many indices, they're certainly not where they were in the fifties or the sixties or even the 1970s. There are forces that have been unleashed, not the least of which is an expanding middle class, and if history teaches us anything, it's that if the economic middle class grows, then in time it can create political pressures that are difficult to control for those who would otherwise like to "manage democracy," as the Russians sometimes say. They find it difficult to do so.

I think what's called for in looking at Russia is long view, a patient view, continuing doing things that make sense, continue our democracy programs, continue our exchanges. I think Mr. Bradtke was absolutely right. The key to a lot of what happens in these countries is the extent to which we can have exchanges, et cetera, and so although I'm disappointed that there hasn't been progress and that there's even been some regression, I still think we're on the right course. I think the game is far from over, and I think the worse thing that we could do is lose hope, because I think there are many positive signs as well, but we're going to have to be patient, it's going to take some time.

Senator ALLEN. Well, we will be patient. I know the President wants to be, but the reality is when you see a country like Russia, with all the resources they have, and you see where they are on every one of these objective measurements, then you compare it to a country, not even a bigger country like Poland. You compare it to Estonia or Lithuania. Granted they have a sea port, so does Russia, maybe not as quite a warm water. The reality here is these very small countries, the Czech Republic, Slovakia, no where near the capabilities as far as mass and resources and population, and here they are, pretty well integrated into Western Europe standards, and then some as far as assistance in some of the military actions, even more assistance in that regard.

It's a disappointment to me, there's just no reason why they should be this way. I do think the Russian people deserve better, they have the capabilities innately, as well as resourcefully, so to speak, in their country.

Let me ask you, Secretary Bradtke, one of the things, maybe Mr. Hill will want to answer it as well. As far as Russia is concerned, one of the things I have had a great concern with is the theft of intellectual property. Russia's one of those, China's awful on this and so are some other countries, but Russia is one of the key viola-

tors of our intellectual property rights. How much funding do you know, and this is a larger issue than just Eurasia and Europe. But how much funding is the administration proposing to combat the problem of intellectual property violations, so that countries, (A) understand what it is, and (B) make sure their judges and prosecutors actually enforce such laws? It is taking, literally, billions of dollars out of our economy from the creativity and ingenuity of American technology as well as some of our artists, so to speak, in the motion picture industry, but also in a lot of intellectual property, computer software, and programs and systems.

Mr. BRADTKE. You're correct, Senator, this is a problem in Russia, but it's a problem in many other countries as well, and our efforts have focused on both ensuring that countries have modern intellectual property laws, because given the rapid development of technology and other elements, it does require updating these laws, and some of this is very complicated, difficult work.

The second path is to make sure these laws are enforced, and again for many of the countries in transition this is also a major challenge, to have their legal systems operating effectively, law enforcement systems operate effectively here.

Now, in the case of Russia, we have also made this an element of our high-level dialog with the Russian Government, to make sure the Russian Government understands the importance of this issue and the need to protect American intellectual property. We have, in addition to the high-level exchanges on this subject, a working group on intellectual property, that met in October of last year, that had a video conference in February of this year, and will probably meet again, soon, to discuss how we can work together on this issue.

Now, specifically in terms of assistance, I know that in the fiscal year 2004, we had a program together with the Russians, designed to train judges, prosecutors, people who are involved in implementing the laws that Russia has to make sure that these laws are carried out effectively and that they're trained to carry out these laws. Similar program in 2005 and we will continue these efforts in 2006 as well. I would also mention we're working with Ukraine on this issue. The Ukrainians need some help in developing their own intellectual property laws, so some of our assistance to the Ukraine will be going into this area as well.

Senator ALLEN. As far as Russia's concerned, are there any objective measurements by which we can determine whether what we've been doing in the last, since 2004, having an impact? Are they prosecuting, or has there been a diminution in the amount of violations of intellectual property rights or law?

Mr. BRADTKE. I can only give you my impressionistic response that this remains a serious problem, that we think there's a greater awareness on the part of the Russian Government of the nature of the problem, but I couldn't point to statistics that suggest that these efforts have had the kind of results that we've hoped up to this point.

Senator ALLEN. So, at this point we're only getting a sense of things, do you have a sense that they consider this serious? Or do they just consider that you all are charging too much for this property?

Mr. BRADTKE. Well, I think that your point was correct, it's not just do they take it seriously, is something being done to stop the theft of intellectual property, and this is an issue that we'll be looking at extremely closely in the next couple of months to see what further measures we might have to take.

Senator ALLEN. Well, I think it's going to be very important, not just in Russia, but throughout the world, and you can count on me riding hard on that one, on that issue, because it's very important.

Another thing, Mr. Hill brought this up, no, maybe it was you, Mr. Bradtke, was talking about the student exchanges or the exchanges back and forth, which I think is very important, not just with Europe and Eurasia, Eastern Europe, but generally speaking, throughout the world. One thing that I've heard from business interests and business leaders in my home, Commonwealth of Virginia, is that it's very difficult to get visas for skilled workers. I also hear from colleges and universities the difficulties of getting student visas. I well understand the importance of security and background checks to make sure that those wanting to enter this country are clean, they're not criminals, they're not in any way aligned with any terrorist organization. But the length of time for some of these visas is harming business, to some extent, tourism, and it's also harming having workers come in as well as students. In my view I'd like these students to stay here if they're coming to our engineering schools, because we need more engineers. I'd like to see more native-born Americans going to engineering schools, but to the extent that we can do that, I think that's good for relations, they understand our country better, what it means to be an American, what are those principles we believe in actually at work. If they do go back to their countries they end up being appreciative of this country. And if they don't, and they come to this country, clearly many of them, if not all, especially those who are getting post-graduate degrees clearly can be contributing members of our economy and our society.

Are there any plans or initiatives to not only reduce these delays and increase the number of visas for the workers, but also, just get this visa processing done in a more expeditious way, cognizant of the need for security. It seems to me that there are programs, and what the European Union is doing in some of their efforts to make this visa process much, much faster.

Mr. BRADTKE. We certainly have been working hard to achieve the right balance between having America be open to all the contributions that students and other visitors make to this country, both economic and social, and the security requirements that we saw so dramatically on September 11. I think we've made some progress here. I would be happy to take back your points to my colleague, Assistant Secretary Maura Harty, who's in charge of consular affairs.

I know from my own conversations with her that we have made progress in this area, particularly in the case of visas for students who come here for long-term programs, who were previously required to leave the country and then reapply for visas and come back. We now have a better system in place, so that that requirement is no longer in many cases, required. So again, we are aware of this problem, we do want, as Secretary Rice has made clear, for

the United States to be an open country, it's one of the great strengths of our society.

We need to balance that with our security requirements, and as I say, I think over the past year or so we have made progress in trying to come up with process and procedures that are less cumbersome that enables students to come to this country for extended courses of study. I don't know the current numbers, my sense is again that these numbers show some improvements in this area.

Senator ALLEN. I hope you recognize we do still need to improve. You may say it has gotten a little bit better recently, it does need to improve, and I look forward to working with you all. It is a major concern and it's one that I think, when one looks at those who were involved in 9/11 attacks and one of the most amazing things to me is what information we were getting in briefing 5 days afterward and what everyone knew about all 19 of these hijackers who crashed into the Pentagon, the New York towers, and the field in Pennsylvania. I was thinking, the key to this is getting a system where the consulates are talking with defense intelligence, the CIA, the FBI, and when they get in this country, make sure our folks in this country know what the consulates and the CIA and defense intelligence and immigration all know. A lot of that is a question of technology that shares that information, so (A) they don't get into this country, and (B) if somebody gets into this country you know where in the heck they are. I'm not going to rehash all of that, but regardless there are ways to improve it and I hope to work with you on it.

Let me bring up another area, and it has to do with this war on terror, and looking at the support we've gotten from Central European countries, the more recent countries that have gotten into NATO and the European Union. I realize this is mostly a Department of Defense decision, but I'd be interested to know if the State Department sees any strategic value in shifting a portion of our U.S. military assets or capabilities to locations and regions that are closer to the threats. In other words, to the Black Sea area. We're going to have a hearing on the Black Sea area fairly soon, and the Black Sea, it would seem to me since we are using some of the facilities of the Black Sea for transport into the Middle East, it would seem to me a great location for our equipment and for our troops to, at least, be temporarily based or have those capabilities.

Does the State Department have any view on how, while that is military operational asset management issue, do you see any benefits diplomatically, let's say, and strategically in addition to militarily, in making such an investment?

Mr. BRADTKE. Mr. Chairman, we have been working with our colleagues at the Pentagon closely on this issue. The approach that the President has directed us to take is to look for ways to have forces in Europe that are more suited to the current threats that we face. We no longer face a threat of Soviet invasion across Central Europe, so that having large numbers of heavy forces in Germany is not a requirement any more.

One of the things we have been looking at is ways of trying to move some of our forces to other parts of Europe; to parts that are closer to areas that might be threatened, and one thing I would say, though, is that the approach here is to look at possibilities not

for recreating the kind of facilities we have in Germany, necessarily, not with large numbers of permanently stationed forces, with family members and a huge infrastructure.

What we're looking at as we go down this road is having potentially rotational forces that might come and train in some of the countries of Southeastern Europe. There might be prepositioned equipment in these countries, so the troops could come in, fall on the equipment and then train on that equipment. So this is the thinking that we have now. We are consulting with these governments, including the German Government, because this is going to mean a reduction in the number of our forces in Germany. This is an ongoing process. We have a dialog, as I say, with countries like Romania and Bulgaria about our ideas. There are still final decisions that the Pentagon will have to make, there are budgetary issues that are very important for my colleagues at the Pentagon that they will have to address, but we are looking closely at ways we can have a force structure in Europe that is lighter, that is more mobile, that is potentially located closer to some of the areas that we perceive threats as coming from.

Senator ALLEN. Thank you, Mr. Secretary, I can tell you're well-conversed on that opportunity. Let me finish up with one question, either one of you can answer this. I think it is an example of something positive, some of these other things are going to be outgoing concerns which I think are achievable, some are just logistical issues. I just wanted to ask you, going through, again, going through the charts, here you have United States assistance, we've had helping countries that were newly admitted to NATO in 2004, countries like Bulgaria, Romania, Lithuania, Estonia, Latvia, Slovenia, and Slovakia, all of them doing very well. We helped them working to restructure and also modernize their militaries and implement democratic, civilian and military relations, how is our, this is a great leading question, but it's a success. I'd like for either of you, or both of you, if you so desire, to say how has United States assistance helped these countries. Not just in their democracy, but in their modernizing their militaries, restructuring them from the way they were in the past to where they're moving now? Also, these countries that I've just listed off, they all have been, maybe not like Australia or Great Britain or Italy, but they don't have the economies of the United States, Great Britain, Australia, the Netherlands, and Italy, but they have made a disproportionately strong effort in assisting us in the war on terror, including of course, in Iraq, so how has our assistance helped them?

Mr. BRADTKE. If I could start out and then I'll ask my colleague, Kent, to add a few words. The last time I appeared before you, Senator, was to testify about the enlargement of NATO, when the Senate was considering providing its advice and consent to the changes in the NATO treaty that had to be made to bring these seven countries into NATO. So this is an issue that I've followed very closely, and it is a great source of satisfaction to me, and I think it should be to the Senate as well, that all seven of these countries have provided important assistance, as you say, within their means and capabilities. But that as we look at Afghanistan, for example, all seven of the new NATO countries are participating on the ground, with soldiers, either in Operation Enduring Freedom, or in the

NATO operation ISAF, the International Security Assistance Force. All seven of them are there with boots on the ground, and some of them have troops in both operations.

If you look at Iraq, all seven countries are contributing in one way or another to the NATO training mission, which we set up last year at the Istanbul summit. So again, all seven countries contributing one way or the other, financially in some cases or with troops and trainers as part of the NATO training mission.

Senator ALLEN. Or equipment.

Mr. BRADTKE. And some of them are also providing equipment. I was told by one of my colleagues in the military what important assistance was provided for the elections, when one the seven countries that I think probably doesn't want its name mentioned here in an open session, but provided some AK–47s that were immediately made available to the Iraqi security forces to help secure polling places. And again, six of the seven countries have actual troops on the ground, again participating in military operations in Iraq. So we've really seen a very strong support from these countries politically and militarily, and our assistance has helped get them to the point where they can do this.

There are continuing assistance needs, there needs to continue the process of full interoperability, it's so important for us to be able to have them with us side by side. There's continuing need for assistance to help in their defense reforms, and because their operational requirements have drained some of the resources that they were intending to spend on modernization, they do need help in this period ahead. And that's why we have requested in our 2006 budget, but again, I think in terms of the contributions they're making, I think we can all take great satisfaction in the support that was provided for bringing these countries into NATO.

Senator Allen. Thank you, Mr Secretary.

Mr. HILL. Between 1989 and today, we've expended about $17 billion in FSA and SEED funding, and if the question were posed "What has the United States gotten for that $17 billion?", the results would really be quite startling. If you look at the numbers of those countries that have successfully managed to make the transition from Communist, centrally planned nondemocratic states, to democratic states, it's really quite amazing. To be sure, the further south you go in Eastern Europe and the further you go toward the Russian far east, the more difficult the task. But still the process is incredible, and if you compare that $17 billion to the size of the Defense Department, as important as that is, it is a very small percentage of the allocations that we put into the military, and the truth is, that what the first administration of George W. Bush demonstrated conclusively, and the 2002 new National Security Strategy made absolutely clear, that it was going to be fundamental in his thinking, in this administration's thinking about foreign policy, that no longer would foreign policy be viewed primarily as just defense and diplomacy. There really was going to be a third "D," and it was going to be development and the argumentation. The rationale behind that and the national security strategy stated that fragile states are as dangerous to the United States as are powerful military states. Conclusion: If there are fragile states and they can be helped to become democratic or economically pros-

perous, the possibility of them becoming a real threat to the United States, whether it's Afghanistan or Sudan or whoever it is, go down tremendously. And the conclusion, of course, to all of this is that we know that wars are immeasurably more expensive in terms of dollars and suffering, than the development required to make wars more unlikely.

I was trained as a historian, and the one thing that historians say about the 19th and 20th century development of democracies is, that if they are democracies, and they're genuinely democracies, they almost never go to war with each other. There's a connection. And so the investment in development is one of the very best things we can do to ensure our own national security, and I guess it's time for me to stop.

Senator ALLEN. We've got to get the energy bill passed.

Mr. HILL. I think it works. Maybe the electricity doesn't, but the foreign assistance does.

Senator ALLEN. Has our court reporter been able to transcribe the words from Administrator Hill, were you able to get those? I think that we are, we're past 4 o'clock, we are to adjourn, those are perfect words to end on. It is important to look at the past, I majored in history as well, and I think one learns from history, and it doesn't have to be back to the days of the Magna Carta, we can look at how the advancement of freedom, that gravity of freedom and the quest of human beings wanting to control their own destiny, have a say in their public servants, as well as the importance of prosperity or opportunity or development as you mentioned, Administrator Hill, is very important, and it's not just in the Central European or Eastern European countries, it's going to be important also in Palestine as hopefully that ray of hope will brighten up like this room finally has once again. But I want to thank both you, Administrator Hill and Secretary Bradtke for your testimony here today, thank you for your leadership, and thank you for standing strong for freedom.

[Whereupon, at 4:05 p.m., the hearing was adjourned.]

ADDITIONAL QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

RESPONSES OF DEPUTY ASSISTANT SECRETARY DONALD CAMP TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR JOSEPH BIDEN

Question. The administration states that aid to Nepal is "under review," yet it has had more than a month for such review since King Gyanendra's seizure of full executive power on February 1. During this period, the governments of India and the United Kingdom have suspended their military aid to Nepal, and the World Bank has suspended its budgetary support.

(a) How much time will the administration's review require, and why has it already taken so much longer than the review the two nations with whom our policies toward Nepal are closely coordinated?

(b) Why do the actions of the King on February 1 not trigger the provision of section 508 of the Foreign Appropriations Act, which prohibits aid to the government of a country whose "duly elected head of government is deposed by decree or military coup?" I understand that the theory may be that the duly elected head of government had been deposed in 2002, and was serving as an appointed leader in 2005. If that is the theory, why then, was section 508 not triggered in 2002?

Answer. (a) We continue to work closely with the Government of India and the United Kingdom. In considering the issue of security assistance, we are very aware of the trade-off between the military risk in cutting off aid with the political risk should there be no resolution of the current crisis between the King and the parties.

We continue to review our assistance on a case-by-case basis, examining the best ways to encourage a restoration of Nepal's democratic institutions while avoiding steps that could lead to a Maoist takeover.

(b) The King's dismissal of Prime Minister Deuba in September 2002 was the culmination of a series of events that began the preceding May, when the Prime Minister recommended to the King that Parliament be dissolved and new elections scheduled. The King did so. In late September both ruling and opposition parties agreed that, due to continuing Maoist attacks, elections could not be held as scheduled. Prime Minister Deuba accordingly asked the King to postpone the elections. The King did so, and at the same time dismissed the Prime Minister for failing to ensure that elections could be held within the period specified in the constitution.

The King acted pursuant to Article 127 of the Constitution, which provides that "[i]f any difficulty arises in connection with the implementation of this Constitution, His Majesty may issue necessary orders to remove such difficulty and such Orders shall be laid before Parliament." While there was no Parliament before which the King's order could be laid, we were unable to conclude, under the circumstances, that the King's actions were sufficiently at variance with the Nepalese constitution to raise a serious question under section 508.

RESPONSE OF AMBASSADOR MICHAEL RANNEBERGER TO QUESTION SUBMITTED FOR THE RECORD BY SENATOR LINCOLN CHAFEE

Question. Two years ago I was involved in the effort to secure money for Liberia as it began its transition from the rule of Charles Taylor. I understand that $75 million has been requested for Liberia for 2006. Is this funding sufficient to address the needs there?

I also have a few questions about the elections coming up in October. Will everything be ready for these elections to be successful? Beyond these elections, which will be a positive first step, what is the administration's vision for the United States role in assisting Liberia? It seems that while much progress has been made, there remains much to do to strengthen Liberia's transition to democracy. Given our historical and current ties to Liberia, I would hope we would continue to play a strong role in helping this nation.

Answer. Thanks to strong congressional support in fiscal years 2004 and 2005, the United States has been able to play the leading role in helping Liberia begin recovery from 14 years of civil war, generations of corruption, and a near-total absence of government services and of respect for human rights and the rule of law. Congressional funding has enabled us to: Support U.N. peacekeeping operations; assist in the establishment of an effective government; support the upcoming elections; support programs for community reintegration and rehabilitation of ex-combatants and war-affected individuals; address the needs of internally displaced people and refugees; build Liberia's capacity to provide its own security; and contribute to the general reconstruction of Liberia.

We are satisfied that the fiscal year 2006 $75,000,000 in Economic Support Funds (ESF) and the $10,758,000 in combined Development Assistance/Child Survival and Health funding will adequately address expected needs. These funds would support local elections; legislative, judicial and rule of law programs; agricultural livelihoods; customs, tax, auditing, and budgetary reforms; aviation safety; extensive privatization and an acceptable trade and investment framework; microcredit programs; sustainable and transparent natural resource management; education and literacy; and health programs.

Through fiscal year 2005, we will have directed $60 million toward our goal of providing $180 million in security sector reform, which is extremely cost-effective. The sooner we operationalize a professional, fiscally sustainable Liberian security sector, the sooner the conditions will exist that would lead to the termination of the peacekeeping mandate for the U.N. Mission in Liberia (UNMIL), which annually costs the United States about $245 million in contributions.

Holding free and fair elections in October 2005 is a top priority. With $10 million from the International Disaster and Famine Assistance (IDFA) account, USAID is providing financial assistance for the preparations and conduct of the October 11, 2005, national elections that will choose Liberia's President, Vice President, Senate (30 members), and House of Representatives (64 members).

USAID is providing essential material and technical assistance to Liberia in preparation for the upcoming elections. Specific material contributions include ballots, ballot boxes, forms, and various other election equipment and supplies. With regard to technical assistance, USAID is strengthening the capacity of Liberia's National Elections Commission (NEC) to administer the national elections, supporting polit-

ical party development and training, preparing NGOs for election observation, and training polling place officials. Additionally, the agency is supporting "get out the vote" initiatives, training civil society organizations to educate voters, and providing nationwide coverage of the election process. The assistance is being provided through the Consortium on Elections and Political Process Strengthening, which includes the International Foundation for Election Systems (IFES), the International Republican Institute (IRI), and the National Democratic Institute (NDI).

The U.N.'s Electoral Division is coordinating the election process and supporting the NEC. The U.N.'s timely completion of its responsibilities and the filling of its election advisor positions are essential to the success of the elections. The timeline and milestones leading up to the elections are ambitious but feasible barring any further delays. We will also work with the United Nations and others to address the provision of election security. The European Union is also providing support for civic and voter education.

The generous supplemental of IDFA funds have played a significant role with other donor funding to jump start numerous transitional activities that will lead to sustainable programs for a new government. We plan to follow through on our progress to date. With the international donor community's substantive support, this may be Liberia's best chance to move to democratically elected government. Reducing instability in the Mano River Union countries (Liberia, Sierra Leone, and Guinea) remains a high United States policy priority for the subregion, and our assistance supports the goal of restoring stability there.

In one short year since cessation of armed conflict, Liberians have made credible progress toward reversing the negative impact of 14 years of conflict. However, much more needs to be done to complete the resettlement tasks, rebuild communities, hold free and fair elections, restructure key ministries in government, educate the youth, and rebuild civil society from the bottom up. These tasks appear arduous, but with continued collaboration through the family of United States agencies, international donors, nongovernment organizations, and the private sector, Liberia can turn around its fortunes and ensure a government that has legitimacy in the eyes of the people. We intend to provide meaningful support to Liberia's newly elected government.

As the peace is consolidated through an elected government, the United States and other donors must continue commitments and facilitate apolitical and "good will" interest groups in America and Europe that wish to see Liberia succeed in its reconstruction efforts. USAID and other USG entities will be working hard to address the enabling environment such that all development resources invested in Liberia can be easily tracked for impact and sustainability.

Our greatest remaining challenges in Liberia are corruption; the lack of adequate public services, basic infrastructure, and a private sector; security sector reform; illiteracy; the centralization of power in the executive branch; and Liberia's staggering $3.5 billion debt. However, we are committed to the opportunity to establish a new Liberia that will be peaceful, productive, and prosperous.

RESPONSES OF AMBASSADOR MICHAEL RANNEBERGER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RUSS FEINGOLD

Question. Please explain what kinds of assistance the United States plans to provide to northern and eastern Uganda, both in terms of humanitaiian response and in terms of addressing urgent development needs. What portion of total United States assistance to Uganda will be spent in this region in the current fiscal year? How does this compare to anticipated spending in FY06?

Answer. We are committed to addressing the long-standing conflict in northern and eastern Uganda and continue of work with limited resources to address the most urgent needs. Following an NSC request for a post-conflict strategy, USAID submitted a "Post-Conflict Reconciliation and Recovery Action Plan for Northern Uganda (2005/2007)." This plan seeks to assist the voluntary return or resettlement of well over 1 million internally displaced people (IDPs) fleeing conflict areas. The plan addresses multiple issues in northern Uganda including emergency intervention, health assistance, IDP protection, reconciliation process support, strengthening of local governance, encouragement of democratic participation and political enfranchisement, food and livelihood security, education and training. Due to the pressing needs In northern Uganda, additional resources are critical to the effective implementation of this plan. A USAID team visited Uganda in March 2005 to assess the immediate needs and resource requirements and its findings and recommendations are expected by the end of April.

Currently, the USAID Mission in Uganda offers humanitarian and development assistance to provide relief to the war-affected regions of Uganda. Total USAID assistance in strife-torn regions of Uganda was over $77 million in fiscal year 2004. USAID's program activities include:

- Humanitarian Assistance Activities: USAID continues to address the needs of almost 1.4 million internally displaced persons (IDPs) in Uganda. This group represents 12 percent of the total number of IDPs in Africa. In fiscal year 2004, approximately US$72 million was provided to meet humanitarian needs in food aid, water, sanitation, shelter, and health.
- The Community Resilience and Dialogue Program: USAID works with district authorities, local and national NGOs to provide psychosocial rehabilitation, conflict resolution and peace building activities, and HIV/AIDS services to victims of conflict. USAID/Uganda uses Displaced Children and Orphans Funds to assist war-affected children in northern and western Uganda, including formerly abducted children, former child soldiers, child mothers, and IDPs with counseling and vocational training.
- The Northern Uganda Peace Initiative: This is an American initiative that addresses a peaceful solution to the ongoing civil conflict in northern Uganda and seeks to engage the Government of Uganda and the Lord's Resistance Army (LRA) in talks, with the goal of achieving peace and support for national reconciliation.

Plans for 2006 will depend on available resources and circumstances in Uganda. Should the Lord's Resistance Army be defeated, or if a peace agreement is reached, conditions could change dramatically.

Question. It seems clear to me that one way the United States could provide some needed assistance to the Ugandan military is in the area of technical assistance to help improve Ugandan capacities to address complaints or problems with the UPDF raised by Ugandan civilians in the north. The report submitted on February 2, 2005, to Congress by the Department of State pursuant to the Northern Uganda Crisis Response Act states "The UPDF (Ugandan People's Defense Force) is feared by many ordinary civilians in northern Uganda and its record of civil-military relations is mixed. The relation between the UPDF's complaint processing system, the civil judicial process, and the UHCR (Ugandan Human Rights Commission) needs to be clarified, and links between the various systems need to be strengthened." Do you plan to provide assistance to help address these needs?

Answer. Under the International Military Education and Training (IMET) program, the United States is providing training for the UPDF in the areas of civil/military relations, military justice, professional military education, and human rights at a cost of roughly a quarter of a million dollars in FY05. Using FY05 and earlier Foreign Military Financing (FMF) we are providing counterinsurgency-oriented command and staff training to UPDF army units at a cost of roughly $700,000. The United States also provided $5.8 million in nonlethal communications and ground mobility assistance to the Ugandan Armed Forces with a goal of combating the Lord's Resistance Army.

Question. I was delighted to see that the Child Survival request for Somalia for FY06 is $300 million [sic], a very significant increase from the FY05 estimate of $100 million [sic]. I also noted that the Development Assistance request for Somalia contains a modest increase from the requested FY05 level, although represents a significant decrease from the estimated FY05 level—I presume because of tsunami relief. Would you tell me a bit more about your strategy for increasing United States engagement in Somalia? What are your plans in the education and health sectors? What about providing technical assistance to help regulate informal banking networks? Do you plan to engage with the interim government?

Answer. The United States strongly supports the establishment of a functioning central government in Somalia capable of bringing the Somali people out of this long period of civil conflict and addressing the international community's concerns regarding terrorism. United States assistance programs in Somalia are currently alleviating suffering and promoting stability while helping Somalis develop a more self-sufficient population as they address reconciliation, transition, and development problems. We will continue to work with Somalis themselves, with countries of the region, and with our international partners to support the reestablishment of stable and effective governance in Somalia. A complete description of our strategy for engagement in Somalia regarding the activities you mention above is contained in the March 8, 2005, Report of U.S. Activities in Somalia. I understand your staff has a copy of this report.

Question. I was pleased to learn at the hearing that the administration has budgeted $40 million for public diplomacy programs in Africa in FY06. Would you please provide a breakout of the country allocations in this budget?

Answer. A further review of FY06 requests for public diplomacy programs in sub-Saharan Africa indicates that the actual figure for FY06 is $33.3 million. This $33.3 million is to meet program, administrative, American salaries, and operating costs for public diplomacy. Following is a projection of likely allocation of public diplomacy funds by country.

Budget Request by Country for FY06

[In thousand of dollars]

Djibouti	$91
Luanda	600
Maseru	60
Kinshasa	920
Mbabane	387
Yaounde	959
Gaborone	447
Bangui	—
Praia	—
N'Djamena	452
Cotonou	379
Malabo	—
Addis Ababa	918
Brazzaville	—
Dakar	1,187
Libreville	60
Accra	1,125
Asmara	368
Bissau	—
Conakry	508
Abidjan	1,301
Nairobi	1,373
Bujumbura	—
Kigali	459
Monrovia	311
Antananarivo	872
Bamako	483
Nouakchott	5
Maputo	687
Niamey	442
Lagos	2,576
Freetown	171
Mogadishu	—
Lusaka	1,061
Lilongwe	640
Port Louis	340
Windhoek	472
Harare	862
Khartoum	211
Dar Es Salaam	904
Banjul	90
Lome	659
Kampala	798
Pretoria	3,857
Ouagadougou	487
ARS Paris	2,533
Office of Public Diplomacy	3,254
Total	33,309

Question. Many observers are concerned about the glacial pace at which the transitional government in the DRC is moving toward elections. What are the carrots and sticks that the United States is using to try to create an incentive structure that will facilitate a genuine transition?

Answer. The Democratic Republic of the Congo is making progress toward the completion of the transition process agreed by the Congolese belligerents in 2002, and the United States has been an active and engaged part of that progress. We

use our political influence, our assistance programs, and our contacts with Congolese officials and civil society to advance the process toward the eventual goal of a democratic election to choose the Congo's leadership. Given Congo's political history—30 years of President Mobutu's rule followed by an extremely violent civil war with substantial outside support to belligerent factions—progress has been slower than we might have wished. Nonetheless, it has been steady and in a positive direction.

Although preparations for elections are moving more slowly than expected, much has been accomplished. In 2004 the United States helped get the Independent Electoral Commission established and operational. We were the first donor to provide material support to the Commission. Management and financial plans were developed and a provisional timeframe for electoral operations has been adopted. Furthermore, our programs are concentrating on support to key transitional institutions such as political party development, legislation critical to the transition, human rights advocacy, and anticorruption.

With continued pressure from the United States, and the Kinshasa-based International Committee to Support the Transition in Democratic Republic of Congo (known by its French acronym CIAT) a voter registration law was passed in December 2004 that defined and streamlined the process by negating calls for a full national census prior to the election. The CIAT, in which the U.S. Ambassador in Congo actively participates, has been a useful means by which to urge the transitional government to implement the transition process and avoid delays in election preparations. At this time, CIAT is working to help the Congolese complete a draft constitution; we expect the transition Parliament to adopt this draft constitution in early April. In all these interventions we have made it clear that the United States supports the rapid and successful completion of the election process and that U.S. support is contingent upon participation by all Congolese leaders in good faith in a fair, transparent, and nonviolent manner.

We have also supported the expansion and redefinition of the mandate of the U.N. Mission in Congo (MONUC) as it prepares to support both the security environment and the conduct of the coming elections in Congo.

Question. I share the President's enthusiasm for supporting democratization around the world, though I sometimes disagree with the administration regarding the most effective ways to go about it. Having served on the Subcommittee on African Affairs for over 12 years now, I am interested in hearing more about how this applies to Africa. How do you plan to support democracy in Uganda or Chad, where serving Presidents are in various stages of pursuing constitutional changes that will enable them to serve for third terms? How do you plan to support democracy in Rwanda, where the government has grown increasingly intolerant of dissent?

Answer. We will continue to promote democracy in Chad. Specific and ongoing strategies will focus on assisting the judiciary and National Assembly to develop as counterweights to the dominant executive branch. Recognizing the essential role of civil society, we will focus on improving the capacity of Chadian organizations and associations to defend human rights and perform a watchdog role on government activities. Specific attention will be paid to improving communication and substantive interaction between the government and human rights organizations and between civil society organizations and the Chadian public to address key human rights issues. Key programs that will help support these goals include an ESF-funded project to help Chad bolster the capacity of the judicial system, a capacity building program for the National Assembly that also encourages linkages between members of Chad's National Assembly and other legislatures, expanded IMET courses and attendance at Africa Center for Strategic Studies seminars to emphasize the role of the military in a democracy, and an HDRF-funded nationwide radio program on civil liberties and civil rights.

With regard to Uganda, we have an active program to promote democracy and good governance. Our programs train elected officials and staff with a goal of increasing the probity and transparency of local election boards, to supporting anticorruption efforts in Parliament, and strengthening the oversight capabilities of parliamentary committees and local governmental institutions. We also train civil society organizations, and assist political parties and advocacy groups to develop clear positions on constitutional and electoral issues. We use Democracy and Human Rights Funds for visitor and educational exchanges, journalism training, and public information programs.

In Rwanda, our challenge is the weakened state of human rights observance and respect for the rule of law. In fiscal year 2004, the Government of Rwanda (GOR) narrowed the boundaries of freedom of expression and further closed the political space. We will continue to work with key Rwandan institutions, such as Parliament

and the judiciary. We will also support civil society organizations that seek to carve out a constitutionally sanctioned role in influencing GOR policymaking. For example, the Secretary of State is the Chairman of the Board of the Millenium Challenge Corporation, and Rwanda is not able to receive Millenium Challenge Account financial assistance until it improves its performance in the Governing Justly category.

Question. What steps are you taking to call attention to extremely problematic preelection conditions in Zimbabwe? What kind of instructions do our southern African Ambassadors have to raise this issue with SADC government both publicly and privately?

Answer. We have urged all members of the Southern African Development Community (SADC) to use their influence with the Government of Zimbabwe to ensure that the parliamentary election on March 31 is free and fair. Specifically, we have asked SADC governments to urge the Government of Zimbabwe to comply with SADC election guidelines by inviting credible monitors to observe the election, by granting all parties fair access to official media, by promptly complying with the rulings of electoral bodies, and by ensuring that the campaign is nonviolent and all parties are able to hold rallies. Our messages to SADC have tracked our public statements in Congress, the United Nations, on the Voice of America, and elsewhere.

We have also urged SADC governments to apply vigorously the SADC election guidelines and to make a frank assessment of the election environment.

Question. What is the status of the East African Counter-Terrorism Initiative? Does this initiative no longer exist? If not, can you explain the rationale for discontinuing it? If you do envision continuing it, how do you intend to fund it? I cannot find it anywhere in your budget request.

Answer. EACTI continues. The $100 million announced by the President should last through the end of FY05. EACTI was never a line-item in the budget, but drew on a dozen or more funding streams (e.g., ESF, FMF, PKO, INCLE, NADR, DA) and existing programs. We are looking to these same sources to fund EACTI-related and follow-on programs in FY06.

RESPONSE OF HON. LLOYD PIERSON TO QUESTION SUBMITTED FOR THE RECORD BY SENATOR RUSS FEINGOLD

Question. You indicated at the hearing that the administration's Anti-Corruption Initiative in Africa still exists, despite the fact that no separate budget line for this Initiative is included in the administration's request this year. As I understand it, you further indicated that this Initiative is now being pursued at the country level, with resources provided in the broader foreign assistance accounts. Does this mean that there has been an addition to the Development Assistance account request in the amount of the Initiative budget for FY06, or will anticorruption programs now be competing with other important priorities at the country level without any additional resources to accommodate them?

Answer. Anti-Corruption Initiative (ACI) funds are included as part of the Africa Bureau's Development Assistance (DA) budget request for democracy and governance (DG) activities in FY06, as they have been for the last 3 fiscal years. The Bureau's total DA/DG request for fiscal year 2006 is nearly $6 million higher than the fiscal year 2005 actual level, reflecting the importance that the Bureau places on DG and Conflict related activities in Africa. Because anticorruption activities are common to many of USAID's good governance programs in Africa, a separate budget line is no longer provided for the ACI. Instead, the Bureau maintains the Initiative as a separate fund within the DA account. The ACI fund allows the Bureau to allocate a consistent level of funding for anticorruption activities to bilateral and regional missions over several successive fiscal years. These funds are notified by the Africa Bureau in the annual Congressional Budget Justification.

The initial selection of mission programs was conducted in FY03, based on an internal competition among missions for multiyear anticorruption programs. The Bureau chose a multiyear approach focused explicitly on corruption because past USAID experience indicated that successful anticorruption efforts require a long-term commitment. The ACI is designed to foster innovative programs at the country level through a coordinated and coherent program that facilitates information sharing and learning among USAID missions. ACI prioritizes countries that demonstrate the political will to implement reform; helps consolidate emerging democracies; capitalizes on unique windows of opportunity to fight corruption in each country; creates linkages with the Millennium Challenge Account (MCA); and tests a wide range of strategies to establish best practices and create replicable models.

Since FY03, ACI funds have been transferred directly to nine bilateral missions (Benin, Kenya, Madagascar, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, and Zambia) and three regional missions in support of in-country and subregional anticorruption activities. A small portion of ACI resources are used by the Bureau in Washington to provide technical assistance to the field, monitor the impacts of the Initiative, and share information among bilateral and regional programs.

ACI funds complement, rather than compete with, country-level and regionwide programs. ACI funding allows recipient missions to integrate anticorruption activities into broader development objectives. For example, USAID/Rwanda uses ACI funds to add an anticorruption focus to the Mission's existing decentralization and health programs. ACI funds are used to equip community-based organizations with the skills they need to participate in planning meetings with local government leaders on how to spend their annual healthcare budgets. This helps to ensure that local elected officials are accountable to their communities. The program encourages citizens to develop common priorities, practice democratic decisionmaking, and be involved in monitoring the spending of local health resources. USAID/Rwanda achieves these objectives with an annual ACI allocation of just $250,000—far less than a stand-alone anticorruption program would cost. As an ACI recipient, USAID/Rwanda has been able to count on ACI funding since fiscal year 2003, allowing the mission to take the longer term approach that is generally needed to fight corruption effectively.

RESPONSES OF HON. LLOYD PIERSON TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR BARACK OBAMA

Question. USAID has proposed expanding the "Transition Initiatives" (TI) funding account in fiscal year 2006. What are the requirements for TI funding and how do they differ from the "Development Assistance" (DA) funding rules? How will USAID guarantee to American taxpayers that TI funding is held to the same rules of accountability as the DA funding?

Answer. The Transition Initiatives (TI) account provides support to countries that are confronting crisis or in transition from crisis to transformational development, As such, the TI account finances activities that provide a rapid response and are short term in nature, intended to address immediate causes of crisis while building the institutional foundation and setting the stage for longer term development activities. On the other hand, Development Assistance funds are intended for long-term transformational development activities. We are proposing expanding the TI account because we are increasingly finding situations like Afghanistan and the Sudan where the conditions for an effective long-term development assistance program are not yet in place. The resource responsiveness and flexibility of the TI account improves our ability to program resources for results consistent with conditions on the gound.

Crises or vulnerabilities that lead to crisis take many forms—conflict and insecurity, governance and economic crisis, or famine—and create environments that are often highly charged and fluid. The local conditions in countries confronting vulnerability and crisis can change quickly. In such countries where USAID works, we must adapt quickly to both the challenges and opportunities as they emerge.

The use of the TI account enables us to hasten our programming response to crisis, so that we can successfully achieve our goals of enhancing security and stability, advancing opportunities for reform, and developing capacity of essential institutions and infrastructure.

As with Development Assistance and all other accounts utilized by USAID, we will manage TI funds in accordance with Federal Financial Accounting Standards. USAID will monitor activities and report results in a manner appropriate with conditions on the ground, recognizing the rapidly changing local conditions. As we program TI funds, we will consult with Congress.

Question. USAID has determined that eight sub-Saharan African nations qualify for Millennium Challenge Account funding. Please provide me with a list of these eight countries, along with the entire list of eligible nations, and provide me with the exact standards USAID used to develop this list and an explanation of how these eight countries meet the standards,

Answer. In January 2004 the U.S. Government created the Millennium Challenge Corporation (MCC) as an independent agency to administer the Millennium Challenge Account (MCA). Through the MCA, development assistance levels will be substantially increased to a select group of countries that demonstrate a commitment to ruling justly, investing in people, and encouraging economic freedom.

The MCA is not administered by USAID, but USAID Administrator Andrew Natsios is on the MCA Board of Directors. We are pleased at the level of collaboration between USAID and the MCC as the process has moved forward in sub-Saharan Africa. We are especially pleased that the MCA Board of Directors decided that 8 of the first 16 countries to be asked to submit MCA proposals in the first year of the program (FY 2004) are in sub-Saharan Africa. These countries are: Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, and Senegal. In fiscal year 2004 all 75 countries eligible to receive concessional assistance through the International Development Agency (the soft loan window of the World Bank) were considered for selection by the MCC. Twelve countries were excluded from further evaluation for foreign policy reasons (e.g., North Korea, Cuba, etc.). The rest were evaluated on their performance on 16 indicators that measure commitment to ruling justly, investing in their people, and promoting economic freedom—as assessed by institutions such as Freedom House and the World Bank. Detailed information on country selection process and criteria are available on the MCA web site, *www.mca.go.*

The MCC has also set aside separate funding for a group of "threshold countries"—countries that came close to qualifying for the MCA but did not—to help them improve their policies in indicator areas where they were weak. For fiscal years 2004–05, 13 countries have been invited to submit proposals for this program, including 7 in Africa: Burkina Faso, Kenya, Malawi, Sao Tome and Principe, Tanzania, Uganda, and Zambia. USAID is the lead implementer for this program, under the direction of the MCC. This program is also described on the MCA web site.

RESPONSES OF AMBASSADOR MICHAEL RANNEBERGER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR BARACK OBAMA

Question. The Congress has been long awaiting real results from the Millennium Challenge Account program. You mentioned that the Account will start releasing compacts for actual projects soon. Please provide me with a detailed listing of the projects the Account will be proposing, along with the specific name of the participant groups, nongovernmental organizations, or private companies, the expected funding level, and the term of the grant.

Answer. Congress passed the Millennium Challenge Act at the end of January last year. By law, the Millennium Challenge Corporation (MCC) could not select countries until early May 2004, which means that MCC was not able to go to countries to inform them about the MCC until that time. MCC's Board of Directors approved the first Compact with Madagascar on March 14, 2005—less than 6 months after Madagascar sent in a proposal. MCC has notified Congress and will wait the requisite 15 days per our authorizing legislation prior to signing the Compact. The Compact is a 4-year, $110M agreement to support Land Tenure, Financial Reform, and an Agricultural Business Investment Projects. In forging the Compact with Madagascar—and in all of the other Compact negotiations—MCC has applied the principle of country ownership. Eligible countries, rather than MCC, drive the process, setting the development priorities, designing the programs, and establishing a budget. MCC is also currently in compact negotiations with three other countries: Georgia, Honduras, and Nicaragua.

Question. You mentioned that "anticorruption" efforts will be inclined in the soon-to-be announced Millennium Challenge Account programs. One area where corruption appears to be a major problem in many African nations is in the handling of oil and other natural resources. This corruption has made it difficult for both citizens and corporations to work with the governments of certain nations. What will the Millennium Challenge Account projects do to address the need for transparency in the handling of oil and other natural resources in African nations?

Answer. One of the lessons from the past five decades of development upon which MCC is founded is that policies matter. MCC's selection process and operations are guided by this philosophy, and a country's anticorruption efforts factor significantly into MCC's decisionmaking. First, in selecting eligible countries, the MCC Board evaluates a country's demonstrated commitment to ruling justly, investing in people, and encouraging economic freedom, including a country's efforts to control corruption as measured by an index developed by experts at the World Bank. The Board also considers a country's economic policies to promote the sustainable management of natural resources. Then, once a country is named as eligible, MCC assesses Compact proposals for their transparency and accountability, as well as the sustainable management of natural resources. MCC is working with countries to build up financial accountability mechanisms that provide for transparency, have clear lines of accountability, produce maximum integrity, and wherever possible, build capacity that

will remain in place at the end of the MCC program—a key issue for Africa (and elsewhere) in terms of dealing with financial flows from extractive resources.

Question. According to your statement, strengthening Africa's capacity to fight terrorism is one of the administration's six priorities in Africa. Please tell me what specific action has been taken to strengthen Africa's capacity to fight terrorism. What programs has the United States implemented? How much funding has been expended on these programs? With which governments, nongovernmental organizations, or other outside contractors has the United States worked on these efforts? What are the administration's plans for the fiscal year 2006 funding requested for counterterrorism efforts?

Answer. The United States carries out a wide variety of counterterrorism programs in sub-Saharan Africa. In addition to other funds, we estimate that we will spend $1.2 million of the requested $11 million in International Military Education and Training, and $4.1 million of the requested $24 million in Foreign Military Financing, on counterterrorism work in FY06. Major initiatives include the East African Counter-Terrorism Initiative (EACTI), which will have invested $100 million in counterterrorism efforts in Ethiopia, Uganda, Kenya, Tanzania, and Djibouti between its inception in June 2003 and the end of FY05. Another major initiative is the $8 million Pan-Sahel Initiative (PSI), which includes Mali, Niger, Chad and Mauritania. The administration plans follow-ons to both initiatives, and to efforts in other parts of Africa, in FY06. EACTI, PSI, and efforts in other African countries draw on a wide variety of worldwide and regional funding streams (e.g., Economic Support Funds, Foreign Military Finance, Peacekeeping Operations, International Narcotics Control and Law Enforcement, Development Assistance) and existing programs to work with African militaries, law enforcement, and civilian officials. As an example, in FY06, State's Anti-Terrorism Assistance (ATA) program plans to devote $6 million in the four PSI countries, two EACTI countries, and another African country.

RESPONSES OF HON. ROGER NORIEGA TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RICHARD LUGAR

Question. In November 2004 the State Department and the Department of Treasury's Office of Foreign Assets Control (OFAC) threatened to "clarify" the regulations governing agriculture export sales to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSREEA). There have been indications that TSREEA will subsequently be interpreted in a way that may serve to impede agricultural exports to Cuba, which is contrary to the original intent of the bill. The Treasury Department states that it engaged in discussions within the administration and received input from industry officials before issuing this clarification in February 2005. I would appreciate an explanation detailing what caused OFAC and the State Department to consider issuing such a clarification. What industry officials were consulted in the administration's conclusions? What input did the State Department provide in these consultations, and what role did the State Department play in considering and ultimately concluding that such a clarification was necessary?

Answer. TSREEA provides that agricultural products may be exported to Cuba as long as they are paid for through a letter of credit from a third country financial institution or by "payment of cash in advance." Some United States financial institutions, in late 2004, refused to process payments for the sale of United States agricultural goods sold to Cuba because of concerns the sales (generally made on the basis of receipt of cash prior to delivery) were not in compliance with the U.S. Department of Treasury's Office of Foreign Assets Control Regulations (CACR) and requested clarification of the rules. OFAC, therefore, initiated a review of whether "cash in advance" would be interpreted to mean payment prior to the shipment of the goods to Cuba rather than prior to transfer of title to the goods to the Cuban authorities.

The administration engaged in interagency discussions and received input from a wide range of industry officials involved in agricultural exports to Cuba, including large and small exporters of products such as meat, dairy, fruit, and vegetables, as well as shipping industry representatives, before issuing the regulation. The Department of State heard directly from U.S. exporters and participated in the interagency process that led to OFAC issuing the new regulation.

Ultimately, OFAC clarified that under the Cuban Assets Control Regulations the term "payment of cash in advance" with regard to shipments of agricultural commodities to Cuba means payment of cash prior to shipment of goods. OFAC deter-

mined that this meaning conforms to a common practice in international trade finance. We believe this interpretation is consistent with TSREEA.

Question. What is the administration's policy agenda for Bolivia? And, what has the administration done to advance it?

Answer. The United States remains fully committed to supporting Bolivian democracy, and in our public and private conversations with Bolivia's leaders, we have made clear our commitment to democratic government and our opposition to any efforts to sidetrack Bolivian democracy by unconstitutional means. We have encouraged all members of Bolivian society to resolve the current crisis through open dialog within a democratic framework. We have urged the Bolivia Support Group and other international partners to express their backing for the constitutional process and have reiterated our willingness to work with the international community to ensure Bolivia retains the support it needs.

Our focus will remain on fostering democratic stability as the necessary foundation for economic development and for continued counternarcotics and counterterrorism success. If this foundation can be strengthened in the coming months, Bolivia is less likely to fall under the influence of radical, antidemocratic forces.

Question. Please explain why aid for Ecuador has been reduced from the ACI initiative by 46 percent in FY05 and an additional 22 percent in FY06, in interdiction operations, when it is clear Ecuador is a major transit path for illegal drugs and chemicals?

Answer. Our request for the Andean Counterdrug Initiative (ACI) in fiscal year 2006 will fund the Department's counternarcotics efforts in Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, and Venezuela, as well as fund the Air Bridge Denial Program and the Critical Flight Safety Program. Our fiscal year 2006 request for ACI is for $734,500,000, or $9,348,000 more than the appropriation for fiscal year 2005. The increase in our request for ACI funding highlights the Department's recognition of the key role each of the ACI countries plays in our counternarcotics efforts in this hemisphere.

Our request for fiscal year 2006 also includes a new program to upgrade the aircraft performing critical counternarcotics missions in Bolivia, Peru, and Colombia. This $40,000,000 program will fund modifications necessary for the continued safe execution of aviation operations in those countries.

We believe the funding level for the ACI is appropriate to support our key goals in region and in each country. Not only did we consider the changes occurring in each country, but also the effects that changes in one country will have on another. For example, reductions over the past 2 years in Colombia's coca cultivation will have an impact on the transit countries, such as Ecuador, that border Colombia.

The request for Ecuador, and for the other ACI countries, does not indicate flagging counternarcotics performance or a failure to recognize the challenges those countries face. In fact, Ecuador is making increased use of its own resources and has made significant advances in securing its northern border with Colombia. United States assistance has contributed to those efforts and will continue to play a key role in supporting Ecuador's counternarcotics efforts.

ACI assistance in fiscal year 2006 will sustain and reinforce military surveillance and interdiction capabilities along the northern seacoast and the land border with Colombia. Funds will be used to maintain and, if needed, replace or augment land vehicles, boats, and field equipment provided to Army and Navy forces in 2002–05. Funds will also support some field operations of the new Quick Reaction Forces being established by the Ecuadorian Army on the northern border.

Question. Please explain why Military Border and Coastal Control funds for Ecuador have been cut by 50 percent in fiscal year 2005 and will suffer an additional 50-percent reduction in FY06? How will this cut affect interdiction efforts and the development of a coastal surveillance system on the highly porous 500 km border with Colombia?

Answer. The United States provided a combination of Foreign Military Financing (FMF) and Andean Counterdrug Initiative (ACI) funding to help Ecuador enhance control over its northern border with Colombia and improve its interdiction capabilities. In fiscal year 2004, $6,955,000 in Foreign Military Financing funds were allocated to Ecuador for this purpose, and from 2002–05 ACI funding provided vehicles, boats, and field equipment to Army and Navy forces involved in border security and interdiction missions.

Due to the prohibitions on FMF contained in the American Servicemembers' Protection Act of 2002, we reprogrammed Ecuador's fiscal year 2004 FMF funds and had to reassess the level of subsequent FMF assistance to Ecuador, which is a party

to the International Criminal Court and has not entered into an Article 98 agreement with the United States.

The United States continues to provide Ecuador with counternarcotics assistance, including $10,912,000 in fiscal year 2005 ACI funds for interdiction and other law enforcement activities that support counternarcotics interdiction on Ecuador's coast and along its border with Colombia. Though the fiscal year 2006 request is a decrease from the fiscal years 2004 and 2005 levels, the assistance is primarily intended to maintain and augment key equipment provided to the Army and Navy in the 2002–05 period. Fiscal year 2006 funding will also support some field operations of the new Quick Reaction Forces being established by the Ecuadorian Army on the northern border.

Question. Please explain why the administration has requested a 50-percent cut in the Economic Support Fund allotment for Ecuador?

Answer. We believe the funding level requested for Economic Support Fund (ESF) programs in Ecuador is appropriate to support our goals in Ecuador, including promoting prosperity and strengthening democracy.

In fiscal year 2006, we anticipate continuing key activities such as implementing justice and anticorruption reform, boosting local government capacity to deliver services and expand democratic participation, strengthening Ecuador's Internal Revenue Service, preparing Ecuador to participate in a free trade agreement, improving sustainable management of natural resources, and supporting small business development.

RESPONSES OF HON. ROGER NORIEGA TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR NORM COLEMAN

Question. Plan Colombia expires at the end of 2005. Colombian Foreign Minister Carolina Barco has talked about reducing Colombia's dependence on United States aid in approximately 2 years. I can see from the President's budget what is planned for 2006. But what specific plans are in place for future aid to Colombia? What are we planning for 2007, 2008, and beyond?

Answer. The United States Government has been a strong supporter of Colombia and of "Plan Colombia," the Colombian Government's strategy to defend its democracy from the scourges of narcotics and terrorism. President Bush reaffirmed this strong support for the Colombian Government's strategy in his November 2004 visit to Cartagena, Colombia. In general terms, United States assistance is focused on supporting Colombian efforts to strengthen its democratic institutions, promote protection of human rights, enhance respect for rule of law, improve regional stability, foster socio-economic development, address humanitarian needs, reduce the supply of illicit narcotics being sent to the United States, and end the threats to democracy posed by narcotics trafficking and terrorism.

Plan Colombia has had exceptional success, particularly during the Uribe administration. President Uribe is one of our strongest allies, and United States support has enabled his government to make great progress against narcotraffickers and United States-designated Foreign Terrorist Organizations, strengthen Colombia's democracy, improve the day-to-day lives of Colombia's citizens, and ensure political pluralism. Our partnership advances our mutual interests and defends our shared values. To ensure that the narcoterrorists are fully defeated, security is established permanently throughout the country and economic growth is sustained, further support is essential.

The Colombian Government has not yet announced a continuation of Plan Colombia, at least not in formal terms. Nevertheless, anticipating the conclusion of Plan Colombia in late 2005, the Colombian Government has begun planning a follow-on strategy that would build upon and consolidate the progress made to date. Initial versions of the Colombian Government's strategy have described four major initiatives. These are: (a) Fighting terrorism, narcotics trafficking, and international organized crime; (b) economic and social reactivation; (c) institutional and justice system strengthening; and (d) peace negotiations, demobilization, and reintegration of illegal armed groups.

The United States agrees with these priorities and has told the Colombian Government that we will seek continued support from Congress through the Andean Counterdrug Initiative (ACI) and other funding vehicles on an annual basis as Colombia develops its future programming. Future assistance will seek to solidify the gains made under "Plan Colombia." We have had informal discussions with the Uribe administration on its plans, but we have made no decisions about specific funding levels in FY07 and beyond.

Three of the four areas described for after "Plan Colombia" represent a continuation of successful programs we are already undertaking. The fourth, that of "peace negotiations, demobilization, and reintegration of illegal armed groups," is the result of progress made by Plan Colombia. The Uribe administration's ambitious plan has already removed nearly 4,800 paramilitaries from combat. The administration's FY06 budget request does not include a specific amount of assistance for the demobilization process. This will be the subject of additional consultations with Congress as that process develops and further information becomes available.

Question. There is no question that the United States has a great deal at stake in Colombia. American demand for drugs clearly helps to fuel the insurgency there, and we have a direct stake in stability in this part of the world. We have an interest in making sure the insurgents don't compromise security elsewhere. For instance, there is recent evidence that the FARC was involved in the kidnapping and murder of the daughter of the former President of Paraguay. Europe is also a consumer of Colombian cocaine and has an interest in supporting democratic governance. Can you please discuss the contributions other nations are making to help implement Plan Colombia?

Answer. Drug consuming countries have recognized a shared responsibility with drug producing countries to combat the violence and destruction caused by narcotics, including in Colombia. We are disappointed that European donors, with some exceptions, have not contributed more. Nevertheless, European support and concern for Colombia seems to be growing, and we have been using every available opportunity to encourage them to become more engaged. According to Colombian Government figures, the EU and its member states invested about $120 million in Colombia in 2003, of which some $84 million was bilateral. Figures for 2004 are not yet available but we believe will show an increase.

The international community voiced its continued strong support for Colombia at the 2003 London Conference and a follow-on meeting in February 2005 in Cartagena. We continue to urge countries that have announced contributions to Colombia to speed the implementation of their programs and to consider additional projects.

As requested by House Manager's Report 108–599 accompanying the FY 2005 Foreign Operations Appropriations Act, the Department of State is preparing a report to the Committee on Appropriations that "details by dollar level and fiscal year, multilateral and bilateral projects and programs supported by the European Union and individual countries in Europe" to the Andean region, including, of course, Colombia. We expect that report to be provided to Congress in April and will ensure that you receive a copy.

Question. The budget includes $40 million for a new Critical Flight Safety Program. Can you please describe this program, its objectives, and the way it fits into the overall Andean Counterdrug Initiative?

Answer. Part of the great success of our eradication and interdiction efforts in the last few years has come from increasing the operational tempo for already aging air assets. Many of the Department's existing aircraft are over 35 years old with more than 10,000 airframe hours. Major components are obsolete and no longer being manufactured, presenting serious challenges for mission and flight safety. The Department of State Air Wing aircraft have suffered serious structural in-flight failures, and we have been fortunate not to lose aircrew and aircraft due to them. This increased operational tempo, combined with the aging condition of the fleet, means that we now have to spend more money on maintenance and depot overhauls to assure safety for our aircrews.

The administration has requested $40 million in the fiscal year 2006 budget to address the immediate need for a Critical Flight Safety Program (CFSP) to upgrade the Department of State Air Wing aircraft fleet. This program will bring our fleet back to commercial safety standards in order to sustain its counternarcotics and counterterrorism missions. The CFSP will upgrade, sustain, and replace aircraft for the Bureau of International Narcotics and Law Enforcement's (INL) eradication/interdiction programs in Bolivia, Colombia, Peru, and Pakistan.

Question. One of the concerns shared by the United States and much of Central America is the presence of gangs. Many gang members have spent much of their lives in the United States before being deported to their home countries, and they retain contacts in both countries. Can you please discuss what is being done to work with the governments of Central America to combat this growing problem? Do you believe there is scope for increased cooperation?

Answer. Over the last few years, the Department of State and USAID have supported a variety of programs to address different aspects of the gang problem—from general human development and job promotion, to exchanges of experts, technical

support for investigations including the formation of antigang units, and tattoo removal for individuals seeking to leave gangs. The Department is currently examining how to bring these different elements together into an overall plan for the region. The governments of Central America are actively seeking international support in this area. There is certainly scope for increased cooperation.

In prior years, in El Salvador, we supported the formation and provided in-service training for antigang units in the Civilian National Police (PNC). The PNC is now reaching out to state and local law enforcement agencies in the United States in order to develop better information on gang activity, and the FBI has formed an MS–13 Task Force to focus the attention of federal agencies on this problem. The FBI has requested permission to establish a Legal Attaché's Office in San Salvador to support the Task Force. We welcome this initiative and believe it will open important new avenues of law enforcement cooperation, both within Central America and between the region and the United States.

The Embassy in El Salvador is supporting the work of the National Public Security Advisory Council (PSAC), which together with the Ministry of Education offers workshops and instructional materials for public school students on detrimental aspects of gang life. The Embassy has also donated a tattoo removal machine to the local NGO FundaSalva, for use in programs to assist individuals who have left gangs. In order to qualify for tattoo removal, individuals must formally renounce gang life, attend counseling for anger management and substance abuse, and lead a crime-free life for 6 months. Afterward, the PSAC assists them in finding gainful employment.

Similar programs are in different stages of development in other countries. In Guatemala, State and USAID are working together in a community outside the capital (Villa Nueva) to reduce gang violence through better law enforcement and prevention efforts. Separately, USAID is engaged in a delinquency prevention program with a coalition of NGOs. In Panama, an effort to improve gang intelligence has just been launched in Colon and a Culture of Lawfulness program, focused on junior and senior high school students, is in development. In Honduras, an administration of justice program aims to assist the Ministry of Public Security and the Public Ministry bring successful prosecutions in high priority cases, including instances of gang violence. We are currently evaluating whether the latter program should be reoriented more toward gang issues.

Question. Nicaragua's eligibility for MCA assistance is based in large part on the courageous efforts of President Bolaños to root out corruption. Yet today it appears that forces in Nicaragua are beginning to threaten President Bolaños' efforts. Can you speak about the importance of democracy and the rule of law in Nicaragua, in light of apparent efforts to undermine the man who may be Nicaragua's best chance for reform?

Answer. Fifteen years after the democratic transition, Nicaragua has made important strides in the development of democratic institutions. However, the abuse of power, corruption, and the politicization of many state institutions, especially the Sandinista-dominated judiciary, continue to impede the consolidation of democracy and hinder economic growth.

President Enrique Bolaños' strong stand against corruption, which resulted in the 2003 conviction and imprisonment of his predecessor, Arnaldo Aleman, on money-laundering charges, left the Executive isolated with little political capital to move forward on political and economic reform. The Liberal Party (PLC), controlled by former President Arnoldo Aleman, and the Sandinista Party (FSLN), controlled by Daniel Ortega, are allied in their efforts to undermine the Bolaños government. The political pact between these two strongmen has thwarted the efforts of Bolaños to govern. These two parties maintain control of the National Assembly and recently passed a series of reforms that further reduced Presidential powers and increased political instability in the country.

The weakened executive remains in a precarious situation, though an ongoing national dialog brokered in January by the UNDP and Catholic Church has alleviated some political tensions and includes a commitment to allow Bolaños to complete his term as President. Accordingly, we must continue our support to the Bolaños administration.

Our efforts in Nicaragua are focused on strengthening democratic governance and fostering economic growth. A key component of sound governance is reducing corruption. The United States Government's anticorruption assistance, which includes assisting Nicaragua under the framework of its G–8 anticorruption compact, supports President Bolaños' initiatives to dismantle the long-standing foci of corruption that have hindered progress in Nicaragua. The USG provides technical assistance to anticorruption activities that focus on transparency, civil society oversight, and

enforcement. The Embassy suspended aid to the judicial branch throughout 2004 as a warning that backroom deals and judicial corruption would not be tolerated. Development assistance resources also go toward helping Nicaragua fight corruption and improving legal and regulatory frameworks, because good governance is the foundation upon which other goals rest. Without wide-ranging reforms, corrupt and inefficient institutions could erode Nicaragua's economic gains.

A credible and transparent election process is also key to Nicaragua's future as a stable democracy. In the lead up to the 2006 Presidential elections, we will invest significant ESF resources to provide civic education and enhance civil society engagement to enable free and fair elections. Given the monopolization of the election machinery by the PLC and FSLN, it is critical that civil society and minor parties be strengthened to counterbalance this effective duopoly of power and open the political system to outside voices. We plan to invest heavily in the areas of citizen participation, voter education, and public awareness to empower minor parties and civil society. We will also fund domestic and international election observation, transparent elections administration and post-election analysis.

For democracy and its institutions to succeed, it is imperative that the Nicaraguan economy be strengthened. The USG encourages the GON and the National Assembly to maintain the responsible economic policies advocated by President Bolaños that led to modest economic growth in 2004. We hope to be able to showcase the fruits of democracy and economic growth by signing an MCA compact with Nicaragua and ratifying the Central America-Dominican Republic Free Trade Agreement (CAFTA–DR).

Increased stability in Nicaragua's democratic institutions and growth of its economy are at the heart of our bilateral relationship with Nicaragua. This two-pronged approach is our best recourse in the face of those elements that seek to undermine the good work of President Bolaños.

Question. Increasingly the nations of the Western Hemisphere, including the United States, have been willing and able to work together to address common security concerns. This budget requests $1.5 million for a new Western Hemisphere Regional Security Fund. Please describe this new initiative and explain what you see as its usefulness in the future.

Answer. A widening security gap exists in the Western Hemisphere, and the Regional Security Fund is needed to protect the homeland and generate regional cooperation against threats to the Western Hemisphere.

Specific funding has been lacking within the Western Hemisphere budget to support regional security cooperation and conflict prevention activities, despite the fact that these are crucial issues for the Hemisphere. Among some future activities we hope to fund:

- Encourage the transformation and rationalization of the defense and security forces in Latin America, particularly in Central America, in order to better confront the challenges of the 21st century.
- Provide technical and financial assistance for resolution of several of the 15 remaining maritime and land border disputes that are potential flashpoints, including the mitigation of current irritants in the Belize-Guatemala or Guyana-Suriname relationships, is a priority for the RSF.
- Follow-up efforts for the Summit-mandated Experts Group on Confidence and Security Building Measures, including workshops and seminars to strengthen civilian control of the military and foster greater trust among countries.
- Address the lack of capacity of many nations in the region to implement legal norms related to security by providing assistance and training linked to implementation of the Inter-American Convention Against the Illicit Trafficking in Firearms (CIFTA) and Inter-American Convention Against Terrorism are essential.
- Provide assistance for stockpile management and conventional arms destruction.

RESPONSE OF HON. ADOLFO FRANCO TO QUESTION SUBMITTED FOR THE RECORD BY SENATOR NORM COLEMAN

Question. In my travels to Africa and South Asia, I have consistently come away believing that the impact of clean water on public health is impossible to overstate. Assistant Administrator Franco, in your testimony you mention the President's Water for the Poor Initiative. Can you please go into further detail about the implementation of this initiative in the Western Hemisphere?

Answer. Over $51 million were dedicated to implementation of the President's Water for the Poor Initiative in 2004. The following is a brief description of illustrative activities and achievements that pertain to the Initiatives' three main focal areas: Water supply and sanitation, watershed management, and water productivity.

WATER SUPPLY AND SANITATION

Water supply and sanitation are important social and economic development issues in Latin America. In 2004, USAID contributed $28 million to water supply and sanitation, which also includes wastewater management. For example, under the Bolivia mission's Alternative Development Yungas Development Initiative 58 small-grant community-prioritized projects to increase household access to clean water and sanitation were completed in 2004.

In Peru, nearly 16,850 families were provided with access to new sanitary/health infrastructure works, using all local materials. Working with its Ministry of Health, the Colombian mission supported the development of community enterprises to manage the effective delivery and administration of water services, and, with the United States Army Corps of Engineers, helped to improve water treatment facilities and an aqueduct in Putumayo. In Central America, the USAID/El Salvador water program has supported the installation of community-operated water systems, and increased access to clean water for beneficiaries in rural areas to 65 percent (the country average is 22 percent), representing more than 165,000 people. The program also helped to include a line item in the water tariff to help pay for conserving the water source and completed construction of three sewage treatment plants.

WATERSHED MANAGEMENT

Watershed management is an integral and crosscutting component of USAID assistance in LAC. In 2004, USAID contributed $18 million for watershed management in LAC which includes integrated water resources management, coastal zone management, freshwater ecosystems management and industrial water pollution control. Under the USAID Central American and Mexico (CAM) Strategy and Plan, for example, integrated water resource management is one of the underlying foundations for all development activities. In Panama, the mission has helped enhance long-term watershed protection by encouraging participation of civil society, the private sector, and local governments in the management and protection of the Canal Watershed. In Ecuador, the mission has established a trust fund to finance watershed conservation activities and is working with the Nature Conservancy under the USAID Parks in Peril Program to protect the Condor Biorreserve, which is the primary source of drinking water for the city of Quito and the greater metropolitan area. A similar activity is under way in Bolivia.

In the area of coastal zone management, USAID's Global Development Alliance with the United Nations Foundation has supported the work of the International Coral Reef Action Network (ICRAN) to protect and preserve the Mesoamerican Coral Reef, a World Heritage ecosystem that provides critical habitat for fisheries in Mexico, Belize, Guatemala, and Honduras. Assistance to ICRAN has provided important research on pollutant circulation patterns, supported sustainable fisheries practices, and promoted long-term marine and coastal ecotourism. In Jamaica, USAID's environmental program has worked on protecting both upland watersheds and coastal areas. Improvements in faecal coliform levels for example resulted in five Jamaican beaches recently being accepted into the International Blue Flag certification program, making them more attractive tourist destinations for environmentally conscience travelers from around the globe. The control of industrial water pollution has also been a key component of USAID assistance.

USAID's Central America and Caribbean regional environmental programs, as well as the program in Bolivia, have provided training is such areas as hotels, dairy products producers, slaughterhouses and tanneries to reduce water use and pollution through the adoption of cleaner technologies and environmental management systems.

WATER PRODUCTIVITY

In 2004, USAID contributed $5 million in LAC for water productivity which includes irrigation and agriculture-related best management practices, fisheries and aquaculture, and small-scale hydropower. Launched this past February, USAID supported the Regional Visualization and Monitoring System (SERVIR) for Mesoamerica. With the U.S. National Aeronautics and Space Administration (NASA), the Water Center for the Humid Topics of Latin America and the Carib-

bean, the World Bank and others, SERVIR mainstreams earth observation information from NASA and other sources by providing accessible data archiving, dynamic mapping, and support tools to help improve the management of agricultural lands, freshwater resources, and coastal zones. Elsewhere in Central America, USAID/El Salvador has successfully promoted on-farm water storage to expand off-season agriculture and the use of drip irrigation systems powered by solar water pumps. In the Dominican Republic, USAID assistance has helped increase civic participation in environmental protection by training local partners and community organizations on avian conservation and nondestructive fishing techniques.

RESPONSE OF HON. ROGER NORIEGA TO QUESTION SUBMITTED FOR THE RECORD BY SENATOR BILL NELSON

Question. Please provide the administration's specific objections to Senator DeWine's Haitian Economic Recovery Opportunity (HERO) Act passed by the Senate in the 108th Congress.

Answer. We strongly support the people of Haiti. We continue our efforts to help the Interim Government to fashion a more prosperous economy that produces quality jobs for its people. Clearly, Haiti's economic development is in the United States interest. Creating jobs and economic opportunity in Haiti will make Haitians less dependent on foreign assistance for survival. It will help deter illegal migration and provide alternatives to drug smuggling as a source of income. It will increase the government's revenue base and the country's overall stability.

The United States has taken broad steps to assist Haiti, including a pledge of $230 million at the World Bank Donors' Conference, which included $22 million to support economic growth and job creation. The textile sector seems to offer the greatest opportunity to produce new jobs relatively quickly. We must take care, however, to ensure that American workers do not suffer negative consequences as we work to help Haiti. While the Senate passed the HERO legislation in the last Congress that would have granted new textile benefits to Haiti, the House took no action. We want to work with the Congress to fashion legislation that will find the right balance between job growth in Haiti and maintaining jobs here at home.

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