

**UNREST IN SOUTH ASIA: RECENT DEVELOPMENTS
IN NEPAL AND SRI LANKA**

HEARING

BEFORE THE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
OF THE

COMMITTEE ON
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UNREST IN SOUTH ASIA: RECENT DEVELOPMENTS IN NEPAL AND SRI LANKA

WEDNESDAY, MARCH 15, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:18 p.m. in room 2200, Rayburn House Office Building, Hon. James Leach, (Chairman of the Subcommittee) presiding.

Mr. LEACH. The Committee will come to order.

On behalf of the Subcommittee, I would like to extend a warm welcome to our distinguished Administration witness. Don Camp is the Principal Deputy Assistant Secretary of State for South Asian Affairs in the newly expanded Bureau of South and Central Asian Affairs. We welcome you back and we look forward to a productive relationship with the new Assistant Secretary for the Bureau, Richard Boucher, who many of us know and who is a well-respected career professional in the department.

The Subcommittee meets today to review recent developments in two important countries in South Asia, both of whom have been struggling to overcome bitter legacies of domestic unrest that threaten internal stability and economic prosperity in the societies. Although the origins of the conflicts in Nepal and Sri Lanka are distinct, both present profound humanitarian and political challenges for the region, as well as for the United States and the broader international community.

Each year since the Maoist rebellion began in 1996 the Himalayan kingdom of Nepal has experienced ever increasing difficulty coping with the challenges posed by the rebels and in managing the overall political, economic and security situation.

The assumption of direct rule by the King, with its associated restrictions on civil liberties, has not stabilized the situation; indeed, it appears to have only strengthened the Maoists as an alternative to the state and bolstered ties between them and the legitimate political parties.

Meanwhile, already among the poorest and least developed countries in the world, Nepal's economy has continued to weaken. Compounding the ongoing tragedy for the people of Nepal has been a marked deterioration in the human rights conditions, with the Department of State concluding in its country report for 2005 that the government's "poor record worsened" and that the Maoists also continue to perpetrate numerous abuses.

In Sri Lanka, despite relatively good economic fundamentals and a solid social welfare structure, the country has not taken off as another regional “tiger,” principally because it remains mired in a multi-decade long civil war. Prospects for a permanent resolution of the conflict appear dim at this moment. Fortunately, eleventh hour efforts by the Norwegian Government to broker a new round of negotiations in Geneva late last month helped save the badly battered 4-year-old ceasefire agreement from likely collapse.

From a congressional perspective, one has the sense that the assassination of the Foreign Minister in the summer of 2005, coupled with other politically-motivated killings, dramatically eroded support for the current ceasefire agreement among many of the majority Sinhalese people in Sri Lanka.

Likewise, one also has the impression that the failure of the government to reach an agreement with the Tamil separatists on a mechanism to provide post-tsunami relief to areas in the north and the east of the country, as well as ongoing paramilitary operations against the insurgents, may have convinced the insurgent leadership that Colombo was unlikely to commit to a just and permanent peace.

In this troubling, context, as we underscore our concern for the people of both countries, we have a number of questions about the situation in Nepal and Sri Lanka and the implications of such for United States policy, and we look forward to your testimony and exchange of views to follow.

Mr. Faleomavaega.

[The prepared statement of Mr. Leach follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

On behalf of the Subcommittee I would like to extend a warm welcome to our distinguished Administration witness. Don Camp is the Principal Deputy Assistant Secretary of State for South Asia affairs in the newly expanded Bureau of South and Central Asian affairs. We welcome you back and we look forward to a productive relationship with the new Assistant Secretary for the Bureau, Richard Boucher, who many of us know and who is a well-respected career professional in the Department.

The Subcommittee meets today to review recent developments in two important countries in South Asia, both of whom have been struggling to overcome bitter legacies of domestic unrest that threaten internal stability and economic prosperity in both societies. Although the origins of the conflicts in Nepal and Sri Lanka are distinct, both present profound humanitarian and political challenges for the region, as well as for the United States and the broader international community.

Each year since the Maoist rebellion began in 1996 the Himalayan kingdom of Nepal has experienced ever increasing difficulty coping with the challenges posed by the rebels and in managing the overall political, economic and security situation. The assumption of direct rule by the King, with its associated restrictions on civil liberties, has not stabilized the situation; indeed, it appears to have only strengthened the Maoists as an alternative to the state and bolstered ties between them and the legitimate political parties. Meanwhile, already among the poorest and least developed countries in the world, Nepal's economy has continued to weaken. Compounding the ongoing tragedy for the people of Nepal has been a marked deterioration in human rights conditions, with the Department of State concluding in its country report for 2005 that the government's “poor record worsened” and that the Maoists also continue to perpetrate numerous abuses.

In Sri Lanka, despite relatively good economic fundamentals and a solid social welfare structure, the country has not taken off as another regional “tiger” principally because it remains mired in a multi-decade long civil war. Prospects for a permanent resolution of the conflict appear dim. Fortunately, 11th hour efforts by

the Norwegian Government to broker a new round of negotiations in Geneva, Switzerland, late last month, helped save the badly battered four-year old ceasefire agreement from likely collapse.

From a Congressional perspective, one has the sense that the assassination of the Foreign Minister in the summer of 2005, coupled with other politically-motivated killings, dramatically eroded support for the current ceasefire agreement among many of the majority Sinhalese people in Sri Lanka. Likewise, one also has the impression that the failure of the government to reach an agreement with the Tamil separatists (LTTE) on a mechanism to provide post-Tsunami relief to areas in the north and east of the country, as well as ongoing paramilitary operations against the insurgents, may have convinced the LTTE leadership that Colombo was unlikely to commit to a just and permanent peace.

In this troubling context, in which we underscore our concern for the people of both countries, we have a number of questions about the situation in Nepal and Sri Lanka and the implications of such for United States policy. We look forward to your testimony and the exchange of views to follow.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I certainly commend you for holding this hearing this afternoon, and would like to offer my personal welcome to our Deputy Assistant Secretary Donald Camp here to testify before us this afternoon, and I think our discussions or our hearing this afternoon concerning these two countries, Nepal and Sri Lanka, certainly is well overdue.

Mr. Chairman, the Maoist insurgency in Nepal has called some well over 12,000 people since 1996, and the separatists unrest in Sri Lanka has cost some 63,000 lives since 1983. Although these struggles, each have different roots, both are of deep concern not only to the Administration and certainly to us as Members of the Congress.

In Nepal, the Maoist insurgency continues to undermine political stability and prospects for economic development. In February of last year, the King dismissed the government, arrested dissidents and political opponents, imposed a broad array of restrictions in civil liberties, setting back Nepal's democracy and eroding even further the unity of legitimate of political forces in opposition to the Maoists.

In Sri Lanka, the United States is working with other concerned parties to help maintain a tenuous ceasefire, and in more than some 10 years of conflict between the government and the Liberation Tigers of Tamil Eelam, LTTE, the U.S. has designated the LTTE as a foreign terrorist organization, and I don't know if that is an accurate characterization, but this will be certainly one of the questions I would raise to Mr. Camp, and the Community Party in Nepal is also listed as other terrorist group.

February, some 4 years ago, a permanent ceasefire was reached and generally has been observed by both sides, and in September 2002, the government in Colombo and the LTTE held their first peace talks in 7 years, where LTTE indicated that it was willing to accept autonomy rather than independence. Two sides agreed in principle to seek a solution through the Federal structure.

However, the situation in Sri Lanka and Nepal remain serious and unresolved, and given both of these issues, Mr. Chairman, I look forward to hearing Secretary Camp's testimony this afternoon.

Thank you.

Mr. LEACH. Well, Mr. Camp, let me in welcoming you note that today is the Ides of March. Look at the new blockade of Nepal's capital in the province and Colombo, it is an unpropitious day to testify, but please. You are welcome to set forth as you see fit.

Without objection, a fuller statement if you have one will be placed in the record, but please proceed.

STATEMENT OF MR. DONALD A. CAMP, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR SOUTH AND CENTRAL ASIAN AFFAIRS, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. CAMP. Thank you, Mr. Chairman, Mr. Faleomavaega, I appreciate being invited here today to discuss recent developments in Nepal and Sri Lanka. I would like to read a short version of my statement for the record.

First on Nepal. U.S. objectives in Nepal are the restoration of multi-party democracy and the prevention of a Maoist takeover. Reconciliation between the King and the political parties, and a return to democracy is the only path toward an effective counter-insurgency strategy as well as restoration of security and human rights.

President Bush made this very clear in New Delhi just 2 weeks ago when he publicly called on the King of Nepal to reach out to the parties, and he called on the Maoists to abandon violence.

A Maoist takeover would almost certainly lead to instability in a region of great importance to the United States. Nepal nestles between China and India, the two fastest growing economies in the world. Our ability to advance our relationships with these two emerging powers will go far to determining the success of U.S. foreign policy in the coming decades.

It is clear that the political crisis in Nepal is reaching an acute phase. Since assuming what he called "temporary" authoritarian power on February 1, 2005, King Gyanendra and his government have become increasingly divorced from the political parties and population, while the Maoist insurgency makes advances in the countryside and continues its campaign of violence and intimidation.

The February 8th municipal elections called by King Gyanendra only showcased his increasing isolation. While the political parties boycotted that election and organized mass demonstrations, the Maoists stepped up attacks to disrupt voting. Only 20 percent of eligible voters participated in those elections.

The Maoists meanwhile continue their drive to topple the monarchy. Since ending their 4-month unilateral ceasefire in January, they have launched a new wave of attacks and have made clear in public statements that they intend to increase pressure through April.

Since the King's seizure of power in February 2005, we have placed a hold on lethal assistance to Nepal, as have India and the European Union. We have worked very closely with India, the U.K., the EU and others to keep pressure on the King. Now Japan and China have also become more engaged on Nepal policy, and have called for the King to reconcile with the parties.

Regrettably, 1 year after the King's action, democracy has not been restored, nor have human rights conditions significantly improved. We continue to pursue very actively our efforts to address these twin problems, the loss of democracy and the threat of the Maoist insurgency.

Let me turn now to Sri Lanka and its longstanding conflict and very fragile peace process.

The senseless assassination of Foreign Minister Kadirgamar last August and a very intense Presidential campaign heightened tension in Sri Lanka during the fall of 2005. Following President Mahinda Rajapaksa's election on November 17th, escalating violence took the lives of Tamil civilians and almost 100 Sri Lanka security personnel, and put the 4-year ceasefire agreement between the Government of Sri Lanka and the LTTE very much at risk.

As the attacks continued, President Rajapaksa came under pressure to respond, but to his credit, the government showed significant restraint in the face of these provocations, and maintained the ceasefire.

Given that deteriorating situation on the ground, the United States, the EU, Japan and Norway, the so-called co-chairs of the Sri Lanka Donors Group, met several times late last year and early this year to discuss possible solutions. The co-chairs sent strong messages to both the Sri Lanka Government and the LTTE to end the violence and uphold the fragile ceasefire agreement.

In this respect, Norway's vital role as facilitator of the peace process merits special attention.

Sri Lankan Government and LTTE negotiators met in Geneva on February 22 and 23, the first time in over 3 years that the two sides had returned to the negotiating table. The negotiators achieved some significant outcomes that should give the peace process in Sri Lanka some new momentum.

First, they agreed to refrain from violence and to uphold the ceasefire agreement. The government specifically addressed the problem of armed groups, a very serious LTTE grievance, and committed to ensuring that no armed group or person other than government security forces will carry arms or conduct armed operations. The LTTE pledged to ensure there would be no acts of violence against the security forces.

Given the difficulty involved in even convening this meeting, we consider it a significant achievement that both sides agreed to meet again in Geneva April 19 to 21.

Despite the long conflict, Sri Lanka is a fully functioning stable democracy with strong democratic institutions and traditions, including freedom of the press. Human rights violations in Sri Lanka are largely related to the ongoing domestic conflict. Government security forces, LTTE cadres, and other armed groups have all been accused of abuses. Sri Lankan police and security forces have been accused of torture and links to groups participating in armed attacks.

The LTTE has engaged in a whole host of abuses: Politically-motivated killings, disappearances, torture, and much more. We are particularly concerned about ongoing LTTE recruitment of child soldiers in spite of its pledge to end such activity.

Mr. Chairman, we are deeply committed to achieving peace and stability in Nepal and Sri Lanka. The President's remarks on Nepal following his meeting with Indian Prime Minister Singh highlight the level of importance to us of these issues. We will continue to work in South Asia with our friends and allies through international fora such as the Co-Chairs Group in Sri Lanka, and

through the outreach of our Embassies in Kathmandu and Colombo, to help the Nepalese and Sri Lankan people overcome the considerable obstacles before them on their paths back to peace and prosperity.

Thank you for the opportunity to appear before you, and I would be pleased to answer any questions.

[The prepared statement of Mr. Camp follows:]

PREPARED STATEMENT OF MR. DONALD A. CAMP, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR SOUTH AND CENTRAL ASIAN AFFAIRS, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman and members of the Committee, thank you for inviting me here today to discuss recent developments in Nepal and Sri Lanka. These two South Asian nations are both struggling today to confront domestic insurgencies that have placed their institutions and their people at great risk.

Let me first turn to Nepal.

The United States' primary objectives in Nepal are the restoration of multi-party democracy and the prevention of a Maoist takeover. We believe that reconciliation between the King and the political parties, and a return to democracy is the only path toward an effective counter-insurgency strategy and the restoration of security, government services, exercise of political rights, and respect for human rights. At the same time, we are concerned that Maoists, who have refused to renounce violence, have gained a greater degree of legitimacy from their engagement with the political parties.

A Maoist takeover would almost certainly lead to instability in a region of great importance to the United States. Nepal nestles between China and India, the two fastest growing economies in the world. Our ability to advance our relationships with these two emerging powers will go far to determining the success of U.S. foreign policy in the coming decades.

I have just returned from Nepal where I reiterated the President's message on Nepal—his call in New Delhi for the King to reach out to the parties, and for the Maoists to forswear violence.

It is clear the political crisis is now reaching an acute phase. Since assuming "temporary" authoritarian power on February 1, 2005, King Gyanendra and his government have become increasingly divorced from the political parties and population, while the Maoist insurgency makes steady advances in the countryside and continues its campaign of violence and intimidation. Fourteen months of palace rule have only made the security situation in Nepal more precarious, emboldened the Maoist insurgents, and widened the division between the country's legitimate political forces—the major political parties and the King.

The King has not initiated a dialogue with the parties and he is losing domestic support. The seven major political parties have been equally reluctant to engage with the King and have entered into a "12 Point Understanding" with the Maoists. But we believe that the Maoists must forswear violence before they can be considered a legitimate political force. Moreover, the agreement is flawed in that it does not commit the Maoists to abandon their campaign of violence.

The February 8 municipal elections, called by King Gyanendra, only showcased his increasing isolation. While the political parties boycotted the elections and organized mass demonstrations, the Maoists stepped up attacks to successfully disrupt voting. Only 20 percent of eligible voters participated in the elections. Nationwide, only 15 percent of seats in the 36 municipalities conducting elections were contested, 54 percent had no candidates, and 31 percent of candidates were elected unopposed. In our view, this election was little more than a hollow attempt by the King to legitimize his power.

The Maoists meanwhile continue their drive to topple the monarchy. Since ending their four month unilateral ceasefire in January, they have launched a new wave of attacks and have made clear in public statements they intend to increase pressure through April. The Maoists' understanding with the political parties has further consolidated their power and strengthened their position against the King.

Since the King's seizure of power in February 2005, we have placed a hold on lethal assistance to Nepal, as have India and the European Union. The FY 06 Foreign Operations Appropriations Act stipulates that Foreign Military Financing (FMF) will only be made available to Nepal if the Secretary of State certifies that the government of Nepal has restored civil liberties, is protecting human rights, and has demonstrated, through dialogue with Nepal's political parties, a commitment to a

clear timetable to restore multi-party democratic government consistent with the 1990 Nepalese constitution.

Regrettably, democracy has not been restored, nor have human rights conditions significantly improved, since February 2005. In their struggle against the Maoists, Nepalese security forces have committed serious human rights abuses, including unaccounted-for detentions, disappearance of detainees, torture, and arbitrary and unwarranted use of lethal force. Prior to the February 2006 municipal elections, opposition leaders were put under house arrest and the government detained hundreds of political activists. We have repeatedly urged the King to release all political detainees.

Maoist insurgents systematically employ violence and terror, and commit human rights abuses including killings, torture, bombings, extortion, kidnapping, and recruitment of child soldiers. During the February elections, Maoist insurgents threatened candidates and their families, bombed the residences of a number of candidates and elected officials, and assassinated two candidates for office.

The international community is fully engaged on Nepal and the deteriorating conditions there. We have worked with India, the UK, the EU and others to keep pressure on the King. President Bush discussed Nepal with Indian Prime Minister Singh during the President's recent visit to New Delhi. They agreed the King should reach out to the political parties to restore democratic institutions and that the Maoists should abandon violence. Japan and China have also become more engaged on Nepal policy and have called for the King to reconcile with the parties.

Additionally, at last year's session of the UN Commission on Human Rights, our support was critical to the successful negotiation of a technical assistance resolution which called on the government to restore multiparty democracy and respect human rights and the rule of law. The resolution requested the UN High Commissioner for Human Rights to establish an office to assist Nepalese authorities in developing policies and programs for the promotion, protection, and monitoring of human rights. As a result, the United Nations Office of the High Commissioner for Human Rights (OHCHR) was established in Kathmandu in May 2005. We are providing funding for the OHCHR, which has reported progress in some areas, such as improved access to detention centers and enhancements in the legal status of women.

The plight of refugees in Nepal is another critical human rights issue. Bhutanese Government policies in the early 1990s caused tens of thousands of ethnic Nepalese to leave Bhutan. As a result, over 100,000 ethnic Nepalese refugees from Bhutan have been living in seven camps in southeastern Nepal. Despite fifteen years and fifteen rounds of formal negotiations between Bhutan and Nepal, no refugees have been permitted to return to Bhutan.

As the situation facing the refugees in the camps grows more tenuous, there is a clear and immediate need to provide durable solutions. The international community was encouraged by Bhutan's fall 2005 agreement to allow the voluntary return of 640 individuals in Khudunabari Camp. This could be an important first step to break the current impasse. But no refugees have yet returned to Bhutan. We urge speedy implementation of this commitment.

Ultimately, repatriation to Bhutan will not be the durable solution for every individual. We hope that Nepal will allow UNHCR to begin registering the refugees in the camps, a step that is necessary to lay the foundations for the future provision of other durable solutions, including third country resettlement.

We are also focused on ensuring the protection of Tibetans transiting Nepal to India. In November, the Government of Nepal suspended issuance of exit permits to Tibetans for their onward travel to India. The situation left hundreds of Tibetans stranded in Nepal, and exacerbated severe overcrowding at a shelter for Tibetans in Kathmandu. Funding from the U.S. Government is supporting an expansion of the center to ease overcrowding. We have repeatedly pressed the Government of Nepal to end the exit permit suspension, but the situation is unresolved. We have also pressed the Government to permit registration of the Tibetan Welfare Society, an organization poised to provide assistance to vulnerable Tibetans in Nepal.

I turn now to Sri Lanka.

Sri Lanka's long-standing ethnic conflict and fragile peace process continue to cause enormous concern for the United States and the international community. The senseless assassination of Foreign Minister Kadirgamar in August 2005, coupled with an intense presidential campaign, heightened tensions in Sri Lanka throughout the fall of 2005. Following President Mahinda Rajapaksa's election on November 17, 2005, escalating violence took the lives of Tamil civilians and almost one hundred Sri Lankan security personnel, putting the four-year ceasefire agreement between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) at risk. As the attacks continued, President Rajapaksa came under

pressure to respond. To its credit, the government showed significant restraint in the face of these provocations and maintained the ceasefire.

Given the deteriorating situation on the ground, the United States, the European Union, Norway and Japan—the Co-Chairs of the Sri Lanka Donor Group—met several times in 2005 and early 2006 to discuss possible solutions. The Co-Chairs sent strong messages to both the Sri Lankan Government and the LTTE to end the violence and uphold the fragile ceasefire agreement. Norway's vital role as facilitator of the peace process merits special mention. We and other members of the international community greatly appreciate and fully support the ongoing Norwegian efforts to move Sri Lanka's peace process forward.

Both Under Secretary for Political Affairs R. Nicholas Burns and Norwegian Peace Envoy and Minister for Development Erik Solheim traveled to Sri Lanka in January. U/S Burns met President Rajapaksa and other senior government officials to urge an end to the violence, a return to negotiations, and the preservation of the ceasefire agreement. Solheim also met with government officials as well as with the LTTE leadership, including its elusive commander Prabhakaran.

As a result of our respective efforts, Sri Lankan Government and LTTE negotiators met in Geneva on February 22 and 23, 2006, marking the first time in over three years the two sides had returned to the negotiating table. The negotiators achieved two significant outcomes that should give the peace process in Sri Lanka a new momentum. First, they agreed to refrain from violence and uphold the ceasefire agreement. The government specifically addressed the problem of armed groups, a serious Tamil grievance, and committed to ensuring that "no armed group or person other than government security forces will carry arms or conduct armed operations." The LTTE pledged to take "all necessary measures to ensure that there will be no acts of violence against the security forces and police." Given the difficulty involved in even convening this meeting and seeing it through to a conclusion, we consider it a significant achievement that both sides agreed to meet again in Geneva April 19—21.

We welcome the outcome of the Geneva talks and hope that additional progress will be made in April. We are fully aware, however, of the challenges both parties face in order to fulfill their Geneva commitments. The Sri Lanka Monitoring Mission, now led by Sweden, will monitor ceasefire violations in the coming weeks and report on implementation of the ceasefire at the next round of talks in April. We hope both sides will fully implement their commitments to build a level of confidence between them that will yield even more successful results in the next round of talks. We will continue to work with Norway and the other Co-Chairs to keep the pressure on both parties as we head into the April discussions.

While the situation in Sri Lanka remains tenuous, we are hopeful that all parties to the conflict will make serious efforts to bring lasting and stable peace throughout the island. The Government of Sri Lanka is currently focused on the peace process and the next round of ceasefire implementation talks with the LTTE in April. Local government elections are currently scheduled to be held March 30 across the country, including in the north and east.

As for Sri Lanka's economic outlook, the country's economy was not as severely affected by the tsunami as initially feared. Growth for 2005 is estimated to be around 5.5 percent, up slightly from 5.4 percent in 2004. As the recovery process continues, however, and large inflows of assistance begin to decrease, the economy will face several key challenges. The primary challenges stem from deteriorating infrastructure, high energy prices, and outdated labor laws. A high and growing oil import bill, continued high inflation, the pace of tsunami reconstruction, uncertainty surrounding the peace process and its effect on the investment climate and subsidy costs also pose significant challenges.

President Rajapaksa has pledged 8 percent annual economic growth. Such a growth rate will require significantly higher investment, and foreign investment is a critical source. Foreign investors have been reluctant to sink funds in Sri Lanka for many of the reasons I just mentioned. Further, the Government of Sri Lanka has not made sufficient efforts to streamline the investment processes. As Ambassador Lunstead has repeatedly stressed, Sri Lanka needs to make it easier to invest there than anywhere else, in order to attract funds and draw on increasing financial interests in the region, driven by India's continued high levels of growth. While President Rajapaksa claims to want a strong private sector to drive growth, his Government's policies continue to favor more government intervention in the economy. Our Embassy's Commercial Section, along with the Commerce Department and other USG agencies, are working with the Sri Lankan authorities to encourage greater market access, intellectual property rights protection, and more transparent government tendering procedures.

Sri Lanka has been selected as a country eligible to receive Millennium Challenge Account assistance for fiscal year 2006. Sri Lanka submitted its compact proposal focusing largely on rural development to the Millennium Challenge Corporation in August 2005 and due diligence is underway, along with negotiation of compact terms. Our agreed timeline with the Government of Sri Lanka is focused on getting to a signed compact during the third quarter of 2006.

Regarding human rights and humanitarian issues, despite the ongoing conflict, Sri Lanka is a fully functioning, stable democracy with strong democratic institutions and traditions, including freedom of the press. The November 2005 presidential election was deemed by international monitors to be free and fair, although an LTTE boycott of the elections prevented voters in LTTE-controlled areas from going to the polls. The U.S. Embassy in Colombo closely observed the elections, deploying eight teams to visit different locations around the country, including regions under LTTE control. USAID supported the two largest domestic monitoring organizations, which deployed more than 20,000 domestic monitors.

Reported human rights violations in Sri Lanka are largely related to the ongoing domestic conflict: government security forces, LTTE cadres, and other armed groups have all been accused of abuses. Sri Lankan police and security forces have been accused of torture and links to paramilitary groups participating in armed attacks. In one recent high-profile case, employees of the Tamil Relief Organization (TRO) were reportedly abducted by armed groups and some were later released. Immediately upon hearing the news of the abductions, Ambassador Lunstead contacted high-level Sri Lankan government officials to express our concerns. Our Embassy released a press statement, reinforcing our concerns and urging restraint. The Sri Lankan government is investigating the incident and our Embassy continues to follow developments on the case.

The LTTE has engaged in politically motivated killings, disappearances, torture, arbitrary arrest and detention, denial of fair public trial, arbitrary interference with privacy, and denial of freedom of speech, press, assembly and association. We are particularly concerned about ongoing LTTE recruitment of child soldiers, in spite of its pledge to end such activity.

Religious freedom is a critical issue for Sri Lanka's Buddhist, Hindu, Christian, and Muslim populations. The freedom to practice one's religion is protected under law. There have been occasional reports of harassment of Christians. Anti-conversion legislation introduced by a Buddhist extremist party under the previous government did not pass and is not expected to be re-introduced. A delegation from the U.S. Commission on International Religious Freedom visited Sri Lanka in late February.

Since mid-December 2005, the UN High Commissioner for Refugees (UNHCR) has monitored the flight of nearly 500 Sri Lankan refugees to Tamil Nadu, India, and the internal displacement of 6,000 families from the Jaffna Peninsula and the eastern district of Trincomalee. UNHCR will not resume repatriation activities from India until the situation in Sri Lanka shows improvement. UNHCR was encouraged by the sharp drop in the number of newly arriving refugees following the announcement of the Geneva peace talks. Camp conditions as of February 2006 were stable, and a major influx of refugees is not expected.

Tsunami relief and reconstruction efforts continue to be among the USG's highest priorities. The U.S. Government provided assistance totaling \$134.6 million in Sri Lanka. Immediately following the disaster, USAID funded emergency services, such as temporary shelter, food, water, relief supplies, water purification, health surveillance, psycho-social services and protection for children, and cash-for-work programs that infused money into local economies. Since June, USG efforts have focused on reconstruction, including large scale infrastructure projects, workforce development, and sewage management. Innovative means to engage youth in reconstruction efforts and using these projects to bridge ethnic differences are, moreover, contributing to peace building efforts. Recently, 75 young adults from different ethnic groups worked together to produce films examining the linkages between underdevelopment, violence, conflict and tsunami reconstruction in the South. Additional funding has been directed to livelihoods activities, small-scale infrastructure, good governance, information dissemination, and urban planning. A USG-funded anti-corruption program was launched in 2005 to enhance oversight of tsunami rehabilitation programs. After completing a strategic assessment, this program will provide technical assistance and training to the Auditor General's Department's tsunami auditing teams and to the Commission to Investigate Allegations of Bribery and Corruption's legal and investigative staff.

Assistance has been unevenly distributed in LTTE-controlled areas in the north and east. An agreement between former President Kumaratunga's government and the LTTE to coordinate relief in Tamil areas through the Post-Tsunami Operational

Management Structure (P-TOMS) mechanism was never implemented, because parts of the arrangement were found to be unconstitutional by the Supreme Court. President Rajapaksa has created a new agency to oversee tsunami reconstruction and has announced a new program that seeks to replace the defunct P-TOMS.

Mr. Chairman, we are deeply committed to achieving peace and stability in Nepal and Sri Lanka. The President's remarks on Nepal following his meeting with Indian Prime Minister Singh highlight the level of importance to us of these issues. We will continue to work on the ground in South Asia with our friends and allies, through international fora such as the Co-Chairs group in Sri Lanka, and through the extensive outreach programs of our Embassies in Kathmandu and Colombo to help the Nepalese and Sri Lankan people overcome the considerable obstacles before them on their path to peace and prosperity.

Thank you again for the opportunity to appear before you. I would be pleased to answer your questions.

Mr. LEACH. Let me first ask a bit about Nepal because, while there are similarities of trauma, there are no similarities of exact circumstance, and there are no ties that are of any significance between the two countries of Sri Lanka and Nepal.

It is my understanding that U.S. diplomacy works primarily with India and the U.K. in this area. Is there any thought of trying to establish some sort of formal structure that reaches out all sorts of sides involving a larger framework, whether it be the United Nations or specific country framework?

I mean, let us say one can visualize another Six Party Talks. I mean, you could involve China as well as India, Britain, Japan is interested, Russia is nearby, never has played much of a role, but we sometimes shy away from trying to involve people for one reason or another, and even you might even think about the EU.

But it is my understanding India, of course, abhors the idea of Chinese involvement. The Chinese, I am told, are deeply embarrassed that rebel movement calls itself Maoist, but that might give them some leverage with that side.

But what thinking are we doing in widening discussions? Is there a total disadvantage of this? Is there some advantage? Is it an intolerable thought? Is it a possibility? Are there new ways that we should be thinking of this given that—I mean, in their news reports literally as of today things have escalated. Do you have any sense for this?

Mr. CAMP. Sure. I think that is a very reasonable approach to take, sir. In fact, let me just say that we have worked very closely with India, and very closely with the U.K., not exclusively with those two. We have a regular dialogue with the EU on Nepal. We have talked to other countries, including China, about the situation in Nepal.

We have also thought about a larger group, the kind you describe. A few years ago the U.K. actually hosted a group something similar to that, a kind of Friends of Nepal meeting to discuss where we should be going together. And as I recall, it was quite widely attended. India attended, I believe the People's Republic of China attended as well.

It was a useful one-time meeting, but there is no reason why something like that couldn't be revived. I would say it is probably primarily up to the Nepalese to decide how we structure such a thing, but I would certainly not rule out some kind of multilateral effort to show our common goals in Nepal.

I think an important factor in the current situation is that there is very much unanimity in the international community as to where Nepal should be going, which is basically back toward democracy, back toward internal stability, and certainly in complete opposition to the goals of the Maoists.

Mr. LEACH. Are there particular parties that have particular leverage with the Maoists?

Mr. CAMP. You know, since they don't have ties to any country, it is very hard to find leverage over their activities. They do not, as far as I know, actively fund raise in the West, although there may be some of that. So there are very few ways that we can seek to crack down on them outside the country.

Mr. LEACH. Are there particular leverages against the King vis-a-vis the democratic parties of Nepal?

That is, it strikes us that everything I have ever heard from the Department of State is that we would like a return to democracy, and yet we have seen very little movement in that direction. So how do you put pressure on the King in a credible way?

Mr. CAMP. Sure. No, I would have to say that we have tried to demonstrate very vocally our disapproval of the course he has embarked upon, and by getting much of the rest of the international community to respond similarly, I think it has been made very clear to the King that he is internationally isolated.

There is virtually no support for the course he has embarked on. Our Ambassador regularly meets with the King. We have sought other envoys to go to Nepal and meet with the King, and to explain to him our concerns that the path he has embarked upon is not helpful for the future of Nepal.

We have been as clear as we possibly can, and I would say the fact that President Bush spoke out in New Delhi on this subject is certainly the clearest expression you could have of the high level of our concern. He called very clearly for the King to reach out to the political parties in order to restore democracy. That is basically what we have been trying to do.

Mr. LEACH. Well, as one who is in the region shortly after the tsunami, one heard a lot of comment about the traumas of the tsunami in Sri Lanka and Indonesia, and massive questioning and some with a great deal of hopefulness that the idea of dealing with a nature-made disaster might precipitate dealing with manmade traumas.

In Indonesia, it appears that that very much is the case, and we are all extraordinarily impressed with the manner of the government and the opposition have moved to what appears to be a *modus vendi* and maybe even reconciliation.

It appears in Nepal that isn't the case, and that, if anything, things have gotten more tense in the last year or year and a half. Some of it may relate to the manner in which assistance in the wake off the tsunami occurred. Some may be simply in the wake of the intransigence of the Tamils to accept any jurisdiction of the central government. Some may simply be a bizarre circumstance that humanity wasn't looked at first as humanity, but more in terms of the conflict that was ongoing.

I would assume that your office and your department of the Department of State, that there is a lot of discourse that has gone on

and the differences between Sri Lanka and Indonesia, and why one worked and one didn't. Do you have any preliminary conclusions, and are there lessons that still can be gained say from Indonesia that might be applied to Sri Lanka?

Mr. CAMP. I would say that we had high hopes in fact immediately after the tsunami that the same dynamic would be in effect in Sri Lanka, and in fact there was a brief period when I think the whole nation came together, still reeling from the tsunami disaster. Unfortunately, that was not sustained, and I don't have a very good explanation of why that didn't happen.

Obviously, there was a real attempt I would say by the Government of Sri Lanka in Colombo to find a way to make sure that the North realized that assistance would be provided equitably because that was the first question that arose. Are we going to get our share? We were so heavily hit, the LTTE said, we need our share of reconstruction assistance.

There was a confused effort to put together a mechanism that would guarantee such equitable distribution. It was a long and tough negotiation, and when the two sides finally agreed, a Sri Lankan Constitutional Court ruled the arrangement unlawful basically, so it never went into effect.

That is not to say that assistance wasn't delivered to the LTTE-controlled area in the North. It was. NGOs are very active up there. There was a delivery to the——

Mr. LEACH. The UN is very active?

Mr. CAMP. I am sorry?

Mr. LEACH. The UN is more active up there.

Mr. CAMP. The UN is active, World Food Program. We have legal constraints on providing assistance to the LTTE obviously because of the foreign terrorist organization status, but even we provided assistance to NGOs, and they are, as I say, quite active.

Mr. LEACH. I appreciate that. I will tell you I am a most strong supporter of the Department of State, but as a Member of Congress, I was not pleased after a request to visit the north, the Embassy refused to arrange for it, and I will tell you I was very offended at that, and I thought it was a sign from the United States Government that was very imperfect.

But if I were to have bet which country would have the greater hopes of reconciling at the time, I would have bet on Sri Lanka over Indonesia, and yet it appears the Indonesians have moved rather remarkably, and I think we all are still very hopeful of the role that Norway is playing, and I think as a Congress we all should make a point of tipping our hat to Norwegian goodwill and good efforts in this regard.

Mr. CAMP. I agree, sir, and they have taken a lot of abuse, frankly, for their efforts and we think that they can only be commended for their perseverance and their willingness to commit their own resources to this peace effort.

Mr. LEACH. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

I don't know whether to suggest how we might begin in terms of our dialogue on these two countries.

Conventional understanding of any given situation in terms of our own interest in any country or in any region is a measurement

of our economic and our military strategic interests. Obviously, neither of these two areas are very prominent in terms of our participation.

Have we been asked by the leaders of these two countries for assistance in terms of how to break the stalemate or the impasse in terms of what has happened to these two countries?

Let us take Nepal in the beginning. I am given to understand it was the younger brother of the King who was assassinated that succeeded to the throne, and is it true that he is even more hated than the King who was assassinated?

There was some understanding also that he may have been part of the plot that caused the King to——

Mr. CAMP. I would say there are a lot of conspiracy theories that float around Nepal. I don't think there is any credible evidence to suggest that he was involved.

The monarchy itself is traditionally respected in Nepal. I mean, the monarch is considered the reincarnation of the God Vishnu, so I mean, that is a position—that is a widely-held belief in Nepal. So I think that probably there is still respect for the monarchy itself.

Mr. FALEOMAVAEGA. And if he is to be assassinated tomorrow, are there pretty good number of successors to the throne if something happens to him?

Mr. CAMP. The successor would be the Crown Prince, Prince Paras.

Mr. FALEOMAVAEGA. Crown Prince of the?

Mr. CAMP. The son of the current King——

Mr. FALEOMAVAEGA. The current King.

Mr. CAMP [continuing]. Would be the successor.

Mr. FALEOMAVAEGA. I see. And he has brothers also and sisters?

Mr. CAMP. I cannot tell you for sure what the line of succession goes after that.

Mr. FALEOMAVAEGA. No, no, not like the successors the Saoud family in Saudi Arabia, right?

Mr. CAMP. There are not hundreds of cousins, no, that is correct.

Mr. FALEOMAVAEGA. You mentioned something earlier about China being somewhat embarrassed or somewhat concerned about being categorized that the one main opposition group is the Maoists. Can you share with us what is—is it because they take their doctrine from Mao Tse Tung or has it been any different from the Marxist Socialist ideological theories about this think? Can you elaborate on this? Why are they being labeled as Maoists?

Mr. CAMP. Well, they have labeled themselves Maoists. They have chosen from the books of Mao, from Marx, from Lenin. They have, I think, also borrowed from the ideas of Pol Pot and the Shining Path. They are a very eclectic sort of group, and I have to say they have chosen the worst aspects of all of these groups.

The Chinese objection, of course, is that this suggests that somehow they are inheritors of the tradition of Mao Tse Tung, and the Chinese by no means accept that.

Mr. FALEOMAVAEGA. And associated with the PRC.

Mr. CAMP. Well, by extension, yes, and there is no such connection.

Mr. FALEOMAVAEGA. No connection whatsoever.

Mr. CAMP. No.

Mr. FALEOMAVAEGA. What percentage of the Nepalese population support the Maoist movement?

Mr. CAMP. It is really hard to say. I would say that they mainly have supported themselves in the countryside through intimidation. We estimate that the number of actual fighters, members of the Maoist organization are perhaps six or seven thousand, so a relatively small number.

I would say that in the countryside, again it is not so much active support for the Maoists as fear of the Maoists. That is not to say that there weren't grievances there. I mean, there have been years of poor governance in Nepal. Government services were never delivered very effectively to the rural areas. There is extreme poverty. So there is unhappiness with the government, but that doesn't necessarily translate into active support for what the Maoists have done in recent years.

Mr. FALEOMAVAEGA. For example, for Nepal alone you are looking at a population of about how many people are living there?

Mr. CAMP. 25 million.

Mr. FALEOMAVAEGA. 25 million people in there.

In trying to establish a constitutional monarchy, is there any chance that this might occur in terms of the King's willingness to have a similar parliamentary, similar to the British system?

Mr. CAMP. Well, since 1990, the King took more of a constitutional role, and there were the beginnings of a multiparty democracy over the last 15 years. It has never settled in fully, I would say. The parties were not all that strong nationwide, and the King's decision a year ago or 14 months ago to take power from the parties was a blow to that.

We have taken the position that the King must go back at least to before—at a minimum to the situation before February 1, but that was hardly perfect.

Mr. FALEOMAVAEGA. We are not questioning the King's motive in this instance. I mean, he sincerely is trying to bring order first to the government, and then later on hold some kind of relations to provide for that kind of a democracy.

Are we also questioning the King's motives in this effort?

Mr. CAMP. I would say his stated goal has been to defeat the Maoists, and hold elections to bring back a democratically-elected government. The problem that he has not used or engaged the political parties, and if you don't engage the political parties you can't have free and fair elections. The municipal elections are a case in point.

Mr. FALEOMAVAEGA. We didn't have a king in Indonesia, but they started off with idealistic goals of overcoming Dutch colonialism in Indonesia, and that is how Sukarno started, and then with Suharto also in this. By a combination of these two, I would call military dictatorships.

There was a cleansing of some half a million to a million Indonesians that were tortured and murdered with the guise saying that we are trying to stamp out communism, and I wonder if this is the same concern or fear that we might find ourselves in Nepal where the King says, I want to get rid of the Maoists when he fact he really wants to put his stamp of an absolute rulership over the

people rather than offering democracy as it was the intent, that also happened in Indonesia.

Mr. CAMP. I should not be speaking for the King, but I think he is unhappy with the political system that developed in his country, and from our point of view the only way to pursue democracy, to pursue prosperity, to pursue stability in the Nepal context is to restore a multiparty democracy. That is the only way the Maoist insurgency will basically be defeated.

Mr. FALEOMAVAEGA. Has the Administration made a similar effort to what we have done in North Korea in calling a multilateral effort like we have done against North Korea? Have we done a similar—why haven't we enunciated a similar policy, multilateralism which is something that I certainly support?

But you mentioned something about Norway. I guess they are the ones taking the lead in trying to provide some kind of arbitration, if you will, in doing this. We don't seem to be taking the lead in doing this kind of effort.

Mr. CAMP. Well, in Sri Lanka, the Norwegians have taken the lead voluntarily and with our enthusiastic support. In Nepal, I would say that we have certainly made efforts to engage multilaterally: India, the EU, the U.K. we have talked to China. We have talked to Japan. There is a common goal. There is no formal structure as there has been in Sri Lanka, and that is something that we could certainly look at.

We are always reviewing our policy toward Nepal. We have not so far found that to be the most productive means. I would say that India is probably the biggest player here just because they are the big country next door. They have an important responsibility.

Mr. FALEOMAVAEGA. That was going to be my next question concerning Sri Lanka. The point obviously that India is probably the most dominant country as far as Sri Lanka is concerned. Have they taken any initiative similar to Norway to, you know, being constructive in trying to make an effort to be an arbitrator or be a help to this Tamil Tiger thing that has been doing on now for how many years?

Mr. CAMP. Well, the insurgency broke out in 1983. India actually made an effort to get actively involved in the late eighties with something called the Indian Peacekeeping Force. That did not work out well for India. They have since shied away from active involvement, and that has been something that we have discussed with them on a number of occasions, but the LTTE in fact was responsible for the killing of Rajiv Gandhi, the Prime Minister at the time, so they have been severely affected by the crisis there. They have preferred to play a very behind-the-scenes role.

Mr. FALEOMAVAEGA. Mr. Camp, I think probably, and I don't want to sound somewhat fatalistic in the idea that 5 years from now we will be holding another hearing on these same two countries, and we are going to be asking the same questions. I feel somewhat—with all the resources and all the availability of what we can do as a country to be helpful to these two nations, my question is are we really putting our best efforts to be helpful, to arbitrate, to give them our best legal minds, or whatever it is that they need so we can be proactive in that respect?

I don't want to be getting the impression that, well, that is because they don't have any nukes over there it is not in interest to our country. I would kind of like to think that Nepal and Sri Lanka are just as important to us as far as diplomacy is concerned as any other country.

But my question is are we really making a sincere effort to be helpful to those two countries? That is what I am trying to dig into.

Mr. CAMP. It will not surprise you that I would say yes we are making great efforts, but let me also add that I think that you will see, Congress will see an increasing emphasis by this Administration on South Asia in general. I mean, we are just seeing the President's trip to the region, but I really do think—

Mr. FALEOMAVAEGA. Wouldn't it have been better if he had gone to Nepal and Sri Lanka?

Mr. CAMP. Well, I think Afghanistan, Pakistan and India were plenty. But there will really be an emphasis on South Asia, and I think it will have an impact on our efforts in Nepal and Sri Lanka.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. LEACH. Well, I would tell the gentleman the King might be descended from a God but from this Committee's perspective we think that the Ranking Member's descendent from the Sage of Samoa.

Mr. FALEOMAVAEGA. You should make a visit there, Mr. Chairman.

Mr. LEACH. Let me come back a little bit on the role of the United States, and we are obviously a large country with some interest in the region, and some historical ties. Other countries also have large ties actually, and Japan has a particular relationship to Sri Lanka, perhaps less than Nepal, but wants to play a role there.

I have often thought internally and sometimes externally process is our most important product, kind of take on GE, and it strikes me that the best that can be said for the United States' engagement in both Nepal and Sri Lanka is that we play kind of consultative role. So one of the great questions is do you set up process types of circumstances that have some hope of involving all the parties?

Now, to a degree in Sri Lanka, we have the Norwegians, and that is a very strong plus. In Nepal, one doesn't sense any kind of formal process. We only have consultations to talk about it. There are many types and varieties of processes that one can establish, but I hope American diplomacy is not such that thinks that we are the process, and the consultative manner that we are going about things makes me think that that is the case.

I am one that is very open, involving lots of parties, some of whom we feel have rival interest in the world, but the great interest we have is what is good for the people, and what is good for the people is obviously a sane government because without such there is virtually no hope of economic advancement, particularly in Nepal.

So if I were to advise you at all, it is kind of presumptuous to consider advising, it is to think in terms of one precise thought, and that is, what process can be established that might reach to some sort of new steps on all sides.

Once you have a process thought through, then you apply strategies through it, and I believe that there has been a lack of commitment to new thoughts and process, and I would just throw that out as strongly as I can; that process might involve the UN, might not; might involve five, six, seven country groupings; might involve three, four, five. It might involve special interlocutors, and it obviously has to be something that is of a nature that parties to the conflict are willing to give some credence to.

So it is conceivable you make no sense of establish a process until you get a sense from parties what they are willing to think through, but I would put an absolute imperative on the "P" word from which other things can then uphold.

I stress this because, I mean, very thoughtfully you noted that—which the entire international community has a consensus over what they would like to see happen in Nepal. that puts it in a much more manageable international context than many other problems in the world, and in a manageable way that does not appear to be stark religious differentiations. There appears to be a traditional power struggle and traditional angst that has arise from imperfect governance, but I think that is where I would put all my stakes at this time.

Now, does that seem unreasonable

Mr. CAMP. It seems eminently reasonable, sir, and let me just—it is certainly not presumptuous to offer advice. We welcome it, and I want to assure you we are looking actively for ways that we can influence the situation, looking for new ways to approach the problem in Nepal. We realize that 1 year after the King's February 1st action that not much has moved. We want to make a difference here, and we will look at any way we can to make that difference.

So thank you, and I promise you we will take a serious look at the process.

Mr. LEACH. Fair enough. In Sri Lanka, we have just a completely different thing, and we all know there are outside additions to the dilemma as well as inside, and some of them are quite understandable, some I assume the State Department is uncomfortable about. Would you like to go into any of that?

Mr. CAMP. I am sorry. Could you be a little more specific about what you are speaking about now

Mr. LEACH. The issue that there appears to be outside support for activities that are understandable, and on the other hand, whether they help stabilize or destabilize the situation.

Mr. CAMP. There is outside support for the LTTE in terms of outside fundraising, active involvement in the Tamil diaspora around the world. In that context, I would like to draw attention to a Human Rights Watch report that came out this week, I think, that talked about the kinds of activities that the LTTE carries out in places like Canada, to extort money for their activities.

I am very glad that attention is brought to this. They are forbidden by law from fundraising in this country, and we are enforcing that, but that kind of thing needs to stop.

As far as the government is concerned, we make no bones about it. We support the government vis-a-vis the LTTE, and we are providing a limited amount of military assistance. The government itself has been accused of supporting armed groups outside the se-

curity forces. I can't confirm that, and I would not want to verify it, but they committed in the last round of talks to make sure that no armed groups could attack the LTTE outside the ceasefire agreement, or in conformity with the ceasefire agreement.

I don't know if that answered your question

Mr. LEACH. Well, it did. I want to just raise one of the things happening in world affairs, which is kind of a vision issue. Recently or 6 months ago I was in Mongolia, and I was very impressed with the foreign assistance at the private level coming back that is remittances that seemed to be making a very impressive impact on economic development.

The notion of a reconciliation with the terrific private appears to exist of Tamil residents around the world, their people. It could make such a difference, and I raise this because as one reads of support that goes back for arms, wouldn't it be phenomenal to have support go back for economic development and the real upgrading of Tamil society in a permanent economic perspective.

Here, I know there are provisions of law that apply and some based upon how governments interpret things, but one of the things that I would like to think through and ask your advice on is that when we can't be directly involved, there are principled reasons that that sometimes is the case, but there are disadvantages.

My sense is, I mean, from a bare few days in Nepal, I was extremely—excuse me—in Sri Lanka, I was extremely impressed with the United Nations' role in Sri Lanka, and disproportionately relative to everybody else it is playing a role in the Tamil-occupied areas, and I think it is a reason, frankly, for U.S. support of the UN, but it underscores that it is good to have representation from the West that is of a nature that is interested in helping people unrelated to political movements. I, frankly, hope that this would be an understood aspect of American assistance on the tsunami.

In that regard, I can't tell you that I am impressed that assistance from the United States would become exclusively tied up in a one-dimensional approach based upon Sri Lankan law. That is, I would have hoped we would have more ways of helping in the Tamil area than simply exclusively the Sinhalese area. Would you care to comment on that?

Mr. CAMP. Well, I would be glad to. Certainly we are contributors, for instance, to the Asian Development Bank, generous contributors. Asian Development Bank has financed the main highway from Colombo up to Jaffna, which goes right through the LTTE-controlled areas. So in that sense the ADB has played a part in developing infrastructure that helps bring the country together.

After the tsunami, we have committed \$135 million for reconstruction and rehabilitation. A lot of that is going to, for instance, a major infrastructure project on the east coast, which is an area that is shared by Sinhalese, Tamil and Muslim almost equally. We are certainly not applying our assistance only to one part of the country. We are doing everything we can to make sure that that money is expended as widely as possible.

We are constrained by not Sri Lankan law but actually by U.S. law which prohibits material assistance to the LTTE. To the extent that we can, we are making sure that that aid is spread as broadly as possible

Mr. LEACH. Well, I appreciate that. I mean, all I am stressing is the awkwardness of you have people to people, and human relations as well as political relations, and there is no way whatsoever that the United States Congress can condone assassinations of political leaders, and that becomes a very difficult circumstance, but by the same time it is impossible to condone ignoring children in difficulty through no fault of their own, and I am not as convinced that we have as a government figured out exactly how we relate on a people-to-people level in these circumstances, recognizing that our government has true constraints under our own law.

Mr. FALEOMAVAEGA. We have an additional Member here. While Brad settles down, I just have a couple more questions I would like to ask Secretary Camp.

I am aware that Japan and the United States are the primary donors in the Asian Development Bank. Can you cite for the record what percentage of the total assets of the U.S. funds go to the Asian Development Bank?

Mr. CAMP. No, sir, I am afraid I don't have that number at my fingertips. I will have to get back to you on that. What percentage of ADB resources the United States contributes?

Mr. FALEOMAVAEGA. Right.

Mr. CAMP. I would not want to hazard a guess without—

Mr. FALEOMAVAEGA. Could you put that for the record?

Mr. CAMP. I would be happy to.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM MR. CAMP TO QUESTION ASKED DURING THE
HEARING BY MR. FALEOMAVAEGA

The U.S. committed to contribute \$115 million to the Asian Development Bank in FY 06. However, only \$100 million was appropriated and after a 1% recession, \$99 million is available. Total U.S. arrears to the Asian Development Bank currently stand at \$118 million. The U.S. contributed 13.7% for the replenishment of concessional lending, which is slightly higher than our shares in the Bank, which stand at 12.9%. There has not been an increase in the general capital fund of the bank since 2000. When there is an increase, members generally contribute based on voting shares.

Mr. FALEOMAVAEGA. And I would like to ask the same for the International Monetary Fund, also for the World Bank. Those seem to be the reasonable institutions that I know we do play a very significant role in providing assets and funding for which the world doesn't know, and is not aware of.

Mr. CAMP. Right.

Mr. FALEOMAVAEGA. Are there other regional organizations that the U.S. is a sponsoring state in this region?

Mr. CAMP. There is one actually, the Colombo Plan. It is on a much smaller scale, and we contribute a relatively small amount, but it is headquartered in Colombo, does work on things like anti-narcotics and so forth.

I would also add that what I should cite particularly is private NGOs, things like Save the Children, and Catholic Relief Services, where U.S. private individuals contribute enormous amounts and they are among the major donors in Sri Lanka particularly post-tsunami, and they have been very good about providing assistance everywhere and providing assistance equitably.

Mr. FALCOMVAEGA. Chairman Leach had mentioned earlier about this magic word that I was trying to dig out of you, and that is process. I know that one of the initiatives that the Administration had taken where the President has appointed Karen Hughes as the Undersecretary for Public Diplomacy. I sure wish we would have done that 5 years ago rather than doing it now in terms of retracking our situation in terms of defining exactly what our foreign policy is towards, not only toward other countries but toward other regions of the world. That is not a simple task as I am certain in terms of trying to define what that process is, whether it be applicable to Nepal or to Sri Lanka. But it certainly gives rise to exactly what role does the United States have to play in this part of the world.

It is quite obvious the President's personal visit to India underscores a very significant change in our own foreign policy toward this region of the world when you talk about nuclear energy, when you talk about the nonproliferation treaty. I mean, there is no question that it does have global implications.

But when we bring it down to the specifics of these two countries, Nepal and Sri Lanka, what does it do for the United States in terms of, or what benefit do we gain from this by trying to resolve an ongoing problem that has been going on for years?

I mean, is there given any indication in terms of how the King in Nepal is trying to—is it really the Maoists that seems to give him the worst problem in trying to resolve the crisis there, or any other factors?

Mr. CAMP. Let me first say that I think that one thing that our years of involvement in Nepal and Sri Lanka have gained for us is a real appreciation in both countries for the humanitarian and the positive motives of the United States in both countries. No one thinks that we have ulterior motives in either country.

In Nepal, we have had Peace Corps for, or we had Peace Corps for 40 years. Unfortunately, it had to be withdrawn a couple of years ago for security reasons. But Peace Corps has an enviable reputation in Nepal.

We have spent many millions in Nepal over the years fighting infectious diseases, and building better health clinics and so forth. We have a very high reputation in Nepal.

The same thing is true in Sri Lanka especially post-tsunami. I think there is a real appreciation for what the United States Government and people have contributed.

The whole question of what is the—the question you asked I think is what is the King attempting to do and who is he confronted with, and I would say that the Maoists, from our point of view the Maoists are the real crisis that are affecting Nepal right now. That has to be dealt with.

But the path to confronting and defeating the Maoists is not merely military, but it has to involve engaging the political parties, engaging the political class, and developing a united front of what I would call the legitimate political actors in Nepal. They are the ones who have to confront the Maoists.

Mr. FALCOMVAEGA. Thank you, Mr. Chairman, Mr. Camp.

Mr. LEACH. Mr. Sherman.

Mr. SHERMAN. I am going to focus on Sri Lanka. I have urged the State Department to design a roadmap for the Tamil Tigers so that they would know what steps they would need to take to get off the terrorist list. The response has been, well, we don't do that, which basically means that we are not acting to encourage the Tamil Tigers to improve their behavior.

Perhaps Mr. Principal Deputy Assistant Secretary, you could outline here what actions do we want the Tamil Tigers to take or refrain from.

Mr. CAMP. Actually, I think it is fairly straightforward. The LTTE was put on the terrorist list because of their violent activities. What they would need to do would be to basically renounce terrorism, renounce violence in—

Mr. SHERMAN. What is the difference between terrorism on the one hand and waging a legitimate guerilla struggle on the other? What is the difference between Al Qaeda and George Washington?

Mr. CAMP. If I could—

Mr. SHERMAN. The last I checked George Washington did use violence.

Mr. CAMP. The last I checked though he did not blow up buildings with civilians. I mean, the LTTE has been famous for its suicide bomb attacks on civilian targets.

Mr. SHERMAN. Well, obviously—

Mr. CAMP. That makes a real difference.

Mr. SHERMAN [continuing]. When you focus on civilian targets, that is terrorism, when that is the deliberate objective of your behavior.

Mr. CAMP. And I also have to add that as far as the United States Government is concerned, I mean, the Sri Lankan Government is a sovereign government that we recognize, we support that government and its territorial integrity. So the LTTE, to call them a legitimate organization you—

Mr. SHERMAN. Wait a minute. Are you saying that if there was a country in Europe during our revolution that didn't recognize the independence of the United States they would have had to view George Washington as a terrorist simply because they didn't agree with his objectives?

Mr. CAMP. I am simply saying that we support the Sri Lankan Government as a legitimate government of the country of Sri Lanka. We see the LTTE as a terrorist organization.

Mr. SHERMAN. And if they were to stop targeting civilians, what would be our policy?

Mr. CAMP. If they were to clearly renounce terrorism and stop carrying out those attacks, then I think once we are convinced that they are sincere, then we can look at their terrorist listing. But they have not given us any reason to be generous about their motives, let us put it that way, sir.

Mr. SHERMAN. Well, their motives in the sense of what their political objectives are were sufficient to enter into a peace process. Terrorism is not a matter of motives, it is a matter of tactics. There are those who long for a universal caliphate but they don't kill civilians to achieve it. We don't call them terrorists just because their stated objective is similar to that of Mr. bin Laden. Terrorism is a tactic, it is not an objective.

I was, frankly, disturbed by that reaction. The LTTE has made a number of statements to renounce terrorism, and we have taken the IRA off the terrorist list. We took Fatah off the terrorist list, or the Palestinian Authority, the PLO, whichever incarnation they had prior to losing control of the Palestinian Authority, and I would hope that we would start telling these groups what we want from them with the expectation that if they deliver they will get off the terrorist list.

I do think, though, it is legitimate to take a look at their objectives as well as their tactics as one consideration. I would think that seeking some degree of autonomy for the northeast Sri Lanka is not a terrible objective.

Where do you think we are headed in Sri Lanka? Are we headed for another round of war?

Mr. CAMP. I guess I am a little more optimistic now that they have returned to peace talks. It has been 4 years—well, 3 years since the talks broke off. The fact that the two sides are talking again has to be a reason for optimism. They have got a ways to go. I think that the government in Sri Lanka is committed to looking for a peaceful way out of this, and I think everyone is tired of 23 years of war.

Mr. SHERMAN. The government has taken substantial action to prevent aid from reaching the parts of the island that were most affected by the tsunami, namely, the northeast which generally supports the Tamil Tigers, the LTTE.

What has the United States done to make sure that aid that is supposed to go to individuals is not interrupted for political reasons?

Mr. CAMP. I guess I would say that the Government of Sri Lanka made efforts to in fact make sure that aid was not only equitably delivered but it was seen to be equitably delivered, and their attempt to establish this mechanism, with which they reached agreement on the LTTE, a fairly significant achievement that took quite a while was thrown out in the courts. Therefore, they have had to find other mechanisms.

I think I would take issue with the idea that they have actively attempted to prevent tsunami assistance from reaching northeast.

Mr. SHERMAN. I think a government is responsible for all three branches of its government. For example, Saddam Hussein is on trial because his revolutionary courts decided to execute 150 people, 148 people, and I would hate to think that we take the position that it is okay to disrupt tsunami relief as long as it is done by the judicial branch of the Colombo Government and not the Executive Branch of the Colombo Government.

Countries are responsible for their own constitutions, and their own—and all three branches of the government. I would hope that we would do more to say it is not an acceptable excuse to say people on the ground aren't getting the aid that the world has generously provided because, oh, it is a different branch of your government.

I yield back, and I point out to the Chairman who also serves with me on the Financial Services Committee that I need to go there, and he may have to as well.

Mr. LEACH. I appreciate the advice.

Let me turn to a brief topic you mention in your prepared text but not in your summary, and that relates to the plight of the ethnic Nepalese from Bhutan. Are you suggesting that we should be prepared to accept or apply refugee status that would allow them to come to the United States?

Mr. CAMP. I think first we have to do our very best to ensure that those who want to return to Bhutan are allowed to do so. This is a longstanding humanitarian problem that should be resolvable. Bhutan and Nepal have been negotiating for years over return of those who are entitled to Bhutan citizenship. Last year there was an agreement that would allow at least a small group to go back. That was a good start but it hasn't been implemented.

I think once people that have gone back, or excuse me, once people who are entitled to go back and want to go back have return to Bhutan, then we should be looking at the international community stepping in to see what we can do in terms of durable solutions for the rest of the refugees

Mr. LEACH. What is the number we are looking at?

Mr. CAMP. There are roughly 100,000 now with natural increase over 15 years who are in the refugee camps in eastern Nepal. The initial number that was permitted to return under the first Bhutanese/Nepal agreement was only about 640. Even those have not yet gone back. We would like to see that happen.

Mr. LEACH. Do they have the rights to citizenship of Nepal? Do they vote in the elections?

Mr. CAMP. They do not vote in the elections at the moment. They are, as far as they are concerned, Bhutanese citizens, and they have lived there for varying numbers of years before they left in the early nineties.

Mr. LEACH. Do you have anything else?

Mr. FALEOMAVAEGA. No, Mr. Chairman.

Mr. LEACH. Let me thank you very much. We have problems of commitments to other Committees as well as the Congress, but thank you for your testimony. We appreciate it very much.

Mr. CAMP. Thank you very much, Mr. Chairman

Mr. LEACH. The Committee is adjourned.

[Whereupon, at 4:25 p.m., the Subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

RESPONSES FROM MR. DONALD A. CAMP, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR SOUTH AND CENTRAL ASIAN AFFAIRS, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

NEPAL

Question:

Recent statements by the U.S. Ambassador in Kathmandu have urged the political parties and the King to engage in dialogue. Given that the King has shown little inclination to engage with the political parties, what is the strategy of the U.S. to help return democracy and the rule of law to Nepal?

Are there steps planned to put pressure on the King, such as visa sanctions and freezing of royal assets? Likewise, what leverage can the U.S. or others bring to bear in order to pressure the Maoists to renounce violence?

Response:

We believe effective cooperation between the King and the political parties is the surest means of restoring multi-party democracy in Nepal. This is a message we have given to the King, and the parties, repeatedly. At this time, there are no plans to pressure the King through visa sanctions or freezing of royal assets; we do not believe these would be effective measures in the current situation given the lack of assets in and travel to the U.S. by the Royal family. We continue to call on the Maoists to renounce violence and are working with the international community, including the UK and India, to encourage the King and parties to reconcile and to prevent the Maoist insurgency from taking control of Nepal.

Question:

What percent of Nepal's government budget is funded by international donor assistance? To what extent, if any, has the U.S. urged the international donor community to review assistance to Nepal with a view towards promoting more inclusive governance and promoting greater respect for human rights?

Response:

Grants from international donors are estimated at 14.73% of Nepal's total expenditure in its FY 2005/06 budget and were 11.07% of its total expenditure in its FY 2004/05 budget. Grants from international donors are estimated at 50.19% of Nepal's development expenditure in its FY 2005/06 budget and were 44.39% of total expenditure in its FY 2004/05 budget.

While recognizing that most donor assistance aims at improving the lot of the poorest of Nepal's people, the U.S. urges all donors to promote the restoration of multi-party democracy in Nepal and greater respect for human rights. We routinely discuss the need to stay engaged to promote more inclusive governance and greater respect for human rights with other members of the international donor community in Kathmandu. We have also encouraged donors considering suspension of development assistance due to dissatisfaction with the political situation in Nepal to re-direct their support instead to programs that strengthen democracy, good governance, and human rights in Nepal.

Question:

Do Washington and Delhi see eye to eye on strategy towards the Maoists? I have the impression that some in the Indian establishment believe the Maoists can and

should be brought into the political process before they disarm or otherwise renounce violence. Please comment.

Response:

We are cooperating closely with India to help Nepal resolve its political crisis and overcome the Maoist challenge. President Bush discussed Nepal with Indian Prime Minister Singh during his recent visit to New Delhi. They agreed that the Maoists should abandon violence and the King should reach out to the political parties to restore democratic institutions. There are many different perspectives on Nepal within India. Some of the Maoist leaders attended school in India and have continuing contacts there.

Question:

The BBC recently reported that the Maoists expelled two of their senior leaders, reportedly over disagreement on policy toward the King. Have you seen these reports? What is their import?

Response:

We have seen these reports as well as reports in the past on other disagreements within the Maoist leadership. What is important, however, is Maoist behavior, which has not changed. We have not noticed any change in the Maoists' policy of using violence and intimidation to further their objectives. The Maoists must renounce violence to be considered a legitimate political force in Nepal.

Question:

In response to a question during the hearing, you suggested that the U.S. was open to resettling ethnic Nepalese refugees from Bhutan but only after the Bhutanese authorities identify and accept those individuals from within the refugee population who qualify as Bhutanese citizens. Why should the United States link its willingness to resettle eligible refugees to the actions of a government which denied its responsibilities on this issue for fifteen years and which may drag out implementation of any new understanding for a comparable period of time?

Response:

The U.S. has actively engaged Bhutan, Nepal, and other interested governments and organizations on the issue of Bhutanese refugees. We and others in the international community are prepared to resettle a significant number of Bhutanese refugees once UNHCR has registered the camps and we are provided with a permissive environment for processing. To date, the Government of Nepal has insisted that voluntary refugee repatriation to Bhutan precede UNHCR registration and third country resettlement. We are unwilling to indefinitely deny refugees options for durable solutions because of the intransigence of the two parties. However, Bhutan must live up to its international obligations and its own commitment to accept some refugee returns in order to address concerns about the protection of the ethnic Nepalese who remain in Bhutan.

Question:

There are reports that China and Pakistan are supplying weapons to Nepal. Is this true? If so, what are their motives and what sort of assistance is being provided?

Response:

We do not believe that either China or Pakistan is supplying weapons to Nepal in large numbers. China shares our concerns about regional stability and also supports reconciliation among the legitimate political forces.

Question:

I understand that the Maoists and the political parties reached a 12 point "understanding" regarding Nepal's political future. What is the U.S. position on this agreement?

The Maoists have said they will renounce violence if there is third-party mediation. What is the prospect of testing the promises of the Maoists by promoting mediation, such as by another country or even the United Nations?

Response:

From our reading of the letter of understanding issued by the seven-party alliance and the Maoists, it does not appear to require the Maoists to give up violence or even commit to extending their ceasefire. The Maoists must permanently abandon violence if they wish to join the country's political mainstream and support Nepal's democratic process. Similarly, the King must reach out to the country's legitimate political parties and work with them to bring democracy and peace back to Nepal.

We support third party mediation as long as all parties agree. We continue to be very skeptical of Maoist intentions, even if some form of mediation were to be possible.

Question:

The office of the High Commissioner of Human Rights is strongly supported by the U.S. and has apparently had a modest positive impact in restraining the two conflicting parties. However, much more needs to be done.

What are the priority areas which the U.S. believes the Office of the High Commissioner should focus on? Protecting war-affected children from the Maoists? Investigating the role of the Royal Nepal Army in "disappearances"?

Response:

OHCHR has had some success in restraining the two conflicting parties. Notably, the number of disappearances has decreased. We support OHCHR's mandate and priorities. According to OHCHR, its primary mandate is investigating and monitoring the human rights situation, followed by capacity-building. OHCHR ranks its priorities as first, conflict-related abuses; second, democratic rights threatened in the post-February 1 environment; and third, long-standing human rights issues; we agree with OHCHR's priorities.

Question:

Last year the UN Special Rapporteur on Torture visited Nepal and found that "torture and ill-treatment are systematically practiced by the police, armed police, and the Royal Nepal Army." He also found evidence of widespread torture carried out by Maoists. With the RNA being a significant supplier of troops to the UN Department of Peace Keeping Operations, is the US planning to support some kind of vetting process within the UN to ensure that human rights abusers don't participate in UN peace-keeping missions?

Response:

UN DPKO uses a database to track and report on cases or allegations of misconduct, including sexual exploitation and abuse, by categories of peacekeeping personnel while in UN service. The database was developed in consultation with other UN offices and departments, including Office of Internal Oversight Services, Department of Human Resources Management, and Department of Safety and Security. The database is designed to ensure that persons against whom allegations of misconduct have been substantiated are not re-hired. The database does not include information on misconduct that might have occurred before or after UN service.

SRI LANKA

Question:

In December 2002 Colombo and the LTTE issued a statement that "the parties have agreed to explore a solution founded on the principle of internal self-determination in the areas of historical habitation of the Tamil-speaking peoples, based on a federal structure within a United Sri Lanka."

- *Does the current government in Colombo continue to support this principle?*
- *In your judgment, is there broad bipartisan support within the Sinhalese polity for peace based on these precepts? If so, what evidence would you cite?*
- *Likewise, do you believe the LTTE is sincerely interested in a final agreement based on the December 2002 statement of principle?*

Response:

President Rajapaksa has endorsed a system that offers "maximum devolution." The current government is not opposed to federalism, but opposes the establishment of a separate state.

President Rajapaksa's strong commitment to the peace process as well as the government's recent participation in talks with the LTTE in Geneva indicate there is broad consensus within the Sinhalese polity for peace based on these precepts. Both major political parties, which depend on Sinhalese voters, support the current peace process.

It is difficult, however, to assess LTTE intentions. Since LTTE is a listed Foreign Terrorist Organization (FTO), we do not have any direct contact with the Tigers.

Question:

The formation of the Sri Lankan Monitoring Mission (SLMM), a Norwegian-headed body tasked with monitoring the ceasefire and addressing truce violations, was one of the provisions of the CFA.

What have been the successes and drawbacks of this approach? In particular, how do you respond to the criticism that under the guise of a ceasefire, permissive conditions have been created for pervasive human rights abuses and criminality?

Response:

Leadership of the SLMM has passed to Sweden. Norway will continue to participate as a contributing nation. Both parties have agreed to this change. The SLMM continues to monitor the Ceasefire Agreement and determine when and if violations have occurred. The organization is also an important resource for victims of the conflict. The SLMM serves as a constant benchmark of both parties' commitment to the Ceasefire Agreement but does not have a mandate to enforce it. The Sri Lankan government and LTTE are responsible for enforcement.

Since the Ceasefire Agreement was implemented, there have been fewer human rights abuses documented than during the time of the conflict. The SLMM has helped confirm and expose human rights abuses, such as recruitment of child soldiers, which accounts for more than half of the LTTE violations recorded.

Question:

In this regard, does the Administration believe that the current CFA should be modified so as to cover the full range of military actors (i.e., armed paramilitary groups) and strengthen its human rights component? Should the SLMM's mandate and capacities be similarly revised?

Response:

The priority right now for both parties is to enforce the current CFA. The United States supports an effective CFA, but any amendments or modifications to the CFA as well as any changes to the SLMM's mandate would have to be agreed to by all parties.

Question:

By 2001, the conflict had reached something of a stalemate, with neither side able to further their political goals purely through military means. Is this still the case? How would you characterize current conflict dynamics?

Response:

The resumption of talks gives us hope that both sides are committed to a political solution. We believe that both sides continue to realize that a military solution is not possible. Since the Ceasefire Agreement was signed in 2002, several hundred people have been killed in violence between LTTE cadres and members of anti-LTTE groups. In addition, the LTTE launched a series of isolated, small-scale attacks against military targets in the north and east this past December and January, resulting in the deaths of almost 100 members of Government security forces. Since talks were announced at the end of January, attacks against the military have largely subsided, although the March 25 sinking of a Sri Lankan naval vessel demonstrates the LTTE retains offensive capabilities.

Question:

In parallel with brutal repression of internal dissent, continued re-armament and repeated ceasefire violations, there appears to have been a new effort by the LTTE in pursuit of international and domestic legitimacy. How is this effort faring? E.g., is the EU backing off from its threats to label the LTTE a terrorist organization?

Response:

The LTTE's August 12, 2005 assassination of Foreign Minister Lakshman Kadirgamar set back its effort to win international legitimacy. We see no evidence that the larger international community is interested in conferring legitimacy on the LTTE. The EU is still considering listing the LTTE and some individual European countries have done so already.

Question:

Sri Lanka's Muslim population has been largely left out of the discussions about the peace process. I have the impression that as a result the Muslim community has become increasingly marginalized, which has contributed to growing radicalization, as well as tension and sometimes violence between the Muslim and Tamil communities. Please comment.

Response:

It is important to include Sri Lankan Muslims, and all communities in Sri Lanka, in any discussion of a permanent settlement of the conflict. The government and LTTE have both agreed in principle to do so. We believe the government of Sri

Lanka realizes the importance of ensuring Muslim commitment to any peace agreement. The government delegation to the February 22–23 talks in Geneva included a Muslim cabinet minister. We have not seen evidence of widespread radicalization of the Muslim population.

Question:

At the Tokyo Conference on the Reconstruction and Development of Sri Lanka in June 2003, aid donors pledged \$4.5 billion as reconstruction and development aid to Sri Lanka, tied explicitly to progress in the peace negotiations.

What has become of these pledges? Have any funds been expended? If not, are these pledges still valid?

Would you agree or disagree that the conditionalities or incentives for increased aid have not had the desired outcome? In other words, did donors overestimate the importance of economic aid as potential leverage on the peace process?

Response:

Pledges from the Tokyo Conference were meant to respond to and encourage progress in the peace process that stemmed from the February 2002 ceasefire agreement between the Government of Sri Lanka and the LTTE and the then-Government's pursuit of significant economic reforms under its Poverty Reduction Growth Facility (PRGF) program "Regaining Sri Lanka." The pledges were based on the premise that progress on the peace front would allow progress on the economic reform/development front and that such development would undergird support for the peace process—a virtuous cycle. Many of the pledges represented money the various donor and lending organizations had already committed to Sri Lanka.

Pledges were based on a World Bank/Asian Development Bank assessment that suggested a need of US\$1.5 billion to rebuild infrastructure in the north and east and US\$3 billion to implement "Regaining Sri Lanka," which was also the economic development plan of then-Prime Minister Ranil Wickremesinghe (now leader of the opposition). The current and previous Governments, however, abandoned the Wickremesinghe Government's PRGF. The PRGF officially expires April 17, 2006 and the current Government appears uninterested in pursuing a new arrangement.

While the GSL's move away from the PRGF has not stopped funding, it has slowed disbursement of some monies and forced the Multilateral Development Banks (MDBs) and donors to review the new Government's economic and development plans and re-channel funds away from budget support into other existing programs, post-tsunami reconstruction and post-conflict projects. For these reasons, pledged funds (the vast majority of which were pledged by the MDBs and Japan) have been committed and disbursed at varying rates over the past two and half years. (Pledges were made on a four-year disbursement plan.) The December 2004 tsunami further diverted attention of all donors and multilaterals toward relief, rehabilitation and reconstruction.

US pledges have been disbursed as intended through USAID.

The USG has never believed that economic assistance, while a useful "carrot," could substitute entirely for broad domestic political support for a peaceful resolution to Sri Lanka's ethnic conflict. Much of our bilateral assistance was channeled into projects that demonstrated the value of peace. A peaceful environment allowed progress on the development front and therefore made investing in Sri Lanka a viable activity. However, in the case of the north and east, where violence and LTTE control have created uncertainty, development has stagnated. The LTTE's status as a U.S.-designated Foreign Terrorist Organization (FTO), its continued resort to violence, its failure to stop child recruitment and its dictatorial nature makes development work in the north and east a significant challenge and constrains the economic potential of those living under LTTE authority.