



Momentum for Progress in South Asia

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Mr. Chairman and members of the Committee, thank you for inviting me to meet with you today to discuss United States policy interests in and our program request for South Asia. In many parts of the region, I am happy to report, there has been increased momentum for positive change. Our relations with India and Pakistan continue to improve, and significant progress is being made in rebuilding Afghanistan and lowering tensions between India and Pakistan. Although Sri Lanka was devastated by the Indian Ocean tsunami, there is hope that cooperation on relief between the Government and the Liberation Tigers of Tamil Eelam may increase trust between the two sides. Not all the news is good, unfortunately. In particular, we are deeply troubled by developments in Nepal, where the King dismissed the government and imposed a state of emergency while the Maoist threat continues to grow. Although the ceasefire continues to hold in Sri Lanka, negotiations remain stalled. Problems with corruption, lawlessness, governance and political violence plague Bangladesh.

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

Afghanistan:

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

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

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

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

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

Afghanistan's counter-narcotics program will also be supported by FY 2006 INCLE funds, which will continue to fund crop eradication, public diplomacy and demand reduction programs. ESF funds will also continue to play an important role in supporting government efforts to end poppy cultivation and narcotics trafficking through alternative development programs.

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

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

India

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

Indians on how to help the Nepalese resolve their political crisis.

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

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

Pakistan

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

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

Our \$698.3 million FY 2006 request for Pakistan contains \$300 million in Foreign Military Financing funds and \$300 million in Economic Support Funds for the second of the five-year, \$3 billion Presidential commitment. This reflects the critical importance of both aspects of the war on terror. As we facilitate the capture of al-Qaida and Taliban remnants and strengthen our military ties through the FMF program, we will help tackle the conditions that terrorists seek to exploit providing up to \$200 million in ESF for macroeconomic stabilization and growth, plus at least \$100 million in ESF to support social sector programs.

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

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

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

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

India-Pakistan Relations

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

Bangladesh

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

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

U.S. democracy programs seek to increase the accountability and transparency of democratic institutions, which can help defuse bitter rivalries, and support civil society advocacy groups such as Transparency International Bangladesh. To promote sustainable development, our programs will continue to improve basic education, foster scientific cooperation, assist economic growth and trade, combat trafficking in persons and increase health services for women and children.

Nepal and Bhutan

The United States has a strong interest in helping the Nepalese overcome the serious political problems they face, and the developmental problems from which much of their current political crisis derives. We want Nepal to be a peaceful, prosperous and democratic country, but it confronts the possibility that a brutal Maoist insurgency might seize power; not through military force but through a collapse of will to resist it. For this reason we were particularly concerned about King Gyanendra's February 1

dismissal of the government, declaration of a state of emergency and detention of politicians and dissidents. This serious setback for Nepalese democracy risks eroding the Government's ability to resist the insurgency even further. The King has said that his recent actions are intended to strengthen Nepal's multi-party democracy and to bring the Maoist insurgency to an end. He needs to move quickly to reinstate and protect civil and human rights, release those detained under the state of emergency and begin a dialogue with the political parties intended to restore multi-party democratic institutions under a constitutional monarchy.

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

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

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

Sri Lanka and Maldives

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

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

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

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

Public Diplomacy and Regional Programs

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

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

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

Conclusion

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

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

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