

## EAST ASIA AND THE PACIFIC

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**Burma**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	12,923	7,936	7,000

Burma, strategically located between China and India in Southeast Asia, remains of continuing concern to the United States. U.S. interests in Burma include promoting democracy, supporting human rights and religious freedom, fighting HIV/AIDS, furthering effective counter-narcotics efforts, recovering World War II remains and promoting regional stability.

U.S. Government policies maintain pressure on the military junta (known as the State Peace and Development Council (SPDC)) to engage in meaningful dialogue with the democratic opposition leading to genuine national reconciliation and the establishment of democracy. Nobel Peace Prize Laureate and Secretary General of the National League for Democracy (NLD) Aung San Suu Kyi has been detained since the brutal May 30, 2003 attack on her convoy and supporters. On December 29, 2004, the junta announced it was extending her indefinite detention for at least another year.

The SPDC has ruled Burma since 1962, suppressing dissent and implementing policies that have led to a significant deterioration of the country's economy and social well-being. In May 2004, the SPDC convened a National Convention as part of its "Roadmap" for democratic change, but the Convention (suspended since July 2004) appears to be on track to do little more than entrench military rule in Burma. In October 2004, junta hard-liners further consolidated their power by ousting former Prime Minister Khin Nyunt and replacing him with Soe Win, who was reportedly directly involved in the decision to carry out the May 2003 attack on Aung San Suu Kyi.

There are restrictions on the provision of U.S. assistance to the Government of Burma. Sanctions include a ban on new investment in Burma by U.S. persons, a ban on the export of any financial services to Burma from the U.S. or by a U.S. person, a ban on the importation of Burmese products into the U.S., an asset freeze, and visa restrictions affecting persons who formulate, implement, or benefit from policies that impeded Burma's transition to democracy, which the Secretary of State has determined includes the past and present leaders of the SPDC and United Solidarity Development Association and their immediate family members. Other governments have also placed sanctions on the junta.

Burma's mainly agrarian economy is in shambles due to years of mismanagement by the junta, which has exploited the country's rich natural resources for its own benefit. The business and investment climate remains poor, trade continues to shrink, and economic growth remains stagnant. Burma appears to have escaped the brunt of the December 26, 2004 tsunami, though there were casualties and some damage in southeastern coastal areas and in the Irrawaddy Delta southwest of Rangoon.

The U.S. remains committed to supporting democracy and meeting humanitarian needs. In FY 2006, ESF will support democracy promotion programs. To combat the growing HIV/AIDS epidemic, we will continue to fund NGOs such as Population Services International, which, through its services and its sub-grantees, seeks to heighten AIDS awareness, provide treatment and improve access to products and services designed to prevent HIV transmission. The U.S. also provides funding to combat HIV/AIDS and tuberculosis through the Global Fund, and is monitoring those grants (administered by UNDP) very closely.

FY 2006 ESF will provide critical aid to the growing number of displaced persons and victims of trafficking in Burma. Such funds are an important supplement to the funds already provided for Burmese refugees by the Bureau of Population, Refugees and Migration at the Department of State. This assistance

helps ethnic populations maintain their cultural identities, builds and strengthens grassroots democratic institutions, and maintains pressure on the SPDC to improve its human rights record and cease persecution of religious and ethnic minorities.

**Cambodia**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	29,360	28,700	27,400
DA	2,750	9,450	2,200
ESF	16,900	16,864	15,000
FMF	-	992	500
IMET	-	-	50
NADR-HD	3,466	3,920	3,500
NADR-SALW	300	250	200
NADR-TIP	150	-	-
P.L. 480 Title II	703	-	-

The United States' national interests in Cambodia include: promoting democratic practices and good governance; increasing respect for human rights; supporting market-led economic development; fighting the spread of infectious diseases, particularly HIV/AIDS, tuberculosis, malaria and dengue fever; and assisting Cambodia to attain the capabilities to deny international terrorists use of Cambodia as a base of operations. These efforts proceed against the background of continuing international competition for influence in Cambodia among its neighbors and regional powers. Cambodia has supported U.S. efforts to combat global terrorism by destroying its stock of man portable air defense systems (MANPADS) and through the arrest and conviction of five terrorists plotting attacks from inside Cambodia, including the conviction in absentia of Jemaah Islamiyah operations chief Hambali.

As a participant in the 1991 Paris Peace Accords on Cambodia, the United States has a long-term interest in Cambodia's national reconciliation and reconstruction. Cambodia still lacks the human capacity and resources to meet its development challenges. The central government lacks the financial resources to develop its education and health care sectors. As a result, adult literacy in Cambodia is estimated at only 70 percent, and only half of all adults over 25 years old have completed primary school. While the HIV/AIDS infection rate in Cambodia has fallen in recent years, it remains at epidemic levels due to low levels of education and limited medical facilities. Widespread corruption has led to the concentration of power in the hands of the wealthy, biasing the government's institutions against its predominantly poor population. While Cambodia has hundreds of non-governmental organizations focusing on social issues and human rights, they often lack the training and capacity to organize effectively.

Since 1997, legislative restrictions have prohibited U.S. Government assistance directly to the Royal Government of Cambodia (RGC). Over the last several years, Congress has provided a number of exceptions (such as for health and education) to this provision in the Foreign Appropriations bills, and we continue to work with Congress to gain greater flexibility. ESF in Cambodia supports USG objectives in several key areas, including those related to democracy, human rights, good governance, and anti-corruption. Assistance is almost entirely implemented through grants to NGOs or contracts with U.S. firms.

High infant mortality and high maternal mortality reflect the poor state of health care in Cambodia, especially outside of large cities. FY 2006 Child Survival and Health (CSH) funds will be used to support maternal and child health programs and meet the reproductive, family health and infectious disease needs of Cambodia's rural population, including HIV/AIDS prevention. CSH funds will also be used for training of health care providers, and outreach services for those infected with HIV/AIDS. FY 2006 Development Assistance (DA) funds will be used to improve basic education through implementation of a new primary

curriculum and publication of new textbooks, and to increase educational opportunities for disadvantaged populations, including disabled students, tribal groups and Muslims. The new curriculum intends to make education more relevant by including an expanded life skills curriculum. DA funds will also provide for the training of teachers and rehabilitation of school buildings.

FY 2006 ESF will focus on political party development (in preparation for the 2007 Commune council elections) in the context of a multiparty democracy and on human rights monitoring. Democracy and governance funds will support NGOs who challenge the system. Funds also will target professional party organization development, expand youth participation in politics, promote a more transparent judiciary, address natural resource and other economic management issues and encourage more responsible print media and access to television and radio media by opposition groups and NGOs. Human rights programs will focus on strengthening the skills of organizations to monitor, investigate and follow-up on human rights abuses. Funds also support an NGO conducting research to record and document the crimes of the Khmer Rouge. Other areas of potential involvement include basic education, anti-human trafficking, anti-corruption and expanded efforts to ensure greater public involvement in understanding and discussing economic and political issues in Cambodia.

In the social sector, U.S. assistance to NGOs, international organizations and the Ministry of Women's Affairs will support programs to combat human trafficking and aid the victims, mainly women and children. If legislative restrictions were lifted, assistance might also be used to reform the judicial sector.

FY 2006 FMF funds will provide training and non-lethal military equipment to modernize border and naval units of the Royal Cambodian Armed Forces and increase their ability to operate jointly with Ministry of Interior and National Police border units. Cambodia has been responsive to UN and regional calls for action in the fight against terrorism, but lacks sufficient resources and capability to do so effectively. In addition, FY 2006 IMET funds for Cambodia will provide training and education to the Cambodian military in order to improve its border surveillance and control. These activities are relevant to improving Cambodia's counter-terrorism, counter-narcotics, and anti-piracy efforts. IMET funds remain contingent on Cambodia's political situation and on whether certain restrictions on assistance to Cambodia are lifted.

Cambodia is eligible to receive Excess Defense Articles (EDA) in FY 2006 under Section 516 of the Foreign Assistance Act. EDA will help enhance Cambodia's border patrol capabilities.

Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) Humanitarian Demining Program (HD) assistance will fund the U.S. contribution to the humanitarian demining program, which is administered through an independent contractor and NGOs. Cambodia is among the top five nations in the world for the number of landmine victims, with over 800 casualties per year. International assistance is vital to Cambodian efforts to remove what is estimated to be as many as one million land mines and 2.5 million pieces of unexploded ordnance. It is conservatively estimated that at the current rate of demining, it will take 15-20 years to reach a "mine safe" condition. FY 2006 NADR Small Arms/Light Weapons Destruction (SA/LW) funds will help stop the proliferation of Cambodian small arms and light weapons through funding for physical security upgrades at weapon storage sites and destruction of excess small arms and light weapons.

## East Timor

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	22,367	21,824	13,500
FMF	2,420	992	1,500
IMET	159	300	300
P.L. 480 Title II	669	-	-
Peace Corps	1,320	1,402	1,583
PKO	1,050	1,000	-

The U.S. has important political and security interests in East Timor. The people of East Timor celebrated full independence on May 20, 2002, completing a rapid transition from United Nations administration to self rule to include the development of a constitution, election of President Xanana Gusmao, transformation of the Constituent Assembly to the National Parliament and inauguration of the new Prime Minister and Cabinet of Ministers. The UN Mission of Support in East Timor (UNMISSET) is currently scheduled to close on May 20, 2005. The Government of East Timor was one of the first countries in Asia to sign an Article 98 agreement with the U.S. and has expressed interest in receiving counter-terrorism training from the United States.

The U.S. intends to continue to help East Timor with assistance aimed at establishing a stable and secure democratic government and a growing market economy. Our goal is the emergence of a viable, democratic East Timor that is integrated politically and economically into regional and global structures and markets. For democracy, rule of law and stability to take permanent hold in East Timor, the U.S. must continue to support the development of stable political and economic institutions in East Timor.

The establishment of East Timor as a viable democracy will require substantial institution building. The top priority for Economic Support Funds (ESF) in FY 2006 will be to support private sector led growth of East Timor's economy, whose infrastructure—never very developed—was seriously damaged by a concerted campaign of violence after East Timor voted for independence in 1999. ESF will help establish prosperous trade links with other nations in the region and to integrate East Timor economically into the global community. To promote trade and combat unemployment—which will likely be exacerbated by withdrawal of the UN in 2005—ESF will continue to support sustainable agricultural development, as well as development of niche market commodities (such as vanilla) and improve agricultural diversification and productivity. To reduce rural poverty and increase employment, ESF will be used to provide micro-credit to rural families and to establish and expand micro and small-size private enterprises.

East Timor is the newest country in the world as well as one of the poorest. Its health and economic indices are among the worst in the world. The establishment of East Timor as a mature and stable democracy with a free and productive economy will continue to require substantial institution building in FY 2006. Significant efforts to promote private sector development, consolidation of democratic institutions, a functional and professional legal system, and targeted improvements in the struggling health system will require ESF. The need for ESF funds will be particularly acute in light of the substantial economic, political, and social impact of the expected withdrawal of the United Nations Mission in East Timor (UNMISSET) in May of 2005.

ESF also will support the development of an independent judiciary and a fully functional legal system; developing local governance; mitigating political conflict through information campaigns and promoting dialogue; reducing corruption; developing the necessary legislative framework for good governance; and

supporting democratic elections. ESF will continue to support, although to a lesser extent than in previous years, programs and activities for the development of civil society in East Timor. Finally, ESF will fund a health program to reduce the country's child and maternal mortality rates, both of which are the highest in Asia and among the highest in the world.

East Timor has established a modest defense force, Timor Leste Defense Force (FDTL) of 1,500 active duty personnel. Although East Timor's security will depend in large measure on good relations with neighboring countries, the new nation will require a military that is trained and equipped with items needed for basic self-defense, including support, communications, transportation, and equipment. Foreign Military Financing (FMF) will help ensure the establishment of an appropriately equipped force by facilitating the acquisition of basic military equipment. In FY 2006, FMF will focus on three key objectives: (i) creating and consolidating a competent defense establishment which provides policy and strategic direction for the (FDTL) under the rule of law; (ii) aiding FDTL to gain the capabilities required to perform civic actions and respond to natural disasters and other emergencies; and (iii) training, preparing, and equipping FDTL to defend the sovereignty and integrity of the country by deterring aggression, defeating incursions, and delaying enemy forces until external help arrives.

The 2006 FMF program for East Timor is part of a multi-year effort that has been thoroughly coordinated with the U.S. Theater Security Cooperation Plan. The funds will be used to: (i) provide logistical assistance to FDTL and assist it in developing its own logistical capabilities; (ii) deploy Mobile Training Teams which will help develop the capabilities of the civilian defense establishment as well as provide training on other areas including civil-military relations, medical skills, and engineering; and (iii) raise the operational rate of vehicles/equipment and procure other material needed for core military operations, including the involvement of the military in civic action projects.

The FY 2006 IMET will continue to support the East Timor Defense Force's (ETDF) transition from a guerilla army to a democratic, professional, and effective force. Initial funding has supported English language training; we now seek ETDF attendance at entry-level Professional Military Education courses. We plan to include civilians in IMET training to promote improved transparency, budgeting, logistics, and management. IMET funds will facilitate the development of a professional military force as East Timor becomes more responsible for its security after UNMISSET's departure in May of 2005.

East Timor will be eligible in FY 2006 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S. objectives of supporting East Timor's self-sufficiency, disaster management and humanitarian assistance relief, as well as of developing a professional, effective defense force.



**Fiji**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	-	248	500
IMET	229	250	250
Peace Corps	1,439	1,758	1,894

Since the coup and military mutiny of May 2000, Fiji's government has resolved political differences between its ethnic communities in a manner consistent with Fiji's constitution. In September 2003, military-to-military relations were normalized, allowing for full security assistance to resume. U.S. interests in Fiji include encouraging stable and democratic government, promoting economic prosperity by facilitating U.S. trade and investment and supporting efforts to open markets and promote broad-based growth. The U.S. and Fiji work together in regional organizations such as the Pacific Islands Forum and the Pacific Community. In December 2003 Fiji signed an Article 98 Agreement with the United States.

Fiji has a long history of contributing troops to multilateral peacekeeping missions over the years in Lebanon, Zimbabwe/Rhodesia, Afghanistan, Pakistan, Sinai, Kuwait, Somalia, Rwanda, Bougainville and East Timor. In 2003, Fiji contributed military and police forces to the Australian-led effort to restore peace and stability in the Solomon Islands. In 2004 Fijian troops were deployed to Iraq to provide security for the United Nations.

After years of absence from the International Military Education and Training (IMET) program, there is an extensive gap in U.S. trained Republic of Fiji Military Forces (RFMF) officers. While some senior officers previously had the opportunity to participate in the program, mid and junior grade officers and Non-Commissioned Officers have only recently become eligible, and they now are the primary targets of IMET. Professional military education programs that highlight the role of the military in a democracy and human rights issues are the priority; a secondary focus is to train a cadre of maintenance personnel and establish an equipment maintenance program to better support U.S.-origin equipment procured through the Foreign Military Financing (FMF) program.

The modest FMF funds requested for FY 2006 will help provide essential equipment for the Fijian Defense Force. In FY 2006, FMF funds will enhance Fiji's ability to continue making valuable contributions to U.S. and multinational peacekeeping activities worldwide. Funds will procure equipment necessary to participate in peace support operations, including individual soldier equipment such as body armor and night vision devices and interoperable tactical communications equipment. FMF also will procure training aids, such as training munitions and simulation equipment.

Fiji is eligible to receive Excess Defense Articles (EDA) in FY 2006 under Section 516 of the Foreign Assistance Act. EDA will also support Fiji's ability to contribute to regional peacekeeping endeavors.

**Indonesia**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	33,000	36,700	27,540
DA	33,291	27,848	48,424
ESF	49,705	64,480	70,000
FMF	-	992	1,000
IMET	599	600	800
INCLE	-	-	5,000
NADR-ATA	5,778	5,300	5,300
NADR-EXBS	220	-	450
P.L. 480 Title II	3,315	11,900	18,190

In a post 9/11 world, it is important to the United States that the world's fourth largest country with the world's largest Muslim population is a stable democracy. Indonesia's contribution to the Global War on Terror is also a vital U.S. interest.

In 2004, Indonesia held a successful series of elections culminating in the direct democratic election of a new president. That achievement continued the relentless democratic transition that Indonesia has undergone since autocrat Soeharto resigned in 1998 after three decades in power. Since 9/11 2001, Indonesia has been the target of several tragic terrorist attacks by groups with ties to Al Qaeda. The government has taken the threat seriously, arresting more than 130 terrorists since the 2002 Bali bombings and convicting more than 100. Economically, Indonesia remains challenged. It has not yet fully recovered from the 1997-98 Asian financial crisis and net foreign investment remains negative, while all other major ASEAN countries have positive foreign investment.

Developing Indonesia's democratic, educational, economic, police and justice sector, and social institutions – as the programs described below intend to do – is mutually beneficial to both the United States and Indonesia

In FY 2006, Child Survival and Health funds will provide technical assistance and training activities to improve Indonesian health, water and nutrition services. Critical program interventions will support the achievement of Millennium Development Goals through the provision of higher quality basic human services to the people of Indonesia, especially at the local level. Basic human services include: health care, clean water and sanitation under the President's Water for the Poor initiative, HIV/AIDS prevention, reduction in the spread of infectious diseases such as tuberculosis and malaria; food and nutrition assistance; and watershed and biodiversity conservation. These programs will have a direct impact on protecting the lives of vulnerable mothers and children, reducing the impact of infectious diseases, and preserving the environment.

In FY 2006, DA funds will provide technical assistance and training activities that will support the social, democratic and economic development of Indonesia. This will be accomplished through activities that increase the quality of basic education, provide higher quality basic human services, and promote economic growth. An additional \$11 million in DA funding will allow USAID to remain engaged in longer term developmental activities in the areas of economic growth and democratic governance, complementing proposed ESF funding for shorter term, policy-driven assistance programs in these sectors. Finally, the

additional DA funding will be used to support programs under the President's Water for the Poor initiative, complementing proposed CSH support for certain elements of the "basic human services" program.

The FY 2006 ESF for Indonesia will provide technical assistance and training activities that will: strengthen counter-terrorist initiatives (financial crimes; money laundering); improve the quality of basic education for ten percent of Indonesia's children; promote participatory, transparent, and accountable decentralized governance, democracy and human rights; promote economic growth and prosperity; and support enhanced public diplomacy programs.

In FY 2006, \$15 million will support the President's \$157 million Education Initiative for Indonesia (an increase from \$10 million in FY 2005). Of this \$15 million total, \$11 million will be programmed by USAID and \$4 million by the Embassy Public Affairs Section (PAS).

ESF for education will support our counter-extremism objectives by promoting tolerance, critical reasoning, commitment to democratic processes and awareness of global viewpoints among Indonesian students in both public and private schools. We have worked hard and successfully with Indonesian leaders to emphasize the secular orientation of this timely initiative, how the initiative reflects the GOI's stated priorities on education reform, and to overcome suspicion of U.S. intentions.

Under the planning budget scenario of \$157 million over FY 2004 to FY 2009, assistance will directly reach up to 100 local governments, including currently underserved districts, and four million students (10 percent of the national total). At least \$110 million of program resources will be used to improve teaching and learning, education governance, community involvement in school management, and the rationalization of increased funding. An estimated \$23 million of the resources will target out-of-school youth. The remaining \$24 million will be used to continue Fulbright scholarships, deepen engagement with Islamic educational institutions, and other educational exchange programs managed by PAS. USAID will leverage the assistance of other donors as well as private sector funds. Donor coordination is already underway, particularly with Australia.

In FY 2006, ESF is proposed for Democratic and Decentralized Governance programs. ESF-supported activities will assist Indonesia's democratic reform efforts during this critical next phase of the country's transition from authoritarianism to democracy following peaceful and the historic legislative and presidential elections in 2004 (second round of presidential elections on September 20, and presidential inauguration on October 20, 2004). The goals are to improve the justice sector; to address corruption; and to focus on strengthened participatory, transparent, accountable governance at the local level.

In FY 2006, ESF will be committed to Economic Growth and Governance programs. The main goal is to help key economic institutions develop and implement policies that will improve conditions for trade and investment. This work is important given the economic context: Indonesia has regained macroeconomic stability after the late 1990s financial crisis, but current GDP growth is insufficient to absorb new entrants to the workforce and the continued unpredictability in the investment climate has resulted in a significant foreign direct investment decline.

A new allocation of approximately \$3.5 million is requested to support our public diplomacy programs through exchange programs, assistance to moderate Muslim organizations, internship programs for Indonesian journalists to strengthen the quality of Indonesia's free press, and special visitor exchange programs focusing on conflict resolution, human rights, and rule of law.

Funds will help stabilize conflict situations in strategic areas of Indonesia, such as Aceh (work that was planned before the earthquake/tsunami). Continuing the work in this area in recent years, the funds will be

used to engage antagonists in dialogue, address root causes of conflict, and assist victims, including over one million IDPs.

The FY 2006 counterterrorism training program activity for Indonesia will shift from two years of Task Force operational training, equipping, formation and deployment to program transition, sustainment, oversight and liaison. Six operational elements, consisting of 279 police officers trained in Crisis Response Team (CRT), Explosives Incidents Countermeasures (EIC), and Counterterrorism Investigation will have been formed and deployed by the end of FY 2005.

In FY 2006, ATA will deliver advanced training in CRT and EIC train-the-trainer courses to assist the police in transitioning to self-training and Task Force expansion. Force integration and operational planning training will be offered to those in key command and control positions, while senior leaders and operational-level tactical commanders will participate in crisis management seminars and scenario-driven exercises. Force projection and operational capabilities assessments and advice and assistance consultations will be undertaken with police planners and logisticians.

The FY 2006 IMET allocation for Indonesia, currently limited to Expanded IMET courses, will continue to build upon the ongoing reform program and professionalization of the Indonesian military. The early days of the international response to the earthquake and tsunami illustrated the need for increased professional links between the Indonesian and U.S. militaries. It became clear that Indonesian officers have limited English language ability or international experience. Indonesia's key location along strategic sea lanes makes its ability to provide security and order within and along its borders imperative. Because of the Indonesian military's influential role in society, democratic civil-military reform is a coordinated two-part process, involving strengthening the civilian defense institutions at the same time that the military is professionalized. Indonesian society is currently conducting a vigorous internal debate regarding the future role of its armed forces, so continued influence along these lines is both necessary and timely. IMET funding complements the efforts of other programs in facilitating the development of a professional military that is both able to carry out its defense tasks and remain responsive to the political decisions of a competent civilian national command authority.

Indonesia is a center of transnational criminal activity and home base for international terrorist groups that threaten the region, U.S. allies, and the United States. Indonesia recognizes the need for and has requested assistance with police recruitment and basic and advanced training, marine police reform, environmental crimes, cybercrime and financial crimes, drug law enforcement and criminal justice reform.

Training, technical assistance and equipment will support the development of the Indonesian National Police and its Marine Police component into modern and effective civilian forces respectful of the rule of law and human rights. Technical assistance and training in the areas of criminal investigative skills and anticorruption measures, including the development of standards of operations, will be integrated into the police-training program. Funding will be provided to attack corruption and reform the criminal justice sector through the development of police-prosecutorial task force. INL also will begin the close-out phase of the police instructor program ("train-the-trainer").

**Laos**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	50	50
INCLE	2,000	1,984	1,000
NADR-HD	1,412	2,500	3,000

U.S. national interests in Laos center around five main policy areas: (1) achieving the fullest possible accounting and recovery of 377 POW-MIA cases from the Indochina conflict; (2) promoting respect for human rights, including religious freedom; (3) implementing economic reforms in order to move Laos towards a market-oriented economy; (4) cooperating on counter-narcotics programs, and other efforts to combat transnational crime, with the aim of reducing the cultivation of opium and demand for drugs as well as improving law enforcement; and (5) assisting in the removal of unexploded ordnance (UXO) from the Indochina conflict. In addition, Laos has publicly announced its support for USG efforts in the global war on terrorism. The Lao government signed an Article 98 agreement, issued an assets freeze order, and acceded to eight of the twelve UN anti-terrorism conventions.

Laos is one of the ten poorest countries in the world. The Lao government is taking steps to improve its people's standard of living, particularly through the implementation of its National Growth and Poverty Eradication Strategy. The government is slowly adopting market reforms to move the economy away from a centrally-planned system. It has increased its engagement with the international community, particularly through its membership in the Association of Southeast Asian Nations (ASEAN). It currently holds the ASEAN chair.

Laos, however, faces several challenges in its attempts to implement its development goals. There is minimal international investor interest in Laos outside of some mineral extraction opportunities and a nascent tourism industry. The Government of Laos (GOL) is pursuing several hydro-power projects, but it is not certain that they will be implemented. Laos is a major opium producing country, serves as an increasingly important drug transit point, and faces a rapidly growing problem with methamphetamine usage. Unexploded ordnance (UXO) continues to wound and kill a significant number of Lao citizens and inhibits efforts to expand agricultural production and infrastructure development by rendering plots of land unusable.

The FY 2006 request for International Military Education and Training (IMET) will support POW/MIA accounting efforts through English-language training programs to Lao citizens involved in Joint Task Force (JTF) activities. This assistance should increase the ability and speed of communications between U.S. and Lao personnel, thereby enhancing the efficiency of JTF activities.

Laos is eligible to receive Excess Defense Articles (EDA) in FY 2006 on a grant basis under Section 516 of the Foreign Assistance Act. Grant EDA items, including communications equipment and transportation assets, will support U.S. counter-narcotics and the POW/MIA goals as well as demining activities.

The FY 2006 request for Humanitarian Demining (HD) programs under the Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) account continues the USG commitment to assist Laos in clearing UXO and landmines from areas that were heavily bombed during the war. U.S. funding will continue to support humanitarian mine action (HMA) activities of NGOs and international organizations, as well as the National Regulatory Agency (NRA), which manages HMA and the implementation of the national strategic plan in Laos. This increased funding will enable the USG, the Lao

government, and their partners to build on the significant progress made in removing UXO and to expedite reaching the goal of making Laos free from UXOs.

International Narcotics Control and Law Enforcement (INCLE) funds target alternative development, law enforcement, and crop control programs. The principal activity is road construction projects in Luang Prabang province to provide market access to farmers growing crops other than opium, an important program if alternative development efforts are going to be viable in the long run. INCLE funds also will support training and maintaining special counter-narcotics police units, implement demand reduction projects to treat drug addicts, and assist in public outreach against drug use.

## Malaysia

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	939	1,100	900
NADR-ATA	-	870	900
NADR-EXBS	230	150	750

Malaysia, a key Muslim-majority state in Southeast Asia, cooperates closely with the U.S. in counter-terrorism, military relations, trade and education. Since the 2002 signing of a bilateral counterterrorism cooperation declaration, Malaysia has been an especially important partner in the global campaign against terrorism. The Government of Malaysia (GOM) also hosts the Southeast Asia Regional Counterterrorism (CT) Center (SEARCCT), for which we offer training. Malaysia is our 10th largest trading partner and is an important market for U.S. goods and services.

From its strategic position along the Strait of Malacca and the South China Sea, Malaysia devotes considerable resources to maintaining safe and free shipping lanes for commercial and military vessels. In FY 2006 we will work to further enhance US-Malaysian cooperation on maritime security, both bilaterally and in multilateral fora, where Malaysia plays a leading role in the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional forum. Malaysia seeks to be an influential voice on Islamic and Middle Eastern issues and is currently the Chair of the Organization of the Islamic Conference (OIC). Malaysia also is the current chair of the Nonaligned Movement (NAM). Malaysia is playing a positive role in the peace process in the southern Philippines by facilitating talks between the Philippine Government and the Moro Islamic Liberation Front (MILF).

FY 2006 IMET funds will contribute significantly to regional stability by strengthening our military-to-military ties and familiarizing the Malaysian military with U.S. doctrine, equipment, and management techniques. IMET also will reinforce the Malaysian military's commitment to human rights and good civil-military relations and help expand our cooperation with Malaysian military leaders. Malaysia has been active in multinational peacekeeping operations, which necessitate training that promotes interoperability. Malaysia is also engaged in training that will improve the military's ability to combat narcotics trafficking and money laundering operations.

IMET funds for Malaysia have resulted in additional benefits, such as the formation of good working relations with the Malaysian military. The Malaysian military shares our fundamental values about the military's role in society, and military-military and civilian-military cooperation is broad, open, and active. Participation in IMET is highly valued by the Malaysian military, and IMET graduates continue to advance steadily. Malaysia's Chief of Army is a 1980 graduate of the U.S. Army Command and General Staff College at Fort Leavenworth. Exposure to U.S. ideals promotes respect for human rights throughout a key branch of Malaysia's government; the Malaysian military has not been involved in systematic violations of human rights. IMET also will enhance Malaysia's ability to participate in international peacekeeping activities.

Malaysia will continue to be eligible in FY 2006 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S objectives of maintaining a stable and cooperative military relationship and improving Malaysia's peacekeeping capabilities.

Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Antiterrorism Assistance (ATA) funds will support the Malaysia CT Center. To add efficiency and promote regional cooperation in

CT policy with Malaysia's neighbors, we will continue to utilize SEARCCT. NADR/ATA funds will support training courses and a SEARCTT liaison officer.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States plans to provide Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds for cooperative program in Malaysia. FY 2006 NADR/EXBS funding is focused on improving enforcement, licensing, and industry outreach procedures and capabilities.



**Mongolia**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	9,941	9,920	7,500
FMF	995	992	2,500
IMET	872	850	875
Peace Corps	1,646	1,820	1,872
PKO-SUP	1,000	-	-

As the first communist country in Asia to reform its economy and political system, Mongolia provides an important example to others in East Asia, Central Asia, and elsewhere on how to manage an economic transition within a democratic political framework. The U.S. has a clear national interest to support Mongolia's transformation into a secure, democratic and stable country that can contribute to the security and prosperity of the Asia Pacific region. It is in the U.S. interest to enhance Mongolia's ability to integrate into regional fora that promote security, democracy, economic cooperation, and efforts to combat transnational crime. Mongolia's active participation in, for example, the ASEAN Regional Forum (ARF) and the Organization for Security Cooperation in Europe (OSCE) as well as its consistent support for U.S. policy goals in the East Asia/Pacific region (e.g., the Six Party Talks and the de-nuclearization of the Korean Peninsula) and for the global war on terrorism (e.g., its commitment to peacekeeping and reconstruction in Iraq and Afghanistan), are tangible demonstrations of the effectiveness of our assistance to Mongolia. Since the early 1990s, U.S economic and military assistance to Mongolia has supported Mongolia's transformation to a market-oriented democratic society, with an appropriately trained and equipped modern armed forces able to secure Mongolia's borders and to participate in international peacekeeping missions.

The FY 2006 Economic Support Funds (ESF) program covers crucial areas – policy reform, competitiveness, and democratization. Continued progress in these areas will be critical to assuring Mongolia's continued eligibility for MCA resources and to the long-term sustainability of the programs funded by MCA.

Our current five-year ESF-funded economic assistance strategy (FY 2004-2008) focuses on two of Mongolia's most pressing concerns: developing sustainable private sector-led economic growth and more effective and accountable governance. Efforts to promote sustainable, private sector-led growth are focused at the policy, company, and "grassroots" levels. At the policy and company levels, the Economic Policy Reform and Competitiveness Project (EPRC) provides training and advice to government and the private sector. The project has helped the GOM develop a package of proposals for tax reform, established an "Open Government" website for posting new legislation and conducting on-line chats with the public; and has made important progress toward the privatization of the energy sector. In addition, EPRC is helping to strengthen Mongolia's nascent chapter of Transparency International to serve as a watchdog on corruption; is working with the textile industry to prepare for the expiration of the Multi-Fiber Agreement, and is strengthening GOM capacity to conduct trade negotiations. At the grassroots level, business training provided to migrants from rural to peri-urban areas and to herders and related businesses in the harsh Gobi Desert region helps extend knowledge about the market economy, including sound business practices, to a much larger segment of the population. As a result, over 500 small businesses were either created or significantly strengthened during the past year, and more than 1500 people were placed in jobs.

Within the democracy and governance portfolio, the Judicial Reform Project has helped the court system train every judge in the country, improved case management and court administration, introduced new

approaches to continuing legal education, and helped address corruption in the legal sector. As a result of our assistance, all courtrooms are now fully automated, and public access to information is increasing dramatically. Additionally, in the past year, ESF-funded work with political parties led to a more representative parliament after the June 2004 general election, while our work with the Parliament led to passage of a far-reaching reform bill intended to strengthen the ability of parliamentary committees to oversee the government. These successes notwithstanding, important challenges remain. Poverty is stubbornly high at around 33 percent, the judiciary and civil society remain weak, corruption remains high, public access to the decision-making process is limited, the Parliament has yet to emerge as an effective overseer of the executive branch, and the participation of women in the political process is strikingly low (women hold only five seats in Parliament, for example, and none of the 21 regional governorships). Our work in FY 2006 and beyond will focus on these issues.

Mongolia must be able to protect and maintain its own borders and to cooperate with its neighbors and regional partners to combat transnational crimes, such as cross-border trafficking of narcotics and people, and to prevent terrorists from entering and transiting the country. Mongolia shares a 4,700-mile border with China (2,800) and Russia (1,900). North Korea is only some 500 miles to Mongolia's east. The Foreign Military Financing (FMF) request will assist the FMF-funded communications upgrade project, which will greatly enhance Mongolia's ability to deal with transborder issues, including illegal drug and goods trafficking. The border communications project has been connecting the Russian-bordered Western province of Uvs with the capital and will be expanded to include the eastern province of Dornod in 2006. These issues are among Mongolia's most critical security concerns since they hold the potential to disrupt the stability of the current democratic government. Additionally, FMF will procure communications and individual soldier equipment for Mongolia's peacekeeping units.

Civilian control of the military, military justice, respect for international human rights standards and preparation for participation in peacekeeping operations are promoted by International Military Education and Training (IMET) programs for Mongolia's Armed Forces. Such education is essential if Mongolia's military is to continue to move away from Soviet-era military doctrine, policy and procedures. In FY 2006, E-IMET courses will continue to train senior leadership and promote military reform and restructuring. IMET-funded language and professional military training not only strengthened U.S.-Mongolian military ties but also built a cadre of pro-U.S. reformers in the most critical leadership positions in the armed forces. The commanders who lead Mongolia's first, second and third rotations in Iraq were all IMET graduates, as is the current Defense Attache at the Mongolian Embassy in Washington. Program will continue to focus on force structure, civil-military relations, civilian oversight of the military budget and drafting democratic defense legislation. These programs, enthusiastically attended by Mongolian personnel at all levels, will help develop a friendly and capable coalition partner, fully interoperable with U.S. forces.

Mongolia will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act in FY 2006. Grant EDA will support disaster management, humanitarian assistance/relief and procure needed equipment for the newly forming peacekeeping battalion.

## Papua New Guinea

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	292	300	300

U.S. national interests in Papua New Guinea (PNG) derive from our overarching interest in regional stability and PNG's strategic importance to our treaty ally Australia. PNG is the largest and most populous island nation in the South Pacific and neighbor to the troubled Indonesian province of Papua. PNG is also home to one of the world's last large remaining tropical rain forests. U.S. interests include strong democratic institutions, development of disaster relief capabilities, continued progress in the transition from civil strife to constitutional rule of law in Bougainville province, a free enterprise economic system, and improved stewardship of diverse natural resources. The benefits of a stable, lawful and prosperous PNG include fewer human rights violations, less environmental degradation and prevention of international organized crime.

In Bougainville, continuing efforts to establish a government of reconciliation require that PNG armed forces retain a small presence. Their cooperation will be necessary for any lasting settlement on the island. PNG has offered troops to the coalition effort in Iraq, hoping to join with other nations in the Global War on Terrorism. Continuing International Military Education and Training (IMET) programs will help build a more professional and better-disciplined PNG Defense Force (PNGDF), enhance PNGDF ability to patrol the long border with Indonesia, and improve PNGDF capability to monitor and detect illegal fishing and apprehend persons and vessels engaged in such fishing. IMET provides professional education and training to the PNGDF with emphasis on human rights, civil-military relations, rule of law and military justice. English language training contributes to the latter goal and offers increased opportunities for fruitful interaction with the U.S. military.

PNG will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA for PNG will support U.S. objectives of more professional and effective forces and will enhance PNGDF capability to remove and neutralize unexploded ordnance in Bougainville and at World War II sites throughout the country.

**Philippines**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	28,850	26,800	21,400
DA	21,568	27,576	21,525
ESF	17,645	34,720	20,000
FMF	19,880	29,760	20,000
IMET	2,700	3,000	2,900
INCLE	2,000	3,968	2,000
NADR-ATA	-	500	5,000
NADR-SALW	-	100	150
NADR-TIP	750	-	-
Peace Corps	2,774	2,846	2,973
PKO-SUP	15,000	-	-

The U.S. has important security, commercial and political interests in the Philippines, a treaty ally that straddles important air and sea-lanes. The Philippines has actively supported the international anti-terrorism coalition and is working closely with the U.S. to enhance its counterterrorism capabilities. Its democratic institutions are under considerable stress due to economic weakness, corruption and resistance to reform by entrenched interests. President Gloria Macapagal-Arroyo was elected to a full six-year term in May 2004, in a close and hard-fought election that indicated widespread popular discontent. The Philippines has an important role to play in maintaining regional peace and security as an active member of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum (ARF). The Philippines has taken a leadership role in promoting a regional anti-terrorism approach. Under the 1999 Visiting Forces Agreement (VFA), the Philippines and the U.S. have strengthened bilateral security relations and worked together to bolster Armed Forces of the Philippines (AFP) capabilities. In recognition of the critical nature of Philippine support to the Global War on Terrorism, President Bush in late 2003 designated the Philippines as a major Non-NATO Ally (MNNA). U.S. assistance includes funding for combating corruption, increasing support of education, accelerating economic liberalization, and promoting national reconciliation, particularly in Mindanao. It also supports structural reforms to increase the Philippines' strength as a market for U.S. investments and exports.

Economic and Support Funds (ESF) will help the Arroyo administration deal with nationwide problems as well as implement its peace initiative in Mindanao and fund the transition of Muslim separatist guerilla fighters to peaceful pursuits, such as farming. Nationally, it will fund broad programs to attack pervasive corruption and to reduce anti-competitive investment barriers. Of the \$20 million in FY 2006 ESF, 60 percent will go into programs in Mindanao that maximize the economic benefits of the earlier 1996 Peace Agreement with the Moro National Liberation Front (MNLF) and support outreach to other Muslim separatist groups. Should the Moro Islamic Liberation Front (MILF) reach a peace agreement with the Philippine Government, ESF could also be used to provide livelihood and reintegration programs for MILF like those previously provided to the MNLF.

FY 2006 Development Assistance (DA) programs, funded at \$21.5 million, will support education, livelihood, and microfinance programs in Mindanao, technical assistance to strengthen economic governance, justice sector reforms and anti-corruption programs, extension of electricity and clean water to remote areas, and the management of forestry and coastal regions.

FY 2006 Child Survival and Health (CSH) funds (\$24.6 million) will supply family planning, technical assistance to TB services and to improve the National Health Service program, child nutrition programs, and programs to counter the spread of HIV/AIDS.

Foreign Military Financing (FMF) will contribute to improving the military capabilities of our treaty ally in line with increasing cooperation under the VFA. FY 2006 FMF will provide spare parts for equipment, overhauls and upgrades; programmed depot maintenance and improved logistics; follow-on support to our initial CT investments; and support transfer and refurbishing of UH-1 helicopters promised to the Philippines by President Bush in 2003. A portion of the FY 2005 and FY 2006 FMF funding will be allocated to help the Philippine Government undertake systemic reform, retraining and restructuring of its military through the seven-plus year Philippine Defense Reform (PDR), for which the Philippines itself pays most of the overall cost.

The Philippines will continue to be eligible in FY 2006 to receive Excess Defense Articles (EDA), under section 516 of the FAA. EDA will support U.S. objectives of increased interoperability and standardization within the AFP as well as improved participation in peacekeeping operations.

The FY 2006 International Military Education and Training (IMET) funds will focus on professional military education (to include professionalism, discipline and commitment to human rights) as well as “train the trainers” courses in the areas of maintenance and logistics. In past years, IMET training helped to encourage civilian control over the military, leading to a decline in the number of reported incidents of human rights abuses. Protests by IMET-trained junior officers against corruption by senior officers, the arrest of several retired senior officers, and the court martial of a former military comptroller show the incremental effect such training has. AFP IMET graduates have actively promoted close professional U.S.-AFP military-to-military relations.

Nonproliferation, Anti-terrorism, Demining, and Related Programs Antiterrorism Assistance (NADR/ATA) and International Narcotics Control and Law Enforcement (INCLE) funds will strengthen weak Philippine law enforcement to deal with both terrorism and narcotics and human trafficking groups. With INCLE funds, a comprehensive assessment of the Philippine National Police (PNP) will be done. The results will be used to further develop a strategy to provide leadership, investigatory and organizational training and technical assistance to develop a more effective civilian-led police force. NADR/ATA-funded courses will focus on the financial underpinnings of terrorism and anti-money laundering assistance, which have proven greatly beneficial to Philippine legal, judicial and political authorities.

**Samoa**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	50	50
Peace Corps	1,293	1,392	1,444

U.S. national interests in Samoa grow out of our national security interest in regional stability. The U.S. strives to maintain close ties with Samoa, which is a consistent supporter of U.S. positions internationally. Samoa also is a close neighbor of the U.S. territory of American Samoa, with which it has long-standing family and cultural ties. Other interests include safeguarding the welfare of the many U.S. citizens and nationals who reside in or visit Samoa, encouraging broad-based economic growth, supporting improved capacity to protect the island's environment and natural resources, educating the public on health issues and encouraging economic growth.

Before its suspension in FY 2003 under the provisions of the American Service Members Protection Act, International Military Education and Training (IMET) was aimed at helping Samoa develop an effective maritime law enforcement and surveillance capability, which supported our objective of maintaining close ties with this friendly neighbor of the United States. Training in basic coastal surveillance and sea borne law enforcement skills was carried out in accordance with U.S. leadership doctrines, emphasizing civilian control. Department of Defense/Coast Guard resources contributed to broad-based economic growth in Samoa by assisting Samoa's maritime police patrol to strengthen enforcement of Samoa's maritime Exclusive Economic Zone and improving safety in Samoa's fishing fleet. IMET training has helped Samoan police officers participate more effectively in the UN-sponsored peacekeeping force in East Timor, which Samoa joined in 2000, and in peacekeeping operations in the Solomon Islands and Liberia. We are working to persuade Samoa to enter into a non-surrender agreement with the United States with regard to the International Criminal Court, which will restore Samoa's eligibility for IMET funded programs.

Samoa is eligible in FY 2006 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will assist Samoa is developing an effective maritime law enforcement capability and enhance interoperability with U.S. Department of Defense and Coast Guard forces.

## Solomon Islands

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	45	150	150
Peace Corps	27	30	30

In the interests of regional security, economic prosperity and reduced threat of conflict and environmental degradation, U.S. assistance to the Solomon Islands focuses on strengthening the nation's capabilities to secure its maritime borders, encouraging its democratic institutions and preserving its biodiversity.

International Military Education and Training (IMET) assists the country to strengthen the discipline, professionalism and integrity of its security forces and to develop an effective maritime reconnaissance force. Training in basic coastal surveillance and seaborne law enforcement skills helps guarantee that the 1997 Solomons-Papua New Guinea border agreement continues to be honored. It also increases the country's ability to maintain control of its own fishery resources. Enhancements in the Solomon Islands forces will allow it to work more effectively with the Regional Assistance Mission to the Solomon Islands (RAMSI), the Australian-led intervention that has restored law and order to the country and is now working to rebuild national institutions and systems of governance.

The Solomon Islands will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will support the U.S. objectives for the Solomons of achieving more professional and better-disciplined security forces and effective maritime law enforcement and surveillance capability, as well as the capability to remove unexploded ordnance from World War II.

**Thailand**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	992	-
FMF	881	1,488	1,500
IMET	2,572	2,500	2,400
INCLE	2,000	1,608	1,000
NADR-EXBS	380	750	1,000
NADR-TIP	1,000	-	-
Peace Corps	1,840	2,243	2,373
PKO-SUP	500	-	-

The U.S. has important political, economic, strategic and security interests in Thailand, which was designated a Major Non-NATO ally in 2003. A stable democracy, Thailand serves as both a model for development and democratization, and as a useful base of operations for our programs and activities in Southeast Asia and beyond. In addition, Thailand plays a valuable role as a responsible regional actor as evidenced by its role as a base for humanitarian relief efforts following the devastating December 2004 tsunami. The U.S.-Thai trade relationship is strong and growing; in June 2004, the two countries began negotiating a Free Trade Agreement, only America's second with an ASEAN member. Thailand also works closely with the U.S. on refugees, HIV/AIDS, land mines and trafficking in persons. U.S. assistance to Thailand enhances our influence in a strategically important region, strengthens Thailand's efforts to combat terrorism, narcotics trafficking and other international crime, and reinforces military cooperation with a treaty ally. Thailand's stability in turn promotes economic development and encourages other countries to follow Thailand's trade liberalization.

Thai troops have served in Iraq and Afghanistan, as well as East Timor and Aceh. In the war on terrorism, Thailand captured Hambali, the operational chief of Jemaah Islamiyah and the Al Qaeda link to Southeast Asia, offered other key sensitive cooperation against priority targets, granted the United States overflight and landing privileges, cooperated closely on information sharing, and worked with us to curtail terrorist finance and track and impede the movement of terrorists. Thailand also occupies strategic ground in the war on drugs. Thailand borders two of the world's three largest opium producers and is a huge market for Burmese methamphetamines. Thai and U.S. law enforcement and military units work together in the battle against drug smugglers.

In FY 2006, FMF funds will increase the counterterrorism capabilities of Thailand's elite Special Forces units, enhance their status within the military and increase their capability to participate in coalition operations. FMF funds will provide a package of weaponry, targeting devices and communications equipment in order to enhance precision application of force and unit survivability while maximizing interoperability with U.S. forces.

IMET for Thailand has become an essential part of the U.S.-Thai alliance relationship. Thai IMET graduates hold a majority of senior military positions in the Defense Ministry, Supreme Command headquarters, and all services, and the Thai military ensures its best officers are able to take advantage of IMET opportunities. Through IMET, we are helping shape the Thai military of the future during a period of restructuring and downsizing. IMET affords Thai military officers the opportunity to attend all levels of Professional Military Education (PME) and English language instruction. Moreover, Mobile Training Teams (MTT) play an increasing role in support of the Thai military.



Thailand will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act in FY 2006. EDA grants will advance interoperability, counterterrorism, counternarcotics and coalition peacekeeping goals, while enhancing U.S. influence and access.

INCLE programs help build, strengthen and reform criminal justice, law enforcement and investigative institutions to enhance Thai capabilities to meet the challenges of 21st century transnational and organized crime. Thailand is a key partner with the U.S. and a leader in efforts against drugs and crime, though it remains a hub of transnational criminal activity. A modest program implemented by the American Bar Association will help fight corruption in the criminal justice system in order to enhance judicial ethics. Funds also will support drug control assistance and crime control, including modest funding for demand reduction and regional narcotics control.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States plans to provide Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds (\$1,000,000) for cooperative program in Thailand. FY 2006 NADR/EXBS funding is focused on improving enforcement, licensing, and industry outreach procedures and capabilities.

**Tonga**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	500	248	250
IMET	136	135	135
Peace Corps	1,093	1,187	1,110

The U.S. values Tonga's support in regional organizations, such as the Pacific Community, the Forum Fisheries Agency and the South Pacific Regional Environment Program. Tonga has consistently supported U.S. positions at the United Nations since joining in 1999. Tonga troops recently returned home after seven months of service in Iraq as part of the coalition.

Foreign Military Financing funds will influence Tonga positively toward regional stability, while expanding its ability to participate in multilateral operations and ensuring Tongan alignment with U.S. interests and objectives. Our objective is to bolster the Tongan military's peacekeeping capabilities as well as its capacity to detect, monitor, and interdict or disrupt activities of terrorists and transnational crime. This involves the procurement of individual soldier and communications equipment, as well as training in areas such as strategic planning, programming and budgeting, program management, intelligence support, logistics, transportation, and associated legal aspects.

IMET funding will help develop long-term positive relations with government, military, and security authorities as well as continue to support professionalization and reform within the security forces. This, in turn, will enhance Tonga's readiness to contribute to peacekeeping and coalition operations and to the global war on terrorism, and to combat terrorism, transnational crime and minimize natural disasters. Funds also allow the United States to act in concert with other concerned nations, Australia and New Zealand in particular, to promote military cooperation and civilian control in the southwest Pacific region.

Tonga is eligible to receive Excess Defense Articles (EDA) in FY 2006 under Section 516 of the Foreign Assistance Act. EDA will support Tonga's ability to contribute to regional peacekeeping endeavors and the development of an effective maritime law enforcement capability.

**Vanuatu**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	100	110	100
Peace Corps	1,778	2,055	2,162

U.S. national interests in Vanuatu center on strengthening the nation's democratic institutions. Other interests include building Vanuatu's capacity to secure its maritime borders and encouraging programs that protect the island's environment and fragile natural resources.

The small Vanuatu Mobile Force (VMF) must patrol a vast area of ocean. U.S. Coast Guard training in maritime law enforcement supplements Australian and New Zealand programs and upgrades VMF capabilities. International Military Education and Training (IMET) also helps improve force discipline and enhances its effectiveness in regional peacekeeping and disaster relief efforts.

Vanuatu will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will support the U.S. objective of improving VMF operational effectiveness in regional peacekeeping and disaster relief efforts.

The Millennium Challenge Corporation selected Vanuatu as an eligible country for FY 2004 and FY 2005. Vanuatu, however, must conclude a compact and maintain its eligibility to receive Millennium Challenge Account funds.

**Vietnam**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	6,100	1,200	500
DA	3,000	4,750	4,750
GHAI	10,000	22,145	28,015
IMET	-	50	50
NADR-EXBS	500	280	850
NADR-HD	2,714	2,850	3,500

The U.S. national interests in Vietnam include advancing human rights and religious freedom, promoting economic prosperity through global integration, expanding U.S. trade relations, and achieving the fullest possible accounting for the 1,403 Americans still listed as POW/MIA from the Indochina conflict. The U.S. also has an interest in helping disadvantaged groups, such as those at high risk of contracting HIV/AIDS; the disabled; displaced children; and victims of natural disasters, landmines and unexploded ordnance.

Our deepening economic, commercial and assistance relationship with Vietnam promotes civil society, encourages economic reform, draws the country further into the rules-based international trading system, promotes the interests of American workers, consumers, farmers and business people and helps promote the well-being of the Vietnamese people as well as greater inter-regional cooperation. In the three years since the U.S.-Vietnam Bilateral Trade Agreement (BTA) took effect, two-way trade has risen from just over \$1.3 billion to over \$6 billion.

The U.S. seeks to enhance Vietnam's ability to be a constructive regional player by encouraging Hanoi's active participation in the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), APEC and other strategic dialogues. Vietnam also has supported global efforts in the war against terror, and has signed eight of the twelve UN conventions on terrorism.

Development Assistance funds will focus on Vietnam's transition to a more open, market economy by strengthening trade liberalization. Core activities are designed to promote further trade and investment reforms needed for the implementation of commitments in the U.S.-Vietnam Bilateral Trade Agreement and the requirements of accession to the World Trade Organization (WTO). These projects are enabling Vietnam's government to make the necessary regulatory and legal changes to implement our BTA and laying the foundation for the rule of law and an improved court system.

Vietnam is a focus country of the President's Emergency Plan for AIDS Relief (Emergency Plan). In FY 2006, increased Global HIV/AIDS Initiative (GHAI) funding will be provided to expand comprehensive and integrated prevention, care and treatment programs that are described in Section I under the heading Global HIV/AIDS Initiative.

Child Survival and Health (CSH) funds will focus on select vulnerable groups, including victims of war injuries, land mines or annual floods, as well as orphans and displaced children. For war and mine victims, activities will focus on providing orthotic and prosthetic devices as well as rehabilitation for those in need of artificial limbs. These funds will promote barrier-free access in building design and construction and increase the participation of the disabled in the decision-making process. There will be more emphasis on helping children with disabilities and developing local capacity to include them in educational programs. Future programs will place more emphasis on sustainability by building local capacities to support disabled groups.

Landmines and unexploded ordnance are a constant danger to civilians and a severe impediment to agriculture and economic development. FY 2006 Nonproliferation, Anti-terrorism, Demining, and Related Programs Humanitarian Demining (NADR/HD) funds will be used to continue to assist Vietnam with development of a comprehensive humanitarian demining program to protect the lives of innocent civilians and promote economic and agricultural development.

NADR funds also aim to provide export control assistance to strengthen Vietnam's ability to control, detect and interdict transfers of sensitive materials and technology that could contribute to weapons proliferation. As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and related technologies, and other weapons, the United States plans to provide Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program in Vietnam. FY 2006 NADR/EXBS funding is focused on improving legal and regulatory, enforcement, and licensing procedures and capabilities.

In addition, the U.S. seeks the incremental development of the defense relationship to build trust and improve influence within the Vietnamese military, which has the largest standing army in ASEAN. The FY 2006 request includes funds for Expanded International Military Education and Training (E-IMET) courses to enhance English language proficiency among Vietnamese military officers. This will facilitate their attendance at conferences and confidence building and other security related meetings hosted by Pacific Command Headquarters. The United States has a national security interest in promoting a stable, globally integrated Vietnam by encouraging Hanoi's active participation in ASEAN, ARF, and other strategic multilateral seminars and symposia. Areas where we hope to expand cooperation with Vietnam include: exchanges between military medical experts and environmental security professionals; humanitarian demining; and joint search and rescue activities.

**ASEAN**  
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	994	744	2,500

U.S. engagement with ASEAN promotes a broad range of U.S. interests in the strategically important Southeast Asian region. ASEAN consists of ten Southeast Asian countries that are of growing importance to U.S. national economic, political and security interests. U.S. trade with ASEAN member states topped \$121 billion in 2003, but concerns about IPR, market access and the growing number of free trade agreements with third countries that may divert trade in the region. The United States has valuable security relationships with some ASEAN members and enhanced regional cooperation is essential to address our concerns over counterterrorism, maritime security and international crime. U.S. assistance provides the means to pursue these specific interests as well as providing tangible support for engagement with the peoples and governments in the region. ASEAN has been at the center of many regional integration efforts, and countries such as China, Japan, and Australia are strengthening ties with ASEAN.

Assistance from the ASEAN regional fund has supported activities under ASEAN Cooperation Plan (ACP), announced by the Secretary of State in August 2002. The ACP also supports elements of the President's Enterprise for ASEAN Initiative to develop trade with the region. These senior-level U.S. policy initiatives provide an essential regional presence for several U.S. government agencies in Southeast Asia and complement the work of other countries like China, Japan, Korea, India and the EU which have similar programs with ASEAN, but generally with greater funding.

Policy objectives with ASEAN are: 1) Bolstering the administrative and project implementation capacity of the ASEAN Secretariat. The U.S. has an interest in an effective regional support structure for meetings involving senior USG officials and a growing number of cooperative activities. Efforts also recognize that stronger regional institutions promote stability and enhance cooperation on priority issues within the region. 2) Building regional cooperation to address transnational challenges of importance to both ASEAN and the U.S., including terrorism, human trafficking, narcotics, HIV/AIDS and other infectious diseases. ASEAN is an effective partner in helping to solve problems that cross borders within the region. 3) Fostering ASEAN economic integration and development. This objective covers issues of interest to ASEAN, the U.S. government and our private sector, and includes cooperative work on investment policies, customs reform, standards, and the ASEAN Free Trade Area (AFTA).

Cooperation with ASEAN has been effective in promoting U.S. interests. The 20 projects completed or underway with ASEAN have:

- Provided technical assistance on IPR, applauded by both ASEAN officials and American business;
- Begun training on disaster management;
- Promoted good governance through work on competition policy and other issues;
- Gained greater transparency on industrial standards; and
- Helped to tackle trans-border HIV/AIDS problems.

FY 2006 funding will implement projects developed with other agencies, the private sector, civil society organizations, and ASEAN. Projects will include training and technical assistance on issues of importance to the United States such as disaster management, economic governance, counter-terrorism and regional integration.

## Developing Asian Institutions Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	-	250

Strengthening regional organizations in which the U.S. participates is an essential component of effective U.S. engagement in the Asia-Pacific region. These organizations promote regional stability and offer us effective options for pursuing U.S. goals outside of traditional bilateral channels. Within the Asia-Pacific, there is an emergence and growing influence of regional organizations that do not include the USG. It is essential that we strengthen fora such as the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF) in which we do participate. Given the increasing importance of multilateral cooperation in the Asia-Pacific region, we need to back our agreed strategic interests with resources to accomplish them.

In an effort to advance our strategic interest in Asian regional institutions, the Department seeks to fund programs associated with Asian regional organizations such as APEC and ARF from a single new fund. Our request recognizes that Asian multilateral institutions operate differently than their European or Western Hemisphere counterparts. In Asian institutions, sponsorship of programs and events - rather than large contributions to the institutions themselves - is a primary means to advance goals and interests. This is reflected in the small (less than \$2 million) international organization contributions to Asian regional organizations, compared to over \$100 million in annual contributions to European and Western Hemisphere regional organizations. Thus, program budgets are essential to maintain our influence and advance our interests in Asian multilateral organizations. These Asian fora have proven effective in advancing U.S. interests. For example, APEC Trade Ministers' support for progress in the Doha Development Agenda went beyond what we were able to get from the G-8; the APEC Shanghai Model Port Project has cut customs clearance times from 3-4 days on average in 2001 to 3-4 hours on average now and is being replicated elsewhere; and ARF Maritime workshops have been a critical part of the USG strategy to enhance maritime security cooperation in Southeast Asia.

The Developing Asian Institutions Fund will support programs, events, technical assistance, training, and other activities that advance U.S. engagement in Asian regional fora, including APEC and ARF. These programs will advance broader U.S. regional goals, including counter-terrorism, anti-corruption, economic reform, trade, security, and non-proliferation. In the ARF, funds will support U.S. hosting and participation in agreed ARF programs to address traditional and non-traditional security issues, including maritime security, counter-terrorism, disaster management, and transnational crime. It will also fund activities and build capacity for the new ARF secretariat, known as the "ARF Unit," within the ASEAN Secretariat. In APEC, we will use funds to advance member economies' adoption of and adherence to already-agreed principles in areas such as trade facilitation and security, anti-corruption, and intellectual property protection.

## Environmental Programs

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	1,740	1,736	500

In FY 2004 Congress earmarked \$1.74 million to support EAP environmental programs, reflecting United States' interest in addressing environmental and related governance issues in the region. That funding supported activities in the Pacific Islands focused on protecting fisheries and natural resources. In Southeast Asia, FY 2004 funding will support a project to address the problem of trade in endangered species, including broader governance issues such as customs enforcement.

With the FY 2005 Congressional earmark, EAP plans to work with OES to support the President's Initiative Against Illegal Logging, to meet the environmental requirements of the Trade Act of 2002, and to support the Administration's policy on climate change. We also will work with USAID and State/OES to support additional environmental improvements in Pacific Island states and Southeast Asia.

We plan to utilize the requested \$0.5 million for FY 2006 to meet the Administration's priorities to improve coastal and fisheries resource management in the small Pacific Island states, support environmental provisions in U.S.-Asian trade agreements, and/or promising regional efforts to improve the environment in Southeast Asia's polluted cities.



## Pacific Islands

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	-	100

The Pacific Islands Fund is a small-scale, high-impact grant program that supports projects in twelve Pacific Islands states. Potential FY 2006 projects include water and waste management, private sector/entrepreneurial development, coral reef and watershed conservation, health/drug education for youth, women's economic and health rights, and meeting international security standards, including maritime security. Successful projects in these areas advance U.S. national interests and assist NGOs and governments in building domestic capacity.

These twelve countries (Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu) are favorably disposed towards the United States. We regularly seek their support at the UN and support of U.S. international policies (e.g., Iraq coalition, Article 98 agreements, UNGA). Tongan troops have just returned from a tour in Iraq. Fiji has recently deployed troops to provide security to United Nations operations in Iraq. Papua New Guinea has offered to send troops to Iraq.

For Freely Associated States (Micronesia, Marshall Islands and Palau), the Pacific Islands Fund addresses development issues outside the general Compact program. In addition, while the Compact is a government-to-government program, the Pacific Island Fund provides development funding directly from the United States government to local NGOs or other local implementers. The Pacific Islands Fund provides our six embassies in the region with modest resources to assist local communities across the vast Pacific area in ways that demonstrate U.S. engagement in the region.

## Regional Women's Issues

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	1,988	992	1,000

Regional Women's Issues funds help advance human rights and promote democracy by improving the status of women throughout East Asia and the Pacific (EAP). Elevating the status of women is an important prerequisite for developing a populace that is healthier, educated, and functions better as a skilled labor force. This type of development contributes to building an environment that promotes democratic values and institutions and strengthens the foundation for accomplishing other high priority goals.

The EAP Regional Women's Issues fund has made numerous contributions to improving the lives of women in the Asia-Pacific region. Past programs funded leadership and management training for women leaders from the private and public sectors in Southeast Asia; training of female elected officials; legal assistance for at-risk women; and human trafficking awareness raising programs. These projects represent only a small fraction of programs supported through the fund. The fund was used to ensure the continued viability of the highly successful information exchange program "Humantrafficking.org." This website is used regularly by the public, non-governmental organizations, and governments in Asia and in the U.S. to combat trafficking.

In FY 2006, the Regional Women's Issues fund will focus on empowering tomorrow's leaders and those most at risk for exploitation. By funding programs that cultivate future leaders, e.g. "training the trainers," the Regional Women's Issues program is ensuring that valuable knowledge and assistance is passed on to the community at large. Helping women at risk for exploitation serves to prevent the victimization of women by criminals (including human traffickers). Political participation, economic independence and elimination of violence against women remain the pillars of this program; projects must address at least one of these three areas to receive funding. This program will work with Asian governments to support or expand existing projects that promote women's empowerment as empowerment is an important component in fighting poverty, corruption, and human trafficking.

## South Pacific Fisheries

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	17,894	17,856	18,000

The 1988 Pacific Multilateral Fisheries Treaty is a key component of our strong overall foreign relations with the Pacific Islands States and a model for others. It provides a solid foundation upon which the U.S. and the member states of the Pacific Islands Forum (known as the South Pacific Forum until October 1999) can cooperatively address the challenges of sustainable fisheries conservation in the Western Pacific. This treaty, through positive multilateral cooperation, achieves profitable, sustainable management of fisheries resources and ensures continued access for U.S. commercial fishing vessels to the Pacific Ocean tuna fishing areas.

Since the treaty came into force, our annual payment obligations under the treaty have ensured access to broad areas of the Pacific, including waters under the jurisdiction of the 16 states that make up the Forum Fisheries Agency (FFA). This positive fisheries relationship, as well as a common desire to conserve fisheries resources in the Pacific, has carried over into the successful conclusion of negotiations for a conservation and management regime in the Central and Western Pacific, where we continue to cooperate closely with the Pacific Island States. The result of these negotiations is to establish a mechanism to ensure that highly migratory fishery resources in that region are not depleted.

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