

**TESTIMONY BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
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“Assessing U.S. Foreign Assistance Priorities in South Asia”

Mr. Chairman, Mr. Ranking Member, and Members of the Subcommittee, thank you for inviting me to testify today. It's a particular honor for me to appear before this Committee, given my previous experience on the HFAC. And it's always my pleasure to speak alongside Acting USAID Assistant Administrator Denise Rollins.

Mr. Chairman, this hearing is particularly timely given the historic transitions now underway in South Asia. Over the next few weeks, over 800 million eligible voters, including 150 million Indians between the ages of 18 to 23, will finish going to the polls in national elections to elect a new government. And millions of Afghans showed courage and resolve by turning out in record numbers to vote, despite threats and intimidation. And while the process has not yet concluded, Afghans have shown they are committed to a successful transition that strengthens their democracy and consolidates the gains made during a decade of investment in Afghanistan's economy and government.

In Bangladesh, the tragic collapse of Rana Plaza, which took place just one year ago, has galvanized an international movement to strengthen worker safety and labor rights in Bangladesh, much like the Triangle Shirtwaist Company fire did a hundred years ago here in the United States. While much remains to be done in improving labor and safety standards, focused efforts by the United States and other international partners have helped the Bangladeshi government make significant progress.

Last month, with U.S. leadership, the UN Human Rights Council passed a third consecutive resolution on Sri Lanka, calling for credible steps toward reconciliation and accountability following the end of the civil war.

So in short, we are at an important crossroads in South Asia, and U.S. leadership and engagement could not be more important. To put this into a larger context, consider that South Asia, with 1.6 billion people, is home to one-fifth of the world's population, almost half of them under the age of 24. The President's Fiscal Year 2015 budget request for South Asia, at just under \$350 million, recognizes the incredibly important role the United States continues to play in promoting economic and democratic opportunity; investing in people and institutions; strengthening physical and human security, and protecting the environment. And when we invest in South Asia, we directly further our own national security interests by ensuring regional stability and helping lift millions out of poverty.

Mr. Chairman, given the elections and transitions underway in this region, now is a time of enormous opportunity to help shape a more promising future for people across South Asia. Under President Obama and Secretary Kerry's leadership, we are doubling down, so to speak, in

Asia. Despite geopolitical challenges, a weak regional architecture, high poverty rates, and limited intraregional connectivity, we can imagine a future where Asian economies are connected all the way from Central Asia to South Asia to Southeast Asia and beyond.

This is why the United States government is championing regional economic connectivity through our New Silk Road and Indo-Pacific Economic Corridor initiatives. We know that peace and stability are much more likely to be sustained when the countries of the region are tied together in trade, when their economies and people share important links. Our New Silk Road initiative focuses on four key areas to link Central Asia with South Asia through Afghanistan, by (1) creating a regional energy market bringing surplus energy from Central Asia to energy-starved South Asia; (2) facilitating trade and transport routes across the region; (3) streamlining customs and borders procedures to reduce the costs of doing business; and (4) linking businesses and people across new regional markets.

We have seen critical progress in making this vision a reality, including electricity flows from Central Asia to Afghanistan with plans to expand into Pakistan, reduced wait times at border crossings, and improvements in the trade climate.

Clearly, one of the biggest obstacles to regional connectivity is the barriers between India and Pakistan. Trade normalization between these historic rivals would be a game changer, signaling to the region and the world South Asia is really open for business. We have been encouraged by positive signs from Islamabad and New Delhi that things may be moving in the right direction, and we are hopeful we will see strong leadership from both governments following India's election.

On the eastern front of South Asia, there is also a real opportunity to connect South and Southeast Asia into an integrated economic landscape. The political transition in Burma, the improvement of relations between Bangladesh and India, and the growing ties between India and ASEAN allow for more efficient, integrated, and open markets across the region.

Of course, for this type of transformative effect to take place, regional growth hinges on political stability and regional security. On that front, I am optimistic. India's democracy is a ballast for the entire region and world, and the U.S.-India relationship continues to mature and deepen, even as we manage the ups and downs of our relationship. We continue to facilitate growth in our trade relationship and ensure new opportunities for U.S. businesses in Indian markets. Our collaboration on energy, science and technology, environment, space, education, and counterterrorism continues to deepen. And our security engagement with India is a central element of the broad U.S.-India strategic partnership. We look forward to working closely with the next Indian government to build on these efforts.

Nepal has made huge strides, building democratic institutions after years of conflict. Last November's elections saw historic voter turnout of over 70%. With USAID's assistance, Nepal has cut its infant, under-five, and maternal mortality rates roughly in half since 1996. Similarly, in Bangladesh, over the past twenty years, USAID has contributed to a reduction in under-five mortality by 60 percent. Bangladesh and Nepal are the only countries where we're implementing all three of President Obama's development initiatives – on health, food security,

and climate change – and with U.S. assistance both countries are on track to achieve their Millennium Development Goals related to child and maternal mortality.

In Bangladesh, we continue to press for greater political inclusion, without which a more stable and prosperous future is put at risk. But one must also acknowledge the important gains Bangladesh has made in improving health, food security, and economic opportunity for its citizens. And while the Rana Plaza and Tazreen tragedies focused the world's attention on inadequate labor conditions, we have engaged, along with European partners, in an intense effort with labor, industry, civil society, and government to achieve real improvements in the garment sector in Bangladesh.

Sri Lanka has fortunately ended its civil war, though reconciliation has proved challenging. Following the March UN Human Rights Council resolution in Sri Lanka, we continue to call for credible efforts to ensure accountability and justice. Our programs support the ethnic and religious minority communities through economic assistance, civil society strengthening, and access to justice. Reconciliation requires engagement with both majority and minority populations, so we are also stepping up our outreach to the Sinhalese community to help Sri Lanka create a durable peace. We look forward to a resumption of a more comprehensive military relationship once the Government of Sri Lanka has made better progress toward reconciliation and accountability.

Further south in Maldives, we're working closely with that young democracy to protect its waters, counter extremism, and mitigate the effects of climate change, but we are worried by actions that undermine the independence of its elections commission and weaken democratic institutions.

Mr. Chairman, allow me now to turn to each of these countries in more detail on the important work the United States has been doing in this region to advance regional stability and our national security interests.

India

The continuing convergence of our and India's strategic interests is underpinned by our strong people-to-people ties, with over three million Americans of Indian heritage in the United States and over 100,000 Indian students studying at U.S. universities. While recent events have drawn more media attention to our disagreements than to our collaborative efforts, those difficulties are minor compared to the breadth of our relationship and the magnitude of what our two countries can accomplish together.

This month, India's national elections are demonstrating the vibrancy of India's democracy, with over 800 million eligible voters and 150 million young Indians between the ages of 18 to 23 voting for the first time. We are confident that whatever the outcome of India's national elections, the strategic partnership between our nations will continue to grow. I would like to take the opportunity to highlight the development of U.S.-India cooperation over the past year and how the foundation we've laid will continue to advance our shared interests.

Together, we've advanced the U.S.-India relationship in ways that deliver benefits for both our citizens. We have reached nearly \$100 billion in annual goods and services trade and are committed to growing trade far beyond that. We continue to facilitate growth in the trade relationship, to strengthen investment opportunities, and to ensure new opportunities for U.S. businesses in Indian markets, including through negotiating a Bilateral Investment Treaty (BIT). A high quality BIT would be a strong step forward in helping grow two-way investment and ensuring American investments are protected to the same degree that Indian investments in the United States enjoy.

U.S. businesses still face many challenges in India's transforming economy, including concerns about transparency, infrastructure challenges, domestic content provisions, and limited intellectual property protection. USTR's 2014 Special 301 Report, released today, provides details of some of the key challenges to IPR in India. However, American companies also recognize India's tremendous potential and ambition to modernize all aspects of its economy, and they are interested in investing in India for the long term. In fact, U.S. companies, with their high standards and high-quality products and services, have been an important part of the story of India's transformation over the past 20 years, and Indian companies, too, are increasingly investing in the United States, supporting tens of thousands of U.S. jobs. We look forward to working with the next Indian government to advance economic reforms and provide a better business environment for all companies.

Our energy collaboration strengthens energy security and boosts economic growth. As a result of the U.S.-India 123 Agreement for Civil Nuclear Cooperation, American companies have an unprecedented opportunity to help India realize its vision on the construction of new reactor parks. In March, the U.S.-India Energy Dialogue led by Secretary Moniz highlighted ongoing opportunities in civilian nuclear energy, electrical grid and power generation cooperation, energy efficiency, oil and gas exploration, expanding markets for renewable energy technologies, and addressing barriers to clean energy deployment. His visit included the first review of the progress being made in solar energy, advanced biofuels, and building energy efficiency through the U.S.-India Joint Clean Energy Research and Development Center, established as part of the Partnership to Advance Clean Energy. The Government of India is also a key player in the Clean Energy Ministerial, a global forum to share best practices and promote policies and programs that encourage and facilitate the transition to a clean energy economy. India hosted the fourth Clean Energy Ministerial, in April 2013.

Nowhere is the U.S.-India collaboration more important than in addressing global environmental challenges. We have sought common ground on climate change issues, both through multilateral discussions and through bilateral cooperation in forestry adaptation, clean and renewable energy, and on hydrofluorocarbons through creation of the Climate Change Working Group. Our two countries have also mobilized support for sustainable and renewable energy projects, including a new off-grid power initiative that will help millions of Indian families gain access to affordable, reliable, clean energy for the first time.

The United States and India enjoy robust science and technology cooperation. This collaboration has been vital in achieving a broad range of shared goals, including sustaining economic growth and job creation; allowing our citizens to live longer, healthier lives; developing clean sources of

energy; and protecting our environment for future generations. The U.S.-India Science and Technology Cooperation Agreement, signed in 2005, established the Joint Committee meeting (JCM) to convene biennially leaders from both countries to provide strategic guidance for our science and technology initiatives and will meet later this year in India. In parallel, India will host the first ever public-private U.S.-India Technology Summit November 18-19, focused on innovation for the 21st century. Meanwhile, a partnership between our space agencies has allowed cooperation on India's Mission to Mars. In addition to USAID's extensive work in the health sector, the U.S.-India Health Initiative launched in 2010 supports a broad range of medical and research collaboration between our two countries. And India is one of the international partners of the Global Health Security Agenda launched this year to focus our efforts to combat the threat of infectious diseases.

Our defense cooperation with India remains a vital piece of our broader strategic partnership. Today, we are committed to working with India on trade and technology transfer opportunities, including our interest in identifying a project or even several projects for co-development or co-production within the next year. We are expanding our security ties and strengthening our military-to-military dialogue to help meet India's defense needs and to bolster India's capacity to contribute to security in the region, particularly in the Indian Ocean.

Our collaboration and consultation on counterterrorism efforts and information-sharing, including through the Homeland Security Dialogue, have built an important new bridge between our governments. This includes the December 2013 conference in New Delhi on mega-city policing cooperation, which focused on domestic terrorism, emergency disaster response, corruption, and other domestic challenges faced by both countries.

India is also a vital partner for our efforts to increase regional connectivity and foster greater regional cooperation. With a sixth round set for early June, the U.S.-India-Japan trilateral dialogue has deepened our discussions on Indo-Pacific economic connectivity, maritime security, disaster management, and coordination in multilateral fora.

The breadth and quality of our strategic partnership with India attests to the underlying strength of our relations. As India continues to grow and take on greater responsibilities in the international arena, we will work harder than ever to ensure that this partnership lives up to its full potential.

Bangladesh

As the eighth most populous country in the world and the third-largest Muslim majority nation, moderate, secular Bangladesh is also the largest recipient of foreign assistance in South Asia, with a total request of approximately \$169 million in FY 2015. Bangladesh is an important partner for the United States on a broad range of issues, from security to economic growth. In April, we held in Dhaka our third annual Security Dialogue and first Trade and Investment Cooperation Forum Agreement (TICFA) meeting. Bangladesh is a strong development partner and a focus country for all three of the President's key development initiatives: Global Health, Global Climate Change, and Feed the Future. As a top contributor to UN peacekeeping operations, it is also a regional and global security partner. Finally, growing at about six percent

a year for two decades, and strategically situated between growing India and a newly opening Burma, Bangladesh will play a key role in the Indo-Pacific Economic Corridor linking South and Southeast Asia.

In spite of these successes, Bangladesh is going through a period of transition. The U.S. government mobilized to strengthen worker safety and labor rights in Bangladesh following the tragic labor disasters of the Tazreen factory fire and Rana Plaza factory collapse. While the government of Bangladesh has made some progress to register unions, harmonize standards, and begin factory inspections, much remains to be done. Bangladesh must end harassment of labor activists, hire more inspectors to carry out quality inspections in a timely manner, and reform its national laws and Export Processing Zone regulations to meet international standards.

On the political front, we were disappointed by the parliamentary elections earlier this year, which were followed by harassment of opposition, independent media, and civil society. In addition to this harassment, we are concerned about reports of continuing extrajudicial killings as well as disappearances and abductions. We have also strongly reiterated to the government the importance of maintaining the independence, effectiveness, and integrity of Grameen Bank. Despite these concerns, we strongly believe that we must maintain our cooperation, which will help Bangladesh realize its potential as a prosperous rising regional partner that restores its democratic values and protects labor rights.

Nepal

Although we celebrate Nepal's recent successful elections, the country still faces major challenges. The new Constituent Assembly must grapple with drafting a new, permanent constitution that articulates Nepal's vision of federalism. In addition, while there have been commendable achievements in post-conflict reconciliation, such as the integration of former Maoist combatants into the army, victims of human rights abuses committed during the ten-year civil war are still waiting for justice. As a result, we continue to urge Nepal to establish commissions on truth and reconciliation and on enforced disappearances.

For decades, Nepal has been a gracious host to thousands of refugees, a testament to the humanitarian spirit of the Nepali people. The United States has welcomed 75,000 Bhutanese refugees since resettlement started in 2008. As this successful program begins to wind down, we are committed to working with the United Nations and international NGOs to resettle remaining refugees. Tibetans comprise the other major refugee community in Nepal. We continue to advocate for the long-staying Tibetan community and urge respect for their fundamental rights, including the freedom of religious expression. We regularly engage with the Nepali government on the "Gentlemen's Agreement," which allows recently arrived Tibetan refugees to transit through Nepal to India under the protection and assistance of UNHCR.

One of the poorest countries in the region, Nepal desperately needs economic development. The Millennium Challenge Corporation, in partnership with the Nepali government, is developing a Threshold Program for consideration by the MCC board in the fall, with implementation tentatively planned for early 2015. This policy-oriented program will work to overcome constraints on Nepal's growth and build a foundation for successful economic development.

Nepal remains extremely vulnerable to catastrophic earthquakes and other natural disasters. Indeed, just twelve days ago, more than a dozen Nepali guides died in an avalanche on Mount Everest, the deadliest in history. Given the high risk of natural disasters in Nepal, Embassy Kathmandu has established a Disaster Risk Reduction Office that coordinates efforts by State, USAID, and the Department of Defense to maximize the impact of limited resources. Together with the Nepali government and other donors, we are working to help reduce the potential impact of any future disaster.

Sri Lanka

In Sri Lanka, we continue to support reconciliation efforts and protection of human rights. At the March 2014 session of the UN Human Rights Council, the United States led a third consecutive resolution on Sri Lanka, which highlighted yet again the need for the government to take credible steps toward reconciliation and accountability following the end of the civil war. While our military cooperation is increasingly limited by human rights concerns and allegations of violations and other abuses emanating from the conflict, our programming focuses on promoting democracy, human rights, and good governance, including outreach to the majority Sinhalese population to help create a sustainable peace. Examples of these efforts include grants in support of reconciliation; support for civil society and journalists; women's empowerment; and public outreach through people-to-people programs among all ethnic groups across the country. These initiatives support our longstanding desire to see a peaceful, united, inclusive, and prosperous Sri Lanka.

Maldives

In Maldives, a small but strategically important U.S. partner, the young democracy's political institutions remain weak. We welcome the presidential elections of November 2013, which were held after earlier attempts were thwarted, following judicial interference in the electoral process. Strengthening independent institutions and the rule of law are high priorities in this moderate Islamic democracy. The \$4 million requested for Maldives allows us to continue our engagement on democracy and governance, climate change, and counterterrorism.

Bhutan

We continue to strengthen the informal ties we have with Bhutan, which embraced democracy in 2008. Bhutan held its second democratic election in 2013 and saw a peaceful transition of power to the former opposition party. While we do not request any bilateral foreign assistance for Bhutan for 2015, through an existing USAID grant, we are helping to build political parties' capacity and train newly elected parliamentarians, to support the consolidation of democracy in this strategically located country. We also have robust people-to-people ties through educational and cultural exchanges.

Conclusion

Mr. Chairman, let me conclude by saying that as I look out over the horizon and assess the challenges and opportunities for the United States in South Asia, I am struck by the enormous potential of a region that will be increasingly consequential to our interests in the years ahead. Much of the story of the 21st century will be written in this part of Asia. This is a part of the world where a little goes a long way, and where our assistance has a tremendous positive net gain on the ground. I appreciate your engagement and will continue to coordinate and consult closely with the Subcommittee. Thank you.