

**“THE U.S. REBALANCE IN SOUTH ASIA: FOREIGN AID AND
DEVELOPMENT PRIORITIES”
TESTIMONY BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
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March 24, 2015**

Introduction

Mr. Chairman, Ranking Member Sherman, distinguished members of the subcommittee, thank you for inviting me to testify today. As a former staff member of this committee, I always appreciate the important role that you play in shaping U.S. policy. I am honored to once again appear before this committee to discuss President Obama’s fiscal year 2016 budget request for South Asia and how it advances U.S. interests and priorities in this important region. And I am particularly thrilled to be here with my good friend and fellow House staff alumnus, Jon Stivers, the Assistant Administrator for Asia at USAID.

I am especially pleased that you have chosen to frame today’s hearing as the U.S. Rebalance in South Asia. President Obama laid out the importance of the Asia-Pacific and Indian Ocean region during his address to the Australian parliament in 2011, when he declared that the United States has been, and always will be, a Pacific nation. The President and Secretary have underscored that, as the world’s fastest-growing region, the Asia-Pacific is increasingly important to expanding economic opportunity here at home. And as the President also noted, with most of the world’s nuclear power and half of the world’s population spread across this

vital region, our well-being will also be increasingly impacted by security and stability in Asia.

In a region that by some projections may comprise 50% of global GDP by the year 2050, there are myriad challenges and even more opportunities to focus our attention on. With nearly 2 billion people, a growing middle class, an entrepreneurial culture, and a resurgent Indian economy, South Asia will play an increasingly important role in this Asian growth story.

But the region must also grapple with critical challenges that threaten to impede this vision of prosperity. If South Asia is to achieve its place in the Asia-Pacific century, it must strengthen governance and advance transparency and accountability; it must invest in its burgeoning youth population to engage them in productive enterprise; it must manage overcrowded cities straining under inadequate infrastructure; and it must usher in economic policies to support sustainable and inclusive economic growth.

In all of these areas, the United States is engaged across the region to partner with governments, businesses, civil society, and academia to address challenges and expand opportunities.

One major element of our engagement is how we spend our resources. At just over 383 million dollars, the President's budget request for South Asia reflects our belief that the vast Indo-Pacific region – stretching from South Asia to the West Coast of the United States – will be a nexus of growth and increased economic prosperity across the arc of the 21st century.

I should note that, while my testimony does not cover bilateral relations with Afghanistan and Pakistan, which is under the management and policy coordination of our Special Representative for Afghanistan and Pakistan, I do oversee the broad areas of regional cooperation and connectivity between those two countries and the rest of South and Central Asia.

Regional Strategy

Mr. Chairman, the United States believes that a more stable and prosperous South and Central Asia is directly in the U.S. interest. To enhance security and prosperity for the entire region, the United States is committed to working with the region to prevent destabilizing forces such as terrorism, narcotics trafficking, and criminal activity from occurring, while helping catalyze growth and prosperity through our assistance programs and initiatives like the New Silk Road (NSR) and the Indo-Pacific Economic Corridor (IPEC). The United States is creating sustainable markets and durable connectivity that will define not just South Asia's future, but also our own. A more economically-connected region will ensure that this stability and prosperity is widely shared and endures for generations to come.

For instance, our NSR and IPEC initiatives boast four major pillars – 1) building a regional energy market; 2) facilitating trade and transport; 3) improving customs and border protection, and 4) linking businesses and people – designed to specifically draw together the markets of Central, South, and Southeast Asia. These efforts will provide sustainable energy, transport, trade, and maritime connections across the region. For instance, thanks in part to USAID's South Asia Regional Initiative for Energy Integration; a 500-megawatt grid interconnection between India and Bangladesh has been established. MCC, USAID, and the State

Department also plan to provide technical assistance to help Nepal restructure its energy sector and take full advantage of its hydropower potential.

What do we hope these connectivity initiatives will accomplish? We seek to foster the development of energy linkages to light cities and power economic hubs, build road and rail links across this region's vast landscapes, and speed the interchange of goods and ideas in new markets. To address the requirements of global commercial markets, we want to remove trade impediments and streamline customs modernization, and enable seaports and land ports to utilize advanced digital technology to improve efficiency and global competitiveness. Mr. Chairman, in every one of these areas, we see a distinct role for the U.S. government and for U.S. firms as conveners, partners, and suppliers.

The United States approaches our efforts to improve economic connectivity in Asia fully aware of the challenges the region continues to face. As I noted earlier, transparent and accountable governance is key. While the power of democracy is on display in Sri Lanka and India, persistent challenges to democratic governance threaten the potential of Bangladesh and Maldives, while Nepal continues to struggle with building the political consensus to draft a constitution that will create durable peace.

India

But if there is one overarching positive trend that is driving the energy and optimism across South Asia, it is the resurgence of India – as evidenced by their vibrant election last year, which was the largest such democratic exercise in

history. Less than one year after the election of Prime Minister Modi, our relations with India are stronger than ever. The President's historic Republic Day visit was critical not only for the symbolism of that visit but also for the important outcomes in four key areas – advancing our strategic partnership, deepening our security cooperation, revitalizing the economic partnership, and advancing critical clean energy and environmental goals.

As we have energized bilateral relations with the new Indian government, there can be no doubt about the strength of our joint strategic vision. Our two countries are indispensable partners in promoting peace, prosperity, and stability across the Indo-Pacific region. We are drivers of growth across the region and around the world. And we are net providers of security, together ensuring freedom of navigation and safeguarding the maritime domain. These values are clearly enshrined in two new documents: our Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region and the Delhi Declaration of Friendship, leaving no doubt about our commitment to a peaceful, prosperous, democratic, and stable Asia. In conjunction with President Obama's most recent visit as chief guest of India's Republic Day, we also secured forward movement on some issues that were holding up our ability to advance our civil-nuclear cooperation, helping to remove hurdles that our companies faced in helping India provide clean, sustainable nuclear energy.

In the security realm, we reached agreement on a U.S.-India Defense Framework Agreement, and we continue to make progress on the Defense Technology and Trade Initiative (DTTI). Following the President's visit, we agreed on six initiatives: four co-development pathfinder projects and two working groups to explore aircraft carrier technology sharing and design, not to mention cooperation

on jet engine technology. We also agreed to upgrade the Malabar naval exercise, which will help us improve maritime security in the Indian Ocean.

For India to be a strong partner in the region and around the world, it must be strong at home. So we support India's economic rise, including its domestic economic transformation. Therefore, the President and Prime Minister Modi agreed to elevate our commercial and economic partnership as part of the Strategic and Commercial Dialogue to advance our shared prosperity. Our countries have resumed discussions on a Bilateral Investment Treaty, which, if realized, would provide enormous benefits and necessary protections to U.S. companies. The President and Prime Minister Modi also committed in Delhi to restart the Global Issues Forum and our bilateral dialogue on women's empowerment, which can help our two countries tackle key governance and human rights issues to ensure that India's development is inclusive and sustainable. For India to create the world-class manufacturing sector it needs to be able to compete and generate jobs for the millions of Indian youth entering the job market every year it must protect innovation and further strengthen intellectual property protections for its budding creative class. We are optimistic that the many challenges to creating the investment climate and innovation economy that will power India's growth in the 21st century can be overcome.

Reliable energy access and energy security will be essential for India to achieve its ambitious economic goals. Doing so – while moving towards a climate-resilient and low-carbon economy – will be important for achieving India's ambitious development goals. The Prime Minister and President agreed that our countries will continue to work together on our ambitious energy and environment goals by renewing and expanding a five-year MOU on Energy Security, Clean Energy, and

Climate Change. They also committed that our countries will work together towards a successful climate agreement in Paris and pledged to work toward the goal of phasing down hydrofluorocarbons under the Montreal Protocol. We committed to expand our already robust energy relationship through a number of other clean energy and climate initiatives, and are working diligently on implementation. We launched the Clean Energy Finance Forum and U.S.-India Task Force on Clean Energy Finance in mid-February and will have high-level climate discussions in the coming weeks.

Our assistance programs in India are a model for making “a little go a long way.” By leveraging the private sector and Indian resources, we are getting sizable outcomes out of small inputs. Our programs connect to India's public and private sectors to jointly achieve development gains in a cost-effective manner in India and in third countries, where India's achievements stand to jump-start development results. This model of assistance – which positions India as a development lab with global reach – combines U.S. and Indian innovation and best practices, which can be road-tested and refined in India and then exported to developing countries in Africa and Asia. I know Jon will speak in more detail on the USAID program but let me note that, in keeping with both U.S. and Indian priorities, the USAID program focuses on four key areas: health, energy and environment, education, and food security.

Sri Lanka

Mr. Chairman, Sri Lanka represents another dramatic opening that was ushered in by an election where the voice of the people turned conventional wisdom on its head and provided hope to a country that has been captive to corruption, cronyism,

and divisive policies that threatened to divide and destabilize the country. President Sirisena, working in a government of national unity with Sinhalese and minority political parties, is pivoting the country away from the harmful policies of his predecessor. The prospects for strengthened democratic institutions, equitable economic growth, and reduced ethnic tensions are much greater under his leadership than they were during the previous regime.

Immediately upon taking office, newly elected President Sirisena and his coalition took actions that reflect their commitment to a comprehensive governance reform agenda, including development assistance and support for civil society and vulnerable communities. We are encouraged by the government's pledges to create a credible domestic accountability mechanism to address the end of the war and foster reconciliation between the North and South. We have expressed our support for the new government's focus on strengthening its democracy, rebuilding its economy, and pursuing meaningful reconciliation, and strongly signaled our commitment to rebuild U.S.-Sri Lanka ties

We are also encouraged by the government's 100-day program to implement democratic reforms in advance of upcoming parliamentary elections. In its first few weeks in office, the Sirisena administration lifted restrictions on the media and on travel to the North, invited all exiled journalists to return, and moved the NGO Directorate out of the purview of the Ministry of Defense. Just last week, the cabinet approved reforms to limit the power of the executive, and the government has taken welcome steps to address ethnic grievances and fight corruption, for which they have welcomed our assistance.

Despite these encouraging signs, Mr. Chairman, let me be clear. The Sri Lankan people, and the Sirisena government, face tough challenges in the months ahead – including the financial mess they inherited; the difficult road on accountability and reconciliation; and restoring the democratic institutions that were systematically undermined by the previous government, including demilitarization of the former conflict zones. But I want to reiterate the assurances made by President Obama and Secretary Kerry that the United States looks forward to deepening our partnership with Sri Lanka and working with them to advance democracy, prosperity, and dignity for all Sri Lankans.

Now I recognize that this commitment is not reflected in the President's budget request for assistance to Sri Lanka. I would like to underscore that this budget request was written before Sri Lanka's democratic transition and reflects the more constrained environment created by the previous government, which forced us to draw down our programs. That is not the Sri Lanka of today and we see tremendous opportunities to assist the country in improving governance, accountability, commerce, and more. We look forward to working closely with this committee and with key committees in the House and Senate to explore options for supporting the democratic transition in Sri Lanka.

Nepal

Another country working to complete its democratic transition is Nepal. Despite its tremendous progress since the conclusion of the civil conflict in 2006, the country still faces major challenges to secure a durable and democratic peace. Political leaders and the Constituent Assembly continue to struggle to achieve consensus and compromise on the extremely difficult task of 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, Nepal must make good on its commitment to establish a credible and independent commission on truth and reconciliation, and enforced disappearances.

We continue to work closely with Nepal on refugee issues. For decades, Nepal has been a host to thousands of refugees, including Bhutanese refugees. The United States has welcomed over 80,000 Bhutanese refugees to our shores 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 establish a durable solution to the refugee issue. Tibetans comprise the other major refugee community in Nepal. We continue to advocate support for the long-staying Tibetan community and to urge respect for their fundamental rights, including the freedom of religious expression. We regularly engage with the Nepali government on the "Gentlemen's Agreement," by which recently arrived Tibetan refugees transit through Nepal to India under the protection and assistance of UNHCR.

Nepal is consistently one of the top seven troop contributing countries to UN peacekeeping operations. Its forces perform with distinction in some of the most difficult places in the world, including South Sudan, Liberia, and the Golan Heights. Also, as Nepal announced at the 2014 summit on peacekeeping, co-hosted by Vice President Biden, it is committed to including women in its peacekeeping efforts. In partnership with the State Department's Global Peace Operations Initiative (GPOI) program, the Nepali training center in Panchkhal trains and deploys nearly 6000 peacekeepers every year.

Nepal remains extremely vulnerable to catastrophic earthquakes and other natural disasters. This year alone we have seen dozens of deaths and major infrastructure damage caused by landslides, floods, and unpredictable weather in the Himalaya region. Given the high risk, Embassy Kathmandu actively coordinates efforts with 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.

Bangladesh

Bangladesh has the potential to become a model of a modern, prosperous, strong, and inclusive country that connects the economies of South and Southeast Asia – but to seize this potential will require a reversal of negative governance trends, as well as political leadership that eschews violence and puts people before party politics. We can clearly see what is possible in Bangladesh because our assistance programs there have yielded some of the best returns on investment in the world: mortality of infants under 5 has been reduced by 60 percent and maternal mortality by 66 percent. Rice shortages have been turned into surpluses. Protected forests are mitigating the impacts of climate change.

U.S. assistance to Bangladesh aids the country's long term development and stability, and is channeled through three presidential initiatives – Feed the Future, Global Climate Change, and Global Health. Our assistance addresses persistent challenges in the areas of agricultural productivity and crop diversity, health care, nutrition, vulnerability to natural disasters, governance, and the rule of law, and seeks to support efforts to stabilize Bangladesh's democracy.

Together the United States and Bangladesh continue to grow our security partnership, which provides regional and global security and seeks to prevent the scourge of extremism. Bangladesh is the world's largest troop contributing country to UN peacekeeping operations. This spring we will hand over a second Coast Guard Cutter to the Bangladesh Navy, where it will join its sister ship in keeping sea lanes in the Bay of Bengal free and secure. Our counterterrorism cooperation continues to expand since the signing of the bilateral 2013 Counterterrorism Cooperation Initiative.

Our partnership to abolish the evils of violent extremism has never been stronger. Bangladesh is a board member of the Global Counter Terrorism Forum (GCTF) and a pilot country for the Global Fund for Community Engagement and Resilience (GCERF) – a public-private global fund to support local, grassroots efforts to counter violent extremism. The heinous murder of American citizen and prolific blogger Avijit Roy, who was killed for exercising rights that are enshrined in Bangladesh's constitution, was a stark reminder that these efforts must continue. An FBI team is currently in Dhaka to work with Bangladeshi authorities to identify the perpetrators of this act of terror and ensure that they are brought to justice.

Notwithstanding frequent natural disasters and significant development challenges, Bangladesh's economy has grown at an average annual rate of about 6 percent for over two decades, which has helped reduce the poverty rate from over half of the population to less than a third. Yet there is still much to do: key challenges remain in many sectors including agriculture, health care, nutrition, governance, and the rule of law. More than 120 million Bangladeshis live on less than \$2 per day, 30 percent of women are chronically undernourished, and 41 percent of children

under five are stunted. U.S. assistance will continue to focus on expanding economic opportunities for Bangladeshis, improving governance, and developing social services. These efforts will greatly contribute to Bangladesh's goal of becoming a middle-income country by 2021, its 50th year of independence.

A critical aspect of the Bangladeshi economy is the ready-made-garment (RMG) industry. But two years after the collapse of the Rana Plaza garment factory, Bangladesh still has a long way to go in improving worker safety and labor rights. We have seen key improvements in the number of inspectors trained, buildings inspected, and even seen some buildings closed for hazardous and unsafe conditions. The number of unions that have been established has gone up dramatically to over 200. The minimum wage was increased by 77% in 2013 and a new labor law has been introduced in parliament that will strengthen labor rights. The U.S. and international community can be justifiably proud for the unprecedented coalition of government, industry, labor and civil society that has come together to address the gross inadequacies in labor safety and labor rights, which were revealed in the aftermath of the horrific Rana Plaza tragedy and Tazreen factory fire. But we also know that, for all the progress, we have not seen the change in attitudes, enforcement, and incentives that can create lasting and systemic improvements in the RMG sector in Bangladesh to bring their laws in line with international standards. Again, Bangladesh has enormous potential, and we hope it takes the steps needed to achieve it.

Unfortunately, the violent political impasse in Bangladesh impedes the economic progress that will be needed to lift more than 60 million people out of extreme poverty: just last week the IMF blamed the political disruptions in its reduced growth projection for Bangladesh. We have strongly condemned the violence that

has killed and injured scores of people. While the recent lull in violence is welcome, we have urged the Government of Bangladesh to restore and rejuvenate its democratic institutions – including support for freedom of expression, especially by the media, and space for peaceful protest and dissent.

Maldives

Mr. Chairman, increasing political turbulence in the island nation of Maldives is also adding to that country's mounting challenges: high youth unemployment, growing religious extremism, and social unrest. Maldives' democratic institutions remain weak and are easily manipulated, while the judiciary has become increasingly politicized. And while the bilateral relationship had been on a positive glide-path, last week's conviction and sentencing to 13 years in prison of former president Mohamed Nasheed, the country's first democratically-elected leader, calls into question Maldives commitment to the minimum fair trial guarantees and the rule of law.

The assistance request for the Maldives allows us to continue our engagement on counter-terrorism, maritime security, and climate change issues. Maritime security is of great concern due to potential threats posed by narcotics trafficking, piracy in the Indian Ocean, and sea-borne trade in illicit materials that could be potentially used for terrorist activity.

Bhutan

Finally, I end with Bhutan, whose Prime Minister is in the United States this week – in partnership with the World Wildlife Foundation – to visit prominent U.S.

companies like Tesla and Google and promote his vision for balancing economic development and environmental stewardship. 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. Bhutan also participates in the South Asia Regional Initiative for Energy Integration (SARI/EI), a program sponsored by USAID, which helps the countries of the region increase energy security through cross-border trade, clean energy access, and improved energy market practices. While we have not requested bilateral foreign assistance for Bhutan for 2016, we have strong people-to-people ties through educational and cultural exchanges, and we welcome expanded participation by Bhutan in these programs.

Conclusion

Mr. Chairman, South Asia is a region with powerful potential. Few places in the world can capture the imagination as this region of 1.7 billion people. Every crucial opportunity and every daunting challenge that the world will face in this century can be found somewhere in this region. Across South Asia, our policy and programs protect U.S. interests and create the conditions for growth and security. Our core regional strategy is predicated on increased growth and connectivity, which provides the best opportunity of dramatically improving the lives of South Asians of every stripe. Each of these initiatives seek to give our innovative U.S. businesses greater access to a number of growing markets, and to ensure that they will have a leading role in powering the economic engines of South Asia. And with this budget request and the programs and policies it supports, the United States will demonstrate our long-term commitment to a connected, secure, and

prosperous South Asia – one that will benefit American citizens throughout the arc of the 21st century.

Thank you. I look forward to your questions.