

Testimony of Nisha Desai Biswal
Assistant Secretary of State for South and Central Asian Affairs
Before the House Foreign Affairs Subcommittee for Asia and the Pacific
FY 2017 Budget Priorities for South Asia
May 11, 2016

Introduction

Mr. Chairman, Ranking Member, members of the committee: thank you for the invitation to testify today – it is, as always, an honor to come before this committee, which plays such a key role in advancing America’s interests abroad. It’s also a pleasure to be here with my good friend and former House colleague Jon Stivers. As you may know, I spent the formative years of my career working as a professional staff member on this committee, and it instilled in me a long-standing respect for the role of Congress in our foreign policy.

For the past 15 years, I have observed – from different angles and altitudes – how the countries of this region, and our relationships with them, have grown, evolved, and prospered. And while the past decade and a half has seen its share of successes – especially this past year – it’s nothing close to what is possible in this region over the next 15 years.

Today, roughly one quarter of humanity lives in South Asia – 1.7 billion people. But about two-thirds of them are still in the countryside. 500 million South Asians live without electricity, and about a third of South Asians live on a dollar a day or less – no other region has as many poor and undernourished people. Across the region, average gross national income is about \$1,500 per capita – one quarter of what it is in East Asia and less than 4 percent of the OECD average.

But if we look at this region only through the narrow prism of its problems, we miss its vast panorama of opportunity. Consider this: South Asia has more working-age people than anywhere else, and its economies are growing at an average of over seven percent. In the next 15 years, 250 million South Asians will move into cities, gaining greater access to health care, education, and employment opportunities. The IMF trumpets India as the world's fastest-growing major economy, and its middle class is projected to grow to nearly 500 million by 2030. Bangladesh, meanwhile, is projected to be a top 30 economy by the year 2030, with its middle class tripling over the next 10 years.

What does this mean for the United States? It means over a half a billion new customers for U.S. businesses, and not just in consumer goods but also in financial services, technology, the health sector, energy, education, travel, and much more. In the last 15 years, South Asia's overall imports have increased by a factor of four. And in 2014, the United States exported more than \$22 billion worth of goods to South Asia, making us the region's number one trading partner. Exports to South Asia support thousands of jobs in many of your districts and, as the region rises over the next 15 years, thousands more can be created.

Our engagement and diplomacy in Asia is as prominent and important as ever. The Administration's Rebalance strategy has long recognized that Asia's security and prosperity is inextricably linked with our own, and the countries of South Asia are playing critical roles in regional and global issues that are of great consequence to U.S. interests.

Our democratic partners in South Asia are also willing and able to commit their own resources to uphold international rules and norms, respond to natural disasters

and other crises, and promote regional security, particularly in the maritime domain.

And as South Asia's democracies grow in strength and capability, they can assume ever-greater responsibilities in the region, which not only takes some of the burden off of our own shoulders, but also, I would argue, can result in more efficient and sustainable outcomes.

However, South Asia's growth will not occur in a vacuum – instability, insecurity, and inadequate institutions could easily derail this success story. Within that context, I'll now review how the policies and programs supported by our \$440.7 million FY 2017 budget request will sustain greater stability, security, and prosperity in South Asia and here in the United States.

India

I'll begin with India, which is projected to become the world's most populous country by 2030, with a rapidly expanding economy and middle class. U.S. companies have invested nearly \$30 billion in India and our bilateral trade has grown by a factor of 5 over the last 15 years, to over \$100 billion. As India's economy and middle class grows, we want to see that number increase another five-fold – about to where our trade with China is today. But for our economic relationship – and for India itself – to realize its full potential, it needs to overcome tremendous challenges in energy, education, health, water and sanitation, as well as religious-, gender- and caste-based discrimination and violence.

I should note that, while our request for \$76 million marks a decrease from previous years, we are now able to leverage four dollars from public and private sector partners for every one dollar that we spend in India. So while the relative numbers may be down, the absolute value is definitely up. Our request for India

focuses heavily on health and the environment, particularly clean energy. On the latter, India is fast becoming a global leader, aspiring to install 175 gigawatts of renewable energy by 2022, and U.S. businesses can play an outsized role in achieving this goal. We are already working with India to identify cost-effective ways to integrate renewable energy into the grid, and have jointly launched a fund to seed early-stage, off-grid technologies. What excites me most about this partnership is that many of the innovations we develop with India can be scaled and used throughout the world, bringing energy solutions to people all over Africa, Asia, and beyond. We have already done so with other development projects, as I'm sure Assistant Administrator Stivers can tell you about in detail.

And, as you well know, our work to advance U.S. interests with India extends far beyond our assistance programs. Our ties are guided by the Joint Strategic Vision enunciated by President Obama and Prime Minister Modi last year, and which is based on the belief that a closer partnership between our two countries – the world's two largest democracies – is imperative to promoting peace and prosperity in the Asia-Pacific and Indian Ocean region.

Our diplomatic partnership reaches far afield, as reflected in the dialogues we've held in D.C. and New Delhi, covering our cooperation at the UN, and in the Middle East, Africa, and East Asia. Our first annual Strategic and Commercial Dialogue, led jointly by Secretary Kerry and Secretary Pritzker, brought together more than a dozen different U.S. agencies to pursue numerous lines of effort. The U.S.-India-Japan ministerial explored trilateral cooperation in regional and maritime security, economic connectivity, and disaster response. Our Foreign Service Institutes now share best practices and conduct exchanges, and our development professionals are working together to alleviate poverty and fight diseases from Africa to East Asia. Our leaders have met together six times in the

last couple years, and Speaker Ryan's invitation to Prime Minister Modi to be the first foreign leader to address a Joint Session of Congress this year further underscores the importance that all branches of our government places on this relationship.

Our security cooperation is also breaking new ground, thanks to the commitment of Defense Secretary Carter to an ambitious vision of a strategic U.S.-Indian partnership. The U.S.-India Defense Technology and Trade Initiative (DTTI) continues to make progress, including our working groups on jet engine technology and aircraft carriers. The carrier working group marks the first time the United States has lent support to another country's indigenous carrier development program, and we hope to see a day in the not-too-distant future when U.S. and Indian navies – including aircraft carriers – operate side-by-side to promote maritime security and protect freedom of navigation for all nations. We are also India's number one partner in military exercises and its leading defense supplier – bilateral defense trade has reached \$13 billion and we have additional sales in the pipeline.

Our people-to-people ties are stronger than ever and underpin all elements of our relationship. The Indo-U.S. 21st Century Knowledge Initiative is building productive partnerships between our institutes of higher education, and last year Indians accounted for 14 percent of all international students studying in the United States. India has over 15,000 alumni of U.S. government exchange programs, including 6 current and former heads of state (Prime Minister Modi among them), 35 members of parliament, 11 chief ministers, and leaders in business, academia, civil society and the arts. And our long-running efforts to promote tourism ties are paying off handsomely: in 2014, Indian tourists spent

nearly \$10 billion in the United States – including almost \$500 million in California alone.

In the economic sphere, we continue to discuss the benefits that a high-standard bilateral investment treaty would bring to India’s economy, and our CEO Forum – which works in tandem with the new commercial pillar of our annual dialogue – helps to improve the ease of doing business, intellectual property rights protection and enforcement, and other issues important to the U.S. business community. And because India’s growth will depend in large part on trading more with its neighbors, we’ve made enhanced connectivity a central goal of our regional strategy, which I will detail at the end.

Bangladesh

Bangladesh’s rivers and its strategic location in the Bay of Bengal also make it a critical linkage in our regional connectivity efforts. And Bangladesh’s development gains over the past several decades demonstrate what we can achieve through a determined partnership: it went from a food importer to a food exporter, its economy has grown at nearly 6 percent annually for more than 20 years, it cut its poverty rate in half over the last 15 years, and it reduced its under-five mortality by nearly 75 percent between 1990 and 2015. As Assistant Administrator Stivers will tell you, USAID has had an outsized role in these achievements, and our \$207.9 million budget request for FY 2017 will build on past progress to ensure Bangladesh’s future success. We are investing in Bangladesh’s success because it is a key strategic partner both in South Asia and on global challenges like climate change and peacekeeping. Bangladesh has more than 160 million people – 65 percent of who are under the age of 26 – and hosts the world’s fourth-largest population of Muslims, making it an important partner in promoting tolerance,

diversity, and the empowerment of women. It is the number two contributor of UN peacekeepers, and its farmers help ensure global food security. And thanks to innovations by Bangladeshi institutions like Grameen Bank and BRAC – such as microfinance and new oral-rehydration therapies – tens of millions of the world’s poor, especially women and children, have had their lives transformed for the better.

But many challenges remain in this dynamic country. One-third of Bangladeshis still live in poverty. The country’s combination of high population density and low elevation make it highly susceptible to rising sea levels and extreme weather events. We also continue to work with Bangladesh to improve worker safety and labor rights, especially in its garment industry, which accounts for 80 percent of the country’s exports and employs well over four million workers, the majority of whom are women. While some progress has been made on worker safety – thanks in no small part to the herculean efforts of international brands, labor organizations, and diplomats – much remains to be done. The government still needs to demonstrate its commitment to protecting workers’ right to organize and to bringing its Export Processing Zones in line with international labor standards.

However, many of the gains that Bangladesh has made in human development and economic growth risk being undermined by the escalating extremist violence. Jon and I just returned from Dhaka, in the aftermath of the terrorist attack on Xulhaz Mannan, a long-time employee and beloved colleague of the U.S. Embassy. Xulhaz was also a respected and admired advocate for human rights. During our visit, we underscored Secretary Kerry’s message to the government and people of Bangladesh that the United States will work with them in the fight against violent extremism, and that during a time of such challenge, it is more important than ever

to respect the rule of law, political rights, and the ability for Bangladeshis to speak their mind.

And while preserving free speech, holding free and fair elections, and creating space for a vibrant civil society to operate are all important elements to succeeding in this struggle, they alone are not enough. It will also require vigilance to prevent attacks, intelligence to detect threats, well-trained police to investigate attacks, and a strong and transparent judicial system to ensure that justice is served.

In addition to expanding programs that seek to counter violent extremism, we are also working in new ways to help the government of Bangladesh understand and deal with the new contours of this threat. In all of these efforts, we work closely with trusted partners in Bangladesh, including the United Kingdom, Canada, and Australia. And we use public diplomacy programs and our social media presence to help in the fight – with nearly 2.8 million followers, Embassy Dhaka has the largest Facebook fan base of any U.S. mission in the world, and uses it to reach a large youth audience and present attractive alternatives to violent extremist ideologies. Bangladesh has a history of overcoming difficult challenges, and we are hopeful that, with a determined partnership, we can also help Bangladesh defeat the extremists and terrorists that threaten this vibrant society.

Sri Lanka

I will now turn to Sri Lanka, where our bilateral relationship has been transformed over the past year, thanks to a unity government led by a president and prime minister that are committed to reforms that can benefit *all* Sri Lankans. Sri Lanka now has the opportunity to assume its rightful place as a leader in the international community, one that contributes to the global economy; promotes human rights, accountability, transitional justice, and democracy; and that helps to uphold

international law. Sri Lanka's strategic position in the Indian Ocean makes it a key player in regional efforts to ensure maritime security, protect freedom of navigation, and respond to natural disasters. And its natural ports, abundant resources, and entrepreneurial people all mean enormous potential for economic growth and connectivity. With all of these factors in mind, our FY 2017 budget request of \$39.8 million will support the government's reforms to stimulate trade and investment, improve governance and human rights, and pursue reconciliation and accountability.

Our diplomatic relations are at an all-time high, and we are now working with Sri Lanka to implement the steps agreed to in the resolution we jointly sponsored at the UN Human Rights Council last year. We also support reconciliation through our public diplomacy programs, such as by teaching English, which serves as a linking language between Sri Lankan Sinhalese and Tamil communities. Embassy Colombo is also working to strengthen Sri Lanka's media environment through training for journalists on access to information, increasing diversity in types of stories covered, and improving English language skills.

This past month, we launched the U.S.-Sri Lanka Partnership Dialogue, which expanded and reinforced our cooperation in development, governance, energy, trade, and security. And our approach to make Sri Lanka's economy stronger is truly whole-of government. The USTR just hosted the U.S.-Sri Lanka Trade and Investment Framework Agreement (TIFA) Council Meeting at the end of April. Through the Department of Commerce, we train Sri Lankan business leaders and government officials in best practices for their nascent tourism industry, which is on track to have a banner year. And the Treasury Department will soon embed an advisor in Sri Lanka's Ministry of Finance, who will assist the ministry with public financial management reforms for the next two years.

Nepal

In Nepal, a land-locked nation strategically located between India and China, we request \$109.3 million for FY 2017, which includes support of Secretary Kerry's pledge to help the Nepali people recover from the tragic earthquake that struck in April of last year. The World Bank estimates that reconstruction will take decades and cost \$6.6 billion, of which donors have now committed two-thirds of the total amount. Despite these pledges, there is a huge funding gap for reconstruction efforts. Donor commitments only meet reconstruction needs of 10 percent for housing, 18 percent for health facilities, and 25 percent for schools. In the near-term, we are working with trusted partners like the National Society for Earthquake Technology-Nepal, UNICEF, Save the Children, and the Asia Foundation to train masons and engineers on safe building practices, provide temporary learning centers, help farmers get back on their feet, and protect vulnerable populations from the human trafficking that too often follows such disasters. Grants from our Ambassador's Fund for Cultural Preservation have helped preserve and restore cultural heritage assets, an important step in helping Nepal rebuild its tourism industry. Though the government of Nepal's rebuilding efforts got off to a slow start, we are working with the National Reconstruction Authority to get projects done as quickly as effectively as possible. In all areas, our diplomats have worked assiduously to ensure that relief and recovery funds are distributed transparently and that as little as possible is lost to waste or fraud. But to ensure that development gains from our 60 year partnership with Nepal are not lost, it is critical that we continue to support Nepal's massive reconstruction effort.

As you know, Nepal's earthquake struck as the nation was still transitioning from a decade-long insurgency that had crystalized grievances and mistrust among elements of its diverse population. Nepal promulgated its long-awaited constitution

last fall, an important milestone in the country's democratic journey. The government's task now is to ensure that the new constitution – as well as any implementing law – is inclusive and has the broadest possible support in every part of the country, and enshrines and protects basic human rights, including gender equality, equal rights to citizenship, and religious freedom. Like the United States, Nepal is gifted with a wonderfully diverse, tolerant, creative, and entrepreneurial population – one that can only realize its full potential when everyone is treated equally before the law.

Nepal still has one of the lowest levels of per-capita income in Asia, and its economic growth will depend on its ability to capitalize on regional energy connectivity and the nation's vast hydropower potential – over 40,000 megawatts worth – which could help power South Asia's growing economies. Despite that enormous potential, Nepal currently has only 780 megawatts of installed capacity. The Millennium Challenge Corporation is developing a compact for Nepal that will likely focus on reforming the energy sector and improving transport infrastructure, and we have launched a multi-year, nearly \$10 million program to support that effort. In addition, in Kathmandu's Chamber of Commerce we have opened an Innovation Hub, which promotes and assists the city's nascent community of tech entrepreneurs.

We also continue to work closely with Nepal's government to protect and assist the many Tibetan and Bhutanese refugees in the country. Between 12,000 and 20,000 Tibetan refugees now live in Nepal, and our Ambassador serves as the Chair of the Tibet Contact Group. Nepal has also hosted many thousands of Bhutanese refugees for decades, and – as part of one of the world's most successful refugee resettlement programs – the United States has resettled over 86,000 Bhutanese since 2008. As this program begins to wind down, we are committed to working

with the United Nations and international NGOs to establish a durable solution for the remaining Bhutanese refugees in Nepal.

Maldives

I'll now turn to the Maldives where, unfortunately, we have seen little progress since last year with respect to strengthening democracy and the rule of law. While we acknowledge the extended medical leave granted to former president Nasheed, we remain greatly concerned about the narrowing of legitimate political space: too many opposition politicians still remain behind bars because the government's intolerance for criticism or competition. We are also concerned about the fertile ground for recruitment that violent extremists find in Maldives, where the youth population struggles with high unemployment and a lack of opportunities in higher education.

Maldives is also one of the most vulnerable nations in the world to the impacts of climate change, and is threatened by seaborne trafficking of drugs and weapons. Our budget request of \$3.3 million for Maldives in FY 2017 will allow us to continue our engagement with Maldives to adapt to the impacts of climate change, counter violent extremism, and increase maritime security.

Bhutan

In Bhutan, we continue to strengthen our warm and unofficial ties with one of Asia's newest democracies. Bhutan is a global role model on issues like climate change and environmental conservation. It actually absorbs three times more carbon dioxide than it emits, making the country carbon negative, and it has pledged to remain carbon neutral in perpetuity. It is investing in clean energy, and its constitution requires the country to maintain at least 60 percent forest cover, and it now boasts 72 percent coverage. Despite its small size, Bhutan also contributes

to global peacekeeping operations, with a small number of personnel that serve in eight different UN missions worldwide – and it looks to expand its contributions further. While this budget does not request any bilateral funds for Bhutan, we will continue to strengthen our educational and cultural ties, and support Bhutan’s participation in international and regional forums. We will also encourage Congress to lend its support to our efforts to find new avenues of cooperation with Bhutan.

Indo-Pacific Economic Corridor

I’ll end with a brief update on the Indo-Pacific Economic Corridor (IPEC), our flagship regional connectivity effort in South Asia, which works to improve energy markets, trade and transport routes, customs and border procedures, and people-to-people ties both among South Asians and with their neighbors in Southeast Asia. South Asia remains among the least economically integrated regions in the world, and non-tariff barriers to trade are a major cause. For example, it takes up to 20 separate authorizations for merchants to import and export goods from India to Bangladesh and, even after that, cargo must be reloaded onto new trucks because of differences in axle loading and road quality. With targeted interventions, IPEC finds diplomatic and programmatic solutions to such problems and becomes a connectivity force-multiplier. For example, a feasibility study we funded led to the construction of a 500 megawatt transmission line between India and Bangladesh. We’ve now hired consultants to help Bangladesh harmonize its grid code with its neighbors – making it easier to move energy to where it’s needed most and facilitating the expansion of that 500 megawatt line to 1000 megawatts. And we’ve invited South Asian port operators to learn best practices from – and forge business partnerships with – their counterparts in Baltimore, New Orleans, and New York and New Jersey.

Conclusion

As you can see, South Asia is a region of tremendous potential, though one that still faces many challenges, including widespread poverty, frequent natural disasters, and the threat of violent extremism. The policies and programs supported by this budget request will ensure that we continue to be a leader that promotes economic connectivity and growth, advances good governance and democracy, and ensures regional security and stability. In the coming years, the countries of South Asia will assume an ever-greater role and importance in global affairs. At the same time, there will be more opportunities for U.S. businesses to invest in and trade with the region, which will generate more jobs and economic growth here at home. With smart, focused engagement, we can ensure that South Asians and Americans alike continue to reap the benefits of regional stability, security, and prosperity. Thank you.