

Written Testimony of Alice G. Wells
Senior Bureau Official for South and Central Asian Affairs
Before the House Foreign Affairs Subcommittee for Asia and the Pacific
Wednesday, July 25, 2018

Chairman Yoho, Ranking Member Sherman, and members of the subcommittee – thank you for inviting me to appear before the House Foreign Affairs Subcommittee for Asia and the Pacific to discuss the Administration’s FY 2019 Budget Request for South Asia. Today, my testimony will cover our requests for India, Bangladesh, Sri Lanka, Nepal, and the Maldives.

The Indo-Pacific Strategy: South Asia

The Indo-Pacific region, spanning from the West coast of the United States to the West Coast of India, has enjoyed unprecedented prosperity and substantial improvements to standards of living over the last three decades. Much of those gains are from trade: 70 percent of global commerce transits its maritime domain, a vast stretch of the planet spanning two oceans. As the Indo-Pacific’s largest trading partner and investor, the United States conducts \$1.4 trillion in two-way trade with its markets, and benefits from \$850 billion in foreign direct investment.

The region has achieved this through a shared commitment between the United States and its allies and partners, to a free, open, and rules-based system of international commerce and peaceful resolution of disputes. The Indo-Pacific Strategy, announced during the President’s historic trip to the region in November, seeks to strengthen that system and protect the political and economic sovereignty of all Indo-Pacific nations, so they may chart their own path forward, free from external coercion. The strategy will enhance the freedom of the seas and skies; promote market economics; and support good governance, transparency, and liberty. President Trump believes it is clearly in America’s strategic interest to work with partners for mutual prosperity.

South Asia is an integral part of that strategy, a market of almost 1.7 billion people critical to our national security. Our commitment to support a free and open Indo-Pacific region in cooperation with India and other like-minded partners is resolute. The strategy envisions further expanding partnerships throughout South Asia, whether defense and security oriented or based on economics and trade, that will help India, Bangladesh, Sri Lanka, Maldives, and Nepal to protect their sovereignty and share in collective prosperity.

FY 2019 Budget Request

For FY 2019, the Department requests \$219.3 million for South Asia, including \$194.7 million for our largest implementer USAID.

- This includes \$120.9 million for Bangladesh, the largest request for South Asia, reflecting support for its food security and agricultural economic development, counterterrorism and law enforcement capacities, and the health sector.
- The Administration requests \$42.1 million for India to address shared security challenges and promote long-term sustainability in priority development areas: health, water, and sanitation.
- For Nepal, the Administration requests \$40.5 million to improve transparency, participatory governance, agriculture, and its economic environment.
- For Sri Lanka, the Administration requests \$11.5 million to further reconciliation efforts, support civil society, and promote economic and democratic reform.
- For the Maldives, the Administration requests \$0.4 million for international military education and training, and export control and border security.
- Finally, the Administration requests \$3.9 million in regional funding for South Asia to support regional investment and trade and to combat transnational criminal and other security threats in order to increase stability and economic growth.

Our partners in South Asia consistently share their desire for the United States to continue to be a leader in the Indo-Pacific region. This Administration is building upon longstanding U.S. interests in the region by making the Indo-Pacific a renewed emphasis. As the population and economic weight of the region grows, our engagement has to grow with it. We look forward to working with Congress to determine future funding needs for the Indo-Pacific.

India

India is a critical leader in the Indo-Pacific region, and vital to both the Administration's Indo-Pacific Strategy and its South Asia strategy. The U.S.-India strategic partnership stands upon a shared commitment to uphold the rule of law, freedom of navigation, democratic values, and free and fair trade. We look

forward to working with you in exploring ways to deepen strategic links between our democracies and in expanding the United States partnership with India.

The Administration supports India's emergence as a leading global power and a stronger strategic and defense partner. India is the world's largest democracy, at over 1.3 billion people, and in addition to being the fastest growing major economy in 2018, is also one of the world's largest markets. India's large and growing middle class is increasingly connected to international commerce, and bilateral trade has increased to over \$126 billion, with the potential for significant growth in the aviation, energy, and defense sectors in particular. American and Indian companies are investing in both directions, with U.S. firms active in India and Indian companies investing and creating jobs in the United States. U.S. firms continue to face market access impediments in India, however, and we are working with India to ensure fair and reciprocal trade for U.S. companies and achieve greater balance in our trade deficit.

India is already a Major Defense Partner of the United States, a status unique to India. We seek ways to enhance interoperability between India's military and our own, and ensure India can help protect the air and maritime shipping routes that underpin global commerce. We continue to advocate on behalf of U.S. defense industry to compete for defense deals in the Indian market.

Counterterrorism cooperation between our countries is robust and expanding. We are working together to strengthen information sharing on some of the world's most dangerous terrorist groups and individuals, and counter the financing and operations of regional and global terrorist organizations.

Economically, India is expanding its outreach to the Indo-Pacific region. We recognize that India has its own development challenges, and we will continue to partner with it to address these issues and identify best development practices. At the same time, we want to encourage India to play a leading role in developmental assistance and infrastructure development in the broader neighborhood. We appreciate India's significant commitment of economic assistance to Afghanistan, and hope to explore a trilateral relationship with Japan and India to support infrastructure development in the Indo-Pacific region. We will continue to partner with India in promoting high-standard development practices across the region.

Bangladesh

Bangladesh is strategically positioned at the crossroads between South and Southeast Asia, an important venue for the fight against transnational terrorism, and a development success story. It achieved lower middle income status in 2015 and has just met all three criteria required to graduate from least developed country status in 2024, but significant needs remain to keep it on this path. We have an interest in helping Bangladesh bear this burden so that the country can remain peaceful and stable. Indeed, our South Asia budget request prioritizes Bangladesh.

Supporting over one million Rohingya refugees fleeing ethnic violence, the refugees now face new challenges: monsoon rains and an underfunded humanitarian appeal. We, in close coordination with our USAID colleagues, are doing everything we can to support the refugees and Bangladesh's host communities, which cannot wait for the annual budget cycle. The Department has directed \$190 million to Bangladesh since FY 2017 to address these humanitarian needs.

Beyond this crisis, Bangladesh faces a national election, most likely in December. We look forward to a free, fair and inclusive elections in which the opposition parties can credibly compete.

As a security partner, Bangladesh is a significant contributor of peacekeeping forces worldwide and has taken great strides to defeat and dismantle terrorist networks in its country. Our assistance request focuses on helping undermine the drivers of violent extremism and building Bangladesh's capacity to respond to terrorist incidents.

Finally on trade, Bangladesh boasts a burgeoning consumer market, averaging over six percent GDP growth for more than 10 consecutive years. As the government seeks rapidly to expand power generation capacity to support continued growth, it increasingly looks to U.S. firms. Bangladesh is the second largest exporter of apparel worldwide and a major partner for U.S. businesses, including buyers. Leading U.S. retailers such as Target, WalMart, and The Gap purchased more than \$5 billion in garments in 2017. We call on Bangladesh to strengthen its safety standards and worker rights, and conform its labor laws to international standards. The U.S. is a partner in that effort; for example, the

Department of Labor is implementing a \$2 million project to strengthen Bangladesh's capacity to combat child labor in its dried fish sector.

Sri Lanka

The Port of Colombo is one of the busiest in the world, with significant transshipment volume destined for the United States. Central to the Indo-Pacific Strategy, the Administration continues frank conversations with Sri Lanka and other nations to ensure Sri Lanka's development ambitions are not mortgaged to predatory lenders. The Administration will work with the private sector and other likeminded donors to more sustainably address Sri Lanka's development and strengthen its ability to maintain its sovereignty. We will also support efforts to strengthen transparent and fair procurement processes in Sri Lanka. Holding projects to high standards will ensure they make economic sense, create local jobs, and drive long-term growth.

In accordance with the Indo-Pacific strategy, we will also look to Sri Lanka to contribute to security and stability in the Indian Ocean Region and protect freedom of navigation and maritime commerce.

In addition, the Indo-Pacific strategy also challenges the region to pursue good governance and accountability, and we will continue to support and encourage Sri Lanka's commitments to anti-corruption, constitutional reform, human rights, post-civil war reconciliation, transitional justice, and accountability. Implementation of these principles are critical and will help resolve longstanding ethnic and religious conflicts and usher in a more stable and prosperous future.

Sri Lanka is demonstrating progress on these issues, and as this progress continues, the United States will look to expand security engagement with Sri Lanka and bolster its capacity to provide humanitarian and disaster relief.

Sri Lanka has also earned eligibility for assistance to promote economic growth through the Millennium Challenge Corporation (MCC) and the Administration looks forward to signing an MCC Sri Lanka compact for millions of dollars in transportation and land tenure reform, once negotiations conclude.

Nepal

Bordered by India and China, Nepal seeks to pursue a balanced foreign policy that embraces its neighbors and the United States. The United States remains a preferred development partner in Nepal. An example of our evolving relationship is the MCC's \$500 million compact to support Nepal's economic growth, through expanding electricity transmission infrastructure and maintenance of its road networks. Importantly, Nepal has committed to contribute an additional \$130 million to the compact. As part of the Indo-Pacific strategy, the United States will continue to support and model global best practices in transparency, accountability, and quality in our engagements and development programs. Nepal's most sustainable path to development is finding reliable, long-term solutions to its energy and economic growth shortfalls – solutions that hold up financially over time.

Nepal's political future has improved considerably with the welcome promulgation of a new, durable constitution in 2015 and historic local elections in 2017. Nepal is on the cusp of unprecedented stability as it commences the lengthy process of transitioning to a federal structure. We look forward to working with the Nepali government on areas of mutual interest, including building a thriving economic environment based on well-established global principles, ensuring the institutionalization of strong and inclusive democratic systems anchored in the rule of law, and supporting the redress of conflict-era wrongs.

Maldives

The Administration requests resources to continue limited engagement on military-to-military training, engagement on counterterrorism and countering violent extremism, and export control and border security assistance. The Administration is deeply concerned about recent political developments in Maldives, and calls on President Yameen to allow free, fair, and credible presidential elections this September.

State South and Central Asia Regional

In support of a free and open Indo-Pacific, regional assistance will be used to support increased regional trade, investment, energy, and infrastructure connectivity. Regional programs will focus on reducing non-tariff barriers to trade, improving South Asia's investment environment, and encouraging South Asian nations to adhere to international norms. Assistance will focus on developing a

South Asian regional energy market, with opportunities for U.S. investment. Security assistance will also support cross-border opportunities to combat transnational crime, proliferation of weapons of mass destruction, and terrorism.

The Future of the Indo-Pacific

Looking forward, the implementation of the Indo-Pacific Strategy will tangibly accelerate. On July 30, Secretary Pompeo will join Secretary Perry, Secretary Ross, USAID Administrator Green, and OPIC President Washburne to headline an Indo-Pacific Business Forum in Washington, D.C. Soon after, Secretary Pompeo will travel to the region to participate in the ASEAN Ministerials and discuss the future of the region with his counterparts. On September 6, Secretary Pompeo and Secretary Mattis will hold a 2+2 dialogue with their Indian counterparts to discuss the growing U.S.-India strategic and security partnership. We look forward to the committees' review of our FY 2019 budget request, and hope we can find ways to further support the prosperity and sovereignty of this region.