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Nonproliferation
“U.S. Interests in South Asia and the FY 2020 Budget”

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Chairman Sherman, Ranking Member Yoho – Thank you for inviting me to testify before your subcommittees on the Fiscal Year (FY) 2020 budget request for Afghanistan, Pakistan, and South Asia. This region, bordering both China and Iran, is fundamental to U.S. national security interests. It includes several of the world’s largest democracies, offers growing opportunities for trade and investment benefitting U.S. firms, and is critical for the success of two major Administration priorities: the South Asia and Indo-Pacific Strategies.

Before I begin, I want to recognize the thousands of servicemen and women, diplomats and development specialists, and Afghan and international partners, who risk their lives every day in service to our country. I want to recognize Chelsea Decaminada’s selfless sacrifice for her country during the Easter attacks in Sri Lanka. A young International Program Specialist of the Department of Commerce, her dedication and spirit were a model for all of us, and she served her country with distinction.

In previous testimony, I laid out the goals of the South Asia and Indo-Pacific Strategies. The Department has made substantial progress on both. As such, our FY 2020 request rationalizes funding for Afghanistan and Pakistan and increases funding for India, Maldives, and regional activities in South Asia that will support our Indo-Pacific goals. The Department’s overall request for these regions is \$1.07 billion, 16% below FY 2018. I will begin by laying out how this budget request supports our efforts to end the war in Afghanistan and define a long-term partnership for the future. I will describe our efforts to secure Pakistan’s support for the Afghan peace process and take action against militant groups operating from within its borders, and conclude by outlining how our regional and bilateral initiatives in South Asia support the Administration’s Indo-Pacific vision.

Afghanistan: Pivot Toward Peace

The President and the Secretary have made clear our top priority in the region is to end the war in Afghanistan through a sustainable political settlement that ensures that Afghanistan never again serves as a haven for terrorist attacks against the United States or our interests. As we seek an end to the war, we are working with the Afghan government to define the parameters of a sustainable, long-term partnership with Afghanistan; civilian assistance will continue to play an important role.

In recent discussions in Kabul, the Department of State and the Afghan government have agreed to focus U.S. assistance on our highest priorities: furthering the peace process, ensuring Afghanistan does not serve as a terrorist safe haven, promoting Afghan self-reliance, and maintaining Afghan stability.

The resources we have requested for FY 2020 will help Afghanistan maintain and expand the gains it has made over the last 18 years, including the strides made by Afghan women and girls. The smaller request for FY 2020 for Afghanistan anticipates this more focused portfolio; however, significant prior year resources in the pipeline will allow us to avoid program disruptions as we transition to a smaller portfolio and have flexibility to respond to a political settlement. We also stand ready to provide humanitarian support as needed, so that a natural disaster or a significant return of refugees won't undermine Afghanistan's push for peace and stability.

At the same time, we are intensifying our engagement with partners. At last year's Geneva Conference on Afghanistan, the United States called on donors to begin planning for post-settlement Afghanistan, and several countries have responded. At the conference, the European Union announced a new \$535 million package of assistance for Afghanistan that focuses on support needed to implement and sustain a peace agreement. In addition, since the conference, the World Bank has been working with major donors and regional partners to develop a post-settlement economic action plan that will help Afghanistan navigate what could be a difficult economic period after a political settlement and hopefully speed the country's recovery.

As you have heard before, our assistance is not a blank check. We expect the Afghan government will continue on a path of reform, and we will use the Afghanistan Compact as a means to monitor progress and discuss new reform objectives to tackle Afghanistan's biggest challenges. Afghanistan has made some

progress on benchmarks in the Compact, including the conviction of high-level officials for corruption, independent management of security for the parliamentary elections, and improved government revenue collection. Continued progress is needed.

Pakistan – Transition from Aid to Trade

Our relationship with Pakistan remains one of our most complex and most consequential. In line with the Administration's South Asia strategy, our approach to Pakistan has focused largely on securing Islamabad's support for the Afghan peace process and for Pakistan to follow through on its pledges to take sustained and irreversible actions against all militant groups operating from within its territory. Our engagement with Pakistan on nonproliferation issues is also crucial. The United States and Pakistan both attach high importance to preventing the proliferation of weapons of mass destruction. We remain concerned, however, about Pakistan's development of certain categories of nuclear weapons and delivery systems.

On Afghanistan reconciliation, we recognize that Pakistan has taken steps to encourage Taliban participation in peace negotiations, which has been important to the progress we have made thus far. However, there is much more work to be done to achieve our ultimate goal of a peaceful Afghanistan free of terrorist groups. Pakistani officials are correct when they say that no other country will benefit more from a peaceful Afghanistan than Pakistan, and we expect Pakistan to continue to play a constructive role in reconciliation efforts.

On the broader issue of counterterrorism, the Pulwama terrorist attack in February that sparked a crisis between India and Pakistan underscored the importance and immediate need to halt terrorist activity in the region. We continue to urge Pakistan's leaders to make good on their pledges to take sustained and irreversible actions against terrorist groups operating within the country's borders, which is necessary for the long-term stability and prosperity of the region. In recent months, we have seen Pakistan detain some militants and seize assets belonging to front organizations raising funds for terrorist groups. While these steps are important, they are still reversible. Pakistan must sustain these measures and expand upon them, including by prosecuting terrorist leaders. The reality is that terrorist organizations such as Lashkar-e-Tayyiba (LeT) and Jaish-e-Muhammad (JeM) will continue to pose a grave risk to international peace as long as they are able to operate freely in Pakistan. On a multilateral level, we succeeded on May 1 in listing JeM leader Masood Azhar at the UN 1267 Sanctions

Committee – an achievement 10 years in the making. His listing sends an important message that the international community will not tolerate terrorism.

Sustained progress on these two issues – reconciliation and counterterrorism – will lie at the heart of a renewed bilateral relationship. We believe in the potential of the U.S.-Pakistan relationship to foster regional stability and economic prosperity. U.S.-Pakistani bilateral trade reached an all-time high in 2018, exceeding \$6.6 billion. U.S. exports to Pakistan rose four percent to \$2.9 billion, also an all-time high, and the trade deficit sunk to two percent, or \$782 million. Trade in agriculture was a particularly bright spot. U.S. soybean exports went from \$0 in 2014 to \$689 million in 2018. Pakistan’s market of more than 200 million people, including a growing middle class, provides ample opportunities for U.S. trade and investment in Pakistan to grow further.

This request does not include security assistance funding for Pakistan’s military. We will focus civilian assistance programming on priority areas such as building capacity to deter the proliferation of weapons of mass destruction; building law enforcement capacity to fight crime and terrorism; supporting economic development that can expand U.S. business ties with Pakistan; addressing communicable diseases that threaten both our countries; supporting civil society and religious freedom; and working with Pakistan to ensure that communities in the Afghanistan-Pakistan border region are stable and cannot be used as a base by terrorists. The request reflects the trajectory of our relationship away from an assistance focus and toward a more trade-based one, and the bright economic future we believe a more robust U.S.-Pakistan partnership can bring for Pakistan and the region, should Pakistan follow through on its pledges to fight terrorism and promote peace in Afghanistan.

The Indo-Pacific Strategy:

In the Indo-Pacific, the Administration is committed to ensuring a rules-based order, with free and open commerce, freedom of navigation, democracy, and the peaceful resolution of disputes. These principles have helped to improve living standards for half of the world’s population living in the Indo-Pacific region, and they remain critical for the region’s long-term future. Seventy percent of global commerce passes through the oceans of the Indo-Pacific, and the United States will protect its seas and skies through our diplomatic engagement, development efforts, and security cooperation. At the same time, the United States, alongside India, Japan, Australia, and other trusted allies and partners, will support the political and economic autonomy of Indo-Pacific countries to ensure they can chart their own

path to freedom and prosperity, as satellites to none. We cannot allow China, or any other country, to subvert our partners through unsustainable infrastructure projects that push economies into unsustainable debt, or by contributing to an erosion of transparency and democratic norms.

Since I last testified, Congress demonstrated its bipartisan support for this Indo-Pacific vision by passing its Asia Reassurance Initiative Act. With that Act, the Administration stands together with Congress by signaling to the region that America, itself an Indo-Pacific nation, is committed to promote mutual prosperity. The Department requests \$468 million for South Asia, which increases regional economic and security assistance, as well as development funding for India and Maldives. This more than doubles our FY 2019 request. We request that Congress support the Department's new security cooperation program in South Asia, the Bay of Bengal Initiative, with \$30 million in foreign military financing that will build maritime and border security capacity for Sri Lanka, Bangladesh, and Maldives. We also request \$64 million for regional activities to support raising infrastructure standards, supporting regional energy and digital connectivity, and bolstering cyber security. The Department continues to explore options for providing additional resources to support the Indo-Pacific Strategy in line with this request, and if available we intend to return to Congress to discuss them.

India:

[Insert quote from Secretary's June 12 prepared remarks].

Our request for India reflects its pre-eminent role in the Administration's Indo-Pacific vision and our two countries' commitment to shared principles and values. In May, India held the largest election in the history of the world. We congratulate India on its free and fair election, and Prime Minister Modi on his decisive victory. In his congratulatory call to the Prime Minister, President Trump reiterated his commitment to strengthening U.S.-India ties. In doing so, we will be building on several shared successes in the past year.

We launched the 2+2 ministerial dialogue last September, for example, and signed a Communications Compatibility and Security Agreement (COMCASA) to improve defense cooperation and interoperability. The Department of Commerce granted strategic trade authorization tier 1 status enabling American companies to export more high-technology items under a streamlined licensing process. The United States is also planning our first ever tri-service exercise with India later this year, which will involve all of our respective military services.

We're currently planning for the next 2+2 later this year, which will provide an important opportunity to deepen further our security and regional cooperation, including on pending defense deals, maritime security, and additional defense enabling agreements.

India's role in the Indo-Pacific is underpinned by its large and growing economy. Our two-way trade with India is rapidly increasing, expanding 12.6 percent last year to \$142 billion. The U.S. goods and services trade deficit with India was \$24.3 billion in 2018, down 11.2 percent from 2017. We want to continue to grow our trade relationship with India, but in a fair and reciprocal manner. Tariff and non-tariff barriers have been the subject of longstanding concern, and we are working with India to address market access challenges.

In our engagements with India, we will continue to highlight the importance of preserving a diverse and inclusive society. India's constitution provides strong protections for fundamental freedoms, including religious freedom. We look to India's democratically elected leaders and institutions to swiftly condemn acts of violence on the basis of religion and hold perpetrators accountable. This will help further India's security and economic interests and strengthen our bilateral relationship. We took note of PM Modi's comments following his reelection highlighting his government's commitment to inclusiveness and that "...a representative of the people cannot show favoritism towards anyone. We have to work for those who supported us and also those who did not in these elections with the same spirit."

Sri Lanka, Bangladesh, Nepal, Maldives, and Bhutan:

Beyond India and our regional Indo-Pacific strategy, the Department is also increasing bilateral engagement with other South Asian partners. Secretary Pompeo met in recent months with his counterparts from Bangladesh, Sri Lanka, Nepal, and Maldives, stressing the importance the United States places on their political and economic autonomy and encouraging each to share in our Indo-Pacific vision.

Though we have seen progress in implementing this vision for the region, political and economic freedom are not the only concerns for South Asia. On Easter Sunday, ISIS-inspired terrorists targeted churches and hotels throughout Sri Lanka with a series of coordinated suicide attacks. Our condolences go out to the 258 victims who died in those attacks, including five Americans, as well as many

others who were injured. Again, we ask the subcommittees to remember, forever, Chelsea Decaminada, who sacrificed everything to strengthen the partnership between our two countries.

We stand with Sri Lanka in investigating these attacks and strengthening its counterterrorism capabilities. The Federal Bureau of Investigation quickly deployed at the request of the Sri Lankan government, and helped dismantle the local terrorist organizations that carried out these attacks. Now we are assessing ways in which we may support the Sri Lankan government while it re-orient its security apparatus toward addressing international terrorism, and we will continue to impress upon Sri Lanka the need to respect human rights, including for members of minority groups, refugees, and asylum seekers. Similarly, as Sri Lanka heads into national elections, the United States will continue to urge that Sri Lanka maintain progress on post-conflict reconciliation, justice, and accountability, and adhere to its international human rights obligations and commitments. Our request also provides economic assistance to help insulate Sri Lanka from dependency and economic manipulation by other states.

A populous, quickly developing country at the crossroads of South and Southeast Asia, we propose for Bangladesh the largest civilian assistance request in the Indo-Pacific region. Moreover, Bangladesh is an increasingly important market for U.S. companies, with nearly 170 million people and sustained annual GDP growth of over 6%. At the same time, the Department continues to support civil society and labor groups throughout Bangladesh with diplomatic engagement and foreign assistance. We have publicly noted concerns regarding Bangladesh's December 30 election and the closing of democratic space for political opposition, media, and civil society. We raise our concerns with the Bangladeshi authorities at each opportunity.

Bangladesh continues to host over one million Rohingya refugees, providing shelter and support to a population that escaped ethnic cleansing from neighboring Burma. The Department's assistance request for Bangladesh includes substantial funding for refugee hosting communities. The Department of State and USAID have provided more than \$494 million in humanitarian assistance to support victims of the crisis since August 2017, of which more than \$451 million was for the Rohingya refugee and host community response in Bangladesh. This request will complement our humanitarian assistance and help support those in Bangladesh whose livelihoods and communities have been affected by the immense influx of refugees.

For Nepal, we have the opportunity to advance strategic priorities as much-needed political stability takes root. As we look for opportunities to deepen U.S.-Nepal relations, we have encouraged Nepal to take on a more proactive role in the Indo-Pacific region, and urge it to enforce UN Security Council Resolutions related to North Korea, among other priority global issues. The FY 2020 request will enable the United States to advance our mutual interest to help Nepal protect its sovereignty, enhance its security, and pursue prosperity.

Maldives is testament to the power of a free, open, and rules-based Indo-Pacific region. The Department commends the election of President Solih on a platform of transparency and anti-corruption. President Solih has taken aim at the preceding regime's secretive procurements of debt-laden, vanity infrastructure, and has strengthened his outreach to the United States and India. The Department and USAID worked with Congress to secure additional funding to support his reform agenda, including in public financial management, anti-money laundering, counterterrorism cooperation, and rule of law reform. Maldives is an exciting new Indo-Pacific partner, and an example of how engaged voters and civil society can push back against corruption and authoritarian tendencies in favor of transparency and human rights.

Although we do not have a request for Bhutan or official diplomatic relations, we maintain warm informal ties that continue to grow each year. Bhutan shares our views on dynamics in the Indo-Pacific and is aligned with our objectives in the region. We commend Bhutan for its successful democratic election in 2018—its third since voluntarily transitioning from a monarchy—and applaud the country's commitment to the Indo-Pacific goals of transparency, accountability, and strong democratic institutions.

Conclusion:

Building on substantial progress toward peace, counterterrorism, trade, and transparency, our assistance requests for Afghanistan, Pakistan, and South Asia are undergoing an important transition. While Afghanistan transitions to a more sustainable, post-peace, consolidated counterterrorism platform, and while Pakistan's budget re-emphasizes a relationship built on trade, not aid, the Administration is refocusing our assistance request on the Indo-Pacific, shoring up key partners and providing them the tools to protect their sovereignty and pursue democratic governance and private sector-led growth. We welcome an ongoing discussion with Congress and your subcommittee on how best to support American diplomacy and development efforts in this indispensable region.