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BUDGET PRIORITIES FOR SOUTH ASIA

HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

JULY 25, 2018

Serial No. 115–163

Printed for the use of the Committee on Foreign Affairs

Available: http://www.foreignaffairs.house.gov/, http://docs.house.gov,
or http://www.Govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

30–889PDF WASHINGTON : 2018

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BUDGET PRIORITIES FOR SOUTH ASIA

WEDNESDAY, JULY 25, 2018

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:00 p.m., in room 2172 Rayburn House Office Building, Hon. Ted Yoho (chairman of the subcommittee) presiding.

Mr. YOHO. The subcommittee will come to order. Members present will be permitted to submit written statements to be included in the official hearing record. Without objection, the hearing record will remain open for 5 calendar days to allow statements, questions, and extraneous material for the record subject to length limitations in the rules.

I am excited to be here today to discuss South Asia nations in the Indian Ocean region, a group of states that are small in number but growing more and more consequential on the world stage.

Bangladesh, India, the Maldives, Nepal, Sri Lanka are also becoming more central to U.S. foreign policy and national security. These nations, collectively, include over 1.5 billion residents, about a fifth of the world population.

They are located along vital global sea lanes through the Indian Ocean which grow more strategically important by the day, connecting vital straits and rising Asian economies in the East with the rest of the world in its energy to the West.

The Indian Ocean has significant implications for security and trade across the globe. The Trump administration has taken a holistic view of Asia understanding and the Western Pacific and the Indian Ocean are deeply interconnected.

President Trump, Secretary Pompeo, and Administrator Green have all championed the Free and Open Indo-Pacific Strategy which places an increased emphasis on South Asia.

The concept has received broad support, but the administration has yet not provided many details about how this critical strategy will be resourced or implemented.

I hope that our witnesses can shine some light on this today because the United States is not the only power that is turning its attention to the Indian Ocean region.

The People's Republic of China has sought to expand its influence worldwide through its Belt and Road Initiative, a program that raises substantial concerns for U.S. and regional security, international norms, and global democracy.

The Indian Ocean is the most important crossroads for this massive Eurasian development push. The Belt and Road initiative, a phenomenon unlike anything else American foreign policy has stressed before, will have major implications in the South Asia—in South Asia's future.

Sri Lanka's Hambantota Port, is the most notable example of how China can induce struggling countries to take on debt they cannot pay back, later using this leverage to increase control and we are seeing this more and more around the world. Sri Lanka was forced to hand over its strategic port and 15,000 acres of its land for 99 years and still owes billions of dollars to Chinese-controlled firms.

Through the Indo-Pacific strategy the United States is putting forward a very different proposal for the region, one that would protect freedom and openness instead of relying on bribery and predation.

We are making some progress in operationalizing the idea using new tools like the BUILD Act, legislation that we authored and has passed out of this committee and has passed out of the House and, shortly, out of the Senate to modernize U.S. development finance, which passed the House this month.

But, ultimately, the United States can't and shouldn't compete with China's Belt and Road dollar for dollar. Over the last few years, at its highest U.S. assistance to South Asia was $472 million is fiscal year 2017.

The fiscal year 2019 budget request was a significant reduction of more than half of 2017's assistance at only $219 million. So instead, our diplomats need to be creative, effective, and properly resourced.

Apart from these important regional strategic considerations, South Asia presents a diverse spread of intractable other foreign policy challenges.

In the last year, 700,000-plus Rohingya have fled ethnic cleansing in Burma to seek refuge in Bangladesh. Bangladesh, a developing country in its own right, is still struggling to support a massive population of refugees, which are constantly at risk for monsoon floods, health crises, and other disasters.

The stories have faded from international headlines since the explosion of violence from Burma's Tatmadaw last August. But the Rohingya crisis remains one of the world's most urgent humanitarian emergencies.

Bangladesh faces a host of other challenges—militancy, extrajudicial killings, and a troubled electoral season, to name just a few.

The Maldives is headed for an election but remains in an extended crisis of democracy and is a subject of intense Chinese influence.

Nepal has been racked by devastating natural disasters in recent years and is struggling to address its development needs while determining its political future in places in the region.

As the Indian Ocean becomes more central to U.S. foreign policy, our diplomatic and development efforts must address all these challenges and many, many more.

The South Asian region has the demographic potential to transform the world but presents equally intractable problems. The administration should be commended for recognizing the region's importance, but we must follow through. So it is essential that the U.S. engagement is properly targeted and resourced.

I thank the witnesses for joining us today to discuss how the administration plans to allocate resources among our critical regions in the South Asia region and I now turn to our ranking member, Mr. Brad Sherman of California.

[The prepared statement of Mr. Yoho follows:]

Budget Priorities for South Asia
Subcommittee on Asia and the Pacific
House Committee on Foreign Affairs
Wednesday, July 25, 2018, 2:00 p.m.
Opening Statement of Chairman Ted Yoho

Good afternoon.

We meet today to discuss the South Asian nations of the Indian Ocean region, a group of states that are small in number, but more and more consequential on the world stage. Bangladesh, India, the Maldives, Nepal, and Sri Lanka are also becoming more central to U.S. foreign policy and national security goals. These nations collectively include over 1.5 billion residents, about a fifth of the world's population.

They are located along vital global sea lanes through the Indian Ocean, which grow more strategically important by the day. Connecting vital straits and rising Asian economies in the east, with the rest of the world and its energy to the west, the Indian Ocean has significant implications for security and trade across the globe.

The Trump Administration has taken a holistic view of Asia, understanding that the Western Pacific and the Indian Ocean are deeply interconnected. President Trump, Secretary Pompeo, and Administrator Green have all championed the Free and Open Indo-Pacific strategy, which places an increased emphasis on South Asia. The concept has received broad support, but the administration has yet not provided many details about how this critical strategy will be resourced or implemented.

I hope that our witnesses can shine some light on this today, because the United States is not the only power that is turning its attention to the Indian Ocean region. The People's Republic of China has sought to expand its influence worldwide through its Belt and Road Initiative, a program that raises substantial concerns for U.S. and regional security, international norms, and global democracy. The Indian Ocean is the most important crossroads for this massive Eurasian development push. The Belt and Road Initiative, a phenomenon unlike anything American foreign policy has addressed before, will have major implications for South Asia's future.

Sri Lanka's Hambantota [Hahm-Bahn-Tote-Ah] Port is the most notable example of how China can induce struggling countries to take on debts they cannot pay back, later using this leverage to increase control. Sri Lanka was forced to hand over a strategic port and 15,000 acres of its land for 99 years, and still owes billions to Chinese state-controlled firms.

Through the Indo-Pacific strategy, the United States is putting forward a very different proposal for the region, one that would protect freedom and openness, instead of relying on bribery and predation. We're making some progress in operationalizing the idea, using new tools like the BUILD Act, legislation I authored to modernize U.S. development finance, which passed the

House this month. But ultimately, the United States can't and shouldn't compete with China's Belt and Road dollar-for-dollar. Over the last few years, at its highest, U.S. assistance to South Asia was $472 million in 2017. The FY 2019 budget request was a significant reduction of more than half of 2017's assistance at only $219 million. So instead, our diplomats need to be creative, effective, and properly resourced.

Apart from these important regional strategic considerations, South Asia presents a diverse spread of intractable other foreign policy challenges. In the last year 700,000 Rohingya have fled ethnic cleansing in Burma to seek refuge in Bangladesh. Bangladesh—still a developing country in its own right—is struggling to support a massive population of refugees, which are constantly at risk from monsoon floods, health crises, and other disasters. The story has faded from international headlines since the explosion of violence from Burma's Tatmadaw last August, but the Rohingya crisis remains one the world's most urgent humanitarian emergencies.

Bangladesh faces a host of other challenges—militancy, extrajudicial killings, and a troubled electoral season to name just a few. The Maldives is headed for an election, but remains in an extended crisis of democracy, and is the subject of intense Chinese influence. Nepal has been wracked by devastating natural disasters in recent years, and is struggling to address its development needs while determining its political future and its place in the region.

As the Indian Ocean becomes more central to U.S. foreign policy, our diplomatic and development efforts must address all these challenges, and many more. The South Asian region has the demographic potential to transform the world, but presents equally intractable problems. The administration should be commended for recognizing the region's importance, but we must follow through, so it's essential that U.S. engagement is properly targeted and resourced. I thank the witnesses for joining us today to discuss how the Administration plans to allocate resources among our critical regional priorities in South Asia.

Mr. SHERMAN. Today's hearing covers India, Bangladesh, Sri Lanka, Nepal, and the Maldives. In the past 4 years, our annual foreign aid to these countries has averaged $400 million.

The President proposes that we cut this to $219 million. There is a natural focus to say, well, what we are spending in these countries is the foreign aid budget. We should also keep in mind that the most significant contribution America makes to the world is the maintenance of peace and security and safety for democracies.

We spend $1 trillion on that every year. If we were to think that only a tenth of that were to be spent in the South Asian region, that's $100 billion which, of course, dwarfs what we actually spend on foreign aid.

I start with $1 trillion as our defense budget. This is just kind of a footnote. Our foreign policy establishment tries to state that figure as a much lower item—in order to hide from liberals the fact that we are spending so much on defense, and hide from conservatives the fact that we are spending so much more than our allies.

But the fact is that you can't exclude the CIA and the VA from the costs of maintaining a military.

The chairman points out the question is how are we going to resource and implement our efforts in South Asia. When it comes to resourcing, the President wants to cut U.S. aid to the area by half. And when it comes to implement, the President hasn't bothered to appoint anybody to, really, any permanent position in the whole South Asia bureau of the State Department.

So aside from not having the people to implement and not having the money to resource, all of his strong talk about the Indo-Pacific region—well, it appears to be just talk.

We need to strengthen democracy in the region. Freedom House scores the region at a 3.7 on a scale of seven where one is the highest. This is better than the 4.8 score for Southeast Asia as a region.

The per capita income in the area is only $6,700, measured by purchasing power, which is 40 percent less than Southeast Asia.

Overall, South Asia has a population of 1.5 billion and last year's U.S. aid budget was $470 million. That is very small per capita and the reason for it is that we give almost nothing to India.

If you look at the countries we are considering today other than India, the per capita amount is considerably more than we spend in Southeast Asia, for example.

We have a strategic partnership with India. They purchased $15 billion of arms from U.S. defense firms. While we export $50 billion last years, we still have a $27 billion trade deficit and I'll be asking Ambassador Wells what we can do to reduce that.

With Bangladesh, we have to commend Bangladesh for being willing to host 700,000 Rohingyas who have been pushed out of Burma. Our aid supports those refugees and democracy and economic needs in Bangladesh.

Last year Nepal had its first parliamentary elections in 20 years. Our assistance helps political and economic development in that country.

And in Sri Lanka, democracy is as old there as India, but it lags behind in the area of minority rights, particularly for the Tamil community. Progress has been slow on a Federal constitution giving autonomy to the Tamil regions.

More needs to be done on accountability for human rights and the human rights violations that occurred during the civil war, and on ending military control of civilian property in Tamil areas.

Two months ago on Sri Lanka's Remembrance Day, I expressed my concerns on this in the Congressional Record.

Then there is the Maldives. At the budget hearing 2 years ago, I said the President of the Maldives was crushing democracy. Unfortunately, that continues to be true, and, of course, we must remember that well over 200 Maldivians are estimated to have traveled to fight and live under ISIS.

As to burden sharing, Europe spends over $1 billion in annual aid to the region, Japan $200 billion. Australia provides $100 million. That sounds like they are doing more.

But they can afford to do so because they are not paying for their own defense, and therefore we would expect that it would be these allies that would do far more than they have to bring about economic development and democracy in South Asia.

So with that, I look forward to discussing our foreign aid budget. But keeping in mind that the $1 trillion we spend on defending democracy around the world dwarfs everything that we are doing in foreign aid and even dwarfs what our allies are doing on foreign aid.

And I yield back.

Mr. YOHO. Thank you for your comments.

Next, we will go to Mr. Rohrabacher from California.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman, and thank you for calling this hearing together and trying to create a dialogue among Americans about what our policies should be like, considering that there are changes going on in Asia and South Asia in particular.

What we have got and what we need to recognize that the world is not the same as it was 20 and 30 years ago.

What has emerged is a partnership, an alliance, so to speak, between Pakistan and India—an alliance that is hostile to the basic tenets of democracy and hostile to its neighbors.

India has every reason to be alarmed by this new cooperation and coordination between China and Pakistan. Pakistan, who is immersed and its leaders are immersed in radical Islam and terrorism, not only to terrorize their neighbors but to terrorize their own populations into submission, and Pakistan, where you've got Sindhis, who are being brutalized and murdered, we have to recognize this group who believes in peace and are not in any way threatening to others, they are being murdered.

They grab and dump their bodies. The MQM in Karachi as well—another group dedicated to democracy—and the Baloch, an individual tribe in Pakistan—these groups of people are being brutalized by this corrupt government in Islamabad in alliance now with China, which, of course, is the world's worst human rights abuser.

And they not only have no opposition parties, but anybody like the Falun Gong, who peacefully express their opposition to this brutality and this repression that the Chinese Government has on its millions of people, they themselves become victimized, and the stories about Falun Gong being put in jail and their organs being

harvested and sold, maybe even to some Westerners, these are things we need to pay attention to so that the people of the world will rise up together—the good people can rise up together behind those people in Pakistan and in China who are suffering so much needlessly.

Thank you very much and thanks for holding this hearing.

Mr. YOHO. Thank you for your comments.

Next, we will go to Dr. Ami Bera from California.

Mr. BERA. Thank you, Mr. Chairman. I'll keep my comments short.

First off, Ambassador Wells, Ms. Steele, thank you for your service to our country and your representation of our nation abroad.

As I think about it, you know, we should make sure that the President's budget request, which is a huge cut to the region, is not a reflection of how Congress looks at the importance of the region.

From the congressional side, as we do our oversight and our budgeting process, I hope we realize and reallocate and reemphasize the strategic importance of the region.

When we think about the Indo-Pacific, certainly, from an economic perspective the growing relationship and growing trading relationship between the United States and India and the region is incredibly important.

You know, when we think about the strategic importance and partnership that's happening in maritime security between the United States and India, incredibly important.

The partnership that's occurring trilaterally and quadrilaterally between Japan, the United States, India, Australia, is incredibly important to maintaining the stabilization of the Indian Ocean region as well as the maritime security there.

So you know, I am happy that the President does use the term Indo-Pacific. I think it does emphasize the importance of the region, and I think we should applaud what the Bangladeshi people have done in terms of helping and absorbing the Rohingya population that has been displaced. You know, it can't be easy.

We do have a global duty to help this humanitarian crisis and find some resolution and, again, I look forward to the questions, and I'll yield back.

Mr. YOHO. Any other members wish to have an opening statement?

Hearing none, we are thankful to be joined today by two repeat customers, I appreciate you coming back, the Honorable Alice G. Wells, Principal Deputy Assistant Secretary to the Bureau of South and Central Asian Affairs at the U.S. Department of State—thank you for coming back—and Ms. Gloria Steele, Senior Deputy Assistant Administrator for the Bureau of Asia and the U.S. Agency for International Development, otherwise known as USAID.

We will start with you, Ms. Wells. You know how the lights work and all that, and hopefully stay within the time limits of 5 minutes.

Thank you, and go ahead.

STATEMENT OF THE HONORABLE ALICE G. WELLS, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador WELLS. Thank you, Chairman Yoho and Ranking Member Sherman, and members of the subcommittee for inviting me today to discuss the administration's 2019 budget request for South Asia.

Today, my testimony will cover a request for India, Bangladesh, Sri Lanka, Nepal, and the Maldives.

The Indo-Pacific region spanning from the West coast of the United States to the west coast of India hosts 70 percent of global commerce within its maritime domain alone, and as the Indo-Pacific's largest trading partner and investor, the United States conducts $1.4 trillion in two-way trade with its markets, benefitting 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. The Indo-Pacific strategy announced during the President's historic trip to Asia in November, seeks to strengthen that order, protecting the sovereignty of all Indo-Pacific nations to chart their own path forward.

The strategy will ensure the freedom of the seas and skies, promote market economies, and support good governance, transparency, and liberty.

South Asia is a market of more than 1.5 billion people, critical to our national security. For India, the administration supports India's emergence as a leading global power and is committed to strengthening our strategic and defense partnership.

We look forward to working with Congress to deepen the links between our two great democracies. As India's number-one trading partner, purchasing close to 20 percent of India's goods and service exports annually, the United States is working to ensure fair and reciprocal trade for American companies and achieve greater balance in our trade deficit.

We are also facilitating greater regional engagement with our other South Asian partners who have expanding populations, dynamic economies, and ambitions of their own to promote a free and open Indo-Pacific.

Bangladesh, strategically positioned at the crossroads between South and Southeast Asia, is an important venue in the fight against transnational terrorism.

But this developing country is now hosting more than a million Rohingya refugees from neighboring Burma. We have an interest in helping Bangladesh bear this burden so the country can remain peaceful and stable.

The U.S. has committed $190 million to Bangladesh for this crisis since last year.

For Sri Lanka, we will support its commitments to constitutional reform, fighting corruption, human rights, post-civil war reconciliation, transitional justice, and accountability.

Adopting these principles is the only way to help resolve longstanding ethnic and religious conflicts and usher in a more stable and prosperous future.

Nepal, located between two of the largest economies in the Indo-Pacific region, is entering a new era of political stability. The administration will continue to assist Nepal in its efforts to develop its infrastructure and regional connectivity, most prominently through the Millennium Challenge Corporation Compact.

Finally, the United States encourages Maldives to hold free and fair democratic elections in line with the Indo-Pacific region's values.

For fiscal year 2019, the department requests $219.3 million for South Asia, sufficient to meet our objectives. This includes $120.9 million for Bangladesh, $42.1 million for India, $40.5 million for Nepal, $11.5 million for Sri Lanka, $400,000 for the Maldives, and $3.9 million in regional funding for South Asia.

We also look forward to working with Congress to determine future funding needs for the Indo-Pacific. Reflecting the importance the administration attaches to the region on July 30th, Secretary Pompeo will join Secretaries Perry, Ross, and OPIC President Washburne to headline the Indo-Pacific Business Forum in Washington.

Soon after, Secretary Pompeo will travel to Singapore to participate in the ASEAN ministerials and discuss the future of the Indo-Pacific with his counterparts, and Secretaries Pompeo and Mattis will hold a two plus two dialogue with India on September 6th in New Delhi.

We look forward to the committee's review of this budget request and hope that we can find ways to further support the prosperity and sovereignty of South Asia.

Thank you.

[The prepared statement of Ambassador Wells follows:]

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.

Mr. YOHO. Thank you, Ambassador Wells.

Next, Ms. Steele. Thank you.

STATEMENT OF MS. GLORIA STEELE, SENIOR DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. STEELE. Thank you.

Chairman Yoho, Ranking Member Sherman, distinguished subcommittee members, thank you very much for inviting me today to testify on USAID's role in South Asia to advance the objectives of the Indo-Pacific strategy, the South Asia strategy, and USAID support for partner countries on their journey to self-reliance.

USAID's fiscal year 2019 request contributes to the administration's Indo-Pacific strategy of advancing free, open, and rules-based order.

To this end, USAID will support programs that help partner countries to strengthen their democratic systems, ensure that their trade, infrastructure, and investment programs are transparent, open, and free of corruption, and encourage responsible management of natural resources upon which our partner countries depend for their long-term growth.

To strengthen democratic systems, USAID will promote integrity of electoral processes, support the independence of media and information integrity, implement anti-corruption initiatives, and amplify the voice of the civil society.

In Nepal, for example, fiscal year 2019 resources will help educate the government on its roles and responsibilities as it transitions to a Federal form of government.

In Sri Lanka, funds will strengthen parliamentary oversight committees and key ministries to foster transparency and accountability.

To strengthen economic governance, fiscal year 2019 resources will support programs that focus on fostering competitiveness, trade facilitation, and responsible infrastructure development including the transformation of the energy sectors, and this will be in Sri Lanka, Nepal, Bangladesh, and India.

We will also look for opportunities to assist countries to improve their tax administration and financial management in order to reduce their vulnerability to debt traps.

Finally, USAID will help improve natural resource-related legal frameworks and foster better enforcement of environmental safeguards such as in Bangladesh.

Irresponsible natural resources management undermines long-term growth and non-transparent natural resource extraction often breeds corruption.

Our fiscal year 2019 budget request will also support the goals of the South Asia strategy. Our programs within our strategic partnership with India support its efforts in fostering regional stability and promote regional connectivity of South Asia and Central Asia countries.

Helping countries on their journey to self-reliance is good development. As my administrator, Administrator Green, has often said, and I quote,

> "We believe that every person, every community, and every country wants to be empowered to lead their own journey to self-reliance. Accordingly, we will stand by them and prioritize local capacity, engage private sector in the growth process, and help partner countries mobilize domestic and international resources in order to help them in their development process. We will help countries develop their capacity and commitment to make clear informed policies and advance their development and attract legitimate investors and trading partners."

I will now give examples on programs that we have to help countries become self-reliant. Let me start with Bangladesh.

Besides being well on its way to graduating from least developed country status, much remains to be done to accelerate Bangladesh's journey to self-reliance.

Our budget request will support Bangladesh's efforts in health, education, and food security, all of which are important to its development.

We will also continue to help in strengthening their democratic institutions and addressing the drivers of extremism in that country.

The Bangladeshis' response to the Rohingya crisis highlights their tremendous generosity. The magnitude of the crisis, however, underscores the importance of support from international community.

In May 2018, I accompanied Administrator Green to Bangladesh and to Burma to assess the humanitarian crisis and the response. We urge further action and assistance for the refugees and host communities.

In Nepal, our budget requests will continue to support the agriculture sector and support private sector development and the expansion of countryside hydroelectric power.

We will continue working with the government to make public financial management systems more transparent and accountable.

And finally, we will support Nepal's earthquake reconstruction efforts and its successful health and education programs.

In Sri Lanka, our budget requests will continue to strengthen the government's ability to finance its own development and level the playing field for firms to engage with government, especially on infrastructure projects.

Having supported the development and passage of the National Audit Bill, we will continue to strengthen the government's oversight of public funds which require state-owned enterprises to publish audited financial statements.

We are also helping the government to create the first electronic procurement secretary in order to increase transparency and accountability.

And, finally, in India, our fiscal year 2019 request will enable USAID to support the government's national campaign for TB-free India by 2025. This is one of the largest and most important TB initiatives in the world.

We will also support the country's water, sanitation, and hygiene program. We will assist the government to scale up successful

interventions by generating private sector contributions through innovative financing arrangements.

Mr. Chairman, thank you very much for your support of USAID's programs in South Asia including enabling us to provide health, education, and livelihood services to Tibetan communities in India and Nepal.

With our fiscal year 2019 budget request, we are committed to making the most out of every taxpayer dollar we receive to ensure that our partner countries move forward in their journeys to self-reliance and that we achieve objectives of the South Asia and Indo-Pacific strategy.

Thank you.

[The prepared statement of Ms. Steele follows:]

Statement of Gloria Steele
Senior Deputy Assistant Administrator, Bureau for Asia
United States Agency for International Development
Before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific
"Budget Priorities for South Asia"
July 25, 2018

Chairman Yoho, Ranking Member Sherman, and Distinguished Members of the Subcommittee: Thank you for inviting me to testify on the vital role of the United States Agency for International Development (USAID) in advancing U.S. foreign policy priorities in South Asia. It is an honor to testify before this committee and a pleasure to be here alongside my State Department colleague, Principal Deputy Assistant Secretary Alice Wells.

USAID's development and humanitarian assistance is key to achieving prosperity and stability for our partner countries, as well as the United States. The President's Fiscal Year 2019 budget request for USAID-managed assistance in South Asia is $194.7 million. This request supports USAID efforts in Bangladesh, India, Nepal, and Sri Lanka.

Indo-Pacific Strategy
USAID's FY 2019 request directly contributes to the Administration's Indo-Pacific Strategy (IPS) of advancing a free, open, and rules-based order. Through our bilateral and regional programs, we will help partner countries strengthen their democratic systems (with a focus on good governance); ensure their regulatory environments for trade, infrastructure, and investment are transparent, open, and free of corruption; and encourage responsible natural resource management, upon which many countries depend for their growth. In accordance with the IPS, we are also supporting India's emergence as a pillar of stability in the region and examining how we can further strengthen India and our relationship in this regard.

Examples of how USAID's programs in South Asia will help to implement the Indo-Pacific Strategy are below:

Strengthening Democratic Systems
Democratic institutions in South Asia have been significantly tested in recent years. Adversarial foreign influences have exploited weaknesses to undermine democratic institutions and thus, the long-term stability of our partner countries. In line with the IPS, USAID will focus on strengthening democratic systems in this region and will use FY 2019 resources to promote the integrity of electoral processes, including the passage of political and electoral finance regulations; support the independence of media and information integrity; foster evidence-based policy analysis and advocacy; implement anti-corruption initiatives; and amplify the voice of civil society.

Ahead of national elections in Bangladesh tentatively scheduled for December, USAID is working with political party representatives, elected officials, and civil society members including women leaders, journalists, and students, to support the process and help to ensure elections outcomes that reflect the will of the citizens and that democracy in Bangladesh is accountable, inclusive, and transparent. Stability in Bangladesh, a country of 165 million facing

violent extremism and closing civic and political space, is crucial for achieving the objectives of IPS.

In Nepal, FY 2019 resources will help to educate the government on its roles and responsibilities as it transitions to a federal form of government. This transition is the result of the peaceful 2017 elections, which USAID supported. The three local election phases took place after a 20 year gap, and Nepal is now in the midst of a historic devolution of power. Promoting a smooth transition is critical to enabling a stable Nepal that is able to resist foreign interventions aimed at weakening its democratic institutions. We will also continue to strengthen Nepal's public financial management systems to ensure effectiveness, transparency, and accountability in the use of public funds.

In Sri Lanka, FY 2019 resources will help to consolidate democratic reforms ahead of next year's national elections and build upon past progress to address the key obstacles to stability and growth in Sri Lanka. We will support the country's reconciliation, reform, and accountability agenda. The FY 2019 request will also help to strengthen parliamentary oversight committees and key ministries that support government transparency and accountability. In addition, we will assist the Election Commission further transition to an independent and accountable institution. To help make local government more representative, USAID helped increase women's representation in local elected offices from 2 percent to 23 percent.

Promoting Economic Governance, Trade, and Energy
Despite South Asia's growing wealth, its generally weak regulatory environments, constrained fiscal space, lack of infrastructure, and corruption impede partner countries' growth and create opportunities for foreign predatory tactics that create economic and political dependency. These challenges also hinder free and fair competition by American companies, thus disrupting U.S. private sector investment in the region's fast-growing markets. In line with the objectives of the IPS of creating a free, open and fair economic environment, USAID programs will focus on creating an enabling regulatory environment for competitiveness, trade facilitation, and responsible infrastructure development, including the transformation of the energy sector. FY 2019 resources will also be used to assist countries expand their fiscal space through such measures as improved tax administration and financial management in order to reduce their dependence on debt traps that threaten their economic and political sovereignty.

In Sri Lanka, we helped finalize the Public-Private Partnership Procurement Guidelines with input from key stakeholders, including government and development partners. These reforms level the playing field for firms to engage with the government on infrastructure projects and limit opportunities for corruption. We are also encouraging Foreign Direct Investment (FDI) by working alongside the government to improve the inflexible labor regime -- which the private sector has cited as the single biggest FDI impediment. Additionally, our support to small and medium enterprises (SMEs) created income-earning opportunities benefiting 1,091 households. These opportunities also supported jobs in the U.S., as one USAID-supported Sri Lankan SME now works in partnership with Texas-based company Ceyhinz Link International to produce coconut husk bricks. FY 2019 resources will be used to continue addressing barriers to trade and business entry, especially by U.S. companies, including the implementation of the reformed procurement guidelines, efficient contract enforcement, and compliance with international trade

standards. In this country that has suffered the consequences of falling prey to unsustainable indebtedness, our assistance will help to expand fiscal space, improve financial management, and identify sustainable revenue-generating enterprises.

USAID supported the Government of Nepal (GoN) to expand the country's hydropower potential, as well as improve the energy sector's legal and regulatory framework in order to increase Nepal's own energy resources and promote regional energy trade. Our assistance was vital in laying the foundation for Nepal's $500 million MCC Compact. As the second poorest country in South Asia (after Afghanistan), FY 2019 resources will be needed to assist the GoN eliminate barriers to entry by investors -- such as corruption and a weak regulatory environment -- and expand its revenue base by helping it achieve the full potential of its hydropower and other income sources. Assistance in these areas is crucial to fostering a free and open economy and creating fiscal strength -- key objectives of the IPS.

Bangladesh, with its huge population, increasing economic growth, and fast-growing middle class, offers tremendous market opportunities for American businesses. However, it lacks access to financing and its non-compliance with workers' rights and labor safety have resulted in the suspension of its Generalized System of Preferences (GSP) trade benefits. To advance the objectives of the IPS, FY 2019 resources will assist the Government of Bangladesh (GoB) to advance workers' safety and rights issues in the GSP action plan. We will also support legal, regulatory, and policy reforms needed to enable the GoB to meet its World Trade Organization commitments, including easing border controls and strengthening compliance. We will explore areas of collaboration with the American Chamber of Commerce in Bangladesh to identify and analyze other barriers to entry that U.S. companies face.

USAID will support India's role in catalyzing regional integration in trade and infrastructure in South Asia. We are exploring additional resources to support our South Asia Regional Initiative for Energy (SARI/E) program which fosters energy security by advancing regional energy connectivity, increasing cross-border energy trade, and expanding regional energy markets. USAID will also collaborate with the Governments of India and Afghanistan to support Afghanistan's economic integration with South Asia. India is critical to achieving a more stable and prosperous South Asia that is free from undue political and economic coercion.

Improving Natural Resource Security and Governance

USAID helps promote natural resource security and good governance to advance the Indo-Pacific Strategy. Some foreign investments in infrastructure erode the natural resources upon which many of our partner countries depend for their long-term growth. Irresponsible natural resources extraction ignores environmental safeguards, threatens the livelihood of vulnerable populations, and undermines inclusive economic growth and accountable governance. In support of the objectives of the IPS, USAID will identify opportunities in the South Asia region to implement bilateral programs that strengthen legal frameworks, enforce environmental safeguards, and enhance water security.

USAID is partnering with the Government of Bangladesh, businesses, and local communities to better manage Bangladesh's forests, fisheries, and wetlands. USAID has assisted more than 100 community-based organizations to improve the management of an area of forest and wetlands

larger than Delaware. To combat tiger poaching and illegal wildlife trafficking, we have regularized the joint patrolling of protected areas, strengthened law enforcement and prosecution of wildlife crimes, mitigated human-wildlife conflict, and expanded alternative livelihoods to reduce dependence on exploiting wildlife habitat.

South Asia Strategy
To advance the goals of the South Asia Strategy, USAID will deepen our strategic partnership with India, which shares economic and humanitarian interests in Afghanistan; foster regional stability; and support regional connectivity of the South and Central Asian countries. We are looking at how to collaborate with India's development agency to carry out development programs in Afghanistan and elsewhere in the region. This fall, USAID and the Governments of India and Afghanistan are hosting the second "Passage to Prosperity" trade and investment show in Mumbai to raise the profile of Afghanistan's exports and identify opportunities for increased private sector investment from India and the United States. At the 2017 inaugural Passage to Prosperity, more than 200 Afghan and more than 950 Indian businesses negotiated approximately $240 million in new business.

Journey to Self-Reliance
As USAID Administrator Mark Green often says, "We believe that every person, every community, and every country wants to be empowered to lead their own journey to self-reliance. We also believe that when a country is willing to take on the choices and challenges that are part of that journey, we should do our best to walk alongside them. We try to help our friends strengthen policies that experience tells us are necessary for a country to reach self-reliance and, eventually, prosperity." Across our work, we prioritize building local ownership, engaging private enterprise, and helping partner countries mobilize resources from domestic and international sources to fund their development agenda.

All countries face critical choices in how to best advance their long-term development. USAID's goal is to help partner countries develop their capacity to make clear, informed decisions that further their development objectives. It is particularly important that they put in place the frameworks to attract investors and trading partners. Thus, U.S. assistance is directed toward helping partner countries become self-reliant. Indeed, we have a proud history of helping transform recipient nations into strategic partners, such as South Korea. We advocate free, open, and enterprise-driven development to build resilient markets where state sovereignty and the dignity and rights of individuals are valued.

Strengthening the health of the people of South Asia is key to supporting the self-reliance of our partners. Improved health outcomes ensure that people can work productively and help increase national revenues. Thus, our FY 2019 request for health will continue to support the significant progress we have made in this sector.

Similarly, supporting the improvement of South Asia's education systems is crucial to boosting household and national wealth, thereby accelerating countries' self-reliance. FY 2019 resources will be used to improve the quality of and access to education in Bangladesh and Nepal.

As with health and education, increased food security in our partner countries underpins other development gains. Therefore, FY 2019 resources will be used to strengthen South Asia's Global Food Security Strategy target countries Bangladesh and Nepal

USAID's FY 2019 budget request supports programs in economic growth, democracy and governance, and natural resource management that both propel partner countries along their journey to self-reliance as well as meet the objectives of the Indo-Pacific Strategy. Countries with regulatory environments that foster transparent and rules-based order, strong democratic institutions, and robust enforcement of environmental safeguards, tend to attract more legitimate investors and avoid being subjected to the political and economic coercion of predatory forces.

The following section illustrates how FY 2019 resources will build upon successful ongoing work to help move our partner countries along in their journey to self-reliance.

Bangladesh
Despite being well on its way to graduating from Least-Developed Country (LDC) status, much remains to be done to accelerate Bangladesh's journey to self-reliance. The Rohingya crisis represents both the incredible generosity of the Bangladeshi people but also requires ongoing support from the international community. . In May 2018, I accompanied Administrator Green to Bangladesh and Burma to assess the humanitarian crisis and our response, and urge further action in both countries. We are increasingly concerned about the impact of Rohingya refugees on host and impacted communities, many of which were at or below the poverty level prior to the influx of refugees in August 2017, and we must continue our partnership in Bangladesh to minimize this impact.

To support Bangladesh's efforts to combat radicalization to violence, in September 2017, USAID launched a new program to assess why certain Bangladeshi populations support violent extremism. We are engaging youth to spread positive messages on social media to counteract inflammatory language. We are building the journalists' capacity to conduct investigative reporting to better understand the drivers of violent extremism. And we are partnering with religious leaders and community elders to promote tolerance and respond to the warning signs of radicalization.

Despite these serious development challenges, USAID's nearly 50 years of partnership with Bangladesh have helped put it on track to meet all three UN thresholds required to graduate from LDC status. FY 2019 resources will expand USAID's food security assistance that has helped to more than double fish production between 2011 and 2017. In 2017, we partnered with U.S. companies like Monsanto, as well as Michigan State and Cornell universities, to promote the use of seeds that can withstand the impact of natural hazards, thereby increasing farmers' crop productivity.

The budget request will also enable us to build on our successes in improving maternal, neonatal, and child health, preventing chronic malnutrition and undernutrition, and improving education outcomes. From 2012 to 2017, with co-funding from the UK Department for International Development, we supported a cadre of nearly 10,000 community health workers which provided maternal and child health services to millions of Bangladeshis. We have also helped reduce

under-nutrition among women and children in over one million households. Over the past decade, 91 percent of third graders in USAID intervention schools are now reading with comprehension compared to the baseline of 40 percent, while more than 98 percent of primary school-age children nationwide are enrolled in school.

Nepal
Nepal looks to the United States as a preferred, trusted, and accountable partner. In 2017, we provided voter education to more than 200,000 marginalized individuals and supported the mobilization of domestic observers covering Nepal's 753 brand-new municipalities. We are also making Nepal's public financial management systems more transparent and accountable from the federal to the local level.

FY 2019 resources will also continue to support economic development by working with the private sector to increase agricultural production and market access. From 2012 to 2017, we assisted more than 350,000 households to adopt improved farming practices, resulting in $170 million in agriculture revenue. Additional resources will support the GoN to expand the country's hydropower potential, as well as improve the energy sector's legal and regulatory framework in order to increase Nepal's own energy resources and promote regional energy trade.

Nepal's 2016 Demographic and Health Survey credits USAID's contribution in reducing childhood mortality by increasing access to maternal and child health services. Working closely with the GoN, our health interventions led to a 28 percent decline in the under-5 mortality rate between 2011 and 2016 while neonatal mortality fell by more than one-third during the same period. Finally, we will continue to stand with Nepal as it recovers from the devastating 2015 earthquake. We have trained over 15,000 construction professionals on earthquake resilient construction and reached more than two million people with safe construction radio broadcasts.

We are working with the GoN to improve quality basic education and build strong human capital for years to come. We are helping implement policy reforms that will enable the government, for the first time, to measure progress toward national education goals. We have also worked with the GON to establish and enforce early grade reading standards across more than 32,000 schools.

Sri Lanka
USAID helps Sri Lanka accelerate its journey to self-reliance by supporting its development as a stable, democratic, and prosperous nation. We are strengthening the Government of Sri Lanka's (GoSL) ability to finance its own development and are advancing reforms to level the playing field for firms to engage with the GoSL on infrastructure projects and limit opportunities for corruption. USAID supported the development and passage of the National Audit Bill which strengthens oversight of public funds by requiring all state-owned enterprises to publish audited financial statements. We are also helping the GoSL create the first electronic procurement secretariat to increase procurement transparency and accountability. These reforms are key for Sri Lanka moving forward on its journey to self-reliance and FY 2019 resources will support these efforts.

India

Since India has increasing capacity and resources, it has been able to assume greater responsibility for many areas in which USAID once provided significant support. Despite India's achievements, the country is home to the world's largest number of TB cases and 20 percent of global maternal and child deaths. The FY 2019 budget request will enable USAID to sustain its partnership with India and help it unlock its own resources -- including from India's robust private sector that is legally compelled to contribute to social causes -- in ways that help the country better respond to the needs of its current population, and beyond.

USAID is supporting the Government of India's (GoI) national campaign for a TB-free India by 2025 -- one of the largest and most important TB initiatives in the world. In 2017, USAID demonstrated a model to map, engage, and train private health care providers in six districts of West Bengal to adopt national TB standards. As a result, TB reporting from those providers increased from 100 to 7,922 cases in just one year. In 2017, USAID's assistance contributed to a 22 percent reduction in newborn mortality from 2015 rates. Finally, our water, sanitation, and hygiene (WASH) program, combined with GoI investments, have enabled the construction of more than three million toilets; more than 1,000 cities have been declared open defecation free; and more than 150 million Indian lives have been improved. FY 2019 resources will assist the GoI to scale up successful interventions in these key health areas by mobilizing India's own resources and generating private sector contributions through innovative financing arrangements.

Conclusion

Mr. Chairman, South Asia is a strategically important region for the United States, with tremendous opportunity that is constrained by significant development challenges. If the region is to increase its stability and realize its full potential, much depends on the development path it charts today. With the FY 2019 budget request, USAID will continue making the most of every U.S. taxpayer dollar to ensure that the development decisions our partner countries make today help move them forward on their journeys to self-reliance and achieve the objectives of the South Asia and Indo-Pacific strategies.

Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.

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Mr. YOHO. Thank you, Ms. Steele. I appreciate both of your testimonies.

At this point, we are going to break a little bit. We are going to go to Mrs. Ann Wagner from Missouri and start with her, and then we'll go to the ranking member.

Mrs. WAGNER. Boy, it's Christmas. Thank you, Mr. Chairman, and thank you for hosting this hearing. I thank our witnesses for their tremendous service.

Dr. Wells, welcome back. Let me ask you, the Thomson Reuters Foundation found that India—India—is the most dangerous country in the world for women.

In India, this runs even deeper than rape and sexual violence, due to female infanticide, sex selective abortions, and childhood neglect, 63 million women are missing from the Indian population. How does U.S. programming in South Asia address gendercide in India?

Ambassador WELLS. Thank you, and I will ask Gloria to comment.

But we have a range of programs that we undertake with the civil society to promote gender equality and to empower women.

I would note that, as a democracy, this is a subject of enormous debate inside of India and I think we respect the fact that Indian institutions, the media, civil society, are engaged on this very important issue.

Mrs. WAGNER. Ms. Steele.

Ms. STEELE. Thank you very much.

In all of our programs, in India in particular, recognizing the problem that you just identified, we have made sure that we work with the government to identify the gender issues related to health.

In health in particular, our programs make sure that we work with them on the issues related to men versus women. We also have sensitivity programs with them and we have talked to them about the issues that you have just pointed out and our maternal and child health programs provide an emphasis in looking into the issues that you've just pointed out.

Mrs. WAGNER. How do you anticipate the heightened demand for women will affect human trafficking in the region and what is the United States doing to prepare for changes in trafficking patterns?

Ms. Wells.

Ambassador WELLS. I think we have already seen, for instance, in China where there is a gender imbalance that that creates trafficking concerns.

And so through our dialogues with the region, including with India, these are the subjects that we do take up: How do you protect women, ensure their rights, and educate societies about the societal costs of these policies that discriminate against women?

Mrs. WAGNER. Sixty-three million women missing.

India and China have clashed repeatedly over territories in the Himalayas. Most recently, Chinese and Indian troops faced off on the disputed Doklam Plateau between Bhutan and China after the Chinese People's Liberation Army began building roads through the area.

Although both countries backed down, China has quietly resumed its activities in Doklam and neither Bhutan nor India has sought to dissuade it.

Ambassador Wells, China's activities in the Himalayas remind me of its South China Sea policies. How should our failure to respond to the militarization of the South China Sea inform the international response to these Himalayan border disputes?

Ambassador WELLS. I would assess that India is vigorously defending its northern borders and this a subject of concern to India as it looks ahead to its own strategic stability.

It certainly helps drive and is a factor in driving a closer partnership that we enjoy with India, and as we look to the Indo-Pacific strategy put forward by this administration, it's taken in light of the South China Sea strategy—how do we maintain the region to be open, to have maritime security, to not have militarization that would imperil the 70 percent of global trade and we need to do that by giving authority to sovereign nations to have choices in how they develop, to have choices in their partnerships, and that's the goal that's being undertaken comprehensively and will be discussed at this forum on July 30th.

Mrs. WAGNER. I look forward to the forum.

Ms. Steele, in my limited time, USAID has put forward reforms to ensure a more effective approach to development in humanitarian programs including creating bureaus for humanitarian assistance, resilience in food security, and conflict prevention and stabilization.

With your experience co-chairing the working group between State and USAID, can you give the committee an update on those reforms and how they are being implemented?

I realize I have left you no time. You can certainly respond, I suppose, in writing, too.

Ms. STEELE. Sure.

Mrs. WAGNER. I thank the chair for his indulgence and I look forward to that response in writing.

Thank you. I yield back.

Ms. STEELE. We will provide it.

Mr. YOHO. Thank you, Ann.

And next we will go to the ranking member, Mr. Sherman of California.

Mr. SHERMAN. They say be careful what you wish for. I would hope that the State Department would be staffed by people properly appointed by the administration.

We have Ambassador Wells here, who could be appointed Assistant Secretary for South Asia but instead appears before us now as PDAS because you can no longer be Acting Assistant Secretary, because you were in that Acting Assistant Secretary position for so long.

I say be careful what you wish for because I am not sure I want everyone in Foggy Bottom to be wearing MAGA hats. I might prefer an administration that doesn't fill positions. I hope they fill positions with people that are capable, who have the resume, the background, the experience, and are empowered by having a permanent position.

But, again, maybe I should settle for what we have. But, Ambassador Wells, I think we talked about this earlier. You're a PDAS in the bureau. Is there any other person in the entire bureau who has been appointed by this administration?

Ambassador WELLS. I am the PDAS in the bureau. I have four acting DASes who assist me in the conduct of SCA's policy. That's——

Mr. SHERMAN. Okay. So the four people under you are acting and the person over you would be acting and would be you, except you're acting for so long you can't be acting anymore.

So we have four positions under your PDAS position and one position above your PDAS position, representing five of the six most important positions in the bureau, all of which have not been appointed by this administration.

Again, I don't know whether that's a good thing or a bad thing. It would depend on who they would appoint.

I want to move on to Pakistan. Ms. Steele, you escaped these questions but Ambassador Wells' area includes Pakistan.

Last November, I raised the case from a human rights perspective of Dr. Anwar Laghari, a law-abiding nonviolent leader from Sindh who was assassinated in 2015. And then his only son, Asad, was found dead under mysterious circumstances.

I am also concerned with hundreds of other Sindhi activists who remain missing including Hidayat Lohar, Nangar Chana, and just this week a young man named Afrab Chandio who has, apparently, been disappeared by Pakistani security agents and, of course, his cousin is missing and his daughter is receiving death threats from Pakistani agencies.

Earlier this year, Ambassador Wells, you sent me a letter that addressed Anwar Laghari and stated in part that you will continue to press the Government of Pakistan to ensure a thorough and impartial investigation.

Can I count on you to continue to do that with regard to those cases and the additional cases I brought up?

Ambassador WELLS. Yes, very much so. We continue to raise the case of Mr. Laghari and I understand his brother is here in the audience and we had an opportunity to discuss this as well.

We are seeing popular protests against the disappearances, against staged encounters, and I think, you know, this is very much a leading part of the political dialogue right now in Pakistan, the rule of law and the relationship, you know, of the political establishment to its people.

Mr. SHERMAN. I'll go on to a question for the record. And that is, we are loathe, as a country, to urge the change of any international border. We did support, eventually, the independence for Eretria.

But the more relevant example is South Sudan. The Government of Sudan was oppressing the people of South Sudan, killing by the thousands its own citizens.

We see the same in Burma where the Rohingya have been forced in numbers of, roughly, many hundreds of thousands out of their own country and North Rakhine state is on all our international maps as part of Burma.

But Burma seems to have—or Myanmar seems to have provided the same level of governance to North Rakhine state as Khartoum provided to South Sudan.

And so I realize this affects not only your bureau but the East Asia bureau. What—how many people does the Myanmar military have to kill before the United States would recognize that North Rakhine state should be independent or join with Bangladesh, rather than continue to be part of the territory of a country that has killed by the many, many thousands?

So I'd ask you to respond to that, for the record. I don't know if there is a number but perhaps we could draw a line somewhere, about whether we should draw a line, a border, on a map that shows North Rakhine state as part of a country that has killed so many of the people who live there.

I'll ask the chairman's indulgence to then ask you a question about India. Would the purchase of Russian S-400 surface to air missiles result in a violation of CAATSA sanctions, which of course are sanctions against Russia? And how do ties between India and Iran affect our relationship with India, particularly with regard to oil purchases, and have we asked India to purchase less oil from Iran?

Ambassador WELLS. I can't address the hypothetical of an S-400 sale but I can underscore the administration and the State Department's commitment to enforcing the CAATSA sanctions.

Mr. SHERMAN. Well, I mean, would the purchase of Russian S-400s trigger CAATSA sanctions?

Ambassador WELLS. I mean, if there is a purchase of S-400s the administration will have to review that purchase. I am not in a position today to answer that question.

On JCPOA, we have been in discussion——

Mr. SHERMAN. I would say the Indians might benefit from us telling them in advance, rather than waiting for them to do something in ignorance of what our position is, and then hitting them with sanctions because they did something we wouldn't tell them in advance they shouldn't do. But go on.

Ambassador WELLS. Under the JCPOA, we have been engaging with all of the partners and international community on support for the sanctions that are being reimposed on Iran, and as part of that discussion we have raised with India the need and our expectation that India will reduce its imports of crude oil.

What we have seen in the past is that, you know, private sector companies responding to the sanctions do respond to these forces.

Mr. SHERMAN. I thank the chairman for the additional time.

I yield back.

Mr. YOHO. Thank you for your question.

Next, we will go to Mr. Scott Perry from Pennsylvania.

Mr. PERRY. Thank you, Mr. Chairman. Thank you, ladies, for being here and for your testimony and your service.

Ms. Steele, I am particularly interested in Bangladesh and the way you characterize it. I mean, and I don't know—you used a metaphor, which escapes me at the moment, regarding a guy going through school, right, for some of these countries, like, they are progressing on their way, right, and do any of them ever graduate, is my question, do any of them ever graduate from this progression

toward where the United States hopes they will be, and we hope they do?

I am just asking if we have any of those success stories where at some point we are just good friends with those folks and they are good friends with us and they do their thing and we do ours and we buy stuff from them and sell stuff and everybody's happy. Do we get to that point anywhere in this area of the world?

Ms. STEELE. I use the term journey to self-reliance.

Mr. PERRY. Yes. There you go.

Ms. STEELE. That's right. Actually, going back to Bangladesh, but Bangladesh is very, very close to transitioning from a least developed country status.

So it's actually making progress, and that's what we are intending to do is to help countries move them along so that they move on and be able to be in complete control of their development, be able to make decisions about their development, be able to fund them themselves and attract investments from others, not just be on the dole.

Mr. PERRY. But even though they are on the journey and even though they are progressing, they are far from where we hope they will eventually be. So it's not like we are going to help them this far and then when they complete that portion of the journey we are out, right. We are going to——

Ms. STEELE. Bangladesh itself has made tremendous progress. But it is far from being a higher income—you know, a higher middle income country.

But it is showing the potentials for being that.

You asked for examples. One example is in the region of Asia is South Korea. I still remember when I started my career with USAID that I had colleagues working with me who had just came from Korea and that dates me.

But my point is that we do have success stories when countries are committed and area capacitated to take on the journey on their own they do succeed.

Another region is in eastern Europe and Eurasia where I worked for 9 years, and we did help a number of countries be on a journey, complete the journey to being self-reliant and they are now——

Mr. PERRY. And I am glad you mentioned South Korea. I've had the privilege of visiting and the country is wonderful and so are the people. So I am privileged to know that.

Let me ask you a little more about Bangladesh. You mentioned health security and I think civil society or institutional capacity in that context and the other things that you mentioned it seems to me one of the biggest things that we can assist with or advocate for is free and open democratic elections there, and I just wonder where we stand with that and where that is on the list of priorities.

Ms. STEELE. It is a high priority. In fact, among the countries in South Asia, we have allocated the biggest amount for democracy and governance programs.

We are working with civil society, youth groups, and various groups that in order to make sure that the voice of the people are heard in the coming elections.

We are working to make sure that the elections are going to be free, open, and transparent, and we have been working with them

for several months now—in fact, over a year, which is what is necessary. We can't just work on the day of or after.

Mr. PERRY. Right. Well, we are very interested in Congress to see the outcome of that and I just wanted to impress that fact upon you.

Ambassador, I see that you want to add some——

Ambassador WELLS. You know, it's very much a part of our political dialogue. The last elections were not contested by the major opposition party and that detracts, you know, from the strength of the government.

And when I met today with the Foreign Minister of Bangladesh I reiterated what our Ambassador, Ambassador Bernicat, in Dhaka has been underscoring privately and publicly the need for a contested and fair election.

Mr. PERRY. Okay. In the time remaining, I just would like to get an update on the Rohingya situation as well. We have addressed it in this committee on several occasions.

But, in my opinion, it's just conversation, right? Maybe nothing that America can do would make a difference. But we lament that situation and we'd love to see any kind of forward progress on their behalf.

Can you let us know where this conversation fits in or where they fit into this conversation?

Ambassador WELLS. We support the safe and voluntary and dignified return of the Rohingya home and while we welcome the fact that Bangladesh and Burma have negotiated MOU for the return of refugees, you know, our position continues to be that the situation in Rakhine has to be satisfactory for that safe return.

And so the conditions on the ground in Burma have to demonstrate to the people that when they return they will not face ethnic cleansing, and that they will have opportunities to live in peace.

So I think we are faced with two challenges, both the political challenge of reinforcing to the military leadership in Burma to uphold the commitments made by their civilian leadership and at the same time the challenge of ensuring that Bangladesh isn't pulled back further from its own development goals because of this, you know, enormously generous decision to take in 1 million Rohingya.

Mr. PERRY. So even though the MOU may be out there, is it your studied opinion at this point that it remains unsafe for them to return?

Ambassador WELLS. That's been the U.N.'s judgment and I think we have to also look to the people. They have to be prepared to return and I think the overwhelming majority are not at this moment prepared to return, given current conditions.

Mr. PERRY. You can't say you blame them, right?

Ambassador WELLS. Right.

Mr. PERRY. All right. Thank you.

I yield.

Mr. YOHO. Thank you for the questions.

Dr. Bera from California.

Mr. BERA. Thank you, Mr. Chairman.

You know, my colleague from California, Mr. Sherman, brought up a couple points. I know both you, Ambassador Wells, and Ms.

Steele, if it was up to you, you don't want the title of acting. You'd certainly like to fill positions, et cetera.

But, again, I'll reiterate thank you for showing up every day, doing your job, and convey back to the career employees at Foggy Bottom that we thank them as well and our diplomats and State Department employees around the world.

You know, we might prefer different circumstances. But the fact that, you know, and I think my colleague describes the same thing and many of us in Congress that, you know, we appreciate your representing the United States of American around the world and showing up every day to do your job.

Ambassador Wells, you know, over the past few years and my time in Congress increasingly in a bipartisan way, bicameral way, there is been a sense that we wanted to grow our relationship strategically with India and that the U.S.-India defense relationship in the Indo-Pacific was of huge strategic importance.

In fact, in last year's Congress in the NDAA we required the administration—if we defined India as a major defense partner we asked for, from the administration, kind of a clarification of how they would define that.

In addition, there was a request that the secretaries of state and defense jointly designate an individual that was responsible for spearheading the U.S.-India defense relationship, understanding that that was to emphasize the importance of that relationship.

Would you be able to give us an update on that definition, if it's happened as well as who our quarterback is going to be on the U.S.-India defense relationship—if there is been a decision made on that?

Ambassador WELLS. Thank you, and to both you and Representative Sherman, I do want to underscore the full support that I've received from Secretary Pompeo, which I appreciate in the prosecution of my job every day.

On India, we are looking ahead to the September 6th two plus two and the joining of forces between Secretary Pompeo and Secretary Mattis to help define what a major defense partnership is.

And I think we are going to be able to demonstrate both in terms of the progress we make on the agreements we can reach that will make it easier for us to share classify information and undertake logistical activities together.

We are also demonstrating it through the incredible growth in our defense sales relationship from, essentially, zero in 2008 to what we expect will be $18 billion by 2019 with other major purchases on the horizon.

And then the on-the-ground activities, whether it's the Malabar exercise and the fact that we do more military exercises with India than we do with any other country in the world and so giving meaning and definition to how we can work together to secure the Indo-Pacific region.

Instead of, you know, one point person I think you're getting a fusion of State and Defense efforts.

For instance, when India sent its Foreign Secretary and Defense Secretary, they too adopted that two plus two format. And so we are working together hand in glove, diplomatically and militarily,

to build out the dimensions of what Secretary Pompeo has said is one of our most critical relationships.

Mr. BERA. Great.

And, you know, my colleague from California also brought up the CAATSA issue. While I am not part of the NDAA conference committee, my sense is that they did address this issue in conference and, you know, made some adjustments to the language, because it's our sense that while India may have purchased equipment from Russia in the future, their real desire is to partner more closely with the United States and I think they are, you know, giving that flexibility to folks in our DOD and State Department to make sure that we are not losing any of our equipment, intellectual property, and technology to potential adversaries, and we don't see India as an adversary.

And, again, I think as the two plus two dialogue takes place, et cetera, you know, I think it's important for us to continue to send the message that we do see India as a major defense ally and someone that, you know, is incredibly important and a country that is incredibly important in helping us stabilize that region.

I am running out of time. But, Ms. Steele, just a quick question. I think you traveled with Ambassador Green to Bangladesh and, you know, saw the conditions on the ground first hand.

When Ambassador Green was here, you know, a few months ago, he also talked about some of the worry of the rainy season and, you know, certainly, where the refugees are at lower territory.

I don't know exactly the timing of the rainy season in Bangladesh but I assume that we are close to it if we are not in the middle of it right now.

And, you know, can you give us an update on the actual conditions in the camps right now?

Ms. STEELE. We are in the middle of the cyclone season. In fact, it's about to end and another cyclone season starts in October.

And in the meantime, I sent a team to go out to Bangladesh in order to look at potential multipurpose buildings that we can reinforce to provide a shelter for the people for both the host communities and the refugees along Cox's Bazar.

And the team talked to other donors in the area in order to get our heads together and see what we can do. In the meantime right now, they are fine. I mean, we worried more, fortunately, we did not get the strength of cyclone that we were concerned about. But October is coming and so we are preparing for that.

Mr. BERA. Well, thank you. And again, thank you and your colleagues and, you know, for your service, and I think I speak for the entire committee.

Thank you.

Mr. YOHO. I think that would be fair to say, and I appreciate your questions and your comments.

Moving on, I think it was you, Ms. Steele, you said we believe in every country wants to determine their own self-reliance, and I think that's so true. We see India graduating and moving in that direction and Bangladesh moving from a LDC.

Can we look at anything in our programs via aid that stands out in facilitating their transition? Because it's like running for Congress or when I went to vet school.

There was a lot of people that were doubtful and they weren't real helpful, but once you make it, it says, I knew you'd make it all the time—it was the help we gave you.

Are there any programs that we can look at definitively through USAID, and say this led to this, and that we can repeat over and over again in different countries?

And I know each different country is a different situation. But is there anything that sticks out? Was it good governance? Was it developing economies via infrastructure? Banking systems? Rule of law?

So I'd like to hear both of you comment on that.

Ms. STEELE. Thank you. Thank you.

Actually, it isn't just one thing and it really depends on where in the journey a particular country is.

For example, India's development is constrained by its very poor health situation. It has the highest number of TB cases in the world. It is the third highest number of HIV cases and it accounts for 20 percent of maternal and child mortality.

And so that's where we focus to help move them along. But the good thing about India is that it does have the resources and it has the technology.

So we provide them models of how you address specific issues and they scale it up, and that is the kind of partnership that we have with them.

India, then, would be different from another country like Nepal or Sri Lanka, so it would depend. But, in general, if you want me to just talk about it in general, it is really a combination of good governance, strong democratic system, and an ability to be able to generate. They have a good regulatory environment so that they can generate resources on their own.

Mr. YOHO. Let me interrupt you, because you were saying that they didn't have the resources. You want to look at a country like India, they are the largest democracy. Of course, we are the oldest, and you say they don't have the resources. Yet, they have nuclear weapons. They have other things. Is it a problem with prioritizing? Because we know what causes TB. We know how to get rid of it. We know how to isolate it. You know, there is a massive amount of rabies that shouldn't be running rampant over there and we know how to deal with that.

So it is a prioritization that we can help better direct funds or strategies, I guess?

Ms. STEELE. Mr. Chairman, I am sorry, I said they have the resources.

Mr. YOHO. Okay. I am sorry. I am sorry.

Ms. STEELE. But they don't have the technical capability.

Mr. YOHO. Strike the record. [Laughter.]

Ms. STEELE. What we do is provide them the technical capacity and they use the resources to scale up the programs that we work with them on.

Mr. YOHO. Okay. So but you can't point to one program that we——

Ms. STEELE. So in India our focus would be in the health sector——

Mr. YOHO. Okay.

Ms. STEELE [continuing]. Because that is their major concern.

Mr. YOHO. What about Bangladesh?

Ms. STEELE. In Bangladesh, unfortunately, it is many more issues there.

Mr. YOHO. Okay.

Ms. STEELE. And so we work with them on food security. It is our biggest food security program in South Asia. So we help them improve the technologies to be able to produce the food that they need or generate the revenues in order to be able to purchase the food they need.

We also work with them on the education sector in order to develop the capacity that they will have and, more importantly, we work with them on their good governance and democratic system.

Mr. YOHO. Okay. Thank you.

Ambassador Wells, do you have any comments on that or input?

Ambassador WELLS. The only thing I would add is the concern we have that countries not mortgage their future or mortgage their development to unsustainable projects and lending, and that is a major focus of the Indo-Pacific that what is taken on as debt is utilized in projects that will help lift the standards and the wellbeing and economic growth of the countries.

Mr. YOHO. That's a good transition for me because that's something I wanted to talk about. You know, the importance of that whole region is incredible where we are going and if you look at outside of India, and China that the Southern Asia Pacific region, according to Admiral Harris, there will be more people living within that region than outside of it by 2050 in the world, and it shows you the strategic importance of that.

And so with that, we see the aggressiveness of China with their high lending tactics. I was reading a report the other day that in Pakistan they had lent a lot of money. They were expecting a 34 percent return on investment.

I'd like to be in that fund. But, unfortunately, countries can't return and they can't pay that back and we saw what happened in Sri Lanka and, of course, in the Maldives.

And then, you know, we see them encroaching on that, and what we are looking for is stability so that we can move forward so that we can promote those things that have created the economic boom in this world, and we feel it's good governance.

We also feel it's democracies where people have a choice because people are empowered. Empowered people run better governments in general and we are seeing the antithesis of that coming through. It's as Xi Jinping calls it, socialism with Chinese characteristics, which, as far as I am concerned, is communism—he can call it whatever he wants—and their goal is to break up democracies.

And, you know, we have to make sure that we are moving forward and understand that it's like that movie "Bob." You know, you got to take baby steps but understand they are going to fall down and move backwards a little bit.

But if we are going forward and so with that, when I look at the Maldives, it's 400,000—roughly—people in that area and they didn't have free and fair elections and China had a strong influence and said that if India intercedes they would see that as an act of aggression.

What are your thoughts on how the best way to counter China in that region?

Ambassador WELLS. I agreed with your opening remarks that we shouldn't be seeking to compete with China dollar for dollar. That's not our strength.

Our strength is what we bring to the table also with the private sector instead of state-parastatal lending on terms that may not be to the benefit of countries or their citizens.

You know, we are providing $850 billion in foreign direct investment in the region, which is far more than what has been injected by China.

You know, as well we are still the single largest, you know, grant donor and our assistance is designed to address exactly trade facilitation, what makes systems work, what promotes regional connectivity.

The BUILD Act that you mentioned is something the department strongly—the administration strongly supports. We look forward to being able to harness all the levers that we have to make it easier for our private sector to engage more effectively in the region.

And through our diplomacy, both whether it's in support of ASEAN and APAC but also trilaterals with Japan and India, whether quadrilateral with Japan, Australia, and India, we are trying to gather like-minded countries who can bring resources to the table, who can coordinate assistance and effort so as to provide countries with meaningful alternatives.

Mr. YOHO. Ms. Steele.

Ms. STEELE. Mr. Chairman, China flourishes when the democratic systems are weak, or when there is no transparency and when there is corruption.

And so from AID's perspective, we work in three different areas. One is on strengthening democratic systems and making sure that their electoral processes are free and open.

And we are working with civil society to make sure that voices are heard and because, you know, when the democratic systems are weak then China is able to come in.

Mr. YOHO. Right.

Ms. STEELE. And we are also working in the economic area on strengthening the governance. We want to make sure that the policies and the rules are free and open and rules based. That keeps China from being able to flourish.

And so we work with them in the area of competitiveness, in infrastructure development, in trade facilitation, et cetera, and we work them on improving the procurement tools because it is when the procurement tools are nontransparent that China is able to come in.

And then, finally, China is very interested in extractive resources in the mines and minerals, and so we work with the countries to make sure that they are aware of the environmental consequences and the long-term consequences when they do not manage their resources properly.

Mr. YOHO. Thank you. And I am going to turn to the ranking member if you have the time, the patience, and the tolerance to have another round of questions for both of us.

Mr. SHERMAN. And if that involves questions from me we are asking for a very high level of patience and tolerance.

I will disagree with just one thing with the chairman's remarks. I don't think what China calls socialism with Chinese characteristics is communism.

I am a progressive. I am on the left. I know what a real communist is, and President Xi, you're not communist.

You may be in favor of crony capitalism. You may be in favor of state-directed capitalism. But I know a real communist. I don't know if—I don't know if you——

Anyway, now, I want to put for the record into context. We are all talking about the $18 billion of arms purchases by India. That's what they are going to do over a 14-year period, whereas the trade deficit—and that's what I am told, you know, from 2005 to present or maybe even a year or two into the future—whereas the trade deficit is $27 billion per year.

Ambassador Wells, is it official U.S. policy that we want to reduce or eliminate that trade deficit or is that $27 billion trade deficit just hunky dory?

Ambassador WELLS. The President wants fair and reciprocal trade and I think when we look at India there are three sectors where I think we can get a significant boost in our trade.

Mr. SHERMAN. Do we have a target, like by this year we will cut that $27 billion to this figure or to that figure?

Ambassador WELLS. We'd like the trade deficit to be reduced as quickly as possible.

Mr. SHERMAN. But it's not like we have got a target for 2020 or——

Ambassador WELLS. No.

Mr. SHERMAN [continuing]. The Chinese are the ones with targets for 2020 and——

Okay. So we don't—we don't have a particular target. We just want to see the trade deficit reduced. I will ask you one other question.

Let's say there was some policy that would increase our exports to India by $1 billion but increase our imports from India by $2 billion, thereby creating $3 billion of additional bilateral trade. Is that something that we would look favorably upon or is—or not?

Ambassador WELLS. I am going to have to defer to USTR. But what I'd like to underscore is——

Mr. SHERMAN. Well, I mean——

Ambassador WELLS [continuing]. Our trade policy forum discussions underway focused on eliminating or reducing the—both the tariffs and the nontariff barriers that do exist.

If our average tariff rate is about 3.5 percent, India's is over 13 percent. It's historically been a more closed market. We are pushing aggressively for medical devices, pharmaceuticals, dairy, agricultural products.

Mr. SHERMAN. But we may or may—but that may add up to a lot or a little. I am going to——

Ambassador WELLS. But if I could underscore the positive picture, which is in defense aviation and energy. In aviation alone, Boeing estimates that over the next 20 years there is going to be $290 billion in aviation sales. Last year we saw $22 billion——

Mr. SHERMAN. Yes. Well, trade is growing worldwide. Numbers are getting bigger. But as the numbers get bigger, the trade deficits tend to get bigger.

But I want to ask Ms. Steele, you're often going to be approached by brand name U.S. corporations and they are going to be whistling "American the Beautiful" under their breath and they are going to try to get you to finance something that they are going to call trade promotion that will lead to higher profits for that corporation—good American corporation.

But that will increase total trade, but will actually increase the trade deficit and reduce jobs in the United States. Do you regard as trade promotion a project just because it's favored by a U.S. corporation that talks about its supply chains, or do you get an analysis as to whether this is going to lead to more jobs and a reduction of the trade deficit?

Ms. STEELE. I, too, would defer to USTR on that. We do not do the trade analysis with the——

Mr. SHERMAN. But wait a minute. You're spending—you're spending the money and people will come to you with projects that say this foreign aid expenditure will help trade and supply chains and you can't check with—you don't check with USTR before you find a road.

So how do you analyze whether it's not just good for the country involved, but it's good for reducing the trade deficit, increasing jobs in the United States? Or are those just not factors you look at?

Ms. STEELE. No. Actually, we do consult with USTR before we implement any trade facilitation programs. We look at the needs at the country because——

Mr. SHERMAN. Are they looking at jobs or are they just looking at profits for big U.S. corporations? Or do they—or haven't they told you?

Ms. STEELE. I don't know what they are looking at. But they do have a basis for making analysis of the trade issues that they deal with.

Mr. SHERMAN. If they are anything like prior USTRs, they are just looking at what's in the interests of the profits of the big corporations and they are not looking at the trade deficit and they are not looking at jobs.

So, hopefully, if you're funding any project that's supposed to do good for U.S. workers, find out whether it's good for U.S. workers, or just decide that that's not important to you. But for God's sakes, don't trust the bureaucracy over at USTR.

And I got one more question for Ambassador Wells. We completed the U.S.-India civilian nuclear agreement a decade ago. So when will U.S. firms be able to sell nuclear power plants to India?

Ambassador WELLS. We continue to support the Westinghouse bid as Westinghouse comes out of bankruptcy. We have been in conversation——

Mr. SHERMAN. That's a good American name, Westinghouse. Is there a lot of U.S. jobs involved in that, or is that all Japanese jobs?

Ambassador WELLS. I believe that it also produces jobs on the U.S. side as well as——

Mr. SHERMAN. Well, I am sure there is some but yeah——

Ambassador WELLS. I don't have the analysis in front of me. We can respond formally.

But, you know, having done the hard work of creating a basis for a civilian nuclear relationship with India, having engaged seriously with India as they accede to the agreements, Wassenaar, Australia Group, and, hopefully, in the future, Nuclear Supplier Group. We would like to see this also manifested in our commercial relations with India and we're very supportive of U.S. companies——

Mr. SHERMAN. Can you respond, for the record, what are we going to do commercially, but also what portion of the jobs from Westinghouse or anything else that you're pushing will be here in the United States?

Ambassador WELLS. Sure.

Mr. SHERMAN. Just because it has a venerable name it doesn't answer the question.

Yield back.

Mr. YOHO. Thank you for your questions and I appreciate your input. I've got a couple comments here I want to do.

One is on Bangladesh. There is a lot of talk up here on the Rohingya crisis that's going on, and this is something Gerry Connolly wanted to be here today but he couldn't be here. This is something that has to be dealt with.

We do appreciate what Bangladesh has. I think they've gone over and above. One of my question was, was any assistance moved from Bangladesh to Burma or other countries in the region to deal with refugees issues in Burma?

Ambassador Wells.

Ambassador WELLS. No. We increased—we provided a net $190 million in assistance to Bangladesh above and beyond the existing bilateral assistance.

There was some money also provided to deal with the Rohingya in Burma and I'll defer to Gloria.

Mr. YOHO. Ms. Steele.

Ms. STEELE. Yes. We have provided assistance in Burma to deal with the Rohingya issue as well as providing assistance in the Cox's Bazar and the communities around it.

But in Burma we have provided $63 million to provide shelter, food assistance, nutrition, emergency nutrition, and livelihood development.

Mr. YOHO. Okay. And as we move forward, our goal is to have a resolution that's acceptable to Burma, to the Rohingya, to Bangladesh as quick as we can so that there is not more tragedy involved in that and there is more stability that comes out of that, and that certainly is our goal.

And I know we are separate branches of government, but we have the same goal. And the work you guys do is so vital that we continue to do that.

And I have offered this to everybody pretty much that we talk to: Please use this branch of government as a way to move legislation forward.

You're the ones that have the boots on the ground. You're the ones that have been in those countries. You know what works and what doesn't work, and you also know what you're hampered by by legislation.

I am giving you a pass and I am sure that Ranking Member Sherman would feel the same way, that if you say: If you guys could allow us to do this, we could do this better.

Our whole goal is to move countries from aid to trade as fast as we can, and we want to duplicate that over and over again, and by doing that we are going to develop we are going to develop economics and trade.

And I am excited about our BUILD Act because it changes the dynamics of what we can do and as we do that, as you guys vet these programs, if that's in your wheelhouse, I think what Ranking Member Sherman brought up about jobs created, yes, it's important for U.S. jobs. But I want to make sure we are doing those jobs within that country because it's that infrastructure that leads to the economy that leads to a higher standard of living where countries will start finding their own way and be self-determining.

And our program is so much different than what other countries offer because we are not in there to suck out the resources. We are there to build strong alliances based on economies and trade, and if we do that and we trade on a balanced and fair level playing field and we move in that direction that we will be stronger allies and partners in the future, and that's our goal with this and this is a tool we have needed so badly and we are just honored that it was able to pass out of here in the House.

And I see were are joined by Mr. Connolly of Virginia, and go ahead, Gerry.

Mr. CONNOLLY. Thank you, Mr. Chairman. I did promise you on the floor I'd make it. But I had one other hearing and one briefing all at the same time. So forgive me for being late.

Let me ask either one of you or both of you. I am particularly interested in the situation of the Rohingya. Reports I got months ago were that a number of the refugee camps in Bangladesh were up and running and functioning fairly well, but their worry was the monsoon.

What happens when the monsoon hits because then you're going to have, you know, landslides. You're going to have damage to structures that are temporary. You're going to have washed out roads and on and on.

So where are we right now? The monsoons have begun. How much damage is there and how worried should we be about their situation and temporary quarters that aren't all that robust and sturdy?

Ms. STEELE. Thank you for that question. We are actually at the tail end of the cyclone season now. There is another cyclone season starting in October.

Two weeks ago, Ambassador Green and I, along with a PDAS from the State Department, went to visit both Bangladesh and Burma and we were very concerned about the situation in both countries.

We talked to various civil society organizations and the NGOs that we work with to understand better the situation.

In fact, the inadequacy of cyclone-resistant shelters were raised as an issue as well as the lack of land in that area to build additional shelters.

But the United States Government has invested in building cyclone-resistant shelters in all of Bangladesh including in the Cox's Bazar. Other donors are doing the same thing and the Government of Bangladesh is doing the same thing.

I sent an assessment team over 2 weeks ago to Bangladesh to take a look at other actions we may be able to take to strengthen existing structures that could be used for this purpose when the next cyclone season hits. And we have a report on that now.

Mr. CONNOLLY. Well, I hope you'll keep this subcommittee posted and informed because we are particularly interested in cyclone-resilient structures for refugees who already have suffered a great deal.

Ms. STEELE. Yes, sir.

Mr. CONNOLLY. And their status remains up in the air, and we don't want them blown away with cyclone while they are at it. So please keep us posted on that.

Ms. STEELE. Yes. We are also looking at shelters for host communities as well as——

Mr. CONNOLLY. About what?

Ms. STEELE. For the host communities as well the refugees.

Mr. CONNOLLY. I understand. But my question has to do with the Rohingya.

Ms. STEELE. Yes.

Mr. CONNOLLY. I mean, Bangladesh has lots of issues we could talk about. This is about a refugee population Bangladesh has been gracious enough to welcome, that has been subject to ethnic cleansing and violence, and the least we can do is to try to make sure they've got safe reliable shelter in their refugee communities that they've created during—especially that are resilient to the monsoon.

Ambassador Wells, Bangladesh and Burma agreed to a voluntary repatriation time frame in January of this year. Is that correct?

Ambassador WELLS. Yes.

Mr. CONNOLLY. What's the status of that agreement?

Ambassador WELLS. It depends. The agreement is premised on voluntary returns and I think we have seen that the situation and the U.N. has certainly judged that the situation in Rakhine state is not conducive to returns yet.

We don't have the guarantees of safety or economic viability. We haven't seen refugees vote with their feet by trying to return to Rakhine. To the contrary, we are still seeing some flows of Rohingya coming from Burma.

As we welcome the fact that Bangladesh and Burma are working together and so as I said earlier that we have a two-prong issue, we have to, I think, encourage the Burmese military to uphold the commitments that their civilian leadership has made while simultaneously assisting Bangladesh so that they are not dragged backwards as a result of the generous hosting of this refugee population.

Mr. CONNOLLY. So, I mean, sometimes in international diplomacy we have these wonderful breakthroughs and sometimes it almost seems like we are checking boxes and going through the motions. So we got a voluntary repatriation time table agreement.

Meanwhile, we have got the U.N. High Commissioner for human rights who called the atrocities that sparked the refugee crisis among the Rohingya "a textbook example of ethnic cleansing."

Why would anybody who's a Rohingya in Bangladesh want to voluntarily return to that prospect?

Ambassador WELLS. I think they would want to return under conditions of safety for reasons that their ties are there, their families are there, their land is there—you know, their livelihood, their sense of self and community.

But, certainly, to be subjected again to, you know, violence or ethnic cleansing is not something that we can condone or that they would voluntarily submit to.

Mr. CONNOLLY. Right. I mean, I'd call that kind of common sense.

Ambassador WELLS. And so the—and so the conversations—I mean, so the diplomacy underway is to achieve the changes in policy in Burma that will allow the Rohingya to return to Rakhine and to live safely. There is both security guarantees that are required. There are significant——

Mr. CONNOLLY. Well, I agree with you. But who would enforce that? Who's going to make sure that, say, on the Burmese side they keep those commitments, assuming they make them?

Ambassador WELLS. I think we need the presence—I mean, we need our diplomacy. We need the broader international community, the U.N. agencies all to be involved in this. I don't think that refugees will go back just because of a piece of paper.

Mr. CONNOLLY. Right.

Ambassador WELLS. There is going to have to be certitude.

Mr. CONNOLLY. Right. And I just think that's got to be key and so far we don't have that.

Ambassador WELLS. No.

Mr. CONNOLLY. Right. So it's an aspirational thing but it's not a real thing until we have that. Okay.

Ambassador WELLS. Yes, at this stage.

Mr. YOHO. If the gentleman will yield.

Mr. CONNOLLY. Of course.

Mr. YOHO. I would love to work on that with you, maybe letters to the U.N., other agencies, where we can put some meat behind that.

Mr. CONNOLLY. I agree. And as I mentioned to you on the floor, I got one for you.

Mr. YOHO. Got it right here.

Mr. CONNOLLY. Okay, good. Super.

Mr. YOHO. Let's do it.

Mr. CONNOLLY. Hopefully, we can collaborate. And in fact, that's how I—if it's all right, Mr. Chairman, just want to end—Ambassador Wells, are you familiar with the Amnesty International listing of, I guess, it's 10 individuals in the Burmese military they've identified as guilty parties to the ethnic cleansing who should be held to account in terms of international justice? Are you aware of that?

Ambassador WELLS. I am not, and you've caught us in the division between the South and Central Asia Bureau and the East Asia

Pacific Bureau, and so I have not focused as closely on the Burmese dimension of this, sir.

Mr. CONNOLLY. Okay. Well, assuming Mr. Yoho and Mr. Sherman and I can work together on this matter, we will be glad to be in communication because, obviously, this is a massive human rights crisis and we want to see democracy flourish but we also want to see individual human rights and collective human rights of a minority group protected.

And so we are going to do our part to contribute to that protection.

Thank you, Mr. Chairman. Thank you.

Mr. YOHO. Thank you for coming by and participating. Appreciate you being here and I appreciate your testimonies. We take this stuff and a lot of times we have come out with pieces of legislation or support that has really made a difference and we hope to continue to do that, and I think what I hear over and over again and I hear it all the time as I am honored to be chair of this Asia Pacific Subcommittee is it's America's presence, it's the rule of law, honoring contracts, and good governance and, certainly, we have our own problems. But it still is a standard that a lot of the world looks up to.

And so with that, I appreciate you being here. This subcommittee hearing is adjourned.

[Whereupon, at 3:50 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Asia and the Pacific
Ted Yoho (R-FL), Chairman

July 18, 2018

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on Asia and the Pacific in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, July 25, 2018

TIME: 2:00 p.m.

SUBJECT: Budget Priorities for South Asia

WITNESSES: The Honorable Alice G. Wells
Principal Deputy Assistant Secretary
Bureau of South and Central Asian Affairs
U.S. Department of State

Ms. Gloria Steele
Senior Deputy Assistant Administrator
Bureau for Asia
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Asia and the Pacific* HEARING

Day *Wednesdayq* **Date** *July 25, 2018* **Room** *2172*

Starting Time *2:30 pm* **Ending Time** *3:50 pm*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Rep. Ted Yoho

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [ ]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Budget Priorities for South Asia

SUBCOMMITTEE MEMBERS PRESENT:

Reps. Yoho, Rohrabacher, Wagner, Perry, Brooks
Reps. Sherman, Bera, Connolly

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

QFR - Yoho, Bera, Titus

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:50 pm*

Subcommittee Staff Associate

Questions for the Record submitted to
Principal Deputy Assistant Secretary Alice G. Wells by
Representative Ted Yoho (No. 1 to No. 2)
House Foreign Affairs Committee
July 25, 2018

Question 1: Impact of India's elections on American exporters: Prime Minister Modi seeks reelection in early 2019. Announcing new trade barriers has long been a tactic used by sitting governments to bolster support. How do you expect India's political climate to impact market access for American companies? What can the State Department do to ensure that politics do not harm American exporters?

Answer 1: Getting our economic partnership right is critical to advancing our goals of peace and stability in the Indo-Pacific region and promoting growth and prosperity in India and the United States. Bilateral trade between our two countries continues to expand, reaching a record $126 billion in 2017. However, U.S. companies continue to face challenges to doing business in India, including restricted market access in some sectors, regulatory shortfalls, and weak protection for intellectual property. Working with the Indian government to overcome these challenges, facilitate fair and balanced trade, and reduce the trade deficit is a key priority to which we are applying a whole-of-government approach. As one example, the U.S. Government is undertaking a review of India's eligibility in the Generalized System of Preferences (GSP) related to its compliance with the GSP market access criterion. At the same time, we continue our efforts to demonstrate to India the benefit of reforms to its economy, reforms that will not only stimulate growth in India, but also create opportunities for U.S. companies.

Question 2: On Monday, Secretary Pompeo smartly confirmed the commitment of the United States to the Indo-Pacific region. We must have a free, open and prosperous Indo-Pacific. Thus, the commercial component of the Indo-Pacific engagement must focus not just on finalizing commercial deals, but also on resolving trade barriers. How does the FY2019 budget help the Bureau support work to address trade barriers?

Answer 2: The Department's FY 2019 budget request supports a free, open, and secure Indo-Pacific, and the request for South Asia prioritizes open and fair market access. Non-tariff barriers to trade constrain participation by American companies and impede the growth of partner countries. FY 2019 resources will address trade barriers through technical assistance and training to promote legal, regulatory, and institutional reforms. These reforms will enable South Asian partners to meet and implement international trade arrangements. The budget also supports regional economic connectivity, including through an emerging regional energy market and addressing barriers to energy trade within South Asia.

In Bangladesh, assistance will support legal, regulatory, and policy reforms that will help enable the Government of Bangladesh to meet its World Trade Organization commitments. In Sri Lanka, FY 2019 resources will continue to address barriers to trade and business entry, especially by U.S. companies, including the implementation of reformed procurement guidelines, efficient contract enforcement, and compliance with international trade standards. Outside of the Indo-Pacific region, the Bureau also supports regional economic integration between Afghanistan and Central Asia, including through the Central Asia 5 + 1 Framework. FY 2019 resources will support cross-border programs to leverage host country and donor support to enhance Central Asian regional energy integration.

Questions for the Record submitted to
Principal Deputy Assistant Secretary Alice G. Wells by
Representative Ami Bera (No. 1 to No. 12)
House Foreign Affairs Committee
July 25, 2018

Status of Major Defense Partner Interagency Definition

Through the National Defense Authorization Act, India was designated a 'Major Defense Partner' of the United States. The purpose of this designation was to grow our strategic relationship with India:

Question 1: Congress required the designation of an individual by the Secretaries of Defense and State to "reinforce and ensure, through interagency policy coordination, the success" of the US-India defense relationship.

Ambassador Wells, in your testimony, when I asked if such a designation had been made, you indicated that it was a more collective process, saying that "instead of one point person, you're getting more of a fusion" of State and Defense efforts.

Does that mean there has not been a designation of a single point person to coordinate the advancement of the U.S.-India defense relationship, as required by the National Defense Authorization Act of 2018?

Answer 1: On May 23, 2018, the Department of Defense transmitted letters to Chairman Thornberry, Chairman Royce, Chairman McCain, and Chairman Corker, informing them that pursuant to section 1292(a), of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017 (Public Law 114-328), as amended by section 1258(a) of the NDAA for FY 2018 (Public Law 115-91), Under Secretary of Defense for Acquisition and Sustainment, the Honorable Ellen M. Lord, was designated to lead the U.S.-India Defense Technology and Trade Initiative (DTTI). As noted in the correspondence, this designation completes the briefing requirement under section 1258(c)(3) of the NDAA for FY 2018.

Question 2: When should Congress expect the designation of that individual, as required by the 2018 NDAA?

Answer 2: On May 23, 2018, the Department of Defense transmitted letters to Congress jointly designating with the Department of State the Under Secretary of Defense for Acquisition and Sustainment, the Honorable Ellen M. Lord, to lead the U.S.-India Defense Technology and Trade Initiative (DTTI).

Question 3: If there will not be a designation of that individual, and instead, it will be a combination of State and Defense efforts as you indicated, who are those two individuals at the working level?

Answer 3: On May 23, 2018, the Department of Defense transmitted letters to Congress jointly designating with the Department of State the Under Secretary of Defense for Acquisition and Sustainment, the Honorable Ellen M. Lord, to lead the U.S.-India Defense Technology and Trade Initiative (DTTI).

India Fighter Jet Competition

India's fighter fleet is badly aging, and in sore need of combat aircraft to keep pace with China. For that reason, India recently started the procurement process in its second attempt of the last decade to field a new multirole combat aircraft. Recently, six companies, including two American companies, responded to India's request for information for the program:

Question 4: What steps is the State Department taking to assist American companies compete in this competition?

Answer 4: Bilateral defense trade has risen from near zero to $16 billion since 2008. India is projected to spend as much as $150 billion on military modernization over the next decade, including plans to procure multirole combat aircraft for its Air Force and Navy, and we are eager to seize opportunities for American industry. These sales support our security cooperation while also generating jobs at home.

The United States will continue to establish itself as a reliable defense supplier to India and look for opportunities to enable further training and exchanges between our militaries as India continues its military modernization. The Department of State, along with the Departments of Defense and Commerce, will advocate for U.S. solutions to Indian defense needs. The United States is committed to providing India with top-of-the-line technology.

On July 31, the U.S. government announced that India received the Strategic Trade Authority Tier 1 designation, which provides India with greater supply chain efficiency, both for defense, and for other high-tech products. This also makes U.S. companies more competitive because it reduces the timeline for U.S. companies to obtain approval for sales to India.

Question 5: India is also reassessing its 5th Generation fighter aircraft requirement. Media reports earlier this year indicated that the Indian Air Force has requested a briefing from the United States on fifth generation fighter aircraft. What has the U.S. done to respond to this request? And what further actions is the United States taking to assist India in its assessment of fifth generation fighter aircraft needs?

Answer 5: The interagency is reviewing the Indian Navy's request for a briefing on the F-35 Joint Strike Fighter. Additionally, the United States continues to engage the Indian government on its aircraft requirements for the Indian Air Force and Navy writ large. This engagement not only seeks to assist India with its requirements development but at the same time underscore the positive aspects of U.S. defense trade to include enhanced interoperability and improved integration.

Question 6: The Free and Open Indo-Pacific Strategy President Trump has called for a "free and open Indo-Pacific" – a region which spans from the west coast of the United States to the west coast of India. U.S. engagement has been bolstered with a number of security initiatives, as well as high-profile visits by U.S. officials throughout the region. India will play a major role in advancing this strategy, by serving as a key regional linchpin: How was India engaged as a partner in developing the 'Free and Open Indo-Pacific" strategy?

Answer 6: The United States and India have worked bilaterally, and in cooperation with U.S. allies Japan and Australia and other like-minded partners, to advance our shared vision for a free and open Indo-Pacific. For example, the United States and India have held a series of consultations, including with Japan and Australia, to discuss mutual efforts to promote maritime security, counter-terrorism cooperation, high-quality infrastructure development, and increased connectivity in the Indo-Pacific. Prime Minister Modi's June speech at the Shangri-La Dialogue demonstrated the strong overlap in our mutual strategic goals, including promoting the rules-based order in the Indo-Pacific.

Question 7: The 2017 National Security Strategy included the following on India – "We will deepen our strategic partnership with India and support its leadership role in Indian Ocean security and throughout the broader region." Does that mean the U.S. will "follow India's lead" in Indian Ocean security? How will we align our goals for a free and open Indo-Pacific with India's vision for its own leadership in the region?

Answer 7: The United States and India cooperate in the Indian Ocean region as likeminded and equal partners. The administration's National Security Strategy outlines U.S. support for India's emergence as a leading global power and our efforts to strengthen our strategic and defense partnership in the Indian Ocean and the broader Indo-Pacific. The U.S. Indo Pacific strategy also prioritizes expanded cooperation with other countries in the region, such as Bangladesh, Sri Lanka, and Nepal, including through efforts to promote regional connectivity, sustainable infrastructure, and private sector-led development. These two efforts are mutually supportive. We

will continue to coordinate closely with India on our approach to the region and pursue shared goals and interest, but will determine and pursue our own policies and initiatives. One new example is the Bay of Bengal Initiative, announced this month by Secretary Pompeo, which will enhance the capacity of civilian and military maritime actors in the Indian Ocean Region to improve detection, information-sharing, and response to emerging threats.

Question 8: While I support building up Indian capabilities that align with U.S. strategic interests, analysts have expressed concern that it will trigger counterbalancing reactions by other states in the region. For instance, these analysts note that these states might turn to China for arms, or continue to bolster their nuclear capabilities. Please outline the U.S. strategy to offset or mitigate these risks.

Answer 8: The United States recognized India as a Major Defense Partner in 2016, and we support India's emergence as a regional security provider and first responder for humanitarian crises. We are committed to supporting India's acquisition of the capabilities to take on these roles. All decisions about security and defense partnerships in South Asia involve careful consideration of regional dynamics.

Question 9: What is the administration's diplomatic strategy for assisting India's "Act East" policy, particularly with respect to India's long-pending request for membership in APEC?

Answer 9: U.S.-India bilateral and multilateral cooperation advances U.S. national interests in the region and supports our shared efforts to enhance connectivity and cooperation with countries in the Indo-Pacific region. Engagement with the Asia-Pacific Economic Cooperation (APEC) forum is a critical component of our Indo-Pacific Strategy. India is one of a number of economies that have expressed interest in joining APEC. However, APEC is a consensus-based organization, and there is currently no APEC consensus on whether to expand membership, or the parameters for doing so.

Question 10: Similarly, India has made other requests for global governance reform, such as with its membership bids in institutions like the Nuclear Suppliers Group and the UN Security Council. The United States has declared support for Indian membership in both; what is the current strategy for supporting these requests?

Answer 10: During his meeting with Prime Minister Modi in June 2017, President Trump reaffirmed the United States' support for India's early admission into the Nuclear Suppliers Group and permanent membership in the UN Security Council. We continue to advocate for Indian membership with NSG participating governments and remain actively engaged in discussions over broad reform of the United Nations.

Question 11: Now that Pakistan has elected a new government, though in a contentious election, do you see an improved opportunity to work effectively with that government and achieve our goals of a reconciliation process and negotiated political settlement in Afghanistan?

Answer 11: I am reluctant to speculate on the specific policies of Pakistan's new leaders, particularly since the new government is only in its early stages of formation. Our early engagements with Pakistan's new civilian leadership thus far have been positive. Pakistan is important to the success of the President's South Asia strategy. Nevertheless, we will not continue with business as usual as long as Pakistan does not address U.S. concerns about its destabilizing policies, particularly its failure to curtail the Taliban, Haqqani Network, and other externally-focused militant and terrorist groups. Our requests to Pakistan – including that it play a constructive role in a negotiated political settlement in Afghanistan – have been specific and consistent, and we will continue our frank discussions with the new government.

Question 12: There are reports in the media suggesting Pakistan may have to return to the IMF for a loan of up to $12 billion because of an impending balance of payments crisis. How might the United States be able to leverage this in order to achieve its objectives in the region, and Afghanistan specifically?

Answer 12: While Pakistan has not yet formally requested International Monetary Fund (IMF) assistance, we are closely following a potential Pakistani request for an IMF Program. Presumptive Minister of Finance Asad Umar has made recent statements that the new civilian government views an IMF program as a "fallback option" and will consider it only after exploring preferred options of boosting exports, offering expatriate Pakistanis profitable bond options, and seeking bilateral funds from friendly countries. However, Pakistan currently faces a balance of payments crisis with only about two months of import cover and a growing current account deficit.

As Secretary Pompeo said, "there's new leadership in Pakistan and we welcome engagement with them in a way that we think will benefit each of our two countries." **Secretary Pompeo has high standards for any such IMF program for Pakistan and has publically stated that "there's no rationale for IMF tax dollars, and associated with that American dollars that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself."** Should Pakistan request IMF financial assistance, we will work closely with the Department of Treasury to examine closely all aspects, including Pakistan's debt position. With Treasury, we will continue to develop country-specific strategies to ensure that the lending capital of the IMF and other international financial institutions – from the United States and other sources – is used effectively to advance U.S. interests.

Question for the Record submitted to
Principal Deputy Assistant Secretary Alice G. Wells by
Representative Dina Titus (#1)
House Foreign Affairs Committee
July 25, 2018

Question: I understand the proposed Millennium Challenge Corporation Sri Lanka compact is in the final stages of development and is expected to be presented to the MCC's Board of Directors for approval by the end of the year. When do you expect the contract to be signed? What types of activities will the MCC compact support and how do these support the U.S. strategy in Sri Lanka?

Answer: MCC aims to sign a Compact with Sri Lanka by the end of calendar year 2018 that will address constraints to economic growth in the transport and land use sectors. Specific proposed projects include upgrades to more than 300 kilometers of urban and interprovincial roads, introduction of traffic management technologies, enhancements to public transport, and improvement of land rights information to facilitate transactions. These activities align with our interest in deepening partnership with Sri Lanka, offering an empowering and transparent development model that addresses genuine needs, and enhancing Sri Lanka's economic capacity to help advance shared regional interests.

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