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Asia and the Pacific
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Mr. Chairman and members of the Subcommittee, thank you for inviting me to join you today to discuss the United States relationship with South Asia. This is our first opportunity since the start of the second Bush Administration to review what has been accomplished in the past four years and discuss our goals for the future. We now have an exciting window of opportunity to work with our partners in South Asia and make truly historic progress. Our goal is to move forward firmly and irreversibly on paths to stability, democracy, moderation and prosperity.

President Bush came to office in 2001 recognizing the growing importance of South Asia to the United States. He directed that the United States build stronger relationships with all of the countries in the region. This has been accomplished; the United States now has very active and productive relationships with every country in South Asia. During his second Administration, the President has made clear his intention that we build on these already strong relationships and move to the next level. There are significant challenges to overcome, but the rewards – for South Asia and the United States – definitely make the effort worthwhile.

As we pursue our bilateral goals, our relationship with each South Asian country stands on its own, and I will review these relationships shortly. We also take a regional approach on some issues, for example seeking to improve stability by encouraging states to overcome their differences. Since greater prosperity and economic interdependence would buttress stability and moderation, we seek strong economic growth in South Asia through greater intra-regional trade and cooperation in areas such as energy. We are supportive of the efforts by the SAARC countries to establish the South Asian Free Trade Area (SAFTA). We are providing assistance to these efforts through a USAID funded high-level team of researchers who are working with counterparts in the region to produce a SAFTA study to support the process.

Stronger democratic institutions are a central goal for us in South Asia. All South Asians are familiar with democracy, and most have some degree of experience with it. But democratic institutions are seriously challenged in parts of the region. The United States is helping develop democratic tools such as the rule of law, independent media, grass roots activism, good governance and transparency through which these nations can address the fundamental problems of extremism, security, and development. Their success will bolster stability throughout the region. Progress in South Asia will have global consequences.

India:

This is a watershed year in U.S.-India relations. Since Secretary Rice's trip to New Delhi in March a series of visits by senior officials from both countries, including Minister of External Affairs Natwar Singh, have underscored the importance of our developing stronger ties. Prime Minister Manmohan Singh will be coming to the United

States in July and President Bush has said he hopes to visit India soon. We are accelerating the transformation of our relationship with India, with a number of new initiatives. We are engaging in a new strategic dialogue on global issues, and on defense and expanded advanced technology cooperation. We are continuing our dialogue on the global issues forum, which includes discussion of how we can jointly address such issues as democracy, human rights, trafficking in persons, environment and sustainable development, and science and advanced technology. India and the United States have begun a high-level dialogue on energy security, to include nuclear safety, and a working group to strengthen space cooperation. Our defense relationship is expanding and we are revitalizing our economic dialogue. The United States relationship with India and our commitment to develop even deeper political, economic, commercial and security ties have never been stronger.

As Secretary Rice has said, we see India becoming a world power in the 21st century, and our dialogue with India now touches on broad issues around the region and the world. The United States is supportive of India's growing role as a democracy that is stepping onto the world stage to take on global responsibilities. India joined the United States as a charter member of the core group of countries formed to coordinate tsunami relief, and played a prominent role in providing immediate aid to affected South Asian countries. We are consulting closely with the Indians on how to help the Nepalese resolve their current political crisis, and India has been supportive of the peace process in Sri Lanka.

The U.S.-India Economic Dialogue initiative is focused on enhancing cooperation in four areas: finance, trade, commerce and the environment. The April 2005 signing of a landmark Open Skies civil aviation agreement shows our shared commitment to strengthening our economic relationship. We are supporting India as it moves forward with financial, trade, energy, water, and agriculture reforms designed to sustain and elevate India's impressive rate of growth and reduce poverty. Reforms in these areas would allow pursuit of new opportunities with the United States in a variety of high-tech fields and would allow Indian consumers a greater choice of goods and services. Additionally, we are establishing a forum of U.S. and Indian chief executives to discuss specific and innovative ways to improve economic ties.

Building this stronger economic and commercial relationship between the U.S. and India faces challenges, however. Our exports have increased, but significant tariff and non-tariff barriers that remain are a problem for U.S. businesses interested in India's market. We will use our high-level dialogues to address differences in trade and investment issues. In the area of intellectual property protection, India's 2005 enactment of a new patent law to provide patent protection for pharmaceuticals and biotechnology inventions is a promising advance for both Indian and U.S. companies. We need to build on this effort so that India's intellectual property laws and enforcement efforts against piracy and counterfeiting become world-class, contributing to further economic development and enhancing consumer choices and creativity in India. To help accomplish our mutual economic objectives for the Indian people we also need to devote our near-term attention to additional trade disputes involving specific companies, such as U.S. investors in the power sector. We also need to deal with more general "policy" issues, such as Indian government subsidies for fertilizer and LPG and non-transparent standards.

Pakistan

Mr. Chairman, over the past three years, Pakistan's leaders have taken the steps necessary to make their country a key ally in the war on terrorism and to set it on the path to becoming a modern, prosperous, democratic state. As a result of forward thinking and acting, Pakistan is now headed in the right direction.

Pakistan has supported U.S. operations in Afghanistan. Pakistan is rooting out Al-Qaida and its terrorist allies in its tribal areas at the cost of more than 200 of its own soldiers. It has killed or captured several hundred foreign terrorists and militants. Pakistani law enforcement is waging a counter-terrorism campaign in other parts of the country detaining several hundred suspects including Khaled Sheikh Mohammad, Abu Zubaydah, and recently Abu Faraj al-Libbi.

We are seeing Pakistan's continued cooperation in building a stable and democratic Afghanistan and countering nuclear proliferation. In the past year, Pakistan's relations with Afghanistan have improved. President Musharraf and President Karzai are working toward a more cordial personal relationship. Trade between the two countries continues to grow dramatically, and they can jointly reap enormous benefit by Afghanistan serving as a land bridge between Central and South Asia and the world beyond. Pakistan is cooperating with the international community's efforts to dismantle the A.Q. Khan network and is sharing with us information from its own investigation, including information received from Dr. Khan. We expect this cooperation to continue.

Democratization is another focal point of our relationship. We expect Pakistan's 2005 local and 2007 general elections to be free and fair throughout the entire process. This is a message that we will continue to emphasize, as we believe that democracy, freedom and rule of law are the best counters to hatred, extremism, and terrorism. In the last four years, Pakistan's economy has moved from crisis to stabilization and now to significant growth. Providing the promise of a better future for Pakistanis will be a very important part in the country's success in overcoming extremism. Expanded economic relations between the United States and Pakistan are important to our overall relationship. We are negotiating a bilateral investment treaty with Pakistan to strengthen our commercial and economic relationship.

We will continue our efforts to improve intellectual property protection, as a means of strengthening rule of law, fostering economic progress and attracting foreign investment in Pakistan. We are encouraged by the Government of Pakistan's raids and arrests associated with several pirate operations that were adversely affecting U.S. and Pakistani interests. Pakistan's commitment to sustaining enforcement and following through with prosecutions against piracy and counterfeiting, as well as continuing to modernize its IP regime, is important to Pakistan's development objectives, as well our long-term economic relationship.

The centerpiece of the U.S. commitment to a long-term relationship with Pakistan is the President's pledge to work with Congress to provide Pakistan with \$3 billion in military and economic assistance from 2005 through 2009. The security assistance will bolster Pakistan's capabilities to fight the war on terror – including neutralizing Al-Qaida remnants in the tribal areas – as well as meet Pakistan's legitimate defense needs. Our economic assistance supports Pakistan's efforts to strike at the root causes of extremism

by reforming and expanding access to public education and health care and by alleviating poverty through development.

We have announced that we intend to move forward with the sale of F-16 fighter aircraft to Pakistan. This sale sends a clear signal of our determination to stand by Pakistan for the long haul. The sale meets Pakistan's legitimate defense needs, making Pakistan more secure without upsetting the current regional military balance. As a result, it will be easier for Pakistan to take the steps necessary to build a lasting peace with all its neighbors.

India-Pakistan

President Musharraf and Prime Minister Singh have taken bold steps to push forward with reconciliation between their countries, contributing to overall stability in the region. We continue to encourage the wide-ranging dialogue between India and Pakistan to settle the issues that divide them including Kashmir. Indian Foreign Minister Natwar Singh's February 15-17 visit to Islamabad resulted in an agreement to start a bus service across the Line of Control in Kashmir. This dramatic breakthrough involved difficult compromises by both sides. It is having a real impact on the lives of average Kashmiris allowing resumed contacts between long-separated populations.

Since then India and Pakistan have continued to engage each other at the highest levels. During President Musharraf's successful visit to Delhi April 16-18, he and Prime Minister Singh issued a joint statement concluding that the peace process was irreversible and agreeing to work on additional transportation links. The two countries hold regular talks to resolve differences and build confidence. We continue to encourage both sides to maintain this positive momentum brought about by their statesmanship.

Sri Lanka and Maldives

Our primary goal in Sri Lanka is to help that country end more than a decade of bloody conflict between the government and the Liberation Tigers of Tamil Eelam or LTTE. The United States continues to support Norway's facilitation of a peace settlement in Sri Lanka. The cease-fire of 2002 is holding, although violence is ongoing and the peace process has stalled. This is due in part to divisions within the Sri Lankan government and the absence of trust between the government and the LTTE, which continues to use assassinations and suicide bombers, underscoring their character as an organization wedded to terrorism and justifying their designation as a Foreign Terrorist Organization.

Recovery from last December's tsunami preempted the peace process as the primary concern of both parties for the past several months. With Norwegian assistance, the parties have been negotiating an agreement to regulate the distribution of tsunami reconstruction aid. This agreement, a Joint Mechanism, is an opportunity to build trust between the parties and is therefore an important contribution to the peace process should it come to fruition. President Kumaratunga has publicly committed herself to signing the Joint Mechanism, but she faces serious challenges from members of her government who oppose the mechanism. The United States firmly supports her plan to sign the Joint Mechanism and remains prepared, along with other donors, to help Sri Lanka address

urgent post-conflict reconstruction needs. The goal of peaceful reconciliation will need to help guide our post-tsunami reconstruction assistance.

Like Sri Lanka, the Maldives was also devastated by the tsunami. The United States has been a major donor of relief in Maldives and is committed to help with reconstruction. We strongly support the reform process in Maldives that will open the political process to party activities. We believe that such a process will insure greater stability and moderation and support for the United States in the global war on terror.

Bangladesh

The United States engages the Bangladesh Government on a range of important issues, including democracy and human rights, fighting corruption and countering extremism. Democratic Bangladesh, with the fourth largest Muslim population in the world, stands as a leading contributor of troops to UN peacekeeping missions worldwide and as a valued partner in the war on terror. Its GDP growth of above five percent is satisfactory, but could be significantly better. Regrettably, political rivalries, failures of governance, widespread corruption and rising extremism threaten democratic stability and drag down economic growth. Nevertheless, while Bangladesh faces many challenges, we believe it has the potential to build a secure, peaceful and prosperous future and we are supporting these efforts.

We have a variety of ongoing activities designed to assist Bangladesh reach that potential. We have development programs aimed at increasing accountability and the transparency of Bangladesh's democratic institutions. We support civil society advocacy groups such as Transparency International Bangladesh. We are encouraging all parties to fully participate in the Parliamentary elections scheduled for 2006-2007 and emphasizing the need for those elections to be free and fair.

Unfortunately, widespread corruption hurts Bangladesh's potential for foreign direct investment and economic growth. We are pleased that the Bangladesh Government established an Anti-Corruption Commission, but this organization needs to take action. Only action against corrupt individuals will demonstrate that corruption has no place in the future of Bangladesh.

Bangladesh's widespread poverty, educational shortcomings, endemic corruption, porous borders and lack of public faith in elected government risks increasing the attractiveness of radicalism. Extremist groups operate in the country more openly. The Government acted against two of them this past February but more must be done. We have cautioned the Government about the dangers posed to Bangladesh by extremism. Human rights are also a regular topic for our dialogue with Bangladesh. We commend the Bangladesh government for measures taken to protect the rights of Ahmadiyas, although much more can and must be done following renewed attacks on their places of worship. We have expressed concern about extra-judicial murders, so-called "cross-fire" killings done by the Rapid Action Battalion.

Nepal and Bhutan

We remain very concerned about Nepal. The Maoist insurgency continues to undermine political stability and prospects for development. On February 1, King Gyanendra's dismissal of the government, the curbing of civil liberties and arrests of

hundreds of political activists seriously set back Nepal's democracy and eroded even further the unity of legitimate political forces in opposition to the Maoists. While some of these restrictions have since been rolled back, it is essential that the King's government fully restore civil liberties and that the legitimate political parties join it in addressing the insurgency and Nepal's serious developmental problems. An important step forward would be the beginning of a dialogue between the King and political parties to restore multi-party democratic institutions under a constitutional monarchy. Such reconciliation is crucial.

The United States firmly supports Nepal's efforts to counter the Maoist insurgency. A Maoist takeover would have profoundly negative effects both in Nepal and in the region. The Maoists must renounce violence and engage in a political process to resolve their grievances. U.S. assistance to Nepal overwhelmingly focuses on its profound development needs. Since February 1, we have continued our non-lethal security assistance. Our lethal security assistance remains under review.

Bhutan has embarked on a process of transition to constitutional monarchy and wide-scale political reforms. We applaud and support this undertaking, which should lead to improvements in civil liberties and government accountability. We continue to work with the governments of Bhutan and Nepal to resolve the plight of the more than 100,000 refugees from Bhutan who have been in camps in Nepal for a decade. We want both sides to resume discussions as soon as possible to find a way forward. We also want the Government of Bhutan to begin repatriation of the eligible refugees soon. In addition, we are working closely with UNHCR and NGOs to assure the welfare of the many resident and transiting Tibetans in Nepal.

Conclusion

Mr. Chairman, as you can see, there are many challenges as well as opportunities for the United States in South Asia. There have been many positive developments recently, particularly in India and Pakistan, which give us reason for optimism. At the same time, there are areas of real concern, such as Nepal. But I feel confident in saying that much of South Asia already is fulfilling some of its great potential to be a source of stability, moderation and prosperity, although much remains to be done for it to fully realize its promise. We have every intention to encourage and assist this process wherever we can.

Thank you and I would be happy to take questions.