

EAST ASIA AND THE PACIFIC

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Burma
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	7,936	10,890	7,000

Burma, strategically located between China and India in Southeast Asia, remains a high priority policy concern to the U.S. government. U.S. interests in Burma are focused on promoting democracy, supporting human rights and religious freedoms, as well as fighting HIV/AIDS, furthering effective counter-narcotics efforts, recovering World War II remains, and promoting regional stability.

U.S. government policies maintain pressure on the military junta, known as the State Peace and Development Council (SPDC), to engage in meaningful dialogue with the democratic opposition leading to genuine national reconciliation and the establishment of democracy. Nobel Peace Prize Laureate and Secretary General of the National League for Democracy (NLD) Aung San Suu Kyi has been detained since the brutal May 30, 2003 attack on her convoy and supporters. On November 27, 2005, the junta announced it was extending her indefinite detention for at least another six months.

The SPDC has ruled Burma since 1962, suppressing dissent and implementing policies that have led to a significant deterioration of the country's economy and social well-being. A National Convention to draft a constitution that would give the military a predominant role in any future government remains on track, despite the exclusion of the democratic opposition. The regime's sudden decision in November 2005 to immediately relocate the seat of government to an undeveloped town in the hinterland, where it has expended significant resources on construction, ignoring education, health, and Burma's other pressing needs, is further evidence of its intent to isolate itself from the international community and the Burmese people.

Burma's mainly agrarian economy is in shambles due to years of mismanagement by the junta, which has exploited the country's rich natural resources for its own benefit. The business and investment climate remains poor, trade continues to shrink, inflation is rising, and economic growth remains stagnant.

The United States does not provide bilateral assistance to the Government of Burma, and maintains sanctions against the regime. Measures include a ban on new investment in Burma by U.S. persons, a ban on the export of any financial services to Burma from the U.S. or by a U.S. person, a ban on the importation of Burmese products into the U.S., an asset freeze, and visa restrictions affecting persons who formulate, implement, or benefit from policies that impeded Burma's transition to democracy, which the Secretary of State has determined includes the past and present leaders of the SPDC and United Solidarity Development Association and their immediate family members. Other governments have also placed sanctions on the junta.

The U.S. remains committed to supporting democracy and meeting humanitarian needs. In FY 2007, Economic Support Fund (ESF) funds will continue to support democracy promotion, health and humanitarian assistance programs.

ESF funding provides critical support to capacity-building and education programs inside Burma and along the country's border with Thailand. These funds also support scholarships for Burmese to study abroad, and programs that foster independent media development. Supporting the democratic opposition is more critical now than in previous years due to the regime's increased repression.

To combat the growing HIV/AIDS epidemic, we will continue to fund non-governmental organizations (NGOs) that aim to heighten AIDS awareness, provide treatment and improve access to products and services designed to prevent HIV transmission. These programs are more urgently needed in the wake of the Global Fund to Fight AIDS, Tuberculosis and Malaria's August 2005 decision to terminate its Burma program. The U.S. Government is providing no assistance to Burma for avian influenza (AI) at this time although it does provide support to WHO and FAO in the global fight to contain the spread of AI. However, these international agencies have been unable to gain much information on the AI situation in Burma.

FY 2007 ESF funds will also provide critical aid to the growing number of displaced persons and victims of trafficking in Burma and Burmese migrants working along the Burma/Thai border. Such funds are an important supplement to Migration and Refugee Account (MRA)-funded programs already provided for Burmese refugees. This assistance will help ethnic populations maintain their cultural identities, build and strengthen grassroots democratic institutions, and maintains pressure on the SPDC to improve its human rights record and cease persecution of religious and ethnic minorities.

Cambodia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	29,300	28,556	27,378
DA	8,950	5,487	6,597
ESF	16,864	14,850	13,500
FMF	992	990	500
IMET	-	49	45
NADR-HD	3,920	4,900	5,000
NADR-SALW	29	200	-
NADR-TIP	-	-	50

The U.S. government's national interests in Cambodia include: promoting democratic practices and good governance, increasing respect for human rights, supporting market-led economic development, fighting the spread of infectious diseases, particularly HIV/AIDS, tuberculosis, malaria and dengue fever; and assisting Cambodia to attain the capabilities to deny international terrorists use of Cambodia as a base of operations.

As a participant in the 1991 Paris Peace Accords on Cambodia, the U.S. government has a long-term interest in Cambodia's national reconciliation and reconstruction. Since the Khmer Rouge laid down their arms in 1997, Cambodia has enjoyed a period of relative peace and stability. However, Cambodia still lacks the human capacity and resources to meet its considerable development challenges. The central government lacks the financial resources and technical skills to develop its education and health care sectors, relying heavily on international donor assistance. Poor health infrastructure and low levels of education mean infectious diseases remain a serious public health problem. Despite notable reductions in the HIV/AIDS prevalence rate in recent years, Cambodia maintains the highest prevalence rate in Asia. The specter of an avian influenza (AI) pandemic is a cause of great concern and the government has sought international assistance to build surveillance and detection systems. Widespread corruption has led to weak rule of law and the concentration of power in the hands of the wealthy, biasing the government's institutions, particularly the judicial system, against its predominantly poor population. While Cambodia has hundreds of non-governmental organizations (NGOs) focusing on social issues and human rights, they often lack the training and capacity to organize effectively and are vulnerable to government intimidation.

Since 1997, legislative restrictions have prohibited U.S. government assistance directly to the Royal Government of Cambodia (RGC), with a number of exceptions provided over the last several years for assistance in areas such as health, education, and most recently, for rule of law programs. Assistance is almost entirely implemented through grants to NGOs or contracts with U.S. firms.

High infant mortality and high maternal mortality reflect the poor state of health care in Cambodia, especially outside of large cities. FY 2007 Child Survival and Health (CSH) funds will support maternal and child health programs to help build health system capacity and meet the reproductive, family health and infectious disease needs of Cambodia's rural population, including providing children's vitamins and maternal health education. CSH funds also will provide training of health care providers, and outreach services for those infected with HIV/AIDS. A preparedness plan for AI has been developed and USAID is assisting in developing a responsive surveillance system.

FY 2007 Development Assistance (DA) funds will improve basic education through implementation of new school standards and training of teachers in a new primary curriculum, and to increase educational

opportunities for disadvantaged populations, including disabled students, tribal groups and Muslims. These programs aim not just to increase the quality of basic education, but also to keep more children in school.

FY 2007 Economic Support Fund (ESF) funds will focus on improving political and economic governance and building the capacity of human rights monitoring organizations. These funds will support democratic political party development, expand women's participation in politics, promote a more transparent judiciary, address natural resource and other economic management issues and improve private sector competitiveness through training of middle managers. Human rights programs will focus on strengthening the skills of organizations to monitor, investigate and follow-up on human rights abuses. Anti-trafficking programs will help train police in investigation skills and provide assistance to organizations that provide services to victims.

FY 2007 Foreign Military Financing (FMF) funds will provide training and non-lethal military equipment to modernize border and naval units of the Royal Cambodian Armed Forces and increase their ability to operate jointly with Ministry of Interior and National Police border units. Cambodia has been responsive to United Nations and regional calls for action in the fight against terrorism, but lacks sufficient resources and capability to do so effectively. In addition, FY 2007 International Military Education and Training (IMET) funds for Cambodia will provide training and education to the Cambodian military in order to improve its border surveillance and control. These activities are relevant to improving Cambodia's counter-terrorism, counter-narcotics, and anti-piracy efforts.

Cambodia is eligible to receive Excess Defense Articles (EDA) in FY 2007 under Section 516 of the Foreign Assistance Act. EDA will help enhance Cambodia's border patrol capabilities and support counter-terrorism and counter-narcotics efforts.

Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) Humanitarian Demining Program (HD) assistance will support the ongoing humanitarian demining program, which is administered through an independent contractor and NGOs. Cambodia is among the top five nations in the world for the number of landmine victims, with over 800 casualties per year. It is conservatively estimated that at the current rate of demining, it will take 15-20 years to reach a "mine safe" condition. In 2004, the Cambodian government convicted six individuals of plotting to bomb Western embassies in Phnom Penh. Weak border controls make Cambodia vulnerable to infiltration by terrorist groups for training or operations. FY 2007 NADR Terrorist Interdiction Program (NADR/TIP) funds will be used to sustain a computerized system for collecting, comparing and analyzing traveler data to identify possible terrorists, and provide for software upgrades to the system as they become available.

East Timor
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
DA	500	-	-
ESF	21,824	18,810	13,500
FMF	1,023	990	500
IMET	364	297	320
INCLE	-	1,485	-
P.L. 480 Title II	994	-	-
Peace Corps	1,372	1,632	1,703
PKO	1,228	-	-

The U.S. has important political and security interests in East Timor. The people of East Timor celebrated full independence on May 20, 2002, completing a rapid transition from United Nations (UN) administration to self rule to include the development of a constitution, election of President Xanana Gusmao, and transformation of the Constituent Assembly to the National Parliament. A small UN political mission—the UN Office in East Timor (UNOTIL)—replaced the larger peacekeeping UN Mission of Support in East Timor in 2005. UNOTIL is currently scheduled to close on May 20, 2006. The Government of East Timor was one of the first countries in Asia to sign an Article 98 agreement with the U.S. and has expressed interest in receiving counter-terrorism training from the United States.

East Timor is the newest country in the world as well as one of the poorest. Its health and economic indices are among the worst in the world. The establishment of East Timor as a mature and stable democracy with a free and productive economy will continue to require substantial institution building in FY 2007. Significant efforts to promote private sector development, consolidation of democratic institutions, a functional and professional legal system, and targeted improvements in the struggling health system will require continued U.S. economic support. Additional needs will be occasioned by the economic, political, and social impact of the expected closure of UNOTIL.

The United States will continue to help East Timor with assistance aimed at establishing a stable and secure democratic government, a growing market economy, and a health care system that works effectively to reduce high rates of morbidity and mortality, particularly among women and children. The emergence of a viable, democratic East Timor that is integrated politically and economically into regional and global structures and markets continues to be a U.S. goal.

The top priority for the FY 2007 Economic Support Fund (ESF) funds requested will be to support private sector led growth of East Timor's economy, whose infrastructure—never highly developed—was seriously damaged by a campaign of violence after East Timor voted for independence in 1999. ESF funding will help establish prosperous trade links with other nations in the region and integrate East Timor into the global economy. To promote trade and economic development and to alleviate poverty, ESF funds will continue to support sustainable private sector development with particular emphasis on the development of niche market commodities (such as vanilla) and improve agricultural diversification and productivity. ESF funding also will assist financial service providers, especially micro-finance, to be more responsive to client needs and market demand.

In addition, ESF funds will promote crop improvement and diversification, initially focused on domestic consumption to minimize dependence on imported goods that can be efficiently produced in East Timor. An important component of this activity will be to develop improved links between farms and domestic

markets. The funds also will support economic advisors and technical assistance to the governmental entities whose policies will determine the environment in which these economic enterprises will operate.

Furthermore, ESF funds will support the improvement of the foundations of governance by strengthening the rules of law and expanding more effective democratic governance. Activities will focus on the forthcoming national elections, increasing women's participation in governance, improving management and service provision in the justice sector and increasing transparency and accountability of government. Funding will continue to support a health program to reduce the country's child and maternal mortality rates, both of which are the highest in Asia and among the highest in the world. Finally, ESF funds will be used to contribute to an extension of the World Bank-administered Transitional Support Program, which assists East Timor's nascent governing structures and provides critical backing for implementation of the National Development Plan promoting priorities in basic education, health, and poverty reduction.

East Timor has established a modest defense force, Timor Leste Defense Force (FDTL) of 1,500 active duty personnel. Although East Timor's security will depend in large measure on good relations with neighboring countries, the new nation will require a military that is trained and equipped with items needed for basic self-defense, including support, communications, transportation, and equipment.

FY 2007 Foreign Military Financing (FMF) funds will help ensure the establishment of an appropriately equipped force by facilitating the acquisition of basic military equipment. These funds will focus on three key objectives: (1) creating and consolidating a competent defense establishment which provides policy and strategic direction for the FDTL under the rule of law; (2) aiding FDTL to gain the capabilities required to perform civic actions and respond to natural disasters and other emergencies; and (3) training, preparing, and equipping FDTL to defend the sovereignty and integrity of the country by deterring aggression, defeating incursions, and delaying enemy forces until external help arrives. Particular emphasis will be placed on promoting maritime security.

The 2007 FMF program is part of a multi-year effort that has been coordinated with the Department of Defense. The funds will be used to: (1) provide developmental assistance in concert with maritime equipment and technical training focused on the creation of a maritime security structure within the defense and security arenas; (2) deploy Mobile Training Teams and provide U.S. resident-based training which will help develop the capabilities of the defense establishment in areas including leadership, resource management, civil-military relations, medical, and logistical skills; (3) provide logistical assistance to FDTL and assist it in developing its own logistical capabilities and raising the operational rate of vehicles/equipment, and (4) procure other material needed for core military operations, including the involvement of the military in civic action projects.

The FY 2007 International Military Education and Training (IMET) program will continue to support the transition of FDTL from a guerilla army to a democratic, professional, and effective force. Initial funding has supported English language training. In FY 2007 IMET funds will support FDTL attendance at entry-level Professional Military Education courses. Civilians will be included in IMET training to promote improved transparency, budgeting, logistics, and management. IMET funds will facilitate the development of a professional military force as East Timor becomes more responsible for its security after UNOTIL's departure in 2006. It also will play a key role in the development of maritime security and civil-military capabilities.

East Timor will be eligible in FY 2007 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S. objectives of supporting East Timor's self-sufficiency, disaster management and humanitarian assistance relief, as well as of developing a professional, effective defense force.

The level of Peace Corps volunteers has steadily increased in East Timor in the past five years, reaching a high of 55 volunteers in 2005, almost double the number in 2004. Volunteers work on grass roots health promotion and community economic development in 10 of the country's 13 districts. All are fluent in the local language (Tetum) and live and work in rural villages. It is projected that 80 Volunteers will be in-country by the end of FY 2007.

In FY 2006, the Millennium Challenge Corporation announced that East Timor was eligible to receive assistance under the Millennium Challenge Account (MCA). East Timor is now working on a transformational compact proposal to submit to MCC that could provide significant resources to support poverty reduction through economic growth.

Fiji
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	248	495	250
IMET	268	248	270
Peace Corps	1,829	1,848	1,901

Since the coup and military mutiny of May 2000, Fiji's government has resolved political differences between its ethnic communities in a manner consistent with Fiji's constitution. In September 2003, military-to-military relations were normalized, allowing for full U.S. security assistance to resume. U.S. interests in Fiji include encouraging stable and democratic government, promoting economic prosperity by facilitating U.S. trade and investment and supporting efforts to open markets and promote broad-based growth. The U.S. and Fiji work together in regional organizations such as the Pacific Islands Forum and the Pacific Community. In December 2003 Fiji signed an Article 98 Agreement with the U.S. government.

Over the years, Fiji has contributed troops to multilateral peacekeeping missions in Lebanon, Zimbabwe/Rhodesia, Afghanistan, Pakistan, Sinai, Kuwait, Somalia, Rwanda, Bougainville and East Timor. In 2003, Fiji contributed military and police forces to the Australian-led effort to restore peace and stability in the Solomon Islands. Also, Fiji has fielded two deployments to Iraq to provide security for the United Nations.

After years of absence from the International Military Education and Training (IMET) program, there is an extensive gap in U.S. trained Republic of Fiji Military Forces (RFMF) officers. While some senior officers previously had the opportunity to participate in the program, mid- and junior-grade officers and non-commissioned officers have only recently become eligible, and they now are the primary targets of IMET. Professional military education programs that highlight the role of the military in a democracy and human rights issues are the priority for FY 2007 IMET funds; a secondary focus is to train a cadre of maintenance personnel and establish an equipment maintenance program to better support U.S.-origin equipment procured through the Foreign Military Financing (FMF) program.

The FMF funds requested for FY 2007 will help provide essential equipment for the Fijian Defense Force. In FY 2007, FMF funds will enhance Fiji's ability to continue making valuable contributions to U.S. and multinational peacekeeping activities worldwide. Funds will procure equipment necessary to participate in peace support operations, including individual soldier equipment such as body armor and night vision devices and interoperable tactical communications equipment.

Fiji is eligible to receive Excess Defense Articles (EDA) in FY 2007 under Section 516 of the Foreign Assistance Act. EDA will also support Fiji's legitimate defense requirements and its ability to contribute to regional peacekeeping endeavors.

The Peace Corps' program in Fiji promotes development in areas such as education, environmental management, youth development, health, agriculture, and small business development. Peace Corps has maintained a presence in the Pacific since 1966, and over 16,000 Americans have served as volunteers in the region. Today, there are 38 volunteers working in Fiji.

Indonesia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	37,100	28,017	27,507
DA	27,848	33,212	26,724
ESF	68,480	69,300	80,000
FMF	-	990	6,500
IMET	728	792	1,285
INCLE	-	4,950	4,700
NADR-ATA	5,987	5,542	6,141
NADR-CTF	-	100	1,180
NADR-EXBS	275	450	450
P.L. 480 Title II	10,489	-	24,000

Indonesia, with its vibrant democratic transition and reputation for religious tolerance – along with the world’s fourth largest population -- is an emerging success story in South East Asia of great strategic importance to the United States. In 2004, Indonesia held a successful series of elections culminating in the direct democratic election of a new president. The successful elections, and further government reform that followed, continued the democratic transition that Indonesia has undergone since the autocrat Soeharto resigned in 1998 after three decades in power. Indonesia is the largest majority Muslim country in the world, and is known for its moderate, pluralistic, and tolerant practice of Islam. The new government is a strong public advocate of inter-faith dialogue, anti-corruption, economic growth, and democratization. An Indonesia that is democratic, moderate, economically stable, and transparent will exemplify the importance of freedom to create prosperity, enhance regional stability and counter attempts by Islamic extremists to undermine governments and civil society in the region. As Indonesia gets serious about improving its governing institutions, we have a remarkable window of opportunity to engage more actively with Indonesia on anti-corruption work, counterterrorism, and economic development and growth.

Indonesia continues to cooperate with the U.S. and regional players on improving its law enforcement capabilities to counter terrorist attacks and financial crimes associated with them. The government has arrested more than 130 terrorists since the 2002 Bali bombings and has convicted more than 100. Most recently, the Government of Indonesia (GOI) faced the challenges of another terrorist attack in Bali in October 2005, which killed 22 and injured 120 individuals. The ongoing threat of terrorism serves as a reminder to both the GOI and the international community that much remains to be done to build upon the progress that has been achieved to date. U.S.-trained counter-terrorist police killed Indonesia’s most wanted terrorist during an intense firefight in November 2005.

On the development front, the GOI faced severe disaster relief and recovery challenges following December 2004 earthquake and tsunami in Aceh and the March 2005 earthquake on Nias Island. These circumstances, coupled with being on the front lines of the world-wide fight against avian influenza, polio, and HIV/AIDS, made 2005 a challenging year for development goals in Indonesia. These circumstances offer both monumental challenges and historic opportunities to help Indonesia succeed in its political and economic development. The successful Aceh peace accord between the GOI and the Free Aceh Movement following the tsunami exemplifies the opportunity at hand. Continued U.S. assistance is critical to ensure that former rebels are peacefully integrated into society.

Economically, Indonesia continues to struggle with the investment and confidence collapse that followed the 1997-98 Asian financial crisis. Foreign investment flows are weak and foreign investors remain concerned about corruption, investment disputes, and legal barriers to doing business in Indonesia. The GOI's new public commitment to anti-corruption has increased the confidence of the business community, but more reform is needed at local levels. The key to future growth relies on continued internal reform, increasing confidence of foreign and domestic investors, and strong global economic growth. The development challenge is long-term: over half of Indonesians subsist on less than US\$2 per day.

U.S. government programs in Indonesia seek to work with Indonesia to strengthen the institutions and sectors that deal with anti-corruption, counterterrorism, and economic development and growth – the major issues facing Indonesia today. However, our focus on democratic and educational development and strengthening of social institutions also targets our mutual long-term interests of political stability and sustainable development.

Among the most important U.S. assistance programs in Indonesia is President Bush's education initiative, begun in FY 2004 and planned to continue through FY 2009, which targets 100 local governments and four million students (10 percent of all students) for basic education reform. In FY 2005, the programs trained 24,000 teachers and administrators in seven provinces, directly reaching an estimated 300,000 students in both public and private schools. Support for improvements in higher education expanded as well, through American Corner collections and free internet services in 10 university libraries, five of which now include Digital Video Conferencing (DVC) equipment for distance learning and conferencing, additional funding for 15 Fulbright scholarships to increase teaching and research capacity, and 10 English Language Fellows who provided pedagogical training and Teacher of English to Speakers of Other Languages (TESOL) curricula improvements in institutions throughout the country, including colleges and universities in the Ministry of Religious Affairs system. This \$157 million education initiative, funded through multiple accounts, is the foundation that strengthens other democracy and economic development work.

FY 2007 Child Survival and Health (CSH) funds will advance Indonesia's development goals by improving the provision of higher quality basic human services. CSH funds will provide technical assistance and training activities at the local level to improve Indonesian health and nutrition for vulnerable women and children; improve access to water services and cleaner water under the President's Water for the Poor Initiative; reduce the spread of infectious diseases such as tuberculosis, malaria, polio, and avian influenza; and prevent HIV/AIDS.

For FY 2007, Development Assistance (DA) funds are requested to support basic education initiatives, increased support for university partnerships and potentially for participant training. DA funds will support technical assistance and training activities that increase the quality of basic education and provide higher quality basic human services. Funds also will provide for technical assistance to strengthen natural resource management and biodiversity conservation. Additional DA funding will be used to support programs under the President's Water for the Poor initiative, complementing proposed CSH support for certain elements of the "basic human services" program.

The FY 2007 Economic Support Fund (ESF) funds for Indonesia will support technical assistance and training activities that will: combat financial crime and corruption, improve the quality of education, promote participatory, transparent, and accountable decentralized governance, democracy and human rights; promote economic growth and prosperity, and support enhanced public diplomacy programs.

ESF funds will support Indonesia's democratic reform efforts during this critical next phase of the country's transition from authoritarianism to democracy. The goals are to improve the justice sector; to address corruption; to promote tolerance and to focus on strengthened participatory, transparent, accountable governance at the local level. ESF funds will help stabilize conflict situations in strategic areas of

Indonesia, such as Aceh, Papua and Central Sulawesi, where it will be used to engage parties in dialogue, address root causes of conflict, and assist victims, including over one million internally displaced persons. Funds also will promote increased civilian oversight of the military, reduced trafficking in persons, and improved legislative drafting.

FY 2007 ESF funds targeted at economic growth will help key economic institutions develop and implement policies that will improve conditions for trade and investment. This work is important given the economic context: Indonesia has regained macroeconomic stability after the 1997-8 Asian financial crisis, but current GDP growth is insufficient to absorb new entrants to the workforce and reduce poverty. Indonesia's economy did grow 5.7 percent in FY 2005 due to increased investment and exports but continued unpredictability in the investment climate still prevents the flow of significant foreign investment. Funds will provide technical assistance to: improve the business climate and financial services sector, improve private sector competitiveness, decrease corruption, combat terrorist financing, increase agricultural sector productivity, create jobs, and increase trade and investment.

ESF funds also will support enhanced public diplomacy activities such as assistance to civic and community organizations, internship programs for local legislators and members of the justice sector to enhance democratic reforms and accountability in government, programs for Indonesian journalists to strengthen the quality of Indonesia's free press, and youth exchange programs focusing on conflict resolution, human rights, and rule of law.

FY 2007 Foreign Military Financing (FMF) funding will address significant shortfalls in the areas of democratic civil-military reform, transport, counterterrorism, maritime security, and crisis response (including disaster relief and peace operations). Indonesia's key location along strategic sea lanes makes its ability to provide security and order within and along its borders imperative. Funding will help improve the Indonesian Navy's capacity to monitor its waterways, especially in the strategic Strait of Malacca and terrorist transit areas around the Sulu and Sulawesi Seas. Improved coordination with other Indonesian agencies and nations will be part of these goals. Democratic reform of defense institutions, especially in terms of organization, processes, roles and missions and professionalism, is another area that will be addressed. Indonesia will be eligible to receive Excess Defense Articles (EDA) in FY 2007 under Section 516 of the Foreign Assistance Act, which can be used to help meet equipment needs.

FY 2007 International Military Education and Training (IMET) funds for Indonesia will continue to build upon the ongoing reform program and professionalization of the Indonesian military. Indonesia became eligible for the full range of IMET courses in February 2005 after a hiatus of more than a decade. The early days of the international response to the December 26, 2004 earthquake and tsunami illustrated the need for increased professional links between the Indonesian and U.S. militaries. It also became clear that Indonesian officers have limited English language ability and would benefit from side-by-side training with U.S. personnel. Due to the military's influential role in society, democratic civil-military reform is a coordinated two-part process, involving strengthening the civilian defense institutions at the same time that the military is professionalized. FY 2007 IMET funding will complement the efforts of other programs in facilitating the development of a professional military that is both able to carry out its defense tasks and remain responsive to the civilian national command authority.

Indonesia is a center of transnational criminal activity and home base for international terrorist groups that threaten the region, U.S. allies, and the United States. Indonesia recognizes the need for and has requested assistance with police recruitment and basic and advanced training, marine police reform, environmental crimes, cybercrime and financial crimes, drug law enforcement and criminal justice reform. Training, technical assistance and equipment provided under the FY 2007 International Narcotics and Control and Law Enforcement (INCLE) request will support the development of the Indonesian National Police and its Marine Police component into modern and effective civilian forces respectful of the rule of law and human

rights. This request covers funding for the International Criminal Investigative Training Assistance Program (ICITAP) program (including Marine Police, forensic science, anti-corruption and better management practices), counter-narcotics assistance, and a Resident Legal Advisor, an experienced terrorism prosecutor who will work directly with and train Indonesian prosecutors.

The FY 2007 Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Antiterrorism Assistance (ATA) Counterterrorism Training Program for Indonesia will further enhance investigative, command and control, and management capacity as the Indonesian National Police expand their Counterterrorism functions. Counterterrorism investigations courses will include the basic investigative Preventing, Investigating and Interdicting Acts of Terrorism (PIIAT) course, post-blast investigations (PBI), tailored cyber-terrorism consultations with equipment grants, and protection of digital infrastructure (to include cyber terrorist tracking). Force integration and operational planning training will be offered to those officials in key command and control positions, while senior leaders and operational-level tactical commanders will participate in crisis management seminars and scenario-driven exercises. Management training will include major case management and senior crisis management. ATA also plans on conducting Antiterrorism Maritime courses to improve anti-terrorism capacity in ports and at sea.

NADR Export Control and Related Border Security (EXBS) for FY 2007 will fully implement this program as it matures. Initial program priorities were to establish a legal/licensing infrastructure for controlling strategic exports as well as ensuring the requisite legal authorities were in place to enforce these laws. The cost of the program goes up as the level of program implementation expands to include greater emphasis on enforcement (i.e. the procurement of detection equipment, as well as specialized inspection, investigative and incident response training), cooperation with maritime border security forces and extends to additional seaports.

The requested FY 2007 NADR Counterterrorism Financing (CTF) funds will be used to continue to curb money laundering and funding flows to terrorists and extremists. The U.S. will support the key responsible GOI institutions (the Central Bank, the Financial Intelligence Unit and the National Police) with on-the-ground U.S. expertise in the form of Resident Legal Advisor from the U.S. Justice Department, a Resident Law Enforcement Advisor, and specialized training programs in countering illicit financial transfers through cash couriers and bulk cash smuggling.

Laos
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	-	-	500
IMET	-	49	45
INCLE	1,984	990	900
NADR-HD	2,500	3,300	3,400

The U.S. government has five main policy goals in Laos: (1) achieving the fullest possible accounting of POW-MIA cases from the Indochina conflict; (2) promoting respect for human rights, including religious freedom; (3) implementing economic reforms; (4) cooperating on counter-narcotics programs, and other efforts to combat transnational crime; and (5) assisting in the removal of unexploded ordnance (UXO) from the Indochina conflict.

Laos is one of the ten-poorest-countries in the world. The Lao government is taking steps to improve its citizen's standard of living, particularly through the implementation of its National Growth and Poverty Eradication Strategy. The government is seeking to promote investment in Laos by undertaking economic and legal reforms in order to foster a more attractive investment climate. In February 2005, the U.S. and Laos began implementation of the bilateral trade agreement. Laos has increased its engagement with the international community; in 2005, it held the chair of the Association of Southeast Asian Nations (ASEAN).

Laos, however, faces several challenges in its attempts to implement its development goals. Despite the government's attempts to attract investment, the limited capacity of businesses and the limited rule of law in Laos makes its job all the more difficult. The Lao government is pursuing several hydro-power projects, but it is not certain that they will be implemented. Moreover, Laos faces a number of challenges to its productivity and security. It is a major opium producing country, serves as an increasingly important drug transit point, and faces a rapidly growing problem with methamphetamine usage. UXO continues to wound and kill a significant number of Lao citizens; in addition, UXO contamination renders many plots of lands unusable, thereby inhibiting efforts to expand agricultural production and infrastructure development. Concerning other transnational issues, the Lao have publicly announced their support for U.S. government efforts in the global war on terror. They have signed an Article 98 agreement, issued an assets-freeze order, and acceded to eight of the twelve U.N. anti-terrorism conventions.

FY 2007 Economic Support Fund (ESF) funding will promote economic and judicial reform in Laos, a key component of our efforts to expand transparency and openness in Laos. Funds will seek to strengthen Laos' legal system by training judges, prosecutors, lawyers and other members of the legal profession. ESF funding also will assist the Lao with implementation of the Bilateral Trade Agreement and work toward WTO accession in specific areas of intellectual property rights enforcement. It will also aid the National Assembly in reviewing trade legislation, modernizing contract law and developing a unified investment code.

FY 2007 International Military Education and Training (IMET) funds will support POW/MIA accounting efforts through English-language training programs for Lao citizens involved in Joint Task Force (JTF) activities. This assistance should increase the ability and speed of communications between U.S. and Lao personnel, thereby enhancing the efficiency of JTF activities.

Laos is eligible to receive Excess Defense Articles (EDA) in FY 2007 under Section 516 of the Foreign Assistance Act. EDA items, including communications equipment and transportation assets, will support U.S. counter-narcotics and POW/MIA goals as well as demining activities.

The FY 2007 request for Humanitarian Demining (HD) programs under the Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) account continues the U.S. government's commitment to assist Laos in clearing UXO and landmines from areas heavily bombed during the war. U.S. government funding will support humanitarian mine action (HMA) activities of non-governmental organizations (NGOs) and international organizations. It also will help in the establishment of the National Regulatory Agency (NRA), the entity responsible for managing HMA programs and the implementation of the national strategic plan for UXO removal. This increased funding will enable the U.S. government, the Lao government, and their partners to build on the significant progress made in removing UXO and to expedite reaching the goal of making Laos free from UXOs.

FY 2007 International Narcotics Control and Law Enforcement (INCLE) funds will provide support to alternative development, law enforcement, and crop-control programs. The principal focus of INCLE funds will be road construction projects in Luang Prabang province; these roads provide market access to farmers growing crops other than opium, an important program if alternative development efforts are going to be viable in the long run. INCLE funds also will support training and maintaining special counter-narcotics police units, implement demand-reduction projects to treat drug addicts, and assist in public outreach against drug use.

Malaysia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	1,100	891	885
NADR-ATA	2,181	1,112	3,065
NADR-CTF	70	100	-
NADR-EXBS	120	420	400

Malaysia, a key Muslim-majority state in Southeast Asia, cooperates closely with the U.S. in counter-terrorism, military relations, trade and education. Malaysia has been an especially important partner in the global campaign against terrorism. In 2003 the Government of Malaysia (GOM) established the Southeast Asia Regional Counterterrorism Center (SEARCCT) at which the U.S. is a leading training partner. The U.S. is Malaysia's principal export destination and its largest source of foreign direct investment. As the United States' 10th largest two-way trading partner, Malaysia is an important market for U.S. goods and services.

From its strategic position along the Strait of Malacca and the South China Sea, Malaysia devotes considerable resources to maintaining safe and free shipping lanes for commercial and military vessels. In FY 2007, the United States will work to further enhance U.S.-Malaysian cooperation on maritime security, both bilaterally and in multilateral fora. Malaysia currently serves as the Chair of the Standing Committee of the Association of Southeast Asian Nations (ASEAN). Malaysia is an influential voice on Islamic issues and is currently the Chair of the Organization of the Islamic Conference (OIC). Malaysia also is the current chair of the Nonaligned Movement (NAM). Malaysia is playing a positive role in the peace process in the southern Philippines by facilitating talks between the Philippine Government and the Moro Islamic Liberation Front (MILF) and has provided personnel to the International Monitoring Mission in Aceh.

International Military Education and Training (IMET) funds for Malaysia have resulted in additional benefits, such as the formation of good working relations with the Malaysian military. The Malaysian military shares our fundamental values about the military's role in society, and military-military and civilian-military cooperation is broad, open and active. Participation in IMET is highly valued by the Malaysian military, and IMET graduates continue to advance steadily. Malaysia's Chief of Defense Forces, Chief of Air Force and Chief of Navy are all IMET graduates. Exposure to U.S. ideals promotes respect for human rights throughout a key branch of Malaysia's government; the Malaysian military has not been involved in systematic violations of human rights. IMET also will enhance Malaysia's ability to participate in international peacekeeping activities.

FY 2007 IMET funds will contribute significantly to regional stability by strengthening U.S. - Malaysian military-to-military ties and familiarizing the Malaysian military with U.S. doctrine, equipment, and management techniques. IMET also will reinforce the Malaysian military's commitment to human rights and good civil-military relations and help expand our cooperation with Malaysian military leaders. Malaysia has been active in multinational peacekeeping operations, which necessitate training that promotes interoperability. Malaysia also is engaged in training that will improve the military's ability to combat narcotics trafficking and money laundering operations.

Malaysia will continue to be eligible in FY 2007 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S. objectives of maintaining a stable and cooperative military relationship and improving Malaysia's peacekeeping capabilities.

Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Antiterrorism Assistance (ATA) funds will support bilateral programs. Also, to add efficiency and promote regional cooperation in counter-terrorism policy with Malaysia's neighbors, the U.S. will continue to support SEARCCT. NADR/ATA funds will support training courses and a SEARCTT liaison officer.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. plans to provide NADR Export Control and Related Border Security (EXBS) funds for cooperative programs in Malaysia. FY 2007 NADR/EXBS funding is focused on improving enforcement, maritime security, and industry outreach procedures and capabilities.

Mongolia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	9,920	7,425	7,500
FMF	992	2,970	3,000
IMET	1,009	866	910
Peace Corps	1,694	1,876	1,956

As the first communist country in Asia to reform its economy and political system concurrently, Mongolia provides an important example of how to manage the transition to a private sector-led market economy within a democratic political framework. The U.S. has a clear national interest in supporting Mongolia's transformation into a secure, democratic and prosperous country that can contribute to the stability of the Asia Pacific region. Mongolia's active participation in the ASEAN Regional Forum (ARF) and its consistent support for U.S. policy goals in the East Asia/Pacific region (the Six Party Talks and the de-nuclearization of the Korean Peninsula) and for the global war on terrorism (its commitment to peacekeeping and reconstruction in Iraq and Afghanistan), are tangible demonstrations of the effectiveness of U.S. assistance to Mongolia. Since the early 1990's, U.S. economic and military assistance to Mongolia has supported Mongolia's transformation to a market-oriented democratic society with appropriately trained and equipped modern armed forces able to participate in international peacekeeping missions and border forces able to secure Mongolia's borders.

The current Economic Support Fund (ESF)-funded economic assistance strategy focuses on two of Mongolia's most pressing concerns -- developing sustainable private sector-led economic growth and more effective and accountable governance. Efforts to promote sustainable, private sector-led growth are focused at the policy, private sector and "grassroots" levels. Under The Economic Policy Reform and Competitiveness Project (EPRC) project, a comprehensive, bipartisan "competitiveness-based" tax reform package was developed and submitted to Parliament in FY 2006. This package could have far-reaching effects on the Mongolian economy, including a reduction in private sector investment costs that will help increase foreign direct investment.

U.S. implementing partners will assist with key steps in the consideration of this package, including the conduct of workshops for the Parliamentary Tax Working Group. U.S. assistance will continue to target power sector reform and eventual privatization as crucial steps toward improving the overall environment for growth. The EPRC Project will support the implementation of a new private sector equity fund. This fund has the potential to dramatically increase the availability of investment capital in the country. Focus will be on implementation of new tax reforms through assistance to revenue departments and private companies and helping to prepare individual energy companies for privatization. At the grassroots level, business training and micro-loans provided to poor migrants from rural to urban areas and to poor herders and herder-related businesses in the harsh Gobi Desert region helps to reduce poverty by creating sustainable livelihoods and jobs and to extend knowledge about the market economy, including sound business practices, to a much larger segment of the population. As a result, over 700 small businesses were either created or significantly strengthened during FY 2005, and 1200 people were placed in jobs.

In 2007, the emphasis will remain on strengthening individual businesses, but other activities will include the elimination of specific regulatory bottlenecks to private sector growth. U.S. funding will also work to expand opportunities for small, poorer businesses to sell products to larger companies. Results have demonstrated that connecting small businesses with larger companies offers considerable potential for new job creation and can be a source of increased sales. The FY 2007 ESF program will be used to support the

crucial areas of policy reform, competitiveness and democratization. Progress in these areas will be critical to assuring Mongolia's continued eligibility for the Millennium Challenge Account (MCA).

Within the democracy and governance sector, the Judicial Reform Project (JRP) has helped the court system train every judge in the country, improved case management and court administration, introduced new approaches to continuing legal education, and addressed corruption in the legal sector. All Mongolian courtrooms are now fully automated, and public access to information is increasing dramatically. In FY 2006, assistance under JRP will focus on training prosecutors and advocates to ensure that all justice sector personnel are knowledgeable about new criminal and civil codes. Customer service will be addressed through improved procedures in courtrooms that will help people better understand and exercise their judicial rights. In FY 2007, the JRP will expand programs to increase transparency in the courts and continue to strengthen the Special Investigative Unit and the Judicial Disciplinary Committee. Furthermore, the JRP will focus on implementing new and improved court procedures, broadening the availability of case information through the use of new technology, strengthening the independent advocates association and expanding legal training to local level jurisdictions nationwide.

Important challenges remain. About 33 percent of Mongolians live below the poverty level, the judiciary and civil society remain weak, corruption remains high, public access to the decision-making process is limited, and Parliament has yet to emerge as an effective overseer of the executive branch. Recent studies indicate that opportunities for corruption are increasing in Mongolia at both the "petty" or administrative and "grand" or elite levels. There is time to counter these trends and to take further action before the corruption problem gets out of hand. In general, the main need in Mongolia is for effective disincentives for corrupt behavior at both the administrative and political level. In FY 2007, ESF assistance will address Mongolia's intractable corruption problem by mobilizing civil society groups to advocate for and monitor the implementation of more effective anti-corruption laws. The initial focus will be on conflict of interest legislation, complemented by public awareness campaigns and training for the media in investigative journalism. In addition, the Judicial Reform Project will continue its support to the Special Investigative Unit (SIU) of the Prosecutor's Office, which investigates complaints of corruption against judges, prosecutors and advocates.

Work to strengthen Parliament will also continue. The Mongolian Electoral and Parliamentary Support Project will focus on the implementation of the Parliamentary Procedures Law and enactment of a new Ethics Law for members of parliament. This effort will include continued support to implement new ethics rules and procedures. The project will work to help establish a capacity within the Parliament to carry out policy research and analysis; support will be provided to strengthen the participation of women. Although the proportion of women in the political process is still strikingly low, Parliament is pushing for final passage of a law requiring that a minimum of 30 percent of Parliamentary candidates be women.

Mongolia must be able to protect and maintain its own borders and to cooperate with its neighbors and regional partners to combat transnational crimes, such as cross-border trafficking of narcotics and people, and to prevent terrorists from entering and transiting the country. Mongolia shares a 4,700-mile border with China (2,800) and Russia (1,900). North Korea is 500 miles to Mongolia's east.

The FY 2007 Foreign Military Financing (FMF) request will assist the FMF-funded border communications project, which will greatly enhance Mongolia's ability to deal with transborder issues, including illegal drug and goods trafficking. The first phase aimed to connect the capital to the Russia-bordered Western province of Uvs by 2006. In 2007, the U.S. Government will begin work to connect the Russia- and China-bordered eastern province of Dornod to the capital.

The FY 2007 International Military Education and Training (IMET) programs for Mongolia's Armed Forces support Basic and Advanced Officer training, civilian control of the military, military justice, respect

for international human rights standards and preparation for participation in peacekeeping operations. Such education is essential if Mongolia's military is to continue to move away from Soviet-era military doctrine, policy and procedures. In FY 2007, Expanded IMET (E-IMET) courses will train senior leadership and promote military reform and restructuring. IMET-funded language and professional military training have not only strengthened U.S.-Mongolian military ties but also built a cadre of pro-U.S. reformers in the most critical leadership positions in the armed forces. The commanders who led all of Mongolia's rotations in Iraq, a majority of the Department Directors in the Ministry of Defense and the commander of Mongolia's first United Nations peacekeeping deployment to Sierra Leone are IMET graduates. The program will continue to focus on force structure, civil-military relations, civilian oversight of the military budget and drafting democratic defense legislation. These programs will help develop a friendly and capable coalition partner, fully interoperable with U.S. forces.

Mongolia will be eligible to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act in FY 2007. EDA will support disaster management, humanitarian assistance/relief and procure needed equipment for the newly forming peacekeeping battalions.

Papua New Guinea

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	300	297	295

U.S. national interests in Papua New Guinea (PNG) derive from the U.S. government's overarching interest in regional stability and PNG's strategic importance to the U.S. treaty ally Australia. PNG is the largest and most populous island nation in the South Pacific and neighbor to the troubled Indonesian province of Papua. PNG also is home to one of the world's last large remaining tropical rain forests. U.S. interests include strong democratic institutions, development of disaster relief capabilities, continued progress in the transition from civil strife to constitutional rule of law in Bougainville province, a free enterprise economic system, and improved stewardship of diverse natural resources. The benefits of a stable, lawful and prosperous PNG include fewer human rights violations, less environmental degradation and prevention of international organized crime.

In Bougainville, continuing efforts to establish a government of reconciliation require that PNG armed forces retain a small presence. Their cooperation will be necessary for any lasting settlement on the island. PNG has offered troops to the coalition effort in Iraq, hoping to join with other nations in the Global War on Terrorism. Continuing International Military Education and Training (IMET) programs will help build a more professional and better-disciplined PNG Defense Force (PNGDF), enhance PNGDF ability to patrol the long border with Indonesia, and improve PNGDF capability to monitor and detect illegal fishing and apprehend persons and vessels engaged in such fishing. IMET funds provide professional education and training to the PNGDF with emphasis on human rights, civil-military relations, rule of law and military justice. English language training contributes to the latter goal and offers increased opportunities for fruitful interaction with the U.S. military.

PNG will be eligible in FY 2007 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA for PNG will support U.S. government objectives of more professional and effective forces and will enhance PNGDF capability to remove and neutralize unexploded ordnance in Bougainville and at World War II sites throughout the country.

Philippines
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	27,050	22,671	21,072
DA	27,576	25,522	19,603
ESF	30,720	19,800	20,000
FMF	29,760	29,700	17,600
IMET	2,915	2,871	2,865
INCLE	3,968	1,980	1,900
NADR-ATA	1,952	4,077	4,457
NADR-CTF	-	200	680
NADR-EXBS	305	400	150
NADR-SALW	-	600	-
NADR-TIP	-	-	200
Peace Corps	2,820	2,776	2,910

The U.S. has important security, commercial and political interests in the Philippines, a Major Non-NATO ally that straddles important air- and sea-lanes. The Philippines has actively supported international counter-terrorism efforts and is working closely with the U.S. to enhance its counterterrorism capabilities. Its democratic institutions are under considerable stress due to economic weakness, corruption and resistance to reform by entrenched interests. The Philippines has an important role to play in maintaining regional peace and security as an active member of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum. Under the 1999 Visiting Forces Agreement (VFA), the Philippines and the U.S. have strengthened bilateral security relations and worked together to bolster Armed Forces of the Philippines (AFP) capabilities. The Philippines' efforts on the judicial and law enforcement issues – e.g. the combating of terrorist finance, trafficking in persons, and intellectual property rights violations – directly impact key U.S. interests. Improved Philippine military and law enforcement capacity showed impressive results in 2005: Ahmed Santos, leader of the terrorist organization Rajah Soliman Movement, was captured; and three planners of a major terrorist attack in 2005 were convicted in record time.

U.S. economic and development assistance requested for the Philippines for FY 2007 will help support conflict resolution in Mindanao, fight corruption and improve governance to spur private sector-led economic growth, improve healthcare, promote sustainable use of natural resources, and increase access to quality basic education.

Sixty percent of Child Survival and Health (CSH), Development Assistance (DA), and Economic Support Fund (ESF) funding supports programs in Mindanao that maximize the economic benefits of the earlier 1996 peace agreement with the Moro National Liberation Front (MNLF). The assistance provided with these funds -- governance programs, infrastructure improvements, increased access to micro credit and health services, and expanded education opportunities -- will continue to demonstrate the tangible benefits of peace. In 2005, key results included the successful termination of a multi-year program that reintegrated 28,000 former combatants, and the introduction of computer and internet education at 126 high schools in conflict-affected areas. Should the Moro Islamic Liberation Front (MILF) reach a peace agreement with the Philippine Government, ESF funds also could be used to initiate livelihood and reintegration programs for the MILF similar to those provided for the MNLF.

Nationally, FY 2007 ESF funds will support broad programs to attack pervasive corruption and to reduce anti-competitive investment barriers. U.S. assistance programs are showing benefits: In 2005, the Philippines Government improved its tax collection, which had been harmed by corruption, by renewed pursuit of large tax evasion cases. In addition, the national Ombudsman reported a 30 percent conviction rate against corrupt officials, as compared to six percent prior to receiving U.S. assistance. FY 2007 ESF funds will also be used to expand and improve access to economic and social infrastructure, and to improve the quality of the workforce through vocational/technical education.

FY 2007 DA programs will support achieving equitable access to quality basic education, improving economic policy and the business environment; strengthening the financial services sector and increasing access to capital, strengthening the judicial sector and reducing trafficking in persons, improving access to clean water and sanitation, improving sustainable management of natural resources and biodiversity, and combating pollution. As a result of the U.S. DA-funded programs, 16,822 rural residents from 86 villages in conflict-affected areas of Mindanao had their homes electrified, and 73,851 hectares of coastal-marine areas were placed under improved management.

FY 2007 CSH funds are designed to improve child survival, health, and nutrition; improve maternal health and nutrition; prevent and control infectious diseases; reduce the transmission and impact of HIV/AIDS; and support voluntary family planning. CSH programs have helped keep the HIV seroprevalence below 3 percent in the most at-risk groups, and helped increase the tuberculosis treatment success rate to 88 percent.

The FY 2007 Foreign Military Financing (FMF) program will continue to help improve the military capabilities of this long-time treaty including improving operational availability of critical weapons systems and sustainability of key support and logistics functions. This includes support of air, surface, and ground assets and support components needed in the Global War on Terror (GWOT). U.S. funding support for the Philippine Defense Reform (PDR) initiative began in FY 2005, and requirements are projected to continue through FY 2008. The Government of the Philippines has committed to paying the majority of the costs associated with PDR implementation. FMF priorities focus on improving operational availability of critical weapons systems and sustainability of key support and logistics functions. FY 2007 FMF provides less funding for spare parts cases, but places additional emphasis on the strategic goals of PDR and begins a period of needed maintenance of counterterrorism skills introduced by U.S.-funded programs between 2001 and 2004. FY 2007 funding is critical to support PDR in order to achieve long-term institutional restructuring of the AFP, which will strengthen counterterrorism capabilities and contribute to regional stability. Continued funding of the PDR initiative in FY 2007 will signal strong U.S. support for the Philippines and help the Department of National Defense (DND) continue institutional and strategic changes. Requested funding in FY 2007 will support tactical changes to the AFP that augment the strategic changes introduced in previous years.

The Philippines will continue to be eligible in FY 2007 to receive Excess Defense Articles (EDA) under section 516 of the FAA. EDA will support U.S. objectives of increased interoperability and standardization within the AFP as well as improved participation in peacekeeping operations.

The FY 2007 The International Military Education and Training (IMET) program will complement the PDR/FMF process. The IMET program will focus on courses with specialized skills devoted to professionalism, management, and technical training. When available, counterterrorism training will also be added. These graduates can have an immediate positive impact on the AFP and assist in achieving our goals of access and influence within the AFP and Philippine Government more broadly. IMET has been highly successful in the Philippines. The current Chief of Staff, all three-service chiefs, and the Marine Corps Commandant are graduates of IMET courses, including the Army Command and General Staff College, USMC Command and Staff College, and the Naval Staff College. In past years, IMET training helped to encourage civilian control over the military, leading to a decline in the number of reported

incidents of human rights abuses. IMET graduates who populate top AFP ranks have also actively promoted close professional U.S.-AFP military-to-military relations. Due in part to close scrutiny by Embassy defense officials, the AFP recognizes the need to manage the careers of IMET graduates fully to utilize their valuable training.

Nonproliferation, Anti-terrorism, Demining, and Related Programs Antiterrorism Assistance (NADR/ATA) and International Narcotics Control and Law Enforcement (INCLE) funds will strengthen weak Philippine law enforcement to deal with both terrorism and narcotics and human trafficking groups. These programs are critical, given that terrorist elements in the Philippines provide support and refuge to members of Jemaah Islamiyah, the terrorist organization that has carried out four major attacks in Indonesia since 2002. In 2005, INCLE funds provided for a comprehensive assessment of the Philippine National Police (PNP). The results of this assessment will be used to further develop a strategy to provide leadership, investigatory and organizational training and technical assistance to develop a more effective and transparent civilian-led police force and promote rule of law. NADR/ATA-funded courses will focus on the financial underpinnings of terrorism and anti-money laundering assistance, which have proven greatly beneficial to Philippine legal, judicial and political authorities. Increased NADR/ATA funds also will be used to establish an advanced and effective counterterrorism training program for law enforcement and judicial authorities.

Non-Proliferation Anti-Terrorism Demining and Related Program (NADR) Export Control and Related Border Security (EXBS) for FY 2007 will fully implement this program as it matures. Program costs are expected to increase as implementation expands to include greater emphasis on enforcement (i.e. the procurement of detection equipment, as well as specialized inspection, investigative and incident response training), cooperation with Maritime border security forces, and extends to additional seaports.

NADR Counterterrorism Financing (CTF) funds are supporting the Philippines to make steady progress in addressing money laundering and terrorist finance challenges, but its court system is log jammed by inefficient management of its case load. The FY 2007 NADR/CTF funds will be used to sponsor a Resident Legal Advisor to assist with streamlining and effectively managing the court docket, thereby accelerating the prosecution of jailed terrorist suspects. The funds will also be available for training on cash couriers and bulk cash smuggling, recognizing that the Philippines' heavy reliance on foreign worker remittances makes it especially vulnerable foreign source funds being diverted to terrorist networks operating in the country.

The NADR Terrorist Interdiction Program (TIP) strives to significantly impact terrorists' freedom of movement between countries by providing participating nations with a computer network that enables immigration and border control officials to quickly identify suspect persons attempting to enter or leave the country. In FY 2007, NADR/TIP funds will be used to expand operation of the program's watchlisting computer system to additional ports of entry in the Republic of the Philippines, and provide for system software upgrades as they become available.

Samoa
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	-	49	45
Peace Corps	1,354	1,481	1,539

U.S. national interests in Samoa directly support the U.S. government's national security interest in regional stability. The U.S. government strives to maintain close ties with Samoa, which is a consistent supporter of U.S. positions internationally. Samoa is also a close neighbor of the U.S. territory of American Samoa, with which it has long-standing family and cultural ties. Other interests include safeguarding the welfare of the many U.S. citizens and nationals who reside in or visit Samoa, encouraging broad-based economic growth, supporting improved capacity to protect the island's environment and natural resources, educating the public on health issues and encouraging economic growth.

FY 2007 International Military Education and Training (IMET) funds will help Samoa develop an effective maritime law enforcement and surveillance capability, which supports our objective of maintaining close ties with this friendly neighbor of the United States. Training in basic coastal surveillance and sea borne law enforcement skills will be carried out in accordance with U.S. leadership doctrines, emphasizing civilian control. U.S. Department of Defense and Coast Guard resources will contribute to broad-based economic growth in Samoa by assisting Samoa's maritime police patrol to strengthen enforcement of Samoa's maritime Exclusive Economic Zone and improving safety in Samoa's fishing fleet. Previous IMET training has helped Samoan police officers participate more effectively in the United Nations sponsored peacekeeping force in East Timor, which Samoa joined in 2000, and in peacekeeping operations in the Solomon Islands and Liberia.

Samoa will be eligible in FY 2007 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will assist Samoa in developing an effective maritime law enforcement capability and enhance interoperability with U.S. Department of Defense and Coast Guard forces.

Solomon Islands

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	152	149	155
Peace Corps	46	34	35

U.S. assistance to the Solomon Islands focuses on strengthening the nation's capabilities to secure its maritime borders, encouraging its democratic institutions and preserving its biodiversity.

FY 2007 International Military Education and Training (IMET) funds will assist the country to strengthen the discipline, professionalism and integrity of its security forces and to develop an effective maritime reconnaissance force. Training in basic coastal surveillance and seaborne law enforcement skills helps guarantee that the 1997 Solomons-Papua New Guinea border agreement continues to be honored. It also increases the country's ability to maintain control of its own fishery resources. Enhancements in the Solomon Islands forces will allow it to work more effectively with the Regional Assistance Mission to the Solomon Islands (RAMSI), the Australian-led intervention that has restored law and order to the country and is now working to rebuild national institutions and systems of governance.

The Solomon Islands will be eligible in FY 2007 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S. objectives for the Solomons of achieving more professional and better-disciplined security forces and effective maritime law enforcement and surveillance capability, as well as the capability to remove unexploded ordnance from World War II.

Thailand
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
DF	-	1,980	-
ESF	992	990	-
FMF	1,488	1,485	1,300
IMET	2,526	2,376	2,370
INCLE	1,608	990	900
NADR-ATA	1,232	2,346	1,334
NADR-CTF	50	100	-
NADR-EXBS	500	160	400
NADR-TIP	1,000	1,695	400
Peace Corps	2,144	2,190	2,185

The U.S. has important political, economic, strategic and security interests in Thailand, which is a Major Non-NATO ally. A stable democracy, Thailand serves as a model for development and democratization and as a useful base of operations for U.S. programs and activities in Southeast Asia and beyond. In addition, Thailand plays a valuable role as a responsible regional actor as evidenced by its role as a base for humanitarian relief efforts following the devastating December 2004 tsunami. The U.S.-Thai trade relationship is strong and continues to grow. In June 2004, the two countries began negotiating a Free Trade Agreement, the U.S. government's second with an Association of Southeast Asian Nation (ASEAN) member. Thailand also works closely with the U.S. regarding HIV/AIDS, trafficking in persons, and refugees from Burma and elsewhere. U.S. government assistance to Thailand enhances U.S. influence in a strategically important region, strengthens Thailand's efforts to combat terrorism, narcotics trafficking and other international crime, and reinforces military cooperation with a treaty ally. Thailand's stability in turn promotes economic development and encourages other countries to follow Thailand's trade liberalization.

Thai troops have served in Iraq and Afghanistan, as well as East Timor and Aceh. In the war on terrorism, Thailand captured Hambali, the operational chief of Jemaah Islamiyah and the Al Qaeda link to Southeast Asia, offered other key sensitive cooperation against priority targets, granted the U.S. overflight and landing privileges, cooperated closely on information sharing, and worked with the U.S. to curtail terrorist finance and to track and impede the movement of terrorists. Thailand also occupies strategic ground in the war on drugs. Thailand borders two of the world's three largest opium producers and is a market for Burmese methamphetamines. Thai and U.S. law enforcement and military units work together in the battle against drug smugglers.

FY 2007 Foreign Military Financing (FMF) funds will increase the counterterrorism capabilities of Thailand's elite Special Forces units, enhance their status within the military and increase their capability to participate in coalition operations. These units, such as the Thai Army's Task Force 90 and the Thai Navy's Seal unit, are preferred training partners for U.S. Special Forces. Their procurement budgets were slashed after the 1997 economic crisis and have not rebounded.

The International Military Education and Training (IMET) program for Thailand has become an essential part of the U.S.-Thai alliance relationship. Thai IMET graduates hold a majority of senior military positions in the Defense Ministry, Supreme Command headquarters, and all services, and the Thai military ensures its best officers are able to take advantage of IMET opportunities. Through IMET, the U.S. is helping shape the Thai military of the future during a period of restructuring and downsizing. IMET affords Thai

military officers the opportunity to attend all levels of Professional Military Education and English language instruction. IMET funds also ensure the top ranks of Thai military officials have been exposed to U.S. military doctrine and have a deep understanding of the U.S. military training system.

In FY 2007 Thailand will be eligible to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will advance interoperability, counterterrorism, counter-narcotics and coalition peacekeeping goals, while enhancing U.S. influence and access.

International Narcotics Control and Law Enforcement (INCLE) programs help build, strengthen and reform criminal justice, law enforcement and investigative institutions to enhance Thai capabilities to meet the challenges of 21st century transnational and organized crime. Thailand is a key partner with the U.S. and a leader in efforts against drugs and crime, though it remains a hub of transnational criminal activity. FY 2007 INCLE funds will support a modest program to fight corruption in the criminal justice system in order to enhance judicial ethics. Funds also will support drug control assistance and crime control, including modest funding for demand reduction and regional narcotics control.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. also provides Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Export Control and Related Border Security (EXBS) funds for cooperative programs in Thailand. FY 2007 NADR/EXBS funding is focused on improving cooperative enforcement, maritime security, and industry outreach procedures and capabilities.

The NADR Terrorist Interdiction Program (TIP) strives to prevent and detect the movement of terrorists between countries by providing Thailand with a computer system that enables immigration and border control officials to quickly identify suspect persons attempting to enter, leave, or transit the country. In FY 2007, NADR/TIP funds will be used to expand operation of the program's watchlisting computer system to additional ports of entry and provide for system software upgrades as they become available.

Thailand faces growing violence by separatists and Islamic extremists in the southern provinces near the Malaysian border. FY 2007 NADR Antiterrorism Assistance (ATA) funds will be used to familiarize senior police officials with modern investigative and interdiction methodologies aimed at terrorist organizational structures, as well as at the flow of terrorist financing and information transfer. In the wake of recent bombings in Thailand NADR/ATA intends to provide Thai police with Explosive Incident Countermeasure training (aimed at rendering safe both vehicle and package incendiary explosive devices) for intelligence exploitation. The NADR/ATA funds also will provide explosive detector dogs for use at ports of entry and as event security. Follow-on training will involve appropriate response to weapons of mass terror (biological, radiological and chemical).

Tonga
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	248	248	250
IMET	140	134	145
Peace Corps	1,262	1,341	1,280

The U.S. values Tonga's support in regional organizations, such as the Pacific Community, the Forum Fisheries Agency and the South Pacific Regional Environment Program. Tonga has consistently supported U.S. positions at the United Nations since joining in 1999. In 2005, Tongan troops performed seven months of service in Iraq as part of the coalition. Tonga has committed troops to an additional coalition deployment in 2006.

FY 2007 Foreign Military Financing (FMF) funds will help promote Tonga's role in regional stability, while expanding its ability to participate in multilateral operations and ensuring Tongan alignment with U.S. interests and objectives. U.S. objectives include bolstering the Tongan military's peacekeeping capabilities as well as its capacity to detect, monitor, and interdict or disrupt activities of terrorists and transnational crime. This involves the procurement of individual soldier and communications equipment and training ammunition, as well as training in areas such as strategic planning, programming and budgeting, program management, intelligence support, logistics, transportation, and associated legal aspects.

FY 2007 International Military Education and Training (IMET) funding will help develop long-term positive relations with government, military, and security authorities as well as continue to support professionalization and reform within the security forces. This, in turn, will enhance Tonga's readiness to contribute to peacekeeping and coalition operations and to the global war on terrorism, and to combat terrorism, transnational crime and minimize natural disasters. Funds also allow the U.S. to act in concert with other concerned nations, Australia and New Zealand in particular, to promote military cooperation and civilian control in the southwest Pacific region.

Tonga will be eligible to receive Excess Defense Articles (EDA) in FY 2007 under Section 516 of the Foreign Assistance Act. EDA will support Tonga's legitimate defense requirements and its ability to contribute to regional peacekeeping endeavors and the development of an effective maritime law enforcement capability.

Vanuatu
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	111	99	120
Peace Corps	2,232	2,207	2,231

U.S. national interests in Vanuatu center on strengthening the nation's democratic institutions. Other interests include building Vanuatu's capacity to secure its maritime borders and encouraging programs that protect the island's environment and fragile natural resources.

The small Vanuatu Mobile Force (VMF) must patrol a vast area of ocean. U.S. Coast Guard training in maritime law enforcement supplements Australian and New Zealand programs and upgrades VMF capabilities. FY 2007 International Military Education and Training (IMET) funds will provide training to help improve force discipline and enhance the VMF's effectiveness in regional peacekeeping and disaster relief efforts.

Vanuatu will be eligible in FY 2007 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. EDA will support the U.S. objective of improving VMF operational effectiveness in regional peacekeeping and disaster relief efforts.

The Millennium Challenge Corporation (MCC) selected Vanuatu as an eligible country for FY 2004 and FY 2005. Vanuatu is expected to sign a \$66 million compact with MCC in February 2006 and must maintain its eligibility to receive Millennium Challenge Account funds.

Vietnam
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	1,200	-	-
DA	4,750	2,818	2,440
ESF	-	1,980	1,000
GHAI	24,044	31,214	54,000
IMET	50	50	95
NADR-EXBS	280	390	200
NADR-HD	3,051	3,300	3,500

U.S. efforts continue to broaden and deepen an already rapidly-expanding bilateral relationship with Vietnam, a strategically important country in Southeast Asia. In a joint statement following Prime Minister Phan Van Khai's June 2004 meeting with President Bush, the leaders agreed to strengthen cooperation on transnational issues, including the global fight against terrorism, transnational crime, narcotics, trafficking in persons, and to deepen cooperation on health and humanitarian issues, including the prevention of pandemics, especially HIV/AIDS and avian influenza. U.S. assistance to Vietnam promotes these common interests.

In addition, the U.S. has important interests in advancing human rights and religious freedom, promoting economic prosperity through global integration, expanding U.S. trade relations, encouraging Vietnam to assume a greater role in enhancing regional stability, expanding military-to-military ties, and achieving the fullest possible accounting for the 1,382 Americans still listed as POW/MIA from the Indochina conflict. It is also in the U.S. interest to provide assistance to the disabled, displaced children, and victims of natural disasters, landmines and unexploded ordnance.

The U.S. economic, commercial, and assistance relationship with Vietnam promotes civil society, encourages economic reform, draws the country further into the rules-based international trading system, and promotes the interests of American workers, consumers, farmers and business people. In the four years since the U.S.-Vietnam Bilateral Trade Agreement (BTA) took effect, two-way trade has risen from just over \$1.3 billion to over \$6 billion in 2004, and is estimated to exceed \$7.5 billion in 2005.

In FY 2007, Economic Support Fund (ESF) assistance will be directed at development projects to improve the living conditions for the inhabitants of the Central Highlands, which is the locus of many of our human rights and religious freedom concerns. The U.S. government is particularly concerned about the conditions of ethnic minorities.

The U.S. supports Vietnam's role as a regional player in the Association of Southeast Asian Nations (ASEAN), ASEAN Regional Forum (ARF), and the Asia Pacific Economic Cooperation (APEC) forum. Vietnam has assumed the APEC chair for 2006. Within APEC, the U.S. seeks to promote regional prosperity, strengthen regional security, ensure preparedness and prevention for potential pandemics and natural disasters, and promote transparency and anti-corruption efforts.

FY 2007 Development Assistance (DA) funds will facilitate Vietnam's transition to a more open, market economy by strengthening trade liberalization. These funds will enable Vietnam's government to make the necessary regulatory and legal changes to implement the BTA, prepare for WTO accession, and lay the foundation for the rule of law and an improved court system.

Vietnam is a focus country of the President's Emergency Plan for AIDS Relief (Emergency Plan). In FY 2007, Global HIV/AIDS Initiative (GHAI) funding will expand comprehensive and integrated prevention, care and treatment programs, which are further described in Section I under the heading "Global HIV/AIDS Initiative."

FY 2007 Child Survival and Health (CSH) funds will continue to focus on select vulnerable groups, including victims of war injuries, land mines or annual floods, as well as orphans and displaced children. For war and mine victims, activities will continue to focus on providing orthotic and prosthetic devices as well as rehabilitation for those in need of artificial limbs. CSH funds also will work to contain and combat avian influenza (AI) in Vietnam and the region.

FY 2007 Nonproliferation Anti-terrorism Demining and Related Programs (NADR) Humanitarian Demining (HD) funds will continue to assist Vietnam with development of a comprehensive humanitarian demining program to protect the lives of innocent civilians and promote economic and agricultural development. Approximately five percent of Vietnam is contaminated with landmines and unexploded ordnance. NADR funds also aim to provide export control assistance to strengthen Vietnam's ability to control, detect and interdict transfers of strategic goods and technology that could contribute to weapons proliferation. As part of effort to prevent the proliferation of weapons of mass destruction, their delivery systems, and related technologies, and other weapons, the U.S. plans to provide NADR Export Control and Related Border Security (EXBS) funds for a cooperative program in Vietnam. FY 2007 NADR/EXBS funding will focus on enforcement, industry outreach, and licensing procedures and capabilities.

In June 2005, Vietnam signed an agreement allowing it to participate in International Military Education and Training (IMET) programs for the first time. The FY 2007 IMET request includes funds for courses to enhance English language proficiency among Vietnamese military officers.

ASEAN
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	744	3,366	3,400

The Association of Southeast Asian Nations (ASEAN) consists of the ten major countries in Southeast Asia. ASEAN and these countries are of growing importance to U.S. national economic, political and security interests. U.S. interests were highlighted in the Joint Vision Statement on the ASEAN – U.S. Enhanced Partnership, released when the President met ASEAN leaders attending the Asia Pacific Economic Cooperation (APEC) meetings on November 18, 2005.

ASEAN is an increasingly unified market of over 500 million people, with a combined GDP of over \$700 billion growing over 5.5 percent a year. As a group it is the fifth largest U.S. trading partner, and U.S.-ASEAN two-way trade topped \$136 billion in 2004. ASEAN hosts \$88 billion in American private investment. U.S. economic concerns include protection of Intellectual Property Rights (IPR), market access and the growing number of free trade agreements with third countries that may divert trade in the region.

U.S. engagement with ASEAN promotes a broad range of U.S. political and security interests. The U.S. has valuable security relationships with some ASEAN members and works with them on mutual concerns over counter-terrorism, maritime security and international crime. U.S. assistance provides the means to pursue these mutual interests as well as support for broader engagement with the peoples and governments in the region. ASEAN has been at the center of many regional integration efforts, and countries such as China, Japan, Korea, India and Russia also are strengthening ties with ASEAN and have similar programs of cooperation.

FY 2007 funds will implement the Enhanced Partnership, which will support work with ASEAN in three areas:

- Political and Security Cooperation, including cooperation against terrorism, proliferation of weapons of mass destruction, drug trafficking and trafficking in persons, and enhancing cooperation on maritime and border security.
- Economic Cooperation, including trade and investment facilitation, development of cleaner, more efficient energy technologies, protection of the environment, and transportation.
- Social and Development Cooperation, including continued work on disaster management, preventing the spread of infectious diseases like HIV/AIDS and avian influenza, promoting cooperation on science and technology and information and communications technology. The U.S. will also support people-to-people exchanges, including inter-faith dialogues, capacity building in education and student exchanges and the promotion of regional studies in ASEAN and the United States.

Cooperation under the Enhanced Partnership will include the participation and support of many sectors of American society with interests in Southeast Asia, including businesses, state and local governments, foundations and education institutions.

- FY 2007 funding will also support projects under the ASEAN Cooperation Plan (ACP) and the President's Enterprise for ASEAN Initiative (EAI) to develop trade with the region. These senior-level U.S. policy initiatives provide an essential regional presence for several U.S. government agencies in Southeast Asia and complement the work of other countries. The U.S. ASEAN Training and Technical

Assistance facility, one of over 20 projects under the ACP, has been notably successful in developing many demand-driven programs that have attracted high levels of ASEAN participation and support. Over 51 training and technical assistance activities have been launched under the Facility.

Developing Asian Institutions Fund

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	-	1,485	2,000

Strengthening U.S. participation in regional organizations is an essential component of effective U.S. engagement in the Asia-Pacific region. These organizations promote regional stability and offer us effective options for pursuing U.S. goals outside of traditional bilateral channels. Within the Asia-Pacific, regional organizations that do not include the U.S. government are growing in influence. It is essential that we strengthen fora such as the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF) in which the U.S. government does participate. The APEC region is the largest market for U.S. exports, accounting for \$527 billion - or some 65 percent - of total U.S. exports in 2004. The U.S. imported \$947 billion worth of APEC goods in 2004, about 64 percent of total U.S. imports. Given the increasing importance of multilateral cooperation and deepening regional economic integration in the Asia-Pacific region, there is a need to increase U.S. resources devoted to accomplishing agreed strategic goals.

The FY 2007 funding requested will support programs associated with Asian regional organizations, such as APEC and ARF that advance U.S. strategic interests. The request recognizes that Asian multilateral institutions operate differently than their European or Western Hemisphere counterparts. In Asian institutions, U.S. sponsorship of capacity building and technical assistance - rather than large contributions to the institutions themselves - is a primary means to advance goals and interests. Increased program budgets are essential to maintain U.S. influence and advance U.S. interests in the region. These Asian fora have proven effective in advancing U.S. interests and in strengthening U.S. leadership in Asia. For example, in 2005 APEC Leaders' endorsement of model guidelines to protect intellectual property rights went beyond World Trade Organization commitments; APEC leaders also pledged to further reduce trade transaction costs in the region by five percent by 2010 and agreed to enhance collaboration and cooperation to fight an avian influenza (AI) pandemic. Workshops, seminars and other events in ARF have been a critical part of the U.S. government strategy to enhance cooperation on security issues in Southeast Asia. Over the past year, the ARF has shown increased vitality, venturing into sensitive topics like missile defense, and nonproliferation of WMD, laying the groundwork for concrete cooperation in disaster relief, and becoming a stronger institution.

The Developing Asian Institutions Fund will support programs, events, technical assistance, training, and other activities that advance U.S. objectives in APEC and ARF. These programs will advance broader U.S. regional goals including advocacy of APEC and ARF as the preeminent regional institutions. In APEC, the Fund will be used to advance member economies' implementation of agreed principles in areas such as trade facilitation, secure trade and non-proliferation, anti-corruption, and intellectual property. In the ARF, the Fund will support U.S. hosting and participation in ARF programs to address traditional and non-traditional security issues, including peacekeeping, counter-terrorism, and disaster management. It will also support capacity-building and institutional strengthening of the ARF. In addition, the Fund will support the activities of the U.S. Committee of the international non-governmental Council on Security and Cooperation in the Asia Pacific (CSCAP) in order to capitalize on the opportunities presented by the ARF's new openness to interaction with CSCAP.

Pacific Islands

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	-	99	100

The Pacific Islands Fund is a small-scale, high-impact grant program that supports projects in twelve Pacific Islands states. Potential FY 2007 projects include water and waste management, private sector/entrepreneurial development, coral reef and watershed conservation, health/drug education for youth, women's economic and health rights, and meeting international security standards, including maritime security. Successful projects in these areas advance U.S. national interests and assist non-governmental organizations (NGOs) and governments in building domestic capacity.

These twelve countries (Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu) are favorably disposed toward U.S. interests. The U.S. regularly relies on their support at the United Nations and support for U.S. international policies (e.g., Iraq coalition, Article 98 agreements, United Nations General Assembly). Tongan troops completed a tour in Iraq as a member of the coalition and are gearing up to return. Fiji maintains two troop deployments to provide security to United Nations operations in Iraq. Papua New Guinea has offered to send troops to Iraq.

For Freely Associated States (Micronesia, Marshall Islands and Palau), the Pacific Islands Fund addresses development issues outside the general Compact program. In addition, while the Compact is a government-to-government program, the Pacific Island Fund provides development funding directly from the U.S. government to local NGOs or other local implementers. The Pacific Islands Fund provides our six embassies in the region with modest resources to assist local communities across the vast Pacific area in ways that demonstrate U.S. engagement in the region.

Regional Maritime

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	-	-	2,000

FY 2007 Foreign Military Financing (FMF) funds will support the establishment of the Regional Maritime Security Program (RMSP). The RMSP is the regional implementation of the October 2005 International Outreach and Coordination supporting plan to National Security Presidential Directive 41: National Strategy for Maritime Security. The U.S. government has conducted extensive engagement with regional partners. Key states including Indonesia, Malaysia, the Philippines, Singapore and Thailand have developed wider cooperation in information sharing, patrolling, training and exercising. These states are poised to implement practical programs to increase regional maritime security.

A two-pronged, bilateral and multilateral approach will assist states in the region to build national maritime security capacity. The U.S. will focus bilateral assistance on building specific capacities in surveillance, interdiction, and command and control. Multilaterally, the RMSP will enhance integration of national efforts through regional security cooperation, and will support essential integrating network systems to facilitate information sharing in order to promote interoperability and a common operating picture with a particular focus on Indonesia, Malaysia, the Philippines, and Thailand.

FY 2007 FMF funds will support common communications platforms, regionally focused information fusion centers, hardware and software for regional network architecture, and maritime interoperability training.

Regional Women's Issues

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	992	990	800

Regional Women's Issues funding supports programs that focus on empowering women through political participation, economic independence, and freedom from violence. These projects seek to promote women taking a greater role in leadership throughout the region and enhanced protections for those most at risk of becoming victims of exploitation, violence, and discrimination. By fostering participation from women in political, economic, and social development, a stronger foundation is built for a healthy society. The likelihood that women will be victimized is reduced and their involvement is increased in creating a more prosperous and democratic society. A recent example of a successful outcome of this funding is the November 15, 2004 passage by the Lao National Assembly of a new Law on Development and Protection of Women, which includes components on women's rights and interests, trafficking, and domestic violence. This law was advocated for and crafted with the assistance of The Asia Foundation and local partners (including the Lao Women's Union) using Regional Women's Issues funding.

The FY 2007 ESF request will continue to support projects that enhance political participation and foster economic independence, particularly in countries and sub-regions where poverty and lack of political voice leave women most vulnerable to significant exploitation, including those that are key points of origin for trafficked women. Funding also will be used to support those projects that best incorporate proven country- and culture-specific empowerment training techniques and sustainability planning.

South Pacific Fisheries

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	17,856	17,820	18,000

The 1988 Pacific Multilateral Fisheries Treaty is a key component of the U.S. government's strong overall foreign relations with the Pacific Islands States and a model for others. It provides a solid foundation upon which the U.S. and the member states of the Pacific Islands Forum (known as the South Pacific Forum until October 1999) can cooperatively address the challenges of sustainable fisheries conservation in the Western Pacific. This treaty, through positive multilateral cooperation, achieves profitable, sustainable management of fisheries resources and ensures continued access for U.S. commercial fishing vessels to the Pacific Ocean tuna fishing areas.

Since the treaty came into force, the U.S. annual payment obligations under the treaty have ensured access to broad areas of the Pacific, including waters under the jurisdiction of the 16 states that make up the Forum Fisheries Agency (FFA). This positive fisheries relationship, as well as a common desire to conserve fisheries resources in the Pacific, have carried over into the successful conclusion of negotiations for a conservation and management regime in the Central and Western Pacific, where the U.S. continues to cooperate closely with the Pacific Island States. The result of these negotiations is to establish a mechanism to ensure that highly migratory fishery resources in that region are not depleted.