

WESTERN HEMISPHERE

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Argentina
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	1,990	1,000	1,000
IMET	1,000	1,100	1,100
NADR-EXBS	-	-	50

The top U.S. priority in Argentina is to promote economic recovery and the strengthening of democratic institutions. Argentina's once stable two-party system has been shaken by the country's sharp economic decline as well as public challenges over corruption, the lack of responsiveness of public institutions, and judicial inefficiency. Despite these challenges, Argentines have shown an overwhelming commitment to democracy and elected a President with a strong anticorruption agenda. Argentina has continued to perform its important leadership role in hemispheric affairs. The Government of Argentina (GOA) has actively supported U.S. security goals by playing a leading role in international peacekeeping. Argentina has led the region in cooperation with the United States in counter-terrorism and counternarcotics activities, which are centered in the tri-border area with Brazil/Paraguay.

Foreign Military Financing (FMF) funding will assist Argentina's armed forces to maintain their peacekeeping capacity through development and maintenance of a communications capability, allowing for continued regional and coalition interoperability. FMF will support peacekeeping training and the ability to deploy, as well as provide spare parts for vehicle and aviation equipment. Funds will also provide C-130 logistical support.

Argentina has been Latin America's largest user of U.S. Excess Defense Articles (EDA). Argentina will be eligible in FY 2005 to receive EDA on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Argentina supports Argentina as a major non-NATO ally at a time when fiscal austerity has drastically reduced Argentine defense spending and enables the country to continue its productive cooperation with the United States and NATO in international peacekeeping operations.

International Military Education and Training (IMET) courses increase Argentine interoperability with U.S. and NATO forces. IMET also plays a key role in developing civilian experts who can effectively administer the Argentine defense establishment. Having contributed to UN peacekeeping missions in East Timor, Western Sahara, Ethiopia - Eritrea, Iraq-Kuwait, Cyprus, Bosnia, and Kosovo, Argentina ranks second among Latin American nations in number of participants. Budget constraints caused by the severe economic contraction have reduced this participation, but not the Argentine commitment to contribute to international stability. The GOA has also been a leading recipient of Enhanced International Peacekeeping Capability funding (\$2.25 million in FY 1998-1999), with military personnel from other Latin American nations attending the GOA's peacekeeping training academy.

Given its recent history as a victim of international terrorism (bombings in Buenos Aires in 1992 and 1994 killed more than one hundred people), Argentina understands the importance of cooperation against terrorism. U.S. Antiterrorist Assistance programs (NADR) brought Argentine officials to the United States for valuable counter-terrorism briefings and training. The tri-border area and Argentina's northern border with Bolivia are transshipment routes for illegal drugs bound for the United States; regional INCLE funding provides police training for interdiction activities. In addition, the United States continues to promote training and exchange programs with Argentine law enforcement and judicial authorities in support of GOA efforts to reduce international criminal activity.

Bahamas

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	90	99	100
IMET	146	165	240
INCLE	1,100	1,000	1,000

The United States has a strong interest in a cooperative, stable and democratic Bahamas working with the United States on bilateral, regional, and multilateral issues and in providing sufficient resources to achieve these goals. This is important both because of The Bahamas' proximity to the United States and because The Bahamas straddles a major thoroughfare of illegal drugs and intending immigrants. Principal U.S. interests in The Bahamas include: ensuring the safety and security of approximately 8,000 American residents and more than four million annual American visitors; stopping the movement of illicit drugs and illegal migrants through the Bahamian archipelago; and combating international financial crime, including money laundering and financial support for terrorism.

Only 50 miles from the United States at its closest point, the Bahamian archipelago is a major transshipment point for illegal narcotics and migrants bound for the United States. The Bahamas, the Turks and Caicos Islands, and the United States are partners in "Operation Bahamas and Turks and Caicos" to intercept illegal narcotics trafficking. Under this program, Bahamian and Turks and Caicos police, the U.S. Drug Enforcement Administration, U.S. Coast Guard, and U.S. Army personnel, ships, aircraft, helicopters and intelligence-gathering resources cooperate in missions against suspected drug smugglers and illegal migration networks, and in search and rescue operations.

In the past decade, The Bahamas has emerged as a major offshore financial center with a global clientele. The Bahamian government is committed to combat the threat to its sovereignty and its banking industry posed by illegal drug trafficking, money-laundering, terrorism financing, and other financial crimes. Using INCLE funds, the United States has sponsored training and workshops to assist the Bahamas with these issues.

The Bahamas is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to promote counter-drug efforts, maritime support, interoperability and modernization of equipment. Foreign Military Financing (FMF) funds will be used to improve the maritime interdiction capability of this "Third Border" country by providing spare parts, training, operational and maintenance support, communications equipment and improving infrastructure. The Royal Bahamas Defense Force (RBDF) will receive individual and unit equipment, weapons, ammunition, and training so that it can fully support enhanced interdiction and better control its borders. International Military Education and Training (IMET) will be used to continue the process of professionalizing the Bahamian police and defense forces.

International Narcotics Control and Law Enforcement (INCLE) funding supports Bahamian drug enforcement operations and investigations through operational support, training, and equipment. INCLE funding also provides go-fast interceptor boats to the Bahamian police as well as detector dogs to the Customs Department. The U.S. Embassy works closely with Bahamian officials to support anti-money-laundering efforts and to encourage the Bahamian government to act more effectively in seizing drug traffickers' assets.

Belize
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	290	199	200
IMET	173	200	100
Peace Corps	1,583	1,569	1,918

The United States seeks to discourage the flow of illicit drugs through Belize and to make the country a less attractive location for other criminal activities such as money laundering, trafficking in undocumented aliens and stolen vehicles; and smuggling of artifacts, wildlife, and contraband goods. Improving the administration of justice, fighting corruption, and making the police more effective will make better conditions for U.S. investors and traders and for the 110,000 U.S. citizens who visit Belize each year. The United States also maintains an interest in assisting Belize in protecting the 40 percent of its territory that consists of national parks and nature preserves, including extensive rainforests which shelter diverse wildlife and its barrier coral reef, the second longest in the world.

Because of its proximity to the United States and its position linking Central American and Caribbean states, Belize is an ideal transit point for illicit drugs headed for the United States. Easy access to the United States and Mexico makes Belize an attractive staging area for other international crimes as well. It is a market for vehicles stolen in the United States, a potential site for money laundering, and an origin point for smuggled wildlife and artifacts and for contraband goods. Modest International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funding provides training and assistance to combat drug organizations, facilitate the collection and dissemination of counter narcotics intelligence and the interdiction of illicit drugs, and improve Belize's ability to deter and detect money laundering. INCLE funding also seeks to improve the professionalism and performance of police and prosecutors, provide technical support for the judicial system, reduce the flow of stolen vehicles from the United States to Belize, and assist Belize in upgrading its passport security and border control.

FY 2005 International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs will provide training, equipment and logistical enhancements as part of a five-year modernization and professionalization program for the small but disciplined Belize Defence Force (BDF). BDF troops served with the Caribbean Community Battalion during peacekeeping operations in Haiti and participate in regional training exercises with U.S. and Caribbean forces. IMET training will be used to improve the professionalism and competence of the BDF, making it a more effective partner when operating with U.S. forces in joint exercises and enabling it to protect Belize's nature preserves. FMF assistance will focus on improving logistical support for the BDF and provide the weapons, ammunition, spare parts, maintenance, and training the BDF needs to improve the capability of its forces at the company level. Belize will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of grant EDA promotes interoperability and modernization of equipment.

In 2000, the United States and Belize signed a new extradition treaty, a mutual legal assistance treaty, and an overflight and landing protocol to an existing maritime counter narcotics cooperation agreement. The extradition treaty came into force early in 2001, a stolen vehicles treaty (signed in 1996) in 2002, and the mutual legal assistance treaty in 2003. These legal instruments should enhance the ability of the United States and Belize to cooperate effectively to combat crime.

Bolivia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	90,727	91,000	91,000
CSH	18,594	15,302	16,139
DA	12,082	12,032	14,454
ESF	10,000	8,000	8,000
ESF-REIMB	2,000	-	-
FMF	1,990	3,977	3,000
IMET	800	900	800
P.L. 480 Title II	31,547	17,827	23,696
Peace Corps	2,974	2,818	3,392

The primary U.S. interests in Bolivia are strengthening Bolivia's democratic institutions and stopping the illicit production of coca and the export of cocaine and other illicit products to the world market. Integral to the counternarcotics fight is U.S. support of Bolivian democracy, as a stable and more inclusive democracy is a necessary condition for continued success in the regional and global war against drugs. The United States is encouraging Bolivia's transition to a free market economy, including increased spending on health and education, as the most promising avenue to growth. Bolivia's effective implementation of judicial reforms is critical to our efforts related to counternarcotics, investment, human rights, and social stability. In order to ensure that Bolivia does not become an active transit point for international terrorism, we have also stepped up cooperation with the Bolivian military, customs, immigration, financial institutions, police and other organizations to ensure better Bolivian control over its long, sparsely inhabited borders. Increasing and sustaining Bolivia's capabilities in peacekeeping will allow the continuation of its role as peacekeeper; the preservation of Bolivia's biodiversity contributes to the global environment and sustainable economic growth.

Bolivia's democracy has faced many challenges in the past year, including the resignation of President Gonzalo Sanchez de Lozada under the pressure of widespread protests, and a constitutional transfer of power to Vice President Carlos Mesa. Despite Bolivia's sound macroeconomic policies and prospects for natural gas development, economic growth in 2003 was disappointing. Bolivia remains the world's third largest producer of illicit coca; ongoing demonstrations and violence by coca growers impacted, but did not sidetrack, eradication and enforcement efforts.

The FY 2005 budget request for Bolivia is consistent with funding levels of recent years, and reflects the amount of support required to sustain counternarcotics operations in two distinct regions. The illegal replanting of coca in the Chapare must be countered through eradication to prevent the region's return as a major cocaine producer. In the Yungas, where many narcotics traffickers displaced from the Chapare have relocated, the U.S. is expanding efforts to control the legal coca market and the illegal diversion of legally grown coca to cocaine processing. Throughout the country, especially in the border areas, we support efforts to interdict Peruvian cocaine being transshipped through Bolivia. Violent attacks on eradication and interdiction forces in the Chapare and in the Yungas throughout 2003 highlight the need to significantly increase both manpower and commodity resources in these volatile regions. Assistance efforts are aimed at consolidating the gains and reestablishing control, while combating the poverty and corruption that threatens what is still the poorest country in South America.

Andean Counterdrug Initiative (ACI) funds will be used to consolidate earlier eradication successes to ensure that coca cultivation and drug trafficking do not regain dominance in Bolivia. The FY 2005 budget will support increased interdiction of essential precursor chemicals and cocaine products, enhance judicial capability to prosecute narcotics-related crime, promote alternative economic development, promote demand reduction efforts in Bolivia, and improve the quality of investigations into allegations of human rights violations.

Development Assistance (DA) and Child Survival and Health (CSH) funds will increase economic opportunities by providing technical assistance to micro-finance institutions, assisting micro-entrepreneurs and providing technological services to farmers to increase yields and access to markets. Funds will also be used to strengthen democracy by working through civil society organizations and promoting judicial reforms, with a focus on opportunities to better incorporate Bolivia's disadvantaged indigenous majority into the political mainstream and support the Government of Bolivia's anti-corruption efforts. Support for management of renewable natural resources will aid the country in sustaining economic growth. In the health sector, FY 2005 funds will improve the well being of the Bolivian population by enhancing individual, family and community health practices, and support GOB health sector priorities such as child survival and HIV/AIDS, with activities targeted at under-served populations. CSH funds will also support the Amazon Malaria Initiative; integrated health care, nutrition, and vaccination programs for children; and decentralization of public health care services at the primary care level. PL-480 funds will improve food security and nutrition for the most vulnerable.

Economic Support Funds (ESF) will be used to strengthen municipal governments and improve congressional capacities, complemented by civil society activities to further consolidate democratic values and practices and for economic growth activities to further Bolivia's ability to compete in the global economy.

FMF funds will provide equipment and training assistance to Bolivian Armed Forces and to military police units to increase their effectiveness in their traditional national security role, which will help ensure control of remote areas, security for drug eradication and interdiction operations, as well as to support their multilateral role as international peacekeepers. Assistance will focus on sustaining operations, repairing vehicles, and maintaining equipment. We are working with the military to better coordinate Bolivia's counter-terrorism activities and enhance support for their operations and ability to respond to threats through the acquisition of specialized equipment, training assistance and infrastructure improvement. FMF will also improve military counternarcotics operations in the Chapare region with new equipment, operations and maintenance support. Lastly, funds will be spent to increase Bolivia's peacekeeping capabilities and to ensure that they continue to remain engaged in peacekeeping operations around the world. Bolivia currently has forces deployed in the Congo, as well as observers in Kosovo, Sierra Leone, Liberia, and East Timor. The GOB has also committed a reinforced battalion to the UN's "stand-by" force. The request also includes equipment and training for the Bolivian Army's new Counter-Terrorism Unit.

International Military Education and Training (IMET) funds will provide professional military education to key Bolivian military personnel, principally through attendance at U.S. military command and staff colleges, with focus on civil-military relations, resource management, and democratic institution building.

Bolivia will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Bolivia will support our foreign policy goal of reducing the international supply of narcotics by helping to equip units engaged in narcotics interdiction and coca eradication. It will help supply Bolivia's peacekeeping unit with NATO-compatible equipment and enhance U.S. influence on the development of Bolivia's armed forces.

Brazil
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	6,000	10,200	9,000
CSH	10,300	9,850	7,638
DA	7,967	7,876	6,993
IMET	483	-	50
NADR-EXBS	-	-	50

U.S. national interests in Brazil are: regional stability; control of narcotics, crime, terrorism, and infectious disease; and economic prosperity. Brazil is a leader in the hemisphere and co-chair of the Free Trade Area of the Americas (FTAA) process. Areas of potential U.S.-Brazil cooperation include promotion of democratic values in the region, preservation of natural resources, and promotion of efficient energy use. The government of Brazil, along with those of Argentina, Paraguay, and the United States, has formed a working group to combat the threat of terrorism in the tri-border area. Brazil is the only country that borders on the three major coca-producing countries in the world. As a result, it is an important transit country for illegal narcotics flows to the United States and Europe and faces a growing domestic drug abuse problem. The administration of President Lula has promised to address the issue of public security and the threat posed by organized crime. Brazil's own recognition of the domestic threat posed by narcotics trafficking is prompting greater bilateral cooperation. U.S. and Brazilian officials work closely on control and eradication of infectious diseases through research programs in both countries.

As the largest economy in South America, Brazil's participation in the FTAA process, and the new round of World Trade Organization (WTO) negotiations, is critical to the United States. The FTAA and WTO negotiations will help advance U.S. goals of encouraging the further opening of Brazil's market to U.S. products and services, coordinating policies encouraging fiscal stability and structural reform, and supporting Government of Brazil (GOB) policies leading to broad-based economic growth. Brazil's increased emphasis on containing spillover of crime and violence from Colombia has contributed to broader engagement with the United States on counternarcotics cooperation. Andean Counterdrug Initiative (ACI) funds will address narcotics use and trafficking in Brazil by: 1) providing equipment and training to improve the capability of Brazilian law enforcement agencies to combat trafficking; and 2) assisting drug education, awareness, and demand reduction programs. Greater emphasis is being placed on Brazil's efforts to strengthen control of its 1,000-mile border with Colombia.

Political-military cooperation continues to deepen between our two countries. The International Military Education and Training (IMET) program allows the United States to share its long experience of civilian control of the military, promotes Brazil's ability to serve in international peacekeeping missions, and improves the interoperability of U.S. and Brazilian forces. Brazil is eligible in FY 2005 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States will provide Nonproliferation, Anti-terrorism, Demining, and Related Programs - Export Control and Related Border Security (NADR-EXBS) assistance funds for a cooperative program to help establish a fully effective export control system in Brazil. FY 2005 NADR funding is provided for an initial assessment, basic equipment and training to assist in developing and strengthening export control laws and regulations and improving enforcement capabilities.

Due to its vast rain forests, Brazilian cooperation is key to a global environmental strategy. U.S. environmental assistance is aimed at reducing emissions of greenhouse gases associated with climate change and protecting biodiversity actions with a global impact. Development Assistance (DA) funded programs discourage deforestation and promote energy policies that mitigate emissions of greenhouse gases associated with climate change. Fire prevention in the Amazon, also a priority, employs sophisticated satellite technology linked to several USG technical agencies. The State Department and the U.S. Agency for International Development work with non-governmental organizations, research institution partners, academic institutions, industry, and government agencies to leverage our resources and to advance our environmental agenda. Brazil's large population, location, and widespread poverty make it a focal point for the spread of infectious disease. More than 50 percent of the AIDS cases reported in Latin America and the Caribbean are in Brazil. Brazil also has a large number of street children, particularly in the Northeast. Child Survival and Health Program Funds (CSH) go to nongovernmental organizations working to combat the sexual transmission of HIV/AIDS among women, adolescents, and low-income groups and to improve the quality of life of at-risk children and youth. Funded activities include the promotion of children's rights and the provision of vocational training, education, and health services. Brazil represents the developing countries of the Americas on the Board of the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Chile

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	990	495	500
IMET	559	600	600

U.S. national interests in Chile include promoting prosperity through enhanced bilateral and multilateral economic and commercial ties, such as the recently completed bilateral Free Trade Agreement, encouraging reform of the criminal justice system, and cooperation on a range of important regional and global issues in multilateral fora. U.S. national interests are enhanced through U.S. support of increased Chilean participation in international peacekeeping operations and the interoperability of Chilean forces with U.S. and other peacekeeping forces.

The FY 2005 request for International Military Education and Training (IMET) funding will bolster regional stability and democracy by contributing to Government of Chile (GOC) efforts to professionalize its armed forces and increase their interoperability with U.S. forces through the continuation of management training courses for Non-commissioned Officers (NCOs), mid-level and senior officers. Other training in equipment maintenance, logistics, and resources management also increases Chile's ability to maintain U.S. equipment in its inventory.

FY 2005 Foreign Military Financing (FMF) will provide needed equipment to Chile's armed forces participating in peacekeeping operations. Key to the FMF support will be specialized individual equipment and improvements to the National Peace Keeping Operations Center. Chile will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to promote interoperability and modernization of equipment. Chile is not a center for the production or transportation of illegal drugs, though the picture may be evolving as producers look to Chile as a source of precursor chemicals and as a country through which to ship drugs en route to Europe and the United States. Chile's proximity to producer countries such as Bolivia and Peru, its dynamic economy, and relatively well-developed banking system combine to make it vulnerable to money laundering.

International Narcotics Control and Law Enforcement (INCLE) funds from a Latin American Regional fund will assist Chile in implementing effective money laundering and precursor chemical controls, and to enhance its own narcotics investigation, interdiction, and demand reduction capabilities. In addition, INCLE funds will provide modest amounts of training and support to Chile's two main law enforcement institutions, the Carabineros and the Investigations Police.

Colombia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	526,200	463,000	463,000
ACI-SUP	54,000	-	-
FMF	-	109,350	108,000
FMF-SUP	17,100	-	-
IMET	1,165	1,800	1,700
NADR-ATA	3,279	-	3,920
NADR-SALW	-	200	200

U.S. interests in Colombia focus on supporting counternarcotics and counterterrorism efforts, regional stability, and democracy; protecting human rights; providing humanitarian assistance; and fostering mutual economic prosperity. The challenges facing Colombia cannot be addressed in isolation and our programs reflect a broad, comprehensive approach. We share Colombia's vision of a prosperous democracy, free from the scourges of narcotics trafficking and terrorism, with respect for human rights and the rule of law.

The United States faces an unusually complex series of issues in Colombia and its neighbors. With over 40 million people, Colombia is Latin America's third most populous country. It has long-standing political, security, social, and economic problems, exacerbated by the explosive growth of coca and heroin cultivation during the late 1990's in which guerrilla and paramilitary forces have become deeply involved. There is no single explanation for the wide range of Colombia's troubles, but they are rooted in limited government presence in large areas of the interior, a history of civil conflict and violence, and deep social inequities. The Government of Colombia (GOC) announced its Plan Colombia in 1999, a balanced and wide-ranging strategy designed to address all of these issues. The Uribe Administration (which took office in 2002) has reaffirmed its full commitment to the goals of Plan Colombia.

Three United States citizens remain hostages of the Revolutionary Armed Forces of Colombia (FARC) and we are committed to ensuring their safe return.

Counternarcotics remains at the center of U.S. relations with Colombia, which supplies 90 percent of the cocaine consumed in the United States. Colombia is also a major source of heroin in the United States, particularly in east coast cities. Recognizing the increasingly intertwined nature of narcotics trafficking and terrorism, the Congress approved expanded authorities to allow United States support for Colombia's unified campaign against both of these scourges.

The proposed Andean Counterdrug Initiative (ACI) for FY 2005 supports the GOC's continuing efforts to counter the illegal narcotics industry and the threat it poses to the stability of Colombia's democracy and its economy, as well as its neighbors. The FY 2005 request for funding builds upon the successes of programs begun in FY 2000 with the Plan Colombia Supplemental and sustained by subsequent ACI appropriations. Our ACI request for FY 2005 would provide \$463 million for programs in Colombia that will continue to address underlying social issues, with \$150 million for alternative development, humanitarian assistance, and institution building, along with \$313 million for narcotics interdiction and eradication programs. The alternative development and institution building programs include emergency and longer-term assistance to vulnerable groups and displaced persons, and programs promoting the rule of law, local governance, and human rights.

Colombian authorities under President Uribe have augmented support for the aerial eradication program through growing financial resources and increasing the pace of operations, resulting in treating a record 127,112 hectares in 2003. Coca and poppy cultivation declined by 15% and 25% respectively in 2002 compared to the previous year and did so again in 2003 due to aggressive aerial eradication. Continued U.S. support will assist the GOC to maintain this progress. Repeated spraying is critical to deter replanting and allow the GOC to continue reducing coca cultivation. If successful, and if aerial eradication continues at the same rates, then we can expect to see continued and significant declines in drug production.

FY 2005 ACI funds are also requested to provide training and operational support for the Colombian Army's Huey II and UH-60 helicopters, support for the Colombia National Police's Air Service, upgrades to aviation facilities, and the continuation of the Air Bridge Denial Program.

Programs promoting democratic practices and respect for human rights are based on fundamental U.S. values and are intended to assist Colombia's reform efforts and achieve greater political stability in the hemisphere. Reports published by the Government of Colombia and third parties confirm that our human rights efforts are producing significant results, with a notable decline in human rights violations. The Center for Popular Research and Education (CINEP), the NGO that manages Colombia's largest and most influential human rights violations database, recorded that extra-judicial executions fell 48 percent while assassinations of protected persons declined 41 percent during the first ten months of the Uribe Administration. The National Labor College, (ENS), Colombia's most influential labor NGO, noted that murders of trade union members were down 68 percent during the first nine months of 2003. The GOC also reported a 32 percent decline in kidnappings and a 66 percent drop in forced displacements during the first six months of 2003.

The USG has provided humanitarian assistance to more than 1.2 million internally displaced and other vulnerable persons since FY 2001. USG programs also supported an Early Warning System to prevent massacres and forced displacements.

ACI programs thus provide core funding for what we must do if President Uribe is to succeed in his determination to end the narcotics trade in Colombia and stop the terrorism that threatens elected democracy in one of our key Latin American allies, as well as the stability of the entire Andean region.

The International Military Education and Training (IMET) program complements key U.S. objectives in Colombia by providing training for the Colombian military with a strong emphasis on human rights.

FY 2005 Foreign Military Financing (FMF) will be used to continue our support to Colombia and President Uribe, who has committed to defeat U.S.-designated Foreign Terrorist Organizations (FTO's). FMF will support Colombia's national security strategy to extend central government authority and governance to areas heretofore prey to terrorists and narcotics traffickers. Colombia will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Colombia supports our primary foreign policy objectives of fighting drugs and terrorism.

President Uribe is increasing defense and security spending from earlier low levels, supported by a one-time tax on wealth that raised over \$800 million for security purposes and Congressional approval of needed tax reforms. He is undertaking a series of inter-related initiatives to defeat the terrorists and narcotraffickers who threaten Colombia, its neighbors and the United States. However, in spite of impressive improvements, Colombian security forces will still require significant U.S. assistance for counternarcotics and counterterrorism, especially in key areas of mobility, intelligence, sustainment and training. Our FMF request supports Colombia's integrated national strategy with significant military assistance and counternarcotics programs that increase the Colombian military's ability to establish a secure environment, essential to President Uribe's comprehensive national security strategy.

We will provide operational support (training, supplies, repair parts maintenance and infrastructure) and specialized equipment, including weapons, night vision goggles and communications, to the Army. The focus of this support will be on the elite mobile brigades, the Rapid Reaction brigade (known by the Spanish acronym FUDRA) and the Commando and Lancero Battalions, in order to defeat high priority narcotics and terrorist targets. The 5th and 18th Colombian Army Brigades, trained in 2003 to provide protection to the Cano Limon-Covenas pipeline, a key element of Colombia's economic infrastructure, will receive additional munitions, equipment and training to sustain this high profile and important mission. Support will also include establishing a national training center and developing an automated logistical system.

FMF funding will also support the Colombian Navy and Air Force and include the provision of interdiction boats, additional combat aircraft, training and infrastructure improvements, maintenance and operational support for Colombia's C-130 transportation fleet, improving the ability of the entire Colombian military to quickly provide forces for operations throughout the country. Colombia's very limited combat search and rescue (CSAR)/aero medevac capability negatively affects all operations.

As the military and police re-establish national authority in new areas, improving the medical evacuation and treatment capability of the security forces becomes more critical. Our request includes funds to purchase battlefield medical treatment, CSAR and medevac-related equipment and training for Army and Air Force units, enhancing both Colombian capability and force protection of U.S. personnel in Colombia. FMF also supports naval interdiction programs by providing secure communications equipment, spare parts, and assistance to establish an operations center. Riverine forces will benefit from spare parts and other logistic support.

USG programs using NADR funding will also assist in addressing the rampant and well documented trafficking in illicit arms across the Colombian border. Between 20-100,000 small arms/light weapons (SA/LW) of various types, including thousands of AK-47s and cheap handguns, have been collected by Colombian law enforcement and military authorities and are awaiting disposal. The support of the U.S. SA/LW destruction program will contribute to improving security in the region.

NADR funding will also support implementation of the Anti-Kidnapping Initiative (AKI), which began with FY 2002 Supplemental funding. The AKI provides tactical and investigative training and equipment to the Colombian Government's military and police anti-kidnapping units (Unified Action Groups for Personal Liberty - Spanish acronym "GAULA"). It is also assisting in the establishment of an interagency anti-kidnapping Joint Task Force, developing an interagency database to collect, analyze and disseminate information on kidnappings and assist in upgrading Colombian facilities. Three GAULA units have completed training.

Costa Rica
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	336	-	50
Peace Corps	1,217	1,337	1,734

U.S. primary national interests in Costa Rica continue to be the promotion of trade and of a vibrant, diverse economy; increased counternarcotics cooperation; and support for sustainable development and sound environmental management - an area in which Costa Rica has been a regional leader. Costa Rica remains among the most stable nations in the hemisphere. The Government of Costa Rica (GOCR) has for decades proven itself a strong ally in promoting economic development and integration, human rights, and regional stability. Costa Rica has become a staunch U.S. partner in the fight against international crime, greatly expanding and complementing U.S. law enforcement efforts in the region. The almost-finalized U.S. - Central America Free Trade Agreement would provide an important opportunity for Costa Rica to attract investment, create jobs, and deepen economic integration with its Central American neighbors as well as with the United States.

As a relatively prosperous nation with a strong, diverse economy, Costa Rica benefits from fewer direct U.S. aid programs than most of its regional neighbors. Nevertheless, because of its peaceful history and its democratic traditions, the assistance the United States provides to Costa Rica is a sound investment. Although Costa Rica does not maintain a traditional military, the International Military Education and Training (IMET) program promotes the U.S. goal of ensuring peace and regional security. The FY 2005 IMET request will continue training to further professionalize law enforcement officers and coast guard personnel through courses such as patrol craft commander training, rule of law and discipline in police operations.

The GOCR recognizes the growing threat it faces from narcotrafficking and has become one of the most important U.S. counterdrug allies in the region. The United States provides INCLE funds from regional allotments to help support Costa Rica's expanding programs, which amplify and reinforce U.S. hemispheric law enforcement efforts. These funds finance a variety of initiatives to strengthen law enforcement capabilities and to provide the law enforcement community with the tools to do its job. In 1999 Costa Rica became the first country in Central America to sign a Bilateral Maritime Counternarcotics Agreement with the United States.

Costa Rica will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Costa Rica is consistent with U.S. efforts to reduce the drug flow and to promote regional stability in Central America. Most EDA will be used to enhance counternarcotics capabilities, including communications equipment and air and maritime assets. Costa Rica's political stability and commitment to democracy is unusual in Latin America. Internal security is maintained by local police and by lightly armed security forces under the Ministry of Public Security. (Costa Rica abolished its military in 1948.) The transfer of EDA demonstrates USG support of Costa Rica's democracy and encourages interoperability and the modernization of equipment.

Cuba
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	6,000	6,959	9,000

U.S. national interests in Cuba include fostering an open economy, democracy, and respect for human rights; protecting American citizens; and controlling U.S. borders by ensuring safe, legal, and orderly migration from Cuba.

U.S. policy encourages a peaceful transition to democracy in Cuba, thereby averting instability in a post-Castro Cuba that could provoke massive illegal immigration and make it difficult to control U.S. borders. The requested funding will be used to increase the flow of alternative information to the island, strengthen civil society, and increase the Cuban people's openness to reforming an inherently unstable system that remains dependent on a single person, Fidel Castro.

In support of this policy, Economic Support Funds (ESF) back public diplomacy to promote democratization, respect for human rights, and the development of a free market economy in Cuba. By increasing information about U.S. policies and the success of market economies around the world, public diplomacy efforts encourage Cuban aspirations for a democratic political system and a free market economy.

Support for democracy serves the U.S. interests in orderly migration and regional stability. Eventual progress by the Cuban regime toward preparing for a peaceful transition to democracy and a market economic system would substantially reduce the pressures for illegal migration to the United States. In support of democracy and civil society, ESF provides grants to U.S. universities and NGOs to:

- Provide a voice to Cuba's independent journalists;
- Build solidarity with Cuba's human rights activists;
- Help develop independent Cuban NGOs;
- Provide direct outreach to the Cuban people; and,
- Further planning for future assistance to a transition government in Cuba.

Dominican Republic

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	12,508	12,700	11,354
DA	8,631	10,982	8,324
ESF	3,000	2,982	3,000
FMF	300	2,000	1,500
IMET	570	800	1,100
Peace Corps	3,090	2,351	2,970

The principal U.S. interests in the Dominican Republic are promoting economic stability and U.S. exports, defending Homeland security by deterring illegal immigration, fighting international crime and drug trafficking, and strengthening democracy.

The United States will use Economic Support Funds (ESF) and Development Assistance (DA) to improve the administration of justice, combat corruption, and improve basic education and competitiveness. Technical assistance and training will be provided to: 1) improve administration of the courts, prosecutors' offices, police and public defense service; 2) strengthen the investigation, prosecution and management of criminal cases; 3) strengthen government accountability through the Inspector of Tribunals and the Public Ministry's Anti-Corruption Unit, among other mechanisms; and 4) support civil society advocacy for justice sector reform. Programs will also further the National Competitive Strategy, which helps integrate production and marketing of small and micro-enterprises.

Child Survival and Health funding (CSH) will address the causes of rural poverty and help build a more competitive and equitable society. Programs will focus on improving basic health services, including providing significantly expanded HIV/AIDS activities to reach more Dominicans. Attaining this goal will reduce incentives for illegal immigration and Dominican participation in drug trafficking and other international criminal activities, while helping to make the Dominican Republic a more attractive environment for American investors and tourists.

International Military Education and Training (IMET) funds will provide technical and professional training, including assistance designed to increase awareness on the part of the Dominican security forces of their role in ensuring respect for human rights and the rule of law. Foreign Military Financing (FMF) funds will sustain naval security and maritime interdiction capabilities by providing communications equipment, training, spare parts and operations and maintenance support. FMF will train Dominican forces capable of responding to terrorist threats, improve interoperability through joint operations and provide logistical support to newly acquired helicopters and repair parts for EDA Coast Guard vessels, as well as fund deployment of a training specialist. Additionally, FMF will be used to acquire tactical communications that will facilitate coordination of the military's natural disaster response efforts.

Under the Latin America Regional allocation, International Narcotics Control and Law Enforcement (INCLE) funds will strengthen Dominican efforts to counter narcotics trafficking and international crime in support of the U.S. goal of increasing Homeland Security. Projects will improve security at Dominican airports and container seaports, strengthen anti-alien smuggling intelligence and develop the investigative capacity of the anti-money laundering unit.

The Dominican Republic will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to the Dominican Republic will

contribute to U.S. interests by increasing indigenous capabilities to respond to natural disasters and provide humanitarian relief, reducing the need for direct U.S. assistance in the wake of future emergencies. EDA will also strengthen the capability of the Dominican armed forces for counternarcotics missions.

Eastern Caribbean

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	782	3,330	1,350
IMET	686	875	800
Peace Corps	2,787	3,010	3,579

The principal US interests in the seven countries of the Eastern Caribbean – Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines – are preventing and combating transnational criminal activity against the United States, including terrorism, narcotics trafficking, alien smuggling, and financial crimes. U.S. assistance to the region strengthens the ability of the Eastern Caribbean countries, which make up a significant portion of the “third border” of the United States to combat these threats. A more secure, stable region generates expanded markets for U.S. goods and services, ensures safe and secure destinations for U.S. tourists and investments, ensures respect for the rule of law, safeguards important global resources, retards the transmission of HIV/AIDS, and strengthens respect for democratic values. A decline in the Eastern Caribbean’s political and economic stability would have a direct impact on the United States – heightening the vulnerability of Caribbean nations to be used as bases of operation for unlawful activities directed against the United States, particularly drug-trafficking and financial crime, and increasing the level of illegal immigration to the United States from these countries.

A major U.S. goal in the Eastern Caribbean is to increase the capacity of national security forces of the region to deal with the above threats. The Eastern Caribbean nations will also benefit separately from Economic Support Fund (ESF) under the Third Border Initiative, which will improve border security in the region. At the same time, the United States seeks to strengthen the ability of the Caribbean Regional Security System (RSS), comprised of national security organizations of the seven Eastern Caribbean states, to meet these challenges as an effective collective organization. Foreign Military Financing (FMF) will focus on enhancement of and preventive maintenance to sustain the region’s maritime and ground service operational capabilities and readiness for counter-drug operations, illegal migrant interdiction, search and rescue, and disaster relief efforts. International Military Education and Training (IMET) funding and joint exercises will be used for professional military education, civil-military relations, and technical training.

The seven countries of the Eastern Caribbean will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used in the region to promote interoperability and modernization of equipment.

As small island economies with limited ability to diversify production, high sensitivity to global economic conditions, environmental fragility, and susceptibility to hurricanes and other natural disasters, the nations of the Eastern Caribbean are particularly vulnerable. As part of the Caribbean Regional allocations, Development Assistance (DA) and Child Survival and Health Program (CSH) funds will help implement a strategy in the Eastern Caribbean that addresses several areas:

- DA will improve the business environment to meet international standards. Funds will support public and private sectors in the region to expand domestic and export markets for goods and services, reduce barriers to trade and investment, stimulate a more conducive business environment, and support micro and small businesses.

- A regional environmental program will promote the use of best environmental management practices; define and reinforce sustainable tourism policies and compliance measures; and strengthen the private sector's capacity to access financing for environmental programs.
- DA will improve the operating environment of courts in the Eastern Caribbean through computerization and streamlined case-flow management, promote a fuller use of alternative dispute resolution methods, and improve court reporting. Funds will also provide judicial and administrative training to judges, magistrates, and court staffs.
- Finally, we will focus on strengthening the capacity of NGOs and community based organizations to deliver HIV/AIDS prevention programs, in addition to increasing government capacity to implement an effective HIV/AIDS response.

Ecuador
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	30,896	35,000	26,000
CSH	-	-	351
DA	7,127	6,821	6,953
ESF	14,500	12,923	13,000
FMF	990	6,955	2,000
IMET	645	650	300
NADR-SALW	-	200	100
Peace Corps	2,993	2,970	3,684

Geographically and figuratively at the center of the Andes, Ecuador represents a peaceful bulwark against the narco-trafficking and terrorist violence that has dominated the recent history of its larger neighbors, Peru and Colombia. It has, in fact, become a leader in efforts to rally regional cooperation in countering the security threat represented by Colombia's illegal armed groups. Unfortunately, because of continued economic struggles, a fractious political system and chronic corruption, Ecuadorian governments enjoy little stability and are often hobbled by competing internal pressures. To strengthen and consolidate Ecuador's democratic institutions, the United States will work with the freely elected government to address the country's serious economic and financial weaknesses, as well its security concerns, to create a more stable and prosperous Ecuador. Included in these efforts is a continuing emphasis on the promotion of human rights, the disruption and interdiction of narcotics trafficking and terrorism, and the advancement of sound environmental policies.

Located in the heart of the source zone for coca cultivation and with important coastal access, Ecuador is constantly aware of the dangers of the drug industry and has become a staunch counter-drug ally of the United States. With Andean Counterdrug Initiative (ACI) funding, we support a range of efforts to improve the professionalism and counternarcotics capabilities of Ecuador's national police and military. Programs also help the judiciary and are promoting the creation of a new anti-money laundering statute. ACI funds will continue to support programs on Ecuador's vulnerable northern border region, but will also assist maritime and coastal cooperation to counter possible exploitation of Ecuador's strategic position for the transshipment of narcotics, precursor chemicals, and arms. To complement this assistance to the Government of Ecuador's security forces, ACI funds will also attempt to mitigate the economic allure of the illegal drug industry by supporting economic development programs in areas that are at particular risk.

The GOE is concerned about the potential spillover of narcotics production, crime, violence, and terrorism from Colombia to its north. To prevent this, the GOE must improve its control of its northern border with Colombia by building on earlier gains in the readiness, mobility, and communications capability of key units with the aim of restricting the flow of chemical precursors, arms, and other supplies to southern Colombia. ACI funding will provide some support for these programs.

Economic Support Funds (ESF) will increase support for the democratic system by strengthening the justice system, building democratic local governance, fighting corruption, and supporting free and fair elections. Other funds will foster economic opportunity and reduce poverty by improving the macroeconomic environment for more equitable growth, develop a strong and sustainable microfinance sector in Ecuador, increase access to services by micro-entrepreneurs, and conserve biodiversity by strengthening natural resources management. The Peru-Ecuador Peace account will improve social and economic conditions for the people living along the Peru-Ecuador border.

High oil prices and remittances help the economy survive despite a slow growth rate, but Ecuador remains a poor country with low income and underemployment. FY 2005 Development Assistance (DA) funds will strengthen the private sector to spark job and income generation. Because long-term sustainability is key to meaningful economic development, DA programs will also promote responsible use of Ecuador's resources, including management and conservation efforts in the Galapagos Islands and other key areas of Ecuador, which has the greatest biodiversity per hectare of any country in South America. Child Survival and Health (CSH) funds support programs that expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children and other vulnerable populations.

The International Military Education and Training (IMET) program for Ecuador will enhance Ecuadorian military professionalism and technical expertise, and help further consolidate civilian control of the military.

To prevent spillover of narcotics production and related crime, violence, and terrorism, Ecuador must increase its control of its northern border with Colombia. In particular, it must improve the readiness, mobility, and communications capability of key units to restrict the flow of chemical precursors, arms, and other supplies to southern Colombia. The general lack of security along Ecuador's border with Colombia is also a major obstacle to executing U.S.-supported economic development programs. Because Ecuadorian forces are deficient in mobility and communications, Foreign Military Financing (FMF) support will focus on providing tactical vehicles, communications equipment, equipment to enhance coastal and riverine mobility, and logistics packages for all three services of the armed forces. FMF will also be used to support operations and maintenance of logistical aircraft.

Ecuador is eligible in FY 2005 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. FMF and IMET funding for the army will focus on improving the training, equipment, and mobility of forces on Ecuador's border with Colombia. Equipment will include such items as night vision devices, communications, and vehicles. Support for the air force includes spare parts, and training and to improve the air force's airlift and mobility capacity. Additionally, training, spare parts, and communications assistance will assist riverine and coastal units involved in interdiction. NADR Small Arms and Light Weapon funds will be available to help the GOE destroy unstable ammunition and excess military weapons.

El Salvador
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	9,800	7,150	8,871
DA	26,334	28,605	17,342
FMF	2,480	3,000	2,750
IMET	1,165	1,200	1,600
NADR-SALW	50	-	-
P.L. 480 Title II	1,809	-	-
Peace Corps	2,466	2,102	2,675

The principal U.S. interests in El Salvador are supporting democracy, fighting international crime and illegal drugs, encouraging economic development, deterring illegal immigration, and promoting U.S. exports. The benefits of this policy are internal and regional stability, fewer criminal threats to the United States, reduced illegal immigration, and increased trade. El Salvador is a regional model for economic, military, and institutional reform.

Because widespread violent crime represents the greatest threat to Salvadoran democracy and stability, programs funded by International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funds will emphasize reconstruction of police facilities, the strengthening of police management systems, including internal affairs and investigative functions, and the implementation of U.S.-style community policing strategies. INCLE will continue to provide police training and technical support specifically related to counternarcotics as well as technical support to combat money laundering.

Broad-based economic development in El Salvador will improve prospects for U.S. exports and help reduce the pressures driving illegal immigration. One of the greatest prospects for this economic growth is through ratification of a U.S.-Central America Free Trade Agreement (CAFTA). Development Assistance (DA) will be used for trade capacity building, to assist the Government of El Salvador to benefit from free trade regimes. DA programs will continue to assist the rural poor by expanding access to economic opportunity, clean water, and better health services. Funds will be targeted at rural areas and used to improve access to potable water, as well as to reduce family health problems and diseases through improved medical care. To directly support open markets, U.S. exports, and global economic growth, DA will be used to provide government training for energy market deregulation and technical assistance for improved revenue collection. The program will continue to strengthen democratic institutions by helping local officials to be more responsive to constituents, bolstering the capabilities of the legislative and executive branches of government, broadening political participation, and promoting judicial reform.

Child Survival and Health (CSH) funds will improve child survival through activities that provide water supply and sanitation services to rural communities, prevent and control sexually transmitted diseases, and support efforts to improve the quality of and access to reproductive health services and practices.

International Military Education and Training (IMET) funds will be used for professional training programs that will sustain the reform of the Salvadoran military. El Salvador will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to El Salvador will contribute to U.S. interests by reducing the burden placed on the United States in responding to natural disasters and providing humanitarian assistance. EDA will be used to foster defense cooperation and enable the Salvadoran military to respond more effectively to contingencies such as Hurricane Mitch and the 2001 earthquakes. EDA will also increase the ability of the Salvadoran armed

forces to support efforts to fight drug trafficking and will assist efforts to help the Salvadorans shift from combat-oriented units to units that can support peacekeeping operations.

El Salvador has proven to be an enthusiastic and reliable partner and has deployed 360 troops to Iraq in support of Operation Iraqi Freedom. It is home to one of the three Forward Operating Locations (FOL) in the hemisphere, which support the U.S. priority of counterdrug operations in the Pacific corridor and Colombia. The Salvadoran Legislative Assembly ratified the FOL agreement in August 2000, and since that time, FOL operations have been responsible for the interception of over 85 metric tons of cocaine. El Salvador is a transit point for illegal immigration and drugs to the United States, and Foreign Military Financing (FMF) will allow the Government of El Salvador to better patrol its borders. These funds will also be used to improve the navy's interdiction capabilities and availability to participate in joint maritime interdiction efforts through the acquisition of communications equipment, training, as well as operations and maintenance support. FMF will be used for spare parts to help restore and sustain the significant U.S. investment in the 1980-90's in EDA UH-1 helicopters, maritime vessels, and engineering equipment, used today for counternarcotics operations and for post-disaster reconstruction. Disaster relief has created a needed and positive role for the military, helping to erase years of popular mistrust of the armed forces and preparing the government of El Salvador to deal with future emergencies and to participate in coalition operations such as those in Iraq.

Guatemala
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	12,017	11,400	9,723
DA	14,810	11,099	6,647
ESF	6,500	4,971	4,000
IMET	350	350	300
INCLE	2,500	3,000	2,820
P.L. 480 Title II	16,673	11,154	17,631
Peace Corps	4,326	4,050	4,146

The United States has an interest in promoting political stability and economic growth in Guatemala – the largest economy in Central America – and in improving bilateral cooperation to combat international criminal activities. The inauguration of a new government in January 2004 provides the United States with a window of opportunity to create a more effective partnership with Guatemala across a range of national security-related issues, including narcotics trafficking, illegal immigration, military reform and corruption. The innovative CICIACS (Commission for the Investigation of Illegal Bodies and Clandestine Security Apparatuses) initiative offers an unprecedented opportunity for Guatemala to uncover and fight organized crime and its links to human rights abuses. As Guatemala’s key trade partner, the United States also has an important interest in encouraging an open trading system and a healthier investment climate to attract U.S. investment and provide a robust market for U.S. exports. Negotiations for a U.S.-Central America Free Trade Agreement (CAFTA) provide an important opportunity for Guatemala to attract investment, create jobs, and deepen regional economic integration. The considerable number of resident and tourist American citizens in Guatemala are directly benefited by U.S. assistance to improve Guatemalan law enforcement and administration of justice.

Support for full implementation of the 1996 peace accords is a cornerstone of current U.S. policy towards Guatemala. Implementation will create positive socio-economic change that will maintain stability, foster greater political legitimacy, and promote broad-based economic growth. FY 2005 Economic Support Funds (ESF) will strengthen key elements of a functioning democracy: the justice system and service delivery. To strengthen the rule of law, technical assistance and training will improve coordination, efficiency, and responsiveness to community needs through decentralized justice centers. Technical assistance and training will also focus on improving transparency and accountability of government through support for decentralization of decision-making and authority to local levels. Development Assistance (DA), and P.L. 480 food aid will support national reconciliation, human capacity development, anti-poverty programs, and modernization of the state (e.g., justice system, tax reform, and modernizing local governments). Funds will also support democratic development programs, improved access to quality education services, better health care for rural women and children, and rural incomes and food security through sustainable natural resource development. ESF-funded programs to enhance administration of justice will help the government strengthen criminal justice institutions, including the police, as well as enforce laws related to protection of intellectual property, worker rights, and other human rights.

Child Survival and Health (CSH) funds will support Government of Guatemala efforts to ensure healthier, better-educated people and improve social sector investments and transparency. Working through the Ministry of Health (MOH) and NGOs that provide health services, the program will support quality maternal child health and nutrition services, prevent HIV/AIDS, and improve health and nutrition practices.

International Military Education and Training (IMET) will support the ongoing transition to civilian control of the armed forces and promote further military professionalism, both key peace accord objectives. IMET funds will provide Expanded IMET courses to military officers and civilians to promote civilian control of the military, instill respect for human rights, improve the military justice system, enhance management of defense resources, and support Guatemalan Army efforts to participate in International Peacekeeping operations. Guatemala is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be granted on a limited case-by-case basis to assist the armed forces in promoting the peace process, enhance interoperability and modernization efforts, enhance their ability to support civilian law enforcement efforts against drug traffickers and traffickers of persons, and strengthen humanitarian and disaster response capabilities.

Guatemala's strategic location makes it a significant transit point for narcotics flows destined for the United States. FY 2005 International Narcotics Control and Law Enforcement (INCLE) funds will support U.S. - Guatemalan counternarcotics cooperation by providing training and equipment for the anti-narcotics division of the national civilian police force and specific military units that are responsible for interdiction and eradication, and by assisting in modernizing the judiciary to reform anti-drug and money laundering legislation.

INCLE funds will expand the activities of prosecutors and investigators involved in money laundering, anti-corruption and counternarcotics investigation task forces. They will also support an aggressive public awareness campaign on the damage inflicted by drug abuse and trafficking, and continue ongoing ports of entry security projects. Such measures will help reduce the flow of cocaine and other illegal drugs to the United States and deter other organized criminal activity. Improved law enforcement and administration of justice programs will contribute to the protection of American citizens in Guatemala from growing criminal and other public security threats and will create a climate conducive to building democratic institutions.

Guyana
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	4,200	1,700	1,700
DA	2,180	2,750	4,957
FMF	390	95	100
IMET	316	375	300
Peace Corps	1,321	1,369	1,757

U.S. interests in Guyana focus on bolstering democratic institutions, which are directly threatened by political and ethnic unrest. In 2002 and 2003, the dramatic increase in violent crime, and the inability of law enforcement institutions to cope with the situation, also undermined democratic governance. Additional strengthening and deepening of these institutions is essential to the long-term development and stability of Guyana.

In FY 2005, Development Assistance (DA) funds will continue to strengthen the law-making and regulatory process, increase the capacity of civil society organizations, encourage the growing participation of women in government, and build sustained institutional capacity to conduct free and fair elections. A new DA-funded media activity will improve the media's capacity to critically analyze and report on policy issues and conduct investigative reporting. In the justice sector, alternative dispute resolution (ADR) methods for civil cases will be further developed and possibly expanded to criminal cases. Mechanisms will be developed to promote inter-ethnic cooperation and resolve conflict both at the national and local levels.

Guyana's economic development and political stability are closely linked. Economic growth since 1998 has been negligible. Guyana is one of the poorest countries in the hemisphere with a per capita income of about \$1000. In 1999 Guyana qualified for debt relief under the initial stage of the Heavily Indebted Poor Countries (HIPC) initiative. In late 2003, Guyana met its completion point criteria for additional debt reduction under enhanced HIPC. However, given the small size of the domestic market, renewed growth must come largely from exports. Increased exports will require a radical improvement in the business climate, diversification of the economic base and the restructuring of traditional sectors. DA funds seek to improve the climate for private investment, enhance Guyana's capacity to execute sound economic policy, strengthen the private sector's ability to influence the development of these policies, and provide increased services in support of small and micro enterprises. While markets and investment opportunities are limited, the slow opening of Guyanese markets will create small niches for U.S. exports.

The Guyana Defense Force (GDF) remains inadequately funded, but bilateral military cooperation is growing. FY 2005 Foreign Military Financing (FMF) will purchase communications equipment spare parts for vehicles, aircraft, and associated training. Guyana will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA boats and International Military Education and Training (IMET) will significantly boost the GDF Coast Guard's ability to interdict narcotics transiting Guyana, as well as promote civil affairs and improve crisis management. IMET funding will increase the professionalism and capabilities of the GDF and strengthen regional stability.

Guyana has the second highest HIV prevalence rate in the Latin American/Caribbean region and is one of 15 countries identified for the President's Emergency Plan for AIDS Relief (PEPFAR). As such, it will receive a portion of the \$1.45 billion requested for the Global HIV/AIDS Initiative (GHAI) account in

FY 2005, in addition to bilateral assistance noted in the above table. Country program allocations of GHAI funds have yet to be finalized. In FY 2005, Child Survival and Health Programs Funds (CSH) will be used to continue implementation of a comprehensive HIV/AIDS program, increase the number of HIV positive persons on anti-retroviral treatment, increase the number of persons infected and affected by HIV and AIDS receiving care and support services with a particular focus on orphans and vulnerable children, and prevent new infections. Partners will include the Government of Guyana, the private sector, faith-based organizations and community-based organizations.

Guyana is increasingly a transit point for narcotics destined for the United States and Europe. A small USG counternarcotics/crime program is funded through the International Narcotics Control and Law Enforcement (INCLE) Latin American Regional program. The program provides limited equipment and training to aid Guyana's under-equipped and inexperienced counternarcotics agencies. With USG help, Guyana established a Joint Information Coordination Center for counter narcotics information. INCLE funds are being used to equip a new Financial Investigations Unit, which should begin functioning in the first quarter of CY 2004, to assist with implementation of Guyana's anti-money laundering law. INCLE funding will also be used to strengthen security at Guyana's ports by providing training and equipment to Guyana Customs inspectors.

The Embassy is also assisting the Government of Guyana to draft effective counter narcotics/crime legislation and other modern anti-crime statutes. DA programs to strengthen the rule of law and increase the effectiveness of the judicial system will reinforce these other law enforcement programs.

Haiti

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	19,207	19,626	16,525
DA	13,999	8,119	7,963
FMF	390	295	300
IMET	51	200	150
P.L. 480 Title II	36,580	24,693	27,000
Peace Corps	1,660	1,601	2,074

U.S. interests in Haiti include promoting democracy and respect for human rights, stemming the flow of undocumented migrants and illegal drugs into the United States, fighting famine, HIV/AIDS, and encouraging economic development. The U.S. is by far the lead exporter to, and investor in, Haiti. Haiti's severe migration, drug, HIV/AIDS, political and economic problems have regional implications.

Haiti is classified by the World Bank as a low-income country, one of only two such nations in the Western Hemisphere. With an annual per capita Gross Domestic Product (GDP) of only about \$420, negative overall real GDP growth since 1990, and deep unemployment and underemployment, Haiti's short- and medium-term economic prospects are grim. Two-thirds of all Haitians live below the absolute poverty line, unable to meet minimum daily caloric requirements. This fact alone is enough to send thousands of undocumented migrants headed toward U.S. shores annually, often in boats totally unsuited to crossing 600 miles of open sea.

U.S. bilateral assistance, largely channeled through non-government organizations (NGOs), supports U.S. national interests by averting a humanitarian crisis and promoting democratic and economic development in Haiti. U.S. programs to reduce poverty and improve health directly address conditions that contribute to illegal emigration to the United States. Strengthening Haiti's ability to stop the use of its territory for shipping illegal narcotics to the United States responds to a key U.S. domestic and international policy concern. Building the capabilities of Haitian civil society and political parties furthers the substantial U.S. effort since the 1994 intervention to complete the transition to democracy after Haiti's long history of undemocratic and repressive rule.

U.S. assistance in Haiti is focused on the most vulnerable: those suffering from chronic malnutrition, communicable disease, and illiteracy. U.S. food aid (PL-480), health, micro-enterprise lending and agriculture export promotion activities have a very real and positive impact on poor Haitians.

Outside of sub-Saharan Africa, Haiti is the country most severely affected by HIV/AIDS, with an HIV/AIDS prevalence rate of between 4.5 and 6%. The U.S. is the largest bilateral donor for HIV/AIDS prevention and care in Haiti, using a public/private partnership to provide a comprehensive set of HIV/AIDS prevention and education activities to reduce the rate of new infections as well as programs to provide care and support for those already infected or affected by the disease. As one of the focus countries of the President's Emergency Plan for AIDS Relief, Haiti will receive a portion of the \$1.45 billion requested for the Global HIV/AIDS Initiative account to expand comprehensive and integrated prevention, care and treatment programs.

Child Survival and Health (CSH) funds will improve the health and wellbeing of women and children, reduce malnutrition, help families make informed reproductive decisions and slow the spread of tuberculosis, HIV/AIDS and other sexually transmitted or infectious diseases.

Haiti's progress toward institutionalizing democracy as set forth in the 1987 Haitian Constitution has been stymied by the absence of political will in the Government of Haiti (GOH). Civil society is increasing pressure on the government to end authoritarian and corrupt practices and human rights abuses. Prospects for progress toward good governance remain poor. The Organization of American States (OAS) Special Mission, established in March 2002, is charged with working with the GOH to meet democratic and other benchmarks set out in OAS Resolution 822. The U.S. has been the principal supporter of the Special Mission.

Haiti's military was disbanded and replaced by a completely new civilian police force, the Haitian National Police (HNP), in 1995. International Military Education and Training (IMET) will be focused on courses that enhance HNP operational and logistics skills, to provide an increased level of police professionalism during participation in counternarcotics operations to include combined operations with the United States. Foreign Military Financing (FMF) will be used to enhance maritime interdiction and interoperability capabilities. Funds will support the purchase and installation of communication equipment, provision of spare parts and maintenance for patrol vehicles and the Haitian Coast Guard, an important partner in our efforts to combat transnational crime.

Haiti remains eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA will promote our long-standing interests in strengthening democracy and reducing the flow of illegal narcotics and undocumented aliens. Receipt of EDA, such as boats for the Haitian Coast Guard, will increase Haiti's capacity to patrol its coastline to interdict drug traffickers and alien smugglers.

Honduras
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	13,400	12,777	10,777
DA	24,112	22,367	19,925
FMF	168	2,000	1,500
IMET	724	1,000	1,100
P.L. 480 Title II	10,479	2,406	11,916
Peace Corps	4,418	3,615	4,436

Honduras, a close neighbor and staunch long-time U.S. ally, continues to recover from the impact of the massive devastation caused by Hurricane Mitch in late 1998. The United States led the international effort to rebuild Honduras and continued U.S. assistance will be used to ensure the continuity of social and economic programs linked to the reconstruction process.

United States assistance focuses upon a number of the chronic problems that plague Honduras: weak democratic institutions; limited modern infrastructure; weak social, public security and judicial systems; rising crime; the slow-paced economic reform; and the highest prevalence of HIV/AIDS in Central America. Addressing these problems supports U.S. national interests by providing market and investment opportunities for U.S. businesses; promoting employment (and thereby discouraging illegal immigration); strengthening democratic institutions, the rule of law, and social systems; providing greater legal protection and security for U.S. citizens and firms; deterring narcotics trafficking and other criminal activity; and ensuring regional stability.

U.S.-Honduras bilateral relations are strong. The Government of Honduras, a strong supporter of the war on terrorism, signed and ratified an ICC Article 98 Agreement with the United States and has deployed troops to Iraq in support of Operation Iraqi Freedom. The government has also significantly increased efforts to interdict illegal drugs en route to U.S. markets, seizing more cocaine in 2003 than in the past five years combined. In addition, the government is working diplomatically to resolve a series of border disputes, thereby improving regional stability.

While there has been notable political progress in such key areas as respect for human rights and military subordination to civilian control over the last two decades, President Ricardo Maduro's efforts to improve educational opportunities, to undertake significant political reform, and to transform the economy during his first two years in office have been stymied. In February 2002, a new criminal procedures code, which established an oral trial system, entered into force. Still, the country's law enforcement and judicial institutions are weak and corruption is endemic. The public's number one concern is personal security.

In July 2000, Honduras reached its decision point under the Highly Indebted Poor Countries Initiative, qualifying the country for interim debt relief, and, in October 2001, the International Monetary Fund (IMF) approved a third-year IMF program. However, because of a stagnating economy and a large fiscal deficit, Honduras missed its IMF targets in 2001. The Honduran government signed a letter of intent with the IMF in late 2003 and the National Congress subsequently passed the legislation required as a precondition for an IMF agreement. The Government of Honduras is expected to meet all preconditions in early 2004. Currently, Honduras' economic outlook is clouded by relatively low prices for agricultural exports and sluggish private investment and economic growth.

In FY 2005, U.S. Development Assistance (DA) funds will support the diversification and competitiveness of the Honduran economy and provide trade capacity building capabilities to meet the challenges and opportunities afforded by the U.S.-Central America Free Trade Agreement (CAFTA). Assistance for more effective natural resource management and disaster preparedness will be provided. Child Survival and Health (CSH) funds for HIV/AIDS activities will continue and will complement the Global Fund for Fighting Aids, which will launch a five-year effort in Honduras, which is the epicenter of the HIV/AIDS epidemic in Central America. Democracy and governance programs will focus on strengthening the judicial system, decentralization efforts, municipal development, and civil society development. New funding for civil society, anti-corruption and electoral reform efforts will allow the U.S. to capitalize on the current political momentum to advance fundamental changes in Honduras's political system. In addition, DA funds will help improve access of rural women and children to basic education and health care. PL-480 funds will improve food security and nutrition for the most vulnerable.

The International Military Education and Training (IMET) program for Honduras will enhance Honduran military professionalism, technical expertise, capabilities in the war on terrorism, and help further consolidate civilian control of the military. Honduras will also be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will improve Honduras' counterterrorism capacities, strengthen narcotics trafficking interdiction efforts, and enable the Honduran Armed Forces (HOAF) to better conduct disaster relief and search and rescue missions.

In spite of economic constraints, the Government of Honduras continues to cooperate on narcotics interdiction. It is creating a new combined military-police unit that should benefit from EDA boats, vehicles, and helicopters. International Narcotics Control and Law Enforcement (INCLE) funds from the Latin America Regional allocation are used to support Honduras' expanding anti-drug programs, which serve to amplify and reinforce our own hemispheric law enforcement efforts.

At significant financial cost, Honduras deployed the first contingent of 370 troops to Iraq in August 2003, with a follow-on deployment expected in February 2004. Foreign Military Financing (FMF) will provide critical maintenance, training, and operational support for the HOAF to help improve regional and coalition operations. It will support our desire to standardize and sustain HOAF equipment currently in use in Iraq for possible future contingency operations. FMF will also enhance maritime interdiction capabilities through the acquisition of communications equipment, spare parts, training and logistics support, and sustain HOAF efforts to maintain the operations of its aging ground and aircraft.

Jamaica
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	3,713	3,117	4,339
DA	13,713	13,234	17,532
FMF	690	597	600
IMET	646	700	700
INCLE	1,200	1,500	1,500
Peace Corps	2,375	2,527	3,165

U.S. interests in Jamaica include stemming the flow of illegal narcotics and migrants, protecting the interests of U.S. investors, ensuring the safety and security of Americans residing on or visiting the island, and assisting Jamaica to play a constructive leadership role among Caribbean countries. U.S. programs seek to support sustainable economic growth, combat narcotics trafficking, bolster the effectiveness of Jamaica's security forces and judicial organs, and alleviate social ills that have a debilitating effect on democratic institutions and respect for the rule of law. The country is beset by challenges such as an anemic economy, drug trafficking, violent crime, corruption, economic degradation, and an overburdened judicial system.

Jamaica is a major Caribbean transit point for South American cocaine en route to the United States, and the largest producer and exporter of marijuana in the Caribbean, much of it to the U.S. market. It is important that Jamaica have sufficient resources to combat narcotics trafficking and the accompanying crime, corruption, and threats to democratic institutions. The Jamaica Defense Force (JDF) has demonstrated during joint counternarcotics exercises with the United States under the bilateral maritime agreement that it is professional and well trained. The Government of Jamaica (GOJ) has agreed to measures to fully implement our bilateral maritime agreement, leveraging limited Jamaican resources through better use of U.S. resources.

Jamaica is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA for Jamaica will be used to support the JDF's role as a stabilizing force in the Caribbean through active involvement in: search and rescue missions, disaster relief, and counternarcotics and peacekeeping operations. It will also aid in enhancing interoperability in U.S.-Caribbean joint exercises. Jamaica plays a significant role in the region's maritime interdiction efforts. FY 2005 Foreign Military Financing (FMF) funds will continue to sustain naval and maritime security by providing valuable technical support, communications equipment, training, spare parts and operations and maintenance for the JDF Air Wing aircraft and navy. Support of the JDF Air Wing and Navy vessels secures Jamaica's borders and complements the naval and maritime effort. Support will also continue for Jamaica Regiment vehicles, soldier equipment, ammunition, weapons, night vision goggles and other equipment. International Military Education and Training (IMET) funding will assist the GOJ by providing training programs that focus on professionalizing the military, developing future leaders, inculcating a better capability in resource management, and instilling a greater respect for human rights among service members.

U.S. counternarcotics funding (INCLE) assists GOJ anti-drug agencies to enhance detection and interdiction capability, as measured by increased drug seizures and drug-related arrests, and to undertake investigations leading to the arrest and successful prosecution of major drug traffickers and other transnational criminals and the dismantling of their criminal organizations. U.S. funding supports implementation by the GOJ of modern anti-crime legislation, as well as the development of effective anti-

corruption mechanisms. U.S.-funded training includes the following topics: investigating and prosecuting complex crimes, anti-money laundering, port security, counter-corruption, and identifying and tracing illicit firearms.

U.S. Development Assistance (DA) programs are helping Jamaica transform itself into a more competitive economy by fostering open trade and reducing constraints that limit growth. Programs also facilitate the protection of natural resources to support growth by encouraging improved environmental practices. Education interventions are focused on increasing the literacy and numerical skills of the country's youth to provide the human resource skills needed in the economy. The program also improves the efficiency and transparency of the justice system and strengthens civil society for increased governance and governmental accountability.

Through Child Survival and Health (CSH) funding, a variety of programs work to improve the health status of Jamaican youth by controlling the spread of HIV/AIDS and other sexually transmitted diseases.

Mexico
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	5,200	3,700	3,230
DA	10,440	17,855	13,915
ESF	11,650	11,432	11,500
IMET	1,250	1,275	1,250
INCLE	12,000	32,000	40,000
Peace Corps	-	1,403	1,621

The United States does not have a more important bilateral relationship in the Hemisphere than it does with Mexico. Bilateral relations have been characterized in recent years by unprecedented cooperation in burgeoning trade, immigration issues, and law enforcement and counter-narcotics. Mexico is the United States' second largest trading partner. Trade has grown from \$81 billion to \$232 billion annually in the last ten years. There are over 400 million legal crossings of our 2,000-mile border a year.

Mexican democracy continues a dynamic transition toward a more open and participatory government. Economic Support Funds (ESF) and Development Assistance (DA) funds will strengthen the rule of law, while supporting greater transparency and accountability in government. Funds will be used for technical assistance and training to support civil and criminal justice reform and greater respect for human rights, and greater access to justice for disadvantaged populations in selected states.

In FY 2005, ESF will be employed under the Training, Internships, Exchanges, and Scholarships (TIES) program in partnership with U.S. universities. The TIES program will provide training opportunities in the United States for young Mexicans who work in areas that stimulate Mexico's economic growth and social development. TIES has two components: academic training in the United States (primarily master's degree-level training); and technical degrees and higher education partnerships (between Mexican and U.S. institutions).

Mexico remains the major transit country for cocaine entering the United States. Because of proximity, Mexican opium and marijuana cultivation is a serious threat, and Mexican traffickers figure prominently in the distribution of cocaine, heroin, methamphetamines, and marijuana in the United States. International Narcotics Control and Law Enforcement (INCLE) funds for FY 2005 will sustain and build upon the progress made since 2001 in interdiction capacity, supporting successful eradication efforts, and enhancing surveillance and intelligence capabilities. INCLE funds will also be used to improve infrastructure at ports of entry and facilitate the legitimate and secure movement of people and goods as part of the U.S.-Mexico Border Partnership signed in 2002.

FY 2005 Child Survival and Health (CSH) funds will be used to support HIV/AIDS and tuberculosis prevention and control programs. These funds will improve the policy environment, working to strengthen the national network of citizen groups and the media. The TB program will strengthen national capacity to plan, administer, and implement prevention and control efforts through better laboratory networks, improved technical skills for staff, and targeted community health education.

DA funds also support microfinance activities, which increase access to financial services by underserved populations. They will build the capacity of microfinance institutions, improve the supervisory system, and leverage remittances for savings and investment.

Finally, DA funds will improve the management and conservation of natural resources in targeted watersheds. Funds will support improved management and clean energy production, increase the community capacity and involvement of local NGOs in natural resource management, and establish alliances among the Mexican government, local communities, and NGOs.

Mexican military cooperation is critical to U.S. homeland defense and counter-narcotics programs. FY 2005 International Military Education and Training (IMET) funds will provide training to strengthen military command and technical capabilities, human rights standards, resource management, and English-language skills. These programs will increase interoperability and cooperation effectiveness in counter-drug and other law enforcement support missions.

Mexico will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Mexico serves high-priority U.S. foreign policy objectives by enhancing Mexico's capabilities in the struggle against the illicit production and traffic in narcotics.

Nicaragua
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	9,830	7,805	6,913
DA	23,460	27,206	25,311
ESF	-	-	2,500
FMF	1,000	495	500
IMET	600	600	600
NADR-SALW	-	300	300
P.L. 480 Title II	16,200	5,662	11,013
Peace Corps	2,667	2,314	2,931

The primary national interests of the United States in Nicaragua are to support and strengthen democratic institutions, foster regional security and prevent international crime, and promote broad-based economic growth. Since the return of a democratically elected government in 1990, Nicaragua has made great strides toward establishing legitimate democratic institutions. President Bolaños' unprecedented and popularly supported fight against corruption has resulted in the conviction and sentencing of former President Aleman and prosecution of other political figures. Nicaragua has also witnessed significant economic change over the past decade, opening its markets and actively seeking foreign investment.

Nicaragua remains the second poorest country in the hemisphere. Government spending, remittances from Nicaraguans abroad, and foreign aid account for a significant portion of economic activity, and the economy has been sluggish since a collapse two years ago in the international price of coffee, long the country's leading export. The government is one of the most indebted in the world on a per capita basis. As a result of successful performance under its International Monetary Fund policy program and other efforts, it is expected to qualify in early 2004 for some \$4 billion in foreign debt reduction under the Heavily Indebted Poor Countries initiative. Even after this reduction, however, the government will continue to bear a significant foreign and domestic debt burden. If ratified, the U.S.-Central America Free Trade Agreement (CAFTA) that was negotiated in 2003 will provide an opportunity for Nicaragua to attract investment, create jobs, and deepen economic integration with its Central American neighbors as well as with the United States. Continuing U.S. engagement remains an important component of Nicaragua's ongoing effort to become a stable, democratic, and more prosperous U.S. regional partner.

Development Assistance (DA) is the backbone of our democracy programs in Nicaragua, which focus upon justice sector reform, civil society strengthening, municipal development, accountability/anti-corruption, and electoral administration reform. Institutions remain weak and subject to manipulation, making U.S. support in each of these areas crucial. DA and Child Survival and Health (CSH) funds support improved access to and quality of basic education, improved health for rural women and children, and food security. DA is also crucial to U.S. efforts to promote sustainable natural resource management and increased rural incomes. Specifically, DA funds support trade capacity development, rural economic diversification, enterprise development (including microenterprise development), infrastructure, and technical assistance to producers, including farmers. PL-480 funds will improve food security and nutrition for the most vulnerable.

The Economic Support Fund (ESF) request for FY 2005 will support the preparation for Nicaragua's national elections in 2006 and trade capacity building. The electoral assistance is critical both for preparing the environment for free and fair elections and for developing oversight mechanisms required for the administration of elections. Part of the ESF will be used to strengthen the electoral commission. In

addition, we will work with NGOs to support development of a domestic monitoring capability that oversees not only the election event, but also the process by which voters are registered and candidates vie to compete in the election. Funds for trade capacity building funding will further develop Nicaragua's policy environment to help Nicaragua take full advantage of CAFTA, reinforce institutional mechanisms so Nicaragua can live up to its CAFTA commitments, and support competitiveness in Nicaragua's evolving economy.

Success in protecting and promoting U.S. national interests in Nicaragua depends in part on how well narco-trafficking and other transborder crime is addressed. International Narcotics Control and Law Enforcement (INCLE) Latin America Regional funds have reinforced our own law enforcement efforts in the region. We are currently providing training and equipment to the anti-drug division of the Nicaraguan National Police and seek to strengthen the interdiction capabilities of Nicaragua's maritime forces by providing "fast boats" and rebuilding the GON's larger patrol vessels. Justice improvement and anti-corruption projects will fortify this work on the institutional level.

International Military Education and Training (IMET) funds serve both to promote regional security and to strengthen democratic institutions. The Nicaraguan National Army, once at the service of Sandinista political leadership, has made significant strides in professionalizing and depoliticizing its officer corps, and in submitting to the direction of a civilian President. To continue this process, IMET will be used to provide courses in professional military education, to include command and staff colleges, military resource management, human rights, and the role of a modern military within a democratic framework. These courses are crucial if Nicaraguan civilian leaders - many of whom have little direct experience with military institutions - are to lead the military effectively.

Foreign Military Financing (FMF) will support maritime interdiction by helping to build and sustain Nicaragua's limited capacity in naval and maritime security by providing communications equipment, training, spare parts, and operations and maintenance support. Nicaragua sent forces to Iraq in support of the coalition, and upon their return it will be important to use FMF to sustain their equipment in preparation for future regional or coalition operations. FMF support to ground forces will focus on communications equipment, specialized equipment such as night vision devices, personal equipment, and logistical support to enhance mobility. This equipment will also improve the Army's capability to conduct counternarcotics, counterterrorism, disaster relief, and search-and-rescue missions. Nicaragua is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to the GON will likewise strengthen the military's capacity to interdict narcotics flows and conduct disaster relief and search-and-rescue missions.

Organization of American States/Inter-American Development Bank (OAS/IADB) Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds in Nicaragua go to fund one of the most successful humanitarian demining operations in the Western Hemisphere - another crucial aspect of our efforts to ensure peace, economic development, and regional stability. In the past, U.S. humanitarian demining contributions for Central America were directed to the OAS to fund various programs throughout Central America. Of the regional work that remains, most is in Nicaragua. FY 2005 funds will continue to support clearance in the Northern Atlantic Autonomous Region and mine detection dog operations.

As a result of its civil war in the 1980s, Nicaragua still maintains excess Small Arms/Light Weapons stocks, at risk of leaking into conflicts in Latin America, as well as into Africa and the Middle East. In FY 2005 we plan to support the GON's efforts to destroy some of those weapons and secure their inventories.

Panama
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	4,500	6,487	6,000
DA	5,499	5,322	5,446
ESF	3,000	2,982	3,000
FMF	990	2,000	1,500
IMET	209	400	600
NADR-EXBS	50	25	25
Peace Corps	2,442	2,333	2,843

Panama remains important to U.S. national interests following the transfer of the Panama Canal on December 31, 1999. The United States continues to be concerned with the secure operation of the Canal. The Colon Free Zone is the largest free trade zone in the Hemisphere, Panama is a major overseas financial center and, with 6,300 vessels flying the Panamanian flag, the world's largest ship registry. Panama's strategic location between South and North America makes it a crossroads for international commerce, but also a center for illegal activity such as drug trafficking, money laundering, trafficking in arms, and illegal immigration. Panama is affected by Colombia's civil conflict, including refugees and armed incursions by insurgents. The United States must continue cooperative efforts with Panamanian law enforcement and other government and non-governmental entities to counter transnational crime and help address the effects of the Colombian conflict, especially in the Darien region that borders Colombia, while working with the Government of Panama (GOP) to help assure the security and smooth operation of the Panama Canal. The United States must also continue to encourage and assist Panama to meet maritime security obligations as set forth by the International Maritime Organization.

The United States will continue cooperative programs aimed at interdicting the illegal flow of drugs, arms, and persons through Panama. We will seek to enhance Panama's capability to combat money laundering and other financial activities that support trans-border crimes and terrorism. The United States will increase support to Panama's Public Forces to enhance port, Canal, and maritime security and to help manage the impact of Colombia's civil conflict. Through cooperation between USAID, the GOP, and Panamanian NGOs, the United States seeks to promote environmental protection and management policies and programs designed to protect the Canal watershed. Development Assistance (DA) funds will build GOP and NGO capacity to better manage the Canal Watershed, develop sustainable management of protected areas and maintain environmentally sound activities, such as eco-tourism to generate employment. Funds will continue to support projects to improve the efficiency and fairness of the system of administration of justice and initiate a new governance activity to combat corruption. In FY 2005, democracy/governance projects funded from Andean Counterdrug Initiative (ACI) will develop Panama's border area with Colombia to mitigate illicit activities. Economic Support Funds (ESF) will improve access to justice and alternative dispute resolution, increase accountability and transparency in public management; and strengthen administration of justice at the community level.

Foreign Military Financing (FMF) will augment the GOP's counter-terrorism, security programs and maritime interdiction by developing the Panamanian Public Forces' (PPF) capability to respond to threats against critical infrastructure, specifically the Canal, improving the security posture on the border with Colombia, and by enhancing the PPF's mobility with additional vehicles, riverine patrol craft, communications equipment and logistical packages. Additionally, this support will enhance the PPF's riverine and inter-coastal interdiction capabilities against illegal drugs, arms and alien trafficking in the border region.

The International Military Education and Training (IMET) program will provide training in the rule of law and human rights. IMET courses will develop PPF abilities to respond tactically to threats against the Canal and other infrastructure, using short-duration technical, logistical and operational courses focused on security and counterterrorism.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States provided Nonproliferation, Anti-terrorism, Demining, and Related Programs - Export Control and Related Border Security (NADR-EXBS) assistance funds for a cooperative program to help establish a fully effective export control system in Panama. FY 2005 NADR funding will continue efforts to help Panama establish a national export control law and control list through training programs focused on developing and strengthening export control laws and regulations.

Panama is eligible in FY 2005 to receive EDA on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Panama will bolster Panama's capabilities to provide security for the Canal, secure its maritime borders against international criminal smuggling activities, and deal with possible spillover from Colombia's civil war.

Paraguay
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	1,959	2,125	1,907
DA	3,895	4,140	4,040
ESF	3,000	2,982	3,000
IMET	297	300	250
Peace Corps	3,067	2,570	3,215

The primary U.S. national interests in Paraguay are the consolidation and strengthening of democracy and fortifying the open market system, along with anti-corruption and counter-terrorism efforts. Other interests, which depend on progress on democracy, include fighting transnational crime, promoting responsible regional environmental management, and humanitarian interests such as public health and sustainable development. Economic Support Funds (ESF), Development Assistance (DA) and Child Survival and Health Programs Funds (CSH) will be used to strengthen democracy, help protect the environment, and improve child and maternal health. ESF will promote democracy by strengthening local governments, encouraging reform, and supporting civil-military dialogue and a vigorous civil society. DA funding will offer Paraguay assistance in managing key environmental areas and supporting the environmental community. CSH funds will make family health care more accessible and improve grassroots provision of health services at the community level. These will help stabilize population growth, improve women's health, and reduce maternal and infant mortality and other poverty-related problems.

International Military Education and Training (IMET) funds will help promote democracy in Paraguay and regional stability by increasing the professionalism of military personnel and continuing to develop military respect for civilian authority. IMET funds will be used to train Paraguayan officials and officers at various military schools, with a focus upon civil-military operations and sustaining democracy. By increasing military professionalism, such training reduces the likelihood that civilians will seek to involve the military in politics.

Paraguay is a transshipment point for an estimated 40-60 metric tons of cocaine per year, some of which reaches the United States. International Narcotics Control and Law Enforcement (INCLE) funds from the Latin America regional account will provide training, technical assistance, and equipment to help Paraguayan officials to further develop their law enforcement capabilities to confront cocaine trafficking and money laundering.

Peru
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	128,052	116,000	112,000
CSH	19,912	17,282	13,037
DA	16,437	15,036	10,492
ESF	8,000	7,953	8,000
ESF-REIMB	2,000	-	-
FMF	990	1,730	1,000
IMET	592	700	300
P.L. 480 Title II	26,678	10,125	21,100
Peace Corps	1,410	1,717	2,197

One of the largest countries in South America, Peru maintains a multifaceted relationship with the United States. Our major national security interests focus on consolidating democracy, supporting counternarcotics efforts, and promoting sustainable economic development. Mutually reinforcing successes in these critical areas will foster national stability. However, a real or perceived failure in just one of these areas will undermine progress in the remaining ones. In the Toledo Administration, the United States has a partner committed to working with us to advance our mutual national security interests.

Although Peru is a source country for cocaine, the United States has received sustained cooperation from the Government of Peru (GOP) in counternarcotics activities. FY 2005 Andean Counterdrug Initiative (ACI) funds will provide training, equipment, and technical assistance to Peruvian government agencies charged with implementing counternarcotics-related programs, including law enforcement programs to disrupt coca and opium poppy cultivation, wholesale purchase, industrial-scale processing, and the export of refined coca products. A major program of upgrading aircraft for law enforcement and eradication operations will provide the necessary airlift capability to reach high-altitude opium poppy fields and to carry larger numbers of coca eradication personnel to remote growing areas. Funds will also support the planned Anti-Narcotics Coordination Center, a non-lethal refinement of the past Air Bridge Denial Program.

A key component of the USG's comprehensive counter-narcotics strategy is the ACI-funded Alternative Development Program (ADP). As part of this strategy, the USG in FY 2005 is also using Development Assistance (DA) and Economic Support Fund (ESF) resources to complement ACI funding in the coca-growing region. ADP interventions are focused on: a) providing immediate economic and social impact via temporary income, community organization and other short-term support in communities where coca is being eradicated; b) promoting sustainable economic and social development in and around the primary coca-growing areas via major road rehabilitation and other infrastructure works, technical assistance and training to local/regional governments, other GOP agencies, private sector entrepreneurs and small farmers; c) improving the policy and institutional framework related to alternative development and counternarcotics through studies and technical assistance to key allies; and d) generating political will, encouraging key behavior change, and disseminating accurate information to beneficiaries through a crosscutting communications program.

Coordinated ACI, DA, and ESF funding will enable the GOP both to decrease coca cultivation in key areas and to decrease coca and cocaine movement in source and transit zones. These programs will lower the risk of instability in areas facing the quadruple threat of increased coca cultivation, narco-trafficking, terrorism

and minimal central government presence. Challenges to this effort will be the budding alliance between the narco-traffickers and the Shining Path, which remains a threat to democratic stability in Peru.

The Toledo Administration, the Congress and the Peruvian people are committed to rebuilding their democracy in Peru. Training and technical assistance are needed to shore up key institutions, improve administration of justice and rule of law, strengthen local governments, encourage greater citizen participation in decision-making, promote political party building, and increase civilian control over the military. Economic Support Funds (ESF) and Development Assistance (DA) funds help foster these goals. ESF-funded programs will provide technical assistance and training to promote key policy reforms; increase the capacity of regional and local governments; enhance Congressional oversight and legislative capacity; improve the performance of selected justice institutions; and facilitate the efforts of the Truth and Reconciliation Commission in investigating past human rights abuses. Each of these programs will include support for anti-corruption measures.

International Military Education and Training (IMET) funds support programs to improve military professionalism and capabilities by providing military and civilian defense professional training, which reinforces the critical principle of civilian rule. Foreign Military Financing (FMF) will improve the military's capabilities to protect Peru's borders and promote regional stability. FMF funding will upgrade medical, engineering, general field support and C-130 maintenance capabilities of the Peruvian army. The enhancements supported by FMF will increase the ability of GOP security units to operate in remote areas where drug cultivation/production is prevalent and where domestic terror groups seek refuge. Funds will also provide body armor, night vision goggles, and small arms for Peru's only dedicated counterterrorism unit. Peru is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Peru serves a key U.S. national interest by assisting the GOP to combat illegal narcotics production and trafficking by providing needed equipment to the Peruvian security forces, which are an integral part of the counternarcotics effort.

Peru remains a poor country, with a per capita annual income of approximately \$2100. Over 50 percent of its population lives in poverty, and 15 percent live in extreme poverty (less than \$1/day per capita income). Underemployment is approximately 50 percent; child mortality is high; and the quality of education is low. The government must continue reforms, fight corruption and take other steps to improve the economic climate, while at the same time meeting urgent needs to create jobs, fight poverty, and improve standards of living.

DA-funded programs will: a) create economic opportunities for the poor by providing greater access to and participation in markets, increasing the availability of microfinance services for small producers and micro-entrepreneurs, and improving the nutritional status and productive capacity of the extremely poor; b) promote the sustainable use and protection of natural resources, and c) improve local management of basic education focusing on policies that promote decentralized management and improvement of education programs in selected communities. Child Survival and Health (CSH) funds will enhance the capacity of the Peruvian private and public sectors to meet basic health needs. P.L.-480 funds will improve food security and nutrition for the most vulnerable.

Peru-Ecuador Peace

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	6,000	3,976	4,000

In October 1998, Ecuador and Peru ended their 150-year old border dispute, which led to war twice in the last 20 years. Consolidation of the Peru/Ecuador peace agreement will enhance regional stability and allow the countries to develop a new attitude of trust and focus instead on stopping illicit production of cocaine, combating drug transit and halting the shipment of precursor chemicals. The United States has assisted in demarcating and demining the formerly disputed area through the use of Nonproliferation, Anti-terrorism, Demining and Related programs (NADR) funds. These funds are also being used to support efforts by the Organization of American States (OAS) to develop a pilot program with both Peru and Ecuador. With U.S. assistance, Ecuadorian humanitarian demining has evolved into a sustained, successful effort. Several hundred army engineers have been trained and equipped and several thousand mines have been removed from areas along the border with Peru.

Over the long-term, the United States is helping to promote the Peru-Ecuador peace through the use of Economic Support Funds (ESF) to help implement the border integration portion of the peace settlement, thus increasing stability and mitigating conflict through binational coordination and cooperation. FY 2005 ESF-funded activities will build on previous efforts that focused on micro-enterprise lending, public health infrastructure, local government training and natural resource management in the border region.

The current sustained peace along the Peru-Ecuador border is an indication of the success of these funds.

Suriname
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	240	145	100
IMET	156	150	150
Peace Corps	1,001	1,102	1,373

The principal U.S. interests in Suriname are maintaining a stable democracy, stemming the flow of illegal drugs and migrants to the United States, transnational crime, and international terrorism, and fostering economic growth and development. The United States also encourages protection of the country's large rain forest and preservation of regional biodiversity.

Suriname's public institutions are woefully under-financed. There is still anti-military sentiment from a decade of unpopular military rule in the 1980s. And as a result, Suriname's military suffers from a lack of equipment, materials, parts and fuel for operating mission-essential equipment, training, food, and uniforms. These deficiencies significantly inhibit the Surinamese Army's ability to police Suriname's borders and vast, sparsely populated interior, making Suriname a favorite transshipment country for weapons traffickers and alien smugglers.

Suriname's naval/maritime interdiction capabilities are also in need of development. Foreign Military Financing (FMF), as part of the Maritime Interdiction Initiative, will be used to improve communications, deliver training and logistics support, and provide for operations and maintenance of maritime interdiction assets. FMF will also be used to help modernize ground forces with small-scale equipment, and with leadership, tactical, and logistics training.

Suriname lacks a developed training infrastructure and International Military Education and Training (IMET) plays a key role in the training of its armed forces. IMET provides training opportunities not otherwise available, and encourages an appropriate role for the military in a democratic society. The requested IMET funds will be used for projects that promote civilian control of the Surinamese armed forces, increase its professionalism and technical expertise, and expose Surinamese armed forces personnel to U.S. norms and values.

A small USG counter narcotics/crime program is funded through the International Narcotics Control and Law Enforcement (INCLE) Latin American Regional program. INCLE funds are used to provide training, vehicles, and equipment to Surinamese law enforcement agencies.

Suriname is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Suriname will assist the Surinamese military in developing and sustaining regional inter-operability and a viable counter-drug capability, as well as in combating terrorism, migrant and arms smuggling.

Trinidad and Tobago

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	390	-	-
IMET	150	-	50

Primary U.S. goals in Trinidad and Tobago address counterterrorism, homeland security, international crime and drug interdiction, economic prosperity, and humanitarian concerns.

Trinidad and Tobago's economy is dominated by a growing oil and natural gas sector, including related downstream petrochemical industries. A key U.S. aim is to work with the host country to improve safeguards around its vulnerable energy sector. The United States is the leading exporter to and investor in Trinidad and Tobago, and the country supplies more than 60 percent of U.S. imports of liquefied natural gas. The U.S. is encouraging the Government of Trinidad and Tobago (GOTT) to play a more active role in the Free Trade Area of the Americas (FTAA) and within the Caribbean Community (CARICOM) on trade matters.

The United States and Trinidad and Tobago have an effective cooperative relationship in combating crime, and Trinidad and Tobago is a strong and capable counternarcotics partner in the Caribbean. Trinidad and Tobago's proximity to South America makes it a convenient transshipment point for narcotics headed to the United States. With U.S. assistance, the GOTT has identified and prosecuted major drug traffickers, seized narcotics-related assets, and charged individuals with money laundering.

A U.S. counter narcotics/crime program is funded through an International Narcotics Control and Law Enforcement (INCLE) regional program. INCLE funds are used to provide training, equipment and vehicles for Trinidad and Tobago's counter-drug/crime units. The United States is helping Trinidad and Tobago address problem areas in the judicial process by providing equipment to modernize the courts. A U.S. Internal Revenue Service team is helping the Board of Inland Revenue (BIR) modernize tax collection procedures. INCLE funds support the team's effort to establish a Criminal Investigation Division within the BIR. A U.S. Customs and Border Protection Advisory Team is working closely with the Ministry of Finance in the creation of a new Revenue Authority. The Authority calls for the merger of the BIR and Customs and Excise Division into one entity for more effective collection of revenue.

The United States has donated patrol boats and aircraft to improve the country's ability to conduct air and sea surveillance against narcotics trafficking activities. The aircraft continue to receive operational and training support through ongoing INCLE funding.

IMET will send Trinidad and Tobago Defense Force personnel to U. S. military training courses to support counterterrorism, maritime, infantry and aeronautical capabilities. Trinidad and Tobago will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.

Trinidad and Tobago's human resources are imperiled by a high incidence of HIV/AIDS, made all the more serious by widespread ignorance about the disease and prejudice against victims. In support of U.S. humanitarian international objectives to improve global health, Child Survival and Health Program (CSH) Caribbean Regional funds will support effective health programs, especially in the area of HIV/AIDS, malaria and tuberculosis. We will collaborate with the host nation-based Caribbean Epidemiology Center (CAREC) to strengthen programmatic and technical capacity to improve health.

Uruguay
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	990	990	500
IMET	450	450	150

U.S. national interests in Uruguay include maintaining Uruguay's strong democracy, restoring economic vibrancy undercut by regional crises, strengthening the Uruguayan military as a democratic institution, and addressing global issues by helping Uruguay fight narcotics trafficking and international crime and by encouraging Uruguay's participation in UN peacekeeping efforts. We will also promote our national interest by ensuring that Uruguay's market is open to U.S. exports and by encouraging Uruguay's participation in the Free Trade Area of the Americas (FTAA) process to open regional markets to U.S. exports.

International Military Education and Training (IMET) funding will promote regional stability by strengthening the Uruguayan military as a democratic institution. Participation by civilian and military officers in the Center for Hemispheric Defense Studies and IMET-funded courses will help improve civil-military relations, rationalize the defense policy planning process to make it increasingly transparent, build civilian expertise in defense matters, and inculcate the principles of human rights in the future generation of military leaders. Attendance of mid- to senior grade officers and non-commissioned officers at professional development courses will facilitate the modernization and professionalism of the armed forces.

Technical and logistics training will help Uruguay maintain and manage its defense resources, improving its ability to operate with U.S. and international forces in peacekeeping operations (Uruguay has the highest per capita number of peacekeepers in Latin America and ranks 8th worldwide in PKO participation), disaster relief missions, and other joint operations. Foreign Military Financing (FMF) for Uruguay will be used to support Uruguay's efforts in international peacekeeping by providing spare parts and maintenance support, especially for aviation units and specialized naval patrol boats.

International Narcotics Control and Law Enforcement (INCLE) funds from the Latin American Regional program will help fight illegal drugs and international crime. The funds will be used for training to improve the professionalism of police units, for contraband detection efforts, and to provide equipment and training for nascent money laundering detection and investigation units. The funds will also be used for domestic demand reduction projects, such as public awareness campaigns, outreach programs for high-risk children, and health care training, and for equipment to improve the effectiveness of investigation and prosecution of major criminals.

Uruguay will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Uruguay serves a key U.S. national interest by assisting the GOU to combat illegal narcotics production and trafficking.

Venezuela
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ACI	2,075	5,000	3,000
ESF	470	497	500
IMET	683	-	50

Venezuela represents a significant challenge and opportunity for U.S. foreign policy, with important national interests at stake. Venezuela is a leading supplier of foreign oil to the United States and host to considerable U.S. energy sector investments while facing a crisis of democratic governability. As with the other Andean countries, none of Venezuela's challenges - strengthening democracy, fostering economic development, combating narcotics trafficking, or fighting terrorism - can be addressed in isolation.

Andean Counterdrug Initiative (ACI) programs will concentrate on cooperation on counternarcotics and judicial reform. Venezuela has implemented a far-reaching judicial reform program that includes widespread personnel changes in the judiciary. Much remains to be done in training law enforcement and judicial authorities on their new roles and responsibilities. The United States will continue its support for transition from the old judicial system to the new, including training of judicial personnel and training in national and international organized crime investigations. Economic Support Fund (ESF) administration of justice programs will complement ACI programs in the justice reform sector.

Venezuela is a major transshipment route for illegal drugs destined for the United States. ACI funds will help improve the Government of Venezuela's (GOV) interdiction and eradication efforts and combating international money laundering activities.

The United States will monitor Venezuelan relations with Colombia and the border disputes between Venezuela and its neighbors, using diplomatic resources to help ameliorate any potential disagreements and to press for Venezuelan action against narcoterrorism.

In FY 2005, International Military Education and Training (IMET) will seek to continue maintaining military links and providing important training to the military, including training on human rights. Venezuela will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of EDA will be used to promote interoperability and modernization of equipment.

The United States will continue to work with Venezuela to strengthen democratic institutions through ESF-funded initiatives and promote the rule of law and respect for human rights. The United States is actively supporting efforts to promote a peaceful, constitutional, democratic, and electoral solution to the present political crisis, as called for in the Organization of American States (OAS) Resolution 833. The U.S. has committed to participate in the OAS Secretary General's "Group of Friends of Venezuela" to advance dialogue between the Government of Venezuela and the opposition. The United States will need to offer support for anticipated electoral events to help ensure they are free, fair and transparent.

Third Border Initiative

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	2,500	3,976	9,000
ESF-REIMB	500	-	-

The nations of the Caribbean, our “third border,” are important partners on security, trade, health, the environment, education, regional democracy, and other hemispheric issues. This partnership is solidified at the Organization of American States, where the Caribbean nations have 15 votes. The United States and the Caribbean are closely linked by travel and immigration: each year millions of Americans visit the Caribbean, while tens of thousands of Caribbean immigrants arrive in the United States. Due to the region’s geographic proximity, events in the Caribbean have a direct impact on the homeland security of the United States and have the potential to affect U.S. domestic interests.

The nations of the Caribbean are particularly vulnerable to regional and international threats. Having small economies with limited ability to diversify, Caribbean nations are highly sensitive to adverse global economic conditions, are environmentally fragile, and share a susceptibility to hurricanes and natural disasters. Illicit trafficking in persons, drugs and firearms, potential terrorism, and other transnational criminal activities in the region also threaten both the United States and regional security interests. A decline in the Caribbean’s political and economic stability would have a direct impact on the United States by making the region more vulnerable to such threats. While the region is an important market for U.S. exports and investment, a faltering regional economy or a potential rejection of free markets would negatively affect U.S. interests.

To strengthen the capabilities of Caribbean institutions to address economic, environmental, political, and societal problems and mitigate or prevent their spillover to the United States, the President announced in 2001 the Third Border Initiative (TBI) as a framework for our broad engagement in this vital region. Economic Support Fund (ESF) will supplement our bilateral assistance to the 14 Caribbean Community (CARICOM) countries, plus the Dominican Republic, while focusing funding and assistance on those areas of greatest need.

In the wake of the September 11, 2001 terrorist attacks in the United States, our engagement with Caribbean nations should reflect the heightened profile of border security issues, while still addressing the economic, political and social concerns that threaten the region’s stability. TBI ESF will therefore be used to address the lack of capacity many Caribbean nations face in the fields of administration of justice and security, both of which have a direct impact on homeland security. Under the TBI, we will also work cooperatively with our Caribbean partners to implement programs that will enhance the safe and secure transportation and flow of people, goods and services in the region. ESF from our Third Border Initiative will be used to help Caribbean airports modernize their safety and security regulations and oversight, an important step in enhancing the security of visiting Americans and helping the region’s vital tourist industry. Additionally, we will use TBI funds to support border security programs in the region, including the strengthening of immigration controls.

As part of the TBI ESF funding, we will help these smaller economies transition toward greater competitiveness by efforts to promote transparency, accountability and citizen involvement through programs that link trade and investment to effective anti-corruption and good governance. The United States will also assist the Caribbean to compete in a global economy by helping upgrade the region’s educational training capabilities. The TBI will also support initiatives funded by Development Assistance (DA) to continue support (began in FY 2002) for a Caribbean-based “Center for Excellence” to advance

teacher training throughout the region and promote greater use of technological resources. In addition, the United States will provide scholarships and internships to foster greater exposure to entrepreneurship.

TBI also encompasses HIV/AIDS programs. A combination of Development Assistance (DA) and Child Survival and Health (CSH) funds will support a multi-faceted Caribbean regional approach that supports prevention and education initiatives targeting youth and other high-risk groups. The epidemic is a leading cause of death among adults in the Caribbean and retarding transmission serves U.S. interests. Haiti, The Bahamas, Guyana, and the Dominican Republic, which have significant immigrant communities in the United States and/or are important tourist destinations, have prevalence rates higher than many sub-Saharan African countries. These activities are being integrated into the President's Emergency Plan for AIDS Relief and are within the purview of the Global AIDS Coordinator.

The United States will also assist Caribbean organizations to improve their environmental management – such as strengthening protections over coral reefs and combating land-based pollution – to maintain tourist interest in the region and promote sustainable development. In addition, the United States will help Caribbean governments prepare for natural disasters, such as frequently occurring hurricanes. DA and CSH funds will be used to support health, economic development, environment, democracy, and educational programs in the eastern Caribbean nations as well as regional environmental and economic development programs. International Narcotics Control and Law Enforcement (INCLE) funds will be used to provide Caribbean governments with law enforcement assistance by funding advisors and technical assistance to strengthen capabilities against money laundering, asset forfeiture, and corruption.

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