

WESTERN HEMISPHERE

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Argentina
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	-	992	1,000
IMET	1,087	825	1,100
NADR-EXBS	-	50	100

The top U.S. priority in Argentina is to promote economic recovery, democratic institutions and good governance. Argentina's political system has been shaken by the country's sharp economic decline in the late 1990s, and early this decade, public charges of corruption, unresponsive public institutions, and judicial inefficiency. Despite these challenges, Argentines have demonstrated a commitment to democracy and elected a President in 2003 who has carried forward an anticorruption agenda. Argentina plays a key role in hemispheric affairs and assumed a non-permanent UN Security Council seat in 2005. The Government of Argentina (GOA) has supported U.S. security goals through participation in international peacekeeping operations and in advocating non-proliferation on the global and regional level. Argentina has been a central actor in the Southern Cone in cooperation with the United States on counterterrorism and counternarcotics activities.

Foreign Military Financing (FMF) funding will assist Argentina's armed forces to maintain their peacekeeping capacity through the development and maintenance of a communications capability that will promote interoperability with coalition forces. FMF will support peacekeeping training and deployment, and will provide upgrades and spare parts for vehicle, aviation and naval equipment. Funds will also provide C-130 logistical support and improve the Argentine military's ability to respond to natural disasters.

Argentina has been among Latin America's largest users of U.S. Excess Defense Articles (EDA). Argentina will continue to be eligible in FY 2006 to receive EDA on a grant basis under Section 516 of the Foreign Assistance Act. Grant EDA to Argentina will support that nation as a major non-NATO ally at a time when fiscal austerity has drastically reduced Argentine defense spending and will enable continued cooperation with the United States, NATO and others in international peacekeeping.

International Military Education and Training (IMET) courses increase Argentine interoperability with U.S. and NATO forces. IMET also trains civilian experts to effectively administer the Argentine defense establishment. Having contributed to eight different UN peacekeeping missions, Argentina ranks third among Latin American nations in number of peacekeeping participants. Budget constraints have reduced this participation, but not the Argentine commitment to contribute to international stability. Military personnel from other Latin American nations attend 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 briefings and training. The trafficking of Colombian heroin through Argentina via commercial air carriers to the East Coast, especially New York, remains a concern. The GOA believes small private aircraft are increasingly being used to smuggle narcotics into Argentina from Paraguay and Bolivia; though most of these drugs remain in Argentina or are transshipped to Europe, some does make its way to the United States. Regional INCLE funding trains police for interdiction activities. In addition, the United States continues to promote training and exchange programs with Argentine law enforcement and judicial authorities to reduce international crime.

Bahamas
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	99	99	100
IMET	165	240	240
INCLE	1,000	992	500

Due to The Bahamas' proximity to the U.S., its ranking as the eighth most popular worldwide destination for U.S. travelers, and its historical use as a principal transit route for illegal drugs and aliens, the United States has a strong strategic interest in a cooperative and stable partnership with that island nation. Principal U.S. interests in The Bahamas include ensuring the safety and security of approximately 30,000 U.S. permanent residents and more than 4,000,000 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.

The Bahamas, the Turks and Caicos Islands, and the United States are partners in "Operation Bahamas and Turks and Caicos," a program with proven success intercepting illegal narcotics. Under this program, Bahamian and Turks and Caicos police, the U.S. Drug Enforcement Administration, U.S. Coast Guard and the U.S. Army cooperate in missions against suspected drug traffickers and illegal migration networks, and frequently assist in search and rescue operations. International Narcotics Control and Law Enforcement (INCLE) funding supports Bahamian drug enforcement operations and investigations through operational support, training and equipment. INCLE funding provides go-fast interceptor boats to the Bahamian police and detector dogs to the Customs Department.

The Bahamas is a major offshore financial center with a global clientele. The Bahamian government is committed to combating 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 will sponsor training and workshops to assist The Bahamas with these crimes. 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.

The U.S. interest in a stable Bahamas is reinforced by humanitarian concerns. The U.S. provides targeted disaster relief assistance to support the Bahamian response to hurricanes and other natural disasters. The U.S. also funds activities to ameliorate the impact of HIV/AIDS and to improve the conditions at immigration detention facilities, which at times house U.S. citizens.

The Bahamas is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will promote counter-drug efforts, maritime support, interoperability and modernization of equipment. Foreign Military Financing (FMF) funds will improve the maritime interdiction capability of this "Third Border" country by providing spare parts, training, operational and maintenance support and communications equipment and by improving infrastructure. FMF support for maritime interdiction will be provided under "Operation Enduring Friendship." 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 security forces and civilian officials.

Belize
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	191	198	200
IMET	277	200	200
Peace Corps	1,614	1,718	1,685

United States assistance to Belize focuses on combating criminal activity, implementing counternarcotics programs, strengthening Belize's democratic institutions, and protecting the country's national parks and nature preserves. Improving the administration of justice, fighting corruption, and making the police more effective will create better conditions for U.S. investors and traders and for the almost 1 million U.S. citizens who visit Belize each year.

Because of its proximity to the United States and its geographical position linking Central American and Caribbean states, Belize is an ideal transit point for illicit drugs headed for the United States and an attractive staging area for other international crimes. Belize 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. International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funding will provide training and assistance to combat drug organizations, facilitate the collection and dissemination of counternarcotics intelligence and the interdiction of illicit drugs, and improve Belize's ability to deter and detect money laundering. INCLE funding will improve the professionalism and performance of police and prosecutors, provide technical support for the judicial system, reduce the flow of stolen vehicles, and assist Belize in upgrading its passport security and border control.

FY 2006 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 Defense Force (BDF), and for the eventual development of a Coast Guard. BDF troops served with the Caribbean Community Battalion during peacekeeping operations in Haiti in the 1990's and currently participate in regional training exercises with U.S. and Caribbean forces. IMET funds will enhance the professionalism of key current and future leaders in the BDF and Coast Guard, and improve the interoperability of the BDF with U.S. forces in joint exercises. IMET funds will help protect Belize's nature preserves by increasing the professionalism and competence of BDF forces patrolling the border between Belize and Guatemala, where frequent incursions by Guatemalan poachers threaten native plants and territorial integrity. FMF assistance will focus on improving logistical support for the BDF and providing 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 2006 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 equipment modernization.

Bolivia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	91,000	90,272	80,000
CSH	14,602	16,400	14,887
DA	12,032	11,824	14,454
ESF	8,000	7,936	8,000
FMF	3,976	1,984	1,800
IMET	589	800	800
NADR-SALW	-	100	-
P.L. 480 Title II	22,276	16,802	24,664
Peace Corps	2,870	2,958	2,931

The primary U.S. interests in Bolivia are strengthening Bolivia's democratic institutions, promoting economic development, and stopping the illicit production of coca and export of cocaine to the world market. U.S. support for Bolivian democracy and development is integral to the counternarcotics fight, and is a necessary condition for continued success in the regional and global war against drugs. The United States is encouraging Bolivia to deepen economic reforms and to maintain the government's emphasis on health and local development. Bolivia's effective implementation of judicial reforms is critical to increase respect for human rights and maintain social stability. To ensure that Bolivia does not become an active transit point for international terrorism, we have increased cooperation with the Bolivian military, customs, immigration, financial institutions, police and other organizations to enable the government to provide better control over its long, inadequately monitored borders. Bolivia has also been designated as eligible for MCA funding.

Bolivia's democracy faces many challenges, including insufficient administration of justice, corruption, the limited presence of the state in conflictive and excluded areas, and the continuing weakness and citizen distrust of traditional political parties. The government worked with international and bilateral donors to close fiscal gaps in 2003 and 2004 but faces another budget deficit in 2005. President Mesa has staked the future of his presidency on passing a viable hydrocarbons law in 2005 that allows continued growth in the sector.

Bolivia remains the world's third largest producer of illicit coca. Demonstrations and sporadic violence by coca growers created a tense environment for, but did not significantly affect the outcome of interdiction, eradication and alternative development activities in 2004; the government was able to meet eradication targets.

The FY 2006 budget request for the Andean Counter-drug Initiative (ACI) will allow the GOB to continue the rhythm of forced eradication in the Chapare; control the diversion of licit Yungas coca to cocaine production; interdict Bolivian and transshipped Peruvian cocaine and by-products; expand demand reduction programs; maintain program-appropriate ready-rates for land, riverine and air assets that support eradication and interdiction operations; provide advanced training to police; and improve efforts against money laundering. Alternative development programs are aimed at expanding the licit economy, consolidating social gains, and furthering state presence in coca-producing areas. These efforts will include promoting social services such as transportation infrastructure, health service delivery, and assistance related to agricultural productivity and competitiveness.

Economic Support Funds (ESF) will promote trade capacity and competitiveness as well as democratic values and practices. Programs will: advance the productivity of Bolivian businesses in key value-added sectors with export potential; support the development of a well-formulated trade policy framework; improve municipal governments and administration of justice reform; strengthen democratic political parties; and enhance conflict prevention and mitigation efforts.

Development Assistance (DA) and Child Survival and Health (CSH) funds will increase economic opportunities, strengthen democratic institutions, improve the health of Bolivians, and enhance environmental management. Programs will strengthen the financial sector, provide trade capacity building, and improve agricultural productivity. Funds will also be used to improve democracy by strengthening civil society 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.

Child Survival and Health funds in FY 2006 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.

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 and ensure effective control of crowd disturbances in urban settings, security for drug eradication operations, as well as support their role as international peacekeeping operations. 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.

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 a focus on civil-military relations, resource management, and democratic institution building.

Bolivia will be eligible in FY 2006 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 supporting 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	10,200	8,928	6,000
CSH	9,650	9,322	9,189
DA	7,643	7,979	7,134
ESF	750	-	750
IMET	-	-	50
NADR-EXBS	-	50	75

U.S. national interests in Brazil include promotion of sustainable economic growth and regional stability; expansion of free trade; control of international crime, terrorism, and drug trafficking; poverty alleviation; environmental protection; and reduction of infectious disease. Brazil is a leader in the hemisphere and is seeking to expand its presence on the broader world stage. The United States and Brazil frequently cooperate effectively on numerous issues, including promoting democratic values and stability in the region, combating international crime, preserving natural resources, promoting efficient energy use, and reducing hunger and poverty.

Given Brazil's influence in the Free Trade Area of the Americas (FTAA) process and World Trade Organization (WTO) negotiations, its active participation is important to the success of these talks. Brazil is the largest economy in South America and home to significant U.S. investment. After several years of economic uncertainty, Government of Brazil (GOB) policies focused on fiscal stability and structural reform are leading to broad-based economic growth. Brazil, along with Argentina, Paraguay, and the United States, participates in a working group to combat the threat of terrorism in the tri-border area.

Brazil is the only country that borders all of the three major coca-producing countries in the hemisphere. As a result, it is an important transit country for illegal narcotics flows and also faces a growing domestic drug abuse problem. Brazil's own recognition of the threat posed by narcotics trafficking prompts bilateral cooperation. Andean Counterdrug Initiative (ACI) programs will continue to improve the efficacy of local law enforcement, as well as diminish the local market for illegal drugs. In FY 2006, we will expand law enforcement cooperation in northern Brazil with additional equipment and training.

International Military Education and Training (IMET) funds will promote closer military cooperation and allow the United States to share its long experience of civilian control of the military, promote Brazil's ability to serve in international peacekeeping missions, and facilitate the interoperability of U.S. and Brazilian forces. Brazil will be eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA would be used to promote interoperability and modernization of equipment.

One-third of Brazil's population, approximately 53 million people, lives below the international poverty line on less than \$2 per day. In effect, Brazil is home to the largest pocket of poverty in the Western Hemisphere. President Luiz Inacio Lula da Silva launched the Zero Hunger Program in early 2003 to provide families living in poverty with adequate food, water systems, community health services, adult literacy classes, and economic opportunities. Although its nominal focus is hunger, this initiative is actually a targeted poverty alleviation program. Economic Support Funds (ESF), channeled through a non-governmental organization and USDA, contribute to this effort through the development of community-based activities to promote economic growth and improve the quality of life for Brazil's under-served

populations. Technical assistance will strengthen the GOB's capacity to design and implement the core aspects of the Zero Hunger Program.

With the immense Amazon basin largely within its borders, Brazil is a major player on many international environmental and energy issues. Development Assistance (DA) funds will benefit the rural poor and shape future land-use trends over large geographic areas of Brazil, especially the Amazon, while continuing to mitigate the global impacts of climate change and biodiversity loss. An energy program will provide a mechanism for policy dialogue; implement a comprehensive training program; support the development of Brazil's relatively untapped renewable energy market; and foster the establishment of micro-credit programs and revolving funds. Development assistance (DA) resources will promote free trade and the participation of small and medium-sized enterprises (SMEs) in trade-led growth, by working closely with local Brazilian institutions that are directly concerned with SME development. A program to sponsor FTAA outreach events throughout Brazil will engage public opinion makers and industry representatives in factual discussions on FTAA and free trade.

Brazil's large population, location, and widespread poverty make it a focal point for the spread of infectious disease. The Brazilian Ministry of Health estimates over 600,000 Brazilians are infected with HIV. Brazil has the highest number of tuberculosis and malaria cases in Latin America. Child Survival and Health (CSH) funds will be used to reduce the transmission of targeted communicable diseases through implementation of a health strategy to expand marketing programs, strengthen NGOs, improve surveillance and research, and strengthen tuberculosis control through Directly Observed Therapy (DOTS), the World Health Organization's recommended strategy for prevention, identification and treatment of tuberculosis. CSH funds will support an At-Risk Youth Program to improve employment opportunities for disadvantaged youth.

Chile

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	347	496	750
IMET	600	600	600

U.S. national interests in Chile include promoting prosperity and regional security through enhanced bilateral and multilateral economic and commercial ties, military cooperation, reform of the criminal justice system, and cooperation on a range of important regional and global issues in multilateral fora. U.S. security and regional stability are enhanced through U.S. support of Chilean participation in international peacekeeping operations and the interoperability of Chilean forces with U.S. and other peacekeeping forces. Chile is currently participating in missions in Haiti, Bosnia and East Timor.

The FY 2006 request for International Military Education and Training (IMET) funding will contribute 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. Training in equipment maintenance, logistics, and resources management will increase Chile's ability to maintain U.S. equipment in its inventory.

FY 2006 Foreign Military Financing (FMF) will provide needed equipment to Chile's armed forces participating in peacekeeping operations. Chile is now, or has been, an important contributor of peacekeeping forces in Haiti, East Timor, Congo, Cyprus, Israel-Palestine, Bosnia, India-Pakistan, as well as NATO's Stabilization Force (SFOR) and Implementation Force (IFOR). FMF will support specialized individual equipment and improvements to the National Peacekeeping Operations Center. Chile will be eligible in FY 2006 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 of illegal drugs, but does increasingly serve as a transit point for drugs coming from other countries in the region to Europe and the United States. Producers look increasingly to Chile as a source of precursor chemicals. Chile's proximity to producer countries such as Bolivia and Peru, its dynamic economy, and well-developed banking system combine to make the country 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 enhance its own narcotics investigation, interdiction, and demand reduction capabilities.

Colombia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	473,900	462,767	463,000
FMF	98,450	99,200	90,000
IMET	1,676	1,700	1,700
NADR-ATA	-	3,920	3,920
NADR-SALW	-	200	200

The United States has a strong national interest in a secure, democratic and economically prosperous Colombia, free from the threats posed by narcotics trafficking and terrorist organizations. Our interests in Colombia, however, go beyond the problems of illicit drugs and include support for a friendly democracy that can play a key role in regional stability, the safety and protection of a large U.S. citizen community, the promotion of human rights and international humanitarian law, growing trade and investment ties, and important energy resources. U.S. programs in Colombia support the Colombian Government's efforts to strengthen its democratic institutions, promote respect for human rights and the rule of law, intensify counter-narcotics efforts, foster socio-economic development, address humanitarian needs, and end the threats to democracy posed by narcotics trafficking and terrorism.

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. Our support is essential to sustain the impressive progress Colombia is making.

Of continued priority concern are the three United States citizens who remain hostages of the Revolutionary Armed Forces of Colombia (FARC), designated by the U.S. Government as a Foreign Terrorist Organization (FTO). We are committed to ensuring their safe recovery.

The United States faces an unusually complex series of issues with Colombia and its neighbors. With over 40 million people, Colombia is Latin America's second most populous country. It has long-standing political, security, social, and economic problems, exacerbated by the explosive growth of coca and opium poppy 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 traditionally limited government presence in large areas of the interior, a history of civil conflict and violence, and deep social inequities.

To address these problems, the Government of Colombia (GOC) announced its Plan Colombia in 1999, a six-year program with a balanced and wide-ranging strategy. The Uribe Administration (which took office in 2002) confirmed its full commitment to the goals of Plan Colombia.

Plan Colombia, by all measures, has enjoyed exceptional success in pursuing its goals, with support from the United States and the international community, but the job is not finished and we need to ensure that the progress made so far continues.

The Colombian Government has not yet announced a formal continuation for Plan Colombia. Nevertheless, anticipating its sunset in late 2005, the GOC has begun planning a follow-on strategy that would build on and consolidate the progress achieved to date.

ACI programs provide the core funding for what we must do if we are to help President Uribe succeed in his determination to end the narcotics trade in Colombia and stop the terrorism that threatens one of the oldest democracies in the Hemisphere and one of our key Latin American allies, as well as the stability of the entire Andean region. Successful alternative development, justice sector reform, humanitarian assistance and human rights programs will continue along with the counternarcotics efforts.

The proposed FY 2006 ACI 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 2006 request for funding builds upon the successes of programs begun in FY 2000 with the Plan Colombia Supplemental and sustained by subsequent ACI appropriations. As noted in the House Manager's Report accompanying the FY 2005 Foreign Operations Appropriations Act, "The Andean Counterdrug Initiative is the continuation of the Administration's multi-year counterdrug assistance efforts designed to sustain and expand programs initially funded by Plan Colombia in the fiscal year 2000 emergency supplemental appropriations act."

Counternarcotics issues remain central for 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, Congress approved expanded authorities to allow United States support for Colombia's unified campaign against both of these scourges.

FY 2006 ACI funds would provide \$463 million for programs in Colombia that will continue to address narcotics interdiction as well as underlying social issues, with approximately \$152 million for alternative development, humanitarian assistance, judicial reform and institution building, along with \$311 million for narcotics interdiction and eradication programs. The alternative development and institution building efforts include emergency and longer-term assistance to vulnerable groups and displaced persons, and programs promoting the rule of law, local governance, and human rights, as well as agribusiness and private sector development, trade capacity building and economic policy reform.

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 127,112 hectares of coca in 2003 and a record 131,800 hectares of coca in 2004, as well as nearly 3,000 hectares of poppy. Coca and poppy cultivation declined by 15% and 25% respectively in 2002 compared to the previous year and did so again in 2003 by another 21 and 11 percent respectively due to aggressive aerial eradication and we are confident overall crop figures when available for 2004 will show a continued drop. Repeated spraying is critical to deter replanting and if sustained, then we can expect to see further declines in drug production.

FY 2006 ACI funds for Colombia are also requested to continue training and operational support for the Army's Huey II and UH-60 helicopters, support for the National Police's Air Service, and upgrades to aviation facilities.

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. Reports published by the Government of Colombia and non-governmental organizations confirm that our human rights efforts are producing significant results, with notable improvement in many security indicators. Although still the highest rate in the world, kidnappings have dropped by 42% since 2003, according to the Colombian Ministry of Defense, while homicides fell by 38% in the first 10 months of 2004, compared to the same period in 2003. 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% while assassinations of protected persons declined 41% 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 38% during the first nine months of 2004, following a 68% drop the previous year.

The International Committee of the Red Cross (ICRC) also reports a decrease in the rate of massive displacements. The USG has provided humanitarian assistance to more than 2 million internally displaced and other vulnerable persons since FY 2001 (581,337 in 2004). USG programs also supported an Early Warning System -- to prevent massacres and forced displacements -- that has had some successes.

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. Colombia will be eligible in FY 2006 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.

FY 2006 Foreign Military Financing (FMF) funds will be used to continue our support to Colombia's national security strategy to extend central government authority and governance to areas heretofore prey to terrorists and narcotics traffickers.

President Uribe is increasing defense and security spending from historically low levels, supported by a one-time tax on wealth that raised over \$800 million for security purposes, so that Colombia undertakes its share of the burden. Between 2001 and 2004 spending by the GOC on its military and police forces increased by over 30% with another significant increase budgeted for 2005. Most of the additional spending has been allocated to force expansion, training programs, small arms purchases and ammunition, with little for expensive non-peso purchases.

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 due to the increased operational pace brought about by President Uribe's successes. FY 2006 FMF will support 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.

The United States will provide operational support (training, supplies, repair parts, maintenance and infrastructure) and specialized equipment, including weapons, night vision goggles and communications, to the Army. Our 2006 request continues to support for the battlefield evacuation program and the army's specialized and mobile units, but also provides assistance (at lower levels) to the army's regular brigades and other units. The specialized units will be at the heart of Plan Patriota and the regular units will be called upon to consolidate the gains made by the more mobile units. The 2006 request also places greater emphasis on improving the logistics and training base of the Colombian armed forces. Improving the training, maintenance, and logistics infrastructure will be critical to ensuring the long-term success of our assistance. 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 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 and helicopter support, improving the ability of the entire Colombian military to quickly provide forces for operations throughout the country. Our FY 2006 request will also continue support to improve the capacity of the Colombian armed forces to treat and evacuate

wounded from the battlefield. FMF funds will be used for 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 logistical support.

USG programs with NADR funding will assist in addressing the rampant and well documented trafficking in illicit arms across Colombian borders. The support of the U.S. SA/LW destruction program of small arms and handguns will contribute to improving security in the region.

NADR funding will also support continued implementation of the successful 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 developing an interagency database to collect, analyze and disseminate information on kidnappings, upgrading Colombian training facilities, and enhancing Colombian interagency coordination. Our proposed program will use \$3.92 million to continue training of GAULA units, including a "train the trainers" component. The Colombian Government is expected to assume the expense of maintaining the camp as well as feeding and housing instructors and students.

Costa Rica
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	-	50
Peace Corps	1,395	1,732	1,628

U.S. national interests in Costa Rica are the promotion of trade and of a vibrant, diverse economy, increased counternarcotics cooperation, support for sustainable development and sound environmental management – areas where Costa Rica has been a regional leader. The Government of Costa Rica (GOCR) has for decades proven itself to be 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 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 a relatively prosperous nation with a strong, diverse economy, Costa Rica benefits from fewer direct U.S. aid programs than most of its neighbors. Because of its peaceful history and its democratic traditions, the assistance the United States provides to Costa Rica is a sound investment. Internal security is maintained by local police and by lightly armed security forces under the Ministry of Public Security. Although Costa Rica does not maintain a traditional military - Costa Rica abolished its military in 1948 - the International Military Education and Training (IMET) will promote the U.S. goal of ensuring peace and regional security. IMET will 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. INCLE funds from regional Latin America accounts will support Costa Rica’s expanding counternarcotics programs, which amplify and reinforce U.S. hemispheric law enforcement efforts. 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 2006 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. EDA will be used to enhance counternarcotics capabilities, including communications equipment and air and maritime assets. The transfer of EDA demonstrates USG support of Costa Rica’s democracy and encourages interoperability of Costa Rican law enforcement and the country’s coast guard with the United States and the modernization of equipment.

Cuba
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	21,369	8,928	15,000

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 Department of State intends to use Economic Support Funds (ESF) for activities to implement the recommendations of the report of the President’s Commission for Assistance to a Free Cuba (CAFC). This report, released on May 6, 2004, details a program to augment our current activities undertaken under Section 109(a) of the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act, and sought a more proactive, integrated, and disciplined approach to undermine the survival strategies of the Castro regime and contribute to conditions that will help the Cuban people hasten the dictatorship’s end.

Specifically, these funds will help the Cuban people in their efforts to effect positive political and social change in their country by supporting the democratic opposition and empowering an emerging civil society. Cuban civil society is hampered by a lack of materials and support needed to bring about these changes. The Cuban government has maintained its grip on the Cuban people by intimidating and imprisoning exponents of independent civil society in an effort to prevent the emergence of a credible alternative to its failed policies. The Cuban government has made it all but impossible for human rights activists and reformers to operate, imprisoning many and forcing others into exile. Until recently, the government has been able to keep civil society infiltrated and stunted.

ESF will support USAID-administered programs with democracy and human rights groups, with a focus on organizations that disseminate information on democracy, human rights and market economies to the Cuban people, and also those that provide humanitarian assistance to victims of political repression and their families. USAID will continue to promote international support in Latin America and Europe by working with third-country NGOs to raise awareness of Cuban government repression and to encourage their involvement in hastening a democratic transition and will fund new transition studies on economic reforms, modern labor policies and the role of the state.

Funds will also provide for new and existing innovative programs designed to uphold democratic principles, support democratic institutions and promote human rights. Funding will support in-country training of civil society groups and members of the peaceful democratic opposition on how to expand their membership and scope of activities, with the goal of hastening a democratic transition. The key target groups for assistance will include women, Afro-Cubans, and youth, as well as libraries, labor organizations and human rights groups.

Dominican Republic

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	13,166	13,000	10,548
DA	11,413	7,662	9,080
ESF	3,682	2,976	3,000
FMF	2,000	992	1,000
IMET	973	1,100	1,100
Peace Corps	2,734	3,355	3,350

The principal U.S. interests in the Dominican Republic are promoting economic growth and development; safeguarding homeland security and protecting U.S. citizens; and fighting international crime, illegal migration, drug trafficking, and trafficking in persons; while strengthening democratic institutions.

The United States will use Economic Support Funds (ESF), Development Assistance (DA), and Child Survival and Health (CSH) funds to strengthen democratic institutions, increase economic opportunities, and improve health care service delivery. Technical assistance and training will improve the administration of justice, increase participation in the political process, improve election systems, and combat corruption. DA funds will foster private-sector competitiveness and facilitate the implementation of the trade agreement with the United States and Central American countries (CAFTA). DA will improve basic education and environmental protection systems. Health programs will focus on improving HIV/AIDS prevention and care programs, tuberculosis treatment, health care policy reform, and improving reproductive health services to reduce the unacceptably high rate of maternal mortality.

Attaining these goals will reduce incentives for illegal immigration and Dominican participation in drug trafficking, alien smuggling and trafficking in persons while making the Dominican Republic a more prosperous, stable, and democratic neighbor, as well as a more attractive environment for American investors and tourists.

International Military Education and Training (IMET) funds will increase awareness on the part of the Dominican security forces of their role and responsibility for ensuring that human rights are respected while strengthening the rule of law.

Foreign Military Financing (FMF) funds will support coastal patrol boats used to conduct counter-drug operations and interdict illegal migrants. FMF also will provide tactical communications to facilitate coordination of the military's natural disaster response efforts.

The Dominican Republic will be eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA). EDA will be used in support of border operations for ground vehicles, generators, uniforms, communications equipment, and night observation devices for both ground troops and air crews. EDA will support a viable command and control system to enable the Dominicans to better patrol and control their border with Haiti. The EDA may also be used for coastal boats to support the Dominican navy operations with similar objectives.

Eastern Caribbean

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	3,137	993	1,250
IMET	719	800	775
Peace Corps	3,044	3,058	2,953

The principal U.S. 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 – is preventing and combating transnational criminal activity, including terrorism, narcotics trafficking, alien smuggling, and financial crimes. These Eastern Caribbean countries make up a significant portion of our “third border.” Our policies are designed to promote a more secure, stable region, generate expanded markets for U.S. goods and services, ensure safe and secure destinations for U.S. tourists and investments, ensure respect for the rule of law, retard the transmission of HIV/AIDS, and strengthen respect for democratic values. Threats to the Eastern Caribbean’s political and economic stability directly affect the United States by heightening the vulnerability of Caribbean nations to transnational threats.

A major U.S. goal in the Eastern Caribbean is to increase the capacity of national security forces of the region to deal with these threats. 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. U.S. funding for this program permitted the RSS to intervene effectively and restore order after a September 2004 hurricane devastated Grenada. Foreign Military Financing (FMF) funds 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 2006 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.

Ecuador
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	35,000	25,792	20,000
CSH	-	150	-
DA	7,068	6,691	7,429
ESF	10,473	12,896	7,000
FMF	-	992	750
IMET	-	300	50
NADR-SALW	-	150	200
Peace Corps	2,995	2,983	2,844

Ecuador is a peaceful bulwark against the narco-trafficking and terrorist violence that has dominated the recent history of its larger neighbors, Peru and Colombia. Due to 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, meet its security concerns, and create a more stable and prosperous Ecuador. Our efforts focus on promoting human rights, disrupting and interdicting narcotics and human trafficking, combating terrorism, and advancing sound environmental policies.

Ecuador is not a major coca producer, but is located between two source zone countries for coca cultivation, and has become a staunch counter-drug ally. Through Andean Counterdrug Initiative (ACI) funding, the United States supports a range of efforts to improve the professionalism and counternarcotics capabilities of Ecuador's national police and military. Programs also help the judiciary and have assisted in creating an anti-money laundering statute that is currently pending Congressional approval. ACI funds will improve the quality of life for thousands of economically and socially disadvantaged people along Ecuador's vulnerable northern border region. These programs include the provision of water systems, roads and bridges, support to local governance, and other activities aimed at promoting income and employment opportunities. ACI funds will assist maritime and coastal cooperation to counter possible exploitation of Ecuador's strategic position for the transshipment of narcotics, precursor chemicals, arms, and migrants. To complement this assistance to the Government of Ecuador's security forces, ACI funds will 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 must improve control over its 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. To assist in this area, previous Foreign Military Financing (FMF) support and funding from the Narcotics Affairs Section (NAS) focused on providing tactical vehicles, equipment to enhance coastal and riverine mobility, and logistics packages for all three services of the armed forces. FMF and NAS funding have also been used to support operations and maintenance of logistical aircraft. ACI funding will provide some support for these programs.

Economic Support Funds (ESF) will increase support for the democratic system by strengthening the justice sector, building democratic local governance, fighting corruption, and supporting free and fair elections. These funds will foster economic opportunity and reduce poverty by improving the macroeconomic environment for more equitable growth, and support implementation of economic reform policies that

promote free and fair trade. The Peru-Ecuador Peace account will continue to diffuse border tensions by improving social and economic conditions for the people living along the Peru-Ecuador border.

Development Assistance (DA) funds will strengthen the microfinance sector, increasing access to services by micro-entrepreneurs. Because long-term sustainability is key to meaningful economic development, DA programs will promote responsible use of Ecuador's natural resources, including management and conservation efforts in the Galapagos Islands and other key areas.

The International Military Education and Training (IMET) program will enhance Ecuadorian military professionalism and technical expertise, and help further consolidate civilian control of the military. Ecuador 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 a major obstacle to executing U.S.-supported economic development programs. Foreign Military Financing (FMF) support will focus on providing tactical vehicles, communications equipment, equipment to enhance costal and riverine mobility, and logistics packages for the armed forces. FMF will also support operations and maintenance of logistical aircraft. Ecuador has sent peacekeeping troops to Haiti, and FMF funds will increase Ecuador's readiness for such peacekeeping operations.

Ecuador is eligible in FY 2006 to receive Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Ecuador will provide maintenance, office and communications equipment and aircraft to enhance Ecuador's counternarcotics program. 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 MANPADS, excess Small Arms and Light Weapons, and ammunition.

El Salvador

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	7,150	7,375	6,465
DA	27,155	27,194	18,889
FMF	5,000	1,488	13,000
IMET	1,480	1,600	1,600
P.L. 480 Title II	630	-	-
Peace Corps	2,158	2,576	2,558

The principal U.S. interests in El Salvador are supporting democracy, fighting international crime and illegal drugs, encouraging economic development and prosperity, 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.

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 implementation of the U.S.-Central America Free Trade Agreement (CAFTA). Development Assistance (DA) will be used to build trade capacity, improve competitiveness and increase job creation, by assisting the Government of El Salvador (GOES), as well as producers and small businesses, to benefit from free trade regimes. DA programs will assist the rural poor by improving agricultural productivity and export marketing, strengthen small and medium enterprise capacity and access to credit, protect water resources through improved watershed management and expand access to quality basic education. DA resources will help address impediments to free trade expansion, including increasing GOES and private sector capacity to meet U.S. import standards and to help the GOES implement fiscal policy reforms to increase tax revenues needed to finance social sector investment. The program will strengthen democratic institutions by streamlining judicial process, expanding the use of alternative dispute resolution, supporting efficient local government through decentralization, promoting anti-corruption programs and providing training for political party development.

Child Survival and Health (CSH) funds will improve child and maternal health among the rural population through activities, which enhance health systems capacity, coverage and efficiency; and improve reproductive health services. Funds will expand access to obstetric and infant care services; improve community health through better nutrition and improved access to clean water and sanitation; and, prevent infectious disease, including HIV/AIDS.

International Military Education and Training (IMET) funds will be used for professional training programs that will maintain the professionalism of the Salvadoran military. El Salvador will become eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to El Salvador contributes to U.S. interests by reducing the burden placed on the United States in responding to natural disasters and providing humanitarian assistance. EDA fosters defense cooperation and enables 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 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 three consecutive contingents of over 360 troops each to Iraq in support of Operation Iraqi Freedom. Their efforts have directly contributed to the creation of over 29 humanitarian projects, providing much needed stability in their region of Iraq. El Salvador 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 140 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.

In support of our principal law enforcement interests in El Salvador, programs funded by International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funds will be used to strengthen police management systems, including internal affairs and investigative functions. INCLE will continue to provide training and technical support related to counter-narcotics and money laundering, police anti-street gang initiatives, as well as equipment and operational support to police units combating trafficking in humans.

Guatemala
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	-	992	-
CSH	11,400	11,600	9,896
DA	12,362	10,900	9,661
ESF	4,971	5,952	4,000
FMF	-	-	500
IMET	504	350	400
INCLE	3,000	-	2,500
P.L. 480 Title II	14,723	18,033	16,306
Peace Corps	3,601	3,727	3,589

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 corruption and transnational criminal activities. We are working with the government of President Oscar Berger, in office one year, to create a more effective partnership with Guatemala across a range of national security-related issues, including narcotics trafficking, trafficking in persons, and illegal immigration. The Government of Guatemala has signed an agreement with the UN to create a resident office of the UN’s Office of the High Commissioner for Human Rights that will have authority to investigate and report on 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. Ratification of the U.S.-Central America Free Trade Agreement (CAFTA) will 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 receive direct benefits from U.S. assistance to improve Guatemalan law enforcement and administration of justice.

Support for full implementation of the 1996 peace accords remains a high priority for U.S. policy. Implementation is creating positive socio-economic change which can bolster stability, foster greater political legitimacy, and promote broad-based economic growth. FY 2006 Economic Support Funds (ESF) will strengthen key elements of a functioning democracy: the justice system and local governance. Specifically, ESF funds will improve the justice sector through the establishment of decentralized justice centers, promote effective and democratic governance of the security sector (i.e., crime prevention efforts that include community-based police assistance), promote and support anti-corruption measures, and support democratic local government and decentralization. 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.

Development Assistance (DA) funds will support anti-corruption measures and democratic local government and decentralization as well as to support national reconciliation. DA funds will help the Ministry of Education to address priority problems, such as high levels of repetition in first grade and inadequate accountability mechanisms, such as standardized tests and teacher evaluations. DA funds will enhance fuller participation of Guatemala in today’s global trade and investment system, improve Guatemala’s economic policy and governance, improve private sector growth and competitiveness, promote sustainable management of natural resources and biodiversity conservation, and promote public-private alliances as a principal business model.

Child Survival and Health (CSH) funds will support the Government of Guatemala's efforts to create a healthier, better-educated population through greater social sector investment and transparency. Working through the Ministry of Health (MOH) and non-governmental organizations (NGOs), funds will expand Guatemala's health system capacity; improve maternal and child health and nutrition; reduce unintended pregnancy and improve reproductive health behavior; reduce HIV/AIDS; and promote public-private alliances to address health issues.

Following a 15-year hiatus, in FY 2006, Foreign Military Financing (FMF) funds will support military reform and enhance interoperability with U.S. and other forces for peacekeeping and multilateral counternarcotics operations. FMF funds may support standardization of logistics; communications, command and control activities; aircraft logistics and maintenance.

International Military Education and Training (IMET) funds will support the continued modernization and professionalization of the Guatemalan armed forces. IMET funds will fund Expanded IMET (E-IMET) courses for military officers and civilians with a focus on the following themes: civilian control of the military, respect for human rights, military justice reform, and management of defense resources. IMET-funded courses will support Guatemalan military efforts to participate in international peacekeeping operations and improve disaster response capabilities. Guatemala is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Non-lethal EDA will be granted on a limited case-by-case basis to enhance interoperability and modernization efforts, improve military support of civilian law enforcement efforts against drug traffickers and traffickers of persons, and strengthen humanitarian and disaster response capabilities. We have received excellent cooperation from Guatemala on repatriation of illegal migrants bound for the U.S. In 2004, Guatemala worked with the Department of Homeland Security to repatriate more than 1,000 illegal aliens, mainly from Ecuador.

Guatemala's strategic location makes it a significant transit point for narcotics flows destined for the United States. FY 2006 International Narcotics Control and Law Enforcement (INCLE) funds will support U.S.-Guatemalan counter-narcotics cooperation by providing training and equipment for the anti-narcotics division of the national civilian police force, and commodity support to specific military units which provide transportation for civilian counter-narcotics authorities during joint US-Guatemalan interdiction and eradication operations. INCLE funds will also assist in modernizing the judiciary and to reform anti-drug and money laundering legislation.

INCLE funds will expand the activities of prosecutors and investigators involved in anti-money laundering, anti-corruption and counternarcotics investigation task forces. They will support an aggressive public awareness campaign on the damage inflicted by drug abuse and trafficking, and continue ongoing port-of-entry security projects.

Guyana
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	1,700	-	-
DA	2,850	3,457	3,938
FMF	95	99	100
GHAI	5,097	13,153	21,362
IMET	359	300	300
Peace Corps	1,489	1,539	1,515

U.S. interests in Guyana focus on bolstering democratic institutions, essential to long-term development and stability. In FY 2006, Development Assistance (DA) funds will 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 activity will improve the media's capacity to analyze and report on policy issues and conduct investigative reporting. Alternative dispute resolution for civil cases will be further developed and possibly expanded to criminal cases. Mechanisms will be developed to promote inter-ethnic cooperation and resolve national and local conflicts.

Guyana is one of the poorest countries in the hemisphere with a per capita income of less than \$1000. Guyana's economic development and political stability are closely linked. Economic growth since 1998 averaged 0.3% annually. In 1999, Guyana qualified for debt relief under the initial stage of the Heavily Indebted Poor Countries (HIPC) initiative. Given the small size of Guyana's domestic market, renewed growth must come largely from exports, which will require substantial economic reform. DA funds will improve the climate for private investment, enhance sound economic policies, strengthen the private sector's influence on policy development, and support small and micro enterprises. The slow opening of Guyanese markets will create small niches for U.S. exports.

The Guyana Defense Force (GDF) is inadequately funded, but bilateral military cooperation is growing. FY 2006 Foreign Military Financing (FMF) will purchase communications equipment, spare parts for vehicles, aircraft, and associated training. Guyana will be eligible in FY 2006 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, as well as promote civil affairs and improve crisis management. IMET will increase the capabilities of the GDF and strengthen regional stability.

HIV/AIDS is a growing problem in Guyana. Guyana is a focus country of the President's Emergency Plan for AIDS Relief (Emergency Plan). In FY 2006, Global HIV/AIDS Initiative (GHAI) funds will be used to rapidly expand prevention, treatment, and care activities through improvement of the central medical center in the capital and an increase in the number of integrated HIV/AIDS service sites elsewhere. Geographic expansion to at least four additional antiretroviral delivery sites is expected in 2006. Further details are provided under Section 1 under the heading Global HIV/AIDS Initiative.

Guyana is an increasingly important 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 will provide limited equipment and training to Guyana's under-equipped, inexperienced counternarcotics agencies. With USG help,

Guyana established a Joint Information Coordination Center. INCLE funds will be used to establish a new Financial Investigations Unit to implement Guyana's anti-money laundering law. DA programs to strengthen the rule of law and increase the effectiveness of the judicial system will reinforce these programs.

Haiti
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	22,783	20,000	19,320
DA	8,899	25,000	-
ESF	54,982	39,680	50,000
FMF	295	298	1,000
GHAI	13,047	39,373	46,995
IMET	235	150	215
INCLE	-	-	15,000
P.L. 480 Title II	30,470	37,703	32,529
Peace Corps	1,403	1,392	1,414
PKO	210	-	-
TI	-	-	30,000

U.S. interests in Haiti include promoting sustainable democracy and respect for human rights, stemming the flow of undocumented migrants and illegal drugs, fighting hunger and HIV/AIDS, encouraging economic development, and effective cooperation with the UN. The U.S. is by far the lead exporter to, and investor in, Haiti. Haiti's migration, drug, HIV/AIDS, and economic problems all have an impact upon the wider Caribbean region.

Haiti is classified by the World Bank as a low-income country. With an annual per capita Gross Domestic Product (GDP) of about \$420, negative overall real GDP growth since 1990, and 70% 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 obtain minimum daily caloric intake.

Following the resignation and departure of Jean Bertrand Aristide and the constitutional succession of an interim President in February 2004, a Council of Notables named an interim Prime Minister who, in turn, organized an interim government. In coordination with the UN and other international donors, U.S. policy is promoting national reconciliation, economic reactivation, and an improved security climate. Our aid supports the creation of an environment in which free and fair elections can be held, the reform of the Haitian National Police, and the rebuilding of government institutions.

By supporting independent media, human rights organizations and the fight against corruption, and justice reform, U.S. assistance will promote a transition to stable democratic governance.

U.S. bilateral development assistance, much of which is channeled through non-governmental organizations (NGOs), supports U.S. national interests by averting humanitarian crises and promoting democratic and economic development. U.S. programs to reduce poverty and improve health directly address conditions that contribute to illegal immigration to the United States. Development Assistance (DA) will continue to promote economic growth through activities aimed at increasing the incomes of small agricultural producers, and broadening the availability of credit and financial services to small and micro entrepreneurs. Recognizing that Haiti's extreme environmental degradation will continue to undermine prospects for long-term development and sustainable growth, activities will be introduced focusing on soil conservation, watershed management, reforestation, and alternate energy sources. Continuing education activities will seek to improve the quality of primary education and educational services to out-of school youth.

With elections scheduled in late 2005, we expect to begin working with a new, democratically elected government in FY06. ESF funds can then be more focused toward long-term development. These funds will be used to provide technical assistance to the newly elected parliament and government ministries as they continue the rebuilding process. As part of our technical assistance, we will help the government to enable private sector growth and long-term job creation. We will continue to provide support necessary to reform the Haitian National Police into an apolitical security service capable of providing a secure environment to all of the Haitian people and expect to expand training programs for judicial personnel. ESF funds will also be used to support anti-corruption programs and the protection of human rights.

Outside of sub-Saharan Africa, Haiti is the country most severely affected by HIV/AIDS, and is second only to Brazil in the Western Hemisphere in the absolute number of persons living with HIV. As one of the focus countries of the President's Emergency Plan for AIDS Relief (Emergency Plan), Haiti will receive increased funding from the Global HIV/AIDS Initiative (GHAI) account to be used to scale-up prevention, treatment and care activities, strengthen the public health network capacity through training, and develop public/private partnerships. Further emphasis will be placed on providing palliative care to reach greater numbers of people living with HIV/AIDS. Further details are provided in Section I under the heading Global HIV/AIDS Initiative.

Child Survival and Health (CSH) funds will improve the health and well-being 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 military was disbanded and replaced by a civilian police force, the Haitian National Police (HNP), in 1995. As Foreign Military Financing (FMF) and International Military Education and Training (IMET) are restricted to the Haitian Coast Guard (HCG), our assistance will be focused on courses that enhance HCG operational and logistics skills. This training will provide an increased level of professionalism in counternarcotics operations to include combined operations with the United States. FMF will be used to enhance maritime interdiction and interoperability capabilities including support for the purchase and installation of communication equipment, and the provision of spare parts and maintenance for patrol vehicles and the HCG, which has been an important partner in our efforts to combat transnational crime.

Haiti remains eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	12,777	13,340	10,853
DA	22,797	21,606	19,925
FMF	2,375	992	1,000
IMET	1,309	1,100	1,100
P.L. 480 Title II	7,450	14,009	14,187
Peace Corps	4,063	4,035	3,828

Honduras, a close neighbor and long-time U.S. ally, is moving in the right direction for long-term economic growth. In 2004, Honduras joined the United States and five other countries in signing the U.S.-Central America Free Trade Agreement (CAFTA), was selected to apply for the Millennium Challenge Account (MCA) funding, and implemented a 3-year International Monetary Fund (IMF) poverty reduction and growth program.

U.S. assistance will focus upon a number of chronic problems that plague Honduras: fragile democratic institutions, limited infrastructure, and weak social, public security and judicial systems. Rising gang-related crime, endemic corruption, drug trafficking, and trafficking in persons remain serious concerns. U.S. assistance supports national interests by helping to:

- strengthen democratic institutions, the rule of law, and social systems;
- deter narcotics trafficking and other criminal activity;
- ensure regional stability;
- promote employment (and thereby discourage illegal immigration);
- provide greater legal protection and security for U.S. citizens and firms; and
- provide market and investment opportunities for U.S. businesses.

Bilateral relations are strong. The Honduran government supports the war on terrorism, has signed and ratified an ICC Article 98 Agreement, and deployed troops to Iraq in support of Operation Iraqi Freedom. In 2004, the government has significantly increased efforts to interdict illegal drugs en route to U.S. markets.

In FY 2006, U.S. Development Assistance (DA) funds will support the diversification and competitiveness of the Honduran economy and provide trade capacity building to meet the challenges and opportunities afforded by CAFTA. Assistance for more effective natural resource management and disaster preparedness will be provided. In addition, DA funds will help improve access of rural women and children to basic education and health care. Democracy and governance programs will focus on strengthening the judicial system, decentralization, 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 reforms in Honduras' political system. ESF funding will be used for election support, anti-corruption and justice programs (including training and support of the Ministry of Public Security and Attorney General's Office), as well as trade capacity building in environment and labor matters.

Honduras faces a relatively high level of infant mortality, HIV/AIDS, and chronic undernourishment. Child Survival and Health (CSH) programs will focus on preventing HIV/AIDS, as well as improving reproductive health and family planning, child survival and household food security.

The International Military Education and Training (IMET) program for Honduras will enhance Honduran military professionalism, respect for human rights, technical expertise, capabilities in the war on terrorism, and regional military cooperation. Honduras will be eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will contribute to 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.

International Narcotics Control and Law Enforcement (INCLE) funds from the Latin America Regional account are used to support Honduras' expanding anti-drug programs, which serve to amplify and reinforce our own hemispheric law enforcement efforts.

Foreign Military Financing (FMF) will provide critical maintenance, training, and operational support for the HOAF to help improve regional and coalition operations. It will standardize and sustain HOAF equipment for possible future contingency operations. FMF will 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 vehicles and aircraft.

Jamaica
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	4,621	4,559	3,292
DA	14,160	12,882	10,905
FMF	597	595	600
IMET	700	700	700
INCLE	1,500	1,488	1,000
Peace Corps	2,608	2,927	2,867

U.S. interests in Jamaica include stemming the flow of illegal narcotics and migrants, ensuring the safety and security of Americans on the island, protecting the interests of U.S. investors and supporting Jamaica's constructive leadership role in the region. U.S. programs foster sustainable economic growth, combat narcotics trafficking, bolster the effectiveness of Jamaica's security forces and judicial organs and alleviate social ills.

Jamaica is a major Caribbean transit point for South American cocaine en route to the United States and is the largest producer and exporter of marijuana in the Caribbean. The Jamaica Defense Force (JDF) has demonstrated during joint counternarcotics exercises with the United States under our bilateral maritime agreement that it is professional and well trained. Jamaica is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Jamaica will 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 enhance interoperability in U.S.-Caribbean joint exercises. FY 2006 Foreign Military Financing (FMF) funds will provide valuable technical support, communications equipment, training, spare parts and operations and maintenance for the JDF Air Wing aircraft and coast guard. Support will also continue for Jamaica Regiment vehicles, ammunition, weapons, night vision goggles and other equipment for soldiers. International Military Education and Training (IMET) funding will assist the GOJ through training programs that focus on professionalizing the military, developing future leaders, inculcating better resource management capability, and instilling a greater respect for human rights.

U.S. counternarcotics funding (INCLE) assists GOJ anti-drug agencies to improve their detection and interdiction capabilities and undertake investigations leading to the arrest and successful prosecution of major drug traffickers and 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. Training will include investigating and prosecuting complex crimes, anti-money laundering, port security, counter-corruption, and tracing illicit firearms.

U.S. Development Assistance (DA) programs will help Jamaica transform itself into a more competitive economy by fostering open trade and reducing constraints that limit growth. Programs will facilitate the protection of natural resources to support growth by encouraging improved environmental practices. Education interventions will focus on increasing the literacy and numerical skills of the country's youth. The program will improve the efficiency and transparency of the justice system and strengthen 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	3,700	3,230	3,230
DA	17,282	14,888	16,208
ESF	11,432	13,392	11,500
FMF	-	-	2,500
IMET	1,275	1,250	1,100
INCLE	37,000	39,680	30,000
Peace Corps	987	1,239	1,748

With a 2,000-mile common border, the United States and Mexico share concerns that include security, health, environment, commerce, demographics, and border infrastructure. Mexico has been an effective partner in addressing counterterrorism and border security vulnerabilities. The bilateral relationship is marked by unprecedented cooperation in such areas as immigration, law enforcement and counternarcotics, hemispheric affairs, and trade and investment expansion. Mexico is the United States' second largest trading partner. Trade has almost tripled under NAFTA, from \$81 billion in 1993 to \$236 billion in 2003.

U.S. assistance seeks to encourage the ongoing transition of Mexico toward a more open and participatory government. Economic Support Funds (ESF) and Development Assistance (DA) funds will promote democracy and improved economic competitiveness by strengthening the rule of law and 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 2006, ESF will support the Training, Internships, Exchanges, and Scholarships (TIES) program. 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 and technical degrees and higher education partnerships between Mexican and U.S. institutions.

FY 2006 Child Survival and Health (CSH) funds will support HIV/AIDS and tuberculosis prevention and control programs. By working to strengthen the national network of citizen groups and the media, these funds will improve the health policy environment. The TB program will strengthen Mexico's 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 will support microfinance activities to increase access to financial services by underserved populations, with a focus on rural areas. They will build the capacity of microfinance institutions, improve the supervisory system, and leverage remittances for savings and investment. DA will encourage new market linkages between small and medium producers and supermarkets; generate new sources of eco-friendly business income, such as shade-grown Chiapas coffee; and form U.S. and Mexican university partnerships for joint action on rural development.

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

Mexico remains the major transit country for cocaine entering the United States and a major money-laundering center. Mexican opium poppy and marijuana cultivation and the production of heroin and synthetic drugs are serious threats, and Mexican crime organizations 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 2006 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 improve infrastructure at ports of entry to enhance security and facilitate the legitimate and secure movement of people and goods as part of the U.S.-Mexico Border Partnership signed in 2002—a key goal in preventing the use of Mexican territory by terrorists seeking to harm the United States.

Mexican military cooperation is critical to U.S. homeland defense and counter-narcotics programs. FY 2006 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 enhance cooperation in counterdrug and other law enforcement support missions. The Mexican military has significant responsibility for domestic counterterrorism operations and therefore increased engagement and Foreign Military Financing (FMF) funds are imperative to improve joint counterterrorism efforts along this long U.S. border. FMF funds will complement our already broad engagement with Mexico on homeland security activities by improving the capability of Mexican forces to respond to terrorist threats by providing equipment and training to Mexican military units. These funds will likely support training and improvements in naval and air interdiction and radar capabilities, as well as the acquisition of communications and detection equipment.

Mexico will be eligible in FY 2006 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 to counter terrorism and in the struggle against the illicit production and traffic in narcotics.

Nicaragua
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	-	992	-
CSH	7,406	7,806	5,976
DA	25,536	26,800	21,311
ESF	-	3,472	1,875
FMF	938	496	750
IMET	779	600	600
NADR-SALW	300	300	-
P.L. 480 Title II	7,046	8,994	12,228
Peace Corps	2,499	2,613	2,452
PKO	500	-	-

The primary national interests of the United States in Nicaragua are supporting and strengthening democratic institutions, fostering regional security and preventing international crime, while promoting broad-based economic growth. Since the return of a democratically elected government in 1990, Nicaragua has made great strides. President Bolaños has fought an unprecedented and popular battle against corruption. These efforts have cost him the political capital needed to exercise strong leadership on key issues and accomplish his legislative agenda. Nicaragua has witnessed significant economic change over the past decade, opening its markets and actively seeking foreign investment. As a result of these changes, Nicaragua was designated as eligible for MCA funding.

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. The economy has been sluggish for the past three years because of recession, low coffee prices, bank failures, and drought. As a result of successful performance under its International Monetary Fund policy program and other efforts, Nicaragua qualified 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 continues to bear a significant foreign and domestic debt burden. If ratified, the U.S.-Central America Free Trade Agreement (CAFTA) will provide an opportunity for Nicaragua to attract investment, create jobs, and deepen economic integration with its Central American neighbors and the United States. Continuing U.S. engagement remains an important component of Nicaragua's ongoing effort to become a stable and more prosperous partner.

Development Assistance (DA) is the backbone of our democracy programs in Nicaragua, which encompass 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 crucial to U.S. efforts to promote sustainable natural resource management and increase rural incomes. DA funds support trade capacity development, rural economic diversification, enterprise development (including microenterprise development), infrastructure, and technical assistance to producers, including farmers.

The Economic Support Fund (ESF) request for FY 2006 will support the preparation for Nicaragua's national elections in 2006 and trade capacity building. Electoral assistance is critical both for preparing for

free and fair elections and for developing oversight mechanisms required for the administration of elections. ESF will strengthen the electoral commission and to assist NGOs to support development of a domestic monitoring capability to oversee not only the election event, but also the entire electoral process. Funds for trade capacity building will support competitiveness in the economy and develop Nicaragua's policy and institutional environment enabling the country to take full advantage of, and fully comply with, CAFTA.

International Military Education and Training (IMET) funds serve both to promote regional security and to strengthen democratic institutions. The army has made significant strides in professionalizing and depoliticizing its officer corps, and is now largely subordinate to a civilian president. To further this trend, IMET will 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) funds will enhance the military's new role as a nation-building institution and support modernization, enabling Nicaraguan forces to participate in multilateral operations and interdictions. FMF will increase the tactical mobility of the army, fund the purchase of communications equipment needed for multilateral and disaster response operations, and provide support patrol boats and infrastructure. Nicaragua committed forces for stability operations in Iraq, but required additional equipment and training prior to deployment. It will be important to use FMF to sustain this equipment in preparation for future regional or coalition operations. FMF will purchase communications equipment, training, specialized equipment, and other material for its special forces. FMF programs will support the acquisition of equipment to enhance the MOD's control over the military. Nicaragua is eligible in FY 2006 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 strengthen the military's capacity to interdict narcotics and conduct disaster relief missions.

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 reinforce our own law enforcement efforts in the region. We will provide training and equipment to the anti-drug division of the Nicaraguan National Police and strengthen the interdiction capabilities of Nicaragua's maritime forces by providing "fast boats," rebuilding the GON's larger patrol vessels, and equipping naval outposts on the Atlantic Coast. Judicial system improvements and anti-corruption projects fortify this work on the institutional level.

In Nicaragua, funds from the Organization of American States/ Inter-American Development Bank (OAS/IADB) and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) support 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. As in the past, U.S. humanitarian demining contributions for Central America will be directed to the OAS. Most FY 2006 funds will continue to support clearance in the Northern Atlantic Autonomous Region and mine detection dog operations. Clearance operations are expected to be completed in 2006. The NADR humanitarian demining program may expand options for victims' assistance in Nicaragua with FY 2006 funds. Nicaragua has excess Small Arms/Light Weapons stocks, which are at risk of leaking into conflicts in Latin America, Africa and the Middle East. In FY 2006 we will continue supporting the GON's efforts to destroy some of those weapons and secure inventories.

Panama
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	6,487	5,952	4,500
DA	5,622	5,177	6,604
ESF	1,000	2,976	2,000
FMF	2,000	992	1,100
IMET	558	600	600
NADR-EXBS	40	25	50
Peace Corps	2,478	2,856	2,571

U.S. interests in Panama include strengthening regional security, combating international crime, and supporting democracy. Canal security continues to be a priority. Panama's Colon Free Zone is the largest free trade zone in the Hemisphere, and Panama is seeking to further liberalize bilateral commercial relations through a negotiated free trade agreement with the United States. Panama is a major overseas financial center and the world's largest ship registry, with 6,300 vessels flying the Panamanian flag. The country's strategic location between South and North America makes it a crossroads for international commerce, but also a transient country and center for illegal activity such as drug trafficking, money laundering, trafficking in arms, and illegal immigration. Refugees and incursions by armed insurgents from Colombia's civil conflict pose additional challenges. The United States continues to cooperate 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.

In FY 2006, democracy and governance projects funded from Andean Counterdrug Initiative (ACI) will bolster Panama's border area with Colombia to mitigate illicit activities. ACI will support cooperative programs aimed at interdicting the illegal flow of drugs, arms, and persons through Panama. We will enhance Panama's capability to combat money laundering and other financial activities that support trans-border crimes and terrorism.

Economic Support Funds (ESF) will improve access to justice and alternative dispute resolution mechanisms, increase accountability and transparency in public management; and strengthen administration of justice at the community level. Funds will support projects to improve the efficiency and fairness of the system of administration of justice and initiate a new governance activity to combat corruption. Through cooperation between USAID, the GOP, and Panamanian NGOs, the United States will promote environmental protection and management policies and programs designed to protect the Canal watershed.

Foreign Military Financing (FMF) will augment the GOP's counter-terrorism efforts, security programs and maritime interdiction activities. This will be achieved by assisting in the development of the Panamanian Public Forces' (PPF) capabilities to respond to threats against critical infrastructure, specifically the Canal, by improving the security posture on the border with Colombia, by enhancing the PPF's mobility with additional vehicles, including riverine patrol craft, and by improving communications equipment and logistical packages. Additionally, this support will enhance the PPF's riverine and inter-coastal interdiction capabilities against trafficking of drugs, arms and people in the border region. Panama's interdiction efforts will also benefit from limited FMF support as part of Operation Enduring Friendship. Panama and the United States

concluded a Proliferation Security Initiative (PSI) agreement in May 2004. This ship-boarding agreement allows U.S. personnel, in cooperation with Panamanian authorities, to board ships suspected of carrying weapons of mass destruction. The United States works with the Government of Panama (GOP) pursuant to treaty obligations to help assure the security and smooth operation of the Panama Canal, while continuing to encourage and assist Panama to meet maritime security obligations as set forth by the International Maritime Organization.

The International Military Education and Training (IMET) program will provide training in the rule of law and human rights. IMET courses also 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 (NADR) funds to the Export Control and Related Border Security (EXBS) assistance program to establish a more effective export control system in Panama. \$50,000 of FY 2006 NADR funds will be allocated to these efforts through assistance with the implementation of a national export control law and control list through continued training programs

Panama is eligible in FY 2006 to receive Excess Defense Articles (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 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	2,325	2,000	1,477
DA	4,140	3,785	6,788
ESF	2,982	2,976	2,550
IMET	-	250	50
Peace Corps	3,020	3,066	2,915

Primary U.S. national interests in Paraguay include the consolidation of democracy and fortification of the open market system, fighting corruption and combating terrorism. Our programs protect intellectual property rights, fight narcotrafficking and transnational crime, and promote responsible environmental management, public health and sustainable development.

Economic Support Funds (ESF) and Development Assistance (DA) funds will strengthen the capacity of private and public sectors to fight corruption and demand reforms. ESF will promote democracy by strengthening civil society, encouraging anti-corruption reforms, and supporting democratic political parties. DA funding assists local governments, improving access to and accountability in the justice sector. DA funding will promote economic growth through diversification of markets and products and broadening economic opportunities for the poor. DA funding will be used to help manage key environmental issues, including the implementation of an effective national policy and regulatory framework. Child Survival and Health Programs Funds (CSH) will improve maternal and child health, make family health care more accessible, and improve grassroots provision of health services. These efforts will 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 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 train Paraguayan officials and officers at military schools, with a focus on civil-military operations and sustaining democracy.

Paraguay will be eligible to receive Excess Defense Articles (EDA) in FY 2006 on a grant basis under section 516 of the Foreign Assistance Act. Grant EDA to Paraguay will strengthen the Paraguayan military as a democratic institution by continuing to expose it to modern, professional military forces.

Paraguay is a transshipment point for an estimated 40-60 metric tons of cocaine per year. Limited International Narcotics Control and Law Enforcement (INCLE) funds from the Latin America Regional account will strengthen the GOP's capability to disrupt cocaine trafficking operations, pursue and arrest high-level narcotics traffickers, and combat money laundering. We will continue support to the Anti-Narcotics Secretariat, the Financial Intelligence Unit of the Anti-Money Laundering Secretariat, and the narcotics detection Canine Program. We will provide training to judges and prosecutors tasked with prosecuting narcotics and money laundering cases, and expand efforts to educate school-aged children on the dangers of illegal drugs. We will provide support to the Ministry of Industry and Commerce to fight violators of intellectual property rights through the provision of equipment and operational support and to the Ministry of Women in the battle against the trafficking in persons by providing training and developing a victim assistance center.

Peru
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	116,000	115,370	97,000
CSH	17,582	13,887	11,950
DA	13,786	11,631	15,354
ESF	7,453	7,936	8,000
FMF	-	992	300
IMET	-	300	50
NADR-SALW	-	200	200
P.L. 480 Title II	23,868	12,921	13,245
Peace Corps	1,892	2,225	2,451

Peru, one of the largest and most rapidly developing countries in South America, has undergone profound changes in the last decade. Our ability to see eye to eye on such issues as counterterrorism, economic reform, democratic integration and counternarcotics has led to one of the highest points in our bilateral relationship of the last 50 years. We have developed successful working relationships with the current Toledo administration and most of the political sectors in the country to ensure that we will continue to have partners committed to advancing our mutual national security interests.

Peru is one of the world's largest producers of coca leaf and there are signs that opium poppy has established a foothold in the country. The Peruvian government (GOP) has cooperated extensively with the United States in counternarcotics activities. FY 2006 Andean Counterdrug Initiative (ACI) funds will provide training, equipment, and technical assistance to GOP entities charged with implementing counternarcotics-related programs, including law enforcement efforts to disrupt coca and poppy cultivation, wholesale purchase, industrial-scale processing, and the export of coca leaves and refined coca products. The program includes upgrading interdiction capabilities and supplying and maintaining aircraft to support law enforcement and eradication operations.

A key component of the USG's comprehensive counter-narcotics strategy is the ACI-funded Alternative Development Program (ADP). The USG in FY 2006 will use Development Assistance (DA) and Economic Support Fund (ESF) resources to complement ACI funding in the coca-growing region. ADP interventions will focus on: a) providing immediate economic and social impact by generating employment opportunities, community organization and other short-term support in areas where coca is being voluntarily eradicated; b) promoting alternative and sustainable economic and social development in and around the primary coca-prone areas via major road rehabilitation, infrastructure works, and technical assistance and training to local governments, GOP agencies, natural resource managers, 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 partners; 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 stamp out opium poppy and illegal coca cultivation and processing in key areas, and to disrupt coca and cocaine routes in source and transit zones. These programs will lower the risk of instability in areas facing the interrelated threats of coca cultivation, narcotrafficking, terrorism and minimal central government presence, which work in synergy to

undermine citizen confidence in the government. Challenges will include links between narco-traffickers and remnants of the Shining Path, MRTA and other terrorist and criminal organizations, and encroachment of narco-trafficking influence into the formal economy and the public sector.

The Toledo Administration, the Peruvian Congress and the citizenry are committed to strengthening democratic institutions and further reforming the economy. Training and technical assistance are needed to shore up key institutions, improve administration of justice and rule of law, improve the investment and business climate, reduce poverty, improve local governance, encourage greater citizen participation in decision-making and increase civilian control over the military. Economic Support Funds (ESF) and Development Assistance (DA) funds help meet these goals. ESF-funded programs will provide technical assistance and training to promote key policy reforms; support decentralization and increase the capacity of regional and local governments, and improve the performance of selected justice institutions. Each of these programs will include support for anti-corruption measures. ESF funds will support economic integration in the northern border area.

Peru remains a poor country, with a per capita annual income of \$2,247. Over 54 percent of its population lives in poverty, and 24 percent lives in extreme poverty (less than \$1/day per capita income). Underemployment is approximately 50 percent, maternal mortality is high, 25% of children are malnourished and the quality of education is among the lowest in the Andean region. The government must continue with ongoing 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) build capacity for increased global trade and trade agreements, c) promote the sustainable use and protection of natural resources, and d) 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.

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) funds 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 illicit crop cultivation and drug production are prevalent and where domestic terror groups seek refuge. FMF will support acquisition of field operations items, communications gear, and specialized equipment. Funds will provide body armor, night vision goggles and small arms for Peru's only dedicated counterterrorism unit. Peru is eligible in FY 2006 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-Ecuador Peace

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	3,976	2,976	4,000

In October 1998, Ecuador and Peru formally ended the 150-year old border dispute that had bedeviled their relationship and led them to war twice in the last 20 years. Consolidation of the Peru - Ecuador peace agreement enhances regional stability, and allows the countries to build a relationship of trust and to cooperate on mutual threats such as production and trafficking of cocaine and opium poppy, weapon and contraband smuggling, and trafficking in persons.

With this final payment on our multi-year commitment to preserve the Peru-Ecuador peace agreement, Economic Support Funds (ESF) will conclude the border integration portion of the peace settlement, including cross-border trade. These measures will increase stability and mitigate conflict through bi-national coordination and cooperation. FY 2006 ESF-funded activities will provide technical assistance for product chain and business development that raise incomes and promote employment, and for sub-national governments to better deliver services and facilitate private sector investment. FY 2006 ESF funds will expand access to social services with emphasis on potable water, sanitation and garbage collection systems, and promote sustainable management of natural resources.

The current sustained peace along the Peru-Ecuador border is an indication of the success of these investments. Moreover, 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. U.S. assistance supports an 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.

Suriname
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	114	99	100
IMET	151	150	150
Peace Corps	1,206	1,255	1,245

The principal U.S. interests in Suriname are strengthening democratic institutions, stemming the flow of illegal drugs and migrants to the United States, combating transnational crime and international terrorism, and encouraging economic growth and development. The United States also encourages protection of the country's large rain forest and preservation of biodiversity.

Suriname's public institutions are woefully under-financed. An anti-military sentiment is pervasive in Suriname society, stemming from a decade of unpopular military rule in the 1980s. 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. FMF will help modernize ground forces with small-scale equipment, and with leadership, tactical, and logistics training.

Suriname's maritime interdiction capabilities are also in need of development. Foreign Military Financing (FMF), will improve communications, deliver training and logistics support, and provide for operations and maintenance of maritime interdiction assets.

Suriname lacks a fully developed military training infrastructure and International Military Education and Training (IMET) plays a key role in the training of its armed forces. IMET will provide training opportunities that would be otherwise unavailable, and encourage the armed forces to adopt an appropriate role in democratic society. IMET funds will be used for projects that promote civilian control of the Surinamese armed forces, increase its professionalism and technical expertise as well as expose Surinamese armed forces personnel to U.S. norms and values.

A small USG counternarcotics/crime program is funded through the International Narcotics Control and Law Enforcement (INCLE) Latin American Regional program. INCLE funds will provide training, vehicles, and equipment, such as computers to Surinamese law enforcement agencies, to bolster Suriname's capacity to combat narcotics trafficking, money laundering, and trafficking in persons.

Suriname is eligible in FY 2006 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, a viable counter-drug capability, as well as combating terrorism, migrant trafficking and arms smuggling.

Trinidad and Tobago

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	-	50

U.S. policy goals in Trinidad and Tobago are to combat terrorism, fight transnational crime and drug trafficking, and improve economic prosperity. Trinidad and Tobago's economy has a large and growing oil and natural gas sector, including related downstream petrochemical industries. A key U.S. aim is to work with the Trinidadian government to improve security safeguards around its energy infrastructure. The United States is the leading exporter to and investor in Trinidad and Tobago, which 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 enjoy a strong cooperative relationship in combating crime and narcotics trafficking 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.

Trinidad and Tobago suffers from a high incidence of HIV/AIDS, made all the more serious by widespread ignorance about the disease and prejudice against those afflicted. Child Survival and Health Program (CSH) Caribbean Regional funds will support health programs, especially in the area of HIV/AIDS, malaria and tuberculosis. CDC's Caribbean regional office in Trinidad, other USG partners, and the GOTT National AIDS Coordinating Committee will collaborate to strengthen programmatic and technical capacity.

International Military Education and Training (IMET) funds will send Trinidad and Tobago Defense Force (TTDF) personnel to U. S. military training to support counterterrorism, maritime, infantry and aeronautical capabilities. Trinidad and Tobago will be eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Grant EDA will enhance the TTDF's peacekeeping, search-and-rescue, disaster relief, and counternarcotics capabilities.

International Narcotics Control and Law Enforcement (INCLE) regional funds will provide training, equipment and vehicles for Trinidad and Tobago's counter-drug/crime units, and equipment to help Trinidad and Tobago to modernize its courts. The Internal Revenue Service is helping the GOTT Board of Inland Revenue (BIR) improve tax collection procedures. INCLE funds support the establishment of a Criminal Investigation Division within the BIR. A U.S. Customs and Border Protection Advisory Team works closely with the GOTT Customs and Excise (C&E) Division to increase anti-terrorist and drug interdiction enforcement and develop a Criminal Investigations Unit. INCLE will establish of a passenger analysis unit at the airport, provide U.S.-trained dogs and handlers for the canine unit, and establish a Preventive Enforcement Network System to enhance communication among C&E units.

The United States has donated patrol boats and aircraft to improve surveillance against narcotics trafficking activities. The aircraft will continue to receive operational and training support through ongoing INCLE funding, although this responsibility will soon transfer to the GOTT.

Uruguay
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	-	397	150
IMET	-	150	50

U.S. national interests in Uruguay include maintaining Uruguay's strong democracy, advancing peacekeeping and other military cooperation, and helping Uruguay fight narcotics trafficking, international crime and money laundering. We will also promote economic growth by pursuing further openings to U.S. trade and investments and by encouraging Uruguay's full participation in the Free Trade Area of the Americas (FTAA) negotiations..

International Military Education and Training (IMET) will promote regional stability by strengthening the Uruguayan military as a democratic institution. Participation by civilians and military officers in the Center for Hemispheric Defense Studies and IMET-funded courses will improve civil-military relations, rationalize the defense policy planning process, build civilian expertise in defense matters, and inculcate the principles of human rights in the future 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 cooperate with U.S. and international forces in peacekeeping operations, disaster relief missions, and other joint operations. Foreign Military Financing (FMF) for Uruguay will support Uruguay's efforts in international peacekeeping by providing spare parts and maintenance support, especially for aviation units and specialized naval patrol boats, and will complement Uruguay's eligibility to receive Excess Defense Articles (EDA). Uruguay will be eligible in FY 2006 to receive EDA on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to combat illegal narcotics production and trafficking.

Limited International Narcotics Control and Law Enforcement (INCLE) funds from the Latin American Regional program will help fight illegal drugs and international crime, both of which are increasing threats in Uruguay. The funds will provide training to improve the professionalism of police units, contraband detection efforts and border controls, and to supply equipment and training for nascent money laundering detection and investigation units. The funds will support demand-reduction projects, such as public awareness campaigns.

Venezuela
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ACI	5,000	2,976	3,000
ESF	1,497	496	500
IMET	-	-	50

Venezuela poses significant challenges and opportunities for U.S. foreign policy. Key national interests are at stake in this imperiled democracy, which has undergone significant social and political upheaval over the past four years and continues to face serious political conflict and threats to democracy. Venezuela is a leading supplier of foreign oil to the United States and host to considerable U.S. investment. As with the other Andean countries, none of Venezuela's challenges - strengthening democracy, fostering economic development, combating narcotics trafficking, or combating terrorism-can be addressed in isolation.

The Executive currently enjoys a virtual monopoly on national and state power: the pro-government Fifth Republic Movement Party (MVR) holds a majority in the National Assembly; it has packed the Supreme Court with pro-government justices, and pro-government candidates took over all but two of the country's 24 governorships after the October 2004 regional elections. The pro-Chavez coalition in the National Assembly passed legislation in December 2004 that will significantly impact freedom of the press and freedom of expression. The Responsibility in Radio and Television Law, also known as the "media content law," has been criticized by Human Rights Watch, the Inter-American Press Association, and the Inter-American Commission on Human Rights, among others. It imposes unclear restrictions on media content and allows the state regulatory agency to censor content it considers harmful to "public order and national security."

The United States will continue to support efforts and programs to strengthen democratic institutions through ESF-funded initiatives and to promote the rule of law and respect for human rights in Venezuela. With a Venezuelan presidential election scheduled for 2006, the United States will need to offer support to help ensure they are free, fair and transparent. The irregularities and politicization cited by the Organization of American States (OAS) and Carter Center in their respective final reports of the 2004 recall referendum process contributed to opposition distrust in the referendum's outcome and significantly diminished public confidence in electoral institutions. Restoring confidence in, and restructuring, the electoral system will be an important first step to ensuring the election's overall fairness.

Andean Counterdrug Initiative (ACI) programs will concentrate on improving cooperation on counternarcotics. 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 combat international money laundering activities. Working-level counternarcotics cooperation remains good, but there is much room for improvement. Specific areas that need to be addressed include: enacting Organized Crime Law stalled in the National Assembly since 2002; extradition of Venezuelan and foreign narco-traffickers; enactment and enforcement of anti-drug treaties; implementation of anti-money laundering efforts; and, targeting drug-related corruption.

The United States will continue to closely monitor Venezuelan relations with Colombia and the border issues between Venezuela and its neighbors, and to press for Venezuelan action against narcoterrorism. The 1,400-mile border between Venezuela and Colombia is not well controlled. Colombia's Foreign Terrorist Organizations (FTOs) use Venezuela for cross-border incursions and consider it a safe area. We will continue to work closely with our partners to enhance border control and prohibit terrorists, arms and other illicit supplies from crossing between Venezuela and Colombia.

In FY 2006, International Military Education and Training (IMET) will seek to strengthen military links and provide important training to the Venezuelan military, including training on human rights. Venezuela remains eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of any grant EDA will be used to ultimately promote our long-standing interests in strengthening democracy.

Hemispheric Cooperation Program

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	6,941	-	12,000

Freer trade serves U.S. interests by promoting economic growth, openness and democracy. The resultant stability and prosperity in our trading partners strengthen our own security, increase opportunities for U.S. businesses and workers, and reinforce cooperation to address common problems.

The U.S. has concluded negotiations for free trade agreements (FTAs) with nine countries of the Western Hemisphere. The North American Free Trade Area (NAFTA) with Canada and Mexico was implemented in 1994. The FTA with Chile came into force in January 2004. The FTA with Central America and the Dominican Republic (DR-CAFTA) was signed in August 2004. Negotiations for a bilateral FTA are underway with Panama, and for a regional Andean FTA with Colombia, Ecuador and Peru (with Bolivia participating as an observer to the discussions). In addition, discussions continue on ways to conclude negotiations for a Free Trade Area of the Americas (FTAA) that would cover 34 countries (all the countries of the Western Hemisphere except Cuba).

Hemispheric Cooperation Program (HCP) funds will focus on improving the ability of members and potential members of free trade agreements to implement FTA obligations and adjust their economies to free trade with the United States. Funding will support technical assistance and training for regulatory reforms related to trade (such as improvement in customs, food safety programs, intellectual property regulations, and transportation security), mechanisms to protect the environment and worker rights, and improved trade policy coordination within governments and with the civil society.

Recognizing that most Latin American and Caribbean countries need to strengthen their ability to implement and benefit from trade agreements, the United States is assisting these countries mobilize funding from diverse sources for comprehensive trade capacity building strategies on a national and regional basis. For DR-CAFTA, this effort is coordinated by CAFTA's Trade Capacity Building Group. Similar groups will likely be part of the Panama FTA and the Andean FTA. For the FTAA, this effort is coordinated by the FTAA's Hemispheric Cooperation Program and the FTAA's Consultative Group on Smaller Economies.

Operation Enduring Friendship

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	-	-	5,000

The Caribbean, our Third Border, has become a convenient avenue for transnational criminals trafficking in aliens, narcotics, arms, and other contraband to the U.S; terrorists could exploit the region's vulnerability to threaten our homeland security. U.S. assets to counter these threats are stretched thin and Caribbean countries lack the resources and interoperability to adequately maintain control of their own waters and assist the U.S. in maintaining regional maritime presence.

Operation Enduring Friendship is an FMF-funded, multinational, regional security initiative to develop a partnership of willing nations to work together to identify, monitor, and intercept transnational maritime threats under international and domestic laws. This cooperative effort will maximize the application of available resources so that each participating nation receives timely threat information and develops the capability to contribute to effective maritime security efforts. The intent is to provide standardized command, control and communications equipment; training; spare parts; and logistical support for forces that can complement U.S. and allied interdiction forces (e.g. United Kingdom, France, Canada, Norway) along our Third Border.

Our request for FY 2006 includes assistance to the Dominican Republic and Panama, and more modest support for the Bahamas and Jamaica. The initiative's immediate objective is to allow coalition forces to maintain command of the Caribbean's critical choke points, react to shifting threats, and share information allowing them to contribute to the security of territorial and international seas and the U.S. homeland. It will also improve regional response capabilities to deal with environmental crises, such as oil spills and hurricanes. Operation Enduring Friendship will be coordinated through US Naval Forces Southern Command and USSOUTHCOM Military Assistance and Advisory Groups within participating nations.

Regional Anticorruption Initiatives

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	2,976	3,000

Corruption, in many Western Hemisphere countries, undermines security and hampers economic development by robbing individuals and businesses of billions of dollars. Moreover, the perception of corruption weakens people’s trust in democratic institutions and discourages direct foreign investment. Programming with FY 2006 ESF would compliment a variety of anti-corruption related initiatives that are supported by INL and USAID, as well as provide assistance for additional unmet or on-going needs in the region.

- Support the Follow-Up Mechanism to the Inter-American Convention Against Corruption (IACAC) by funding implementation of its recommendations. The IACAC, ratified by 33 Western Hemisphere countries and administered by the Organization of American States (OAS), promotes anticorruption measures and institutions, requires criminalization of specified acts of corruption, and establishes bases for seizing assets, mutual legal assistance and technical assistance to address corruption.
- Mobilize the private sector and promote good business governance through the creation, adoption and use of “Ethics Pacts,” modeled on the U.S. Department of Commerce’s Good Governance program. By discouraging corruption, the program also helps level the playing field for U.S. companies and encourages private sector leadership in advancing reforms.
- Enhance the effectiveness of government ethics offices and anti-corruption units by developing a network of agencies spear-headed by the U.S. Office of Government Ethics. Funding would allow these institutions to share best practices and to form transnational alliances to give them more visibility and influence. Funding could leverage existing efforts by international institutions to improve the legislative oversight capabilities in the region.
- Increase asset recovery, a major Summit of the Americas objective, by providing training to officials from groups of countries and creating teams of U.S. experts that could build capacity in investigating and prosecuting asset recovery efforts for limited periods of time. Asset recovery is crucial to undermining the profitability of corruption and to returning badly needed resources to victimized countries, thereby increasing public support for the rule of law generally.
- Promote ethics and anti-corruption awareness by supporting training for journalists and children’s media programs, as well as expanding programs to teach youth how to apply ethical principles in everyday situations.

Regional Security Fund - WHA

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	-	1,500

The Western Hemisphere is confronted by a myriad of transnational threats, including terrorism, transnational organized crime involving trafficking in illicit arms, drugs, and persons, and money laundering. Traditional threats, including unresolved territorial disputes, remain a serious concern. This diverse array of security challenges hinders the strengthening of democracy within states and limits the prosperity of the citizens of the hemisphere.

The success in efforts to strengthen democracy and expand prosperity in the Western hemisphere is predicated on security within and among its states. The Regional Security Fund (RSF) will promote personal, national and regional security, essential for economic growth, the deepening of democracy, and the protection of Western Hemispheric homelands from terrorists and organized crime. The RSF will enhance regional stability by mitigating existing security challenges, preventing future conflicts, and addressing emerging transnational threats in the region. The RSF will allow us to work within the existing regional and sub-regional security architecture to expand security cooperation and also respond to opportunities as they arise.

The RSF will enable the U.S. to provide technical assistance, hold workshops and sponsor seminars to address transnational threats, including terrorism and illicit trafficking in arms and drugs. It will also be used to encourage the transformation and rationalization of the defense and security forces in Latin America, in particular Central America in order to better confront the challenges of the 21st century

Under the RSF, we will provide conflict prevention and resolution training for civilian and military officials of the region to build expertise and institutional capacity. Technical and financial assistance for resolution of several of the 15 remaining maritime and land border disputes that are potential flashpoints, including the mitigation of current irritants in the Belize-Guatemala or Guyana-Suriname relationships, is a priority for the RSF.

CSBMs developed and implemented within the Inter-American system have strengthened regional military-to-military relations, reduced interstate tensions, and fostered cooperation and trust among the democratic states of the hemisphere. The RSF will fund follow-up efforts for the Summit-mandated Experts Group on Confidence and Security Building Measures, including workshops and seminars to strengthen civilian control of the military and foster greater trust among countries.

The RSF will enable us to address the lack of capacity of many nations in the region to implement legal norms related to security. Assistance and training linked to implementation of the Inter-American Convention Against the Illicit Trafficking in Firearms (CIFTA) is essential. Activities would include workshops, seminars, and training sessions on import/export controls, mutual legal assistance, information sharing, and establishment of brokering controls to combat the gray arms market. The RSF will also be used to provide assistance for stockpile management and conventional arms destruction.

The RSF will strengthen regional security cooperation as agreed to in the 2004 Declaration on Security in the Americas (DSA), which complements the region's security architecture, and provides a practical guide for promoting democratic norms, resolving interstate border tensions, lowering pressure for arms spending, and fostering a climate of trust, transparency, and cooperation in the hemisphere

Summit of the Americas Support

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	1,488	3,000

The Summit of the Americas is a unique mechanism for the 34 democratic heads of state and government of the Western Hemisphere to advance solutions to common political, economic, and social problems in a multilateral and comprehensive way. Initiated with a U.S.-hosted Summit in 1994 in Miami, the Summit of the Americas now not only engages heads of state and government, but also drives priorities and cooperation among technical ministries, regional institutions, the private sector and civil society organizations. The Summit of the Americas agenda reflects and promotes the values of democracy, human rights, and open markets shared by the region's leaders, and their acknowledged responsibility to actively defend those values.

Summits of the Americas in 1998, 2001 and 2004 have focused on strengthening democratic institutions, creating prosperity, and investing in people. In November 2005 Argentina will host the next Summit of the Americas, which will focus on job creation, establish priorities within the broader hemispheric agenda, and assess implementation of specific mandates.

The United States implements Summit of the Americas mandates, assists other countries in their implementation efforts, and seeks to leverage additional support from multilateral and bilateral donors for Summit objectives. The primary focus of activities in this account for FY 2006 would be to improve democratic governance and accountability in the region. Support is needed for ongoing Summit initiatives, such as the Justice Studies Center of the Americas, which serves as a clearinghouse of information and expertise on justice sector reform, organizes and sponsors comparative analysis of problems affecting justice sector performance, and provides impetus for the consolidation of reforms within countries. The Center has initiated several important long-term activities including a virtual information center, new standards for collecting judicial statistics, a study to recommend improvements in criminal case processing, and a network of official and nongovernmental justice institutions. Additional democracy initiatives, at the specific behest of national and local governments, might include providing expert advice to new governments, with the goal of averting democratic, social, and economic emergencies; supporting indigenous participation in the democratic process; and helping inform new legislators from the region about key international policy issues.

In FY 2006, this account would also support initiatives aimed at strengthening implementation of other Summit mandates. Such initiatives might include helping strengthen natural disaster preparedness, improving teacher training, and working to ensure that economic growth benefits all sectors of the population through expanded access to credit, local private/public partnerships and improved protection of real property rights.

Third Border Initiative

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	4,976	8,928	6,000

The nations of the Caribbean, our “third border,” are vital partners on security, trade, health, the environment, education, regional democracy, and other hemispheric issues. 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 visitors and immigrants arrive in the United States. Due to the region’s proximity, events in the Caribbean have a direct affect on the homeland security of the United States and have the potential to affect other U.S. domestic interests.

Caribbean nations are highly sensitive to adverse global economic conditions, environmentally fragile, and share a susceptibility to hurricanes and natural disasters, highlighted by this year’s hurricane season. Illicit trafficking in persons, drugs and firearms, potential terrorism, and other transnational criminal activities in the region threaten both the United States and regional security interests. To strengthen the capabilities of Caribbean institutions to address these 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 assistance on those areas of greatest need.

TBI will address the lack of capacity many Caribbean nations face in the fields of administration of justice, security and disaster preparedness. TBI programs will also enhance the safe and secure transportation and flow of people, goods and services in the region. TBI will 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. TBI will boost border security programs in the region, including the strengthening of immigration controls.

As part of the ESF funding for TBI, \$2 million will help these smaller economies move toward greater competitiveness by assisting targeted business sectors in the region meet the requirements for successful participation in the global marketplace. We will help reduce constraints to small business growth and development, identify and leverage market opportunities, and strengthen the legal and environmental frameworks to support open trade and sustained growth.

We will work to ensure that the natural resources used to support economic activities in the region are soundly managed and protected. The United States will use TBI funds to assist Caribbean organizations to improve their environmental management – such as strengthening protection 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, and ensure that disaster risk reduction and mitigation concepts are explicitly integrated into the region’s economic planning and implementation.