

WESTERN HEMISPHERE

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Argentina
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	998	1,000	2,000
IMET	846	1,000	1,000

Maintenance of international security and regional stability and building economic prosperity through structural reform and enhanced trade are the leading U.S. interests in Argentina. The Government of Argentina (GOA) has actively supported U.S. security goals by playing a leading role in international peacekeeping. Argentina has also cooperated with the United States in counter-terrorism and counter-narcotics activities, which are centered in the tri-border area with Brazil/Paraguay. The United States is assisting the GOA with judicial reform and anti-corruption programs as well. Since the open-market economic reforms of the early 1990s, U.S. exports to Argentina have increased seven-fold and direct investment ten-fold; with the eventual restoration of macroeconomic stability, opportunities exist for further expansion.

Foreign Military Financing (FMF) funding enables Argentina's armed forces to improve their peacekeeping capacity through purchases of up-to-date communications and transport equipment, at a time of severe budget austerity. In FY 2003, FMF will be used to increase Argentina's ability to participate in peacekeeping missions. Funds will be used to support increases in training, interoperability, and purchases of needed equipment.

Argentina has also been Latin America's largest user of U.S. Excess Defense Articles (EDA). Argentina will be eligible in FY 2003 to receive EDA on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Argentina continues our policy of supporting Argentina, as a major non-NATO Ally, at a time when fiscal austerity has drastically shrunk Argentine defense spending. It enables Argentina to continue its productive cooperation with the United States and NATO in international peacekeeping operations. Grant EDA helps the GOA obtain NATO-compatible equipment, such as transport and communications equipment, improving interoperability with NATO forces in peacekeeping operations.

International Military Education and Training (IMET) courses increase Argentine interoperability with U.S. and NATO forces, which bolsters its strong participation in worldwide peacekeeping activities. IMET also plays a key role in developing civilian experts who can administer the Argentine defense establishment effectively. With UN peacekeepers serving in East Timor, Western Sahara, Ethiopia-Eritrea, Iraq-Kuwait, Cyprus, Bosnia, and Kosovo, Argentina ranks second among Latin American nations in number of participants. The GOA has also been a leading recipient of Enhanced International Peacekeeping Capability funding (\$2.25 million in FY 1998-1999), with military personnel from other Latin American nations attending the GOA's peacekeeping training academy.

In the aftermath of the 1990s bombings in Buenos Aires that killed over one hundred people, U.S. Anti-terrorist Assistance programs (NADR) brought Argentine officials to the United States for valuable counter-terrorism briefings and training. The tri-border area and Argentina's northern border with Bolivia are transshipment routes for illegal drugs bound for the United States; regional INC funding provides police training for interdiction activities. In addition, the United States continues to promote training and exchange programs with Argentine law enforcement and judicial authorities in support of GOA efforts to reduce international criminal activity.

Bahamas
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	139	100	100
IMET	110	140	140
INCLE	1,200	1,200	1,200

Because of the proximity of The Bahamas to the United States, the United States has a strong interest in a stable and democratic Bahamas that will work closely with the United States on bilateral, regional, and multilateral issues. Principal U.S. interests in The Bahamas include ensuring the safety and security of approximately 8,000 American residents and more than three million annual American visitors; stopping the transshipment of illicit drugs and illegal immigration through the Bahamian archipelago; and combating international financial crime, including money laundering and financial support for terrorism.

Only 50 miles from the United States at its closest point, the Bahamian archipelago is a major transshipment point for illegal narcotics trafficking and illegal migration to the United States. After tourism, financial services represent the biggest industry. For the sake of regional and U.S. security concerns, it is important that the Bahamian government be strong enough to combat the threat to its sovereignty and its banking industry represented by illegal drug trafficking, money-laundering, corruption, terrorism, and other crimes. The Bahamas, the Turks and Caicos Islands, and the United States are partners in Operation Bahamas and Turks and Caicos to combat illegal narcotics trafficking. In this joint operation, under the bilateral maritime agreement, Bahamian and Turks and Caicos police and U.S. Drug Enforcement Administration personnel cooperate with U.S. Coast Guard and U.S. Army helicopter crews in missions against suspected drug smugglers.

The Bahamas will be eligible to receive Excess Defense Articles (EDA) in FY 2003 on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to promote counter-drug efforts, maritime support, inter-operability and modernization of equipment. International Military and Education Training (IMET) and Foreign Military Financing (FMF) funds are used to educate, train, and equip the Bahamian Police and Defense Forces to increase their effectiveness. FMF will be used to develop command, control, and communications architecture capable of supporting conduct of joint/multi-national counter-drug (CD) operations and conduct CD interdiction operations. U.S. military interaction includes Joint Combined Exercises and Training deployments, construction and humanitarian deployments, demand reduction campaigns of Military Information Support teams, and disaster relief exercises.

International Narcotics Control and Law Enforcement (INCLE) funding supports Bahamian government efforts to carry out drug enforcement operations and investigations by providing operational support, training, and equipment. It also supports institution-building efforts by the Bahamian government through its multi-year projects to reform the Bahamian courts by promoting procedural changes and more efficient management of drug cases and to computerize all Bahamian courts. The U.S. Embassy also 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 safety and security of American citizens is a principal U.S. objective. U.S. officials in The Bahamas maintain close liaison with the Bahamian police, keep U.S. citizens informed of threats from crime and hurricanes, maintain registration and warden systems, and work with Bahamian officials to improve aviation safety and airport security. Other important U.S. objectives are to deter illegal immigration and maintain effective border controls, and to eliminate barriers to foreign investment and trade and participate fully in the Free Trade Area of the Americas and the World Trade Organization.

Belize
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	200	200	300
IMET	223	275	175
Peace Corps	1,396	1,425	1,445

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

Because of its proximity to the United States and its position linking vulnerable Central American and Caribbean states, Belize is an ideal transit point for illicit drugs headed for the United States. Easy access to the United States and Mexico makes Belize an attractive staging area for other international crimes as well. It is a market for vehicles stolen in the United States, a potential site for money laundering, and an origin point for smuggled wildlife and artifacts. Modest International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funding provides training and assistance to disable drug organizations, improve the collection and dissemination of counternarcotics intelligence, increase interdiction of illicit drugs, and improve Belize's ability to deter and detect money laundering. INCLE funding also seeks to improve the professionalism and performance of police and prosecutors, provide technical support for the judicial system, and reduce the flow of stolen vehicles from the United States to Belize. The United States is the largest foreign investor in Belize and its biggest trading partner, and U.S. citizens account for the majority of Belize's tourists. Improvement of the police and the judicial system would make it safer and easier for American tourists and business.

In 2000, the United States and Belize signed a new extradition treaty, a mutual legal assistance treaty, and an overflight and landing protocol to an existing maritime counternarcotics cooperation agreement. The extradition treaty came into force early in 2001. A stolen vehicles treaty and the mutual legal assistance treaty are expected to come into force in 2002. These legal instruments should greatly enhance the ability of the United States and Belize to cooperate effectively to combat crime.

In FY 2003 International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs provide training and equipment for a small but disciplined Belize Defence Force (BDF). BDF troops served with the CARICOM Battalion during peacekeeping operations in Haiti and participate in regional training exercises with U.S. and Caribbean forces. IMET training improves the professionalism and competence of the BDF, making it a more effective partner when operating with U.S. forces in joint exercises and enabling it to protect Belize's national parks, nature preserves, and barrier reef. Belize will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of grant EDA promotes interoperability and modernization of equipment.

Bolivia
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	6,598	19,410	0
DA	25,098	12,053	30,547
ESF	1,995	10,000	10,000
FMF	0	500	2,000
IMET	665	700	800
INCLE	52,000	81,000	91,000
Peace Corps	2,925	2,866	2,860
P.L. 480 Title II	15,918	9,910	21,525

The most urgent U.S. interest in Bolivia is to stop the illicit production of coca and the export of cocaine and other illicit products to the world market. Integral to the counternarcotics fight is U.S. support of Bolivian democracy, as a stable democracy is a necessary condition for continued success in this arena. The United States is encouraging Bolivia's transition to a free market economy as the most promising avenue to growth. Bolivia's effective implementation of judicial reforms is critical to our efforts related to counternarcotics, investment, human rights, and social stability. Increasing and sustaining Bolivia's capabilities in peacekeeping is vital to ensuring that they continue in their role as peacekeepers in crises around the world. The preservation of Bolivia's biodiversity is vital to global environmental needs. Improving health conditions will alleviate the burden of poverty and decrease the pressure for emigration.

Bolivia, long considered one of the least democratic countries in the Andean region, has had an uninterrupted succession of elected governments since 1981. Market reforms and sound macroeconomic policies resulted in steady if unspectacular growth, until recession in the region caught up with Bolivia in 2000. Despite successful completion of the process for debt relief under the Highly Indebted Poor Countries program and prospects for natural gas development, the economy in 2001 was practically stagnant. Bolivia remains the world's third largest producer of illicit coca; and while the government has made significant gains over the past four years towards fulfillment of its goal to eradicate all illicit coca by the time it leaves office in 2002, demonstrations and violence by coca growers have sidetracked eradication and enforcement efforts this past year.

The FY 2003 budget request remains at a high level compared to previous years and reflects the amount of support required to sustain counternarcotics operations in two distinct regions. In the Chapare, replanting of coca is ongoing and must be prevented. In the Yungas, where many narcotics traffickers displaced from the Chapare have relocated, the United States is expanding efforts to control the legal coca market and the illegal diversion of legally-grown coca to cocaine processing. Violent ambushes of eradication and interdiction forces in the Chapare and in the Yungas in late 2001 highlight the need to increase significantly both manpower and commodity resources in these volatile regions. Assistance efforts are aimed at consolidating the gains and reestablishing control, while combating the poverty and corruption that threatens what is still the poorest country in South America.

FY 2003 goals include the eradication of all residual coca, the prevention of new plantings in the Chapare, and the elimination of all illegal coca in the Yungas. International Narcotics and Control and Law Enforcement (INCLE) funds will be used to consolidate the successes of Plan Dignidad to ensure that coca cultivation and drug trafficking do not regain a foothold in Bolivia. The FY 2003 budget request will support Bolivian efforts to halt the production of illegal coca in the Yungas and the Chapare and the exportation of cocaine from Bolivia. It will support increased interdiction of essential precursor chemicals

and cocaine products, enhance judicial capability to prosecute narcotics-related crime, promote alternative economic development, expand demand reduction efforts in Bolivia, and improve the quality of investigations into alleged human rights violations.

Development Assistance (DA) funds will increase economic opportunities by providing technical assistance to micro-finance institutions and assist micro-entrepreneurs and providing technological services to farmers to increase yields and access to markets. Funds will also be used to strengthen democracy by working through civil society and judicial reforms. Support for sustainable management of renewable natural resources will aid the country in sustaining economic growth. In the health sector, stabilizing population growth by encouraging increased use of family planning services and supporting other health sector initiatives are two key areas. DA funds will also support the Amazon Malaria Initiative; integrated health care, nutrition, and vaccination programs for children; and decentralization of public health care services to the primary care level.

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

Foreign Military Financing (FMF) funds will be used to educate, train, and equip the Bolivian security forces to increase their effectiveness in their traditional national security role, which will help ensure regional stability, as well as in their multilateral role as international peacekeepers. Some of these funds will be spent to increase Bolivia's peacekeeping capabilities and to ensure that they continue to remain engaged in peacekeeping operations around the world. Bolivia currently has forces deployed in Angola, Guatemala, Kuwait, and Western Sahara. The GOB has also committed a reinforced battalion to the UN's "stand-by" force.

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

Bolivia will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act in FY 2003. Transfer of grant EDA to Bolivia will support our foreign policy goal of reducing the international supply of narcotics by helping to equip units engaged in narcotics interdiction and coca eradication. It will help supply Bolivia's peacekeeping unit with NATO-compatible equipment and enhance U.S. influence on the development of Bolivia's armed forces.

Brazil
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	7,883	8,700	0
DA	7,318	3,930	17,537
IMET	241	440	500
INCLE	2,000	6,000	12,000

U.S. national interests in Brazil are: regional stability; control of narcotics, crime, terrorism, and infectious disease; and economic prosperity. Brazil is a leader in the hemisphere, and there are many opportunities for greater cooperation on issues of mutual concern, including promotion of democratic values in the region, preservation of natural resources, and promotion of efficient energy use. Brazil took the lead in organizing and garnering support for the OAS/Rio Treaty meeting of Foreign Ministers held on September 21, which resolved that the September 11 attacks against the United States were attacks against all American states.

Brazil is the only country that borders on the three major coca-producing countries in the hemisphere. As a result, it is an important transit country for illegal narcotics flows to the United States and Europe and also faces a growing domestic drug abuse problem. Brazil's own recognition of the threat posed by narcotics trafficking prompts greater bilateral cooperation. U.S. counterterrorism officials monitor the tri-border region of Brazil, Argentina, and Paraguay. U.S. and Brazilian officials work closely on control and eradication of infectious diseases through research programs in both countries.

As the largest economy in South America, Brazil's participation in the global economy, and particularly in the Free Trade Area of the Americas (FTAA) process and the new round of World Trade Organization (WTO) negotiations, is critical to U.S. economic prosperity. The FTAA and WTO negotiations will help advance U.S. goals of encouraging the further opening of Brazil's market to U.S. products, promoting U.S. exports, coordinating policies encouraging fiscal stability and structural reform, and supporting Government of Brazil (GOB) policies leading to broad-based economic growth.

Brazil's increased emphasis on containing spillover of crime and violence from Colombia has contributed to broader engagements with the United States on counternarcotics cooperation. While there is little likelihood at present that Brazil will become a major narcotics producer, it is a major transit country for illicit drugs shipped to the United States and Europe. Brazil's domestic drug abuse problem is second only to that of the United States in this hemisphere. U.S. counternarcotics assistance will be used to address narcotics use and trafficking in our countries through: (1) providing equipment and training to improve the capability of Brazilian law enforcement agencies to combat trafficking; and (2) assisting drug education, awareness, and demand reduction programs. Greater emphasis will be placed on Brazil's efforts to strengthen control of its 1,000-mile border with Colombia.

Politico-military cooperation continues to deepen between our countries. The International Military Education and Training (IMET) program allows the United States to share its long experience of civilian control of the military and promotes Brazil's ability to serve in international peacekeeping missions as well as the interoperability of U.S. and Brazilian forces.

Brazil will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Provision of grant EDA to Brazil encourages enhanced interoperability of our military forces.

Due to its vast rain forests, Brazilian cooperation is key to a global environmental strategy. U.S. environmental assistance is aimed at reducing emissions of greenhouse gases associated with climate change and protecting biodiversity – actions with a global impact. Development Assistance (DA) funds programs that discourage deforestation and promote energy policies that mitigate emissions of greenhouse gases associated with climate change. Fire prevention in the Amazon, also a priority, employs sophisticated satellite technology linked to several USG technical agencies. The State Department and the U.S. Agency for International Development work with non-governmental organizations, research institution partners, academic institutions, industry, and government agencies to leverage our resources and to advance our environmental agenda.

Brazil's large population, location, and widespread poverty make it a focal point for the spread of infectious disease. More than 50 percent of the AIDS cases reported in Latin America and the Caribbean are in Brazil. Brazil also has a large number of street children, particularly in the Northeast. DA funds go to non-governmental organizations working to combat the sexual transmission of HIV/AIDS among women, adolescents, and low-income groups and to improve the quality of life of at-risk children and youth. Funded activities include the promotion of children's rights and the provision of vocational training, education, and health services. Brazil represents the developing countries of the Americas on the Board of the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Chile
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	500	1,000
IMET	550	570	600

U.S. national interests in Chile include promoting prosperity through enhanced bilateral and multilateral economic and commercial ties (e.g., the bilateral Free Trade Agreement and multilateral Free Trade Area of the Americas now being negotiated). They include the promotion of healthy, democratic institutions, including a reformed criminal justice system, and the furtherance of common viewpoints on a range of important regional and global issues. U.S. national interests are enhanced by supporting increased Chilean participation in international peacekeeping operations and interoperability of Chilean forces with U.S. and other peacekeeping forces.

The FY 2003 request for International Military Education and Training (IMET) funding will be used to bolster regional stability and democracy by contributing to GOC efforts to professionalize its armed forces and increase their interoperability with U.S. forces through the continuation of management training courses for NCOs, mid-level officers, and senior officers. Other training in equipment maintenance, logistics, and resources management also increases Chile's ability to maintain U.S. equipment in its inventory. We have sought increased interoperability as supporting Chilean participation in international peacekeeping operations and other regional exercises.

FY 2003 Foreign Military Financing (FMF) under the Conflict Prevention and Response program will provide needed equipment to Chile's armed forces participating in extant peacekeeping operations. Chile will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to promote interoperability and modernization of equipment.

Chile is not a center for the production or transportation of illegal drugs, though the picture may be evolving as producers look to Chile as a source of precursor chemicals and as a country through which to ship drugs en route to Europe and the United States. Chile's proximity to producer countries such as Bolivia and Peru, its dynamic economy, and relatively well-developed banking system combine to make it vulnerable to money laundering. International Narcotics Control and Law Enforcement (INCLE) funds from a Western Hemisphere regional fund will be used to assist Chile in implementing effective money laundering and precursor chemical controls, and to enhance its own narcotics investigation, interdiction, and demand reduction capabilities. In addition, INCLE funds will provide modest amounts of training and support to Chile's two main law enforcement institutions, the Carabineros and the Investigations Police.

Colombia
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	0	98,000
IMET	1,040	1,180	1,180
INCLE	48,000	380,500	439,000

U.S. interests in Colombia focus on counternarcotics, regional stability, supporting democracy, protecting human rights, providing humanitarian assistance, and fostering mutual economic prosperity. None of these challenges can be addressed in isolation.

The United States faces an unusually complex series of issues in Colombia and its neighbors. With 40 million people, Colombia is Latin America's third most populous country. It has long-standing political, security, social, and economic problems exacerbated by the explosive growth of coca and heroin cultivation in which guerrilla and paramilitary forces are increasingly involved. There is no easy explanation for Colombia's troubles, but they are rooted in limited government presence in large areas of the interior, a pervasive sense of lawlessness, and deep social inequities. The Government of Colombia (GOC) developed its Plan Colombia as a balanced strategy to respond to all of these issues.

U.S. counternarcotics goals remain at the center of relations with Colombia, which now supplies 90 percent of cocaine consumed in the United States and the bulk of heroin confiscated on the East Coast. However, the United States has other important interests, including regional stability, counter-terrorism, trade and investment, international law enforcement, support for an embattled democratic government, human rights, the rule of law, and the protection of U.S. citizens.

U.S. support for Colombia's strategy to address its challenges was demonstrated by the \$1.3 billion emergency supplemental approved in July 2000. Implementation of the projects supported by those funds is making good progress overall, although alternative development programs are being revised to address a number of challenges.

The proposed program for FY 2003 builds upon the FY 2002 program and is complemented by new initiatives proposed for Colombia's neighbors. Drawing on \$439 million for International Narcotics Control and Law Enforcement (INCLE) funding, it continues to address underlying social issues with \$164 million for alternative development, humanitarian assistance, and institution building, along with \$275 million for narcotics interdiction and eradication programs. The alternative development and institution building programs include emergency and longer-term assistance to vulnerable groups and displaced persons and programs promoting the rule of law, local governance, and human rights.

Eradication and interdiction programs continue to combat drug production and trafficking in coca-rich southern Colombia. With the process to train and equip the Colombian Army's (COLAR) second Counterdrug Brigade due to begin in FY 2002, FY 2003 programs will provide ongoing training and equipment funds to support these brigades as they expand operations beyond the departments of Putumayo and Caqueta. Funds will also provide training and operational support for the COLAR's Huey II and UH-60 helicopters, support for the CNP's Air Service, and upgrades of aviation facilities. Counternarcotics funding will continue to provide logistical support for expanded eradication operations.

Colombia remains the world's leading producer of cocaine and is an important supplier of heroin to the U.S. market. Colombian authorities increased the aerial eradication program and treated over 84,000 hectares of coca in 2001. Colombian Government goals are to cap off coca cultivation in 2001 and to

reduce cultivation from 2000 levels by 30 percent at the end of 2002. Continued U.S. support will assist the GOC to achieve these goals.

A prime goal in FY 2003 is to spray 200,000 hectares. Repeated spraying will deter replanting and allow the GOC to reduce coca cultivation by the end of FY 2006 to 50 percent of the 2000 level. The goal for poppy eradication is 10,000 hectares. Requested funding will result in the seizure of 40 metric tons of cocaine derivatives, the destruction of 2,000 base labs, and the dismantling of 160 cocaine labs.

Colombia, Latin America's oldest democracy, has become increasingly vulnerable to the activity of guerrilla, paramilitary, and narco-trafficking groups. Programs promoting democratic and human rights norms are based on fundamental U.S. values and are intended to assist Colombia's reform efforts and achieve greater political stability in the hemisphere. In addition, humanitarian assistance to internally displaced persons meets the U.S. long-term objective of stabilizing the region and providing legitimate employment and agricultural programs to replace cultivation of illicit drug crops.

The small but significant International Military Education and Training (IMET) program complements these U.S. objectives in Colombia. IMET assistance provides training for the Colombian military, including a strong emphasis on human rights, the observance of which is central to our support for the military and police.

Colombia will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Colombia continues our primary foreign policy objectives of fighting drugs and supporting the ongoing peace negotiations between the Government of Colombia and the insurgents. In addition, receipt of grant EDA will enable Colombian security forces to improve protection of human rights and create a climate of stability conducive to trade, investment, and economic development.

The Administration has submitted to Congress a request for \$98 million in Foreign Military Financing (FMF) to train and equip Colombian troops to protect the economically vital Cano Limon-Covenas pipeline, a frequent target of guerrilla sabotage. Lost revenue from guerrilla attacks has severely hampered the GOC's ability to meet the country's social, political and security needs. Colombia is the eighth-largest supplier of petroleum to the United States, and the pipeline protection proposal would enhance the GOC's ability to protect a vital part of its energy infrastructure.

Colombia's continuing post-1990 economic liberalization opened new opportunities for U.S. trade and investment. Expansion of U.S. exports to Colombia, including investment-led exports, means more and better-paid U.S. jobs at home. Colombia historically has been a top Latin American export market for U.S. business. Bilateral relations between the United States and Colombia have improved significantly under President Pastrana, including restoration of Colombia's access to programs of the Export-Import Bank, Overseas Private Investment Corporation, and Trade and Development Agency. The United States is seeking to increase the current percentage of the U.S. share of Colombia's import market, and the U.S. Embassy is an active advocate of American business.

Colombia faces challenges if the global downturn deepens. Strong GOC macro management, however, coupled with the approval of the revenue-sharing reform and the domestic debt swap should strengthen the fiscal situation. Colombia is in the second year of a three-year IMF program and should continue to meet IMF targets. Pending pension reform is important for GOC finances but is not likely to be passed in 2002.

Costa Rica
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
IMET	297	350	400
Peace Corps	485	845	913

U.S. primary national interests in Costa Rica continue to be the promotion of trade and a vibrant, diverse economy; increased counternarcotics cooperation; and support for sustainable development and sound environmental management - another area in which Costa Rica has been a regional leader. Costa Rica remains among the most stable nations in the hemisphere. Exerting international influence in greater proportion than the country's size would suggest, the Government of Costa Rica (GOCR) has for decades proven itself a strong ally in promoting economic development, 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.

As a relatively prosperous nation with a strong, diverse economy, Costa Rica benefits from fewer direct U.S. aid programs than most of its regional neighbors. Nevertheless, because of its peaceful history and its democratic traditions, the assistance the United States provides to Costa Rica is a sound investment. Although Costa Rica maintains no traditional military, the International Military Education and Training (IMET) program promotes the U.S. goal of ensuring peace and regional security. The FY 2003 IMET request will continue training to further professionalize law enforcement officers and coast guard personnel through courses such as patrol craft commander training, rule of law and discipline in military operations. Likewise, as the GOCR assumes an increasingly sophisticated counternarcotics role and begins to address trafficking in and sexual exploitation of children, IMET training provides access to modern, state-of-the-art law enforcement training.

The GOCR recognizes the growing threat it faces as a drug-transiting country from narcotrafficking and has become one of the most important U.S. counterdrug allies in the region. Costa Rica receives no direct, bilateral International Narcotics Control and Law Enforcement (INCLE) funds. The United States provides INCLE funds from regional allotments, however, to support Costa Rica's expanding domestically-funded programs, which serve to amplify and reinforce U.S. hemispheric law enforcement efforts. These funds finance a variety of initiatives to strengthen law enforcement capabilities and to provide the law enforcement community the tools to do their job. In 1999 Costa Rica became the first country in Central America to sign a Bilateral Maritime Counternarcotics Agreement with the United States.

Costa Rica will be eligible in FY 2003 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 promote regional stability in Central America. Most EDA will be used to enhance counternarcotics capabilities, including communications equipment and air and ocean assets. Costa Rica's political stability and commitment to democracy is unusual in Latin America. Internal security is maintained by local police and lightly armed security forces under the Ministry of Public Security. (Costa Rica abolished its military in 1948.) The transfer of EDA demonstrates USG support of Costa Rica's democracy and encourages interoperability and the modernization of equipment.

Cuba
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	4,989	5,000	6,000

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

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

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

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

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

Dominican Republic
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	6,385	9,532	0
DA	8,800	6,450	19,409
ESF	3,492	2,000	3,500
FMF	649	350	320
IMET	513	500	500
Peace Corps	3,342	3,136	3,124
P.L. 480 Title II	1,525	0	0

The principal U.S. interests in the Dominican Republic are strengthening democracy, protecting the interests of American citizens in that country, and promoting economic stability and U.S. exports, while deterring illegal immigration and fighting international crime and drug trafficking.

The United States will use Economic Support Funds (ESF) and Development Assistance (DA) to strengthen democratic institutions and help maintain economic growth in the Dominican Republic. These accounts will be used to improve the administration of justice, combat corruption, and improve basic education and competitiveness. Technical assistance and training will be provided to: (1) support improvement in the administration of courts and prosecutors' offices; (2) support prosecutors in criminal case management and prosecution; (3) support strengthening of the Inspector of Tribunals and the Public Ministry's Anti-Corruption Unit; (4) support civil society advocacy for justice reform programs; and (5) support strengthening the Public Defender system. The programs will further the National Competitive Strategy, which helps integrate production and marketing of small and micro-enterprises.

U.S. funding will help address the causes of rural poverty and help build a more competitive and equitable society. Programs will focus on improving basic health services, including providing access to HIV/AIDS prevention and care programs. Attaining this goal will reduce incentives for illegal immigration and Dominican participation in drug trafficking and other international criminal activities, while helping to make the Dominican Republic a more attractive environment for American investors and tourists.

International Military Education and Training (IMET) funds will be used primarily to provide professional training designed to 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 be used to support coastal patrol boats used in the counter-drug operations and illegal migrant interdiction efforts. FMF also will be used to provide tactical communications that will facilitate coordination of the military's natural disaster response efforts.

The Dominican Republic will be eligible to receive Excess Defense Articles (EDA) in FY 2003 on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to the Dominican Republic will contribute to U.S. interests by increasing indigenous capabilities to respond to natural disasters and provide humanitarian relief, reducing the need for direct U.S. assistance in the wake of future emergencies. EDA will also strengthen the capability of the Dominican armed forces for counternarcotics missions.

Eastern Caribbean
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	6,985	11,000	0
FMF	1,996	2,000	2,130
IMET	448	675	700
Peace Corps	2,135	2,084	2,105

The seven countries of the Eastern Caribbean – Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines – are vulnerable to being used for transnational criminal activity against the United States, including narcotics trafficking, alien smuggling, and financial crimes. U.S. assistance to the region strengthens the ability of the Eastern Caribbean countries to resist the inroads of drug traffickers, money launderers, and other international criminal elements. At the same time, U.S. support for the region generates expanded markets for U.S. goods and services, ensures safe and secure destinations for U.S. tourists and investments, ensures respect for the rule of law, safeguards important global resources, retards the transmission of HIV/AIDS, and strengthens respect for democratic values. A decline in the Eastern Caribbean’s political and economic stability would have a direct impact on the United States – heightening the vulnerability of Caribbean nations to use as bases of operation for unlawful activities directed against the United States, particularly drug-trafficking and financial crime, and increasing the level of illegal immigration to the United States from these countries. Promoting Caribbean regional security and economic prosperity is, therefore, in the clear interest of the United States.

A major U.S. goal in the Eastern Caribbean is to increase the capacity of national security forces of the region to deal with drug trafficking, financial crime, illegal trafficking in arms, alien smuggling, natural disasters, and external threats. At the same time, the United States aims to strengthen the ability of the Caribbean Regional Security System, comprised of national security organizations of the seven Eastern Caribbean states, to meet these challenges as an effective collective organization. Foreign Military Financing (FMF) will be focused on 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 will be used for professional military education, civil-military relations, and technical training to help make the RSS a more effective partner in maintaining stability and increase its capacity to respond to drug trafficking and other challenges.

The seven countries of the Eastern Caribbean will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act in FY 2003. EDA will be used in the region to promote interoperability and modernization of equipment. The provision of grant EDA will strengthen the RSS and enhance the ability of eastern Caribbean security forces to deal with the problems posed by drug trafficking, alien smuggling, environmental violations, and natural disasters.

As small island economies with limited ability to diversify production, high sensitivity to global economic conditions, environmental fragility, and susceptibility to hurricanes and other natural disasters, the nations of the Eastern Caribbean are particularly vulnerable in several ways. USAID, through its Caribbean Regional Program (CRP), will use Development Assistance (DA) to implement a strategy in the Eastern Caribbean that addresses several areas of vulnerability:

- First, the CRP aims to increase employment and diversification in select non-traditional activities. USAID will work with public and private sectors in the region to expand domestic and export markets for goods and services, reduce barriers to trade and investment, and stimulate a more

conducive business environment. USAID will support micro and small businesses by reducing barriers to increased production and marketing of goods (including non-traditional agricultural goods) as well as services (including tourism and information technology-related services).

- Second, USAID's regional environmental program seeks to identify and act upon those environmental problems that are most likely to be exacerbated by growth across the region. Working closely with the public and private sector, NGOs, and other donors, USAID will promote the use of best environmental management practices; define and reinforce sustainable tourism policies and compliance measures; and strengthen the private sector's capacity to access financing for environmental programs.
- Third, the CRP aims to enhance judicial efficiency and fairness in the Caribbean. The program will improve the operating environment of courts in the Eastern Caribbean through computerization and streamlined case-flow management, promote a fuller use of alternative dispute resolution methods, and improve court reporting. It will also provide judicial and administrative training to judges, magistrates, and court staffs.
- Finally, the CRP aims to enhance the Caribbean response to the HIV/AIDS crisis in target countries. USAID will focus specifically on increasing the capacity of NGOs and community-based organizations to deliver prevention programs, in addition to increasing government capacity to implement an effective HIV/AIDS response.

Regional stability and economic prosperity are essential elements in the Eastern Caribbean's attraction as a tourist destination for Americans and the presence of significant numbers of American citizen residents. Over 300,000 U.S. citizens visit the islands of the Eastern Caribbean annually, and over 3,000 Americans reside in the region. The sheer number of Americans living, traveling, and studying in the area has linked the Eastern Caribbean closely to the United States, and the magnitude of the American citizen presence makes it even more important to encourage regional law enforcement, judicial institutions, and economic development. The United States, in turn, has become a preferred destination of Eastern Caribbean citizens for tourism, work, and education; and the degree of regional stability and prosperity affects the nature of this movement to the United States. The safety of U.S. citizens is a priority. U.S. officials in Bridgetown and Grenada maintain close contact with the local police, national security, judicial, aviation, and tourism officials; keep U.S. citizens informed of safety and security concerns; maintain registration and warden systems; and monitor the welfare of U.S. citizens imprisoned on the islands.

Ecuador
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
DA	8,184	6,855	7,130
ESF	5,491	15,000	20,000
FMF	0	0	1,000
IMET	550	625	650
INCLE	2,200	25,000	37,000
NADR-HD	963	370	250
Peace Corps	2,639	2,759	2,768

U.S. interests in Ecuador include strengthening and consolidating democratic institutions, interdicting and disrupting narcotics trafficking and terrorism, stabilizing and developing the economy, promoting human rights, reducing poverty, and encouraging sound environmental policies. By addressing economic and financial shortcomings in the country, the United States actively seeks to preserve democracy and its processes to support a democratic and prosperous Ecuador.

Ecuador is a firm partner in the war against drugs. The United States, through International Narcotics Control and Law Enforcement (INCLE) programs, works actively with the Government of Ecuador (GOE) to interdict illicit drug-related activities. U.S. and GOE authorities have strengthened law enforcement activities and interdiction cooperation, but drug traffickers continue to exploit Ecuador's vulnerability. In FY 2003, INCLE funds will provide resources to bolster the professionalism, institutional capacity, and collaborative performance of the national police and the military in their fight against trafficking, particularly in Ecuador's troublesome northern border region. These funds also will be used to expand training and provide essential infrastructure and equipment to improve security along the northern border and to promote alternative development.

Attention has shifted to Ecuador's troubled northern border region, where most of the Economic Support Funds (ESF) requested for FY 2003 will be used to develop economic opportunities in support of GOE efforts to solidify regional stability and provide for long-term economic alternatives to the coca/cocaine industry.

Ecuador's economy improved dramatically over the past year. By the end of 2001, economic growth was over five percent, and inflation had dropped to nearly 20 percent, a substantial decrease from the more than 90 percent rate of 2000. However, improving macroeconomic performance did not translate into higher living standards for the majority of the population and Ecuador remains a poor country. FY 2003 Developmental Assistance (DA) funds will be used to further strengthen the microfinance sector. DA programs will also promote sustainable use and responsible stewardship of Ecuador's unique biodiversity, the highest biodiversity per hectare of any South American country. DA funds enhance capabilities in the Galapagos Islands as well as conservation efforts in other key areas of the country.

In FY 2003, Foreign Military Financing (FMF) will help Ecuador prepare for potential spillover of violence and narco-trafficking in southern Colombia. The FMF funding will purchase spare parts and repair of C-130 aircraft previously provided under EDA grant 10 years ago. Operational aircraft will provide strategic lift for field units, assist in disaster response, and allow for provision of humanitarian relief. As available, funding could be used for repair of radar and conversion of missile boats to coastal patrol boats. Although Ecuador led the Latin American shift from military to elected civilian rule in 1979, the country's democratic institutions remain weak, as evidenced by the ouster of democratically elected President Mahuad in

January 2000. To strengthen democratic institutions and military professionalism, the United States utilizes International Military Educational and Training (IMET) funds. FY 2003 IMET funds will provide military and civilian defense training that reinforces the principles of civilian rule and strengthens the principles of human rights. Portions of DA, IMET, and ESF funds will be used for programs that focus on increasing support for democracy through judicial reform and local governance activities.

Ecuador will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Ecuador will support the U.S. foreign policy goal of maintaining Ecuadorian democracy by aiding the military services. Their role is to support the elected government and protect the country's northern borders, which are increasingly being violated by narco-traffickers and insurgents in Colombia. EDA will strengthen Ecuador's military by providing badly needed resources and equipment in the country's ongoing economic crisis. Provision of EDA will also show U.S. commitment to Ecuador through support of its regional counternarcotics efforts.

Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds have been used to accelerate demining of the border region and to strengthen efforts by the Organization of American States to develop a pilot program with both Peru and Ecuador. The FY 2003 funding will continue to support these efforts.

El Salvador
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	14,557	14,822	0
DA	31,807	44,880	33,724
ESF	4,989	25,000	0
FMF	0	1,000	2,500
IMET	653	800	900
Peace Corps	2,228	2,347	2,355
P.L. 480 Title II	1,459	0	0

The principal U.S. interests in El Salvador are supporting democracy, fighting international crime and illegal drugs, encouraging economic development, protecting our borders by 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. In addition, El Salvador is a regional model for economic, military, and institutional reform, and a showcase for the success of U. S. policy in the region over the past two decades. U.S. interests in the region are also served by helping El Salvador rebuild its economy following the January/February 2001 earthquakes. The reconstruction process is expected to go on for several years and will remain the centerpiece of the U.S. assistance effort for FY 2003.

The United States will use Development Assistance (DA) and Economic Support Funds (ESF) to help El Salvador recover from the devastating earthquakes. The total cost of reconstruction from the calamity, which was worse for El Salvador than either Hurricane Mitch or the 1986 earthquake, is estimated at around \$2 billion. The United States is working closely with El Salvador in its post-quake reconstruction activities, mainly on long-term shelter, disaster mitigation, economic reactivation, and community infrastructure. The reconstruction effort in FY 2002 will be used to address the effects of the disaster, with primary focus on replacement of destroyed/damaged housing among the rural poor. It will also be used to revitalize the local economy by supporting microcredit and agriculture programs; rehabilitating health, education, water, and local government infrastructure; and improving disaster preparedness.

Because wide-spread violent crime represents the greatest threat to democracy and stability, and because the capabilities of the police have been compromised by damage to communications and other infrastructure resulting from the earthquakes, programs funded by International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funds will emphasize reconstruction of police facilities. ESF will be used to strengthen police management systems, including internal affairs and investigative functions and U.S.-style community policing strategies. INCLE will continue to provide police training and technical support specifically related to counter-narcotics as well as technical support to combat money laundering.

Broad-based economic development in El Salvador, which has been set back considerably by the recent disaster, will improve prospects for U.S. exports and help reduce the pressures driving illegal immigration. Development Assistance (DA) programs will continue to assist the rural poor gain expanded access to economic opportunity, clean water, and better health services. DA will also support more effective and inclusive democratic processes. Funds will be targeted at rural areas and used to improve access to potable water, as well as to reduce family health problems and diseases through improved medical care. In direct support of open markets, U.S. exports, and global economic growth, DA will be used to provide technical assistance to the government for energy market deregulation and improved revenue collection. The program will continue to strengthen democratic institutions by helping local officials be more responsive to

constituents, bolstering the capabilities of the legislative and executive branches of government, broadening political participation, and promoting judicial reform.

International Military Education and Training (IMET) funds will be used for professional training programs that will sustain the thoroughgoing reform of the Salvadoran military and consequent improvements in the democratic climate and regional stability seen in recent years.

El Salvador will be eligible to receive FY 2003 Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to El Salvador will contribute to U.S. interests by reducing the burden placed on the United States in responding to natural disasters and providing humanitarian assistance. EDA will be used to foster defense cooperation and enable the Salvadoran military to respond more effectively to contingencies such as Hurricane Mitch and the January/February 2001 earthquakes. EDA will also increase the ability of the Salvadoran armed forces to support efforts to fight drug trafficking and will assist efforts to help the Salvadorans shift from combat-oriented units to units that can support peacekeeping operations.

Foreign Military Financing (FMF) funds will be dedicated to upgrading infrastructure to support EDA naval vessels being transferred to El Salvador to improve counter-narcotics interdiction capabilities. They will also be used for spare parts to help restore the Salvadoran helicopter fleet to mission readiness following the extreme strain on equipment incurred in responding to the recent earthquakes and, if necessary, help fund acquisition of one or more additional helicopters through the EDA program.

Guatemala
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	6,905	15,350	0
DA	16,937	12,320	26,691
ESF	13,969	10,000	7,500
IMET	291	350	350
INCLE	3,000	3,500	3,400
Peace Corps	3,262	4,060	4,080
P.L. 480 Title II	16,036	15,808	18,013

The United States has an interest in promoting political stability and economic growth in Guatemala – the most populous country with the largest economy in Central America – in order to improve U.S. ability to combat international criminal activities. Money laundering, narcotics trafficking, and illegal immigration in Guatemala all have a direct impact on U.S. national security. As Guatemala’s key trade partner, the United States also has an important interest in encouraging the government to maintain an open trading system and to institute reforms to promote a healthy investment climate. This will help attract profitable U.S. investment, and a sound economy also will provide a robust market for U.S. exports. Protecting and assisting the considerable number of resident and tourist American citizens in Guatemala is another important interest and is supported by U.S. assistance to improve Guatemalan law enforcement and administration of justice programs.

Support for peace implementation is a cornerstone of current U.S. policy towards Guatemala. Peace consolidation will create positive socio-economic changes that will help maintain stability, foster greater political legitimacy, and promote broad-based economic growth. FY 2003 Economic Support Funds (ESF), Development Assistance (DA), and P.L. 480 food aid will help support Guatemala's attempts to consolidate peace implementation by promoting national reconciliation, human capacity development, anti-poverty programs, and modernization of the state (e.g., justice system, tax administration, congress, and local governments). Funds will support democratic development programs, improved access and quality of education services, improved health for rural women and children, increased rural incomes and food security, and sustainable natural resource development.

DA and ESF will leverage U.S. ability to push the government to maintain open trade ties and to make the necessary structural reforms to encourage profitable U.S. investment. International Military Education and Training (IMET) will support the ongoing transition to civilian control of the armed forces and promote further military professionalism, both key peace accord objectives. Under the Expanded IMET program, these funds will provide courses to military officers and civilians that promote civilian control of the military, instill respect for human rights, improve the military justice system, and enhance management of defense resources. Guatemala also will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to assist the armed forces in promoting the peace process as well as to enhance interoperability and modernization efforts.

Guatemala’s strategic location makes it a significant transit point for narcotics flows destined for the United States. FY 2003 International Narcotics Control and Law Enforcement (INCLE) funds will support U.S.-Guatemalan counternarcotics cooperation. ESF-funded programs to enhance administration of justice will help the government strengthen criminal justice institutions as well as enforce laws related to protection of intellectual property, worker rights, and other human rights.

INCLE funds will improve counternarcotics and law enforcement capabilities by providing training and equipment for an expanded civilian Department of Anti-Drug Operations that is responsible for interdiction and eradication, assisting in modernizing the judiciary, and supporting updated anti-drug and money laundering legislation.

INCLE funds also will expand the activities of narcotics prosecutors and investigators, continue information coordination operations, enhance public awareness of the damage inflicted by drug abuse and trafficking, and complete the establishment of port security projects. Such measures will help reduce the flow of cocaine and other illegal drugs to the United States and deter other criminal activity. Additionally, improved law enforcement and administration of justice will contribute to protection of American citizens in Guatemala from growing criminal and other public security threats and will create a climate conducive to building democratic institutions.

Guyana
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	798	1,000	0
DA	3,800	3,100	3,180
FMF	124	200	400
IMET	192	275	275
Peace Corps	773	799	811

U.S. interests in Guyana focus on bolstering democratic institutions. Political and racial unrest after the 2001 elections, although reduced, directly threatened such institutions. Additional strengthening and deepening is essential to the long-term development and stability of Guyana.

Many Development Assistance (DA) programs focus on strengthening democratic processes and institutions. In FY 2003, DA funds will be used to improve the law-making and regulatory process, strengthen civil society, encourage the growing participation of women in government, and build sustained institutional capacity to conduct free and fair elections. A judiciary program increases court systems efficiency and fairness by improving the operating environment of the courts through computerization and streamlined case-flow management; by promoting, through technical assistance and training, a fuller use of alternative dispute resolution methods as an alternative to going to court; and by automating court reporting.

The Guyana Defense Force (GDF) remains inadequately funded, but bilateral military cooperation is growing. FY 2003 Foreign Military Financing (FMF) will support the costs of a communications system and related equipment. Guyana will be eligible in FY 2003 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 trafficking, as well as promote civil affairs and improve crisis management. IMET funding has also been used to increase the professionalism and capabilities of the GDF and to strengthen regional stability.

Guyana's economic development and political stability are closely linked. Growth since 1998 has been negligible. Guyana is one of the poorest countries in the hemisphere with a per capita income of about \$800. In 1999 Guyana qualified for debt relief under the initial stage of the Heavily Indebted Poor Countries (HIPC) initiative but is having problems satisfying conditions for greater debt reduction under enhanced HIPC. DA funds seek to improve the climate for private investment. These programs enhance Guyana's capacity to execute sound economic policy, strengthen the private sector's ability to influence the development of these policies, and provide increased services in support of small and micro enterprises.

The U.S. Embassy works actively on promoting American investment in Guyana. While markets and investment opportunities are limited, the slow opening of Guyanese markets will create small niches for U.S. exports.

Guyana has the second highest HIV prevalence rate in the Latin American/Caribbean region. USAID has responded with HIV/AIDS awareness and prevention programs, working with local NGOs to combat HIV/AIDS among youth through a variety of outreach efforts. Faith-based NGOs that provide basic care and support services to people living with AIDS and their families are being incorporated into the program.

Guyana is increasingly a transit point for narcotics destined for the United States and Europe. A small USG counternarcotics/crime program is funded through the International Narcotics Control and Law Enforcement (INCLE) Latin American Regional program. The emphasis is on training to aid Guyana's

under-equipped and inexperienced counternarcotics agencies. With USG help, Guyana has established a Joint Information Coordination Center for counternarcotics information. The Embassy is assisting the Government of Guyana (GOG) in drafting effective counternarcotics/crime legislation and has pressed for the passage of money laundering, asset forfeiture, and other modern anti-crime statutes. The Embassy is also pressing the GOG regarding alien smuggling. DA programs to strengthen the rule of law and increase the effectiveness of the judicial system reinforce other law enforcement programs.

Haiti
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
DA	0	0	25,000
ESF	46,894	30,000	0
FMF	0	300	400
IMET	0	0	50
Peace Corps	1,323	1,324	1,352
P.L. 480 Title II	25,111	0	22,375

U.S. interests in Haiti hinge on stemming the flow of undocumented immigrants and illegal drugs into this country. The United States also seeks to roll back HIV/AIDS infection rates that threaten the region. Haiti is classified by the World Bank as a low income country, one of only two such countries in the Western Hemisphere. With a per capita Gross Domestic Product (GDP) of about \$500, negative real GDP growth over the period from 1990-2001, two-thirds of the population living below the poverty line, and widespread unemployment and underemployment, Haiti's short- and medium-term economic prospects are grim. This fact alone is enough to send thousands of undocumented migrants headed toward U.S. shores annually, often in boats totally unsuited to crossing 600 miles of shark-populated open sea.

A U.S. bilateral assistance program directly supports U.S. national interests by promoting democratic and economic development in Haiti. Reducing poverty directly addresses conditions that contribute to illegal emigration to the United States. Strengthening the Haitian government's ability to stop the use of its territory for shipping illegal narcotics to the United States responds to a key U.S. policy concern, both domestically and internationally. Improving the capabilities of the Haitian government and civil society under this program furthers the substantial U.S. efforts since the 1994 intervention to end definitively Haiti's long history of undemocratic and repressive rule.

U.S. engagement in Haiti transitioned from the crisis-driven activism of the 1990's to a more normal and long-term approach aimed at building an evolving, inclusive democracy. It seeks to tackle first the worst effects of poverty: high fertility, poor education, malnutrition, and environmental degradation. It also looks to strengthen Haiti's still vulnerable democratic infrastructure by emphasizing activities supportive of the rule of law, good governance, professional policing, and the development of local government and civil society.

Haiti is a complex development challenge, with a history of political instability and repression, widespread poverty, illiteracy, and weak government institutions. As the World Bank's Study on Haitian Poverty indicates, 65 percent of Haiti's people live in rural areas and two-thirds of all Haitians live below the absolute poverty line (that is, unable to meet minimum daily caloric requirements). A significant segment of Haiti's population lives at a level of economic vulnerability seen only in war-torn countries.

In FY 2003, there will be a shift in account support from all Economic Support Fund (ESF) to all Development Assistance (DA), reflecting the primarily developmental nature of U.S. programs. The programs will be geared to generating sustainable increased income for the poor, improved human capacity, encouraging healthier families of desired size, and slowing environmental degradation, particularly in rural areas.

Haiti's progress toward institutionalizing the democratic goals set forth in the 1987 Haitian Constitution remains incomplete. The military was disbanded and replaced by a completely new civilian police force.

Civil society is increasingly active and vocal over public priorities and concerns and is putting increased pressure on the government to “transform the state” through decentralization. Although there is a fledging democratic framework in Haiti, the process of institutionalizing good governance remains tenuous and in need of continued outside support.

FY 2001 legislative restrictions on assistance to the central government of Haiti curtailed planned support to the Haitian National Police (HNP) and its Coast Guard, through International Military Education and Training (IMET) and Foreign Military Financing (FMF). FY 2002 legislation permits resumption of FMF assistance to the HNP, and its Coast Guard in particular, mostly to enhance counternarcotics capabilities. Increased efforts in this area are anticipated.

Haiti will also be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA will promote our long-standing interests in strengthening democracy and reducing the flow of illegal narcotics and undocumented aliens. Receipt of EDA, such as boats for the Haitian Coast Guard, will increase Haiti’s capacity to patrol its coastline to interdict drug traffickers and alien smugglers.

Honduras
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	8,936	13,070	0
DA	16,789	15,430	35,096
ESF	998	1,000	0
IMET	546	625	650
Peace Corps	3,825	4,065	4,034
P.L. 480 Title II	5,270	3,647	5,190

Honduras, a close neighbor and long-time ally, continues to suffer from the impact of the massive devastation of Hurricane Mitch in late 1998. The United States led an international effort to rebuild Honduras, achieving most goals of the reconstruction program by the end of 2001. Some reconstruction work continues due to delays from the drought in mid-2001 followed by Hurricane Michelle and severe flooding in the fall. The United States continues to address some of the chronic problems that plague the country including weak democratic institutions; limited modern infrastructure; weak social, public security, and judicial systems; chronic housing shortages; slow economic reforms; and the highest intensity of HIV/AIDS in Central America. Addressing these problems supports U.S. national interests by providing market and investment opportunities for U.S. businesses; promoting employment (and thereby discouraging illegal immigration); strengthening democratic institutions, the rule of law, and social systems; providing greater legal protection and security for U.S. citizens and firms; deterring narcotics trafficking and other criminal activity; and ensuring regional stability.

For the past three years U.S. assistance to Honduras has focused on the massive reconstruction effort following Hurricane Mitch. The reconstruction program has allowed thousands of displaced families to obtain permanent shelter. Basic infrastructure (water and sanitation, roads, and bridges) along with critical social infrastructure (schools and health clinics) lost or damaged during the storm has been rebuilt. U.S. assistance funded the reconstruction of over 1,250 kilometers of roads and the repair of 123 damaged health clinics.

As the bulk of the reconstruction program was completed by the end of 2001, U.S. assistance will be used to ensure the continuation of social and economic reforms that were linked to the reconstruction program. The previous administration in Honduras enacted important democratic and economic reforms, especially in the civil-military structural relationship and the judicial sector. Honduras strengthened the institutions in charge of disaster preparedness and emergency response at the local and national level. In addition, management of the country's four international airports was successfully contracted to an international consortium. However, progress began to slow in 2000 and stalled further in 2001, an election year. The first attempt to privatize part of the state-owned telephone company failed, and several key reforms have been stalled in the Honduran Congress. The new administration, which took office in January 2002, appears ready to reinvigorate the reform process.

In FY 2003, U.S. activities to support further progress on democratic and economic reforms include Development Assistance (DA) to target economic growth and natural resource management, governance and municipal development, public health, and education. In addition, DA will help improve access of rural women and children to basic education and health care. The International Military Education and Training (IMET) program for Honduras will help consolidate civilian control of the military through training programs and participation in regional military exchanges/programs.

Honduras will also be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act . Transfer of grant EDA to Honduras is consistent with U.S. foreign policy objectives of interdicting narcotics trafficking and enabling the Honduran Armed Forces to better conduct disaster relief and search and rescue missions. In spite of the economic constraints, the Government of Honduras continues to make progress on its commitment to cooperate on narcotics interdiction. EDA boats, vehicles, and helicopters will be important for continued progress in this area as well as the other aforementioned missions.

U.S. International Narcotics Control and Law Enforcement (INCLE) funds from regional allotments are used to support Honduras' expanding anti-drug programs, which serve to amplify and reinforce our own hemispheric law enforcement efforts. These funds finance a variety of crucial initiatives, including a canine counternarcotics unit, maritime assets, demand reduction programs, and training and equipment for police counternarcotics units.

The Organization of American States expects that Honduras will be declared "mine safe" in FY 2002. No further Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) humanitarian demining funds are needed for Honduras.

Jamaica
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	4,116	2,821	0
DA	7,685	9,471	15,980
ESF	1,497	1,000	0
FMF	584	600	700
IMET	465	600	600
INCLE	257	1,550	1,300
Peace Corps	2,008	2,024	2,054

U.S. interests in Jamaica include stemming the flow of illegal narcotics and migrants, preventing the cultivation and export of Jamaican-grown marijuana to the United States, protecting the interests of U.S. investors, ensuring the safety and security of Americans residing or visiting on the island, and assisting Jamaica to play a constructive leadership role among Caribbean countries. U.S. programs seek to support sustainable economic growth, bolster the effectiveness of Jamaica's security forces and judicial organs, and alleviate social ills that have a debilitating effect on democratic institutions and respect for the rule of law.

Jamaica plays a leadership role among the Caribbean countries. Jamaica is the major Caribbean transit point for South American cocaine enroute to the United States, and the island is the largest producer and exporter of marijuana in the Caribbean. It is important that Jamaica have sufficient resources to combat narcotics trafficking and the accompanying crime, corruption, and threats to democratic institutions.

The Jamaica Defence Force (JDF) has demonstrated during joint counternarcotics exercises with the United States under the bilateral maritime agreement that it is professional and well-trained. The Government of Jamaica (GOJ) needs to take steps to better employ the bilateral maritime agreement to maximize use of U.S. resources that augment limited Jamaican resources. When not called on by the GOJ to assist in police or prison duties, the JDF participates in marijuana eradication.

Jamaica will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA for Jamaica will be used to support the JDF's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search and rescue missions, disaster relief, and counternarcotics operations. It will also aid in enhancing interoperability in U.S.-Caribbean joint exercises. FY 2003 Foreign Military Financing (FMF) funds will continue to provide valuable technical support and spare parts for aircraft and armored vehicles, as well as uniforms and other equipment for the JDF. International Military Education and Training (IMET) funding will assist the GOJ by providing training programs that focus on professionalizing their military, developing future leaders, inculcating a better capability in resource management, and instilling a greater respect for human rights among service members.

U.S. counternarcotics funding assists GOJ anti-drug agencies to enhance detection and interdiction capability, as measured by increased drug seizures and drug-related arrests, and to undertake investigations leading to successful prosecutions. U.S. funding supports development of GOJ anti-money laundering capabilities and effective anti-corruption mechanisms and adoption by the GOJ of modern anti-crime legislation. U.S.-funded training includes anti-money laundering, anti-corruption, collection and analysis of evidence, port security, and tracing firearms.

In 2001, Jamaica's GDP grew modestly after five years of flat growth. Over half of the government's budget goes to debt service. Environmental problems include water pollution and damage to forests and coral reefs and threaten one of Jamaica's few profitable industries, tourism. Society is threatened by criminal gangs, inadequate schools, the breakdown of the family, and high unemployment, particularly among the young. The poor economic situation in Jamaica also contributes to the problem of illegal Jamaican migration. U.S. Development Assistance (DA) programs foster the creation and expansion of small businesses, improve water quality, and protect parks and foster eco-tourism. DA programs also address the problems of at-risk youth by combating HIV/AIDS, sexually transmitted diseases, and pregnancy; providing services to pregnant teenagers and reformed addicts; and improving educational standards at 72 primary schools. Programs at these schools will target literacy, quality of teaching, school attendance, and management. The programs will also target the gang-ridden "garrison communities."

About 800,000 U.S. citizens visit Jamaica annually, and approximately 8,500 Americans reside in Jamaica. The safety of U.S. citizens is a priority. U.S. officials in Jamaica maintain close contact with the Jamaican police, national security, judicial, aviation, and tourism officials; keep U.S. citizens informed of safety and security concerns; maintain registration and warden systems; and monitor the welfare of the 50-60 U.S. citizens imprisoned at any given time. The U.S. Embassy has a program that warns about penalties for attempting to smuggle illegal drugs out of Jamaica into the United States.

Mexico
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	5,987	5,500	0
DA	7,885	6,915	18,276
ESF	6,178	10,000	12,000
IMET	1,000	1,150	1,250
INCLE	10,000	12,000	12,000

Mexico is the most important U.S. foreign policy priority in Latin America. What happens in Mexico has more direct daily impact on U.S. citizens than events in any other country. An authentic partnership exists between the United States and Mexico based on the many things held in common. These include: (1) a 2,000-mile border with its migration, crime, and trade issues; (2) economic, environmental, and health interdependence of citizens; (3) domestic political interdependence and common social heritage; and (4) shared concern that the citizens of both countries be able to benefit from economic opportunity and growth. The U.S. Government has a major stake in helping Mexico fulfill its obligations within these shared challenges. The strong Bush-Fox personal partnership presents an historic opportunity to establish truly effective cooperation between the two countries.

In FY 2003, Economic Support Funds (ESF) will focus on helping public and private agencies combat HIV/AIDS, sexually transmitted infections, and tuberculosis; developing more responsive government institutions; supporting efforts to improve sustainable use of natural resources; reducing carbon dioxide emissions and pollution; and supporting microenterprise. The United States will also participate in the regional Partnership for Prosperity initiative and implement the new Training, Internships, Education, and Scholarships (TIES) program.

FY 2003 Development Assistance (DA) funds will be used to support HIV/AIDS programs, strengthen NGO capacity, train health service providers, advance strategic planning and budget allocation in target states, conduct a service provision assessment in target states, and examine HIV prevalence in mobile populations in Mexico and Central America.

Both ESF and DA will be used to strengthen democracy in Mexico. Programs will increase the effectiveness of local governance in targeted areas, strengthen permanent structures to enhance Congress' legislative function, improve the efficiency of judicial administration in targeted courts, and increase the transparency and accountability of target government institutions.

DA will also support the U.S. program to conserve critical natural resources in Mexico. This program will strengthen management and infrastructure in protected areas, increase involvement of local people in decisions on resource use and conservation, support development and application of alternative uses for forests and other resources, identify and work to improve policies that promote conservation of critical resources, and build capacity of key institutions and individuals to implement resource management programs in selected regions in Mexico.

The U.S. energy program in Mexico contributes to reduced carbon dioxide emissions by improving energy conservation. Program activities include: demonstrating the viability of energy efficiency, renewable energy, and pollution prevention technologies through implementation of pilot projects, followed by replication on a larger scale; supporting local partners' promotion of policy reforms that foster those technologies; strengthening technical and managerial capabilities of Mexican partners for resources

management systems and renewable energy development; and identifying other funding for broader or nationwide replication of resource management and renewable energy technologies.

The U.S. microenterprise program, supported with DA funds, is designed to achieve four results: increase communication and collaboration among microfinance institutions (MFIs) and other service providers in order to define constraints to microenterprise growth; strengthen the operational sustainability and management of selected MFIs in order to improve credit and financial services for microenterprises; increase the understanding and appreciation of the role of microenterprise in the Mexican economy and evaluate the influence of microenterprises on decision-making; and develop models and mechanisms that meet the financial needs of rural microenterprises and advance USAID's environmental and energy goals by reducing urbanization and pollution.

ESF will support the TIES program to provide training opportunities in the United States for young Mexicans who work in areas that positively impact Mexico's economic growth and social development. This initiative will facilitate the pursuit of a common agenda for development that is emerging in the U.S.-Mexico bilateral relationship and contribute to Mexico's ability to take advantage of opportunities created by the North American Free Trade Agreement, ultimately narrowing the social and economic gaps between Mexico and the United States. TIES will benefit many segments of U.S. and Mexican society: higher education institutions, civil society, and other non-governmental and community groups; the private sector; and national, state, and local governments.

The initiative will respond to strategic priorities and new opportunities for cooperation arising from the strong Bush-Fox relationship and its resulting U.S.-Mexico development dialogue. It has two components: first, academic training in the United States (primarily master's degree-level training); and second, higher education partnerships (between Mexican and U.S. institutions).

U.S. interests in good governance, law enforcement, and regional stability will also be served by the continued evolution of a professional Mexican military respectful of human rights that cooperates with the United States on issues of common interest. FY 2003 International Military Education and Training (IMET) funds will provide professional and technical training in areas of mutual concern, including strengthening military command and technical capabilities, human rights standards, resource management, and English-language skills. IMET's effectiveness will be measured in part by the promotion of U.S.-trained officers and civilian personnel to positions of leadership and command, increased interoperability and cooperation in joint military operations, and effectiveness in counterdrug and other law enforcement support missions.

Mexico will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Mexico serves high-priority U.S. foreign policy objectives by enhancing Mexico's capabilities in the struggle against illicit production and traffic in narcotics. Mexico is the source country for much of the marijuana, heroin, and methamphetamines, and the primary transshipment point for cocaine, destined for the United States. More effective counternarcotics cooperation is key to U.S. efforts to reduce the flow of drugs into this country.

Nicaragua
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	7,006	8,170	0
DA	16,390	16,152	27,258
ESF	1,499	1,500	0
FMF	0	500	500
IMET	222	375	400
Peace Corps	2,327	2,571	2,625
P.L. 480 Title II	7,808	8,039	10,363

The primary national interests of the United States in Nicaragua are to support and strengthen democratic institutions, foster regional security and interdict international crime, and promote broad-based economic growth. Since the return of democratically elected government in 1990, Nicaragua has made great strides toward establishing legitimate democratic institutions. Nicaragua's watershed presidential elections, in which Liberal Party candidate Enrique Bolaños won by a 14-percent margin over Sandinista Party contender Daniel Ortega, demonstrated once more that Nicaraguans are determined to continue along a democratic path. Nicaragua has also witnessed significant economic change over the past decade, opening its markets and actively seeking foreign investment.

Nevertheless, despite growth in some sectors, Nicaragua is the second poorest country in the hemisphere, and it has been unable to significantly reduce its poverty levels. Nicaragua is one of the most indebted countries in the world on a per capita basis and is close to receiving debt forgiveness under the Heavily Indebted Poor Countries initiative. The dramatic reduction (by at least 50 percent) of the international price of coffee, Nicaragua's main export, severely affected the economy, as did four bank failures between 2000 and 2001. The 2001 drought created an additional strain on the economy. Continuing U.S. engagement remains an important component of Nicaragua's ongoing effort to become a stable, democratic, and more prosperous U.S. regional partner.

Development Assistance (DA) and Economic Support Funds (ESF) are the backbone of U.S. democracy programs in Nicaragua. In the long term, these focus on justice sector reform, civil society strengthening, municipal development, and accountability/anti-corruption and electoral administration reform. Institutions remain weak and subject to manipulation, making U.S. support in each of these areas crucial if Nicaragua is to establish legitimate democratic institutions that respond to the needs of the country's citizens. DA funds support improved access to and quality of basic education, improved health for rural women and children, and food security. DA is also crucial to U.S. efforts to promote sustainable natural resource management and increased rural incomes. Specifically, DA funds go toward promoting microenterprise development, expanding infrastructure, and providing technical assistance to farmers.

Success in protecting and promoting U.S. national interests in Nicaragua depends largely on how well the scourge of narcotrafficking and other transborder crime is addressed. While Nicaragua receives International Narcotics Control and Law Enforcement (INCLE) funds from regional programs, bilateral INCLE investment in Nicaragua is relatively new. Nevertheless, this has already paid great dividends in amplifying the effect of our own law enforcement efforts in the region. The United States is currently providing training and equipment to the newly created anti-drug division of the Nicaraguan National Police and seeking to promote the formation and training of a coast guard. With the October 2001 signature of a Bilateral Counternarcotics Maritime Agreement, cooperation is expected to increase, as will funding needs. Justice improvement and anti-corruption projects seek to fortify this work on the institutional level.

Continued U.S. counternarcotics assistance to Nicaragua will eventually bring the Government of Nicaragua (GON) up to the standard of its neighbors, who have had a longer relationship with the United States, providing a unified front against crime in a region that cannot afford weak spots.

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

Foreign Military Financing (FMF), starting in FY 2002 and continuing in FY 2003, will be used to enhance the EN's new role as a nation-building institution subordinate to civilian control - a major U.S. policy goal in Nicaragua. The EN interdicts narcotics flows through Central America in the adjacent Caribbean. Assistance will also help the EN enhance its capability to conduct disaster relief and search-and-rescue missions in a disaster-prone zone. Nicaragua is eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to the GON will likewise strengthen the EN's capacity to interdict narcotics flows and conduct disaster relief and search-and-rescue missions.

Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds in Nicaragua go to fund one of the most successful humanitarian demining operations in the Western Hemisphere - another crucial aspect of our efforts to ensure peace, economic development, and regional stability. In the past, U.S. humanitarian demining contributions for Central America were directed to the Organization of American States (OAS) to fund various programs throughout Central America. Of the regional work that remains, most is in Nicaragua, where Front Number Five has been opened in Siuna (in the North Atlantic Autonomous Region, or RAAN). Since initiating operations in June 2000, the unit has located and destroyed a total of 1,016 mines and 2,028 pieces of unexploded ordnance while clearing 75,874 square meters of mined area and removed some 14,541 metallic objects determined not to be mines. Additionally, the U.S. Government is funding the continuation of a canine mine detection program throughout Central America. FY 2003 funds will continue to support clearance in the RAAN and mine detection dog operations. Additional information on these activities can be found under OAS/IADB Central America Demining in this section.

Panama
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
DA	3,700	4,500	7,000
ESF	998	4,000	3,500
FMF	0	0	1,000
IMET	131	170	200
INCLE	1,363	5,000	9,000
Peace Corps	2,021	2,076	2,110

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

The United States will continue cooperative programs aimed at interdicting the illegal flow of drugs, arms, and persons through Panama. The United States will seek to enhance Panama's ability to combat money laundering and other financial activities that support trans-border crimes and terrorism. The United States will also increase support to Panama's public forces to help manage the impact of Colombia's civil conflict along their shared border.

Through cooperation between USAID, the GOP, and Panamanian NGOs, the United States seeks to promote environmental protection and management policies and programs designed to protect the Canal watershed. The Development Assistance (DA) funds earmarked for this purpose will build domestic institutions capable of managing the Canal watershed, encourage local government and private sector cooperation in environmental management and protection, and increase civic participation in protection of the environment. USAID will continue projects to improve the efficiency and fairness of the system of administration of justice. In FY 2003, democracy/governance projects funded from INCLE and ESF will develop Panama's border area with Colombia to mitigate illicit activities.

Foreign Military Financing (FMF) funding will be used to sustain patrol boats provided through Excess Defense Articles (EDA) and used for search and rescue, territorial waterway patrol, and control and interdiction of illegal immigrants by the National Maritime Service. Also, funding will allow for technical training and airframe maintenance for the National Air Service. In FY 2003, the International Military Education and Training (IMET) program will provide training in the rule of law and human rights. IMET courses in maritime operations will enhance Panama's ability to interdict transnational criminal activity and ensure the safe, continued smooth operation of the Canal.

Panama is again eligible to receive EDA in FY 2003 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, and deal with possible spillover from Colombia's civil war. With the withdrawal of U.S. military forces from Panama, the Panamanian Government has assumed full

responsibility for its own national security. Panama's Public Forces (Panama abolished its armed forces in 1990) currently lack adequate equipment maintenance, basic communications gear, and transportation resources. The U.S. Coast Guard has been authorized to offer the Balsam Class Buoy Tender SWEETGUM to Panama under the EDA program.

Paraguay
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	0	2,525	0
DA	6,320	3,600	6,625
ESF	3,492	3,500	3,500
IMET	238	300	300
Peace Corps	3,157	3,170	3,171

The primary U.S. national interest in Paraguay is the consolidation and strengthening of democracy. Other interests, which depend on progress on democracy, include fighting transnational crime – intellectual property rights violations, drug trafficking, and terrorism – and promoting responsible regional environmental management. Humanitarian interests include promoting public health and sustainable development.

Economic Support Funds (ESF) and Development Assistance (DA) will be used to strengthen democracy, help protect the environment, and improve child and maternal health. Funding will promote democracy by strengthening local governments, encouraging the adoption of national reforms, and supporting civil-military dialogues and a vigorous civil society. Funding also will offer Paraguay assistance in managing key environmental areas and supporting the environmental community in managing regional environmental concerns. DA funds will make family health care more accessible and improve grassroots provision of health services at the community level. ESF will also be used for health education for marginal and rural families. These efforts will help stabilize population growth, improve women’s health, and reduce maternal and infant mortality and other poverty-related problems.

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

Paraguay will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Paraguay will support our interest in strengthening 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, some of which reaches the United States. International Narcotics Control and Law Enforcement (INCLE) funds from a Western Hemisphere regional account will be used for training, technical assistance, and equipment to help Paraguayan officials to further develop their law enforcement capabilities to confront cocaine trafficking and money laundering.

Peru
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	9,603	23,200	0
DA	28,488	14,173	40,601
ESF	2,203	15,000	10,000
FMF	0	0	1,000
IMET	509	500	600
INCLE	48,000	142,500	135,000
NADR-HD	861	175	175
Peace Corps	0	2,193	1,723
P.L. 480 Title II	40,036	30,805	25,052

The primary U.S. interests in Peru are strengthening democracy and counternarcotics. U.S. interests also require economic development that additionally promotes commercial opportunities for U.S. business and enhances regional stability in the Andes. The inauguration of a new, democratically-elected President and Congress in July 2001 is an important turning point. The United States will support Peru as it takes measures to establish an independent judiciary, root out corruption, reduce poverty and improve the standard of living for its people, promote professionalism in its security forces, and foster alternative development to counter the drug trade.

Peru is one of the largest countries in South America and has a strong bilateral relationship with the United States that spans many issues, from counternarcotics to commercial ties. Peru is a source country for cocaine, and the United States has enjoyed excellent cooperation from the Government of Peru (GOP) in counternarcotics activities, resulting in a 70 percent decline in coca cultivation from 1995 to 2000. International Narcotics Control and Law Enforcement (INCLE) funds will provide training, equipment, and technical assistance to Peruvian government agencies charged with implementing counternarcotics-related programs, including law enforcement programs to disrupt coca and opium poppy cultivation, wholesale purchase, industrial-scale processing, and export of refined coca products. USG alternative economic assistance programs are aimed at providing for the development of local governments, agricultural credit, rural infrastructure (such as roads), improved farming practices and disease control, and access to national and international export markets.

Increased funding will enable the GOP to decrease coca cultivation in several source valleys and to intercept coca movement in both the source and transit zones. Greatly increased funding for alternative development will address both long-term infrastructure building and immediate emergency assistance to generate family income lost to eradication of coca fields. A major program of upgrading aircraft for law enforcement and eradication operations will provide the necessary airlift capability to reach high altitude opium poppy fields and to carry large numbers of personnel to outlying trafficking areas.

The success of alternative development has been amply demonstrated as licit agricultural production in zones targeted for assistance now exceeds the gross value of coca leaf produced in those zones by ten percent. Expansion of this program will help consolidate the gains from eradication and interdiction.

The inauguration of the democratically elected government of Alejandro Toledo, and a renewed commitment to international human rights practices, represent an opportunity for extremely positive change in Peru. Training and technical assistance is needed to help rebuild democratic institutions, to improve administration of justice and rule of law, to strengthen local governments and encourage greater citizen

participation in decision-making, to promote political party building, and to increase civilian control over the military. The United States will also support the work of the Truth and Reconciliation Commission as it investigates allegations of past human rights abuses and corruption. The Economic Support Funds (ESF) and part of Development Assistance (DA) funds are designed to foster these goals.

Peru has successfully dealt over the last several years with Shining Path and MRTA insurgency threats to the country's social and political stability, which date from the 1980s. The MRTA is largely moribund, but Shining Path has maintained small columns of guerrillas in several of Peru's remote mountain jungle valleys where coca is produced. The steep rise in coca prices coupled with the withdrawal of military units and authority from these areas allowed Shining Path to increase its operations during 2001. In October 1998 Peru and Ecuador signed a peace agreement resolving an armed border dispute that continued for over 150 years and last erupted into armed conflict in 1995. Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds have been used to accelerate demining of the border region and to strengthen efforts by the Organization of American States to develop a pilot program with both Peru and Ecuador. FY 2003 funding is expected to continue to support these efforts.

International Military Education and Training (IMET) funds programs to improve military professionalism and capabilities by providing military and civilian defense professional training that reinforces the principle of civilian rule. Recent steps taken by Peru to depoliticize the armed forces will increase the effectiveness of such programs. Foreign Military Financing (FMF) will also improve the military's capabilities in protecting Peru's borders and promoting regional stability. The FMF funding will provide upgrades to field medical, engineering, and general field support capabilities resulting from Peruvian army restructuring and modernization. This could include water purification systems, tents, field kitchens, field medical and dental equipment, water and fuel bladders, mess equipment, and individual soldier equipment.

Peru will be eligible in FY 2003 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 in assisting the GOP in combating illegal narcotics production and trafficking by providing needed equipment to the Peruvian security forces, which are an integral part of the counterdrug effort.

Peru has experienced four years of economic stagnation as the result of unfavorable El Nino weather conditions, global financial turmoil and recession, and domestic political upheaval. Nonetheless, Peru's economy remains one of the best managed in Latin America and is benefiting from renewed reform efforts aimed at improving the investment climate and completing the privatization of government concessions. The United States is Peru's most important trading partner, with U.S exports to Peru totaling \$2 billion in goods and services annually (approximately 30 percent of all Peruvian imports) and U.S. imports from Peru totaling \$1.9 billion (approximately 27 percent of Peruvian exports). More than 200 U.S. companies are present in Peru, and the stock of U.S. direct foreign investment in Peru exceeds \$4 billion. The United States hopes to resume negotiations on a Bilateral Investment Treaty to further enhance commercial ties.

Despite economic reforms, Peru remains a poor country with 54 percent of its population living in poverty and 15 percent in extreme poverty (i.e., less than \$1/day per capita expenditures). Official unemployment is approximately 10 percent, with 45 percent underemployment. Peru's social indicators (child mortality, HIV/AIDS, education, and literacy) are among the least advanced in Latin America. Election-year spending, combined with the downturn in the global economy, led to larger-than-expected fiscal deficits (3.0 percent of GDP in 2000 and 2.5 percent in 2001). The government is committed to reducing the deficit and has restructured spending in an effort to create jobs, fight poverty, and improve standards of living.

DA programs also aim to promote broad-based economic growth by providing financial and technical assistance to Peruvian public and private sector organizations to improve market systems and economic institutions, expand human capacity through education and training, improve food security, and expand

employment opportunities for the poor. DA funds promote economic growth through food assistance to alleviate malnutrition; micro-credit loans to create jobs and improve living standards; and technical assistance and training to increase agricultural and enterprise productivity. Through family planning activities funded by DA, the United States will help provide individuals and couples with information and services that promote their health and contribute to a healthy population, as well as provide technical assistance and training to diagnose, treat, and contain infectious diseases. DA funds provide technical assistance and training for the provision of integrated health care services to mothers and children, including child spacing, prenatal care, prevention and management of sexually transmitted diseases, and safe motherhood.

Uncontrolled urbanization, industrial pollution, and wide-spread poverty threaten Peru's natural resource base, one of the world's richest and largest. DA-funded programs help to improve Peru's environmental legal framework and promote pollution prevention practices. DA money also provides technical support for environmental protection training, waste management, and protection of national parks.

Peru-Ecuador Peace
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	6,985	5,000	4,500

In October 1998, Ecuador and Peru ended their 150-year-old border dispute, which led to war twice in the last 20 years. Consolidation of the Peru-Ecuador peace agreement will enhance regional stability and allow the countries to develop a new attitude of trust. It will further allow both countries to focus their efforts on stopping illicit production of cocaine, combating drug transit, and shipping of precursor chemicals.

The United States has assisted in demarcating and demining the formerly disputed area through the use of Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds. These funds are also being used to support efforts by the Organization of American States to develop a pilot program with both Peru and Ecuador. With U.S. assistance, Ecuadorian humanitarian demining has evolved into a sustained and successful effort. Several hundred army engineers have been trained and equipped, and several thousand mines have been removed from areas along the border with Peru.

Over the long term, the United States is helping to promote the Ecuador-Peru peace through the use of Economic Support Funds (ESF) to help implement the border integration portion of the peace settlement, thus increasing stability and mitigating conflict through bi-national coordination and cooperation. FY 2003 ESF-funded activities will build on previous year efforts that focused on microenterprise lending, public health infrastructure, local government training, and natural resource management in the border region.

Suriname
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	150	250
IMET	107	110	150
Peace Corps	744	794	765

The principal U.S. interests in Suriname are maintaining a stable democracy, combating the flow of illegal drugs and migrants to the United States, and ensuring economic opportunity for both Surinamese and American investors. The United States also encourages protection of the country's large rain forest, which has an important role to play in preserving the global environment.

The Suriname military suffers from a lack of resources, including food and clothing for its soldiers, equipment and materials needed for training a force properly, and parts and fuel for operating mission-essential equipment. The United States will use its FY 2003 Foreign Military Financing (FMF) funds to support deployment of U.S. mobile training teams to support organizational restructuring of the Infantry and Special Forces battalion, along with medical, logistics, and staff officer training. Other uses of FMF funds include supporting small patrol craft, vehicle maintenance, and troop support in the form of uniforms and boots.

The United States will use its International Military Education and Training (IMET) funds for projects that promote civilian control of the Surinamese armed forces, increase military professionalism, and expose Surinamese military personnel to U.S. norms and values with respect to the appropriate military role in democratic society. Suriname lacks a training infrastructure for developing military leaders. There are no domestic training opportunities available for military officers in Suriname, who therefore must rely on professional development courses acquired from foreign countries (historically Brazil, China, France, and India, as well as the United States). A recent agreement with the Dutch intends to re-establish military cooperation.

The United States will work aggressively to help the Government of Suriname professionally develop and sustain its recently acquired counterdrug assets. The focus remains promotion of in-country training opportunities (in lieu of promoting Stateside course attendance) to increase the number of Surinamese military personnel who can be trained.

Suriname will be eligible in FY 2003 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 a viable counter-drug capability, as well as combating migrant and arms smuggling.

Trinidad and Tobago
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	300	300	400
IMET	122	135	150

Trinidad and Tobago's economy is dominated by a growing oil and natural gas sector, including related downstream petrochemical industries, although the Government of Trinidad and Tobago (GOTT) is actively pursuing diversification. The United States is the leading exporter to and investor in Trinidad and Tobago. The U.S. Embassy is encouraging the GOTT to play a more active role in the Free Trade Area of the Americas and within the Caribbean Community (CARICOM) on trade matters. Other U.S. goals include further liberalization of the civil aviation, telecommunications, and financial services sectors that will encourage present and future U.S. investment. U.S. personnel are working with the GOTT to ensure fairness and transparency in acquisitions and awarding of bids for public projects. The United States continues to monitor the GOTT's level of enforcement of intellectual property rights. The GOTT is committed to free trade and a positive investment climate.

The United States and Trinidad and Tobago have an exceptionally cooperative relationship in combating crime, and Trinidad and Tobago is a strong and capable counter-narcotics partner in the Caribbean. Trinidad and Tobago's proximity to South America makes it a convenient transshipment point for narcotics headed to the United States. With U.S. assistance, the GOTT has identified and prosecuted major drug traffickers, seized narcotics-related assets, and charged individuals with money laundering. The Embassy is helping Trinidad and Tobago address problem areas in the judicial process by providing technical assistance and training to the police in criminal investigations, tourism policing, and document fraud. An Internal Revenue Service team is helping the Board of Inland Revenue modernize tax collection procedures. The United States has donated equipment (three 82-foot patrol boats, two C-26, and two Piper-Navajo aircraft) to improve the country's air and sea surveillance against narcotics traffickers.

Foreign Military Financing (FMF) funds will contribute to preventative maintenance and improvement of the maritime drug interdiction capability of the Trinidad and Tobago Defense forces. Trinidad and Tobago is focusing renewed attention on its coast guard fleet and will be overhauling four 82-foot cutters. FY 2003 FMF funds will help establish an aggressive preventative maintenance program to sustain the GOTT's maritime fleet used to combat transnational crime.

The International Military Education and Training (IMET) program provides U.S. training in civil-military affairs to help reinforce civilian control of the military and the principles of human rights. Officer training assists in professionalizing the military, while training in logistics, maintenance, and equipment repairs helps maintain the technical proficiencies of the armed forces.

Trinidad and Tobago will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Provision of grant EDA will be used to support CARICOM's role as a stabilizing force in the Caribbean through active involvement in peacekeeping operations, search-and-rescue missions, disaster relief, and counternarcotics operations. EDA will also aid in enhancing interoperability in U.S.-Caribbean joint exercises.

Uruguay
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	1,000	1,000
IMET	398	415	450

U.S. national interests in Uruguay include promoting democracy by strengthening the Uruguayan military as a democratic institution, and addressing global issues by helping Uruguay fight narcotics trafficking and international crime and by encouraging Uruguay's participation in UN peacekeeping efforts. Although the Administration is not seeking funds for this effort in Foreign Operations, we will also promote our national interest in economic prosperity by ensuring that Uruguay's market is open to U.S. exports and by encouraging Uruguay's participation in the Free Trade Area of the Americas process to open regional markets to U.S. exports.

The requested International Military Education and Training (IMET) funding will promote regional stability by strengthening the Uruguayan military as a democratic institution. Participation by civilian and military officers in the Center for Hemispheric Defense Studies and the IMET program will help improve civil-military relations, rationalize the defense policy planning process, make it increasingly transparent, build civilian expertise in defense matters, and inculcate the principles of human rights in the future generation of military leaders. Attendance of mid to senior grade officers and non-commissioned officers at professional development courses will facilitate the modernization and professionalism of the armed forces. Technical and logistics training will help Uruguay maintain and manage its defense resources, improving their ability to operate with U.S. and international forces in peacekeeping operations, disaster relief missions, and other joint operations.

Foreign Military Financing (FMF) for Uruguay from Conflict Prevention and Response funds will be used to support Uruguay's efforts in international peacekeeping.

Uruguay will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Uruguay will support U.S. interest in wide-spread participation in international peacekeeping efforts by increasing the interoperability of Uruguayan and other peacekeeping units. To the extent that it reinforces Uruguay's existing participation in peacekeeping efforts, transfer of EDA will also strengthen the Uruguayan military as a democratic institution by continuing to expose it to modern, professional military forces. EDA may also be used to modernize Uruguayan equipment.

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

Venezuela
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	0	500	500
IMET	485	500	700
INCLE	1,200	5,000	8,000

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

International Narcotics Control and Law Enforcement (INCLE) and Economic Support Fund (ESF) programs will concentrate on cooperation on counternarcotics and judicial reform.

The United States will monitor Venezuelan relations with Colombia and the border disputes between Venezuela and its neighbors, using diplomatic resources to help ameliorate any potential disagreement. In FY 2003, International Military Education and Training (IMET) will seek to continue maintaining military links and providing important training to the military, including training on human rights. Venezuela will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of EDA will be used to promote interoperability and modernization of equipment.

Venezuela has implemented a far-reaching judicial reform program that includes widespread personnel changes in the judiciary. Much remains to be done in training law enforcement and judicial authorities on their new roles and responsibilities. The United States will continue its support for transition from the old judicial system to the new, including training of judicial personnel and training in national and international organized crime investigations. Venezuela is a major transshipment route for illegal drugs destined for the United States. INCLE funds will help improve the Government of Venezuela (GOV) interdiction and eradication efforts, combat international money laundering activities, and improve controls to prevent diversion of essential and precursor chemicals.

The United States will continue to work with Venezuela to strengthen democratic institutions through ESF-funded initiatives and promote the rule of law and respect for human rights.

Venezuela's economy in early 2002 is facing considerable difficulties. Low oil prices have significantly decreased GOV revenues. The Venezuelan economy is not likely to grow this year and may even contract. The GOV will need to close a significant budget deficit possibly as high as six percent of GDP. Unemployment is growing, as is the informal sector of the economy. Though foreign exchange reserves appear to be sufficient in the near term, there is growing concern that increasing capital flight might lead to capital controls or devaluation. Venezuela now continues to face the challenges of creating favorable conditions for investment and maintaining economic growth through the up-and-down cycles of the global oil market. We will continue to advocate U.S. commercial interests and encourage broad-based growth through continued economic reform, including economic diversification and reduced spending on nonproductive activities. Depending on GOV political will, it may also be possible to offer support to the U.S. investor community in Venezuela through resumption of negotiations on a bilateral investment treaty.

Administration of Justice/ICITAP
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	6,985	10,000	11,000

Regional activities to strengthen the rule of law, with a special emphasis on police reform, help achieve U.S. interests in the areas of democracy, law enforcement, and human rights. The development of strong civilian police organizations that work effectively with prosecutors and other actors in the criminal justice system enable countries to establish and protect the rule of law, provide for their own public security, and cooperate more effectively with U.S. law enforcement agencies in international matters.

Police reform activities in the Western Hemisphere promote the organizational development of civilian police agencies. The International Criminal Investigation and Technical Assistance Program (ICITAP) provides support in three basic areas of police work – investigative and forensic development, police management, and police academy curriculum development – and aims to engage selected law enforcement units or entire agencies in the formulation and implementation of long-term institutional development plans. In countries where new police organizational laws either have or will be approved, general technical advice and other assistance is provided for development of an appropriate overall management structure. In other countries, the primary focus is the development of effective investigative units or divisions capable of supporting the new criminal procedure codes that are being adopted throughout Latin America. Another focus is the development of forensic laboratories, as well as an understanding by all participants in the criminal justice process of the value of physical evidence. Assistance is provided to other police agencies to develop their own training programs in basic and specialized areas, such as criminal investigation and for supervisory and executive level personnel.

Other regional activities to support the development of the rule of law – such as the Justice Studies Center of the Americas, an initiative of the Summit of the Americas – are also supported through this account. The Justice Studies Center, located in Santiago, Chile, is just beginning its work as a clearinghouse of information and expertise on justice sector reform, with an initial focus on criminal justice. With support from all 34 democratic governments in the hemisphere, it is expected to provide important new impetus for the consolidation of reforms that have been started but may not be successfully concluded without the benefit of comparative analysis and peer pressure from throughout the region.

For FY 2003, funding is needed to continue programs underway in El Salvador, Guatemala, Honduras, and Nicaragua, as well as for the Justice Studies Center. Political and legislative developments permitting, it is possible that programs would also be initiated in Argentina, Venezuela, Ecuador, the Dominican Republic, and the English Caribbean.

OAS/IADB Central America Demining
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
NADR-HD	1,350	1,250	1,100

The global U.S. Humanitarian Demining Program - funded through Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) - seeks to relieve human suffering, to promote national and regional stability, and to foster economic development by returning mined land to economic utility. During the Central American conflicts of the 1980s and early 1990s, thousands of mines were laid throughout the region threatening human life and providing a dangerous impediment to regional development.

U.S. humanitarian demining assistance for Central America is provided to the Organization of American States (OAS) and the Inter-American Defense Board (IADB) for the Assistance Mission for Mine Clearance in Central America (MARMINCA). MARMINCA currently operates in Costa Rica, Guatemala, Honduras, and Nicaragua. U.S. assistance emphasizes humanitarian demining training and mine awareness support. NADR demining funds provide equipment and other material support to MARMINCA, while the Department of Defense provides personnel who train, advise, and assist on technical and logistical matters and provide limited medical and communications support to MARMINCA.

Recently, U.S. assistance has supported the development of a new demining initiative in northeast Nicaragua (Front Number Five in Suina). NADR funds also continue to support the integration of mine detection dogs in humanitarian demining operations throughout Central America.

Third Border Initiative
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	0	0	3,000

The Caribbean is a region of roughly 21 million people with tremendous potential to affect U.S. domestic interests. The United States and the Caribbean are closely linked by travel and immigration: each year millions of Americans visit the Caribbean, while tens of thousands of Caribbean immigrants arrive in the United States. The region is a major market for U.S. exports and investment. Moreover, the democratic Caribbean countries hold 14 votes in the Organization of American States and are important partners in addressing hemispheric challenges.

The nations of the Caribbean are particularly vulnerable. They are small, insular economies with limited ability to diversify production and thus highly sensitive to adverse global economic conditions. In addition, they are environmentally fragile and share a propensity for hurricanes and natural disasters.

A decline in the Caribbean's political and economic stability would have a direct impact upon the United States – heightening the region's vulnerability to be used as a platform for unlawful activities directed against the United States, particularly drug trafficking, financial crimes, and illegal immigration. A faltering regional economy or a rejection of free markets would hamper the demand for U.S. goods and services and jeopardize U.S. investments. Deteriorating governmental capabilities would also jeopardize the security of Americans visiting or traveling in the region. To strengthen the capabilities of Caribbean institutions to address economic, environmental, political, and societal problems and mitigate or prevent their spillover on the United States, the U.S. Government has developed the Third Border Initiative (TBI).

TBI will supplement our bilateral assistance to the 14 Caribbean Community countries, plus the Dominican Republic and Haiti. A prime example of this support is USAID's HIV/AIDS program. A total of \$22.6 million in HIV/AIDS funding is requested – \$11.6 million under USAID's bilateral Development Assistance (DA) program plus another \$11 million from regional DA, the Economic Support Fund (ESF), and the Global Health fund. The USG programs will fund a multi-faceted Caribbean regional approach that supports prevention and education initiatives targeting youth and other high-risk groups. The epidemic is a leading cause of death among adults in the Caribbean, and retarding its transmission clearly serves U.S. interests. Haiti, The Bahamas, Guyana, and the Dominican Republic, which have significant immigrant communities in the U.S. and/or are important tourist destinations, have prevalence rates higher than many sub-Saharan African countries. Moreover, the Caribbean program will also be eligible for funding from the AID-supported, multinational Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In FY 2003 DA and ESF will be used to support technical assistance in preparation for the conclusion in 2005 of the Free Trade Agreement of the Americas (FTAA). A key regional U.S. objective is to eliminate barriers to foreign investment and trade and to encourage the nations of the Caribbean to participate productively in the FTAA and the World Trade Organization (WTO). The United States will fund Caribbean-specific FTAA- and WTO-related analytical studies on the policy implications and benefits of FTAA provisions.

The United States will also assist the Caribbean to prepare for the competitive global economy by helping upgrade the region's educational training capabilities. DA funds will continue support (begun in FY 2002) for a Caribbean-based "Center for Excellence" to advance teacher training throughout the region and promote greater use of technological resources. In addition, the United States will provide scholarships and internships to foster greater exposure to entrepreneurship.

ESF from our Third Border Initiative will be used to help Caribbean airports modernize their safety and security regulations, an important step in enhancing the security of visiting Americans and helping the region's vital tourist industry. The United States will also assist Caribbean organizations to improve their environmental management – such as strengthening protections over coral reefs and combating land-based pollution – to maintain tourist interest in the region and promote sustainable development. In addition, the United States will help Caribbean governments prepare for natural disasters, such as frequently occurring hurricanes. DA funds will be used to support health, economic development, environment, democracy, and educational programs in the eastern Caribbean nations as well as regional environmental and economic development programs.

International Narcotics Control and Law Enforcement (INCLE) funds will be used to provide Caribbean governments with law enforcement assistance by funding advisors and technical assistance to strengthen capabilities against money laundering, asset forfeiture, and corruption.

WHA Conflict Prevention and Response
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	3,000	5,000

U.S. national interests are served by having available, within Latin America and the Caribbean, well-trained professional military forces with the capability to assist and support the United States, the United Nations, and other international actors in responding to crises and conflicts throughout the world. A number of Western Hemisphere countries have demonstrated a willingness to respond to such calls. Assuring that those willing to respond have the both the capability and interoperability to cooperate effectively in international settings is in the U.S. interest.

The FY 2003 request for Foreign Military Financing (FMF) in regional Conflict Prevention and Response funds will provide specific types of assistance to several of the region's militaries that have provided personnel for various international peacekeeping missions and enhance their capacity to respond to natural disasters and humanitarian crises.

In FY 2003, the United States will seek to provide support to the following countries:

- Argentina - \$2 million. Argentina is extremely proud of its participation in peacekeeping operations worldwide. The Argentine military currently has personnel deployed on UN peacekeeping operations. Such continual, rotating deployments are hard on individual and unit equipment. A portion of the requested funds will be used to defray these costs. Funds will also be used for replacement of medical equipment and supplies and for replacement of individual optical equipment (binoculars, night-vision equipment, and laser range finders). Finally, requested funds will be used for professional military training and for upgrading and obtaining new equipment at the Argentine Joint Peacekeeping Training Center, which provides a regional training platform.
- Bolivia - \$1 million. Observers from the Bolivian Army have participated in peacekeeping operations in Kuwait, Cyprus, Guatemala, Kosovo, Sierra Leone, the Congo, and East Timor. A 70-man Bolivian Army element was deployed from May until December 1999 in Angola as part of the UN peacekeeping contingent in that country. Bolivia has also offered a "stand-by" unit to the UN's ready peacekeeping force. However, such UN-certified units must be self-sustaining for a period of sixty days. As one of the poorest countries in the Hemisphere, meeting and sustaining that standard will be difficult for Bolivia. Without significant U.S. encouragement and assistance, Bolivia may be compelled to reduce its commitment to peacekeeping. FMF support will assist the Bolivia in overcoming serious shortcomings in training, equipment, and logistical support.
- Chile - \$1 million. The Government of Chile currently has personnel in East Timor and another 4,000 on stand-by to deploy worldwide on peacekeeping operations. These funds will provide needed equipment to their armed forces participating in peacekeeping operations.
- Uruguay - \$1 million. Per capita, Uruguay contributes more personnel to peacekeeping missions than any other nation. Sixty percent of the Uruguayan Army (UYAR) has participated in peacekeeping missions. The UYAR has offered up a "stand-by" battalion to the UN for peacekeeping missions. This heavy usage has resulted in excessive wear to individual and unit equipment. Requested FMF funds will assist in the upgrade of the Uruguayan armed forces to help make it possible for them to participate in future operations.

WHA Regional Stability
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	0	4,000

Foreign Military Financing (FMF) in Regional Stability funds addresses security implications of the primary U.S. interest in the region: stemming the cultivation and production of coca and opium poppy and interdicting the trafficking of cocaine and heroin between the Andean region and the United States. Professional, well-equipped, and trained militaries capable of defending their borders and preventing Colombia's drug production and insurgency from "spilling over" into the rest of the region serve U.S. interests by preserving the region's fragile democracies and ensuring stability in an important region. U.S. interests and the cause of democracy are also served by the strengthening of professional militaries under civilian control.

Colombian and U.S. efforts to stem the explosion of coca production in southern Colombia and to interdict trafficking, coupled with the activities of well-armed, well-financed Colombian armed illegal groups, will put tremendous pressure on the remote border regions of surrounding countries. The task of defending these regions and ensuring against the threat of "spill-over" will fall to the neighbors' poorly-equipped, under-trained militaries. The fact that several of these countries are among the poorest in the hemisphere, with the most fragile democracies, only serves to exacerbate the strain. All of these countries have severe force modernization and replenishment needs that have gone unmet as a result of financial crises and declining military budgets.

The FMF funds requested for FY 2003 will be used to meet some of these security needs in Bolivia, Ecuador, Panama, and Peru. This funding will be used to complement the funding from the Andean Regional Initiative - with its counternarcotics focus - by seeking to meet pressing security needs for force modernization, training, and equipment, the traditional needs of any military facing an expanded mission. In Bolivia, the focus will continue to be on the Army's new 9th Division, which will conduct presence operations in the volatile Chapare region. In Ecuador, the focus will be on training and modernizing the forces tasked to patrol and defend the northern border region. Panamanian police and maritime patrols assigned to protect and defend the remote Darien region and to control Panama's coasts will receive training and navigational equipment. Peru's stretched military will receive training and equipment geared toward sustaining professionalism and maintaining equipment previously provided under FMF.

The addition of a request for Colombia in FY 2003 recognizes the fact that Colombia's ability to protect vital elements of its economic infrastructure is critical to its ability to develop and sustain programs to counter narcotics trafficking and to strengthen and deepen its democracy. FMF funds for FY 2003 will be used to train and equip Colombian military units to protect the Cano-Limon pipeline in northeastern Colombia from the deprecations of the leftist guerrillas who succeeded in shutting the pipeline, a major source of foreign exchange earnings, for 240 days in 2001.