

WESTERN HEMISPHERE

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Argentina
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	1,000	2,000	1,500
IMET	1,025	1,000	1,100

The top U.S. priority in Argentina is to promote recovery of economic growth and the solidity of democratic institutions. Argentina's once stable two-party system has been shaken by the country's sharp economic decline as well as by public challenges over corruption, the responsiveness of public institutions, and judicial inefficiency. Despite these challenges, Argentines have shown an overwhelming commitment to democracy, and Argentina has continued to perform its important leadership role in hemispheric affairs. Strengthening democratic institutions will support our commitment to cooperation on international security and regional stability. In the long-term interests of hemispheric economic welfare, we will support efforts to restart economic growth through structural reform and enhanced trade. We will support bureaucratic and judicial reform, as well as programs aimed at combating corruption. The Government of Argentina (GOA) has actively supported U.S. security goals by playing a leading role in international peacekeeping. Argentina has led the region in cooperation with the United States in counter-terrorism and counter-narcotics activities, which are centered in the tri-border area with Brazil/Paraguay. Although the severe economic decline of 2002 has reversed positive trends in U.S. exports to Argentina and direct investment, 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. While Argentina has a long record of participating in international peacekeeping operations, a lack of maintenance support and spare parts has limited the availability for key equipment such as C-130 transport aircraft. In FY 2004, FMF will be used to increase Argentina's ability to participate in peacekeeping missions. Funds will be used to support increases in training, interoperability, purchases of needed equipment, and perhaps most importantly provide C-130 logistical support.

Argentina has also been Latin America's largest user of U.S. Excess Defense Articles (EDA). Argentina will be eligible in FY 2004 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. Having contributed to UN peacekeeping missions in East Timor, Western Sahara, Ethiopia-Eritrea, Iraq-Kuwait, Cyprus, Bosnia, and Kosovo, Argentina ranked second among Latin American nations in number of participants. Budget constraints caused by the severe economic contraction have reduced this participation, but not the Argentine commitment to contribute to international stability. The GOA has also been a leading recipient of Enhanced International Peacekeeping Capability funding (\$2.25 million in FY 1998-1999), with military personnel from other Latin American nations attending the GOA's peacekeeping training academy.

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

Bahamas
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	100	100	100
IMET	144	140	140
INCLE	1,200	1,200	1,000

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 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. In 2002 OPBAT seized 5.341 metric tons of cocaine and 14.325 metric tons of marijuana.

The Bahamas will be eligible to receive Excess Defense Articles (EDA) in FY 2004 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 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. In 2001-2002 the U.S. provided three fast patrol boats to The Bahamas to assist with drug interdiction. 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	200	300	200
IMET	212	175	200
Peace Corps	1,464	1,555	1,680

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, stolen vehicles treaty in 2002, and the mutual legal assistance treaty is expected to come into force in 2003. These legal instruments greatly enhance the ability of the United States and Belize to cooperate effectively to combat crime. As part of a 5-year modernization and professionalization program, FY 2004 International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs will provide training, equipment and logistical enhancements for a small but disciplined Belize Defence Force (BDF). BDF troops served with the Caribbean Community Battalion during peacekeeping operations in Haiti and participate in regional training exercises with U.S. and Caribbean forces. IMET training 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 2004 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. International Narcotics Control and Law Enforcement (INCLE) funds will support U.S.- Belize counternarcotics cooperation and a program to assist Belize in upgrading its passport security and border control.

Bolivia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	19,690	18,513	14,402
DA	12,853	12,230	11,380
ESF	10,000	10,000	8,000
FMF	500	2,000	4,000
IMET	712	800	900
INCLE	87,600	91,000	91,000
P.L. 480 Title II	19,566	21,525	21,655
Peace Corps	2,922	3,032	3,294

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 and more inclusive democracy is a necessary condition for continued success in this arena. The United States is encouraging Bolivia's transition to a free market economy, including increased spending on health and education, as the most promising avenue to growth. Bolivia's effective implementation of judicial reforms is critical to our efforts related to counternarcotics, investment, human rights, and social stability. In order to ensure that Bolivia does not become an active transit point for international terrorism, we have also stepped up cooperation with the Bolivian military, customs, immigration, financial, police and other organizations vital to ensuring better Bolivian control over its long, sparsely inhabited borders and its domestic institutions. 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 the global environment and a means of ensuring sustainable economic growth. Improving health conditions will alleviate the burden of poverty and improve the human capacity for economic growth.

Bolivia, long considered one of the least democratic countries in the Andean region, has had an uninterrupted succession of elected governments since 1982. 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 Heavily Indebted Poor Countries program and prospects for natural gas development, the economy in 2002 was practically stagnant. Bolivia remains the world's third largest producer of illicit coca; recent demonstrations and violence by coca growers have sidetracked eradication and enforcement efforts.

The FY 2004 budget request remains at a high level compared to previous years, including a 50% increase in Foreign Military Financing (FMF), 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 early 2003 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 2004 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. Andean Counterdrug Initiative (ACI) funds will be used to consolidate earlier eradication successes to ensure that coca cultivation and drug trafficking do not regain a foothold in Bolivia. The FY 2004 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) and Child Survival and Health (CSH) funds will increase economic opportunities by providing technical assistance to micro-finance institutions, assisting micro-entrepreneurs and providing technological services to farmers to increase yields and access to markets. Funds will also be used to strengthen democracy by working through civil society and judicial reforms. The U.S. Mission is focusing on opportunities to better incorporate Bolivia's disadvantaged indigenous majority into the political mainstream and to support the new Government of Bolivia's anti-corruption efforts. 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/CSH funds will also support the Amazon Malaria Initiative; integrated health care, nutrition, and vaccination programs for children; and decentralization of public health care services 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.

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 and provide security for drug eradication and interdiction operations, as well as support their multilateral role as international peacekeepers. We are working with the military to better coordinate their counter-terrorism activities and to enhance their ability to respond to threats. 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 the Congo, as well as observers in Guatemala, Cyprus, Kosovo, Kuwait, Sierra Leone, and East Timor. The GOB has also committed a reinforced battalion to the UN's "stand-by" force. The request also includes equipment and training for the Bolivian Army's new Counter-Terrorism Unit.

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

Bolivia will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act in FY 2004. 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	9,150	11,821	12,011
DA	4,799	6,680	8,222
IMET	437	500	500
INCLE	6,000	12,000	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. Areas of potential cooperation include promotion of democratic values in the region, preservation of natural resources, and promotion of efficient energy use. The government of Brazil, along with those of Argentina, Paraguay, and the U.S., has formed a working group to combat the threat of terrorism in the tri-border area where Argentina, Brazil and Paraguay come together. Brazil is the only country that borders on the three major coca-producing countries in the world. As a result, it is an important transit country for illegal narcotics flows to the United States and Europe and also faces a growing domestic drug abuse problem. The new administration of President Lula has promised to address the issue of public security and the threat posed by organized crime. Brazil's own recognition of the domestic threat posed by narcotics trafficking prompts greater bilateral cooperation. U.S. and Brazilian officials work closely on control and eradication of infectious diseases through research programs in both countries.

As the largest economy in South America, Brazil's participation in the global economy, and particularly in the Free Trade Area of the Americas (FTAA) process which we now co-chair with Brazil, and the new round of World Trade Organization (WTO) negotiations, is critical to U.S., as well as Brazilian, 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 and services, 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 significant narcotics producer, it is a major transit country for illicit drugs shipped to the United States and Europe. Increasingly, drugs flowing into Brazil supply a domestic abuse problem: the amount of cocaine used in Brazil is now second only to the amount used in the United States. Andean Counterdrug Initiative (ACI) funds will be used to address narcotics use and trafficking in Brazil 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 is being placed on Brazil's efforts to strengthen control of its 1,000-mile border with Colombia.

Political-military cooperation continues to deepen between our 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 2004 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) funded programs discourage deforestation and promote energy policies that mitigate emissions of greenhouse gases associated with climate change. Fire prevention in the Amazon, also a priority, employs sophisticated satellite technology linked to several USG technical agencies. The State Department and the U.S. Agency for International Development work with non-governmental organizations, research institution partners, academic institutions, industry, and government agencies to leverage our resources and to advance our environmental agenda.

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

Chile
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	500	1,000	500
IMET	570	600	600

U.S. national interests in Chile include promoting prosperity through enhanced bilateral and multilateral economic and commercial ties (e.g., the recently completed 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 (Chile has just taken up a seat on the UN Security Council). 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 2004 request for International Military Education and Training (IMET) funding will be used to bolster regional stability and democracy by contributing to the Government of Chile (GOC) efforts to professionalize its armed forces and increase their interoperability with U.S. forces through the continuation of management training courses for Non-commissioned Officers (NCOs), mid-level 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 2004 Foreign Military Financing (FMF) will provide needed equipment to Chile's armed forces participating in peacekeeping operations. Key to the FMF support will be specialized individual equipment, and improvements to the National Peace Keeping Operations Center. Chile will be eligible in FY 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be used to promote interoperability and modernization of equipment. Chile is not a center for the production or transportation of illegal drugs, though the picture may be evolving as producers look to Chile as a source of precursor chemicals and as a country through which to ship drugs en route to Europe and the United States. Chile's proximity to producer countries such as Bolivia and Peru, its dynamic economy, and relatively well-developed banking system combine to make it vulnerable to money laundering. International Narcotics Control and Law Enforcement (INCLE) funds from a Latin American Regional fund will 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	0	98,000	110,000
IMET	1,180	1,180	1,600
INCLE	373,900	439,000	463,000
INCLE-SUP	6,000	0	0
NADR-ATA-SUP	25,000	0	0

U.S. interests in Colombia focus on counternarcotics and counterterrorism, regional stability, supporting democracy, protecting human rights, providing humanitarian assistance, and fostering mutual economic prosperity. None of these challenges can be addressed in isolation and our programs for Colombia reflect this. We share Colombia's vision of a prosperous democracy, free from the scourges of narcotics trafficking and terrorism, which respects human rights and the rule of law.

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

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. Recognizing the increasingly intertwined nature of narcotics trafficking and terrorism, the Congress approved expanded authorities to allow United States support for Colombia's unified campaign against both these scourges.

The United States has other important interests in Colombia, which include regional stability, trade and investment, international law enforcement, support for an embattled democracy, human rights, the rule of law, and the protection of U.S. citizens.

The proposed Andean Counterdrug Initiative (ACI) for FY 2004 builds upon the programs begun in FY 2000 and sustained by the FY 2002 and FY 2003 appropriations and the FY 2002 Supplemental Appropriations Act. Drawing on \$463 million for ACI, it continues to address underlying social issues with \$150 million for alternative development, humanitarian assistance, and institution building, along with \$313 million for narcotics interdiction and eradication programs. The alternative development and institution building programs include emergency and longer-term assistance to vulnerable groups and displaced persons and programs promoting the rule of law, local governance, and human rights.

Eradication and interdiction programs will continue to combat drug production and trafficking in coca-rich southern Colombia. 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 94,000 hectares of coca in 2001 and a record of 122,000 hectares in 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 of coca and 10,000 hectares of opium poppy. Repeated spraying is critical to deter replanting and allow the GOC to reduce coca cultivation by the end of FY 2006 to 50 percent of the 2000 level. If successful, and if aerial eradication continues at the same rate in 2004, then we can expect to see significant decline in drug production.

FY 2004 funds are also requested to provide training and operational support for the COLAR's Huey II and UH- 60 helicopters, support for the Colombia National Police's Air Service, upgrades to aviation facilities, and the continuation of the Air Bridge Denial Program. Counternarcotics funding will continue to provide logistical support for expanded eradication operations.

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 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 2004 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 sought to rationalize its funding requests by seeking ACI funding for activities that are more directly related to our counternarcotics programs and FMF funding for those addressing counterterrorism, recognizing that both support Colombia's unified campaign against narcotics trafficking and terrorism.

In FY 2004 we are requesting \$110 million in Foreign Military Financing (FMF) to continue our support to Colombia. President Uribe has committed to defeat the U.S.-designated Foreign Terrorist Organizations. FMF will support Colombia's National Security Strategy to extend central government authority and governance to areas heretofore prey to terrorists and narcotics traffickers.

President Uribe has committed to defeat the terrorists and narcotics traffickers that threaten Colombia, its neighbors and the United States. He has committed to a goal of increasing defense and security spending from 3.5% of GDP to 5.8% in 2003. Nevertheless, Colombia will still require significant U.S. assistance for counternarcotics and counterterrorism. Colombian security forces are deficient in the key areas of mobility, intelligence, sustainment and training. Our FMF request supports Colombia's integrated national strategy with significant military and counternarcotics elements which depend on the Colombian military's ability to establish a secure environment.

We intend to provide training, weapons, night vision goggles and communications equipment to the Army's elite mobile brigades and the Special Forces brigade (known by the Spanish acronym FUDRA) in order to attack high priority narcotics and terrorist targets. The 5th and 18th Colombian Army Brigades, being trained in 2003 to provide protection to the Cano Limon-Covenas pipeline will receive additional munitions, equipment and training to continue this high profile and important mission. Other programs envisioned with FMF funding will support the Colombian Navy and Air Force and include the provision of

interdiction boats, training and infrastructure improvements, the purchase of two additional AC-47 gunships and a C-130 support plan that will procure four C-130e aircraft and maintenance support, improving the ability of the entire Colombian military to quickly provide forces for operations throughout the country.

Colombia's very limited combat search and rescue (CSAR)/aero medevac capability negatively affects all air operations. Our request includes funds to purchase CSAR and medevac-related equipment and training for Army and Air Force aviation units, enhancing both Colombian military abilities and force protection of U.S. personnel in Colombia.

Costa Rica
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
IMET	389	400	400
Peace Corps	899	1,191	1,374

U.S. primary national interests in Costa Rica continue to be to promote 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. Current negotiations for a U.S.-Central America Free Trade Agreement provides an important opportunity for Costa Rica to attract investment, create jobs, and increase integration with its Central American neighbors as well as with the United States.

As a relatively prosperous nation with a strong, diverse economy, Costa Rica benefits from fewer direct U.S. aid programs than most of its regional neighbors. Nevertheless, because of its peaceful history and its democratic traditions, the assistance the United States provides to Costa Rica is a sound investment. Although Costa Rica 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 2004 IMET request will continue training to further professionalize law enforcement officers and coast guard personnel through courses such as patrol craft commander training, rule of law and discipline in police operations.

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 2004 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 maritime 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.

In 2004, the Peace Corps in Costa Rica is initiating a reinsertion and growth strategy. This strategy is consistent with GOCR objectives in addressing issues of rural poverty and youth.

Cuba
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	5,000	6,000	7,000

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

Support for democracy serves the U.S. interests in orderly migration and regional stability. Eventual progress by the Cuban regime toward preparing for a peaceful transition to democracy and a market economic system would 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; and,
- Further planning for future assistance to a transition government in Cuba.

Dominican Republic
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	9,532	11,409	13,110
DA	6,450	8,000	10,600
ESF	2,300	3,500	3,000
FMF	350	320	320
IMET	527	500	500
Peace Corps	3,121	3,296	3,630

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

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 and Air Force surveillance training in support of counter-drug operations and illegal migrant interdiction efforts and provide support for specialized equipment (night vision and communications equipment). 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 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	10,800	0	0
FMF	2,000	2,130	2,000
IMET	672	700	700
Peace Corps	2,019	2,608	2,939

The principal US interests in the seven countries of the Eastern Caribbean – Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines – are preventing and combating transnational criminal activity against the United States, including terrorism, narcotics trafficking, alien smuggling, and financial crimes. U.S. assistance to the region strengthens the ability of the Eastern Caribbean countries, who make up a significant portion of the U.S.’ third border, to resist the inroads of drug traffickers, money launderers, and other international criminal elements. At the same time, a more secure, stable region generates expanded markets for U.S. goods and services, ensures safe and secure destinations for U.S. tourists and investments, ensures respect for the rule of law, safeguards important global resources, retards the transmission of HIV/AIDS, and strengthens respect for democratic values. A decline in the Eastern Caribbean’s political and economic stability would have a direct impact on the United States – heightening the vulnerability of Caribbean nations to be used as bases of operation for unlawful activities directed against the United States, particularly drug-trafficking and financial crime, and increasing the level of illegal immigration to the United States from these countries. The U.S. will seek to deny potential terrorists and others that would do harm to the U.S. these means and weaknesses in the Caribbean to exploit to their advantage as they are denied other areas of operation by the war on terrorism. 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 terrorism, 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 (RSS), comprised of national security organizations of the seven Eastern Caribbean states, to meet these challenges as an effective collective organization. Foreign Military Financing (FMF) will be focused on enhancement of and preventive maintenance to sustain the region’s maritime and ground service operational capabilities and readiness for counter-drug operations, illegal migrant interdiction, search and rescue, and disaster relief efforts. International Military Education and Training (IMET) funding and joint exercises will be used for professional military education, civil-military relations, and technical training to help make the individual nations more effective partners in maintaining their stability, increase their capacity to respond to drug trafficking and other challenges and reinforce the region’s response to the HIV/AIDS crisis.

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 2004. EDA will be used in the region to promote interoperability and modernization of equipment. The provision of grant EDA will strengthen the region 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 a portion of 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 improve the business environment to meet international standards. Funds will support public and private sectors in the region to expand domestic and export markets for goods and services, reduce barriers to trade and investment, and stimulate a more conducive business environment. DA funds 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, the 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 funds 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. The program 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	0	0	300
DA	6,840	7,130	7,130
ESF	15,000	20,000	14,000
FMF	0	1,000	15,000
FMF-SUP	3,000	0	0
IMET	625	650	650
INCLE	25,000	37,000	35,000
NADR-HD	370	250	0
P.L. 480 Title II	1,530	0	0
Peace Corps	2,813	3,028	3,311

Geographically and figuratively at the center of Latin America, the Andean region represents a significant challenge and opportunity for U.S. foreign policy. This is particularly true in Ecuador. With a long history of fractious government, Ecuador nonetheless represents a peaceful bulwark against the narco-trafficking and terrorist violence that has dominated the recent history of its larger neighbors, Peru and Colombia. Because of this, the strengthening and consolidation of Ecuador's democratic institutions are of particular importance to the United States. The United States seeks to actively support Ecuadorian democracy by working with the freely elected government to address the country's serious economic and financial weaknesses, as well its security concerns, in order to create a more stable and prosperous Ecuador. Explicitly included in these efforts is a continuing emphasis on the promotion of human rights, the disruption and interdiction of narcotics trafficking and terrorism, and the advancement of sound environmental policies.

Ecuador has a zero tolerance policy for coca cultivation. Located between two of the three dominant cocaine producers, and with important coastal access, Ecuador is painfully aware of the corrupting threat of the drug industry and has become a staunch counter-drug ally of the United States. With Andean Counterdrug Initiative (ACI) funds, we support a range of efforts to improve the professionalism and counternarcotics capabilities of Ecuador's national police and military. While ACI-funded programs will continue to focus on Ecuador's vulnerable northern border region, they will also support an expansion of maritime and coastal cooperation, paying heed to Ecuador's strategic position for the transshipment of narcotics, precursor chemicals, and arms. Meanwhile, to complement this assistance to the Government of Ecuador's (GOE) law enforcement and military counternarcotics capabilities, ACI funds will also support economic development programs aimed specifically at reducing the allure of the drug trade.

Economic Support Funds (ESF) will support programs to improve the transparency and accountability of the justice sector and local governments, more efficient government revenue collection, and the continuation of micro-finance efforts to provide more opportunities to the country's poor. After improving dramatically in 2001, Ecuador's economy is struggling with a common problem in the region: reforms and improved macroeconomic performance have not translated into higher living standards for the majority of the population and Ecuador remains a poor country. By the end of 2002, while inflation had dropped 10% or less, a remarkable decrease from a rate in excess of 90% in 2000, economic growth had slowed to an estimated 3%. FY 2004 Developmental Assistance (DA) funds will further strengthen the micro-finance sector outside of the areas helped with the aforementioned ESF funded program. DA programs will also promote sustainable and responsible use of Ecuador's resources, including management and conservation

efforts in the Galapagos Islands and other key areas of Ecuador, which has the greatest biodiversity per hectare of any country in South America.

To prevent the spillover of narcotics production and related crime, violence, and terrorism, the GOE must increase its control of its northern border with Colombia. In particular, it must improve the readiness, mobility, and communications capability of key units, to restrict the flow of chemical precursors, arms, and other supplies to southern Colombia. FMF support will also help address the general lack of security along Ecuador's border with Colombia, helping to address a major obstacle to executing U.S. supported economic development programs. FMF support will focus on key Ecuadorian deficiencies such as mobility, communications, training and logistical support. International Military Educational and Training (IMET) funds will provide training to improve military professionalism and will focus on reinforcing the principles of civilian rule and strengthening the principles of human rights, further strengthening democratic institutions in a country that led the Latin American shift from military to civilian rule back in 1979.

Ecuador will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA) in FY 2004. Providing badly needed resources and equipment during the country's ongoing economic crisis will aid Ecuador in securing the country's northern border, which is increasingly violated by narco-traffickers and armed groups, including ones identified by the United States Government as Foreign Terrorist Organizations. Provision of EDA will also demonstrate, concretely, of our commitment to counternarcotics efforts in Ecuador and throughout the region.

El Salvador
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	15,653	9,636	6,334
DA	45,640	24,096	28,712
ESF	25,200	0	0
FMF	1,000	2,500	2,000
IMET	814	900	900
Peace Corps	2,463	2,760	3,113

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. U.S. interests in the region are also served by helping El Salvador rebuild its economy following the 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 2004.

The United States will use Development Assistance (DA) as a component of a multi-year program 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 \$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 2004 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, programs funded by International Narcotics Control and Law Enforcement (INCLE) Latin American Regional funds will emphasize reconstruction of police facilities and 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 will improve prospects for U.S. exports and help reduce the pressures driving illegal immigration. One of the greatest prospects for this economic growth is through ratification of a U.S.-Central America Free Trade Agreement. DA will be used for trade capacity building, to assist the Government of El Salvador to participate fully in trade negotiations and benefit from free trade regimes. 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 thorough-going 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 2004 Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA to El Salvador will contribute to U.S. interests by reducing the burden placed on the United States in responding to natural disasters and providing humanitarian assistance. EDA will be used to foster defense cooperation and enable the Salvadoran military to respond more effectively to contingencies such as Hurricane Mitch and the 2001 earthquakes. EDA will also increase the ability of the Salvadoran armed forces to support efforts to fight drug trafficking and will assist efforts to help the Salvadorans shift from combat-oriented units to units that can support peacekeeping operations.

El Salvador is home to one of the three Forward Operating Locations (FOL) that supports the U.S. priority of counterdrug operations in the Pacific corridor and Colombia. The Salvadoran Legislative assembly ratified the FOL agreement in August 2000, and since that time FOL operations have been responsible for the interception of over 50 metric tons of cocaine. We must continue to support the Salvadoran military through FMF to further these good relations and successful cooperation. El Salvador is a transit point for illegal immigration and drugs to the United States, and FMF will allow the Government of El Salvador to better patrol its borders. FMF will be used for spare parts to help restore and sustain the significant U.S. investment in the 1980-90's in EDA UH-1 helicopters, maritime vessels, and engineer equipment, used today for counternarcotics operations and reconstruction in the wake of floods and earthquakes. Disaster relief has created a needed and positive role for the military, helping to erase years of popular distrust of the Armed Forces and preparing the government of El Salvador to deal with future emergencies.

Guatemala
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	15,700	11,739	10,250
DA	12,320	14,960	10,700
ESF	10,000	7,500	5,000
IMET	350	350	350
INCLE	3,500	3,400	3,000
P.L. 480 Title II	21,502	18,013	19,030
Peace Corps	4,255	4,740	5,164

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 and in recent months have become especially challenging because of persistent allegations of high-level governmental corruption and a sharp reduction in the number of narcotics seizures and prosecutions. As Guatemala’s key trade partner, the United States also has an important interest in encouraging an open trading system and a healthier investment climate to attract profitable U.S. investment and provide a robust market for U.S. exports. Negotiations for a U.S.-Central America Free Trade Agreement provide an important opportunity for Guatemala to attract investment, create jobs, and increase integration with its Central American neighbors as well as with the United States. Assisting the considerable number of resident and tourist American citizens in Guatemala 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 2004 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, antipoverty 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. IMET 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 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. EDA will be granted on a limited case-by-case basis to assist the armed forces in promoting the peace process 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 2004 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 the special civilian anti-narcotics division of the national civilian police force (PNC in Spanish) that is responsible for interdiction and eradication, assisting in modernizing the judiciary, and supporting updated anti-drug and money laundering legislation.

INCLE funds will also 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	1,000	1,000	2,000
DA	3,100	2,180	2,750
FMF	200	400	100
IMET	294	275	275
Peace Corps	1,083	1,268	1,413

U.S. interests in Guyana focus on bolstering democratic institutions. Political and racial unrest after the 2001 elections, although reduced, directly threatened such institutions. In 2002, the dramatic increase in incidents of violent crime, and the inability of law enforcement institutions to cope with the situation, also began to undermine democratic governance. 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 2004, 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 will increase 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 2004 Foreign Military Financing (FMF) will purchase communications, training, and spare parts for vehicles, and aircraft. Guyana will be eligible in FY 2004 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 will increase the professionalism and capabilities of the GDF and 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. Child Survival and Health Programs Funds have 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. INCLE funds will be used to strengthen security at Guyana's ports by providing training and equipment to Guyana Customs inspectors.

With USG help, Guyana has established a Joint Information Coordination Center for counternarcotics information. The Embassy is assisting the Government of Guyana in drafting effective counternarcotics/crime legislation and has pressed for the passage of money laundering, asset forfeiture, and other modern anti-crime statutes. 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	638	14,000	21,826
DA	250	11,000	7,150
ESF	30,000	0	0
FMF	300	400	330
IMET	14	50	200
P.L. 480 Title II	23,128	22,375	23,847
Peace Corps	1,504	1,689	1,929
PKO	91	0	0

U.S. interests in Haiti range from stemming the flow of undocumented migrants and illegal drugs into this country, to fighting famine, HIV/AIDS, and gross human rights violations among its people, to building prosperity so that it can grow as a trading partner—the U.S. is by far the lead exporter to, and investor in, Haiti. The migration, drug, HIV/AIDS, and overall political and economic instability also 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 1990-2002, 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 open sea.

A U.S. bilateral assistance program direct to non-government organizations (NGOs) 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 this setting, our micro-enterprise lending and agriculture export promotion activities have a very real and positive impact, helping many poor Haitians.

In FY 2004, there was 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 designed to generate sustainable increased income for the poor, improve human capacity foster inclusive democratic governance, slow environmental degradation, particularly in rural areas and encourage healthier families of desired size.

Haiti's progress toward institutionalizing the democratic goals set forth in the 1987 Haitian Constitution remains incomplete. Civil society is putting increased pressure on the government to correct past injustices and human rights abuses. The process of institutionalizing good governance remains tenuous and in need of continued outside support. The Organization of American States Special Mission, established earlier, is charged with working with the Government of Haiti to meet democratic and other benchmarks set out in OAS Resolution 822.

The military was disbanded and replaced by a completely new civilian police force, the Haitian National Police (HNP), in 1995. International Military Education and Training (IMET) and Foreign Military Financing (FMF) assistance to the HNP, and its Coast Guard in particular, are focused on enhancing operational and logistics capabilities that will enable participation in counternarcotics operations, including combined operations with the United States.

Haiti is also eligible in FY 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	13,177	12,561	13,861
DA	15,430	22,530	22,226
ESF	1,000	0	0
IMET	655	650	650
P.L. 480 Title II	6,436	5,191	5,365
Peace Corps	4,081	4,320	4,306

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. Some reconstruction work continues due to delays from extreme weather variations such as drought and flood conditions caused by El Nino.

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.

Bilateral relations are strong. The Government of Honduras is a strong supporter of the war on terrorism. In addition, the government reduced the rhetoric associated with a series of border disputes with its neighbors and is working diplomatically to resolve them thereby improving the overall level of regional stability. Some 500,000 Hondurans, both documented and undocumented, live in the United States, a fact that places immigration issues high on the bilateral agenda.

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

In July 2000, Honduras reached its decision point under the Highly Indebted Poor Countries Initiative, qualifying the country for interim debt relief and in October 2001 the International Monetary Fund (IMF) approved a third year IMF program. However, owing to a stagnating economy and deteriorating government finances, Honduras missed its IMF targets in 2001. The Honduran government hopes to negotiate a new three-year program in early 2003. Currently, Honduras' economic outlook is clouded by poor prices for agricultural commodities and sluggish economic growth progress.

In FY 2004, U.S. development assistance (DA) activities will seek to support the diversification and competitiveness of the Honduran economy and to provide trade capacity building capabilities to meet the challenges and opportunities of the Central American Free Trade Agreement talks. Assistance for more

effective natural resource management and disaster preparedness will be provided. Funding for HIV/AIDS activities will be continued and will complement the Global Fund for Fighting Aids, which will launch a five year, \$40 million dollar effort in this country, which is the epicenter of the HIV/AIDS epidemic in Central America. Democracy and governance programs will focus on the strengthening the judicial system, decentralization efforts, municipal development, and civil society development. New funding for civil society, anti-corruption and electoral reform efforts will allow the U.S. to capitalize on the current political momentum to advance fundamental changes in Honduras's political system. In addition, DA 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 enhance Honduran military capabilities in the war on terrorism, promote greater understanding of the need for Central American military regionalization and further consolidate civilian control of the military. Honduras will also be eligible in FY 2004 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 improving U.S. allies counterterrorism capacities, 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 cooperate on narcotics interdiction. It is creating a new combined military-police unit that should benefit from EDA boats, vehicles, and helicopters. U.S. International Narcotics Control and Law Enforcement (INCLE) funds from the Latin America Regional allocation are used to support Honduras' expanding anti-drug programs, which serve to amplify and reinforce our own hemispheric law enforcement efforts.

The Organization of American States has reevaluated Honduras' need for humanitarian demining funds (Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)) and may seek funding to finish a demining effort in southern Honduras along the Nicaraguan border.

Jamaica
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	3,121	3,070	3,407
DA	9,471	13,710	13,060
ESF	1,532	0	0
FMF	600	700	600
IMET	586	600	600
INCLE	1,550	1,300	1,500
Peace Corps	2,242	2,424	2,754

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 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 2004 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 2004 Foreign Military Financing (FMF) funds will continue to provide valuable technical and logistical support for aircraft, boats and armored vehicles, as well as rifles, 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, and inculcating a better capability in resource management.

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. The U.S. is supplying three 42-foot patrol boats to Jamaica in FY 2003. Cooperation on interdiction is already paying dividends. In 2002, 3,688 tons of cocaine was interdicted, surpassing seizures in the previous two years. 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. The U.S. is also funding a border control project

that will provide technical assistance to strengthen Jamaica's migration management system and technology to enable the GOJ to monitor the flow of persons into and through Jamaica.

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 and Child Survival and Health Programs Funds 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	5,509	6,200	4,976
DA	7,715	12,165	12,265
ESF	10,000	12,000	12,000
IMET	944	1,250	1,275
INCLE	12,000	12,000	37,000
INCLE-SUP	25,000	0	0

The United States has no bilateral relationship more important than our relationship with Mexico. What happens in Mexico has more direct, daily impact on U.S. citizens than events in any other country in the region. 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, security, resource management, 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 (USG) has a direct interest in working with Mexico to address these common concerns. The strong Bush-Fox personal partnership presents an historic opportunity to establish truly effective cooperation between the two countries.

Mexico's traditional political structures are undergoing a rapid transformation to a more open and participatory government. Economic Support Funds (ESF) and Development Assistance (DA) funds will be used to strengthen democracy in Mexico and enhance the performance of all branches of government at federal and local levels. Programs will increase the effectiveness of local governance in targeted areas; strengthen permanent structures to enhance Congress' legislative function (including supporting a career service of professionals trained in budget analysis, legislative research, and investigative audit); improve the efficiency of judicial administration in targeted courts; and increase the transparency and accountability of target government institutions. Support to the executive branch will help build capacity in anti-corruption programs.

In FY 2004, ESF will be employed under the Training, Internships, Education, and Scholarships (TIES) program to provide scholarships, training, internships, and exchanges, in partnership with U.S. universities. 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 and contribute to Mexico's ability to take advantage of opportunities created by the North America 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 TIES 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).

Organized crime poses serious challenges for both countries. It is critical to sustain and expand upon ongoing USG initiatives to promote institutional development in Mexico as well as activities designed to enhance the effectiveness of bilateral law enforcement cooperation against the many shared criminal

threats. Most of these activities are supported through International Narcotics Control and Law Enforcement (INCLE) funds, but involve most of the U.S. federal law enforcement community. Both Mexico and the United States have redoubled efforts to ensure that the shared border is secure and efficiently managed. Increased INCLE funds will be directed to activities to enhance Mexico's ability to secure its borders, ports, and airspace.

FY 2004 Child Survival and Health Programs 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.

DA funds will also support the U.S. biodiversity 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, through DA funding, 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, also supported with DA funds, is designed to achieve four results: increase communication and collaboration among microfinance institutions (MFIs) and other service providers; 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.

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 2004 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 reflected in part by increased interoperability and cooperation in joint military operations and increased effectiveness in counterdrug and other law enforcement support missions.

Mexico will be eligible in FY 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	8,470	7,606	6,855
DA	16,602	19,730	24,152
ESF	2,800	0	0
FMF	500	500	500
IMET	372	400	400
NADR-SALW	0	200	300
P.L. 480 Title II	15,136	10,363	10,565
Peace Corps	2,639	2,874	3,236

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. President Bolanos' unprecedented and popularly supported fight against corruption has resulted in the house arrest of former President Aleman and prosecution of other political figures. Nicaragua has also witnessed significant economic change over the past decade, opening its markets and actively seeking foreign investment.

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. Government spending, remittances from Nicaraguans abroad, and foreign aid account for a significant portion of economic activity, and the economy has been hampered by a dramatic drop in the international price of coffee, long the country's leading export. The government is one of the most indebted governments in the world on a per capita basis, with high levels of both foreign and domestic debt. If it is able to carry out its International Monetary Fund program, it will receive foreign debt reduction under the Heavily Indebted Poor Countries initiative. Negotiations for a U.S.-Central America Free Trade Agreement provide an important opportunity for Nicaragua to attract investment, create jobs, and increase integration with its Central American neighbors as well as with the United States. Continuing U.S. engagement remains an important component of Nicaragua's ongoing effort to become a stable, democratic, and more prosperous U.S. regional partner.

Development Assistance (DA) is the backbone of 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 and CSH funds support improved access to and quality of basic education, improved health for rural women and children, and food security. DA is also crucial to U.S. efforts to promote sustainable natural resource management and increased rural incomes. Specifically, DA funds 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 is seeking to promote and strengthen the interdiction capabilities of Nicaragua's Maritime Forces. 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 2004, 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 counternarcotics, counterterrorism, disaster relief, and search-and-rescue missions in a disaster-prone zone. FMF will support maintenance/spare parts for patrol boats and establish an expeditionary base to support naval interdiction. Support to ground forces will focus on communications equipment, personal equipment, and logistical support to enhance mobility. 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). Additionally, the U.S. Government is funding the continuation of a canine mine detection program throughout Central America. FY 2004 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.

As a result of its civil war in the 1980s, Nicaragua still has excess Small Arms/Light Weapons at risk of leaking into other conflicts in Latin America as well as into Africa and the Middle East. In FY 2004 we hope to build upon destruction efforts begun in FY 2003 to destroy weapons that might otherwise leak into the illicit arms market.

Panama
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
DA	4,500	7,000	5,750
ESF	4,205	3,500	3,500
FMF	0	1,000	2,500
IMET	178	200	200
INCLE	5,000	9,000	9,000
NADR-EXBS	0	0	50
Peace Corps	2,299	2,408	2,678

Panama remains important to U.S. national interests following the transfer of the Panama Canal on December 31, 1999. The United States continues to be concerned with the secure operation of the Canal. The Colon Free Zone is the largest free trade zone in the Hemisphere, and Panama is a major overseas financial center and – with 6300 vessels flying the Panamanian flag, the world’s largest ship registry. Panama’s strategic location between South and North America makes it a crossroads for international commerce, but also a center for illegal activity such as drug trafficking, money laundering, trafficking in arms, and illegal immigration. Panama is affected by Colombia’s civil conflict, including refugees and armed incursions by insurgents. The United States must continue cooperative efforts with Panamanian law enforcement and other government and non-governmental entities to counter transnational crime and help address the effects of the Colombian conflict, especially in the Darien region that borders Colombia, while working with the Government of Panama (GOP) to help assure the security and smooth operation of the Panama Canal. The United States must also continue to encourage and assist Panama to meet maritime security obligations as set forth by the International Maritime Organization.

The United States will continue cooperative programs aimed at interdicting the illegal flow of drugs, arms, and persons through Panama. The United States will seek to enhance Panama’s capability to combat money laundering and other financial activities that support trans-border crimes and terrorism. The United States will also increase support to Panama’s public forces to enhance port, Canal, and maritime security and to help manage the impact of Colombia’s civil conflict 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 2004, democracy/governance projects funded from Andean Counterdrug Initiative and ESF will develop Panama’s border area with Colombia to mitigate illicit activities.

Foreign Military Financing (FMF) will augment the GOP’s efforts to improve its security posture on the border with Colombia by enhancing mobility of security forces with additional vehicles, riverine patrol craft, communications equipment and logistical packages to sustain patrol boats provided through Excess Defense Articles (EDA). Additionally, this support will enhance search and rescue operations, 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 and enhancements to Panama’s counterterrorism forces.

In FY 2004, 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 2004 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.

Paraguay
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	2,525	2,025	2,025
DA	3,600	4,600	4,000
ESF	3,500	3,500	3,500
IMET	360	300	300
NADR-SALW	0	100	0
Peace Corps	3,228	3,419	3,815

The primary U.S. national interest in Paraguay is the consolidation and strengthening of democracy and fortifying the open market system. Anti-corruption and counter-terrorism efforts are also important. Other interests, which depend on progress on democracy, include fighting transnational crime – intellectual property rights violations, and drug trafficking – and promoting responsible regional environmental management. Humanitarian interests include promoting public health and sustainable development. Economic Support Funds (ESF), Development Assistance (DA) and Child Survival and Health Programs Funds (CSH) will be used to strengthen democracy, help protect the environment, and improve child and maternal health. 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. CSH 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. Not only will these efforts promote democratization and accountability, they 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) in FY 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	23,666	22,027	16,732
DA	14,969	18,870	15,316
ESF	14,500	10,000	9,000
FMF	0	1,000	2,000
IMET	518	600	700
INCLE	142,500	135,000	116,000
NADR-HD	225	175	0
P.L. 480 Title II	37,035	25,053	20,472
Peace Corps	848	1,270	1,455

One of the largest countries in South America, Peru has a multifaceted relationship with the United States. Our major national security interests, however, focus on consolidating democracy, supporting counter-narcotics efforts, and promoting sustainable economic development. Mutually reinforcing successes in these critical areas will foster national stability. However, a real or perceived failure in just one of these areas will undermine progress in the remaining ones. In the Toledo Administration, the United States has a partner committed to working with us to advance our mutual national security interests. Targeted USG assistance to Peru will prove the tipping point and foster a Peru that is economically healthy, democratically mature and aggressively pursuing counter-narcotics policies.

Although Peru is a source country for cocaine, the United States has received sustained cooperation from the Government of Peru (GOP) in counter-narcotics activities. FY 2004 Andean Counterdrug Initiative (ACI) funds will provide training, equipment, and technical assistance to Peruvian government agencies charged with implementing counter-narcotics-related programs, including law enforcement programs to disrupt coca and opium poppy cultivation, wholesale purchase, industrial-scale processing, and export of refined coca products. A major program of upgrading aircraft for law enforcement and eradication operations will provide the necessary airlift capability to reach high-altitude opium poppy fields and to carry larger numbers of coca eradication personnel to remote growing areas. Funds will also support the Air Bridge Denial Program.

Additionally, Peru will be eligible in FY 2004 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 to combat illegal narcotics production and trafficking by providing needed equipment to the Peruvian security forces, which are an integral part of the counter-narcotics effort.

Another key component of the USG's comprehensive counter-narcotics strategy is the ACI-funded Alternative Development Program (ADP). In late 2002, in response to challenges that included high coca leaf prices, low market prices for licit products, an organized cocalero opposition, and the possible displacement of coca production from Colombia, the USG revised its strategies to link ADP more firmly to eradication and interdiction efforts. As part of this new strategy, the USG in FY 2004 is also using Development Assistance (DA) and Economic Support Fund (ESF) resources to complement ACI funding in the coca-growing region. ADP interventions are focused on: (a) providing immediate economic and social impact via temporary income, community organization and other short-term support in communities where coca is being eradicated; (b) promoting sustainable economic and social development in and around the primary coca-growing areas via major road rehabilitation and other infrastructure works, technical assistance and training to local/regional governments, other GOP agencies, private sector entrepreneurs and

small farmers; (c) improving the policy and institutional framework related to alternative development and counter-narcotics through studies and technical assistance to key allies; and (d) generating political will, encouraging key behavior change, and disseminating accurate information to beneficiaries through a crosscutting communications program.

Increased and coordinated ACI, DA, and ESF funding will enable the GOP both to decrease coca cultivation in key areas and to decrease coca and cocaine movement in source and transit zones. Expansion of these programs will lower the risk of instability in areas facing the quadruple threat of increased coca cultivation, narco-trafficking, terrorism and minimal central government presence. Challenges to this effort will be the budding alliance between the narco-traffickers and the Shining Path which remains a threat to democratic stability in Peru.

The Toledo administration, the Congress and the Peruvian people are committed to rebuilding their democracy in Peru. Training and technical assistance are needed to shore up key institutions, improve administration of justice and rule of law, strengthen local governments, encourage greater citizen participation in decision-making, promote political party building, and increase civilian control over the military. Economic Support Funds (ESF) and part of Development Assistance (DA) funds are designed to foster these goals.

ESF-funded programs to strengthen democratic processes and institutions in critical areas include the provision of technical assistance and training to promote key policy reforms; increase the capacity of regional and local governments; enhance Congressional oversight and legislative capacity; improve the performance of selected justice institutions; and facilitate the efforts of the Truth and Reconciliation Commission in investigating past human rights abuses. Additionally, each of these programs will include support for anti-corruption measures.

International Military Education and Training (IMET) funds support programs to improve military professionalism and capabilities by providing military and civilian defense professional training, which reinforces the critical principle of civilian rule. Foreign Military Financing (FMF) will also improve the military's capabilities to protect Peru's borders and promote regional stability. FMF funding will provide upgrades to medical, engineering, general field support and C-130 maintenance capabilities resulting from Peruvian army modernization and restructuring. The enhancements supported by FMF will increase the ability of GOP security units to operate in remote areas where drug cultivation/production is prevalent and where domestic terror groups seek refuge. It will also provide body armor, night vision goggles, and small arms for Peru's only dedicated counterterrorism unit.

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

Development Assistance (DA) programs will 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-funded programs include efforts to: (a) increase economic opportunities for the poor by providing greater access to and participation in markets, increasing the availability of microfinance services for small producers and micro-entrepreneurs, and improving the nutritional status and productive capacity of the

extremely poor; (b) promote the sustainable use and protection of natural resources, (c) use CSH funds to enhance the capacity of the Peruvian private and public sectors to meet basic health needs and (d) improve local management of basic education focusing on policies that promote decentralized management and improvement of education programs in selected communities.

Peru-Ecuador Peace
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	4,500	4,500	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 (OAS) to develop a pilot program with both Peru and Ecuador. With U.S. assistance, Ecuadorian humanitarian demining has evolved into a sustained, successful effort. Several hundred army engineers have been trained and equipped and several thousand mines have been removed from areas along the border with Peru.

Over the long-term, the United States is helping to promote the 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 2004 ESF funded activities will build on previous year efforts that focused on micro-enterprise lending, public health infrastructure, local government training and natural resource management in the border region.

The current sustained peace along the Peru-Ecuador border is an indication of the success of the Peace funds, and plans are under way to complete the Peace fund commitment.

Suriname
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	150	250	150
IMET	147	150	150
Peace Corps	843	925	1,021

The principal U.S. interests in Suriname are maintaining a stable democracy, combating terrorism and the flow of illegal drugs and migrants to the United States, and ensuring economic growth and development 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 diversity in the global environment.

Suriname still suffers from an anti-military hangover that resulted from a decade of unpopular military rule in the 1980s. As a result, its military is woefully under-financed and experiences 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. These deficiencies significantly inhibit the Surinamese Army's ability to effectively police Suriname's borders and vast, sparsely populated interior, making Suriname a favorite transshipment country for narco- and weapons-traffickers. The United States will use its FY 2004 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 to improve tracking, interdiction, hostage rescue, and bomb disposal.

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

Suriname signed an Excess Defense Articles (EDA) agreement in December 2002 and will be eligible in FY 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Suriname will assist the Surinamese military in developing and sustaining regional inter-operability, a viable counter-drug capability, as well as combating terrorism, migrant and arms smuggling.

Trinidad and Tobago
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	300	400	300
IMET	132	150	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 and document fraud. A U.S. Customs Service team is working with GOTT Customs to strengthen passenger/cargo processing and make it more effective during drug interdiction efforts. An Internal Revenue Service team is helping the Board of Inland Revenue modernize tax collection procedures. The United States has donated equipment (five 82-foot patrol boats, two C-26, and two Piper-Navajo aircraft) to improve the country's air and sea surveillance against narcotics traffickers. International Narcotics Control and Law Enforcement funds are supporting a GOTT initiative to establish a Coast Guard Air Wing capable of conducting maritime surveillance missions, which has in its inventory the USG-donated aircraft.

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 2004 FMF funds will help establish an aggressive preventative maintenance program to sustain the GOTT's maritime fleet used to combat transnational crime. Additional FMF will provide communications and specialized individual equipment.

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 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	1,000	1,000	1,000
IMET	464	450	450

U.S. national interests in Uruguay include maintaining Uruguay's strong democracy, restoring economic vibrancy undercut by regional crises, strengthening the Uruguayan military as a democratic institution and addressing global issues by helping Uruguay fight narcotics trafficking and international crime and by encouraging Uruguay's participation in UN peacekeeping efforts. We will also promote our national interest 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 its ability to operate with U.S. and international forces in peacekeeping operations (Uruguay has the highest per capita number of peacekeepers in Latin America and ranks 8th world wide in PKO participation), disaster relief missions, and other joint operations. Foreign Military Financing (FMF) for Uruguay will be used to support Uruguay's efforts in international peacekeeping, by spare parts and maintenance support, especially for aviation units and specialized naval patrol boats.

Uruguay will be eligible in FY 2004 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.

International Narcotics Control and Law Enforcement (INCLE) funds from Latin American 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 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	500	500	500
IMET	500	700	700
INCLE	5,000	8,000	5,000

As a leading supplier of foreign oil to the United States and host to considerable U.S. energy sector investment and a previously stable democracy confronted with a profound crisis of democratic governability, 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.

Andean Counterdrug Initiative (ACI) and Economic Support Fund (ESF) programs will concentrate on cooperation on counternarcotics and judicial reform.

Venezuela has implemented a far-reaching judicial reform program that includes widespread personnel changes in the judiciary. Much remains to be done in training law enforcement and judicial authorities on their new roles and responsibilities. The United States will continue its support for transition from the old judicial system to the new, including training of judicial personnel and training in national and international organized crime investigations. Venezuela is a major transshipment route for illegal drugs destined for the United States. ACI 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 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 2004, 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 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of EDA will be used to promote interoperability and modernization of equipment.

The United States will continue to work with Venezuela to strengthen democratic institutions through ESF funded initiatives and promote the rule of law and respect for human rights. The U.S. is actively supporting efforts by Organization of American States (OAS) Secretary General Gaviria to facilitate a peaceful, constitutional, democratic, and electoral solution to its present crisis. The U.S. has committed to participate in the "Friends of the Secretary General" to advance dialogue between the Government of Venezuela and the opposition. Should this dialogue result in comprehensive agreement, the U.S. will need to offer support to implement any such agreement that is likely to include support for a free, fair, and transparent electoral event.

Venezuela's economy continues to face considerable difficulties. The Venezuelan economy is likely to contract again in 2003. The GOV will need to close a significant and growing budget deficit. Unemployment is growing, as is the informal sector of the economy. Foreign exchange reserves are being depleted rapidly, capital flight is accelerating, and there is growing concern the government may default on its debt. Venezuela 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.

Administration of Justice/ICITAP
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	8,663	11,000	7,000

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 in three basic areas – investigations and forensics, management, and police academy curriculum. Programs aim 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 are 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 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, serves as a clearinghouse of information and expertise on justice sector reform. It organizes and sponsors comparative analysis of problems affecting justice sector performance, such as the implementation of new criminal procedure codes. With support from all 34 democratic governments in the hemisphere, it is uniquely situated to provide impetus for the consolidation of reforms that have been started but may not be successfully concluded without ongoing analysis and peer pressure.

For FY 2004, funding is needed to continue programs underway in El Salvador, the Dominican Republic, 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 Venezuela, the southern cone, and the English-speaking Caribbean.

OAS/IADB Demining
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
NADR-HD	1,695	1,100	3,000

The State Department'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. During the Peru-Ecuador border war of 1995, that border region was heavily mined. Mines were used by both the government of Colombia and the various insurgent groups in that country.

The Organization of American States (OAS) and the Inter-American Defense Board (IADB) began demining assistance to Central American countries in 1991. This effort has now expanded into a multi-dimensional program known as Comprehensive Action against Antipersonnel Mines (AICMA). AICMA activities include mine risk awareness education, victim assistance, support for minefield clearance, and destruction of existing mine stockpiles. AICMA has had great success in Central America. Costa Rica achieved impact-free status in 2002 and Guatemala and Nicaragua were expected to reach impact free status in 2003. Honduras, which suffered a major setback when previously marked mined areas were flooded during Hurricane Mitch, reconstituted its mine clearance capability and also nears impact-free status. Nicaragua, which is the most mine-affected country in the hemisphere, has made considerable progress primarily as a result of steady and consistent support from the United States. Most of the funds requested for OAS/IADB Demining under NADR will be allocated to accelerate clearance efforts in Nicaragua. AICMA expanded its activity into both Peru and Ecuador, which destroyed their landmine stockpiles and have now begun the process of clearing their territories of landmines. The OAS is developing a program for Colombia in response to a request for assistance received in 2002. Since the conflict in Colombia is ongoing the program would initially focus on stockpile destruction, risk awareness, victim assistance and information gathering on the location of mines. NADR funds will provide equipment and other material support to AICMA, while the Department of Defense provides personnel who train, advise and assist on technical and logistical matters and provide limited medical and communications support. NADR funds also support the integration of mine detection dogs into the AICMA program, as well as testing of new mine-clearance technologies.

Third Border Initiative

(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	0	3,000	9,000

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. Events in the Caribbean have a direct impact on the homeland security of the United States due to its proximity. 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 economies with limited ability to diversify 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 directly affecting U.S. interests, 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 to 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 the HIV/AIDS program. A combination of Development Assistance (DA), Economic Support Funds (ESF) and Child Survival and Health Programs (CSH) funds will support a multi-faceted Caribbean regional approach that supports prevention and education initiatives targeting youth and other high-risk groups. The epidemic is a leading cause of death among adults in the Caribbean, and retarding 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.

In FY 2004 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.

Third Border Initiative funds will be used to address the lack of capacity many Caribbean nations face in the fields of administration of justice and security, both of which have a direct impact on homeland security. ESF from our Third Border Initiative will be used to help Caribbean airports modernize their safety and security regulations and oversight, an important step in enhancing the security of visiting Americans and helping the region's vital tourist industry. The United States will also assist Caribbean organizations to improve their environmental management – such as strengthening protections over coral reefs and combating land-based pollution – to maintain tourist interest in the region and promote sustainable development. In addition, the United States will help Caribbean governments prepare for natural disasters, such as frequently occurring hurricanes. DA and CSH funds will be used to support health, economic development, environment, democracy, and educational programs in the eastern Caribbean nations as well as regional environmental and economic development programs. International Narcotics Control and Law Enforcement (INCLE) funds will be used to provide Caribbean governments with law enforcement assistance by funding advisors and technical assistance to strengthen capabilities against money laundering, asset forfeiture, and corruption.

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