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FEEDING THE DRAGON: REEVALUATING U.S. DEVELOPMENT ASSISTANCE TO CHINA

HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

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FEEDING THE DRAGON: REEVALUATING U.S. DEVELOPMENT ASSISTANCE TO CHINA

TUESDAY, NOVEMBER 15, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 11:30 a.m., in room 2172 Rayburn House Office Building, Hon. Donald A. Manzullo (chairman of the subcommittee) presiding.

Mr. MANZULLO. The Subcommittee on Asia and the Pacific will now come to order.

On September 15th, 2011, the United States Agency for International Development notified Congress of its intent to obligate $3.95 million in Development Assistance funds to "engage China as a partner in addressing climate change."

This particular notification, while small in the grand scheme of things, is emblematic of the dysfunction in America's foreign aid spending priorities. What is being proposed here, essentially, is that we borrow money from China to give back to China to help it fix its own domestic problems, many of which were created in the breakneck rush to develop.

At the same time, these programs help boost the competitiveness of Chinese manufacturers at the expense of U.S. manufacturers and U.S. jobs. In my opinion, this is a fool's errand, and the U.S. Government needs to clean up its own fiscal trail before helping China clean up its environmental mess.

We have enough challenges at home without having to worry about U.S. taxpayer monies funding a Chinese Government regime notorious for disregarding international norms of trade, human rights, and the environment.

China's poor record speaks for itself. None of the organizations, universities, and entities that USAID funds in China are completely independent of Chinese Government control. Each year the United States spends over $39 billion in taxpayer funds to support America's foreign policy objectives abroad.

In the Asia region alone, the President's request for Fiscal Year 2012 amounts to more than $800 million. It is up to all of us to ensure that not a penny of taxpayer money is wasted on these programs.

China's behavior on multiple levels, demonstrates a concerted effort to advance economic growth, regardless of the consequences. Indeed, Chinese leaders count on economic growth to offset the lack of political and religious freedoms in that country.

As a result, American manufacturers face unprecedented challenges from illegal Chinese Government subsidies, an artificially low exchange rate, and rampant systematic theft of intellectual property. None of this is new information, and the American people are sick and tired of China's unfair trade practices.

To drive home this point, the U.S. intelligence community released a report just last month detailing the depth and breadth of China's organized industrial espionage efforts. The findings are truly scary.

No amount of U.S. Government assistance will change China's intentions to steal our secrets, take our manufacturing jobs, and advance its own agenda. Our generosity as a nation in helping others is without question what makes us great. In fact, the Organization for Economic Cooperation and Development, OECD, noted that the U.S. is the largest provider of government and civil society programming among major bilateral foreign aid donors in terms of real funding.

We need to make sure that these funds are effectively being used to the benefit of the American people. Providing training, technical assistance, and capacity building for China's manufacturing and commercial real estate sectors is unjustifiable in a time when China continues to steal our intellectual property and drive U.S. competitors out of business.

I am amazed that it takes 22 contractors in China to implement just one part of the environmental program contained in USAID's notification.

Furthermore, the fact that USAID conducts oversight of this program from its regional headquarters in Bangkok, Thailand is even more surprising.

To make matters worse, the U.S. Trade Representative Office, at the urging of the United Steelworkers of America, has launched a Section 301 investigation into alleged dumping of solar panels and wind energy goods into the United States.

The USTR also filed a formal complaint against China at the World Trade Organization over the country's failure to declare over 200 government subsidy programs in the clean tech sector. In many cases, these subsidy programs are the same programs, initiatives, and incentives that climate activists and the administration claim as tremendous breakthroughs and efforts China is making to combat climate change. This view could not be more optimistic from our end and more misguided from theirs.

Given the state of the U.S. economy and with government debt approaching a record $15 trillion, it is absurd to think that any U.S. Government entity would spend a single dollar trying to encourage China to do the right thing.

China is America's strategic competitor in many areas, and I have seen no evidence to show that American foreign assistance—that is American taxpayers' dollars—to China is paying dividends in the relationship. In fact, it is arguable that China has enough resources to spend on its own, and U.S. assistance to China should not be at any cost to the taxpayer.

China's economy has been growing far faster than the U.S. and other Pacific powers. China's complete disregard for intellectual property rights, abysmal human rights record, and lack of religious

tolerance run counter to American values. China's poor record on accountability and its unwillingness to share accurate environmental and human rights data with its own citizens and with the U.S., creates uncertainty over the effective utilization of American taxpayer monies. If the PRC lacks the political will to clean up its own backyard, no amount of U.S. funds will change that reality.

The 16th Congressional District of Illinois, which I have the honor of representing, depends heavily on manufacturing for its livelihood. Manufacturing accounts for approximately 25 percent of the local economy or double the national average. We need to be supporting U.S. manufacturers in Illinois and nationwide to compete with China, not throwing money away to help China compete with us. The American people deserve more from their tax dollars at work beyond spending it on programs aimed to fuel a clean energy revolution in China at the expense of job growth back home.

[The prepared statement of Mr. Manzullo follows:]

One Hundred Twelfth Congress

Congress of the United States

Committee on Foreign Affairs
Subcommittee on Asia and the Pacific

November 15, 2011

Feeding the Dragon: Reevaluating U.S. Development Assistance to China

Chairman Donald A. Manzullo
Opening Statement

On September 15, 2011, the United States Agency for International Development notified Congress of its intent to obligate $3.95 million in Development Assistance funds to "engage China as a partner in addressing climate change." This particular notification, while small in the grand scheme of things, is emblematic of the dysfunction in America's foreign aid spending priorities. What is being proposed here, essentially, is that we borrow money from China to give back to China to help it fix its own domestic problems, many of which were created in their breakneck rush to develop. At the same time, these programs help boost the competitiveness of Chinese manufacturers at the expense of U.S. manufacturers and U.S. jobs. In my opinion, this is a fool's errand and the U.S. government needs to clean up its own fiscal trail before helping China clean up its environmental mess.

We've got enough challenges at home without having to worry about U.S. taxpayer monies funding a Chinese government regime notorious for disregarding international norms of trade, human rights, and the environment. China's poor record speaks for itself. None of the organizations, universities, and entities that USAID funds in China are completely independent of Chinese government control. Each year the U.S. spends over $39 billion in taxpayer funds to support America's foreign policy objectives abroad. In the Asia region alone, the President's request for Fiscal Year 2012 amounts to more than $800 million. It is up to all of us to ensure that not a penny of taxpayer money is wasted on these programs.

China's behavior on multiple levels, demonstrates a concerted effort to advance economic growth regardless of the consequences. Indeed, Chinese leaders count on economic growth to offset the lack of political and religious freedoms in that country. As a result, American manufacturers face unprecedented challenges from illegal Chinese government subsidies, an artificially low exchange rate, and rampant systematic theft of intellectual property. None of this is new information, and the American people are sick and tired of China's unfair trade practices. To drive home this point, the U.S. intelligence community released a report just last month detailing the depth and breadth of China's organized industrial espionage efforts. The findings are truly scary. No amount of U.S. government assistance will change China's intentions to steal our secrets, take our manufacturing jobs and advance its own agenda.

Our generosity as a nation in helping others is without question what makes us great. In fact, the Organization for Economic Cooperation and Development (OECD) noted that the U.S. is the largest provider of "government and civil society" programming among major bilateral foreign aid donors in terms of real funding. We need to make sure that these funds are effectively being used to the benefit of the American people. Providing training, technical assistance, and capacity building for China's manufacturing and commercial real estate sectors is unjustifiable in a time when China continues to steal our intellectual property and drive U.S. competitors out of business. I am amazed that it takes 22 contractors in China to implement just one part of the environmental program contained in USAID's notification. Furthermore, the fact that USAID conducts "oversight" of this program from its regional headquarters in Bangkok, Thailand is even more surprising.

To make matters worse, the U.S. Trade Representative Office, at the urging of the United Steelworkers of America, has launched a Section 301 investigation into alleged dumping of solar panels and wind energy goods into the U.S. USTR also filed a formal complaint against China at the World Trade Organization over that country's failure to declare over 200 government subsidy programs in the clean tech sector. In many cases, these subsidy programs appear to be the same programs, initiatives and incentives that climate activists and the Administration claim as tremendous breakthroughs and efforts China is making to combat climate change. This view could not be more optimistic from our end and more misguided from theirs.

Given the state of the U.S. economy and with government debt approaching a record $15 trillion, it is absurd to think that any U.S. government entity would spend a single dollar trying to encourage China to do the right thing. China is America's strategic competitor in many areas, and I have seen no evidence to show that American foreign assistance to China is paying dividends in the relationship. In fact, it is arguable that China has enough resources to spend on its own, and U.S. assistance to China should not be at any cost to the taxpayer.

China's economy has been growing far faster than the U.S. and other Pacific powers. China's complete disregard for intellectual property rights, abysmal human rights record, and lack of religious tolerance run counter to American values. China's poor record on accountability and its unwillingness to share accurate environmental and human rights data with its own citizens and the U.S., creates uncertainty over effective utilization of American taxpayer monies. If the PRC lacks the political will to clean up its own backyard, no amount of U.S. funds will change that reality.

The 16th Congressional District of Illinois, which I have the honor of representing, depends heavily on manufacturing for its livelihood. Manufacturing accounts for approximately 25 percent of the local economy or double the national average. We need to be supporting U.S. manufacturers in Illinois and nationwide to compete with China, not throwing money away to help China compete with us. The American people deserve more from their tax dollars at work beyond spending it on programs aimed to fuel a clean energy revolution in China at the expense of job growth back home.

Mr. MANZULLO. Ranking Member Faleomavaega is on his way back from American Samoa. Mr. Sherman, do you have an opening statement?

Mr. SHERMAN. I sure do.

Mr. MANZULLO. You are recognized.

Mr. SHERMAN. I want to welcome the witness back to this room, in which she spends such a long time. You are here testifying about a giant mistake of theory, a giant mistake of thinking at USAID.

The idea that we would give foreign aid to China is an insult to the American taxpayer and shows an incredible lack of understanding of the new world by anyone who would suggest it.

Now, there are only two exceptions to that. One would be money that we give to democracy organizations designed to undercut or at least change the Government of China. And the second would be co-equal contributions to projects that are equally beneficial. That is not what is at stake her.

Now, I want to stress that an atom of carbon that goes into our atmosphere is equally important to the entire world. We don't have enough money in this country to reduce our carbon emissions to the degree that the world expects of us. For us to then go spend money on the theory that we are reducing carbon emissions in China makes no sense. And there is no way that the world will give America credit for a reduction of Chinese carbon emissions.

We are borrowing money from China to give it to China to do stuff that the Chinese don't think is important enough to pay for. And, if anything, they have got more money. So if it was a good project in their eyes, they could easily afford to fund it.

I realize that the amounts of money involved are relatively small. A particular notice was sent to Congress, talking about $3.95 million.

I don't worry so much about the $3.95 million. I worry about a mindset in our foreign policy establishment that thinks us mailing checks to Beijing is a good idea.

I should bring to the attention of this committee that outside of our jurisdiction, the Department of Energy is spending from the reports I have seen far more than USAID also to give foreign aid to China.

I would invite anyone at USAID to come to a town hall and stand in front of American taxpayers and say, "Giving foreign aid to China is a good idea." There is a tremendous disconnect between a foreign policy establishment that runs our foreign policy and the American people who pay for it.

I will be circulating a letter addressed to the Administrator of USAID, Dr. Shah or Mr. Shah, urging that he not provide foreign aid to China.

Now, I should point out that in this very room, we had to discuss the idea of providing foreign aid to Libya. This was money to be given to entities under the control of Gaddafi's kids. This was about 4 years ago. There is just a disconnect between those who are in the Executive Branch who make our Executive Branch decisions on foreign aid and common sense.

And I realize that USAID deals with a lot larger amounts than $3.95 million, but this is an example of what Congress needs to stop.

I thank the chairman for holding these hearings. I hope that the witness is treated well by the State Department for the—do you get—well, I will find out in your opening statement whether you get hazard pay for today. But you deserve it.

And I yield back.

Mr. MANZULLO. Congressman Johnson, do you have an opening statement?

I can assure you that as the chairman of this subcommittee, you will get all the respect possible under every circumstances. The members here realize that you are doing your job, and we appreciate that. We appreciate your ability to come here and your willingness to do so.

Mr. Johnson?

Mr. JOHNSON. Thank you, Mr. Chairman.

I appreciated my colleague's comments about the fact that USAID deals in much larger issues. You are exactly right. Over the last 10 years, we have given China some $275 million. The 3.9 that we are talking about this year is a drop in the bucket compared to what we have already given to our world's largest competitor. So I commend you for those comments.

I find the topic of today's hearing particularly troubling in light of our country's current fiscal situation. Nationwide unemployment stands at 9 percent. And many parts of my district in eastern and southeastern Ohio consistently have seen double digit unemployment for far too long.

Even more troubling, our national debt is dangerously high at over $14.9 trillion, threatening our nation's ability to recover from its economic woes, turn our economy around, get people back to work, and continue to fulfill our role as a worldwide advocate of freedom and democracy.

So the news that we are giving aid to China for certain unnecessary programs and projects hits home especially hard, particularly for Americans struggling to get back on their feet.

Why can't China, a nation with the world's second largest economy and the fastest growing economy after our own, use its own funds to implement green energy programs to address climate change? Surely China can find the funds somewhere within its $10 trillion economy.

USAID tries to legitimize this aid by arguing that China is behind on environmental governance and that strategically working with China to address environmental threats will change their way of thinking and ensure that the two nations are on the same page. Apparently this aid is also seen as a way to level the playing field for U.S. industries that must comply with environmental responsibility standards. This is just absolutely misguided thinking.

First, China is in no way behind when it comes to environmental knowledge or technology. The U.S.-China Economic and Security Review Commission's 2010 report to Congress noted that China's continued economic growth and stability is dependent on its energy supply and, therefore, is looking to improve domestic energy production and energy efficiency. Chinese leaders have even pointed specifically to green energy as a means of strengthening energy security.

In September 2009, Chinese President Hu Jintao gave a speech to the U.N. General Assembly which focused on China's adoption and implementation of a national climate change program. And China's 12th 5-year plan mentions climate change at the top of its environmental section. The plan also includes new policies to promote greater industrial efficiency and a major push to also increase the efficiency of new and existing buildings. It seems to me like China is perfectly aware of the global climate issue.

Let's face the facts here. It makes no difference whether or not China is abiding by priorities it has outlined in speeches and plans. No amount of U.S. assistance will convince China to implement policies that harm its bottom line.

China's position at the top of the world's production and manufacturing is its focus and will remain so, no matter how hard anyone tries to convince it otherwise.

And let's discuss leveling the playing field for a moment. Abiding by the same environmental standards will not put U.S. and Chinese manufacturers on par. China's artificially low currency, illegal subsidies for industry, and disrespect for intellectual property rights will continue to put American businesses at a disadvantage. It is ridiculous to think that the value of this funding is worth the return.

At the same time, another arm of the U.S. Government, the U.S. Trade Representative, has brought a case against China at the World Trade Organization regarding illegal green technology subsidies. So we are borrowing money from China to give to China for a sector of their economy that is already well-developed and now enjoying illegal subsidies. Someone please explain how this makes sense because I don't get it.

My home State of Ohio is a leader in many forms of energy production: From coal to natural gas and now even alternative energy. With a manufacturing sector that has suffered greatly due to jobs moving overseas, Ohio is looking to alternative energy production as a way to revitalize this important sector. China is already creating conditions for its green technology companies to flourish at home and abroad.

I have got some more of my opening statement, but I am running out of time, Mr. Chairman. It is my strong opinion that the committee's hold on this funding should remain in place. There are better uses of taxpayer dollars, particularly at this time in our nation's economic history. I am looking forward to hearing the justification for these projects, but it is going to take some convincing for me to understand the logic here.

I yield back.

Mr. MANZULLO. Congressman Chabot, you are recognized for an opening statement.

Mr. CHABOT. Thank you, Mr. Chairman.

And so we can get to our witness, I will be relatively brief here. I want to thank my friend the chairman from Illinois for arranging this hearing.

It is no secret that I have long been a critic of U.S.-China policy on many levels. And my criticism is not limited to this administration. I have been just as critical of Republican administrations, par-

ticularly on human rights issues and specially on U.S.-Taiwan policy.

While our current Federal budget deficit is over $1.3 trillion, our national debt approaching $15 trillion with China holding much of that debt and with every American taxpayer responsible for about $133,000 of that debt, we are discussing today an administration proposal to obligate an additional $4 million in American tax dollars to engage the People's Republic of China on climate change.

I will be interested to hear the testimony this morning that will hopefully shed a little light on how we think this commitment of tax dollars will benefit us, the United States of America. Aside from the obvious questions about why the United States should be providing what is essentially foreign aid to China, the chairman has raised some serious questions about oversight. And I look forward to hearing what can be done about this waste of U.S. tax dollars, particularly in light of the PRC's dismal record on environmental issues and the blatant lack of transparency in their government.

I again want to commend the chairman for calling this hearing. You know, it is no wonder the confidence by the American people in this administration is so low and the confidence in the United States Congress is even more dismal when you see things like this, U.S. foreign aid to China, when we owe them almost $1 trillion for money that we have already borrowed from them. It is just almost unthinkable, but here we are.

I yield back, Mr. Chairman.

Mr. MANZULLO. Thank you.

It is a pleasure to welcome Nisha Desai Biswal back to the Committee on Foreign Affairs, where she once served as a member of the staff. Good to see you again.

Ms. BISWAL. Thank you, Mr. Chairman.

Mr. MANZULLO. Ms. Biswal was sworn in as USAID's Assistant Administrator for Asia on September 20th of 2010. Prior to her appointment, she served as the majority clerk for the State Department and Foreign Operations Subcommittee on the Committee on Appropriations under Chairman David Obey and Representative Nita Lowey.

Ms. Biswal previously served as the Director of Policy and Advocacy at InterAction, the largest alliance of U.S.-based international humanitarian and development nongovernmental organizations. I thank you for appearing before the subcommittee. Your written statement will be entered into the record.

We are going to leave the record open for at least 14 days to accommodate any statement that Mr. Faleomavaega wants to insert into the record.

Ms. BISWAL. Thank you very much, Mr. Chairman. And thank you, Mr. Johnson and Mr. Chabot and Mr. Sherman, for your remarks as well.

STATEMENT OF THE HONORABLE NISHA DESAI BISWAL, ASSISTANT ADMINISTRATOR FOR ASIA, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. BISWAL. It is an honor for me to appear before this committee today and be here to discuss with you the important topic

of our bilateral assistance programs in China. I appreciate that as we face a difficult economic and budgetary environment, and it is more important for us to analyze the impact of our programs and to ensure that taxpayer dollars are being wisely and effectively spent.

Mr. Chairman, USAID's bilateral programs in China focus in four areas: Assisting Tibetan communities, addressing the threat of HIV/AIDS and other pandemic diseases, advancing the rule of law and human rights, and supporting environmental protection/climate change mitigation efforts.

These programs have been and continue to be congressionally directed programs. I believe, however, that they advance the values and the interests of the United States. They address critical development challenges that have regional and trans-boundary reverberations. And let me assure you that none of the funds that USAID manages in China go to the Government of China.

Congress began appropriating funds for assistance to Tibetan communities as early as Fiscal Year 2000. In Fiscal Year 2006, that program was expanded to address governance, environment, and rule of law through U.S. educational and nongovernmental institutions as directed by Congress. For FY 2010, Mr. Chairman, USAID's assistance in China was $23.4 million, including $4 million for health and HIV/AIDS, $7.4 million for Tibetan communities, and $12 million to support environment and rule of law activities. In 2011, our total country allocation for China for USAID is projected to be $12 million, a 48-percent decrease from the prior fiscal year. With that backdrop, let me spend just a couple of minutes on the specific area that you have highlighted, which is the environment programs.

Mr. Chairman. 16 of the 20 most polluted cities in the world are in China. And the pollution from Chinese factories and plants has a substantial negative impact directly on the United States. Almost one-third of the particulate pollution in California and 30 percent of the mercury found in North American lakes comes from Chinese coal-fired power plants.

USAID programs work to reduce these harmful emissions, which are having an impact on our own shores. We have proposed, as you noted, a $3.95 million program budget to continue environment programs in China. These programs focus on three major areas. The U.S.-China partnership for environmental law strengthens the application of environmental laws and regulations through partnerships between the United States and Chinese universities, government agencies, and NGOs to provide training in environmental regulation and law to lawyers and lawmakers.

The U.S.-China partnership for climate action is a public-private partnership with GE, Honeywell, Walmart, S.C. Johnson and Company, and the Citi Foundation to promote reduction in energy use through bringing together leading U.S. and Chinese practitioners, energy conservation, greenhouse gas management, and environmental innovation. This program is expanding market opportunities for U.S. businesses and technologies by featuring them prominently in our training and workshops.

And, finally, the third component is a regional program to combat trafficking in endangered species to address the illegal wildlife

trade across the Asian continent, seeking to improve law enforcement, reduce consumer demand, and strengthen cross-border regional networks.

Mr. Chairman, let me just conclude to say that USAID's work in China is important to our national and our economic interests and that it addresses critical global development challenges.

I appreciate the opportunity to testify today before you, and I welcome the opportunity to answer any questions that you may have.

[The prepared statement of Ms. Biswal follows:]

Statement of Nisha Biswal
Assistant Administrator, Bureau for Asia
U.S. Agency for International Development
House Committee on Foreign Affairs
Subcommittee on Asia and the Pacific
November 15, 2011

Chairman Manzullo, Ranking Member Faleomavaega and distinguished Members of the Committee:

Thank you for inviting me to speak to the Committee today on the important topic of our bilateral assistance programs in China. I appreciate that as we face a difficult economic and budgetary climate here at home, it is more important than ever that we analyze the impact and value of our assistance programs overseas to ensure that U.S. tax dollars are being wisely and effectively spent.

Mr. Chairman, I also understand and appreciate the broader question underlying today's hearing of why USAID is maintaining a bilateral assistance program in the world's second largest economy.

USAID's bilateral assistance programs in China focus on four principle areas: assisting Tibetan communities, addressing the threat of HIV/AIDS and other pandemic diseases; advancing the rule of law and human rights; and supporting environmental protection and climate change mitigation efforts.

Mr. Chairman, USAID's programs in China are congressionally mandated and I believe they advance the values and interests of the United States and address critical development challenges that have regional and trans-boundary reverberations. Furthermore, in compliance with congressional intent, no USAID funds are provided directly to the government of China.

USAID Programs in China:

While Congress began appropriating funds for assistance to Tibetan communities as early as Fiscal Year (FY) 2000, USAID's program in China began in FY 2003 pursuant to language in that year's appropriations Act. The initial focus was on improving conditions in the Tibetan plateau and in Tibetan communities in other parts of China. Later, in FY 2006, the program was expanded to address governance, environment and rule of law through U.S. educational and non-governmental institutions as directed by Congress. For FY 2010, USAID's assistance to China was $23.4 million, which includes $4 million for health and HIV/AIDS, $7.4 million for Tibetan communities, and $12 million to support environment and rule of law activities. In FY 2011, USAID's total country allocation for China is projected to total $12 million, an almost 48 percent decrease over the prior fiscal year.

With that backdrop, Mr. Chairman, let me focus the remainder of my testimony on the two specific areas that were highlighted in the Committee's invitation letter – environmental protection and rule of law programs supported by USAID.

USAID Environment Programs in China

Mr. Chairman, USAID has proposed $3.95 million in the FY 2011 budget to continue environment programs in China. These programs focus on three activities: the U.S.-China Partnership for Environmental Law (PEL), U.S.-China Partnership for Climate Action (PCA), and the Asia Regional Response to Endangered Species Trafficking (ARREST) Program.

We are addressing environmental challenges in China because pollution from China has a substantial negative impact directly on the United States – almost one third of California's particulate pollution can be traced to China, and 30% of mercury found in North American lakes comes from emissions originating from Chinese coal-fired power plants. USAID's combined China programs have mitigated more than 1.8 million metric tons of carbon dioxide equivalents per year. Our programs work to reduce these harmful emissions which are having an impact on our own shores.

U.S.-China Partnership for Environmental Law (PEL)

The PEL program aims to strengthen and improve China's environmental regulatory system through partnerships involving U.S. and Chinese universities, government agencies, and nongovernmental organizations.

The PEL program strengthens the practice and application of environmental laws and regulations through collaborative partnerships and training for lawyers, scholars, law students, judges, regulators, and lawmakers. The program is implemented through three integrated components that: (1) strengthen the capacity of practitioners and institutions; (2) improve the regulatory system; and (3) promote U.S.-China cooperation in environmental law practices.

USAID is also working with the Institute for Sustainable Communities, a U.S. NGO, to establish environmental health and safety (EHS) academies to train factory managers in improving environment, health and safety practices for Chinese workers and communities. The trainees or their Chinese employers pay for these trainings. Historically, Chinese factories have been allowed to operate in cheap and inadequate environments lacking health and safety controls. The EHS academies are helping ensure that Chinese factories comply with international EHS standards thereby leveling the playing field for American businesses.

This program has leveraged support, both financial and technical, from U.S. companies including General Electric, Honeywell, Wal-Mart, Alcoa, and Pfizer. GE alone has contributed over $2.8 million to date in cash leverage for USAID's China programs. While this program was established with USAID, it is now fully self-sustaining and no

longer requires additional USAID funds. It serves as an example of initial USAID seed funding leading to sustainable, long-lasting impact.

U.S.-China Partnership for Climate Action (PCA)

Our programs are also expanding market opportunities for U.S. businesses and technologies. American companies are supporting our work because it improves environmental and occupational safety practices of their suppliers, and increases their visibility and access to the world's key emerging market.

For example, the U.S.-China Partnership for Climate Action (PCA) is a public-private partnership to promote sustained reductions in energy use and to improve environmental management. The program accomplishes this by bringing together the experience and talent of leading U.S. and Chinese practitioners, including nongovernmental, research, and government institutions with experience in energy conservation, greenhouse gas management, and environmental innovation. It also leverages the support of major U.S. corporations and foundations which have strong interests in promoting environmental protection, healthier and safer working conditions, and energy conservation.

At workshops and in training materials, our PCA program emphasizes products and services offered by U.S. companies. The U.S. Trade and Development Agency and the U.S. Foreign Commercial Service help promote these activities as platforms for accelerating deployment of innovative, U.S. energy products and services in the Chinese market.

Asia Regional Response to Endangered Species Trafficking (ARREST) Program

The Asia Regional Response to Endangered Species Trafficking (ARREST) Program addresses the illegal wildlife trade across the continent, seeking to improve wildlife law enforcement capacity, reduce consumer demand, and strengthen regional networks. Freeland Foundation leads the ARREST program and collaborates with other civil society and international organizations, and is supported by technical assistance from the U.S. Forest Service, U.S. Fish and Wildlife Service, and U.S. Department of Justice. The ARREST program's activities in China raise awareness of illegal wildlife trafficking to reduce consumer demand, and strengthen cross-border cooperation and information sharing between China and South East Asia.

International wildlife smuggling poses several environmental and health threats and has proven links to international organized crime. Threats to the environment include the potential loss of biodiversity and introduction of invasive species into U.S. ecosystems. One study estimates the annual economic damage in the U.S. from invasive species, including those from China, to be $123 billion. Illegal wildlife trade can also transmit diseases to humans. For example, experts believe that SARS and Avian Influenza were first transmitted in China's animal markets. These markets had wild animals in cages next to domestic animals, which were then in close contact with humans. International crime and potential security threats include links between wildlife trafficking, organized crime, and drug trafficking. These groups are responsible for poaching Asia's tigers, rhinos, bears, and other species that may be in danger of extinction. As you can see,

unregulated trade and consumption of wildlife can spread viruses and diseases from animals to humans and introduce harmful, invasive species that generate ecological and economic losses, which in turn have a costly impact on the U.S. economy.

USAID Rule of Law programs in China

In the area of rule of law, USAID is working in three critical areas: improving access to justice and strengthening commercial and criminal legal processes in China.

The United States remains deeply concerned about China's human rights record, and raises these concerns privately and publicly at all levels of the government. While the USAID rule of law program is not specifically focused on human rights, we believe our systemic approach to improve the criminal justice system in China supports human rights by: 1) creating guidelines for defense lawyers in death penalty cases; 2) improving trial procedures to improve transparency in the criminal justice system; and 3) supporting the adoption of a national law which would exclude illegally obtained evidence, such as confession by torture, from criminal trials. USAID's Rule of Law program is also helping the Chinese draft regulations to increase public participation in decision making, and establish publicly the responsibilities of government officials.

USAID's Rule of Law program in China also addresses issues of economic importance to the United States by seeking to "level the playing field" for U.S. corporations to operate within China's legal framework. For example, in July 2010, with the intent of protecting U.S. business interests in China, USAID started a one-year pilot to enforce intellectual property rights by training Chinese supreme court justices on how intellectual property cases are prosecuted within the U.S. Judicial training on enforcement of intellectual property laws helps to protect U.S. corporations from unlawful infringement and lost revenues.

Conclusion

Mr. Chairman, I hope I have demonstrated how USAID's work in China is important to both our national and economic interests. As China takes a larger role on the world stage and increases its assistance and investments in other developing countries, the U.S. is engaging with China to urge its adoption of international best practices and adhere to standards of transparency and accountability. Our programs in China model these best practices.

I appreciate the opportunity to share with you the USAID approach to furthering U.S. strategic interests in China, to address challenges that affect us all. I am eager to hear your advice and counsel. I welcome any questions you may have.

Mr. MANZULLO. Thank you.

Let me do this. Do either of you gentlemen have another hearing that you have to go to? You are right on time.

Mr. Chabot, then we will take you first.

Mr. CHABOT. I have a couple of questions. I appreciate that.

First of all, thank you for your testimony here this morning.

We are broke. The United States is broke. We spend more money than we take in. We have got almost a $15 trillion national debt hanging over our heads, $1.3 trillion this year alone. Unfortunately, it is heading in the wrong direction.

We don't know what the so-called Super Committee is going to do, what they are going to recommend. There is some speculation that, God forbid, they are going to suggest that we raise taxes and, therefore, burden the American people even more. We don't know if that is going to happen or not, but we are all trying to figure out what kind of proposals are going to be made and whether they are going to be able to come to some agreement. And if they can't, we know that sequestration of funds was built into the bill, which means automatic cuts, $600 billion in cuts from defense, which concerns everybody. Probably Republicans are a little more concerned about it, $600 billion in domestic cuts, which most people would argue maybe the Democrats care a little bit more about that. That is what you hear. I don't know if that is accurate or not, but you do hear that. But it is a lot of money. And we are talking about cutting that.

Now, I know $4 million in Washington to some people may not sound like much. I can guarantee you for the hardworking, taxpaying folks back in my district, that is a lot of money, more money than most see in an entire lifetime of work. And so I think we ought to take this amount very seriously.

My point is that we are spending far more money than we take in, which means that any additional expenditures that are made—and this is an additional expenditure that is being proposed here, correct?

Ms. BISWAL. That is correct.

Mr. CHABOT. Yes. It is new money that we are spending. If we are not in balance—and we are not—and we are spending new money, then that means—and you assume, as the President has said, he doesn't want to run up more debt. And I think Congress doesn't want to run up more debt. Then it means you are going to have to cut from somewhere else to come up with this $4 million.

Where does the administration propose cutting? What program is less important than us giving this what many of us would call foreign aid to China? What is less important than giving foreign aid to China?

Ms. BISWAL. Thank you for that question. Mr. Chabot——

Mr. CHABOT. You are welcome.

Ms. BISWAL [continuing]. Let me reassure you, first of all, that we are focusing and prioritizing our foreign assistance programs. As I mentioned in my brief oral statement, we have seen our China program's overall size go down by 48 percent from the prior year in what we are spending in Fiscal Year 2011.

The amount of assistance that we program in China, none of which goes to the Government of China but is administered

through nongovernmental institutions and American educational institutions, the programs that we administer in China leverage significant contributions from the American private sector and from Chinese institutions.

Mr. CHABOT. That is all well and good. And I only have another minute. I don't mean to cut you off, but I will at this point just to ask you this. So you are saying, in essence, what you said is that we have other programs and other things in China and other places around the world where we spend money, but we are going to spend less on something else for this money. Isn't that correct?

Ms. BISWAL. Mr. Chabot——

Mr. CHABOT. The money has got to come from somewhere unless we are going to add to the deficit. The President has said he doesn't want to do that. Congress doesn't want to do that.

Ms. BISWAL. Certainly it is a difficult environment. And tough choices are being made across government and certainly within USAID in terms of what we will be able to fund and where our priorities are.

Mr. CHABOT. Okay. Let me ask you this. We have a trade deficit with China right now. Is that correct? In other words, we are importing a whole lot more from them. All you have got to do is go to Walmart. An awful high percentage of what is labeled there if you pick it up and look under it is going to say "Made in China," a lot less than we export to them.

Now, we have GE aircraft engines and other things that go on planes that we sell to them. So it is not that we don't sell them anything, but a lot more Chinese products come into the United States than U.S. products that go there. Isn't that accurate?

Ms. BISWAL. You are correct. It is also our largest export growth market.

Mr. CHABOT. And we have a huge surplus to the extent that we are borrowing from them, correct? It is not like they are borrowing from us. And it is to the tune of almost $1 trillion at this point that we owe them. Is that correct?

Ms. BISWAL. I have no reason to doubt that. I am not the expert on the amount.

Mr. CHABOT. And there are an awful lot—and I am almost out of time, but there is an argument that they are manipulating the value of their money in order to continue this huge continuing U.S. importing Chinese products. And that is costing American jobs a lot of people would argue. Isn't that correct?

Ms. BISWAL. That is correct.

Mr. CHABOT. Well, all that being given, it just seems to me you are going to have a hard sell explaining to the American people why we ought to be using U.S. tax dollars to fund something like this. Why can't China use their own money?

And I will yield back, Mr. Chairman.

Ms. BISWAL. May I respond briefly?

Mr. MANZULLO. Yes.

Ms. BISWAL. Mr. Chabot, my only response to the points that you raised, which I agree are all important points for consideration, is that our programs, particularly our environmental programs in China, are fundamentally advancing our interests. And those interests are associated with the amount of pollution in the United

States that is traced back to Chinese sources. And the fact that if we do not engage in addressing that pollution in light of the explosive growth that China is experiencing, the harmful effects here in the United States are going to become increasingly costly, both in terms of the health impacts and the economic impacts.

Mr. MANZULLO. Mr. Johnson?

Mr. JOHNSON. Thank you, Mr. Chairman. And thank you, Ms. Biswal, for your testimony.

So let me get this straight. We are borrowing money from China to give back to China to improve industrial energy efficiency, which will then drive down production costs to Chinese firms, making it harder for U.S. firms to compete. Why are we paying to modernize China? Please enlighten me as to USAID's thinking that this is an effective use of hardworking Americans' tax dollars, which should really stay in the pockets of small businesses right here at home to help create jobs for unemployed Americans. Can you enlighten me? Why are we paying to modernize China?

Ms. BISWAL. Mr. Johnson, I would simply respond by saying that this program leverages significant resources from American companies, like GE, which has put in $2.8 million in matching contributions toward the training programs that we have to improve environmental health and safety standards in China by improving——

Mr. JOHNSON. Wait a minute. Hold on. Hold on. Did I understand that right? In addition to the $4 million that we are giving for these programs free of charge, no interest payment, to the Chinese, we have also got American companies that are giving additional and above that?

Ms. BISWAL. So if I may finish——

Mr. JOHNSON. Is that yes?

Ms. BISWAL. So we have leveraged significant resources from the American private sector because they see the value of, one, greening their supply chain; two, having the same compliance requirements of Chinese companies on environment, health, and safety standards, to which they are subjected. That does actually have the effect of increasing perhaps the cost of manufacturing in China and improving the environmental impact of——

Mr. JOHNSON. And is USAID going to hold China accountable for enforcing these standards that we train them on?

Ms. BISWAL. Our programs work to improve the domestic demand in China for environmental compliance through supporting advocacy organizations——

Mr. JOHNSON. I have got a number of questions. So like Mr. Chabot, I——

Ms. BISWAL. Sorry. I was simply trying to respond.

Mr. JOHNSON [continuing]. I apologize. So let's assume that we can solve the pollution problem in China. How does that create jobs here in America? Draw the line back for me.

Ms. BISWAL. First of all, many of the energy efficiency technologies, products, and services which we are bringing to the attention of Chinese officials in industry——

Mr. JOHNSON. That we are giving to them.

Ms. BISWAL. We are not providing any technology or service. We are helping to make them aware of, but then Chinese companies individually contact and contract with American companies for

those products and services. We do not provide a technology transfer, and we do not——

Mr. JOHNSON. We don't have to provide technology transfer. The Chinese takes the technology. Now, that is another part of the problem. In your description of USAID's rule of law programs, you state that the goal, one of the goals, is to level the playing field for U.S. corporations to operate within China's legal framework. You stated that this includes training Chinese Supreme Court justices on how intellectual property cases are prosecuted within the U.S.

I don't know if you are aware or not or have read the Office of the National Counterintelligence Executive Report on Foreign Economic Collection and Industrial Espionage, but China is one of the most aggressive collectors of U.S. economic information and technology. China's intelligence services frequently seek to exploit Chinese citizens or persons with family ties in China to use their insider access to corporate networks to steal trade secrets.

So I don't buy that we are giving them anything. They are taking whatever they want. That is one of their predispositions in doing business in China.

How does USAID know whether these judges and officials that you are training are using your valuable training opportunities to take back to their lawyers and then find the loopholes and the strategies to compete against American companies?

Ms. BISWAL. I do agree that intellectual property rights is an area of significant deficiency in terms of China's compliance. China has adhered to the same international standards. However, they have been extraordinarily weak in compliance.

Our programs seek to improve the record of compliance. It is a difficult task. Providing technical tools through American-based organizations, like the Asia Foundation, to develop the knowledge and the capacity in the court system, in the law schools, in the legal profession in China to improve compliance is one way to address that.

Mr. JOHNSON. Ma'am, my time is up, and I apologize. It seems to me that giving the Chinese Government American aid at the expense of the American taxpayer to try and force compliance is an ill-advised strategy, given the fact that over the last 10 years, we have given the Chinese nearly $275 million, around $275–300 million, and we are not seeing any progress on compliance. And so I would say that the program is failing.

And I stand by, Mr. Chairman, my assertion that I hope we keep these funds on hold.

Mr. MANZULLO. Thank you.

Ms. Biswal, is there money in the budget to give to the U.S.-China Partnership for Environmental Law?

Ms. BISWAL. The President's budget request did not contain funding for these programs.

Mr. MANZULLO. For all the programs?

Ms. BISWAL. Was that your question, sir?

Mr. MANZULLO. No. Of the $12 million that is in the budget, was any money there allocated for the U.S.-China Partnership for Environmental Law?

Ms. BISWAL. In the $3.95 million congressional notification that was sent to the committee, about $1 million of that is to continue the U.S.-China Partnership for Environmental Law.

Mr. MANZULLO. On page 2 of your testimony at the bottom, you state that that program "is now fully self-sustaining and no longer requires additional USAID funds."

Ms. BISWAL. Sorry. The reference is to another component program. That was not for the environmental partnership law program; it was not my intent to mischaracterize how I joined those two together, that was part of the Guangdong Environmental Partnership Program, which has become fully sustaining and does not receive——

Mr. MANZULLO. Wait a second.

Ms. BISWAL [continuing]. Any additional funds.

Mr. MANZULLO. So there is a program within the program?

Ms. BISWAL. I think in referencing that program, I was also connecting to other programs that supported those outcomes, which have become fully self-sustaining. And I apologize if that was confusing.

Mr. MANZULLO. Ms. Biswal, it is not self-sustaining when you are asking the taxpayers to pony up $1 million. I mean, General Electric, Honeywell, Walmart, Alcoa, and Pfizer have contributed how much money? Do you have any idea? You said GE contributed $2.8 million.

Ms. BISWAL. Right. So I believe for the Institute for Sustainable Communities programs in China, which include the Climate Action Partnership and the Guangdong Environmental Partnership, which we are no longer funding, those two programs leveraged over——

Mr. MANZULLO. I am not saying leveraged, but these companies can put up all the money. They certainly make a lot of money in China and don't need taxpayers' dollars for "leverage." Would you agree?

Ms. BISWAL. I think that the intent behind a public-private partnership is to create that initial platform for private sector investment around a policy objective. We are trying to move toward graduating these programs.

Mr. MANZULLO. You don't have to graduate Honeywell, Walmart, Aloca, Pfizer, and General Electric. They make tremendous profits. Wouldn't you agree?

Ms. BISWAL. I believe they are making progress.

Mr. MANZULLO. Okay. They are making a lot of profits. Yet, still you are asking the taxpayers to put more money into a program that already has generous support by the private sector. That doesn't make sense. How can you defend that?

Ms. BISWAL. I would only posit, sir, that the President's budget request did not request funding for these programs, but because Congress appropriate funds for these specific environmental and rule of law activities, being a good congressional staffer in my past life, we do strive to make sure that we follow congressional intent in how we maintain our programs.

Mr. MANZULLO. Let me see if I can get this straight. The President's budget did not request any money for the U.S.-China Partnership for Environmental Law?

Ms. BISWAL. No, sir.

Mr. MANZULLO. Is that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. Then what programs are targeted for funding under the President's request, in his budget request?

Ms. BISWAL. The President's budget request included funding for programs in Tibet, which was $5 million in the——

Mr. MANZULLO. Let me back up. Could you go to your testimony on pages 2, 3 and 4 and point, in particular, to where the programs are that the President wanted funded? Start with the U.S.-China Partnership for Environmental Law. You are saying the President requested zero funding for that.

Ms. BISWAL. That is correct.

Mr. MANZULLO. For anything involved in that program or subprograms or programs within the program?

Ms. BISWAL. That is correct.

Mr. MANZULLO. And the Guangdong Environmental Partnership Program, that was included in that program?

Ms. BISWAL. There was zero funding requested for environmental and rule of law programs in the President's budget request.

Mr. MANZULLO. Okay. The U.S.-China Partnership for Climate Action, did the President request any funding for that?

Ms. BISWAL. He did not, sir.

Mr. MANZULLO. Okay. So I have zero, zero. The Asia Regional Response to Endangered Species Trafficking, did he request any money for that?

Ms. BISWAL. No, not for the China programs.

Mr. MANZULLO. The USAID Rule of Law Program in China, did the President request any money for that?

Ms. BISWAL. He did not.

Mr. MANZULLO. Well, then, why have you given us four programs for which he has requested no money? I thought that you would have at least the programs that are getting the money. What other programs are there besides these? Am I missing something?

Ms. BISWAL. So the President's budget request asked for $5 million to continue assistance to Tibetan communities——

Mr. MANZULLO. Okay. Go ahead.

Ms. BISWAL [continuing]. And I believe $7 million for HIV/AIDS assistance through the PEPFAR program, through CDC and USAID combined.

Mr. MANZULLO. Okay.

Ms. BISWAL. That was a total of $12 million that was requested in the President's budget request.

Mr. MANZULLO. All right. So these four programs here were the ones that ended up being funded by the time the continuing resolution was signed. Would that be correct?

Ms. BISWAL. So dating back to 2006, Congress has included funding and directives to maintain rule of law and environment programs in China. And we have complied, sir.

Mr. MANZULLO. I am just trying to figure out who is on first here. I think I am understanding that the four programs here that you have listed in this testimony were not at the President's request. Is that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. And the programs ended up getting funded because Congress decided to throw that money in for these programs?

Ms. BISWAL. That is correct.

Mr. MANZULLO. And that the——

Ms. BISWAL. For these sectors. The programs were competitively awarded, but the sectors of environment and rule of law were determined and directed by Congress in the appropriations bill.

Mr. MANZULLO. Okay. The President's request is for $12 million. That is for Tibet and for HIV/AIDS. Is that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. All right. But, notwithstanding the fact that Congress directed USAID to spend this money, then you anticipated my next question. How did Vermont end up with getting this award?

Ms. BISWAL. A number of different U.S. institutions have partnered with USAID over the years in carrying out both the environment and rule of law programs. USAID would put forward a request for proposals. Different institutions would then submit proposals. And then they would be competitively awarded by a technical selection committee based on a variety of criteria, including technical expertise, country experience, cost-effectiveness of programs.

Mr. MANZULLO. Do those people sit under your purview or your jurisdiction?

Ms. BISWAL. I do not have any direct lens into the awarding of these grants or contracts. And for the programs that we are discussing today, most of them had been awarded under either the previous administration or before I went to USAID. But they have continued certainly since I have been there.

Mr. MANZULLO. Then this question I will not anticipate you to answer, but if you know the answer, I appreciate it. Do you have any idea how many colleges or universities actually were in the application process for some of these programs?

Ms. BISWAL. I do not. I can take that question for the record.

Mr. MANZULLO. Okay. Mr. Johnson, do you have some more questions?

Mr. JOHNSON. Ms. Biswal, explain how USAID is going to effectively expand the market potential for clean energy technologies and services from American companies in China when China has hundreds of subsidies policies and practices in place affecting trade and investment in green technology, of which USTR just filed an investigative report to the World Trade Organization about. How are you going to get Chinese companies to buy U.S.-manufactured products over its own heavily subsidized domestic goods?

You earlier testified—when I asked you about creating American jobs, you said companies here would be creating products that would then be sold to the Chinese in those green energy initiatives, but they are heavily subsidized in China. How are you going to get past all of that?

Ms. BISWAL. What our programs seek to do, sir, is to create a platform for U.S. technologies, U.S. companies that provide services that we think are relevant to improving the energy efficiency, reducing the greenhouse gas emissions. We provide a platform for those products and services to——

Mr. JOHNSON. Cap and trade by regulation. I got that part. Go ahead.

Ms. BISWAL [continuing]. To introduce American products and services into the Chinese market. So American companies participate in these training workshops. USTR and the Foreign Commercial service of the Department of Commerce actually advertise our programs as a good way for American companies who are seeking entry into the Chinese market to be able to introduce——

Mr. JOHNSON. How are you going to get the Chinese to buy them when the Chinese are subsidizing the prices of those products domestically? How are you going to compete? How are American companies going to compete in that market?

Ms. BISWAL. I would leave it to others to answer that more——

Mr. JOHNSON. You don't know.

Ms. BISWAL [continuing]. Effectively than myself, but I would say that many of our partners, GE, Honeywell, have reported increases in their sales in China. I don't know what the correlation is to their participation in our programs, but I——

Mr. JOHNSON. That is the problem that we have, Ms. Biswal, with so much of our job-killing policies coming out of this administration—that they don't know. You don't know what the implications are to American companies until after you have implemented these policies. And then the American businesses, small businesses, here in America wind up paying the price for that.

China has also shown an increasing tendency to use international language to defend its poor environmental record and falsely tout its achievements. Of course, the Chinese Government welcomes increased U.S. Government funding to help them build capacity, train their people, and take greater market share and jobs away from America.

Why aren't we using the money that we are giving to China to help spur the U.S. economy and job growth at home, rather than investing it in China, which has the technology, the budget, the resources, and the manpower to do all of this on their own? We are borrowing money from them. And, yet, we are giving them money to do, like someone I heard earlier say, what they don't think is important enough to spend their money on. Why are we doing that?

Ms. BISWAL. So, as I noted earlier, while these programs are maintained not at the behest of the administration but in compliance with congressional directives, that we do believe that these programs are advancing our American economic interests and do serve as a platform for American companies and American institutions to be able to gain entry into the Chinese market.

Mr. JOHNSON. Well, I appreciate your retort about it is congressional direction, not the administration. First of all, I disagree with that, but I can assure you I am new. This is my first term. But if that is true, then I am going to work hard to change the direction because we are spending American taxpayer dollars irresponsibly on this program.

Mr. Chairman, I yield back.

Mr. MANZULLO. Mr. Royce?

Mr. ROYCE. Thank you, Mr. Chairman.

Hello, Nisha. How are you?

Ms. BISWAL. It is a pleasure to see you, Mr. Royce.

Mr. ROYCE. Nice to see you.

I have some of the same concerns. Basically I think we are borrowing about 37 cents on every dollar right now in the U.S. And we are borrowing a lot of that from China. So from the standpoint of people here, we are spending money we don't have. And I think we can do better than borrowing money from China only to gift it back to them. And from the standpoint of many of us here, that looks like what we are doing.

China already has a competitive advantage over the United States. Right now with this Keystone project, this weekend the Chinese head of state is up meeting with Prime Minister Harper trying to convince him to send that oil to China, rather than allow it to come into the market in the United States. And so I just ask—you know, we get down to the technology transfer issue here as well.

Section C—it is description of the U.S.-China Clean Energy and Climate Partnership—says that USAID does not "necessarily intend" to promote technology transfer or technology deployment-focused activities. The phrase "does not necessarily intend" is somewhat troubling because from hearings I have held on, China's indigenous innovation policies, basically story after story is told about how U.S. companies are forced to hand over sensitive technology in order to obtain market share there.

So not necessarily intending to do this when you are a competitor, when China is fully intent on doing exactly this leads me to worry that these same pay-to-play policies will be implemented by China in our efforts to promote clean energy there. And I wonder if you could clarify what USAID means with this language "does not intend."

Ms. BISWAL. So, Mr. Royce, the programs that USAID is managing in China on environment don't actually involve a transfer of technologies. They basically provide information on best practices, on energy efficiency that are commonly adopted in the United States.

However, they do seek to engage American companies as service providers, as experts on addressing some of these challenges that, in the process, allow opportunities for those companies to pursue any commercial opportunities that may result.

Mr. ROYCE. I understand, Nisha, that argument. But if that were the case, then why wouldn't the language read, "There will be no technology transfer," rather than the language I see here, which implies that——

Ms. BISWAL. Yes. You know, as I look through the language of the RFAs involved in these programs, I will say that they were written a number of years ago. And I think our policies have evolved since then, particularly because the operating climate has also evolved. And we are not providing through these programs any transfer of any cutting edge innovative technologies or any patent-protected technologies. We are basically looking at best practices.

Mr. ROYCE. I understand. I understand. But I think there is a certain naivete here. And, looking at USAID, the way they state this on China's rule of law program assistance, for example, part of this, USAID says, "China is making efforts to develop more robust administrative procedures and laws—judicial review, notifica-

tion and comment, transparent administrative procedures, and gaining redress are all seen as possible outcomes."

Going to the issue of naivete of us working with China in this relationship, when China—first of all, I don't think they are too concerned at all about green energy other than the bottom line for them, but in terms of practicing it themselves, they seem quite indifferent to it, unfortunately.

Second, in terms of our experience, I probably hear this more because I am a Californian and hear people who have invested in China more than most of the members, but there is no understanding, there is no respect of the rule of law. And U.S. businesses enter at their own risk. And, yet, the verbiage, the language, whether it is Commerce Department or USAID, gives our companies the sense that there is some progress being made; whereas, in fact, in working with the embassy on a number of these questions, constituents are having their entire businesses seized and this is ignored by the Chinese legal system.

And I just ask if giving rosy descriptions of this program, if implying that China is cooperating on this, I just ask if USAID understands the level of impunity that still exists in the Chinese legal system and in their resistance to any of these things that you and I worry about.

Ms. BISWAL. I think that that is a very fair point, Mr. Royce. And I think oftentimes in our description of programs, perhaps the aspirational language of what we are trying to achieve might appear overly optimistic and, as you said, paint a rosy scenario. So I take your point.

Mr. ROYCE. Yes. My final point is I don't think China intends to buy into this system, either rule of law or on the environmental front. They will take money from us. They will take things that they think they can use for technology transfer and so forth and try to compete with us on the world market, but in terms of domestic concern about these issues, I just haven't seen it in my trips there or discussions there.

Thank you very much for your testimony here, Nisha.

Ms. BISWAL. Appreciate your questions.

Mr. MANZULLO. Mr. Biswal, on page 5 of your testimony, you talk about the Asia Regional Response to Endangered Species Trafficking Program,——

Ms. BISWAL. Yes.

Mr. MANZULLO [continuing]. The ARREST Program.

Ms. BISWAL. Yes.

Mr. MANZULLO. Now, prior to this year, did the President seek funding for that program?

Ms. BISWAL. So overall funding for addressing——

Mr. MANZULLO. No. I know it went down, but prior to this year, did the President seek funding for that particular program?

Ms. BISWAL. This particular program is a new regional program that has not yet commenced. It builds upon prior regional programs in the ASEAN region that did not——

Mr. MANZULLO. Okay.

Ms. BISWAL [continuing]. That did not address——

Mr. MANZULLO. It is a new program?

Ms. BISWAL. It is a new program.

Mr. MANZULLO. Now, I have in front of me a letter from USAID dated April 1st of 2011 signed by Thomas Stephens, Regional Agreement Officer, giving $7,995,000 to the FREELAND Foundation. Are you aware of that?

Ms. BISWAL. Yes.

Mr. MANZULLO. In their application approved by USAID for the programs appearing on page 13 under that particular program, it says 1.3A, "Sex, Drugs, Rock and Roll, and Wildlife"——

Ms. BISWAL. I am sorry. What——

Mr. MANZULLO [continuing]. "Targeted officials and youth. FREELAND's multimedia campaigns motivate all sectors of society, including border officials, to help stop illegal wildlife trade. The wildlife trafficking stops here."

I mean, come on. Can you justify $8 million going to an organization to have a media campaign entitled "Sex, Drugs, Rock and Roll"?

Ms. BISWAL. I perhaps would not have titled it that way. I do believe what they are trying to do in this program——

Mr. MANZULLO. Just a second. Just a second. If USAID had an objection to the title of that, they could have corrected that title before they give the money. Isn't that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. All right. But, yet, notwithstanding, USAID agreed to have a program, spending U.S. taxpayers' dollars on a program entitled "Sex, Drugs, Rock and Roll, and Wildlife." Can't you see why Congress is angry over the way you are spending money? Do you think that these members are justified in asking these questions?

Ms. BISWAL. I think Congress is always justified in asking the questions and conducting the oversight that you are conducting. I truly appreciate the hearing that you are having.

Mr. MANZULLO. Well, I understand that. You don't need us to tell you that spending taxpayers' money on programs called "Sex, Drugs, Rock and Roll, and Wildlife" is outrageous.

Ms. BISWAL. So that ill-named approach is——

Mr. MANZULLO. Ill-named? These are the programs. These people are getting $8 million in government funds and with the permission and consent and authority of USAID. They allowed taxpayers' money to be spent on a program called "Sex, Drugs, Rock and Roll, and Wildlife." That has got to come to an end. Would you agree?

Ms. BISWAL. I would not agree, Mr. Chairman.

Mr. MANZULLO. You can defend that program?

Ms. BISWAL. I can defend a program that seeks to stop the trafficking of endangered species, the trade in——

Mr. MANZULLO. Well, what has sex got to do with that?

Ms. BISWAL. So that media campaign that——

Mr. MANZULLO. Well, wait a second. What has sex got to do with stopping the illegal trafficking of animals, of endangered species?

Ms. BISWAL. Well, to be specific, I would say that there is a correlation between human trafficking, narcotics trafficking, and trafficking in endangered species that is occurring throughout Asia——

Mr. MANZULLO. Oh, do me a——

Ms. BISWAL [continuing]. And the criminal network.

Mr. MANZULLO. Right. I mean, that is——

Ms. BISWAL. It is a fact. So I agree with you, sir, that perhaps the title was glib and ill-advised, but I believe what they were seeking to do was make the correlation.

Mr. MANZULLO. Well, then that is the whole point. Taxpayers' money supports USAID programs. Is that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. Taxpayers' dollars are used to employ people to go over applications. Isn't that correct?

Ms. BISWAL. That is correct.

Mr. MANZULLO. Would you agree also that the people who make these awards, including apparently Thomas Stephens, Regional Agreement Officer in Bangkok, Thailand, that apparently he agreed with this application? Isn't that correct?

Ms. BISWAL. I believe he agreed with the intent of what the program was going to do.

Mr. MANZULLO. Just a second. We are not talking about the intent. I am talking about the literal rewards in this application.

Ms. BISWAL. Yes. I am sure that it did pass through his approval.

Mr. MANZULLO. If he had had a problem with the name of this program, he could have said, "Don't use that name." Isn't that correct?

Ms. BISWAL. I believe that is true.

Mr. MANZULLO. Then, additionally, as part of the Sex, Drugs, Rock and Roll and Wildlife Program, it says it is targeting officials and youth. It says, "Flexible and modular, the campaigns will be upgraded based on impact surveys and rolled out in Vietnam, Laos, Thailand, Malaysia, and Indonesia." Are you going to take a survey on people who were involved in illegal trafficking of endangered species and see whether or not these particular ads are impacting their behavior?

Ms. BISWAL. The idea is to reduce consumer demand for endangered species that are often found on menus in restaurants throughout Asia and to increase awareness in the general population of the impact of trafficking in these endangered species. So yes, we would want to do surveys of that population to see if our programs to reduce demand were——

Mr. MANZULLO. Here is the survey. You are involved in illegal trafficking of endangered species. Yes or no? Are you impacted by these TV or radio ads or posters with money spent by the U.S. taxpayer to determine whether or not this impacts your behavior? Are you really going to get some kind of a valid response on that?

Ms. BISWAL. Mr. Chairman, for illegal trafficking in wildlife to be sustained, there needs to be a popular consumer demand that is being met through this illegal trafficking and——

Mr. MANZULLO. Then why is the U.S. taxpayer paying for this?

Ms. BISWAL. The U.S. taxpayer pays for this because these programs address our core interests. The trafficking in endangered species and the illegal trafficking of wildlife, one, has correlations to human and narcotics trafficking as well as some links to terrorist financing;——

Mr. MANZULLO. I just——

Ms. BISWAL [continuing]. Two, that it has adverse health impacts and economic impacts in the United States, including through the introduction of invasive species into the United States. So we be-

lieve that this is an appropriate use of U.S. tax funds because we are advancing core U.S. interests.

Mr. MANZULLO. That is probably the best reason to end it.

Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Let me just note I don't believe that spending by the United States Government, especially when the money is going to a non-democratic country, a country that is controlled by an oppressive government, that we can make up through our spending what comes about because of bad policy on the part of that government or lack of spending on that government to achieve the same end. For us to be pouring money into the goals that you just suggested is pouring U.S. taxpayer dollars down the toilet because it will accomplish nothing.

If you have a group of gangsters, who could care less about—you know, these are people who take their own women and put them into forced abortions, and these are the same people who murder the Falun Gong and other religious followers. We expect that we are going to help them save endangered species by putting our taxpayer dollars at work in China? Talk about naive.

We also have a program here that I read as $4 million that is provided through AID and part of the AID program, the RDMA, $4 million to help them decrease their carbon footprint in China.

Now, you tell me that at a time when we are spending our $1.5 trillion and we have to borrow that money from China in the first place that giving them $4 million is a good deal for the people of the United States.

Ms. BISWAL. Thank you, Mr. Rohrabacher. It is a pleasure to see you.

Mr. ROHRABACHER. Thank you.

Ms. BISWAL. Let me answer your question in two ways. First of all, the environment programs that USAID is managing in China, none of the funds go to the Chinese Government or Chinese institutions. Second of all, as I had noted earlier, 30 percent of the particulate pollution in California and 30 percent of the mercury pollution in North American lakes emanates from Chinese coal-fired power plants.

Mr. ROHRABACHER. So they should be giving us money for that, not us giving them money.

Ms. BISWAL. So our programs——

Mr. ROHRABACHER. If, indeed, you are right that they are having policies that affect our people's health, we shouldn't be giving them money and saying, "We are going to pay for it." They are the ones who should be paying for it.

Ms. BISWAL. And we don't give them money, sir. Our programs through American——

Mr. ROHRABACHER. I have got $3,950,000 given as part of the RDMA program. Now, does that go through foreign aid or doesn't it? Does it go through the State Department or doesn't it?

Ms. BISWAL. That money is programmed by USAID——

Mr. ROHRABACHER. Right.

Ms. BISWAL [continuing]. Through American institutions.

Mr. ROHRABACHER. So it is an American taxpayer dollar program by our AID program. And you think it is a good thing?

Ms. BISWAL. I do believe that it is addressing core U.S. interests.

Mr. ROHRABACHER. One of the reasons why I believe that our country and many Americans believe our country is in such economic straits is we have been treating China as if it were a democratic country. We have been willing to turn our head at violations of human rights but also violations the rights of our own people to have at least an equal treatment of Americans in their marketplace as they have in our marketplace.

We hare basically provided this—and turned our heads to the massive flow of technology that has been stolen from American businesses. Yet, we continue to have programs that give them $5 million here, $4 million here, $7 million to sex, drugs, and rock and roll.

The American people have serious reason to believe that our basic policy is insane, is insane. It is incomprehensible that we would permit the massive transfer of wealth that has taken place between the United States of America and China over the last 20 years after Tiananmen Square, the leadership of that government that controls China made sure that the world knew that they were going to rule their country with an iron fist and there was going to be no democracy.

To continue treating them the way we are and agreeing to programs like this, trying to explain them away, no wonder they think we are a bunch of fools because we are acting like fools.

Thank you very much, Mr. Chairman.

Mr. MANZULLO. Mr. Johnson?

Mr. JOHNSON. Thanks again, Mr. Chairman.

I want to go back to how we think we can effectively convince the Chinese to reduce their harmful emissions. I want you to remind me again. How do your programs work to reduce harmful emissions when at the national level, the Chinese Government is only paying lip service to environmental compliance?

Ms. BISWAL. So China has reduced in the past 4 years the energy intensity of its economy by 19 percent. The overall amount of emissions has continued to increase as there have been, I believe, a 40-percent growth in its manufacturing sector. So certainly we are not keeping pace with the overall growth to have a net reduction in emissions, but I would say that the percentage trend has been positive. And if you want to see how we are——

Mr. JOHNSON. Well, I thank my colleague for asking. Where do you get those figures from?

Ms. BISWAL. I would be happy to provide after the fact the source of the data. The 19.1 percent reduction in energy intensity is through international nongovernmental organizations that monitor compliance against greenhouse——

Mr. JOHNSON. Were they produced by the Chinese Government?

Ms. BISWAL. No, they are not.

Mr. JOHNSON. No, they are not? Okay. All right. Well, let me go to something else here. The Chinese Government does not encourage public participation or civil society participation in climate change policy processes. Aren't we being naive in thinking that NGOs who will have to work with local or central government authorities can somehow create this change needed to really clean up

China's environmental mess? Your staff has stated that results have been incremental. You just acknowledged that.

So how many years do we plan on funding climate change in China until we see real results or until China wakes up and takes these initiatives on their own? I mean, what is the end game here?

Ms. BISWAL. Well, sir, as I noted, these funds were not requested in the President's budget request. USAID will continue to run programs for environmental protection and climate change mitigation in China as long as Congress directs us to do so.

Mr. JOHNSON. Wow. We can fix that. Okay. Good. Yes. We can fix that. Thank you very much.

China has a poor record of accountability. We talked about only making progress incrementally. What mechanisms are in place to monitor the use of USAID funds? Are there metrics? And, if so, how are we monitoring the funds and the effectiveness of such rule of law and climate change programs?

Ms. BISWAL. We have monitoring and evaluation built into every grant proposal that we fund. We also do external audits of programs when they are completed. And certainly our staff who are based out of Bangkok travel periodically to the program sites to ensure that they are going as proposed.

Mr. JOHNSON. Yes. Just for the record, I was just reminded that the funds requested for this program last Congress came from the Senate, not from the House. So I want to make that assertion.

I think, with that, Mr. Chairman, that is my——

Mr. MANZULLO. Mr. Rohrabacher?

Mr. ROHRABACHER. Just one note on the statistics that you offer us.

Ms. BISWAL. Sir?

Mr. ROHRABACHER. I don't know. Let me just put it this way. I am not doubting your integrity, but I would doubt the integrity of those figures. And I would suggest that in a vicious dictatorship, as China has, that they do not permit these NGOs that you are talking about the freedom that is necessary to come up with those statistics.

There is no freedom of press in China. There is no freedom to complain. There is no freedom to criticize. And there is no freedom to gather honest statistics. That is what happens under these type of dictators because you can imagine the local people in one of their provinces just allowing people to understand that things are actually getting worse than getting better or that the money that is being spent by the Americans here, supposedly to bring down the carbon footprint, is actually going to the home of one of the Communist Party bosses. No, no. That would never be known to you.

And, as you start getting it, "Well, they have increased it by this much and that," that may be good when we are working with a democratic government that has a free press to check those figures. It is totally unreliable for us to base policy on that type of information. So it is like the Cold War, us going to the Soviet Government and expecting them to be honest about their environmental or industrial problems, which, of course, they weren't.

So thank you, Mr. Chairman, for giving me—by the way, would you like to comment on that?

Ms. BISWAL. Well, only, sir, that I would be happy to try to provide for the record with the sourcing of where the statistics came from and how the information was collected.

Mr. ROHRABACHER. Well, realizing that the basics, the source, whoever that person or group is, faces the same restrictions as anybody else who tries to do business in China, that should give us pause not to just give them the benefit of the doubt when we hear some good statistic.

So, Mr. Chairman, I think that gives us—makes our job a lot more difficult and your job a lot more difficult to determine just what is real about this monstrous dictatorship. Thank you.

Ms. BISWAL. Yes, sir.

Mr. MANZULLO. Well, this has been interesting, hasn't it?

Ms. BISWAL. Indeed.

Mr. MANZULLO. What I would like to do is to send you a letter because we are trying to track down where everything is going. But, if you know, this program, the ARREST Program,——

Ms. BISWAL. Yes, sir.

Mr. MANZULLO [continuing]. The information that we have—and maybe I don't have all of it—does not show China as being a player in this. Would that be incorrect?

Ms. BISWAL. You know, the China component of this program is very tiny. It is about $250,000 for trying to engage China in the broader ASEAN compliance network. And so of the overall program scope, it is, one, new and, two, very small.

Mr. MANZULLO. When an award is made by USAID for one of these programs, how does USAID check out the NGO? I mean, do they look at the salaries of the officers to see if they are disproportionate? Do they look to see if there have been any problems going on with the organization fiscally or politically?

Ms. BISWAL. We do have a fairly extensive system of analyzing all of the data relevant to the bidders. I don't want to speak out of turn because I am not familiar with all of the contractual steps that——

Mr. MANZULLO. I understand.

Ms. BISWAL. But I would be happy to get that process for you for the record.

Mr. MANZULLO. Okay. Well, we appreciate your coming here and taking the time to share with us this intriguing item called foreign aid, which most Americans have a very difficult time, especially in my district, understanding because in the largest city, the unemployment is still way over 14 percent. I appreciate you taking the time. Thank you for being our guest today.

Ms. BISWAL. Thank you, sir.

Mr. MANZULLO. The hearing is adjourned.

[Whereupon, at 12:51 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Subcommittee on Asia and the Pacific
Donald A. Manzullo (R-IL), Chairman

November 8, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Tuesday, November 15, 2011

TIME: 11:30 a.m.

SUBJECT: Feeding the Dragon: Reevaluating U.S. Development Assistance to China

WITNESSES: The Honorable Nisha Desai Biswal
Assistant Administrator for Asia
United States Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Asia and the Pacific* HEARING

Day *Tuesday* **Date** *November 15* **Room** *2172 Rayburn*

Starting Time *11:31 a.m.* **Ending Time** *12:51 p.m.*

Recesses *0* (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Donald Manzullo

Check all of the following that apply:

Open Session ☑
Executive (closed) Session ☐
Televised ☐

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING:

"Feeding the Dragon: Reevaluating U.S. Development Assistance to China"

SUBCOMMITTEE MEMBERS PRESENT:

Donald Manzullo, Bill Johnson, Steve Chabot, Brad Sherman, Ed Royce

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Dana Rohrabacher

HEARING WITNESSES: Same as meeting notice attached? Yes ☑ **No** ☐
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

1. ***Chairman Manzullo - Opening statement***
2. ***Assistant Administrator Nisha Desai Biswal - Prepared testimony***

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:51 p.m.*

Subcommittee Staff Director

USG Agencies Involved in International Climate Change Activities

White House
Council on Environmental Quality (CEQ)
National Security Council (NSC)
Office of Science &Technology Policy (OSTP)
Office of Management and Budget (OMB)

Department of Energy (DOE)
Office of Policy and International Affairs (PI)
Office of Fossil Energy (FE)
Office of Energy Efficiency and Renewable Energy (EERE)
Office of Nuclear Energy (NE)
Office of Science (SC)

Environmental Protection Agency (EPA)
Office of Air and Radiation (OAR)
Office of International Activities (OIA)
Office of Research and Development (ORD)

Department of Interior (DOI)
Fish and Wildlife Service (FWS)
-- Office of International Affairs (OIA)

Department of Transportation (DOT)
Aviation and International Affairs

Department of Agriculture (USDA)
Office of the Chief Economist (OCE)
Agricultural Research Service (ARS)
Economic Research Service (ERS)
Foreign Agriculture Service (FAS)
U.S. Forest Service (USFS)

Department of Commerce (DOC)
U.S. Commercial Mission to China
National Oceanic and Atmospheric Administration (NOAA)
-- Climate Program Office (CPO)
-- National Weather Service (NWS)
-- Earth System Research Laboratory, Global Monitoring Division (GMD)

National Aeronautic and Space Administration (NASA)
Office of External Relations
Science Mission

National Science Foundation (NSF)
Office of International Science and Engineering (OISE)
NSF Beijing Office

LEGEND
Agencies primarily:
- Technology and Programs
- Science
- Diplomacy, Finance and Trade

U.S. Agency for International Development (US AID)
Global Climate Change Center
Regional Bureau Asia
Field Offices Overseas
Democracy, Conflict, and Humanitarian Assistance
Economic Growth, Agriculture, and Trade

Department of State (DOS)
Bureau of Oceans and International Environmental and Scientific Affairs (OES)
Special Envoy for Climate Change
Deputy Special Envoy for Climate Change
Office of Global Change
U.S. Permanent Representative to the United Nations (USUN)
International Organizations (IO)

Department of Treasury (Treasury)
Office of International Affairs

U.S. Trade & Development Agency (TDA)
East Asia and Eurasia Division

U.S. Trade Representative (USTR)
Environmental Policy

Export-Import Bank (Ex-Im)
Office of Renewable Energy and Environmental Exports

Prepared by Office of Rep. Manzullo