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U.S. Agency for International Development
House Committee on Foreign Affairs
Subcommittee on Asia and the Pacific
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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.