WRITTEN TESTIMONY
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Combatting the Generational Challenge of Chinese Communist Party Aggression
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Introduction
Chairman McCaul, Ranking Member Meeks, Distinguished Committee Members: Thank you for inviting me to testify on the Biden-Harris Administration's strategy for engagement in the Indo-Pacific and strategic competition with the People's Republic of China (PRC). I also wish to thank the Committee for your continued bipartisan interest in, and support for, USAID's work in the Indo-Pacific, where competition with the PRC is most pronounced.

Today, I'll speak to the efforts of the United States Agency for International Development (USAID) to address growing PRC influence, the malign effect of the PRC's weaponization of its development assistance, and how USAID seeks to work with local communities to assist those in need.

Challenges
There are no shortages of global challenges: Russia's brutal and unprovoked invasion of Ukraine and the disastrous effect that that war has had on the global economy—and our own—disrupting supply chains and exacerbating the global food crisis. The climate crisis has become a threat multiplier. Changing weather patterns are forcing us to think twice about how we eat and grow food, how we develop infrastructure adequate to changing patterns of droughts and storms, and how we combat disease. For small island developing states, rising sea levels have created existential challenges.

The COVID-19 pandemic further underscored just how these enormous threats do not observe national borders. And, for a moment, the pandemic allowed autocrats to concentrate power and control as our lives were upended.

Perhaps nowhere is the impact of these challenges more evident than with the PRC, seemingly intent to rewrite, for its own narrow advantage, the existing global rules and norms that have for decades provided a free and open architecture for peace, security, and prosperity that benefits all people.

USAID is clear-eyed about the strategic context in which we operate, and the role that the PRC, animated by Xi Jinping's global ambitions and hyper-nationalism, plays in both the Indo-Pacific region and around the globe. The PRC is the most important geopolitical and geoeconomic challenge of our era, and it is a simple fact that what the PRC does will increasingly have an impact on our work.

USAID Response
None of you will be shocked that the PRC is active everywhere USAID works. As Secretary Antony Blinken has said, the PRC is the only nation with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it.

USAID development programs elevate inclusion, transparency, partnership, sustainability, and respect for human rights and democratic norms—and build on our decades-long history of supporting partners to advance their priorities and self-determination. USAID, in concert with its interagency partners and like-minded allies, supports our partner countries to become increasingly resilient and achieve stronger and more sustainable development outcomes. Above all, driving our assistance is our values and what the United States, working with our partners, offers the world.

And our impact demonstrates our success in advancing sustainable development outcomes: 11 of our 15 top trading partners today benefited from American foreign assistance. We have helped build strong societies. We work with partners on their own paths to success. Development outcomes, in a very real and tangible sense, are where territorial integrity, sovereignty, and free and open architecture lives.

At the same time, we are clear-eyed that what Beijing does abroad can have a detrimental impact on our national security interests.

We are not seeking to change the PRC, but we are going to work with our allies and partners to shape the environment in which Beijing operates and, in doing so, advance our own affirmative vision for an open, transparent, and rules-based world.

By embodying our democratic ideals in the development space and by building our partners' capacity, even amid intensifying global challenges, we seek not just to enable prosperity, but to empower entire nations and entire peoples to achieve their ambitions—as they define them— and build the resilience they need to maintain those achievements.

Resilience and Adaptation
USAID's model, unlike that of the PRC, fosters economic environments that enable competition and fair and transparent deal-making, which in turn incentivizes investments and creates opportunities for the United States and other responsible market actors. In fact, USAID is prioritizing new climate finance partnerships to catalyze the private sector and to accelerate the flow of capital into climate change-related investments in partner countries.

In the Pacific Islands, for instance, we are deepening our engagement to build climate resilience and adaptation, enhance local capacity, and strengthen regional connectivity.

We continue to unlock public and private financing to preserve the Pacific Islands' rich biodiversity and assist low-lying communities threatened by rising sea levels. We also uplift

principles of democracy, such as transparency and accountability—the keys to achieving climate resilience. We leverage the strengths of our likeminded allies and partners in the region through coordinating mechanisms like the Quad with the U.S., Australia, Japan, and India, to ensure that our work is complementary, respects existing regional architecture, and is led and guided by the Pacific Islands.

To boost climate resilience, USAID has helped Pacific Islands governments and regional bodies receive accreditation and gain access to multi-donor funding resources, mobilizing more than $470 million since 2016.

We are working to strengthen our partners' capacity to develop inclusive proposals, improve funds management, and develop systems to monitor projects effectively.

Last year, USAID supported the development of a $103 million proposal, funded by the Global Environment Facility, to protect the region's marine resources, such as coral reefs and fisheries, as well as the livelihoods and food security of communities that depend on them.

USAID also worked with the Government of Fiji to help the Fiji Development Bank gain the accreditation needed to submit funding proposals directly going forward.

Additionally, in the Republic of the Marshall Islands, USAID funded a project working to ensure the government can protect and secure the freshwater that otherwise would be threatened by saltwater intrusion linked to climate change. This project will protect clean water for one in every four Marshall Islanders.

Digital Ecosystems
USAID is committed to improving development and humanitarian assistance outcomes using digital technology and strengthening open, inclusive, and secure digital ecosystems. USAID's work with private-sector partners facilitates access to alternative digital infrastructure, investment, and services for partner countries, including the energy needed to bring connectivity to un- and underserved communities. The more choices the United States and its allies and partners offer, the less likely our partner countries will be dependent on predatory PRC loans and PRC-funded digital infrastructure or services.

USAID helps to shape a digital ecosystem that respects rights and supports partner countries to compete economically, improve local livelihoods, and secure their information and communications technology (ICT) systems. Our work enables U.S. firms, and those from our like-minded allies or partner countries, to bring world-leading technologies to developing countries and drive investment, especially in key emerging and frontier markets. Indeed, digital and cyber products and services are areas of comparative advantage for the United States.

In South Asia, USAID is working to advance an open internet, enhance partner countries' cybersecurity, and grow global markets for U.S. ICT goods and services. USAID programs also improve digital connectivity, strengthen the digital capacity of the private sector and civil

society, and improve their ability to engage on ICT policy issues. All of these elements will help countries withstand the pressure, whether internal or external, to adopt authoritarian internet governance models. In India, for instance, USAID launched digital training programs for 10,000 rural women entrepreneurs and 500 Indian community development organizations and provided digital transformation training to 1,500 micro, small and medium enterprises.

In Palau, to further boost connectivity and usher in the economic prosperity and resilience that often flows from it, we are making strides to increase internet bandwidth by partnering with Australia and Japan to support the development of an undersea spur cable—Palau's second— that will reduce internet outages and interruptions—incentivizing private investors to do business there; remove an impediment to development; and connect Palauans to the fastest, most reliable, and most secure internet they have ever had.

Democracy
USAID enables partner countries and local communities across the Indo-Pacific to become increasingly independent of, and resilient to, authoritarian influence—and helps them achieve lasting development progress. We support integrated U.S. Government approaches to address information manipulation in partner countries by identifying and addressing narratives from the PRC and other authoritarian actors that aim to build legitimacy for authoritarian governance and values, while weakening democratic ones. These efforts amplify the positive impact of democratic governance, showing that democracy delivers.

For instance, we want to help Nepal and other promising democracies notch visible "wins" on issues that citizens care about amid a very challenging environment for development progress. Our work is guided by national-level government priorities that already have broad public support and aim to be especially helpful in maintaining momentum when a democratic opening—a "bright spot," such as Nepal—emerges.

As such, we support a strong, vibrant, and democratic Nepal that charts its own course and shows its citizens that democracy delivers. On February 7, during a visit to Nepal, Administrator Power announced that USAID will provide up to $58.5 million (subject to the availability of funds) to advance democratic progress in Nepal. USAID's investments support Nepal in cementing its democratic gains and ushering in greater prosperity and resilience for the Nepali people, by strengthening an independent civil society and media led by and for women, youth, and marginalized communities, to advance public interest, fundamental freedoms, and accountability. USAID will provide small grants to new and emerging civic actors, build the capacity of journalists, and work with communities to establish civic hubs that serve as a space to convene, share knowledge, and launch new ideas—expanding their opportunities to act as effective agents of change for a more open and democratic society.

As I know the members of this Committee are aware, last year the PRC was active in spreading disinformation and pressuring Nepalese leaders to reject an MCC compact. In this space, USAID assistance enables civil society and media actors to shine a light on the distorting impact of PRC interference while holding governments accountable.

USAID will continue to surge support for Nepal and other countries experiencing democratic renewal, harness public and private resources for pressing needs, and address anti-democratic influence and narratives across government ministries, including legislatures and judiciaries.

Economic Resilience
Collaboration and co-financing with the private sector enable USAID to support enterprise-driven development in countries advancing from low- to middle-income economies, as well as former recipients transitioning entirely from assistance.

By contrast, the PRC's model of development uses leverage over markets – whether as a purchaser of export commodities or as a provider of critical inputs, including finance or infrastructure services—not to help partners develop, but as a means for influencing political decisions in developing countries. PRC investments in Asia have skyrocketed in the past five years, with a large portion of investments in the infrastructure and energy sectors. While understandably tempting for some countries, especially if the U.S. and our partners do not provide real and tangible alternatives, the PRC projects are often non-viable, with high interest rates that will not generate enough in economic returns to pay back debt, thereby creating financial crises and allowing the PRC to seize assets and gain control of major strategic and economic posts.

For the past 12 years, USAID has supported data collection on PRC development finance through the AidData team at the College of William and Mary. This data set has become a global public good, shining light on opaque PRC deals and projects around the globe. The dataset has been used by journalists and governments around the world to track and understand the scope of PRC development finance, facilitating greater awareness and accountability of PRC funded projects.

To provide sustainable alternative pathways for economic growth and development, USAID catalyzes public and private support for climate-aligned infrastructure projects to reduce the dependency on PRC finance for infrastructure and energy; strengthen regulatory practices, market-based systems, and open economies; and promote opportunities for the U.S. private sector.

Since 2016, USAID[1] has worked with Lower Mekong countries and other ASEAN member states to encourage power sector investments in environmentally friendly, grid-connected renewable energy sources to accelerate Southeast Asia's transition to a clean energy economy. Despite numerous pandemic related challenges, USAID has worked together with regional government and private sector partners to reduce harmful air pollution and greenhouse gas emissions while strengthening energy security in the region.

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[1] Clean Power Asia activity, which transitioned to the Smart Power Program in 2021.

As a result, over $7 billion of investment has been mobilized across Southeast Asia in renewable energy, including from local corporations in Thailand and Vietnam. Additionally, USAID support helped complete installation of nearly 10,000 megawatts of new renewable energy capacity across the region—enough to power nearly eight million homes.

Today, USAID is continuing to promote utility modernization, energy efficiency, advanced technologies, and regional power trade, while improving local air quality and mitigating global climate change. Together with the rest of the G-7, the United States plans to mobilize $600 billion in private and public investment by 2027 to finance global infrastructure. Crucially, we will do so in a way that advances the needs of partner countries and respects international standards—a model for all such investments moving forward. In addition to financing clean energy projects and climate-resilient infrastructure, this new Partnership for Global Infrastructure and Investment will also support the responsible mining of metals and critical minerals, directing more of the profits to local and indigenous groups; expand access to clean water and sanitation services that particularly benefit women and the disadvantaged; and expand secure and open 5G and 6G digital networks so that countries don't have to rely on Chinese-built networks that may be susceptible to surveillance.

This work supports our partners' ability to make sovereign decisions in line with their interests and values, free from external pressure, and creates the predicates for economic growth and shared prosperity.

So What?
USAID's partnerships across Asia will always remain open, transparent, and mutually beneficial. That is the basis for U.S. development assistance and our affirmative approach for competing with the PRC.

That is our story—and we are proud of it.

USAID seeks to offer emerging countries, the emerging economies of the future, a development model not rooted in debt and dependence, but rather in economic engagement, trade and integration; in inclusivity, locally-led solutions, and the democratic values that can help transform the international community for the better.

We do not seek to weaponize development assistance for our own benefit or for the detriment of our partners, as the PRC often appears to do. Rather, our development diplomacy seeks to provide public goods and strengthen the global commons.

We are proud of our affirmative approach that advances women's economic empowerment, good governance, the rule of law, and human rights protections – strengthening the foundations of free and open societies that are connected, secure, prosperous, and resilient. This complements our longstanding practices of emphasizing environmental impact, social impact, and financial sustainability.

Looking Forward

USAID lays the foundation for the world in which we want to live: a planet defined by peace and collaboration, free markets, shared growth, and steady progress.

We will promote universal human rights. We will work with partners to nurture open and rights-affirming digital infrastructure. We will foster trusted, accountable, and effective governance institutions and vibrant civil societies.

We will work with the private sector to unleash economic growth and our partner countries' potential. And we know that our grants-based assistance can go even further when put together with U.S. public and private investments, which far outstrip the resources that the PRC has brought to the table to date.

We can do all that—elevating our contributions, doubling down on our commitment, and appealing to the best parts of our deeply rooted history in all of the countries where we work. That is how we show our value. And that is how we will continue America's leadership around the world.

Thank you for the opportunity to represent USAID, and to work with the members of this Committee to advance our nation's interests and values around the globe. I look forward to answering any questions you may have.