ASSESSING U.S. EFFORTS TO COUNTER CHINA'S COERCIVE BELT AND ROAD DIPLOMACY

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ASSESSING U.S. EFFORTS TO COUNTER CHINA'S COERCIVE BELT AND ROAD DIPLOMACY

Wednesday, June 14, 2023

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 2:12 p.m., in room 210, House Visitor Center, Hon. Michael McCaul (chairman of the committee) presiding.

Chairman MCCAUL. The Committee on Foreign Affairs will come to order.

The purpose of this hearing is to understand the threats posed by China's Belt and Road Initiative and review the strategies and actions taken by the Biden Administration, specifically looking at the role of the Foreign Commercial Service, State Department's Energy Resources Bureau, and the International Development Finance Corporation, or DFC, the role they play in countering China's coercive Belt and Road Initiative.

I now recognize myself for an opening statement. There's no denying that the threat from the Chinese Communist Party is real. The tentacles of the CCP reach every corner of the globe as they continue to pull nations into their sphere of influence.

Just this past week we learned a Chinese spy station located 100 miles off the coast of Florida in Havana, Cuba. China's malign influence is growing exponentially and its encroachment into the Western Hemisphere poses a clear and present danger.

Now is the time to act and address this with the seriousness it deserves. We need a whole of government approach including a concerted effort among the State Department, the Commerce Department, the Development Finance Corporation to successfully counter CCP's Belt and Road.

The BRI seeks to develop a system of PRC-controlled infrastructure, energy, transportation, trade, and production networks across the globe. The BRI initiative encompasses over 150 nations with a significant focus across Africa and the Indo-Pacific and a growing focus on Latin America, the Caribbean, and even Europe.

This debt trap diplomacy is saddling developing nations with unsustainable debt, which China then leverages into increasing its influence. BRI initiatives often lock countries into reliance on PRC systems, leaving countries vulnerable to exploitation by the PRC.

Specifically, PRC uses its investments across strategic sectors to secure PRC exclusive or near exclusive to and control over dual use infrastructure and programs that can be used in conjunction with the PRC's military-civil fusion program to help the PRC project coercive power into critical global regions.

Some of these projects include 85 percent of Hungary's largest ever infrastructure project. A $1.9 billion railway link to Serbia will be financed with a loan from China's Export-Import Bank.

Huawei has constructed up to 70 percent of Africa's information technology 4G infrastructure including telecom, national and government networks which have been used for surveillance of opposition leaders.

While China has focused on consolidating power we have prioritized a $100 billion climate fund to help developing nations transition to clean energy and strengthen their climate resiliency, offering Palestinians $100,000 to promote diversity, equity, and inclusion in arts and sports, and a State Department grant of over $20,000 for drag shows in Ecuador.

How are we supposed to lead when this Administration prioritizes green projects and social issues rather than applying our resources to counter the malign influence of the CCP?

This must change, and I want to refer to the Wall Street Journal article that was written by the president of Uganda and it's entitled "Solar and Wind Force Poverty on Africa." He says Africa cannot sacrifice its future prosperity for Western climate goals.

The DFC was created, and I was part of it, to counter the CCP's BRI and advance U.S. security interests and transition countries from aid to trade through strategic development investments.

We must make it clear that our assistance is designed to build bridges to prosperity. Additionally, the Foreign Commercial Service is prioritizing developing nations. We have 22 officers in Paris but only 12 in all of Africa. We are not showing up in Africa and they tell me that repeatedly.

We need to be on the ground and on the field working to counter BRI and the CCP's influence. That was the intent of Congress, not to advance some social, gender, or some environmental but to advance private investment to counter China's aggression.

And look at this map. All of the green and blue are projects throughout the globe spanning across Asia into Europe and Africa and into Latin America, over 150 countries now.

For every nation FCS is involved in the CCP does not just have a footprint but a regional stranglehold as the FCS is woefully outnumbered and so is the DFC.

Regions where the CCP but the FCS is not engaged are rife with opportunities for U.S. business. U.S. investment will further embolden our relations and strengthen these economies on an array of industrial areas including, and importantly, critical minerals and I find it startling that China controls the vast majority of global critical mineral refining. It refines 68 percent of nickel globally, 40 percent of copper, 59 percent of lithium, 73 percent of cobalt.

If China controls the global supply of critical minerals it will give them an edge in the development of advanced technology, and following the deadly withdrawal of Afghanistan China is moving in quickly. The CCP link to a 25-year-long contract to extract oil and are negotiating a deal for access to lithium reserves that could be worth up to a trillion dollars.

They're also looking, consistent with Belt and Road practices, and it's foreseeable—they are looking to take over Bagram Airbase. After 20 years of blood and treasure and sacrifice this is how it ended.

This is the Administration's greatest failure. We cannot remain silent on China. We must prioritize developing our own supply chains where we are not reliant on our greatest adversaries like the Chinese Communist Party.

Let's get back to the intent of Congress and what Congress intended to get private American investment to compete against Communist China.

And with that, I now recognize the Ranking Member, Mr. Meeks.

Mr. MEEKS. Thank you. Let me begin by thanking Chairman McCaul for organizing this hearing and the witnesses for appearing before us today.

This discussion is pivotal to how the United States undertakes a strategic competition with China because the Belt and Road Initiative, a.k.a. BRI, is central to Beijing's strategy to grow its economic and strategic influence globally.

I want to start by talking about what we know about BRI. We know that BRI has increased the likelihood of debt crises globally. We know that BRI lowered infrastructure financing and negotiation standards.

We know that BRI projects have extracted natural resources, harmed the environment, and undermined labor standards in many countries.

We know that BRI has exploited corruption and poor governance and has created economic dependencies and political leverage that Beijing uses to its political and strategic advantage.

After 10 years of BRI this is old news so I hope we will not spend today's hearing bemoaning all the things we know while simply admiring the challenge facing the United States because complaining isn't competing, and to be able to be most effectively to compete we have to know the terms of the competition.

This is first and foremost a competition about results. It's about how the United States engages in diplomacy, development, trade, and investment that leads to better outcomes for the American people and people around the world.

Whether you're a citizen in sub-Saharan Africa or Southeast Asia or Central America, you do not need the United States to tell you about the problems of BRI. You've experienced them firsthand.

The reason BRI has grown into such an expansive global initiative despite these failures is because it taps into legitimate development needs around the world. China has responded to the global demand for assistance, for infrastructure, and for greater trade and investment networks.

The United States does not want to force countries to choose between China and the United States. But we must make clear that they have a choice. In order to do that what we need is a proactive agenda for global diplomacy, for global development, and economic growth.

We can only compete with China if we offer other nations a credible alternative. We must demonstrate that the United States' assistance and infrastructure lead to better development outcomes, stronger governance, as well as better social and environmental outcomes for local communities, and we must leverage our partnerships with like-minded nations and multilateral institutions.

So what does this mean? It means working together with our allies to resource the Partnership for Global Infrastructure Investment. That means making the Minerals Security Partnership more inclusive and collaborative.

It means expanding and resourcing new initiatives such as the partners in the Blue Pacific, who we met with in a bipartisan way yesterday. It means Power Africa and Prosper Africa. That means legislating an equity fix for the DFC to improve its capacity and its ability to compete with the BRI on infrastructure.

One thing we cannot do is say we're competing but then tie our agencies' hands through budget cuts. According to witness testimony China's tradeoffices outnumber ours three to one and China spends more than $110 million annually in support of its companies at global trade fairs.

How much does the United States spend, $5 million to $7 million? And, of course, DFC's budget pales—it pales in comparison to the amount of money China is spending on infrastructure.

But instead of joining in a bipartisan fashion to meet this challenge, unfortunately, when I look at what our Republican majority has sought to dramatically slash, development and diplomacy spending, when I looked at proposed—it slashes substantially development and diplomacy spending.

That's a warning. We cannot compete with China if we do not believe in dollars for development and we do not believe in diplomacy, and why believing is not just talking. It's by putting your money where your values are. That's how we make that determination.

So what was shocking to me yesterday, according to reports, the House Appropriations Committee's top line allocations, the Republican proposal is worse than what I thought.

It would be the most poorly resourced diplomacy because what they want to do is cut U.S. foreign assistance by 31 percent. It would be the worst poorly resourced diplomacy and development budget in a generation, and if the final budget aligns with the Republicans' proposed cuts it would serve as a self-inflicted wound to the United States and a danger to American interests and global standing.

And with that, I yield back the balance of my time.

Chairman McCaul. The gentleman yields back. Other members of the committee are reminded that opening statements may be submitted for the record.

We're pleased to have a distinguished panel of witnesses before us today on this important topic.

First, Mr. Geoffrey Pyatt is the Assistant Secretary for the Bureau of Energy Resources at the State Department and has had a long distinguished career as an ambassador. Mr. Arun Venkataraman is the Assistant Secretary of Commerce for Global Markets and Director General at the U.S. and Foreign Commercial Service. Thank you.

And Mr. Andrew Herscowitz is the chief development officer of the U.S. International Development Finance Corporation.

Your full statements will be made part of the record. I ask that you keep your remarks to 5 minutes.

I now recognize Mr. Pyatt for his opening statement.

STATEMENT OF THE HONORABLE GEOFFREY PYATT, ASSISTANT SECRETARY, BUREAU OF ENERGY RESOURCES, U.S. DEPARTMENT OF STATE

Mr. PYATT. Thank you very much.

Chairman McCaul, Ranking Member Meeks, members of the committee, thank you for the opportunity to discuss the Administration's efforts to strengthen global energy security and counter the PRC's attempts to create economic dependencies and coerce others through its Belt and Road Initiative.

Prevailing in our economic competition with China and ensuring that the United States remains the partner of choice on issues of energy security and energy transition has been a priority for me from day one in the ENR Bureau.

Secretary Blinken frames our economic relationship with the PRC in three words: invest, align, and compete. National Security Adviser Sullivan emphasizes the goal is to derisk not to decouple, and he notes that this effort extends beyond our borders and includes working with like-minded partners to advance our collective technology and industrial base.

ENR's work on energy security and energy transition, including its congressionally funded technical assistance programs, are integral to that effort.

We have all seen what happens when malign actors weaponize their energy resources. Russia attempted to do this with natural gas in Europe last year and failed, thanks in part to the work of American LNG producers.

ENR is similarly engaged around the world to expand countries' options and counter the PRC's efforts to monopolize the next generation of clean energy technologies. In Latin America and the Caribbean the United States remains the energy partner of choice, a message I heard repeatedly during my recent trip to Guyana and Trinidad and Tobago.

But we also see the PRC targeting Latin America for investments in critical minerals, energy grids, and renewables.

ENR assistance in Ecuador, for instance, helped the government design and conduct the country's first ever competitive and transparent tenders for new generation capacity. And DFC recently announced that it will provide financing for a 200-megawatt solar power project that was awarded through that process, providing a strong example of how U.S. Government tools can complement each other to counter the PRC model.

We also recognize that some of China's larger investments in energy supply chains are being led by ostensibly private companies with ties to the PRC.

For example, in August 2022 PRC manufacturer CATL announced plans to invest over $7 billion in a new battery gigafactory in Hungary intended to lock in supplies for BMW and Mercedes.

PRC investments in critical infrastructure in Europe create clear security risks and ENR has engaged with allies and partners to facilitate U.S. alternatives.

In Romania, for example, we're working actively with EXIM and DFC on nuclear power projects to advance our climate goals and level the playing field for U.S. exporters.

Similarly, in Greece we work closely with DFC to complete the Elefsina Shipyard investment that otherwise might have fallen into PRC hands in a country that Beijing labeled the dragon's head of the Belt and Road Initiative in Europe.

We're also competing with the PRC model for energy investment and development in Central Asia. The United States has long supported U.S. oil and natural gas investment in Central Asia and now we're looking to renewables and critical minerals.

But the PRC has made some headway, for instance locking in 75 percent of Turkmenistan's pipeline gas.

Further east ENR is strongly focused on support for a free, open, and prosperous Indo-Pacific. Since taking this role I've traveled to Japan, the Republic of Korea, Pakistan, and India to advance our cooperation on energy security and renewables.

I held an inaugural strategic energy dialog with Japan in December and continued our important dialog with the Republic of Korea, two countries that are key to reducing PRC dominance of clean technology supply chains.

ENR efforts in the Indo-Pacific increase resilience against PRC economic coercion and dependencies. We do this by leveraging U.S. interagency expertise including through the Department of Commerce's Commercial Law Development Program and DOE's national laboratories.

Despite pledges to the contrary the PRC has continued to deploy coal-powered projects overseas. In Pakistan this has had serious financial repercussions because of its reliance on imported coal.

During my visit to Islamabad Prime Minister Sharif appealed for more U.S. engagement to support Pakistan's clean energy transition including in emerging areas like clean hydrogen.

After December's U.S.-Africa Leaders Summit the United States pledged to step up its energy engagement in sub-Saharan Africa. With this in mind next week I will travel to Nigeria to advance cooperation on clean energy and carbon abatement and to explore future energy partnership possibilities.

The PRC owns mines throughout Africa and dominates the processing of the battery minerals we need to drive the energy transition. As part of our response to this challenge ENR administers the intergovernmental Minerals Security Partnership.

In marked contrast to the PRC approach, the MSP aims to support not only developing countries' extraction but also higher value activities such as downstream processing and recycling.

The MSP works with our partners to identify bankable projects around the world and ENR is also engaging with American mining companies to advance the MSP as I did last month in Alaska, ensuring that our work supports growth here at home as well.

In addition to diplomatic engagement we will need financing to bolster these critical mineral supply chains and that's why ENR's partnership with EXIM, DFC, and our colleagues working on the PGII will be crucial to the success of these efforts.

We need to increase their ability to assist both by providing more resources and reforming rules that unnecessarily restrict their ability to support projects.

We should, for a start, temporarily raise the default rate cap that currently limits EXIM's exposure to default risk from 2 percent to 4 percent as requested in the President's Fiscal Year 2024 budget.

In the case of DFC, we encourage support for the creation of a new $2 billion revolving equity fund to expand equity investments by DFC.

In sum, the State Department will continue to work and trade with the PRC in areas of mutual interest but we will also compete relentlessly with them economically, a contest where the State Department and our embassies abroad are key assets.

Thank you very much for your attention and I look forward to addressing your questions.

[The prepared statement of Mr. Pyatt follows:]

Written Testimony of
Geoffrey R. Pyatt
Assistant Secretary for Energy Resources
United States Department of State
Before the House Foreign Affairs Committee
"Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy"
June 14, 2023

Chairman McCaul, Ranking Member Meeks, and members of the committee, thank you for the opportunity to discuss the Administration's efforts to strengthen global energy security and counter the PRC's attempts to create economic dependencies and to coerce others through its "Belt and Road" and similar initiatives. Prevailing in our strategic competition with China and ensuring that the United States remains the partner of choice on issues of energy security and energy transition has been a priority for me in the Bureau of Energy Resources, or ENR, from day one. As I meet with governments around the world, I often hear that the PRC was not their preferred partner for energy projects; it simply was the only option available – for energy infrastructure, for mining projects, or for energy finance.

Secretary Blinken framed our economic relationship with the PRC in three words: invest, align, and compete. By investing at home, since 2022 we have stimulated record levels of investment in American infrastructure, workers, and our innovative capacity. The International Energy Agency estimates that U.S. battery manufacturing could grow 30 percent annually through 2030, solar by 22 percent, and electrolyzers by 30 percent. And by strategically unlocking public and private capital for quality infrastructure investments abroad, we are providing a credible alternative financing option to governments through the Partnership for Global Infrastructure and Investment (PGII), the Administration and G7's flagship global infrastructure initiative.

National Security Advisor Jake Sullivan said our goal with the PRC is to de-risk, not decouple. He noted that building our domestic capacity is the starting point. The Inflation Reduction Act has been and will be a critical contribution to reducing overreliance on any one country, including the PRC for critical portions of our clean energy supply chains. And the effort extends beyond our borders, and includes working with our likeminded partners to advance our collective, techno-industrial base. For the United States and like-minded countries, the clean energy transition underpins true energy security. The PRC's current dominance of energy supply chains – from the raw materials needed for energy technologies to manufacturing and through to deployment –undermines our collective energy security. We will continue to work with our allies and partners to expand, diversify, and make more sustainable our clean energy supply chains.

Xi Jinping announced in 2021 at the UN General Assembly that China would increase support for green and low-carbon energy in developing countries, and that it would not build any new coal-fired power projects overseas. While many coal projects have been cancelled since, largely due to host countries' urging, we know the PRC keeps building. I saw first-hand during my visit to Pakistan in March that the PRC has been the driving factor in Pakistan's ongoing reliance on coal-fired power generation. Since 2015, the China-Pakistan Economic Corridor has invested approximately $7.2 billion in 4,950 megawatts of coal-fired power for the national grid—and a majority of this coal power relies on imports, deepening Pakistan's financial difficulties. While USAID and DFC investments in Pakistan have helped unlock more than $1.7 billion in U.S. private investment in wind energy, Prime Minister Sharif urged more U.S. engagement in clean energy, such as solar, wind, and green hydrogen, to support Pakistan's next energy transformation. These clean energy sources could support increased power generation from domestic sources.

The PRC's energy investment strategy is evolving. In the past, PRC investments abroad were mainly by major PRC state-owned enterprises (SOEs). We recognize that some of the larger investments in new technology, especially in energy supply chains, are being led by ostensibly private companies with nominal ties to the PRC. For example, in August 2022, PRC manufacturer CATL announced plans to invest over $7 billion in a new battery gigafactory in Hungary is intended to lock in supplies for BMW and Mercedes. Once complete, it will be the largest battery factory in Europe. Now we also have the Wall Street Journal reporting that Chinese firm BYD's global electric vehicle sales outpaced even Tesla in the first quarter of 2023 and more than half of the top 23 firms that sold electric vehicles globally during the same period were from the PRC.

We all have seen what happens when malign actors weaponize their energy resources. Russia tried to do this with natural gas in Europe last year. It took a concerted effort from the United States, our allies and partners, and American energy producers to counter that effort. ENR is similarly engaged globally to expand countries' options and counter the PRC's attempts to wield similar control over the next generation of energy technologies through domination of clean energy supply chains. That means working with allies and partners to build a just energy transition that lifts working people and communities. We're not competing to win the race to the bottom, but to build inclusive growth and high-quality, high-standard work here and abroad.

The PRC's activities have shown that Beijing will secure its own interests before all others, often at the expense of local partners. PRC assistance is far from "no strings attached." Often it comes with a political quid-pro-quo, limiting countries' flexibility.

The Biden-Harris Administration is using all the tools at its disposal, such as investments, loan programs, public-private partnerships, and technical assistance for energy infrastructure and supply chain development. Institutions like EXIM and the U.S. International Development Finance Corporation are essential to our competitiveness with the PRC, and I urge Congress to ensure that these institutions are fully-funded and have the authorities they need to provide flexible solutions to countries around the world who seek the United States as a preferred partner.

ENR's congressionally-funded technical assistance is another of the Department's key tools to improve energy security and resilient supply chains for partners and allies. Our assistance programs in Africa, the Indo-Pacific, and Latin America promote the highest standards for transparency and good governance in the energy and mining industries and encourage the decarbonization of these sectors. We also promote just energy transitions that take into account the workforce and the communities affected by changes in their livelihoods.

In Latin America and the Caribbean, the United States remains the partner of choice – a message I heard repeatedly during my recent trip to Guyana and Trinidad and Tobago. As the largest trading partner in the region, the United States promotes sound, transparent policies that protect the rule of law and provide an attractive business environment for private sector investment in energy infrastructure. U.S. firms operate according to values that produce good deals and quality work. But we also see the PRC targeting Latin America for investments in critical minerals, energy grids, and renewables.

ENR assistance in Ecuador helped the government design and conduct the country's first-ever competitive and transparent tenders for new generation capacity, including renewables. The energy ministry awarded the renewable projects transparently and competitively, after years of opaque and underperforming deals with state-backed PRC energy companies. And DFC recently announced that it will provide financing for a 200 megawatt (MW) solar power project that was awarded through this process, providing a strong example of how U.S. government tools can complement each other to counter the Chinese model.

In Europe, ENR has worked closely with our Allies to communicate clearly the security risks associated with PRC investments in critical infrastructure and promote and support U.S. and like-minded alternatives that share our commitment to high-quality and inclusive growth. Our strength lies in our innovation and technical expertise – growing U.S. civil nuclear technologies overseas is a prime example. In Romania, ENR has engaged with the government, which views the United States as its strategic partner on energy, to support refurbishment and construction of additional units at the Cernavodă Nuclear Power Plant. We are also supporting the deployment of Small Modular Reactors (SMRs), through partnerships like Romania's partnership with U.S. company NuScale and potentially the Orlen Synthos Green Energy SMR project in Poland using GE Hitachi technology. As I recently discussed with Romanian Energy Minister Popescu, the Cernavodă project remains on track and advances our climate goals. We are actively working with EXIM to level the playing field for U.S. exporters who face competition from the PRC in this reactor upgrade project. And in Poland, our governments are working hand-in-hand to support several, ambitious civil nuclear energy projects with technology that was developed and funded right here in the United States, including the introduction of clean SMR technologies to provide safe and secure energy in Europe.

In Greece, ENR has worked closely with DFC to complete investment for the Elefsina shipyard's rehabilitation by American company ONEX, which has a proven track record of revitalizing port and shipyard infrastructure assets in Greece. Elefsina will be able to service tankers, host a large solar park, and position itself to support the Eastern Mediterranean's nascent offshore wind industry. Importantly, U.S. acquisition and management of Elefsina ensures that another strategic asset did not follow the Port of Piraeus into PRC hands.

We are also competing with the PRC model for energy investment and development in Central Asia. Central Asia plays an important role in global energy security and transition priorities. Since gaining independence from the Soviet Union more than 30 years ago, Central Asian countries have turned to the United States as a partner and source of foreign direct investment, notably in the oil and natural gas sector. Oil from Kazakhstan is transiting through Azerbaijan, where I was two weeks ago, and is contributing to Europe's energy security. We are now looking to renewables and critical minerals, but the PRC has made some headway, for instance, by locking in 75 percent of Turkmenistan's pipeline gas.

As I testified in March to the Senate Foreign Relations Committee, ENR's work includes technical assistance on methane abatement and through the Central Asia Clean Energy Fellows Project. We appreciate Congress's continued support for ENR's work to ensure the United States is the preferred partner for Central Asian countries in both energy security and energy transition.

Further east, ENR is strongly focused on U.S. government support for a free, open, and prosperous Indo-Pacific. Since taking on this role, I have traveled to Japan, the Republic of Korea, Pakistan, and India to meet with Energy and related ministries and energy companies, and as part of our strategic energy dialogues to advance our cooperation on energy security and renewables. I held an inaugural strategic energy dialogue with Japan in December and continued our important dialogue with the Republic of Korea – both countries that are key to reducing PRC dominance of clean technology supply chains. We also hosted dialogues here is Washington with Thailand Australia, and Vietnam, enabling us to deepen longstanding alliances, counter the PRC narrative, and identify future areas of collaboration.

Through the ENR-led Clean EDGE Asia initiative, the U.S. government is harnessing the expertise and resources of 11 U.S. government agencies – including DOE's National Laboratories and the legal and regulatory expertise at the Department of

Commerce's Commercial Law Development Program – the private sector, international financial institutions, and like-minded governments to accelerate Asia's clean energy transition. ENR efforts in the Indo-Pacific seek to increase resilience against PRC economic coercion and dependencies.

This includes support for increased renewable energy deployment in Indonesia through the Japan-U.S. Clean Energy Partnership (JUCEP), energy interconnectivity through the Japan-U.S.-Mekong Power Partnership (JUMPP), energy resilience and secure energy transition in Taiwan through the U.S.-Taiwan Economic Prosperity and Partnership Dialogue (EPPD), clean energy pathways in India, and offshore wind in the Philippines.

In many countries, nuclear energy will be key to the success of our clean energy transition. U.S. civil nuclear cooperation and American companies must be expanded to give countries, including in Southeast Asia, a viable alternative to lower-standard PRC and Russian nuclear cooperation engagements. Civil nuclear partnerships are strategic, mutually beneficial, and solidify 60-100-year relationships, due to the long-term operating capacity of civil nuclear power plants. The stakes are too high for the United States to miss opportunities in this sector.

U.S. support in the Indo-Pacific and interest in providing alternate models to those offered by the PRC extends to the Pacific Islands countries and territories, following on from the U.S. Summit with Pacific Islands Leaders in September 2022. In May, for example, the State Department announced our intent to provide $1.25 million in technical assistance and expert advisory support to support Papua New Guinea's mining sector. Secretary Blinken's visit last month further advanced this strategic relationship.

Across the globe, high-level discussions like Leaders Summits and Energy Dialogues serve to demonstrate U.S. commitment to redefine our relationships – to move forward as partners and to level up our work with private sector investors.

After December 2022's U.S.-Africa Leaders' Summit, the United States pledged to step up its energy engagement in Sub-Saharan Africa. Under Secretary for Economic Growth, Energy, and the Environment Jose W. Fernandez has been to

Africa several times to discuss critical minerals and just energy transitions. With the importance of this relationship in mind, next week I will travel to Nigeria to advance cooperation on clean energy and methane abatement and to explore future energy partnership possibilities.

The United States is also a partner to African governments through interagency initiatives like Power Africa and Prosper Africa. These efforts contribute to job creation, greater transparency, local economic development, gender equality, and improved environmental and labor standards. Since 2013, Power Africa has brought 34.6 million new connections to homes and businesses on and off the grid. In addition, since launching Prosper Africa in June 2019, the U.S. government has helped close 1,100 deals across 49 countries for a total estimated value of $65 billion in two-way trade and investment. In Houston, I discussed with Ghana's Energy Minister our partnership on civil nuclear cooperation, supporting the goal of becoming a regional center of excellence in Africa for the deployment of SMR nuclear technologies.

Much of ENR's work in Africa is in collaboration with Power and Prosper Africa and through the inter-governmental Minerals Security Partnership. We don't have enough critical minerals to power the world's clean energy agenda. The existing supply chains for these minerals – from extraction to processing to recycling – are overwhelmingly dominated by the PRC. The PRC owns mines throughout Africa and the rest of the world and dominates the processing of the minerals and metals we need to drove the energy transition – including cobalt, lithium, nickel, and copper. Sub-Saharan Africa is not the only region where the PRC dominates critical mineral supply chains, but it is an illustrative example of the issue because of its high concentration of critical minerals and metals.

To address these concerns, in June 2022 the Department of State and likeminded partners launched the Minerals Security Partnership (MSP). The MSP's 13 partners are: Australia, Canada, Finland, France, Germany, Italy, Japan, the Republic of Korea, Norway, Sweden, the United Kingdom, the United States, and the European Commission. By sharing information and coordinating government financing and other support, the MSP aims to catalyze investment in minerals projects that secure vulnerable parts of our mineral supply chains. The MSP intends to do so in a way that benefits all parties involved, including through adherence to high standards and a focus on higher-value activities in developing countries, such as downstream processing and recycling, in addition to extraction. This will help win local buy-in, catalyze sustainable economic growth, make our supply chains more secure. And this is in marked contrast to the PRC's approach.

The State Department has important tools to support the MSP's goals, but success in bolstering these critical supply chains will require a whole-of-government effort. We are engaging foreign governments and the private sector through our global network of embassies and consulates.

The MSP is seeking viable, bankable, and responsible projects around the world. ENR is also engaging with American mining companies, as I did last month in Alaska, to ensure that our work supports growth here at home as well.

Through ENR's technical assistance programs, we are promoting sound governance, which will make energy mineral supply chains more resilient and help end our dependence on PRC supplies, including by addressing critical midstream processing bottlenecks. However, in addition to diplomatic engagement, we will need financing to bolster these supply chains, and that is why ENR's partnership with EXIM, DFC, and our colleagues working on PGII will be crucial to the success of these critical mineral efforts. We need to increase their ability to assist, both by providing the necessary authorities and resources to support these major initiatives and reforming rules that unnecessarily restrict their abilities to support key mineral and energy projects.

When it comes to the PRC, we have not been competing on a level playing field. But giving our financing agencies the flexibility and funding to act quickly and take on greater risk – in service to national economic and security objectives – will improve our odds. Time and again we have seen how the PRC's ability to deploy financing rapidly and without accountability has consolidated its dominance in critical minerals supply chains and now in electric vehicles as well. The United States has seen a boom in investment in the full value chain leading up to the production of electric vehicles, but it is clear that we will need to work with international partners to increase the supply of critical minerals available.

The MSP offers a distinct value proposition based on high standards and cutting-edge private-sector innovation. But this is only meaningful if we can make quick decisions based on long-term economic and security imperatives. Congress must fully equip EXIM and DFC with the resources and authorities they need to support U.S. economic interests abroad effectively and on an expedited basis. We cannot let an aversion to the possibility of short-term losses prevent us from securing long-term success. The fact that financial markets view minerals projects as very risky has not deterred the PRC from acting in this space, and we cannot let it deter us if we hope to succeed in the clean energy transition. We should, for a start, temporarily raise the default rate cap that currently limits EXIM's exposure to default risk from two percent to four percent, as requested in the President's FY 2024 budget. In the case of DFC, we encourage support for the creation of a new $2 billion revolving equity fund to expand equity investments at DFC, also requested in the FY 2024 Budget.

To conclude, ENR is collaborating across the government and with private sector partners to create robust alternatives to PRC economic initiatives around the world. Our approach is transparent, based on realistic business decisions, and focused on partnership with the private sector, leading to sound policy and tangible results that benefit everyone involved.

ENR is both investing and facilitating investment, in cooperation with our allies and partners, to compete with the PRC and prevail in the competition to lead the global energy transition, just as American companies led the world through the fossil fuels era. In sum, we will work with the PRC in areas of mutual interest, but we will compete relentlessly with them economically, a contest where the State Department, and our Embassies abroad, are critically important tools.

Thank you. I look forward to addressing your questions.

Chairman MCCAUL. Thank you.

The chair now recognizes Mr. Venkataraman for his opening statement.

STATEMENT OF THE HONORABLE ARUN VENKATARAMAN, ASSISTANT SECRETARY OF COMMERCE FOR GLOBAL MARKETS, AND DIRECTOR GENERAL, U.S. AND FOREIGN COMMERCIAL SERVICE

Mr. VENKATARAMAN. Thank you.

Chairman McCaul, Ranking Member Meeks, and members of the committee, thank you for inviting me here today.

I am pleased to have the opportunity to discuss with you how we are competing against China's Belt and Road Initiative at the U.S. Department of Commerce's International Trade Administration and more specifically in our global markets business unit, which includes the U.S. and Foreign Commercial Service. My remarks are reflected in my full written statement provided to the committee.

Notwithstanding China's efforts to portray BRI as a solution to advance infrastructure development and economic growth our trading partners increasingly share our view that BRI poses more risk than opportunity.

First, China's BRI can threaten our trading partners' economic development. BRI projects contribute to unsustainable debt levels in many recipient countries, as the chair and ranking member have noted, and these can position China to press for greater control over that infrastructure against the interests of borrowing governments.

Second, China's BRI threatens U.S. economic and national security interests. BRI investments in infrastructure, together with its transnational subsidies, have reinforced China's control over critical supply chains choke points.

Third, China's BRI hinders U.S. companies from competing in markets overseas. Combined with longstanding anti-competitive practices BRI has used its financing to open doors for China's State-owned or State-controlled firms while ensuring those doors remain closed for market-based competitors from other countries including the United States.

In the face of these challenges how do we counter the BRI and help American companies compete and compete to win? Our strategy for success rests on three pillars: one, pursuing market share; two, promoting market openness; and three, preserving market security.

We are pursuing market share by aligning U.S. Government export promotion efforts to help U.S. businesses succeed in sectors targeted by China's State-backed entities.

Critical to these efforts are partnerships with the Department of Defense, including regional commands in SOUTHCOM and INDOPACOM as well as with the range of agencies that form the deal teams at U.S. embassies around the world.

We are also intensifying our commercial diplomacy efforts to promote market openness by engaging with foreign counterparts in critical sectors and on infrastructure projects.

We are using all the tools available to us across the Commerce Department and the interagency, often in collaboration, to build necessary regulatory capacities, increase transparency, and enable commercial environments in markets around the world.

Finally, we are focused on preserving market security both here at home and in overseas markets. We are promoting U.S. capabilities across strategic areas important to our national security.

We are also focusing our efforts, including through our advocacy center, to ensure that China's BRI does not threaten either the reliable performance of critical infrastructure in foreign markets or the secure supply of inputs for U.S. production critical to our long-term economic and national security.

In each of these pillars of our strategy the Championing American Business Through Diplomacy Act, or CABTDA, has brought focus to the importance of new partnerships among the State Department, Commerce, USTR, and others that has helped us collaborate and innovate in support of U.S. businesses in a more strategic and impactful way.

We cannot speak about countering BRI or their commercial tools deployed by China without underscoring its resources. As Ranking Member Meeks noted this includes China's tradeofficers outnumbering us three to one and spending more than $110 million annually in support of its companies at global trade fairs, compared to the approximately $5 million to $7 million annually that our budget allows.

I am thankful that Congress provided Global Markets with $6.5 million in Fiscal Year 2023 to expand our capacity to help U.S. business compete.

With those funds we plan to open new operations in Cote d'Ivoire, Guyana, and Zambia while making additional investments to existing operations in the Indo-Pacific region, Eastern Europe, and Central America, subject to approval of our Fiscal Year 2023 spend plan.

Moreover, the President's Fiscal Year 2024 budget request includes a $16.8 million increase for Global Markets to continue investing in our work force at a time when we must show up and show up often if we are to help U.S. businesses compete in markets around the world.

Thank you, Mr. Chairman and members of the committee, for the opportunity to speak with you today. I'd be pleased to answer any questions you have.

[The prepared statement of Mr. Venkataraman follows:]

Testimony of
Arun Venkataraman
Assistant Secretary of Commerce for Global Markets
and Director General of the United States and Foreign Commercial Service
International Trade Administration
U.S. Department of Commerce
before the House Foreign Affairs Committee
Hearing Entitled,
"Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy"

June 14, 2023

Chairman McCaul, Ranking Member Meeks, and Members of the Committee, thank you for inviting me here today to testify on the People's Republic of China's (PRC) Belt and Road Initiative (BRI).

I am pleased to have the opportunity to speak with you about how we are meeting the challenge of China's BRI at the U.S. Department of Commerce's International Trade Administration (ITA) and, more specifically, in our Global Markets business unit, which includes the U.S. and Foreign Commercial Service.

As you know, China has described its nearly $1 trillion Belt and Road Initiative as a way to enhance China's global economic connectivity and support global economic development through policy coordination, infrastructure development, trade facilitation, financial integration, and people-to-people exchanges. China has built an extensive network of relationships across the globe and, in many cases, is bringing resources to the table to deliver critical infrastructure to emerging markets. Our latest estimates show that China has BRI memorandums of understanding with 145 countries. Multiple examples of BRI projects have illuminated the risks posed by an overdependence on China's financial and infrastructure resources, including the potential for overborrowing or low-quality outcomes. The United States urgently requires a whole-of-government response to meet the infrastructure needs of emerging markets around the world and provide alternatives to China's BRI model.

Challenges Posed by BRI

Notwithstanding China's best efforts to portray China's BRI as a generous offering to advance infrastructure development and economic growth around the world, our trading partners increasingly share our view that BRI poses more risk than opportunity.

First, China's BRI can threaten the economic development of our trading partners.

Our partners have learned the hard way that the PRC's state-led participation in their infrastructure projects often comes with unexpected negative consequences. These projects – such as high-speed rail, ports, power generation, and fiber networks – are often developed using labor from China rather than local workers, and with little regard to the environmental impacts of their operations. Such projects also frequently come with financing terms that are opaque, which has contributed to elevated or unsustainable debt levels in many recipient countries. This debt can form the basis for China to press for greater control over that infrastructure in a manner that risks undermining the interests of borrowing governments. Additionally, instead of open competition, partner countries may be required to issue closed tenders (so competitors from other countries cannot bid). They may also be required to buy specific equipment that will lock them into future equipment purchases from China to ensure integration and implement China standards – rather than international standards – in the tenders. This can result in greater *dependence* on China, which can serve as a drag on inclusive economic growth – rather than the greater *autonomy* that can come with a diversification of reliable trading partners.

Second, China's BRI threatens U.S. economic and national security interests.

China's BRI investments in transportation infrastructure have supported and reinforced China's control of critical supply chain chokepoints – such as those relating to the mining and processing of minerals that form the foundation of most manufactured products, including solar technology. China also has used transnational subsidies to maintain its influence over critical supply chain segments such as solar technology, even when relevant components or products are manufactured outside China. This control by Chinese entities *expands* the very chokepoints that already exist in China by virtue of the supply chains that have been built over recent decades. As a result, at precisely the moment when our government, our trading partners, and companies around the world have recognized the importance of diverse and resilient supply chains, China's BRI works to strengthen Chinese government influence over those supply chains.

Third, China's BRI diminishes the ability of U.S. companies to sustain market share and to compete in markets around the world.

The success of China's BRI rests on China's funding of hundreds of billions of dollars in projects in markets around the world, including most trading partners of the United States. The funding tends to be provided through China's ExIm Bank or the China Development Bank, which leverage development finance tools (without necessarily adhering to internationally accepted guidelines) to advance China's commercial interests. Combined with longstanding non-market anticompetitive practices, including massive state subsidies and preferential domestic lending, China's BRI has used its financing to open doors for its state-owned or state-controlled firms while ensuring those doors remain closed for market-based competitors from other countries including the United States. In a process that has been accelerating over the last ten years, China has increasingly displaced America as the #1 trading partner in many markets around the world that are now key BRI partners – including those in our immediate neighborhood, the Western Hemisphere.

Our Strategy to Compete

These challenges created by China's BRI compel the question: how do we counter the BRI and help American companies compete in a global economy where, as Secretary Raimondo has said, "China has proven over and over again that it is willing to be anti-competitive, coercive, violate human rights, steal our technology, [and] use it against us…"?

The competitive challenges of today are fiercer and more pressing than ever before, and decisive action is necessary. The International Trade Administration (ITA) and the Global Markets business unit that I oversee are uniquely positioned to be one of the U.S. Government's most effective programs in helping U.S. companies compete and win against PRC-supported entities in the global marketplace. We have the policy knowledge, the practical skills, and a worldwide network of trade and investment professionals – the U.S. and Foreign Commercial Service – who provide assistance to U.S. companies at home and abroad as they compete for business around the world. Importantly, we have more than 40 years of proven success in trade promotion and commercial diplomacy.

Our network is intrinsically connected to a growing list of more than 35,000 U.S. companies– our "clients," your constituents – more than 85% of them U.S. small-to-medium sized companies. Our strategy for success in countering the BRI and helping U.S. companies compete with China and other foreign businesses rests on three pillars centered on the global competitiveness and the economic security of the United States: (1) pursuing market share; (2) promoting market openness; and (3) preserving market security.

We are pursuing market share by aligning and leading U.S. Government export promotion efforts to help U.S. businesses gain greater market share vis-à-vis PRC-supported entities engaged in anticompetitive behavior in countries around the world. As a part of this alignment, with the resources available to us, we are prioritizing key trade shows in BRI countries, to raise the visibility of U.S. exporters in those markets.

We are building our partnerships with the Department of Defense (DOD) in SOUTHCOM and INDOPACOM, two regions of intense focus under the BRI, to ensure that our teams in those regions are sharpening their awareness of critical infrastructure projects, reinforcing and deepening market intelligence gathering and USG advocacy to help level the playing field for U.S. exporters to compete, and promoting U.S. solutions in the early stages of investment projects. This model is yielding good results and we hope to expand it to other regional U.S. Commands.

We are also leveraging partnerships with the State Department, EX-IM, the DFC, USTR, and others on interagency Deal Teams at U.S. Embassies around the world. These deal teams identify and deliver resources from across the U.S. Government that are available to U.S. businesses as they compete for projects and sales. In support of our deal team efforts, we conduct quarterly on-line training sessions in conjunction with the Economic Bureau of the State Department for our economic and commercial officers around the world. These training sessions highlight successfully advocated deals and best-in-practice collaboration between our regional Commerce offices and State Department Partnership Posts, and they often include multiple-agency deal team participants from posts overseas and here in Washington. The focus, as you might expect, has been on understanding the "anatomy" of successful deals in the face of foreign competition, including from Chinese entities.

We are intensifying our commercial diplomacy efforts to promote market openness by engaging with foreign counterparts in critical sectors and on infrastructure projects, under initiatives including the Indo-Pacific Economic Framework for Prosperity (IPEF) and Partnership for

Global Infrastructure and Investment (PGII). We are using all the tools available to us across the Commerce Department (e.g., the Commercial Law Development Program) and the interagency, often in collaboration, to build necessary regulatory capacities, increase transparency, and enable commercial environments in countries around the world, in the face of competition from China, so U.S. companies can compete. Additionally, we are expanding the work of our Standards, Digital, and Intellectual Property attachés around the world, to leverage their expertise in helping companies navigate foreign digital policies and regulatory issues, change and align standards, protect U.S. intellectual property rights, and improve systems to counter the PRC's non-market policies and practices that result in uneven playing fields for U.S. business

Finally, we are focused on preserving market security, both here at home and in overseas markets, to preempt and counter predatory and anticompetitive PRC practices. We are targeting U.S. capabilities across strategic areas important to our national security including climate change, cybersecurity, genomic research and healthcare, critical minerals and their processing, semiconductors, critical infrastructure, and defense. We are similarly focusing our efforts on ensuring that China's actions, including through the BRI, do not threaten either the reliable performance of critical infrastructure in foreign markets, or the secure supply of critical inputs for U.S. production essential to our long-term economic and national security. To achieve these twin security objectives, we are leading interagency efforts through our Advocacy Center in support of U.S. companies competing for foreign government tenders, and we lead the interagency Defense Advocacy Working Group (DAWG) on aerospace and defense competitive issues.

In each of these pillars of our strategy, the Championing American Business Through Diplomacy Act (CABDA) has brought focus to the importance of new partnerships between the State Department, Commerce, USTR, and others that has helped us collaborate and innovate in support of U.S. businesses in a more strategic and impactful way. Our teams are working together like never before. For example, State's economic diplomacy efforts in areas that support trade-related capacity building and technical assistance lay the groundwork for U.S. businesses to gain market access through Commerce's commercial diplomacy and trade promotion efforts. These collaborative efforts help level the playing field for U.S. businesses to compete and win. This combination of economic and commercial diplomacy is a major step forward for us, and a one-two punch in support of U.S. businesses as we up our game in competition with China.

Mr. Chairman, it is important to note that the elements of this strategy I have described only scratch the surface of the breadth and depth of the work that our staff of 1450 professionals in Global Markets does on a daily basis around the world in support of U.S. business. At the same time, there is more we could do.

Resources to Compete

Our U.S. and Foreign Commercial Service, through its 106 domestic offices in cities and rural communities across the United States, is comprised of trade and inward investment promotion experts who provide American companies with global market intelligence, counseling, programs, and services that strengthen their global competitiveness.

Our overseas staff of foreign commercial service officers and local commercial specialists are strategically located at 124 U.S. Embassies and Consulates in 78 countries, conducting commercial diplomacy and implementing programs to help companies gain market access, and identify and win export opportunities for major projects.

To a person, their work plans reflect our intense focus on delivering for U.S. business, even in the face of intense competition from China including the Belt and Road Initiative.

I would be remiss if I did not also underscore that the drive and commitment of our team to this mission can only carry the day so long against a competitor like China, whose trade officers outnumber us 3-1, in 223 offices in 171 countries, according our latest internal analysis. And China spends more than $110 million annually in support of its companies at global trade fairs and events – voluminously displaying the products of PRC companies for the world to see. In comparison, in ITA, our budget allows us to allocate approximately $5-7 million annually to support U.S. participation at global trade events, with U.S. companies essentially covering their own costs of participation – costs that are rising in the post-pandemic global economy.

I should note that participation in trade fairs around the world is often prohibitively expensive for small- to medium-sized businesses. We need to find a way to do more to support them. While the U.S. Government is limited in its ability to financially support a U.S. company's participation in a trade event (for example, through STEP funds), we can do more to build our capacity to provide more efficient programs and services, so they can more effectively provide their products and services in markets around the world as an alternative to those offered by their foreign competition, including competitors from the PRC.

That is why I am particularly thankful that Congress provided Global Markets with $6.5 million in FY 2023 to expand our capacity to help U.S. business compete. Our strategy is to target our resources where U.S. businesses need us most, and they tell us they need us in markets where competition is fierce and foreign competition, including from China, is squeezing them out. With those funds we plan to open new operations in Côte d'Ivoire, Guyana, and Zambia, while making additional investments to existing operations in the Indo-Pacific region, Eastern Europe, and Central America, subject to approval of our FY 2023 spend plan. Moreover, the President's FY 2024 Budget Request includes a $16.8 million increase for Global Markets to continue investing in our workforce at a time when we must show up, and show up often, if we are to help U.S. businesses compete in markets around the world.

We, as a government, risk losing our own competitive battle vis-à-vis China's trade and investment practices in third-country markets, and we must take decisive resource-driven action.

Conclusion

Mr. Chairman, it is my honor to lead the U.S. Government's premier cadre of specialized global personnel trained for and experienced in commercial diplomacy and trade promotion.

Our network has experience and deep expertise in successfully promoting U.S. exports and protecting U.S. business interests abroad, and in opening markets and removing barriers to trade using the convening power of the U.S. government.

Along with our partners across ITA, we have proven success in leading and executing a comprehensive strategy in support of U.S. business as it competes in the 21st century. And we look forward to doing even more.

Thank you, Mr. Chairman and Members of the Committee for the opportunity to speak to you today. I would be pleased to answer any questions or provide examples of our successes worldwide.

Chairman McCAUL. Thank you.

The chair now recognizes Mr. Herscowitz for his opening statement.

STATEMENT OF ANDREW HERSCOWITZ, CHIEF DEVELOPMENT OFFICER, U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION

Mr. HERSCOWITZ. Chairman McCaul, Ranking Member Meeks, members of the committee, thank you so much for convening this hearing and inviting me to testify on behalf of the U.S. International Development Finance Corporation that we all call DFC.

A key reason that you all, Congress, created DFC through the BUILD Act was to offer a better and more sustainable alternative to the People's Republic of China's Belt and Road Initiative.

Since DFC was established just 3 years ago we have been catalyzing investment from the private sector and empowering developing countries.

Unlike the PRC we focused on helping countries take advantage of their own resources—their human resources, their commodities—so they can tackle poverty, accelerate inclusive and sustainable economic growth, and become stable U.S. trading partners, all through private investment.

DFC provides countries with an alternative to the terrible choice many of them faced, which was to either forego economic growth or embrace the PRC model that required countries to risk their financial independence, to suffer the loss of their resources and commodities, to endure environmental degradation, and sometimes even to suffer harm to their local communities.

DFC and its partners give countries an alternative, sustainable economic growth and empowerment. The PRC model burdens countries with excessive sovereign debt for projects that are often unsuitable or even unnecessary for local populations.

The PRC supports projects with one beneficiary in mind, the PRC. DFC, on the other hand, supports private entities, mobilizes private capital, and builds resilient market economies, creating local jobs and building local knowledge and human capacity.

DFC's track record investing in critical infrastructure demonstrates the impact that it can have. In Ecuador we recently made a $150 million commitment to modernize a port, which will create 1,250 jobs and generate $750 million in foreign direct investment—private capital.

In Sierra Leone, one of the poorest countries in the world, we have invested in providing broadband access to a significant swath of the population, we have helped increase the country's capacity to generate power by nearly 25 percent, and we're working to improve the country's main airport to connect the people of Sierra Leone to global markets and opportunities.

DFC is also supporting projects that diversify supply chains away from the PRC including for critical minerals and solar panels. DFC focuses on working with the private sector because closing the $40 trillion global infrastructure financing gap is beyond the capacity of any government or any public institution.

We amplify our impact by working closely with development finance institutions of our allies and our partners including our G–

7 partners so that we can do more together. By working with like-minded countries we give countries where we work even more alternatives to the PRC and we generate new trade and investment leads for U.S. companies.

Mobilizing private capital is an effective way to achieve durable development outcomes, allowing governments to focus their resources on other public needs like education. Our investments carry forward U.S. values of openness, respect for local conditions, transparency, and internationally recognized environmental, social, and labor standards.

By championing these values we enhance the long-term sustainability of our projects, we amplify development impacts, and we guard against the danger that projects will harm local populations.

I've highlighted a few examples in my written testimony of where we're doing this type of work. While we're confident in the strength of our model we know that we need to strengthen DFC's ability to counter BRI effectively and at scale, and to enable DFC to do more faster DFC is building its internal capacity and aligning its organizational structures to meet demand in sectors where there are enduring needs including infrastructure, energy, health, food and agriculture, ICT, and support for small businesses.

In the energy sector we're pursuing a balanced approach that recognizing that the PRC is competing aggressively to dominate the clean energy industries while also recognizing there are circumstances which countries—when countries need fossil fuels to further their development.

Congress and this committee have recognized the close linkage between development and U.S. strategic interests and we thank you for your support of DFC.

Through continued partnership with Congress we're positioning DFC to be an effective, respected, and powerful presence for the U.S. in developing countries.

The U.S. can compete effectively with the PRC model or any other model. Our model drives economic development in a way that benefits Americans and the people of the countries where we work.

We treat the countries and their people as partners and we advance the strategic interests of the United States.

Thank you again for the opportunity to testify and I look forward to your questions.

[The prepared statement of Mr. Herscowitz follows:]

Testimony of Andrew Herscowitz

Chief Development Officer, United States International Development Finance Corporation

House Foreign Affairs Committee

"Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy"

Wednesday, June 14, 2023

Chairman McCaul, Ranking Member Meeks, and Members of the Committee. Thank you for convening this hearing and inviting me to testify on behalf of the United States International Development Finance Corporation (DFC).

Congress created DFC through the BUILD Act, in part to offer a better and more sustainable alternative to the Belt and Road Initiative (BRI). DFC catalyzes investment from the private sector and empowers developing countries, helping them take advantage of their own resources – including human resources and commodities – so that they can tackle poverty, accelerate inclusive and sustainable economic growth, and become stable U.S. trading partners. DFC helps provide countries with a choice other than the one that they long faced: accept the risks of dependence, environmental degradation, and harm to local communities that come with working with the People's Republic of China (PRC) or forgo an opportunity to develop their economies.

The PRC designed the Belt and Road Initiative with its own interests in mind – giving the PRC access to strategic resources to drive its own economic growth and foreign policy objectives. Unlike the development approach of the PRC, which often burdens countries with unsustainable sovereign debt and projects that are often unsuitable for local conditions, DFC's efforts are directed toward supporting private entities, mobilizing private capital, and building resilient market economies. Our model stands apart from the Belt and Road Initiative in several ways: we emphasize partnership with the private sector, we look for opportunities for small businesses and underserved communities to benefit, and we seek long-term sustainability and inclusive growth.

DFC's recent track record investing in critical infrastructure demonstrates the impact that this model can have. In Ecuador, DFC is making a $150 million commitment to the modernization of Puerto Bolivar, which will become one of the most advanced ports on the Pacific Coast of South America.

DFC's work in Sierra Leone in West Africa demonstrates how DFC support for infrastructure is improving people's lives. We have invested in providing greater broadband access to a significant swath of the population, helped to increase the country's capacity for energy generation by nearly 25 percent, and are working to significantly improve the country's main airport to connect the people of Sierra Leone to global markets and opportunities.

DFC is also working to diversify supply chains away from the PRC in key sectors, including critical minerals where Beijing mines or processes well over 80% of global supply. For example, DFC is providing $30 million equity investment into TechMet Limited, a U.S. aligned critical minerals mining platform, to support its Brazilian nickel and cobalt mining project. TechMet is dedicated to securing U.S. and allied access to critical minerals and diversifying the sourcing of critical minerals away from authoritarian governments. DFC is also supporting the efforts of an American company, First Solar, to construct a solar photovoltaic module manufacturing facility in India that we expect will help challenge PRC market dominance and demonstrate that the solar photovoltaic industry can feasibly reduce its reliance on PRC supply chains.

DFC focuses on working with the private sector because closing the $40 trillion global infrastructure financing gap is beyond the capacity of any development finance institution or state actor to address alone. DFC amplifies its impact by working closely with the development finance institutions of our allies and partners, including the Partnership for Global Infrastructure and Investment (PGII) through the G7. We also focus our efforts on private business because of the catalytic nature of private sector-led development. An investment in a private business has the potential to create follow-on benefits for local economies beyond the initial investment. Through our work, we hope to demonstrate that mobilizing private capital is the most sustainable and effective way to achieve durable development outcomes.

Our investments carry forward U.S. values of openness, respect for local laws and conditions, transparency, and internationally recognized environmental, social, and labor standards. By championing these values and engraining them into all aspects of DFC's work, we enhance the long-term sustainability of our projects, amplify development impact, and guard against the danger that projects will harm local populations, as BRI projects have too often done. DFC's processes also provide greater certainty that a project will deliver on the benefits it claims, while preventing our projects from abetting corruption. Supporting high-quality, sustainable projects has been a focus of DFC from the beginning, and we have continued to enhance our capacity to monitor and measure our impact.

While we are confident in the strength of our model, we know that we need to strengthen DFC's ability to counter the Belt and Road Initiative effectively and at scale. We have heard from our clients and partner governments that they want DFC to do more and to do it faster. In response, DFC is in the process of building our overall capacity and aligning our organizational structures and processes to meet demand in priority sectors where there are enduring needs, including infrastructure, energy, health, food and agriculture, and support for small businesses. We have worked to streamline our investment processes by shortening timelines, reducing paperwork, and improving our Board of Directors procedures.

Energy, infrastructure, and critical minerals are priority sectors for DFC because of their importance to economic development as well as to the competitiveness of the United States. In the energy sector, we are pursuing a balanced approach that recognizes that the PRC is competing aggressively to dominate the clean energy industries of the future, while also recognizing that there are circumstances when we will need to support countries in their electrification objectives through fossil fuels for strategic and developmental impact purposes. This balance is reflected in projects we are doing to bolster energy security in Central Europe and our ongoing efforts to support sustainable electricity through the deployment of solar power in South America.

DFC's other priority areas – health, food and agriculture, and support for small businesses – are no less important to DFC's ability to offer an alternative to PRC investment and counter the Belt and Road Initiative.

DFC's attention to small businesses and underserved communities stands in contrast to the BRI. Since Fiscal Year (FY) 2021, DFC has provided over $430 million in loans and loan portfolio guarantees to support small businesses and underserved populations in sub-Saharan Africa. We are also working in sectors that are overlooked by the BRI, including health and food security, because our investments are not about grabbing as many resources for ourselves as possible, but about investing in the vast human resources in developing economies. Since 2020, DFC has approved over $2.6 billion in global health projects. In food security and agriculture, DFC committed a total of $625 million to 38 transactions in FY 2022– more than doubling its FY

2021 commitments. The Belt and Road Initiative is simply not focused on these sectors or on small businesses. Instead, BRI investments tend to support unwieldy state-owned enterprises, PRC-domiciled companies, and PRC labor.

Making sure that small businesses and underserved communities benefit from investments is critical to ensuring political stability in countries and preventing countries from suffering from destabilizing political swings. While the PRC often brings in its own labor force on projects, even having operations manuals written in Chinese, the projects we support create local jobs, bring more people into the formal economy, and train workers so they can build skills, all of which help promote economic opportunities and prevent migration or participation in illicit activities.

At the same time, by looking out for the interests of the countries where we work, strengthening small businesses, and encouraging high standards, we are helping countries emerge from poverty, strengthening the economic linkages between the United States and developing countries, and setting countries on a path to becoming reliable trading partners of the United States. This is also in our strategic interest.

DFC projects demonstrate our focus on local needs. For example, DFC committed to providing a loan of up to $80 million to Banco Atlantida in Honduras to expand its lending to businesses in the country, which face an estimated $2 billion credit gap. DFC is also supporting access to clean water and sanitation through a $100 million loan to the Water Equity Global Access Fund (GAF) IV, which will use DFC loan proceeds and financing from other investors to ultimately help people in developing countries access clean water and improved sanitation services and products. DFC is also using its powerful equity tool to invest $18 million into BuyMed, a Vietnamese company, to expand pharmacies, clinics, and hospitals' access to pharmaceutical products in rural areas.

In addition to our priority sectors, DFC is working on innovative solutions. For example, DFC provided $656 million of political risk insurance to support the largest debt-for-nature swap in history in Ecuador. This transaction provides funding to protect the expanded marine conservation area around the Galapagos from illegal fishing by Chinese fleets. And, at the same, time we helped reduce Ecuador's public debt burden by $1 billion.

Congress and this Committee have recognized the close linkage between development and U.S. strategic interests, and we are thankful for your continued support, which has enabled us to build our capacity and enhance our impact. DFC committed $7.4 billion to more than 180 projects in FY 2022 and has continued to scale up its work to meet global needs. From FY 2020 to FY 2022, DFC has seen 14 percent growth in annual commitments by dollar value and 132 percent growth in the number of projects committed.

We are eager to do more, with the continued support of Congress. Current rules prevent DFC from taking full advantage of the important equity tool that the BUILD Act gave us. To address this, the President's budget proposes the creation of a new $2 billion revolving equity fund to expand equity investments at DFC.

We are also seeking to expand our presence overseas so that DFC can be more connected to local markets and better develop a pipeline of strategic and developmental transactions. Additionally, we have identified infrastructure and critical minerals; energy; health; food and agriculture; and small business support as areas of particular focus. In each of these areas, the United States and DFC have strong competitive advantages that we can bring to bear.

Through partnership with Congress, ongoing focus on our strategic and developmental priorities, and continuous improvements to our operations, we are positioning DFC to be a powerful, long-term presence in developing countries – one that demonstrates that the United States can compete effectively with the PRC model, drive sustainable economic development, and advance the strategic interests of the United States. Thank you again for the opportunity to testify, and I look forward to your questions.

Chairman McCAUL. Thank you. I now recognize myself for 5 minutes of questioning.

Let me say, first, the DFC—the equity issue is long overdue to be fixed. I am determined in a bipartisan fashion to get that fix marked up out of this committee and I believe Mr. Barr is leading that and I know on the other side, Mr. Meeks.

Let me just start by saying when you look at China they are a—for purposes of the United Nations a developing nation, which qualifies them for World Bank loans at nearly zero to interest-free loans that they then use to turn around and loan to truly developing nations at a usurious interest rate that finances this whole scam.

They know how to manipulate global institutions. Then they get the countries in a, through predatory lending, in a debt trap. They rape the rare earth minerals. They bring their own workers in.

They take over a port or military base and then, at the end of the day, if they default or they go into bankruptcy the IMF bails them out. This is incredible.

This is really an incredible story that is not out there. But they are really manipulating it and when they're in 150 countries that gives them power at the United Nations.

Twenty African nations voted against the resolution on Ukraine because China has them under their thumb. You know, I've been very invested in Development Finance Corporation. It's supposed to be OPIC on steroids. You know, I passed the Champion U.S. Business Through Diplomacy Act.

Sir, you know, Keith Krach really ran that office well. I was with him just last weekend. But, in my judgment, we're losing this competition. If they're in 150 countries—and by the way, they have to sign a contract denouncing Taiwan and they get on the digital yuan as a direct threat to our global U.S. currency.

I've really got two quick questions. One, our intention was to get investment in these countries—private investment to compete. I was with a group of African financial leaders at the Milken Institute. Speaking to them I asked, have any of you worked with the Development Finance Corporation. Not one hand was raised.

I talk to Ambassadors. The ranking member does, too. They say, we'd rather do business with you but you're not on the field and if we're not on the field we cannot win. We cannot compete.

This has to change, and when I looked at the president of Uganda's op-ed saying that this policy will force poverty on Africa, talking about, only certain energies can be invested in, or these African nations said, we do not like you imposing your social value system on us, and that's not what Congress intended.

We passed this for national security reasons to compete with China and I'd like to hear comments from all of you on this.

And my second question is the Partnership for Global Infrastructure and Investment—PGII. Now, that was supposed to bring together all these entities and I got to tell you, it's confusing even—I think I'm pretty educated but you got USAID, you got MCC, you got DFC, you got EXIM Bank, and a whole host of about 17 different—you know, that needs to be coordinated and it's hard to even know what are the roles of each of these, departments and how do they all fit together under this one umbrella that needs to be coordinated in this what I say are not Republican and Democratic issue—an American issue in this great power competition.

Maybe if I can just go down straight the line if you could address both of those issues.

Mr. HERSCOWITZ. Thank you.

Why do not I address the Partnership for Global Infrastructure and Investment first? I think it has the potential to be an extremely powerful tool for the U.S. Government, and I do not know if you know my background but before I was in this position I was the coordinator for Power Africa for 7 years under the Obama and Trump Administrations and we learned a tremendous amount about what it means to try to mobilize partners to try to advance infrastructure, having helped over 120 power projects reach financial close.

It's challenging to coordinate the U.S. Government agencies but we did it very, very well and we did it with strong bipartisan support from Congress as well and it was a partnership where we sought input.

The Commerce Department contributed in big ways by helping educate African ministries about how to enter into power purchasing agreements. State Department provided advocacy.

So we're working from something that we have done before but the additional element of PGII is also bringing in our G–7 partners and so one of the things that we at DFC have been doing is we have actually been mapping out what each of our partners, whether it's France or Japan or the U.K., can offer as an alternative to the BRI as well so that we can find trade leads and investment leads for DFC and for one another and we can step in when the other one cannot be there.

So already in the last year when we look at PGII of that $7.4 billion that DFC did in deals last year $5.2 billion of those projects qualified as PGII, and so going back to your first question, of course, we're growing. Our portfolio has grown year after year. We're becoming more and more strategic.

I can talk about some of the other specific projects but I'd like to leave time for my colleagues to discuss as well.

Chairman MCCAUL. And my time has—it's already expired. If I could have a quick comment from the two of you. Thank you.

Mr. VENKATARAMAN. Thank you.

Just to respond on the work that we're doing on infrastructure and in particular to counter BRI, one of the things we have at the embassies are these deal teams which are literally interagency teams that work together that harness the tools that each of us has and the first thing we do is try to identify the early leads, the early projects that we are aware of on the ground so that we can bring them to the American companies that we want to bid on those projects.

We worked with foreign governments to shape their tenders so that their tenders are open and transparent. We also pushed back on China's attempts to drive single source tenders and so we have examples where China has gotten into government-to-government agreements with our trading partners to require single source tenders for projects that would advantage China and we have pushed back on that and been able to undo those single source tenders to make sure that American companies can compete and win.

Chairman McCAUL. And Mr. Pyatt? Very briefly.

Mr. PYATT. Yes. Thank you, Mr. Chairman. I really appreciate the question about the strategic purpose of the DFC because I have a unique perspective on this issue.

I was an ambassador serving abroad when you passed the BUILD Act. I remember what an incredibly powerful impact it had on my work in pushing back on China in Greece, a country where COSCO, a Chinese company, had acquired control of what is now the largest transshipment port in the Mediterranean.

It made all the difference in the world to have a positive offer to put on the table that attached to American values and American investment.

It takes time because the DFC team has higher standards than the PRC does, has a fiduciary responsibility to the taxpayers, has to deal with transparency. We have environmental issues.

And I was just talking to my successor in Athens, Ambassador Tsunis and now DFC has completed that shipyard project in Greece. He sees it as transformative in terms of the perception of the United States. But I also saw how once we put that on the table China's hand was dramatically weakened.

Chairman McCAUL. Well, so when—I'm always asked, how are you countering China, specifically Belt and Road, and it's right here. This is the response.

So we need to prevail in this great power competition. So we need to work with you to strengthen your hand because, in my judgment, we're not—we're not winning right now.

So with that, I recognize the ranking member.

Mr. MEEKS. Thank you, Mr. Chairman, and, you know, let me be clear, and I think that we all agree that we do not want to replicate China's infrastructure model. We know that's not good.

So we need our own approach that plays to what our strengths and comparative advantages are to deliver the financial and environmentally sustainable development that lifts up communities and facilitates trade.

To that end, you know, we keep talking about this. How do we demonstrate to nations that our development and assistance—the models that we have—are better for them, as we know in the long run, and their populations as opposed to China?

How do we—first, how do we demonstrate that? So whoever wants to take it first.

Mr. HERSCOWITZ. At the most basic level one of the main issue—one of the main differences with DFC is that we're looking at the outputs, not just the inputs.

It's not how much money that we're investing and how much money that we're spending—that's important because that moves capital—but how are people benefiting from that?

Every single deal that we do looks at what the development metrics are going to be or the foreign policy metric, how many people are getting access to water, to electricity, to the internet so that we can tell that story as well.

That's not something that the PRC is doing. We're making sure that our transactions are designed for that impact and we evaluate every single one of them in that way, and we're seeing huge results whether it's in healthcare, helping nearly 2 million patients get consultations for the first time or helping smallholder farmers get access to credit for the first time.

People feel those results and that's what really makes people want to get the financing. Obviously, when we support a huge port like we're doing in the Republic of Georgia, like we're doing also in Ecuador right now—an airport in Sierra Leone—people see the impact of our investments in those infrastructure projects. There's a lot more we can do but we're on that right path.

Mr. MEEKS. So and I guess I'll Mr. Pyatt this question and then I'll come—how do you—you know, again, we're in this competitive piece and we're talking to these countries and when you talk to them how would you characterize the United States' comparative advantages and unique strengths in the sustainable infrastructure development assistance space going on what we were just talking about so that they could say, well, we want you, United States?

Because that's not—I agree with Mr. McCaul what he said earlier. Most of them said to the United States, you're not there to compete.

We do not have an alternative. You're not giving us an alternative, and we need to try. So how do we do that so that not only can we say it we can do it?

Mr. PYATT. So, Ranking Member, let me start by thanking you for your reference to the Minerals Security Partnership because I think that's a great example of what you're talking about, and I had the opportunity to join Secretary Blinken and Reta Jo Lewis, the chair of the EXIM Bank, and Under Secretary Fernandez in New York in September when we had the first big public event to roll out the Minerals Security Partnership with some of the resource-endowed countries from the developing world that we're looking to work with.

And one of the most powerful moments in that event for me was when one of the African ministers came up to me afterwards and said, you know, I just want to say thank you for showing up because for too long we have only had one interlocutor on these issues of mining and extractive industries and it's China, and you are giving us an alternative, and both you and the chairman used that idea as well in your presentation.

So I think the first thing we have to do is show up. We need to mobilize resources, and, Ranking Member Meeks, I really appreciate your reference also to the importance of the State Department budget in this context.

I had the opportunity yesterday—as you know, we have all of our Ambassadors in town right now and I did a roundtable with some of our Ambassadors focused on these issues of Belt and Road, critical minerals, clean tech supply chains and one of the—one of the chiefs of mission I asked to present was Lucy Tamlyn, our Ambassador in the DRC, and Ambassador Tamlyn made the point that today her mission has two economic officers covering all of the issues in that large and consequential country, one of the—a country with the critical endowment of the battery minerals that we are going to need to power our energy transition.

The junior officer who covers mineral issues is very widely regarded and that position will have a gap of 7 months coming up. So we will have one person working on all of these issues in a country that's absolutely critical.

So we need to resource the State Department, and then we have to bring things to the table and this is where the partnership between our three agencies and DOE is so critically important because it lets us bring to the table the strengths of the United States, our entrepreneurial ecosystem, the transparency of our companies.

And I have spent a lot of time since starting this job traveling around the world and talking to countries that also are being approached by China and the answer I consistently hear is, please bring us more, America. Nobody ever asks for less U.S. investment or less——

Mr. MEEKS. Let me just as quickly because I guess I'm just about out of time also. I'm out of time.

Mr. Venkataraman, how would the Foreign Commercial Service—how are you building on the strengths that we just heard about or innovating new approaches in our programs and initiatives around the world?

Mr. VENKATARAMAN. Thank you, Ranking Member.

Well, first, I just wanted to add that showing up, really, in a lot of these countries means our companies showing up. It's important for our government to be there. It's important for us to be on the ground.

But it is equally important if not more important for our companies to show up because, at the end of the day, as my colleague from DFC mentioned, it is the private investment—it is the private companies that are going to effectuate change on the ground.

And so what we have done at the Commerce Department is make sure that we take what these—projects are available on the ground, bring them to our companies at home, bring them to these—to the continent or to other markets through our trade missions and through other vehicles where we show them these projects that they're aware of.

We introduce them to the government decisionmakers. We provide the opportunity for the U.S. private sector to see opportunity where they may not be aware of it and then these governments know that when American companies invest they do not invest for the short term.

They invest for the long term and they are able to make change on the ground in ways that are long lasting and are to the benefit of those economies.

Mr. MEEKS. Let me just say this, and I agree with the chairman again. I go from company—anybody that comes into my office, whatever company it is, financial institution, whatever, I ask them are they investing in Africa or in any of the emerging nations.

I've yet to find one that say, yes, I'm investing. Yes, I'm working with the DFC. I do not find anybody that says yes to me and, you know, it's puzzling. You know, we've talked about the cuts and there's no additions, you know, from the private sector.

It seems to me somebody would say, yes, I'm investing. So I yield back. But I couldn't agree with you more on that.

Chairman MCCAUL. Yes. I think you see this is a bipartisan point of view.

There are 13 votes on the House floor so the committee will stand in recess until after votes. Thank you.

[Recess.]

Chairman MCCAUL. I want to thank the witnesses for your patience during that long vote series and for staying here. The committee will come to order.

The chair now recognizes Mr. Smith.

Mr. SMITH. Thank you very, very much, Mr. Chairman, and for calling this important hearing.

Let me just ask a question because our last two—the chairman and the ranking member and, of course, Mr. Pyatt, you did mention it as well the importance of these minerals and—like lithium and cobalt.

As we all know, they're two of the world's most precious resources powering the lithium ion batteries which energize our phones, laptops, and EVs. Stable supplies are central to America's economic future as the International Energy Agency predicts a 40 and 20 fold increases in respective demand for lithium and cobalt by 2040.

The Democratic Republic of Congo—and I have been there like I know many of you have been there as well. I've been to Goma. We know that the mines are very seriously being exploited by the Chinese Communist Party.

Well, 70 percent of the world's cobalt is produced by DR Congo and excavation in newfound lithium deposits will begin this year. Typically, the often labor intensive artisanal mines rely on the toil of an estimated 40,000 children, some as young as six, working 12-hour days in gruesome conditions including exposure to life-threatening toxins, coercion, and physical abuse.

Despite pervasive victimization the People's Republic of China has heavily invested, as you know, in these cobalt and lithium reserves. PRC firms own 15 of the DRC's 19 mines, five of which hold lines of credit totaling $124 billion from PRC State-owned banks.

Instead of correcting the abuses multiple human rights watchdogs have reported that PRC investment coincided with a significant exponential increase in injuries and deaths and the possibility of even worse cover ups.

Now, I've been working on a bill now for several weeks that I hope to be introducing shortly called Countering China's Exploitation of Strategic Metals and Minerals in Child and Forced Labor in the Democratic Republic of Congo Act. It's a working title.

I did chair a hearing last July at which we heard from people from DR Congo and other human rights activists who talked about the savagery that's being imposed, all at the behest of the Chinese Communist Party.

And so, you know, and many of this—this cobalt and lithium, especially cobalt now, will find its way into our batteries and so what I'm asking, you know, if you could look at this bill.

I know that there are some initiatives you're taking. I'm meeting with our Ambassador to DR Congo tomorrow. I know she's in town, and I'm so happy to be doing that.

But the bill would enforce Section 307 of the Tariff Act of 1930, require the president to present an annual report to Congress on foreign persons found facilitating the exploitation of child labor in DRC mineral mining or evading—the evasion of U.S. importation laws and a number of other important provisions as well.

And I, you know, will share this with you. I hope that we can work together on coming up with a legislative initiative. But I also know that you're concerned about this as well.

Again, that hearing was an eye opener. I've had hearings on the mining industry many, many times in the past. But that one just blew me away to hear about these children who are dying, getting sick, getting cancers—you know, the inhalation issue, and then at the behest of the Chinese Communist Party, you know, the beatings that occurred in order to enforce compliance and hard-working conditions.

Your thoughts, Mr. Secretary?

Mr. PYATT. First of all, Congressman, thank you very much for devoting so much attention to this, for taking the trouble to go to DRC, for meeting with Ambassador Tamlyn.

Just showing up, as we have all talked about, is of critical importance. And then the other aspect of this issue, which Chairman McCaul alluded to in his opening statement, is the fact that China controls so much of the processing of these minerals as well.

So their business model is to extract raw minerals and then take all the processing and the value addition back to China and then to control the global supply chain.

We are trying to create, as both the chairman and the ranking member described, a better alternative. That's why we are, for instance, working with both DRC and Zambia on a battery MOU and a battery council to bring the governments together to identify opportunities to bring back to Africa more of the processing and the value addition and to create a real alternative to PRC's—to the PRC's role in this space.

The other thing I would really like to put a spotlight on today, and you alluded to it yourself, is the critical importance of these technologies to American economic competitiveness.

In this role I've met with Ford. I've met with GM. I've met with Tesla. All of our companies are chasing the EV marketplace because that's where consumers are going and China has used its years of investment in these upstream battery minerals resources in order to also dominate the larger story of electrification of vehicles.

And in my prepared statement I noted just the reporting last week from the Wall Street Journal putting a spotlight on the rise of Chinese auto manufacturers, companies that most Americans have never heard of like BYD or Chery Automotive and as I travel around the world it's concerning to me to see how much headway these companies are also making in grabbing market share.

So this is about strategic competition at the highest end of our respective economies and it's one where we're trying to build partnerships and also working not just with the resource-endowed countries but with other companies that have—other countries that have a similar outlook, allies like Japan, like Korea, like the European Union. So thank you.

Mr. SMITH. I thank you. I know I'm out of time. We'll look to work together because I think we need to have a united front on this, especially with so much exploitation and so much corruption.

Thank you. I yield back.

Chairman MCCAUL. The gentleman yields back.

The chair recognizes Mr. Sherman.

Mr. SHERMAN. Earlier in—at the early years of this century I chaired the subcommittee that oversaw what was then called OPIC, the least fortunately named organization in American government since it sounded so much like OPEC.

We—I was able to craft legislation to reauthorize OPIC. We got it through the House and I'm pleased that so many of its provisions are now in the charter of the Development Finance Corporation.

Mr. Chair, I look forward to working with you to make sure that the Development Finance Corporation is able to make equity investments.

President Biden in his 2024 budget includes a new mandatory proposal to outcompete the PRC including $2 billion of support for high-quality strategic hard infrastructure projects globally and $2 billion for a new revolving fund at the DFC to boost equity investments, and I look forward to working with you to make this a reality and it will have to go through our committee.

But one thing I might disagree with the chairman on is I'm not interested in advice from—these days from the government of Uganda. It is most famous around the world for calling for the—for passing legislation calling for the execution of people simply because they are part of the LGBT community.

[Side comments.]

Mr. SHERMAN. And I look forward to working with Mr. Meeks on our other committee to push for the creation of mutual funds that specialize in publicly traded companies based in Africa and give Americans a chance to invest in private equity companies that will focus on Africa.

There are six big differences between how we do business and China does business. First, we're a coalition of our government, our allies' governments, and truly independent private sector companies, and even when you just focus on the U.S. Government it's divided between two parties.

China is a one-party State and when it comes to the independence of their companies not so much. So it's one entity versus a coalition.

Second, we're opposed to corruption. That's why we have a Foreign Corrupt Practices Act. The Chinese are not only free to bribe, they do it and it was a subcommittee in this room where I presented the letter from the outgoing president of the Federated States of Micronesia where he details how his—people in his own government are being bribed by China.

One thing that concerns me is that we do almost nothing to publicize this and I'm not sure that our intel community is really getting us all the information they could on Chinese bribery.

Related to that is we're dedicated to democracy and the rule of law, which puts us at a real disadvantage in appealing and making alliances with those who want to be corrupt dictators in foreign countries.

We should have a strategic alliance with the peoples of those countries that would like to be governed by somebody other than a corrupt dictator. But, of course, we do not publicize that we have a Foreign Corrupt Practices Act and China has a practice of corruption. So we get no benefit.

We engage in genuine philanthropy. I'm going to ask our witnesses to raise their hands if they could give me a real example of where China did something just to help people and not for its own economic and strategic advantage.

And I see no hands going up to volunteer to answer that question.

Fourth, we care about climate. China funds new coal-fired plants. But I will point out for those who like to see coal-fired plants, et cetera, the biggest investors in the Third World in fossil fuels are American oil and mining companies.

And, finally, while China is crafty to make sure its foreign efforts advance its national interest, America, not so much.

We do almost nothing to publicize their role in climate versus ours, our role on democracy versus theirs, and especially the corruption, and I have not in 26 years been briefed by our Intel Community on the details they've been able to find where you can say this Chinese entity bribed this foreign leader. If they do not tell me they do not tell the world, and I'm not sure they're gathering it.

And finally, when it comes to being strategic, as the ranking member pointed out there are those pushing for a 31 percent cut in our foreign aid, foreign development, and diplomacy efforts. That is not strategic.

I do have a question, believe it or not, and that is China has these unfair loans. The question is why do countries pay them back.

Now, the number-one reason to pay China back is so you can get another loan from China. But if their first loan to you was an anathema that does not—the real reason I've been told they pay back is they do not want their bond ratings reduced. They want to be able to borrow from the international communities outside of China.

So I'll ask a reaction from our witnesses to a proposal where we would simply instruct the bond rating agencies that they cannot downgrade any country's debt rating because they decide to extend the middle finger in the direction of Beijing.

Do we have—is there a witness that wants to respond to that? And can you think of any other reason why a country that gets an unfair loan from China would choose to pay them back?

Mr. HERSCOWITZ. So I would agree with you that the terms of the loans are extremely unfavorable and I think it's not only the terms of the loans unfavorable but they also lack transparency and we look at countries like Zambia and Angola and the significant amount of debt that they owe to the PRC. It's just absolutely debilitating and it prevents the countries as well from taking on additional debt and so it makes it challenging for us.

It also leads into default on projects where their governments are guarantors and pushes them up against IMF debt.

Mr. SHERMAN. So is the answer to simply urge these countries——

Mr. HERSCOWITZ. So the answer—my answer, though, is this would be a question for the Treasury Department and not for DFC to opine on something like this.

Mr. SHERMAN. I look forward to taking that up and I look forward to our intel agencies briefing you as I certainly haven't—briefing us, as I know they haven't and in most—many cases exposing to the world the details of the incredible corruption that China pays for and supports while we do the opposite.

It's time for the people of the world to understand that. I yield back.

Chairman MCCAUL. The gentleman yields. The chair recognizes Mrs. Wagner.

Mrs. WAGNER. I thank you, Mr. Chairman, and I thank our witnesses for their service.

Members of this committee were among the very first to sound the alarm bells on China's insidious Belt and Road Initiative, Xi Jinping's plan to extend China's influence across the globe through predatory investments, debt trap diplomacy. We have just talked about an outright bribery and coercion.

China is no longer hiding the fact that it seeks to replace the United States of America as the world's dominant power. This would be an unmitigated disaster for human rights, international security, and global economic development.

America's allies and partners are eager for the U.S. to demonstrate leadership and commitment, specifically seeking assurances that the U.S. will remain present and engaged in the long term as they work to limit their reliance on China.

Assistant Secretary Venkataraman, how many Foreign Commercial Service officers do you have across Southeast Asia?

Mr. VENKATARAMAN. I do not have that exact number for you but I'd be happy to get that to you.

Mrs. WAGNER. The next question was going to be how many comparable PRC ministry of commerce staffers are in the same region?

Mr. VENKATARAMAN. I can tell you it's a lot more——

Mrs. WAGNER. OK. Well, that's good to know. I'd like to know how many we have and if there's a way to find a comparable number that represents that it's a lot more, you know, because the point is is the FSC's Southeast Asia presence—is it sufficient to help U.S. businesses compete with PRC entities? I assume the answer is no.

Mr. VENKATARAMAN. The short answer is no.

Mrs. WAGNER. Yes.

Mr. VENKATARAMAN. We—as you know, we—the President has put forward a budget that reflects expansion—excuse me, an expansion of the Foreign Commercial Service precisely for this reason and the Indo-Pacific is one area where we need to strengthen our presence to do a better job.

Mrs. WAGNER. If you could get us those numbers I'd appreciate it.

Mr. VENKATARAMAN. I sure will.

Mrs. WAGNER. Many Pacific Island countries are so small that they struggle to attract private sector investments in essential services like banking.

Again, Assistant Secretary Venkataraman, are you concerned that Pacific Island countries will have no choice but to partner with Chinese entities to access, let's say, banking or IT, any other critical industries?

Are you seeing any efforts from the U.S. businesses in the banking industry competing for bids in the Pacific Islands and how are you encouraging those efforts?

Mr. VENKATARAMAN. Thank you, Congresswoman, and I can tell you that I cannot speak directly to the banking industry but I will tell you I share your concern very much about American companies being present and visible in the Pacific Island countries and we are already taking steps to change that situation on the ground.

We, in the past year, have added our first two permanent positions in the Pacific Island countries so that we have commerce representation on the ground. We are looking very closely at what additional representation might be required.

Last September Secretary Raimondo also announced the launching of negotiations on bilateral MOUs with these countries so that we could strengthen the commercial partnerships and really work on setting the right conditions and creating these interagency frameworks where we can make sure that the conditions are right for American companies to go in and I would assume that would include the banking companies.

Mrs. WAGNER. OK. Well, as a followup, Assistant Secretary Venkataraman, in areas across the Pacific Island countries where there isn't a U.S. Global Markets office but there is a Chinese ministry of commerce, you know, what are we doing to mitigate the gap?

And you said you've got the presence now of at least two. Is that right?

Mr. VENKATARAMAN. Yes. And, Congresswoman, I should say that while we are speaking about the presence of those two on the ground the Pacific Island countries are not in any way ignored by the Foreign Commercial Service.

We do have a team out of Australia that does cover that region. So while they're not present in all of the Pacific Island countries those countries are very much part of our attention and particularly as we negotiate these MOUs they are top of mind.

Mrs. WAGNER. In 2018 China laid out an ambitious plan to extend the Belt and Road Initiative to the Arctic.

Assistant Secretary Pyatt, how well has China's plan been able to—how well have they been able to implement this plan and is State tracking any PRC natural resource exploitation in the Arctic?

Secretary Pyatt?

Mr. PYATT. Thank you for the question, Congresswoman.

I should note, as I said in my statement, I was recently in Alaska and had the opportunity to talk with Governor Dunleavy and some of our mining companies active there about all that they are doing working with other Arctic States and dealing with both the challenges that that region is facing because of a changing climate but also with the opportunities and, in particular, the opportunities attached to the energy transition and the tremendous growth in demand for minerals that we're going to see as a result of that.

I do not have any specifics for you know on your question——

Mrs. WAGNER. So you do not whether China's plan, which is very specific, to extend their Belt and Road Initiative into the Arctic—you do not know anything about that plan——

Mr. PYATT. No, I am—we are certainly conscious of the plan. That is why we have been engaged as forcefully and as systematically as we have been.

Mrs. WAGNER. And how is it that you've been engaged?

Mr. PYATT. For instance, our new consulate in Nuuk, the work that we have done with our Arctic partners.

I was part of a conversation that Secretary Blinken's counselor, Counselor Chollet, led at the U.N. General Assembly with all of our partners in the Arctic Council other than Russia, of course, to talk about some of these issues and the opportunity that it represents.

I think we're actually in relatively good shape in this area precisely because we have these partnerships, and if I can allude quickly, Congresswoman, to your question about the South Pacific islands as well.

I think the United States' greatest strength in working on these issues and dealing with the challenge that China represents is the fact that we're not doing this alone. We're doing it with allies and partners.

In the South Pacific we're working closely with Australia, with New Zealand——

Mrs. WAGNER. Yes. New Zealand—I'm very aware of that.

Mr. PYATT [continuing]. In the Arctic. We're doing it closely with our NATO allies, with Canada, of course and as I said with our State of Alaska.

So we need to continue to invest in those kind of partnerships and that's how we deal with the challenge that China presents.

Mrs. WAGNER. I'm way over my time. I apologize to the chair and I yield back. Thank you.

Chairman MCCAUL. The gentlelady yields. The chair recognizes Ms. Wild.

Ms. WILD. Thank you, Mr. Chairman.

I'd like to start with a question to Mr. Herscowitz. One of the—one aspect of the PRC's authoritarianism that I find particularly egregious and troubling is its use of forced labor and widespread labor violations, which I believe have been very well documented, and I think that one of the, hopefully, competitive advantages that we should have abroad is in contrasting that PRC record with our approach to not only affirmatively embracing worker safety and rights but also prioritizing hiring local workers, which my understanding is has not been something that the PRC has done, although I've also heard that perhaps they've started to hire more local workers, for instance, in Africa. I may be wrong about that.

But you in your testimony write while the PRC often brings in its own labor force on projects, even having operations manuals written in Chinese, the projects we support create local jobs, bring more people into the formal economy, and train workers so they can build skills, all of which help promote economic opportunities and prevent migration or participation in illicit activities.

Can you tell us a specific example of this approach and how it's been successful?

Mr. HERSCOWITZ. Sure. I'm glad that you brought up my old testimony because I was thinking that maybe they've been listening to my testimony and suddenly they're doing some window dressing and hiring some more local employees.

I spent 6 years living on the African continent traveling to a significant number of the countries and I've been back to Africa, I think, four or five times this year and I always look at this issue and ask about this issue.

To give you a specific example, I spoke in my—earlier about a project that we're going to be financing in Ecuador to build a port and that port alone will create about, I think, 1,250 jobs.

One of the things that's important to remember is that for U.S. companies in particular it's expensive to bring your own labor. So even I was—I explained to African countries, like, we're not trying to take over your local—we want to build skills. We want to have good partners.

I visited a project in Burundi recently that DFC is participating in. It's a solar array. It's the first—it's like the largest provider of power in Burundi right now, one of the poorest countries in the world and I was really impressed. It's an American-Israeli company called Gigawatt Global. All of the people who worked at that solar array were local Africans.

And so this is the model that people see and this is why they want more of it because we look to train and empower local staff.

In fact, one of the things that we did early on with Power Africa is we created a program to train young women in Africa to power in leadership positions and we have watched how these women have gone into senior positions in utilities and elsewhere.

So that's what we offer that the PRC does not. We offer the ability to have true partnerships, build capacity, and make sure that the people who are running the projects are in control of their own resources and building that mutual trust.

Ms. WILD. OK. I'm going to stay with you because I want to get to another question and that is on the impact of failed BRI projects, some of which have very publicly failed and in some cases, like in Sri Lanka, the—their failures have even resulted in public backlash, as I understand it, against the Chinese government.

We have continued to hear about infrastructure projects that have had construction problems, are financially unprofitable, and added to the host nation's debt burdens. What has been the result of those failed projects in terms of China's reputation at large and whether it's—and the growth or not of its influence in these countries?

Mr. HERSCOWITZ. So there are failed projects and a lot of it's anecdotal but a lot of it's real and I think there's been a lot published, for example, about the Coca Codo Dam project in Ecuador which has cracks in it.

There's other hydro projects built by Sinohydro that have cracks in them and now governments need to fix them. Roads that are falling apart as well. Even the African Union building that the Chinese built had all kinds of issues with it.

So everybody knows it and they laugh about it a little bit because they know that they're not getting the best quality and they want U.S. companies, and one of the projects—and I know I just spoke about Ecuador but I'll talk about it again.

DFC recently approved a 200 megawatt solar project in Ecuador, which is a massive solar project for Latin America. Chile has got some really large solar but that's really huge for Ecuador and that's going to offer less expensive power and, in some ways, more reliable power than what you're getting from that hydro project. But there are quite a few out there that are problematic and it's causing significant reputational harm to the PRC.

Ms. WILD. OK. Thank you very much. I yield back.

Chairman MCCAUL. The gentlelady yields.

The chair recognizes Ms. Radewagen.

Ms. RADEWAGEN. Thank you, Mr. Chairman.

[Speaks foreign language.] Good afternoon. I want to thank you all for being here today.

I want to focus on some of the loans that the PRC is making to small nations, and just following up on Mrs. Wagner's question about specific island nations and thank you for mentioning that.

About a week and a half ago I was in independent Samoa and their airport was built using BRI funds. Now, when my good friend, Prime Minister Afioga Fiame Naomi Mata'afa was elected to lead independent Samoa she canceled many of these BRI projects in independent Samoa before they actually destroyed Samoa's economy.

So Mr. Herscowitz, my first question is for you. There have been reports and trends that PRC investment into BRI is suffering due to their heavy saturation of loans. Has DFC outlined or explored any plans to capitalize on this opportunity? And if so, can you share some of the details?

Mr. HERSCOWITZ. So DFC is an important tool for the U.S. Government in trying to provide support in the Pacific Islands.

It's a challenging place to work, as has been highlighted, because a lot of the economies are quite small and so we're even looking at how we can support some of the islands on a regional basis.

I met with one of the ministers from Tuvalu recently at the—at the Least Developed Countries Conference and just talking about what we can do, and it's such a small population there and we're looking at if there were ways for us to support even the development banks in that country or at least a regional development bank.

A significant project, though, and I think one of my colleagues mentioned that—it's been mentioned—our collaboration with partners who are very active in the region like Australia, like Japan, was the work that we have just done in Papua New Guinea to basically upgrade a 5G network, which outbid a Chinese bidder as well and that was collaboration with the Japanese government and Australian governments. We are constantly looking for these types of opportunities but there's always more we can all do.

Ms. RADEWAGEN. Thank you. And as a followup—and you can all answer but I may not have enough time—can any of you share all the current bids for strategic projects that are ports, undersea cables, and telecommunications systems?

Mr. HERSCOWITZ. I do not think we have that—do you have—I do not know if Commerce tracks this. One of the—go ahead. I'll defer to you first.

Mr. VENKATARAMAN. Yes. I cannot provide an answer on that right now. We'd be happy to look into it. We might have some information that's on point or at least gets us close to some of that information that our deal teams might be tracking. But we'd be happy to followup.

Ms. RADEWAGEN. OK. Mr. Secretary?

Mr. PYATT. So I think what I would highlight in this area in particular are the opportunities around new energy technologies, and as Andy pointed out, these are very small economies. Most of their power historically, as you know, has come from diesel generators systems that aren't very clean.

But now the technology is evolving and so we're working with partners including both DFC but also with American companies. I should also point out that I was very pleased that earlier this year one of my deputies, our Deputy Assistant Secretary Laura Lochman, was in the Pacific Islands talking about exactly these issues of technological opportunity but also trying to build partnerships.

Ms. RADEWAGEN. Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman MCCAUL. The gentlelady yields back.

The chair recognizes Mr. Schneider.

Mr. SCHNEIDER. Thank you, Mr. Chairman. I want to thank the witnesses for sharing your perspective today.

Assistant Secretary Pyatt, it's good to see you. I last saw you in Greece seems like forever ago. But it's good to be here.

Obviously, what we're talking about is a critical issue and making sure the United States maintains its leadership role and are able to stand up against the BRI. I want to kind of walk through an intellectual exercise for a second, though.

If there was no Belt and Road Initiative what would be our international priorities within the context of building relationships and assuring U.S. alliances?

And maybe, Mr. Herscowitz, I'll start with you.

Mr. HERSCOWITZ. So I would start by saying that prior to the Belt and Road Initiative the U.S. Government has for a long time invested a significant amount in developing countries, going back to the Marshall Plan and doing it for the right reasons because we see developing countries as our partners and we see that it benefits Americans when the countries throughout the world are in a better place economically and that people are well educated, they have access to health care.

So whether it was through USAID or OPIC or DFC the work that we have been doing has been building the partnerships that we have had and it's helped build the reputation of the United States to where it is internationally today.

We can continue to do more but I would just submit that we would—we have been doing this work and we can do more and we can do it better.

Mr. SCHNEIDER. Assistant Secretary Venkataraman?

Mr. VENKATARAMAN. I would just echo that to say that our focus even without Belt and Road would be on the emerging markets where that is the locus of economic growth. That is where U.S. business sees a significant opportunity. That's where the middle classes are growing and that's where we would be still.

Mr. SCHNEIDER. And Assistant Secretary Pyatt?

Mr. PYATT. On the energy and climate issues that I'm responsible for, Congressman, much is guided by the priorities that Secretary Blinken has given us.

The top of that list is the competition with our two great adversaries, the PRC and Russia, and then another critically important consideration, again, in the energy and climate space is the large developing countries that are going to have such a decisive impact on how successful we are in managing the climate crisis—so India, Pakistan, Bangladesh, Nigeria, where I'm traveling this weekend, Indonesia, these are of critical importance—and then also I would say influenced significantly by what we hear from Congress and the priorities that this committee and the Foreign Relations Committee give us in terms of areas of particular focus.

Mr. SCHNEIDER. And I was looking at some of the numbers and the materials we had in preparing for this hearing and it struck me our direct investment—foreign direct investment of China over the 20 years, 2001 to 2021, grew from $34 billion to $2.6 trillion, a 76 times increment.

The United States is still significantly larger. We're at $9.8 trillion FDI in 2021, four times China's, but our relative share of the global total has dropped from 32 to 23 percent.

But I think one of our superpowers as a nation is our alliances—we have talked a little bit about this here—is our ability to bring others together. I think each of you have talked about this of how we—working with others and the relationships we build with the countries we partner with and the countries we're investing in.

And the reason I asked about what if there was no Belt and Road I think there's overlap. Even if China wasn't doing what it was doing we would still be doing what we are doing because it serves our interests. It serves our national interest. Our strategic interests are served making sure that China does not continue to grow.

In the minute we have left, and maybe I'll start with Assistant Secretary Pyatt, coming the other direction, what are the most important things? You mentioned the role or positions coming out of Congress.

What do we have to make sure that we address and what do we need to say or do to make sure that you all are successful, that the United States continues to be successful on the global stage?

Mr. PYATT. So, Congressman, if I can just circle back to Ranking Member Meeks' point, and we had a powerful presentation yesterday to our Ambassadors, also from Senator Coons and Senator Graham, who talked a little bit from the Senate side, their perspectives on where the budget debate stands and the potential repercussions for the State Department's operational budget.

And so I think giving us the resources that we need, and as I said earlier, I was so grateful to hear about the engagement with

Ambassador Tamlyn in DRC, which is a critically important country in this energy transition game.

But it's also an embassy that's operating right at the fringes in terms of their operational effectiveness for resource reasons.

Mr. SCHNEIDER. Anybody else?

Mr. HERSCOWITZ. I just wanted to add that one of the most powerful changes that I thought took place when DFC was established in contrast with OPIC is opening up the ability for DFC to work not only with U.S. companies what that's done is it's opened the door for us to work with companies from—both local companies.

From a development standpoint you build long-term sustainability but with like-minded partners as well and the reason why intuitively it seems like that does not favor U.S. companies it actually does because when we're in on a project early it gives us an opportunity to find out who the EPC contractor was going to be, who the vendors are going to be, so that we can then pass trade leads on to the Commerce Department so that U.S. companies can get in there.

OPIC had a vast majority of its business with a relatively small number of companies. I'm really proud of the fact that over the last 3 years DFC has added at least, I think, 200 or so new clients and I think that's really making a big difference in terms of our collaboration with like-minded partners and making sure that the U.S. has some touch in terms of what's going on in countries.

Mr. SCHNEIDER. Thank you. I do not want to take—I'm over time but if—with permission if you want to add anything or——

Chairman MCCAUL. Very briefly.

Mr. SCHNEIDER. OK.

Chairman MCCAUL. We have a congressional baseball game tonight.

Mr. SCHNEIDER. Thank you for the extra time and, Chairman McCaul, thank you for having this hearing. This as a critical issue that we need to stay united in a single voice here.

Thank you very much.

Chairman MCCAUL. The gentleman yields. The chair recognizes Mr. Davidson.

Mr. DAVIDSON. I thank the Chairman. I thank the witnesses I appreciate you guys being here and the work that you're at least supposed to focus on. Hopefully, we'll find 100 percent alignment.

Does the Administration assess that our partners and allies in the Western Hemisphere are in alignment with the United States on the need to address the threats posed by China?

Mr. VENKATARAMAN. Thank you, Congressman. I think there are different perspectives throughout the hemisphere on this question. I think what we hear most often is that our trading partners will look to China for assistance with certain projects and for that investment that does come from China.

But it is also the case that many of our trading partners in the region do understand some of the risks associated with that investment or with that——

Mr. DAVIDSON. I mean, it's great that they understand the risks but, nevertheless, they do not assess China as a significant threat. They're continuing to actually increase their ties with the United—

with China and in some cases diminish their ties with the United States.

I'm glad you recognize that and acknowledge it. I guess my concern is that the Administration seems OK with it and I'll point out that during a background press call on the Summit of the Americas a senior White House official said, quote, "Any country that is investing in the economic prosperity, security, and social wellbeing of the countries of the region are advancing U.S. national security interests and are welcome as far as we're concerned."

That does not sound like there is a policy from the United States to counter China's influence. It seems like it's inviting it like, hey, I do not know. If you're going to invest and grow the economy here come on over.

That's concerning. This official also quoted National Security Adviser Jake Sullivan, who said on a previous occasion, quote, "We're not asking the countries of the region to choose between the United States and China."

Is it the policy of the Biden Administration to permit the Chinese Communist Party to expand their malign influence in the Western Hemisphere? Is that a policy position?

Mr. VENKATARAMAN. Congressman, I would just say that we spend every day pushing back on that. That was what we do with our American companies.

We provide these governments in the region with an alternative to what is presented by China. So we are not in the business of standing back and letting China take over the Western Hemisphere with their investments.

Mr. DAVIDSON. Mr. Pyatt?

Mr. PYATT. Congressman, the policy of the United States is to invest, align, and compete and we're competing every single day with the PRC, including here in the Western Hemisphere.

I mentioned earlier my travel recently to Guyana, a small developing country that has just discovered 11 billion barrels equivalent of oil and gas.

The conversations I had there everybody used the phrase that China was a partner of necessity, not a partner of choice. There was great appreciation for the fact that I was there, the most senior U.S. official to go to that country in a long time.

Mr. DAVIDSON. Thank you. Mr. Herscowitz?

Mr. HERSCOWITZ. It's part of DFC's mandate, a key part of our mandate, to counter malign influence and to use private sector solutions to advance development and the strategic interests of the United States.

Mr. DAVIDSON. Is China's influence malign?

Mr. HERSCOWITZ. Absolutely.

Mr. DAVIDSON. All right. I'm glad we agree.

This is encouraging, because some of the statements, as I said, lends credibility to the idea that the Biden Administration may not have a formal policy that's OK with the Chinese Communist Party growing their influence in the Central and South America and the Western Hemisphere.

It's certainly happening. It is happening, right? I mean, China's influence in the region is growing, right? Does anyone disagree with that? Everyone agrees?

So we're not succeeding, you know, so—you know, I'm concerned about that. I'll just close on natural resources. Control of national resources critical to maintain power and leverage and the People's Republic of China has choke points and limitations on some of these.

You know, you mentioned Guyana but we're also concerned about rare earth minerals and, you know, maybe not quite rare earth, whether you're talking around the world—cobalt, lithium, the things that are going, frankly, out of the green new deal that the Biden ministration loves. They're driving investment into China, into areas that China has garnered market.

So when you look inside the Western Hemisphere are our policies effectively allowing China's influence to grow or are we doing things to counter it?

Mr. PYATT. Congressman, we are working very hard to counter it, including with the Lithium Triangle countries that you alluded to, working with Argentina, working with Chile, working here in the—in the near neighborhood including, of course, with Mexico.

So our intent is to respond to the opportunities that the energy transition represents and I would suggest to you, Congressman, that the growth in demand that we're seeing for those battery minerals is not coming so much because of any government's policy.

It's becoming because of consumer choice and that's certainly what I hear when I talk to Ford or General Motors——

Mr. DAVIDSON. Interesting perspective. I yield my time.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Mr. Castro.

Mr. CASTRO. Thank you, Chairman. I thank all of you for your testimony today and for being with us.

I've often said that the United States should engage in competition with China, when necessary prioritize our sources of strength at home and provide funding to countries that need our support.

The United States has an opportunity to present ourselves as a viable and better partner for the realities many nations face. To succeed, the United States must regain confidence with other countries and discourage actions that undermine agreed norms.

So, in other words, competition between the United States and China should be fair. China should be able to compete with the United States without cheating the world and the Development Finance Corporation is a critical tool for the United States, which I strongly support.

But I would caution the Administration in tying the DFC too closely to U.S.-China competition, and we saw with the Millennium Challenge Corporation's experiences in Nepal and Sri Lanka. Giving the impression that our development efforts are intended to counter China paints a big target on the backs of our work and can be counterproductive.

So for my questions, Mr. Herscowitz, you testified that the DFC is working on improving its overall capabilities and recognizing—organizing its structure to counter the Belt and Road Initiative.

The DFC is first and foremost a development agency. I understand the pressures to finance projects that provide alternatives to the PRC but in doing so the DFC cannot lose sight of the development mandate that the law requires.

How do you view your role as the chief development officer in ensuring the DFC does not lose sight of its development mandate?

Mr. HERSCOWITZ. So let me start by saying that I'm really pleased of the direction that DFC has taken and the progress that it's made over the last few years in terms of making sure that every single project that we do is evaluated for its development impact, and development impact and strategic interest tend to be mutually reinforcing as well.

And so when we look at every project it's evaluated using a system that gives it different values, depending on how many people are going to benefit, whether it's innovative, whether it's to promote economic growth.

It happens with every single project and I've watched the quality of those projects from a development standpoint increasingly improve. I see us reaching into areas that are tougher places to work.

I view DFC's mandate to be, yes, to counter influence of PRC and other malign influence but it's also to make sure that we're reaching some of the most underserved populations.

And why is that important? Why do countries swing back and forth from left and right in Latin America? I spent 12 years living in Latin America. I've lived in South America, Central America. I've lived in Nicaragua. I've lived in the Caribbean.

Why do they do it? Because they're not necessarily catering to the populations who are underserved who vote for their presidents and as they see that they are left behind they continue to vote in the other direction and that's just basic politics.

And so what DFC is doing is looking at how we can reach the underserved populations in a lot of these countries, whether it's indigenous groups or Afro-descendant populations in South America, to make sure that we see greater stability and that people get jobs and we're not dealing with as many people who want to migrate across the border to the U.S.

Creating jobs and making sure that people are happy where they are is what creates stable——

Mr. CASTRO. Sure——

Mr. HERSCOWITZ [continuing]. For us.

Mr. CASTRO. No, and I'm encouraged to hear that. I'm encouraged with many of the projects that DFC has taken on. But I just want to reiterate that the main mission of the DFC is not to be reactionary to China.

That's not the main mission of the DFC, and the danger there is that we start following what China does and only investing in countries where China is making a play, so to speak, and I do not want us to get to that point.

But let me—let me move on to my second question. During the last Congress I led an effort with my colleagues on this committee to change how equity appropriations to the DFC are scored so we can treat equity appropriations fairly and unlock more resources.

I was glad to see this proposal raised by Secretary Blinken at the budget hearing earlier this year. What would changing how equity appropriations are treated do to help the United States' development priorities and provide alternatives to PRC financing?

Mr. HERSCOWITZ. I think most people in this room agree that the equity authority that was given to DFC was a great new authority but that we haven't been able to deploy it for reasons that nobody anticipated and that has to do with how equity is scored, which means that when we make an equity investment it gets treated as if it's a grant. It's assuming that we're going to lose all that money and everybody knows that's not the case.

When you make an equity investment often you get the greatest return of any type of investment. Solving this issue is going to—would have would have a dramatic impact.

First of all, it will allow us to get involved in—and I'm going to mention the strategic first—strategic projects where there's a lot of risk, whether it's mining or geothermal projects.

There's a lot of up front sunken costs where people do not want to give them loans and you need to be able to get that equity in there and demonstrate some success over time.

But it's also designed to help reach those small businesses, those entrepreneurs who have the good ideas, who cannot go to a bank right away and if you can give a——

Mr. CASTRO. Sure.

Mr. HERSCOWITZ [continuing]. Full amount of equity to them that helps them grow their business.

Mr. CASTRO. I apologize. I've run out of time. I know that people want to ask their questions. But thank you so much for your answers. I yield back.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Mr. Hill.

Mr. HILL. Mr. Chairman, thank you for holding this hearing, and it certainly echoes the work we do over on House Financial Services Committee as well in trying to strategize and work collectively with our friends here on the House Foreign Affairs on countering Belt and Road and one of the key things is China not being a member of the Paris Club is just not an acceptable reality.

We need those of you engaged at—in the Foreign Commercial Service and at State advocating that in the interagency to really press the U.S. to press China to join the Paris Club for debt restructuring so we have fewer Ecuadors, fewer Sri Lankas, fewer catastrophic situations.

I do not want to belabor that fact but we know about the predatory loan process of China. We know about their lack of transparent lending, their predatory terms, and all these things are things that this Congress have been active on.

My Chinese Debt Transparency Act was signed into law in 2020. Young Kim's bill, PRC Is Not a Developing Country Act, passed the House in March. So we are taking actions to counter this.

But we need to build a consensus within the U.S. Government, American business, and our allies and partners around the world on how best to counter it, and on the House Intelligence Committee I work—in my area of geography I work in Africa and I was on a CODEL to the Republic of Congo in 2017 And everywhere we went in that little place—corner of the world, where we only have 14 people in our embassy, by the way, you see millions of dollars' worth of Chinese construction.

They built elaborate concrete bridges, freeways, sporting complexes, and even the Presidential palace and the foreign ministry building, and we were directed, oh, go up this beautiful highway and we did.

We drove this highway. It goes to this major new Chinese-built construction project of our community college and we come to the end of the road because the road is just purely a Potemkin Village fake concrete freeway and it goes to this beautiful campus.

From the distance you see these white buildings on the green hillside and guess what? It's—there's nothing there. They're just empty concrete buildings built by China. There are no students. There's no teachers. There's nothing.

There's not even a Chinese restaurant in the country. I mean, they left nothing except deteriorating concrete that as you know you would not have in any way, shape, or form.

So in addition to predatory terms of Belt and Road the construction techniques are bad. So what are we doing to—with countries in the Global South to inform them?

What are you doing in your daily work to inform the countries in the Global South about the dangers of financing things from China and using Chinese construction companies?

Who wants to start on that?

Mr. PYATT. Congressman, I can start with that one and just to say both in my former Ambassadorial role but also knowing what my colleagues around the world are doing one of our most powerful weapons on that kind of advocacy that you've described are our Ambassadors who are on the ground every single day making exactly that point and bringing to the table the better offer that Secretary Blinken talks about all the time.

And thank you for raising the debt issue, and I would cite an example right next door to where you were in DRC in Zambia, a reforming government that has not been able to extract concessions from the PRC on its debt overhang.

And if you will excuse one more example from Guyana, which I mentioned to Congressman Davidson just a minute ago, when I was in—when I was in Georgetown there too you have an airport that was built by the Chinese.

It was so shoddy that the president actually went out to the airport and was pointing out all of the defective air conditioning and jetways and other problems. They also built the building that the parliament meets in.

So we have an adversary there. But I was also very encouraged because today it's Bechtel that's developing the construction plans for the new highways and the new ports and the new—the new waterfront.

Mr. HILL. Thank you.

Let me, in my remaining time, do all of you support an all of the above energy strategy for financing by U.S. Government financing arms? Yes or no—do you support nuclear financing?

Mr. HERSCOWITZ. Yes.

Mr. HILL. Do you support oil and gas finance?

Mr. HERSCOWITZ. We support whatever project is appropriate for the situation in a country and that's what we look at. We are market driven and we're financing fossil fuel projects.

We're looking at nuclear—we changed our nuclear policy. We're looking at nuclear policy. We also look at geothermal, solar, hydro——

Mr. HILL. Sure. I'm not saying look——

Mr. HERSCOWITZ [continuing]. Looking at—we look at——

Mr. HILL. So you support an all of the above energy strategy for multilateral assets of the U.S., how we participate in the——

Mr. HERSCOWITZ. So for us we're generally supporting, you know, IPP—you know, independent power projects. So we look at whether this project is going to be commercially viable and whether it makes the most sense for the country. So we financed a gas project in Sierra Leone just 2 years——

Mr. HILL. Thank you. If you have other thoughts on that I'd like you to respond in writing. And my time's expired and I thank the chairman for his largesse.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Mr. Jackson.

Mr. JACKSON OF ILLINOIS. Thank you, Mr. Chairman. Thank you for your testimoneys this afternoon.

In light of the potential Fiscal Year 2024 operations bill, if there are cuts—draconian cuts to our foreign assistance by $18 billion—30 percent—can you share with me how that will affect your outlook and what challenges we'll be confronting in your operations in Africa?

Mr. PYATT. Congressman, I'll just say we have just begun that conversation at the State Department but there will be a severe impact including a negative impact on our ability to engage in the competition with China that we have been talking about this afternoon.

Mr. JACKSON OF ILLINOIS. Can you be specific in which regions? If we had to look at a 30 percent cut where would we divest ourselves of, where would we concentrate, reallocate our resources in light of the potential cut?

This is on the table now. This is realistic that it's being proposed to have a 30 percent cut.

Mr. PYATT. Congressman, as far as I know, on the State Department side we have not begun that rack and stack exercise.

But as I mentioned earlier, we had a presentation yesterday from Senator Coons and Senator Graham, which made very clear that this would—be this would have a significant impact on the effectiveness of our diplomacy.

Mr. JACKSON OF ILLINOIS. Thank you. Would anyone else like to comment?

Mr. VENKATARAMAN. Thank you, Congressman. I would just say that we do not have a specific answer for you on that point but I do know that that is something we'd have to consult very closely with our colleagues at the State Department, in particular with respect to the operations of our foreign field.

Mr. HERSCOWITZ. In terms of DFC, any reduction in our budget is going to impact our ability to make investments. It's going to impact our ability to have more people overseas and to invest overseas as well. So it will have—any reduction will have a direct impact.

Mr. JACKSON OF ILLINOIS. Thank you so much.

So as we are talking about as their influence grows and we are entertaining the possibility of reducing our ability to give you funding, let's think of a blue sky. What would you like to see the funding level increase to to give you all the tools and support that you need to attract U.S. business?

And from my personal travels in Africa and experience they would love to do business with Americans but we haven't extended the hand, shall we say.

They've not been a priority and under the previous Administration we did not fund the embassies, we did not staff them, and many people in the continent were left with no other choice. How do we make up time and lost ground?

Mr. PYATT. So, Congressman, I'll—thank you for that question and I'll give you a specific response in the case of the State Department and the ENR Bureau.

The President's budget proposal includes $35.5 million for programs in the area of critical minerals and our ability to compete in that space, and a lot of that resource would go to Africa because that's where so many of the minerals are.

Mr. JACKSON OF ILLINOIS. Anyone else like to comment?

Thank you. I yield back my time, Mr. Chairman.

Chairman MCCAUL. The gentleman yields back.

The chair recognizes Mr. Baird.

Mr. BAIRD. Thank you, Mr. Chairman, and thank the witnesses for being here today. Appreciate your comments.

You know, the CCP's Belt and Road, and we have been talking about that all evening, has led to a tremendous amount of Chinese influence in Africa, including the countries of Kenya, Namibia, Zimbabwe, Mozambique, Congo, and many more.

So the Chinese have made it clear that Africa is a key part of their BRI and they leverage investments backed by collateral and commitments that is implemented in such a way that it's almost impossible to repay and, you know, this impacts American agriculture and American production because what they are doing in these countries is trying to gain access to the land and the production of food and so that impacts the American agriculture.

And on top of that, they have built four military ports in 2022 and they did not have any in 2021. So this is an obvious attempt for China to expand its military presence. So my question is this.

Eight out of 10 of these countries that are afforded the highest levels of Chinese diplomatic partnerships are eligible for AGOA—the African Growth Opportunity Act.

So my question is what is it—what are we doing, what's the Administration doing, to effectively counter Chinese involvement with these countries that have duty-free access to the U.S. market?

Mr. VENKATARAMAN. Thank you, Congressman. I know that the Administration is taking a very close look at AGOA but that is a question that I would defer to my colleagues at USTR.

Mr. HERSCOWITZ. One of the most important things that DFC has been doing, in my opinion, has been the growth of its food security and agriculture portfolio. When I arrived at DFC a few years ago we had very, very few deals.

We have now grown our portfolio to be doing almost a billion dollars of transactions that have been approved in the last 3 years and most of those transactions are benefiting smallholder farmers.

I mean, when you have smallholder farmers who are getting access to credit it puts them in a position also to push back on the influence of others who are going to come and try to buy their land.

So I'm actually really quite proud of the work that DFC has been doing to support smallholder farmers throughout Africa and all over the world.

Mr. BAIRD. Anyone else?

My next question then focuses on the digital Silk Road and, you know, China's involvement in Africa that Huawei has got, what, 70 percent of the 4G network. And so I think it's important that we counteract some of their activities there.

So I just ask how the department is monitoring the supply chain to ensure that American components do not end up in products which ultimately end up used to spy on African citizens.

Mr. PYATT. Congressman, maybe I'll take that one and again refer back to my experience as a chief of mission overseas and the work that we did during the Trump Administration to really raise consciousness regarding the vulnerabilities that some of Huawei's 5G systems bring along and the ability that our embassies overseas have had to bring in the technical experts who could have the conversations with the intelligence counterparts, with the telecommunications executives.

But it also comes back to the point of having a competitive alternative product and it's not in my ENR responsibilities today.

But I am quite aware that there's significant effort across the U.S. Government to figure out how we bring American and Western alternatives to the table to compete, including in this space around advanced telecommunications.

Mr. HERSCOWITZ. So I just wanted to add that while the PRC is extremely competitive with Huawei and that type of equipment, which is problematic for us, I mentioned the project that we supported working with the Australians and the Japanese and Papua New Guinea.

We did a project in Brazil, the Smart Rio Transaction, where we're helping build out smart cities that'll provide some level of digitization and wifi access using non-PRC equipment.

And then we're doing a lot of work with data centers as well. In Africa, we'd provide a $300 million loan to Africa data centers because where you store all that data it's increasingly important that that's secure in a way. And so that's another area of growth for DFC.

Mr. BAIRD. Thank you, and my time is up. So thank you, Mr. Chairman. I yield back.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Mr. Keating.

Mr. KEATING. Thank you, Mr. Chairman. I'd like to thank our witnesses for their patience, going through all those roll calls and waiting here and still here to provide us some insight. I really appreciate that.

There's been—this has gone over before in some respects but I think it's important to emphasize too I agree with the comments before that we're not there the way that—when I talked to our allies and Africa in particular, talk to them, they said, you just—we want you to be our partners. You're not there.

And but if we're going to put a—you know, if we're going to be there and we're going to put ourselves on the field you have to fund a team and I'm concerned about—and I do not think it's all the Republican members here but there are Republican proposals that went through that would have had the effect of 22 percent budget cut on USAID, Commerce, State Department.

And if you could briefly just say—the Chinese aren't cutting their investment by that amount in terms of doing this—that this really puts us at a competitive disadvantage that we have to deal with.

So without going into too much detail that's a—that cut would really hamper what you're trying to do overall in continents like Africa and the countries there, correct?

Mr. PYATT. Severely.

Mr. KEATING. Yes, and I think that's—if we're going to be competitive we have to fund the team on the ground.

But we do have advantages. You know, the Chinese with their plans, besides the predatory loans, promises of local employment and then bringing in their own people, in the macro sense they're coming out with a lot of profits out of this.

They are in effect taking the rare earth, the minerals, shipping them, and the rest of the processing is being done elsewhere. So, in effect, they're probably leaving those countries with 20 percent of the profit they could get.

The U.S., on the other hand, with the efforts that you're working on we want to really try and encourage growth in the country so these other types of manufacturing, these other kinds of processing, the other parts of their economy will benefit and they could probably get, like, 80 percent instead of 20 percent.

So we're going to be successful if we have the tools to do it, I believe, and we should never forget that. China has certain advantages but so do we and I think we're dealing from a stronger position and, hopefully, we'll take advantage of that.

The biggest advantage we have among the fact that we view the ability of them to profit better themselves as countries and benefit their own people is the fact that we have something the Chinese do not have.

We have a coalition and we're seeing the coalition in play now in the military sense in Europe. We're seeing it expand beyond Europe, over 50 countries with our involvement Ukraine.

The Chinese do not have that. So if you could briefly—the importance of teaming up, particularly with the EU because with the EU and the U.S. together that's over half the world's GDP.

Instead of sanctioning China, instead of trying to compete with them in a micro sense, we should be dealing with strength and that's our greatest strength, together with our own shared values.

Do you want to comment on that?

Mr. PYATT. So, Congressman, you really delivered my talking points in so many ways in that presentation but just let me highlight your last one in particular, which is the advantage that we have in terms of our ability to build coalitions.

That's exactly what we are doing through the Minerals Security Partnership—12 other countries plus the European Union—and it's not just—it's not just Europeans. It's Japan. It's Korea. It's Australia. It's Canada.

So these are all countries that bring to the table the values that we hold in common and, in fact, the first thing that we agreed on as an MSP coalition are a set of environment, social, and governance standards. Those ESGs are public. They're on the internet.

But we're also agreed to work together to bring together the resources of our development finance institutions and then also to mobilize our private sectors, and I'm not sure if you were here when I made the point earlier that when we started the MSP with Secretary Blinken and Reta Jo Lewis——

Mr. KEATING. I was. I'm running out of time.

Mr. PYATT. Yes. So I'll stop there.

Mr. KEATING. Three hundred percent. But the other thing is the State Department are working for a rule of law, stability. That's what's going to encourage private investment. They're going to want those things in place if they're going to invest private funds.

Last, just—if you can get time for a response, perhaps, but an observation that's important now with Russia's illegal war in Ukraine, this war will be over someday.

Ukraine will have the second strongest military probably in Europe. The work we do in State there is going to be so critical in terms of having them—have a country with a civil strength, a rule of law, going forward.

In the absence of that Chinese said they're prepared to invest in reconstruction after the war is over. We have to be there first.

Do you think that those statements attributed to some Chinese officials that they will be prepared to come in after the war is over and invest in that reconstruction presents a real challenge?

Mr. PYATT. So, Congressman, we could have a whole separate hearing on this. As you know, I was Ambassador in Ukraine from 2013 to 2016. I'm enormously proud of the role the U.S. has played and I, having spoken with the prime minister, deputy prime minister, the United States is the preferred partner by far in the reconstruction process and we will talk about that with our allies and partners next week on Tuesday and Wednesday when I join Secretary Blinken at the London Ukraine Recovery Conference.

Mr. KEATING. Thank you all for your service. I yield back.

Chairman MCCAUL. The gentleman yields.

Let me just say that we are working on a bill that would use frozen Russian Federation assets to help fund the reconstruction.

So with that, the chair recognizes Mr. Mast.

Mr. MAST. Thank you, Chairman. I'd just start by, No. 1, saying I think it's naive to think that China's just building cheap things to put people in their pocket. I consider this much more long term.

I think they're looking to recreate the road system. Where they did not have inroads they're creating roads, whether it be through China and Pakistan or through Sri Lanka or to many places in Europe.

This for the long term. They're looking to be embedded into resource countries because that is what they do. They export a tremendous amount of refined goods, of value added goods, and for the long term to do that they need those resource countries feeding them. They're not trying to do something to say, hey, we're going to get you for a couple of years.

So in that, let me ask you all a question. What—the various MOUs that these countries have signed across the Belt and Road Initiative what countries have you seen leave the Belt and Road Initiative after their MOUs expired?

Mr. PYATT. So, Congressman, one example is in Europe with the 17+1, which last time I checked I think is the 14+1 and it's on the way to becoming the none plus one.

Mr. MAST. Which ones? Which countries?

Mr. PYATT. I'll have to get back to you on that. I do not want to give you the wrong data. But——

Mr. MAST. What do you think they are? This is important information. Which ones do you think they are?

Mr. PYATT. So 17+1 was a corridor of countries up and down Central and Eastern Europe and a series of the 17+1 partners have basically decided this is not a profitable avenue that they want to pursue, in part because of a lot of consistent diplomacy by American and other officials saying this is inconsistent with our values and interests.

Mr. MAST. Yes. Let's continue on that in part. What countries do you see joining in 2023?

Mr. PYATT. I hope zero.

Mr. MAST. But I'm asking for a real assessment, not a hope.

Mr. PYATT. What are the—Congressman, if you're asking what are the places where I think we need to——

Mr. MAST. I'm asking specifically what countries do you think join in 2023 specifically?

Mr. PYATT. So let me—Congressman, let me try to be responsive in this way. I would cite an example of Pakistan, a country highly vulnerable because of years of indebtedness to China and a country which is looking for engagement including from the DFC or DFC——

Mr. MAST. Doesn't Pakistan already have an MOU?

Mr. PYATT. Yes, they do and they have a—they have a port, which is not producing value for them, which the Chinese have constructed. They also have those roads that you described.

Mr. MAST. So who are they adding in 1923. Pakistan is already on the list.

Mr. PYATT. As I said, I think the—our goal would be that that universe continues to shrink as it is shrinking in the reduction of the 17+1.

Mr. MAST. Can you tell me—I want to dig a little bit into some of these MOUs—which ones do you worry about being able to be weaponized?

They build a port, they build a train, they build a road, they build tremendous amount of infrastructure projects, you know, thousands, literally. Which one of those do you believe can be weaponized, are you most concerned about being weaponized, being able to translate to military capabilities?

Mr. PYATT. When I was Ambassador in Greece I was very concerned about the PRC presence in the Port of Piraeus in particular because of the critical role that NSA Naval Base Souda Bay plays as part of our military force projection platform in the eastern Mediterranean and also because the vulnerabilities that Greece was suffering from when I arrived as a heavily indebted country that nearly fell out of the Eurozone.

We dealt with that including in partnership with the DFC but also with a lot of persistent American diplomacy, working in lockstep with our European allies.

Mr. MAST. Let me ask a reform question and this is, of course, open to any of you all. This has been open to any of you. Anything that I ask that you have an answer to that I did not get an answer to please feel free to chime in.

Do you think that we should be encouraging reform at the IMF or the World Bank to respond better to the way China is getting countries to participate in the Belt and Road?

There's fundamentally different approaches between the way the IMF and the World Bank approach building infrastructure and how China. Do you think there should be reformed within the IMF and the World Bank?

Mr. PYATT. Congressman, this is really a U.S. Treasury issue. But I will just say I have heard Secretary Yellen speak eloquently about the need for reform at the MDBs.

Mr. MAST. OK.

Mr. VENKATARAMAN. Congressman, I would just—I would just add, the one area of reform I would highlight is in the World Bank where we have been working very closely with them to change their approach to infrastructure development.

Mr. MAST. Give us those changes before my time ends, please.

Mr. VENKATARAMAN. Yes. So particularly with respect to factoring in the life cycle cost for infrastructure projects so that it's not just based on lowest cost but it's based on an overall cost, which is what creates better advantage for American companies.

Mr. MAST. Thank you for the time, Chairman.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Ms. Manning.

Ms. MANNING. Thank you, Mr. Chairman, and thank you to our witnesses for your patience in staying with us today.

Ambassador Pyatt, our colleges and universities are among our greatest assets in our strategic competition with China, helping us win hearts and minds by bringing talented young people from around the world to study in the U.S., and not only do we educate them but they learn our culture. They make friends. They build lifelong ties to our country and our way of life.

Yet, I was recently on a CODEL to Japan, an ally that has now increasing importance in light of China's military aggression, and we learned that Japanese students are no longer coming to the U.S. to go to school for a variety of reasons, including the high cost of our colleges and our universities.

What steps is the Administration taking to encourage more foreign students to choose to study in the U.S. instead of China?

Mr. PYATT. So, Congresswoman, this one also is out of my ENR lane but it's very much in my role as a U.S. Ambassador that I had in the past. I am a—I agree with you completely.

I am a huge fan of every cent that we invest in our educational partnerships. I think the Fulbright program is one of the most lucrative developments that the U.S. has ever committed to in terms of how we build partnerships around the world because you're investing in future generations.

I know that all of my colleagues at the State Department today who work on these issues are critically focused on continuing to open these opportunities in the United States and I also know, because I've been part of the preparations for Prime Minister Modi's visit, that we will use that visit as well to highlight the tremendous example that India provides of a country that's sending lots of students to the United States.

I would also say as a parent who's finished paying for university for two children and then as somebody who's watched the role of international education that I see tremendous value also having more American students be given the opportunity to study overseas.

Ms. MANNING. Since you brought up the issue of India, I wonder if you can comment on whether it's become more difficult for students who study at our colleges to get immigration visas to stay and work in the U.S. after they graduate. Do you think this is a disincentive for foreign students to come to the U.S.?

Mr. PYATT. Congresswoman, I'm going to—I'm going to punt that one to my colleagues in the SCA bureau who work on these issues every single day.

But I do know, and on this I can speak for Secretary Blinken and the rest of the Administration, there is a very, very strong commitment to continuing to build those educational partnerships because they contribute to American economic competitiveness.

Ms. MANNING. Thank you.

Mr. Herscowitz, how can DFC help provide financing to more companies that offer loans to help foreign students study at our colleges and universities?

Mr. HERSCOWITZ. So DFC actually has some active projects that provide loans to help people finance graduate education, including in the United States. So this is a—we have existing projects in that regard.

We have to be careful, obviously, that we're not giving opportunities to people that we might not otherwise provide to Americans as well.

So we're very careful about when we do these types of projects to make sure that they're targeting the right populations of people who also with the ultimate goal of coming back to their home country so that they're going to help develop the local expertise and we do not promote a brain drain in those countries.

Ms. MANNING. OK. Understood.

Ambassador Pyatt, what is the State Department doing to help other countries take steps to guard against China's growing influence over foreign think tanks, academia, Confucius Institutes, and media outlets?

Mr. PYATT. So, again, Congressman—Congresswoman, this is one where I will speak in my capacity as a former Ambassador because I dealt with exactly these issues in Greece where we worked very hard, including private conversations that I had with senior university leaders, raising the concerns that we had around some of the

Confucius Institutes and the way in which the Chinese—the PRC embassy was seeking to some extent to limit academic freedom.

It's a core principle of the United States, the open exchange of ideas, but we want to compete on a level playing field. It's exactly the same principle that applies to the economic and commercial issues that all of us work on.

Ms. MANNING. Thank you. I have more questions but we have a baseball game to get to. So I yield back.

Chairman MCCAUL. Thanks for reminding us. The gentlelady yields.

The chair recognizes Mr. Mills.

Mr. MILLS. Thank you so much, Mr. Chairman.

So I wanted to go through my understanding of the Belt and Road Initiative. It's something that I had written on for many years and I've published, you know, dozens of articles on the ideas of the—also the geopolitical alignments that are involved in this when we talk about Russia, China, Iran, and North Korea and what their overarching goal is, which we know is to eliminate the U.S. dollar as a global currency.

But we're seeing where we have already got an expansion of Eurasia, which is one of the key elements that they were looking for, that they're continuing to try and utilize the proxy of Russia to be able to try and advance for them.

You already have a tremendous amount of growth when it comes to Africa and the economic coercion that was undermining a lot of the U.S. security cooperations and others, and then you see the continual strengthening in Oceania, which is really an idea of trying to choke off Western Hemisphere supply chain.

And then that marriage of convenience that they currently have we know helps them a lot in our own hemisphere when we talk about the Chavez of Venezuela, when we talk about Petro in Colombia, when we talk about that Russian involvement as we—as I mentioned.

But they also have now Panama and Honduras whereby they're going to continue to utilize these relationships to potentially look at the promotion of increased taxes, tariffs, and passageway when it comes to the canal.

So there's almost an encirclement attempt with conjunction of further type of malign activity regarding WHO and WF and how they utilize those but also attacking the petro dollar with OPEC to try and see if they can supplement it and/or replace it.

And so when you know that these are a lot of the strategies—and we have been in an economic resource and cyber-based warfare with China for quite a long time.

We continue to try and refer to it as competition, which is why it kind of disturbs me slightly when I hear something like what you Stated earlier about Sullivan saying that we should derisk and not decouple because I do think that we do have opportunities to be able to not only protect America and get back control of our economic and supply chain capabilities but also to really thrust China into an economic collision because if you look they're in a far worse position than we are when it comes to debt. They just aren't allowing their valuations to be properly audited that would actually disclose a lot of these things.

And so, you know, I'm concerned with a lot of the things that we're doing that does not seem to be in line with us actually trying to save America and more on a China first agenda when it comes to this Administration when we talk about the significant importance of energy dominance and, meanwhile, one of the first things that was done was to cut the Keystone XL pipeline.

You know, when we talk about the ideas of economic warfare and yet we haven't recognized yet that it's not the dollar or the baht or the dinar or the ruble. The common global currency is energy and I'm just not seeing where this Administration is really grasping that understanding.

Now, I would argue that we have a lot of things and Chairman Xi has said it himself, that he can outpace us militarily and economically, but his biggest fear is America's innovation and I think that we have opportunities, as we all know, to advance ourselves and almost treat the quantum race the same way that Reagan treated the space race when it came to helping to bankrupt, again, looking at the ideas of quantum entanglement, AI autonomous drone capabilities, but also the ideas that we know they control 15 of the 16 rare earth mineral mines.

But we do not even explore the ideas of subsurface harvesting where you actually have the ability to take the 100 percent manganese control out of Chinese hands by actually utilizing that at the 10,000-to 12,000-meter depth levels, something we have the capability of doing but also would refocus China's attention.

Because if we decouple—the way to hurt China, because they want to get into a nonkinetic element of things. They do not want to go gun to gun with us. They want us to basically go ahead and collapse ourselves financially, which means that they essentially have won by not only buying up our lands and controlling the farmlands but controlling us and our behaviors.

So I wanted to know whether or not we feel that energy dominance, getting to a point of reliable—not just the race for renewables where we buy a lot of the materials from China, and the ideas of subsurface harvesting, quantum race, and these types of elements where we understand that decoupling and hurting China economically is far, far more superior than anything else is something that you would agree with.

Mr. PYATT. So, Congressman, I said, I think, in the opening sentence of my statement that I see my job and ENR's role as to ensure that the United States continues to be the partner of choice around the world on issues of energy and energy security.

We had that status during the fossil fuel era and we are now working as hard as we can to ensure that that remains the case. As we enter this era of technological change we see more work being done in areas ranging from small modular reactors to green hydrogen to geothermal to wind and solar and all the other technologies that will——

Mr. MILLS. Those are more renewables than were reliables. I mean, when we look at the actual impacts of things but also where the actual sources are originating. I mean, again, we know cobalt, nickel, and lithium, especially after we gave $1.1 trillion in lithium to the Chinese with the handover of Afghanistan, does not work in our favor.

But we do have LNG. We do have natural gas. We do have the ideas of drilling more and actually getting resource harvesting, and this cash diplomacy effort that the U.S.A.—where we think we can buy our adversaries with $800 million or, you know, whatever the case may be for Pakistan and the others has shown not to work.

But what has worked is the model that Germany and Russia have whereby you actually provided reliable cost effective energy sources and that gained a lot of alliances, especially for those countries that were moving away from their own productivities of coal and nuclear, et cetera.

So I do not think that the strategy that we're utilizing—if the idea is to understand that we're looking to try and be the prevented—prevent China's expansion actually get to a point of being the global dominant, I do not think the idea is trying to derisk our involvement but decouple away from the economic reliancy on China.

And so I do not think that preventing clean energy dominance is necessarily the only mechanism. It's actually utilizing and supplying our own internal energy when it comes to oil and fossil fuels and the things that we need to be able to be dominant to the point where that's our recognized strengths.

And so I'm sorry when I disagree with the solar power projects that majority of those isn't made in America, and we're not in competition with China. We're in economic resource warfare with China and we need to acknowledge that and stop trying to hide away from it.

Thank you for the additional time, Mr. Chairman. With that, I yield back.

Chairman MCCAUL. The gentleman yields back.

The chair recognizes Mr. Moskowitz.

Mr. MOSKOWITZ. Thank you, Mr. Chairman.

So about a month ago now I got back from Egypt, Italy, Israel, and Jordan with the Speaker of the House and we talked a lot about China and a number of these countries.

We talked about the Belt and Road Initiative, and I have a specific question for you all but I want to—I want to build it up for a second.

So, you know, we learned about, obviously, what China is trying to do in Egypt with China—with the Belt and Road Initiative in Italy. We talked about China and Israel's technology. We talked about how China is winning contracts through procurement, and as I was sitting and listening to all of these things and getting educated what I recognized is that one of the significant challenges we have in this fight with China is that the American people know none of us.

They know none of it. They do not know that China is on its way to taking control of the African continent through whatever—through loans, through dollars, you know, through 5G, whatever which way.

They do not—they do not know that we're starting to hear from countries that we cannot sell them weapons fast enough because either we cannot get them approved or we cannot get them manufactured and so, you know, China is an option.

They do not know that when China—when the United States pulls back China comes in. They do not know that. They do not know that Chinese workers are around the world building projects in other countries.

They have no idea, and you know how I know they have no idea? Because I had no idea until I started learning about it through this committee and through talking to other people.

You do not—so what I want to ask you guys is as we have this huge debate in this country on whether we should pull back from the world how do we—how do you look at how we're going to get the American people to understand that every time we pull back China comes in and what that is going to result in in the future.

And that's for all of you or any of you.

Mr. PYATT. So, Congressman, let me start out by just thanking you for raising the issue and pointing out the concern because I think there's a fundamental principle that I've learned over the course of my diplomatic career, which is that when the United States pulls out and isn't someplace bad things happen.

We have learned that history over various—we have learned that lesson over various times in American history. I hope very much we will not have to learn it again and I think the burden is on all of us, whether in Congress, in the Administration.

Mr. MOSKOWITZ. I do not mean to interrupt but it's happening, though. It's happening. One of the—one of the issues we heard from the leaders in the Middle East is that Ukraine is very important.

They're happy with our position. They're supporting our position. They understand the repercussions not just in Europe but other places if we were to leave that area and let Russia just take Ukraine.

But they were deeply concerned that while we were, you know, asking them not to, you know, listen to the Chinese they were deeply concerned that we're taking our eye off the ball in Africa or we're taking our eye off the ball in the Middle East because the United States is having problems of walking and chewing gum at the same time.

Mr. PYATT. So I would just say this is why Secretary Blinken is constantly reminding us to keep our focus on ROW—the rest of the world—and I think especially in an environment where so many of the challenges to American security and the safety and security of American citizens are coming not only from countries now but from transnational challenges.

Whether that is climate change, energy insecurity, pandemics and disease, food insecurity, all of these issues ripple across global markets.

I'm glad to hear you were in Egypt because that's a perfect example of a country that's sort of a Petri dish for all of these different forces but which were the government is looking to engage with the United States and is looking for strong partnership.

Mr. MOSKOWITZ. Yet, every country we went to it was clear they would rather do business with us than China. It's not even close, right? It was unequivocal.

But the subtext also was that if we cannot deliver they just cannot not—they cannot do—they cannot not just do anything. They got to buy weapons from somewhere. They got to get loans from somewhere.

And so, you know, we're having this debate through Ukraine about isolationism. You know, we should spend our money here. We shouldn't spend it over there.

And how do we get the American people to really understand that in this battle with China, right, that every time we're going to pull back or every time we're going to look a different direction that it's not just bad things are going to happen. We know that it's going to be China who comes in.

How do we get the American people to understand that when we're—when we're talking about foreign policy? When that's not on MSNBC every night, it's not on Fox News every night, it's not on social media, how do we get them to understand this?

Mr. PYATT. So, Congressman, I guess the only lesson I would offer from my own diplomatic career is actually here in our pockets and it's this.

It's the sense of connectivity that the technology revolution has brought and I think about, for instance, my own involvement with India, which goes back to 1992 and what happens when you have hundreds of millions of people who are suddenly connected globally.

I'm a technology optimist—I think—and I think the United States will continue to lead the creation of value in that technology space.

But we also have to recognize that we—our economy, our prosperity here at home, is more tied to the rest of the global system than it has ever been before.

And, again, my portfolio working on energy, energy transition issues, dramatically illustrates this as the United States is now the largest gas exporter in the world, as the United States will remain a critical center of technological innovation on issues of energy, on issues of energy transition.

Mr. MOSKOWITZ. Thank you, Mr. Chairman. I yield back.

Chairman MCCAUL. The gentleman yields.

The chair recognizes Mrs. Kim.

Mrs. KIM OF CALIFORNIA. Thank you, Chairman. I want to thank all the witnesses for staying with us this long.

You know, as I serve as chairwoman of the Indo-Pacific Subcommittee it is really important that, you know, we carry on our priorities not only from the subcommittee but overall committee to, you know, give our allies the tools and resources they need so they can counter the Belt and Road Initiative and other types of economic coercion, and our strategy for countering the Belt and Road Initiative must also include how we can bring the full force of the American private sector to compete with the CCP-owned and affiliated companies.

Pacific Islands, for example, it's very, very essential to the success of the Belt and Road Initiative, especially given their strategic importance to the United States and its allies, and combined with overt political pressure and bribery the CCP is successfully using the economic leverage over Pacific Islands to achieve their political goals.

So most notably, you know, the Solomon Islands they joined BRI in 2019 and severed their ties with Taiwan and last year they announced a security agreement with PRC that would allow the PLA to station personnel and assets in the Solomon Islands. This is very concerning to me.

But, Mr. Herscowitz, what projects is DFC undertaking in the Pacific Islands and do you coordinate those projects with Foreign Commercial Service?

Mr. HERSCOWITZ. So I mentioned the project that we're doing in Papua New Guinea in collaboration with the Australians and the Japanese, a $50 million guarantee to upgrade to 5G network there as well.

We have someone who's based in Indo-Pacific who travels frequently to the Indo-Pacific Islands and I actually speak to him on a fairly regular basis. Because a lot of the transactions in these small—in the smaller islands tend to be small and we're private sector driven so we're always looking for creative opportunities about how we can make sure that financing goes where it needs to go.

In a country with a population of 100,000, 200,000 people there aren't the same large-scale projects that you might find in other countries and so we're looking at how we can work potentially with regional development banks to make sure that small businesses are getting the financing that they need as well.

Mrs. KIM OF CALIFORNIA. I want to—I want to continue that and then I want to ask Mr. Venkataraman can you describe the FCS engagement in the Pacific Islands and what are the biggest challenges the American sector faces in engaging in more commercial activity in the Pacific Islands?

Mr. VENKATARAMAN. Thank you, Congresswoman.

We are very focused on shifting the dynamic in our relationship with the Pacific Islands and paying much more attention and bringing American companies to do business in the Pacific Islands.

As we are in other markets we are out there to make sure that the Pacific Islands see us as the partner of choice. But as my colleague said it is a heavy lift. We are engaged right now—we have staffed—we have added two staff to Fiji and Papua New Guinea.

We are now in the process of negotiating MOUs to strengthen our commercial relationship with a number of the Pacific Islands and we're looking ahead to additional staffing to see if that would assist the efforts of U.S. companies to get into those markets.

However, the problem remains, as my colleague mentioned, the size of those markets being as small as they are. In those markets even more than in other markets the importance of derisking mechanisms such as DFC, such as EXIM, cannot be overStated.

American companies are always eager to do business where there's opportunity but where these opportunities do not translate into, you know, ways that make it amenable for them to do the deals that they want to do we have to find ways to bridge that gap. And so that's——

Mrs. KIM OF CALIFORNIA. Can you talk about those, like, changes or additional tools that you will need for the DFC to compete against PRC in those projects and in that region?

Mr. VENKATARAMAN. Yes. So, I mean, I'll leave it to my colleague to amplify, but I think the point is that the DFC performs such a critical function that our businesses appreciate to take these environments and these economies around the world and make them accessible to our businesses by virtue of the financing that they provide and by virtue of making those projects bankable and it's a critical role that DFC plays without which our companies could not engage in most markets in the world but all the more so in a small market like the Pacific Island countries.

Mr. HERSCOWITZ. Sorry. So, again, DFC takes a market-driven approach. So what we're doing is we're evaluating what is the need in the market and who's willing to invest there.

Now, we want to give it a lot of nudging. We want to work with Commerce Department and with others and with our embassies to identify opportunities and we really look hard at any potential opportunity with frequent travel to the region as well to try to identify opportunities where we can have that private sector investment that the countries want and need.

Mrs. KIM OF CALIFORNIA. Thank you. My time is expired so I will yield back. Thanks.

Chairman MCCAUL. The gentlelady yields back.

Let me thank the witnesses for your patience. I know it's been a very long afternoon with that long vote series. But this has been very valuable and very important.

You are the counter to the malign influence of China. We want to work with you and we want to support you and we want to get that full equity. I will do everything in my power to move that bill out of this committee.

And so, again, I want to thank the witnesses. Members may have additional questions in writing. I would ask you to respond. Members have 5 days to submit statements and questions for the record.

And without objection, the committee stands adjourned.

[Whereupon, at 6:11 p.m., the committee was adjourned.]

APPENDIX

COMMITTEE ON FOREIGN AFFAIRS
FULL COMMITTEE HEARING NOTICE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Michael T. McCaul (R-TX), Chairman

June 7, 2023

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs to be held at 2:00 PM in room 210 of the House Visitor's Center. The hearing is available by live webcast on the Committee website at https://foreignaffairs.house.gov/.

DATE:	Wednesday, June 14, 2023
TIME:	2:00 p.m.
LOCATION:	HVC-210
SUBJECT:	Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy
WITNESSES:	The Honorable Geoffrey Pyatt Assistant Secretary Bureau of Energy Resources U.S. Department of State The Honorable Arun Venkataraman Assistant Secretary of Commerce for Global Markets, and Director General U.S. and Foreign Commercial Service Mr. Andrew Herscowitz Chief Development Officer U.S. International Development Finance Corporation

*NOTE: Witnesses may be added.

By Direction of the Chair

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 -226-8467 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 FULL COMMITTEE HEARING

Day *Wednesday* **Date** *June 14* **Room** *HVC-210*

Starting Time *1412* **Ending Time** *1811*

Recesses *1* (*1502* to *1636*) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chairman McCaul

Check all of the following that apply:

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING:

Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy

COMMITTEE MEMBERS PRESENT:

Attached

NON-COMMITTEE MEMBERS PRESENT:

None

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.)*

Rep. Connolly

TIME SCHEDULED TO RECONVENE __________
or
TIME ADJOURNED *1811*

Meg Wagner

Full Committee Hearing Coordinator

Committee on Foreign Affairs

118th Congress

ATTENDANCE

Meeting on: Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy

Date: June 14, 2023

Representative	Present	Absent	Representative	Present	Absent
Mr. McCaul	X		Mr. Meeks	X	
Mr. Smith	X		Mr. Sherman	X	
Mr. Wilson	X		Mr. Connolly	X	
Mr. Perry	X		Mr. Keating	X	
Mr. Issa		X	Mr. Bera	X	
Mrs. Wagner	X		Mr. Castro	X	
Mr. Mast	X		Ms. Titus	X	
Mr. Buck	X		Mr. Lieu		X
Mr. Burchett		X	Ms. Wild	X	
Mr. Green		X	Mr. Phillips	X	
Mr. Barr	X		Mr. Allred	X	
Mr. Jackson		X	Mr. Kim		X
Mrs. Kim	X		Ms. Jacobs		X
Mrs. Salazar		X	Ms. Manning	X	
Mr. Huizenga		X	Mrs. Cherfilus-McCormick		X
Mrs. Radewagen	X		Mr. Stanton	X	
Mr. Hill	X		Ms. Dean	X	
Mr. Davidson	X		Mr. Moskowitz	X	
Mr. Baird	X		Mr. Jackson	X	
Mr. Waltz		X	Mrs. Kamlager-Dove		X
Mr. Kean		X	Mr. Costa		X
Mr. Lawler	X		Mr. Crow	X	
Mr. Mills	X		Mr. Schneider	X	
Mr. McCormick		X			
Mr. Moran	X				
Mr. James		X			
Mr. Self	X				

STATEMENT FOR THE RECORD FROM REPRESENTATIVE CONNOLLY

Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy
House Foreign Affairs Committee Hearing
2:00 PM, Wednesday, June 14, 2023
HVC – 210
Rep. Gerald E. Connolly (D-VA)

Under the leadership of President Xi Jinping, China has undertaken a dramatic expansion of its global investment and influence. Over the past decade, the PRC has exerted its economic, political, cyber, and military or quasi-military force to shift the power dynamic in the Indo-Pacific in their favor.

The flagship of Beijing's tactics, especially within the economic sphere is the Belt and Road Initiative (BRI), a massive infrastructure project that China promises will attract more than $1 trillion of investment over the long-term. Characteristic of China's model of development, BRI projects often solicit unsustainable debt burdens for recipient countries, employ Chinese state-owned enterprises or labor, and lack transparency surrounding financing and contracting. We are already witnessing early signs of a backlash to China's predatory style of investment in the Indo-Pacific. Tajikistan's total debt is 56% of its GDP, and 80% of that is debt to the PRC. China excused Sri Lanka's $8 billion debt in exchange for a 99-year lease of the Sri Lankan port in 2017, allowing China to exert more dominance in the region. BRI investments have been known to cause deforestation in areas such as the Pan Borneo Highway – which spans Malaysia, Indonesia and Brunei – also has led to landslides, floods and other disasters, affecting over 1,700 critical biodiversity spots and 265 threatened species.

China's nefarious tactics are one reason why I, as President of the NATO Parliamentary Assembly (NATO PA), urged NATO to put China on its agenda. In November 2020, I wrote a report for the NATO PA Political Committee entitled, "The Rise of China: Implications for Global and Euro-Atlantic Security" to encourage NATO to adapt to a new balance of power that reflects China as a world power. In this report, I urged my colleagues to include reference to China's actions in NATO's strategic documents, including the Strategic Concept which was unveiled in April 2022 and highlighted the stated ambitions and coercive policies that challenge the Trans-Atlantic Alliance's interests, security, and values. I welcome the newly adopted NATO Strategic Concept which does just that.

China has limited foreign competition in its domestic market and props up private enterprises with Chinese state funding and intelligence. For example, in order to bolster China's semiconductor industry, the Chinese government launched a $150 billion public-private fund to subsidize investment, acquisitions, and the purchase of new technology from 2015 to 2025. The Chinese government has also restricted U.S. cloud service providers from providing services in China. In the 117th Congress, Democratic majorities in both chambers passed the CHIPS and Science Act, legislation that made historic investments that will poise U.S. workers, communities, and businesses to win the race for the 21st century. Biased PRC policies flood global markets with cheap supply, undercut foreign competition, and create an environment where it is impossible for U.S. companies to compete.

The United States had an opportunity to set the rules for economic engagement in the Asia-Pacific with the Trans-Pacific Partnership (TPP), which accounted for 40 percent of global GDP and 20 percent of global trade. A high-quality TPP deal would have given the United States the tools it would have needed to combat China's gray zone tactics by strengthening ties to emerging partners and creating a rules-based order that set the rules for labor, environmental, human rights, and intellectual property standards. Conversely, the U.S. withdrawal from TPP created a vacuum that gave an unbelievable gift to the PRC. They continue to pop champagne in Beijing.

China is playing the long game. For the United States to compete strategically, we must counter China's actions in the economic sphere, especially to promote our goals for an open and prosperous Indo-Pacific. I look forward to hearing from our witnesses on how they believe the United States and similar governments must compete effectively with China in the economic sphere.

RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD

Questions for the Record Submitted to
Assistant Secretary Geoffrey Pyatt by
Congressman Bill Huizenga (No. 1 to No. 3)
House Committee on Foreign Affairs
June 14, 2023

Question 1:

In 2018, the PRC laid out an ambitious plan to spread the Belt and Road Initiative to the Arctic. The Arctic region is ripe for the picking with valuable commodities in energy and mineral resources, but also with commercial and geopolitical implications as well. According to the U.S. Geological Survey, as much as 13% of the world's undiscovered crude oil and 30% of undiscovered natural gas exist in the region. There is no doubt in my mind that China intends to exploit these critical resources via the "Polar Silk Road." How well has the PRC been able to implement this plan, and is the expectation that, in the future, their presence will grow? Is there anything that Congress can do to make the United States more competitive in the Arctic Region?

Answer 1:

In its 2018 Polar White Paper and its March 2022 Five-Year Plan, the PRC outlined its goals to create a Polar Silk Road through economic investments and scientific research. We are concerned about the dual-use nature of PRC research in the region and the potential for economic coercion and dependence on the PRC. We are also concerned about the PRC's increased cooperation with Russia through energy trade including

Russia's Arctic oil and natural gas resources, collaboration on Arctic infrastructure, and joint military exercises.

The Administration is working to build resilience and strengthen deterrence with our Allies and partners across the Arctic region, recognizing the mineral and other natural resources in most of the Arctic – including in offshore continental shelf areas – are under the national jurisdiction of the respective Arctic states. In line with the U.S. National Strategy for the Arctic Region, we will work closely with allies and partners to support high-standard investment and sustainable development across the Arctic region. We will support investments in infrastructure, improve access to services, and support the development of industries that expand economic opportunity for local communities, support the energy transition, and build the resilience of U.S. supply chains.

In terms of support from Congress, we look forward to the swift confirmation of the Department's Arctic Ambassador-at-Large. The Arctic Ambassador-at-Large will enhance and elevate U.S. leadership on Arctic issues by strengthening our cooperation with likeminded allies and partners; leveraging the tools of the government – including public-private partnerships – to increase commerce for sustainable economic growth in the Arctic; and addressing geopolitical competitors', such as the PRC's, ambitions in the region, while ensuring Arctic governance is reserved for Arctic nations.

Questions for the Record Submitted to
Assistant Secretary for Energy Resource Geoffrey Pyatt by
Representative Huizenga (No. 1 to No. 3)
House Foreign Affairs Committee
June 14, 2023

Question 2:

Whether it is predatory investment practices, financially unsustainable infrastructure projects, or capturing critical resource exports, the CCP is rapidly increasing its influence in the Western Hemisphere. As a result, the U.S. private sector is losing opportunities, and the U.S. government is losing influence in our neighborhood. What does China offer our partners in the Western Hemisphere that the U.S. does not or cannot?

Answer 2:

PRC-backed and PRC government financed investment companies – coupled with development banks' direct loans – have developed projects in energy, mining, and other infrastructure sectors. In many countries, the PRC uses investment under the Belt and Road Initiative and diplomatic engagement to create technical and financial dependency on PRC companies.

The Department of State continues to raise concerns with our partners about risky PRC-funded critical infrastructure projects and investments, advocates for U.S. companies that provide higher environmental, social, and governance standards, and encourages U.S. firms to distinguish themselves as high-quality alternatives. Working with likeminded partners and allies, we offer higher-standard, transparently procured, and transparently governed infrastructure investment alternatives that uphold high labor, environmental, and social safeguards. We seek to foster inclusive growth aligned with international best practices, including through initiatives like the Deal Teams, Partnership for Global Infrastructure and Investment, and Minerals Security Partnership. In these initiatives our respective development finance toolkits can help coordinate and mobilize investments to meet 21st century infrastructure needs.

We will continue to advocate a level playing field for all investors. As part of this undertaking, we will also continue consistently to advocate for our partners to conduct due diligence on public projects and advise our partners about the risks of opaque PRC investments.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Bill Huizenga (No. 1 to No. 3)
House Foreign Affairs Committee
June 14, 2023

Question 3:

Moreover, President Biden has presided over the loss of two of Taiwan's diplomatic allies in the Western Hemisphere, Nicaragua and Honduras. How is the Biden Administration working to strengthen Taiwan's ties with remaining diplomatic partners in the region as relations could further be eroded by China's "check-book diplomacy?"

Answer 3:

Taiwan is a reliable, likeminded, and democratic partner, and its partnerships around the world provide significant and sustainable benefits to the citizens of countries with which it partners. We encourage all countries that care about democratic institutions, good governance, transparency, the rule of law, and promoting economic prosperity for their citizens to expand engagement with Taiwan. It is important to note the PRC often makes promises in exchange for diplomatic relations that ultimately remain unfulfilled. There are many examples of such behavior around the world, which we share with our allies and partners. The United States will continue to deepen and expand our unofficial engagement with Taiwan, in line with our longstanding one China policy.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Thomas Kean, Jr. (No. 1 to No. 2)
House Foreign Affairs Committee
June 14, 2023

Question 1:

The global nuclear industry largely relies on Russian low-enriched uranium to fuel its nuclear power plants. How are your agencies working to lessen dependence on Russian nuclear supply chains?

Answer 1:

The Department is actively addressing this strategic vulnerability. As part of the Administration's campaign to deprive Moscow of revenue, it has specifically targeted entities associated with Rosatom to deny them access to the U.S. financial system.

In conjunction with its commitment to further reduce reliance on civil nuclear and related goods from Russia, the G7 has created a Working Group on Nuclear Energy to help countries identify alternative suppliers and to coordinate global efforts to diversify nuclear energy supply chains.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Thomas Kean, Jr. (No. 1 to No. 2)
House Foreign Affairs Committee
June 14, 2023

Question 2:

What are your agencies doing to make sure that U.S. allies and partners can maintain fuel supplies without reliance on Russian fuel, with regards to both Low Enriched Uranium and future advanced fuels?

Answer 2:

As with any commodity, a supply disruption can lead to scarcities and a corresponding increase in the cost of supplies and services. The impacts would not be uniform across the industry, as some uranium consumers are better positioned than others to manage short term disruptions.

The Department is actively working with the G7 and other allies and partners to identify alternatives to Russian nuclear energy supplies and services.

Ultimately, the significant quantity of enriched uranium the United States imports from Russia will need to be replaced by new domestic capacity and from existing allied suppliers.

Kick-starting domestic enrichment and conversion capabilities as well as working with allies to increase their existing output will require domestic investment, as funding is needed to kick-start the development of sufficient domestic enrichment and conversion capabilities to meet the needs of existing reactors as well as the advanced reactors of tomorrow. We welcome Congressional support for that effort.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Jason Crow (No. 1)
House Foreign Affairs Committee
June 14, 2023

Question 1:

In several consecutive hearings, this committee has discussed multifaceted, intersectional foreign policy and national security issues and the increasing demands on our agencies to respond effectively and proactively to them. Be it arms exports, export controls, strategic competition with China, or aid to countries in conflict – we are asking the United States government to respond to evolving and growing threats not by dedicating additional resources but by giving them less. Many of my colleagues on the other side of the aisle advocate for drastic cuts to the budgets of the Departments of State and Commerce and USAID, among others.

Can you please explain to this committee what a cut of 22 percent would mean for the work your Bureau does to counter China and provide a viable alternative to nations pursuing energy projects?

Answer 1:

The Bureau of Energy Resources' (ENR's) leads diplomatic engagements that support global supply chain diversification, investment in clean energy, and energy sector good governance. ENR assistance counters PRC dominance of mineral production and processing worldwide and its demonstrated willingness to use minerals trade as a coercive political and economic lever. As an example, the ENR-led Minerals Security Partnership

(MSP) facilitates investments among likeminded countries to diversify and secure critical mineral supply chains that adhere to the highest environmental, social, and governance standards. Additionally, ENR leads several energy security dialogues that encourage countries to seek alternatives to investment from the PRC in the energy sector.

Reducing ENR's budget to FY 2022 levels (as proposed by the 22 percent reduction) would drastically reduce ENR's ability to implement this mission and weaken the U.S. Government's ability to effectively compete with the PRC.

Nations pursuing energy projects would find their options to partner with likeminded countries diminished without a strong financial presence from the United States and would be more vulnerable to PRC malign influence.

**Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Michael McCaul (No. 1 to No. 4)
House Foreign Affairs Committee
June 14, 2023**

Question 1:

U.S. international financing tools have been increasingly overshadowed compared to China's massive overseas investments. Through the "Belt and Road Initiative (BRI)" China plans to invest up to $8 trillion across 147 countries. Much of this development is aimed at developing economies to support China's political aims. In some cases, such as in Sri Lanka and in Ecuador, China has essentially engaged in "debt-trap diplomacy," gaining major leverage over the nation through loans that countries are unable to pay back, and no leniency. In countries like Sri Lanka and Zambia, the tremendous payments to Chinese debtors have created civil unrest. Why are Chinese banks able to get away with this type of coercion? What should we be doing instead?

Answer 1:

The United States is engaging and investing broadly to improve supply chain diversity, security, and resilience. When supply chains are more diverse, we are all less vulnerable. We have a wide variety of tools at our disposal to help partners facing economic coercion, including the expanded authorities of the U.S. International Development Finance Corporation (DFC) granted by Congress, the U.S. Export-Import Bank's China and Transformational Exports Program, grants through the U.S. Trade and

Development Agency, and U.S. collaboration with strategic partners through multilateral banks. These financing tools adhere to the highest standards of governance and transparency while supporting private sector driven economic growth.

DFC's lending and other support creates a critically important better choice for borrowers and limits the ability of PRC lenders to engage in predatory lending practices. To reduce PRC influence in the development finance sphere, the Administration requested an additional $1.02 billion as part of the "Out-Compete China" initiative to create an equity investment revolving fund outside of the DFC's annual appropriations for FY 2024.

With the Minerals Security Partnership (MSP) we are searching for bankable critical mineral supply chain projects that agencies like the DFC and other foreign partners can support, thereby reducing the PRC dominance of clean energy supply chains. Funding mechanisms and other support listed above create a choice of funders that support their clients in a thoughtful and flexible way, systematically reducing the allure of PRC lenders. Our partners and allies share these concerns about the PRC, and we are in active discussions about ways to align our respective approaches and respond to these cases in a coordinated manner.

Questions for the Record submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Michael McCaul (No. 1 to No. 4)
House Foreign Affairs Committee
June 14, 2023

Question 2:

The International Energy Agency (IEA) found that to reach net-zero by 2050, the world needs to double the amount of today's nuclear energy capacity. This would be unprecedented growth — about 25 new 1,000-megawatt reactors per year by 2030 and accelerated growth beyond that. As nuclear energy provides clean and reliable baseload energy, it is important that we expand this critical resource. What would it look like to actually build this much nuclear energy per year, and what more can the U.S. Government do to ensure that added capacity is spearheaded by American innovators rather than non-market, state-owned Russian and Chinese companies?

Answer 2:

In many countries, nuclear energy could be key to the success of responsible and resilient clean energy transitions and energy independence. U.S. civil nuclear cooperation presents countries with an alternative to PRC and Russian nuclear cooperation engagements. These engagements potentially could solidify 60-100-year partnerships, due to the long-term nature of civil-nuclear cooperation.

However, more is needed for the U.S. and our partners to become dominant players in the industry and utilize an increasing amount of nuclear power to meet firm, clean energy needs within the coming decades. First-of-a-kind technical, financial, and licensing risks must be overcome to enable broad commercial deployment of advanced nuclear reactors, including small modular reactors.

The first steps toward recapitalizing the U.S. nuclear industrial base are at risk as vendors need to book firm orders from potential customers to secure private investment. State-owned Russian and PRC firms are able to use state-backed resources to mitigate these risks. We are working across the interagency to find ways to support investment programs that could help jump start U.S. and foreign nuclear industries.

At home, funding is needed to kick-start the development of sufficient domestic enrichment and conversion capabilities to meet the needs of existing reactors as well as the advanced reactors of tomorrow. We welcome Congressional support for that effort.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Michael McCaul (No. 1 to No. 4)
House Foreign Affairs Committee
June 14, 2023

Question 3:

Ambassador, global demand for nuclear energy continues to accelerate as countries seek energy security and to meet climate commitments, and the selection of a partner for nuclear energy development can be the foundation of a 100-year strategic relationship. In this growing market, U.S. companies must compete against countries that have vast resources — financial and political. For Russia and China, nuclear exports are valued as an instrument of foreign policy and enjoy the state-level attention and support that necessitates. The State Department and the Bureau of Energy Resources in particular play a key role in ensuring U.S. leadership on global energy issues. A) How is the State Department working to ensure that its programs, such as the Foundational Infrastructure for Responsible Use of Small Modular Reactor Technology or FIRST Program are adequately scaled to meet this rapidly growing global demand? B) How do State's programs, including the FIRST Program, compare with the resources that China and Russia are devoting to the development of similar nuclear energy partnerships? And what more does the U.S. need to do to ensure that the U.S. is the preferred partner for civil nuclear energy?

Answer 3:

The FIRST Program, directed by our colleagues in the ISN Bureau, is intended to help existing and newcomer nuclear states prepare to deploy civil-nuclear reactor technology under the highest standards of international nuclear safety, nuclear security, and nuclear nonproliferation.

The Department is thrilled with the growing number of Southeast Asian, African, European, and Eurasian countries cooperating with us under the FIRST program and ENR is actively engaged to support development of civil nuclear power as part of a secure, balanced, and sustainable energy mix. The United States has announced $21 million in capacity-building support for partner countries under FIRST worldwide to date, and more announcements are anticipated. President Biden has also welcomed participation by Japan, South Korea, and Canada as contributing partners in the FIRST program.

Regaining U.S. leadership in supplying advanced nuclear technologies — including large-scale reactors, small modular reactors (SMRs) and microreactors – is necessary to ensure nuclear energy's key role in global climate action and the clean energy transition. To achieve this goal, we must adopt policies to support and prioritize investments in nuclear energy development and deployment domestically and internationally and ensure that nuclear power is considered as part of any comprehensive effort to decarbonize.

At home, funding is needed to kick-start the development of sufficient domestic enrichment and conversion capabilities to meet the needs of existing reactors as well as the advanced reactors of tomorrow. We welcome Congressional support for that effort.

Questions for the Record submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Michael McCaul (No. 1 to No. 4)
House Foreign Affairs Committee
June 14, 2023

Question 4:

U.S. nuclear energy exporters face unfair competition from state-owned rivals, particularly from Russia and China in terms of financing and executing geo-strategically significant and climate-imperative nuclear energy projects abroad. Bipartisan legislation has been introduced to help address some of America's competitiveness issues, including developing a civil-nuclear export strategy to offset Russia and China's growing influence. In order to do so, it would establish a national, strategic plan that promotes partnerships with ally nations and encourages civil-nuclear nations to coordinate financing, project management, licensing, and liability. It would also promote safety, security, and safeguards, which are foundational to a successful, competitive nuclear export program. How can bipartisan legislation like this support America's competitiveness, our economy, and our geo-strategic interests abroad?

Answer 4:

Consistent with our G7 pledge to further reduce reliance on civil nuclear and related goods from Russia, the Department of State is working with other departments and agencies to identify ways to diversify global nuclear energy supply chains.

We agree that this effort will require close collaboration with partners and allies and will need creative investment solutions to encourage some countries to expand existing capabilities and others to develop new nuclear-related industries where they do not exist. This is something the G7 Working Group on Nuclear Energy will be discussing in the months and years ahead. Several European countries have already taken steps to end their reliance on Russia. The U.S. will also work closely with our allies in the EU to advance this goal.

At home, funding is needed to kick-start the development of sufficient domestic enrichment and conversion capabilities to meet the needs of existing reactors as well as the advanced reactors of tomorrow. We welcome Congressional support for that effort.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Chris Smith (No. 1 to No. 5)
House Foreign Affairs Committee
Wednesday, June 14, 2023

Question 1:

Last November, the NGO China Labor Watch detailed forced labor conditions for Chinese workers in BRI projects in multiple countries across Asia, the Middle East, and Africa. Drawing on data from correspondence with over 2,000 workers in 8 countries across Asia, the Middle East, and Africa, China Labor Watch found "systematic violations of the rights of Chinese workers in BRI-affiliated projects." In interviews with workers, they found that interviewees raised grievances that corresponded to International Labor Organization indicators of forced labor or human trafficking in as high as 85 percent of cases. Issues documented by China Labor Watch include multi-layered sub-contracting agreements that shield companies from accountability, false advertising regarding salaries and other working conditions overseas, allowing or forcing workers to work overseas without required work visas, illegal contracting practices, passport seizures, arbitrary wage garnishments and fines, surveillance, intimidation, and physical abuse at job sites, and corruption and collusion with host country authorities to suppress worker complaints.

How are your agencies – Departments of State and Commerce, and the U.S. International Development Finance Corp. – tracking these human rights abuses, and do you have plans to hold China accountable to these violations? If so, what are those plans?

Answer 1:

We continue to be concerned with human rights abuses and allegations of forced labor occurring across all sectors. We continue to prioritize and take concrete measures to promote accountability for the commission of atrocities and human rights abuses, including genocide and crimes against humanity in Xinjiang. Specifically, we have issued visa restrictions, financial sanctions under the Global Magnitsky program, export controls, and import restrictions, as well as a multi-agency business advisory on Xinjiang to help U.S. companies avoid commerce that facilitates or benefits from human rights abuses, including forced labor. We continue to remind countries and companies that the United States will not import goods made with forced labor.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Chris Smith (No. 1 to No. 5)
House Foreign Affairs Committee
Wednesday, June 14, 2023

Question 2:

The People' Republic of China is one of the world's largest producers of rayon, with production concentrated in the Xinjiang Uyghur Autonomous Region (XUAR). Belt and Road countries such as Indonesia and South Africa are major exporters of wood pulp, which is used in the production of rayon, to the PRC. There are allegations of human rights abuses in the seizure of land then farmed for wood, as well as environmental concerns with deforestation, and other human rights abuses, which have occurred in wood-pulp-producing countries such as Indonesia. There are also allegations of forced labor occurring in the XUAR with regard to the production of rayon.

Have your agencies investigated allegations pertaining to human rights abuses and environmental degradation in BRI countries that in turn are directly linked to further human rights and forced labor abuses in XUAR with regard to the production of wood pulp and rayon? If so, what did you conclude? What steps have you taken to address any such abuses?

Answer 2:

We continue to be concerned with human rights abuses and allegations of forced labor occurring across all sectors. We continue to prioritize and take concrete measures to promote accountability for the commission of atrocities and human rights abuses, including genocide and crimes against humanity in Xinjiang. Specifically, we have issued visa restrictions, financial sanctions under the Global Magnitsky program, export controls, and import restrictions, as well as a multi-agency business advisory on Xinjiang to help U.S. companies avoid commerce that facilitates or benefits from human rights abuses, including forced labor. We continue to remind countries and companies that the United States will not import goods made with forced labor. The Department also works through multilateral bodies including the ILO, UN, and OECD, and through bilateral agreements with allies and partners, to share information on forced labor, remove tainted products from global markets, and incentivize corporate supply chain due diligence.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Chris Smith (No. 1 to No. 5)
House Foreign Affairs Committee
June 14, 2023

Question 3:

Have your agencies coordinated other relevant U.S. government agencies and bureaus, such as the Department of Labor's Bureau of International Labor Affairs, USAID, and the Department of the Interior's U.S. Fish and Wildlife Service with regard to the production of wood pulp in BRI countries and rayon in XUAR [Xinjiang Uygur Autonomous Region]? If so, please detail what has been done. With respect to the implementation of Executive Order 14072, signed on April 22, 2022 and directed at addressing deforestation, what interagency efforts have been made to address deforestation attributable to the production of wood pulp in BRI countries, and have such efforts also examined any linkage with the production of rayon in XUAR? If so, what was concluded?

Answer 3:

Rayon is derived from wood pulp and is one of several goods that are part of global supply chains produced in disproportionately high volumes in XUAR. The PRC is a key country of concern for addressing trade- and investment-driven deforestation, and illegal logging or land conversion, especially in tropical forest countries, including through investments without adequate social and environmental safeguards in developing countries.

Executive Order (EO) 14072 did not request specific options to address wood pulp production in BRI countries or connections with rayon production in XUAR. Wood, including wood pulp, is one of several agricultural commodities driving deforestation. The EO report identified options to engage commodity-importing countries—such as the PRC—and commodity-producing countries—including those that are part of the BRI—to leverage public-private partnerships, trade measures, or other options to address deforestation and sustainability goals.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Chris Smith (No. 1 to No. 5)
June 14, 2023

Question 4:

With respect to U.S.-led Partnership for Global Infrastructure and Investment (PGII) projects, contracts, and programs, please detail interagency coordination undertaken to ensure that such PGII projects, contacts and programs are not linked to or investing in companies that are sanctioned or blacklisted by the U.S. Treasury and/or involved in abuses in the XUAR [Xinjiang Uygur Autonomous Region]. Has any linkage with blacklisted companies been uncovered?

Answer 4:

President Biden launched PGII alongside his G7 counterparts at the G7 Leaders' Summit in June last year to serve as a credible alternative to PRC's Belt and Road Initiative. PGII is based on partnerships with host countries that are designed to support the delivery of sustainable development outcomes in the face of some of the greatest economic development and supply challenges we and our partners face. PGII works transparently to offer fair financing and guard against corruption while centering around unlocking public and private capital for infrastructure investments.

The Office of the Special Presidential Coordinator for Global Infrastructure and Investment (S/PGII) at the U.S. Department of State is charged with carrying out PGII's mission. S/PGII works closely across the interagency – including with USAID, USTDA, DFC, EXIM, NSC, and the Departments of Commerce, Treasury, and Agriculture – to ensure that all elements of PGII's projects align with national security and agency priorities. We defer on questions of specific sanctions enforcement and compliance to the Department of the Treasury.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Chris Smith (No. 1 to No. 5)
House Foreign Affairs Committee
June 14, 2023

Question 5:

According to Walk Free's (a human rights group dedicated to eradicating modern-day slavery) 2023 Global Slavery Index, the top 10 countries with the highest prevalence of modern slavery in 2021 are North Korea, Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan and Kuwait. Of those 10, it is interesting to note that 9 of them (Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan, Kuwait) are countries of the BRI.

Are there coordination mechanisms in place with our allied partners to monitor forced labor, exploitation, slavery, and/or human trafficking? If so, what has such monitoring revealed, and what mitigation efforts been implemented?

Answer 5:

The UN has recognized labor rights and access to remedy as critical to strengthen good outcomes of government assistance and development finance. In countries interested in or currently hosting BRI projects, the Department encourages governments to take all reasonable steps to prevent and address human trafficking and to protect individuals in their territories, including their citizens, PRC nationals, and other migrant workers. The Department works through multilateral bodies like the ILO, UN, and OECD, and through bilateral agreements to share information on forced labor, remove tainted products from global markets, and incentivize corporate supply chain due diligence. The Department also works with allies and partners to advance model “high road” investments that provide decent jobs and raise living standards for all.

The Department’s 2023 Trafficking in Persons Report included recommendations for countries hosting BRI and related projects and analysis of BRI-related forced labor in 13 country narratives (Algeria, Chad, Eritrea, Kenya, Kyrgyz Republic, Laos, Madagascar, Pakistan, Philippines, Qatar, Saudi Arabia, Timor Leste, and Vietnam), and featured analysis of forced labor trends at non-BRI—but PRC-affiliated—infrastructure development projects in 14 other country narratives (Antigua and Barbuda, Barbados, Belarus, Equatorial Guinea, Israel, Malaysia, Maldives, Nepal, Papua New Guinea, Singapore, Solomon Islands, South Africa, Tajikistan, and Zimbabwe). The Department encourages such governments to: scrutinize recruitment channels and contracts to help protect its citizens from being exploited under false pretenses; enhance their physical inspection of BRI worksites to monitor compliance with labor laws and screen for forced labor indicators; ensure PRC nationals and other migrant workers feel comfortable coming forward to report their abuses without fear of summary deportation; identify and protect victims—be it through shelter services, medical care, or consular assistance—and initiate and support relevant criminal investigations and/or civil remediation. We assess implementation of such recommendations year on year.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Sydney Kamlager-Dove (No. 1)
House Foreign Affairs Committee
June 14, 2023

Question 1:

Many of our strategic partners–including low-lying Pacific Island nations and Caribbean countries that make up our third border–are in dire need of green infrastructure development to mitigate and address the national security threats of climate change. Last year, Beijing pledged to incorporate green infrastructure development as part of BRI.

What kind of demand are we seeing from our partners for development financing for renewable energy projects? How would failing to fund these projects impact our attractiveness as a partner over the PRC?

Answer 1:

Globally, there is a groundswell in demand for clean energy investment, including from Pacific Island and Caribbean countries that are disproportionately affected by climate change. These island states must simultaneously address energy security and climate concerns while struggling under substantial debt, much of it incurred responding to previous climate-driven disasters. Under pressure, these countries will turn to whatever financing is available. Therefore, we seek to ensure that the United States remains their partner of choice on issues of energy security and energy transition, including providing alternatives to investments from the PRC for energy projects.

To meet this imperative, the Department of State works with USAID, Development Finance Corporation (DFC), EXIM Bank, the Departments of Commerce and Energy, and the U.S. Trade and Development Agency (USTDA) to address global need for infrastructure investment. The Department of State leads the Project Development and Investment Pillar of the U.S.-Caribbean Partnership to Address the Climate Crisis 2030 (PACC 2030), and we are directly supporting eleven Caribbean countries to provide expert technical assistance that contributes to clean energy infrastructure investment and promoting investment for identified clean energy projects.

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Keith Self (No. 1)
House Foreign Affairs Committee
June 14, 2023

Question 1:

What are they doing to secure the most critical chokepoints on the sea lanes, such as the Strait of Hormuz, Strait of Malacca, Panama Canal, Cape of Good Hope, and Suez Canal?

Answer 1:

The People's Republic of China's (PRC) activities to secure control of maritime chokepoints poses a serious threat to U.S. national security and to our economic and foreign policy interests. It also jeopardizes U.S. influence abroad. Our Embassies continuously monitor and report on the PRC's influence in ports and waterways. Those reports suggest that the PRC encroaches on critical maritime chokepoints through economic coercion and by acquiring controlling stakes in nearby ports. The PRC manipulates conditions in ports and waterways to secure its own access and thereby excludes the United States and other countries that abide by international laws and norms.

The Department of State is using a variety of tools to counter PRC control of strategic assets. Those tools include working with allies and partners to promote best practices on exercising sovereign control of strategic infrastructure, including ports; supporting economically viable project development and high-standard investment; encouraging private sector–led economic development; and strengthening cooperation on cyber security. The Development Finance Corporation has been a critical partner in this effort.

State continues to track global port investment trends. Commercial diplomacy is a critical tool to discourage PRC infiltration in strategic ports. When possible, we encourage investment in this sector by firms from the United States and other likeminded partners.

action (including declining support for the project). In all cases where DFC pursues a project, the borrower is required to adhere to the labor and other requirements contained in the IFC Performance Standards.

Question 4: According to Walk Free's (a human rights group dedicated to eradicating modern day slavery) 2023 Global Slavery Index, the top 10 countries with the highest prevalence of modern slavery in 2021 are North Korea, Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan and Kuwait. Of those 10, it is interesting to note that 9 of them (Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan, Kuwait) are countries of the BRI.

Are there coordination mechanisms in place with our allied partners to monitor forced labor, exploitation, slavery, and/or human trafficking? If so, what has such monitoring revealed, and what mitigation efforts been implemented?

Response: DFC coordinates regularly with other USG agencies as well as bilateral development finance institutions on a wide range of issues, including those you mention. DFC monitors for these issues in each of its projects, but given the limited scope of DFC's programmatic work, other agencies are better situated to provide general and on-going analysis of these issues.

The concerns raised in the country-level indexes you reference are included in DFC's assessment of contextual risks when conducting due diligence on projects. We look to our interagency colleagues' reports on the issues for classification and guidance when the country contextual risks are elevated. DFC's Environmental and Social Policy and Procedures, which incorporates the requirements of the IFC Performance Standards, considers the project-specific risks of forced labor and other environmental and social issues. Any resulting mitigation and monitoring requirements are identified and included as conditions of DFC support.

Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy
House Foreign Affairs Committee Hearing
2:00 PM, Wednesday, June 14, 2023
Chief Development Officer Andrew Herscowitz

Rep. Jason Crow (D-CO)

Question 1: In many cases, the Chinese model of investment – whether through infrastructure, energy, agriculture, trade, or other avenues – has been a failure. For many countries, China was not the preferred partner but simply the one that was available. Their model causes environmental degradation, creates elevated or unsustainable debt levels, threatens labor and human rights standards, facilitates dependence, and saddles countries with political quid pro quos. As the U.S. engages more fully, our approach cannot aim to replicate this model or we doom ourselves to the same inequitable, exclusive, and economically and socially unsustainable results.

In your opinion, is the United States doing enough to communicate the risks, long-term and short-term, to these nations if they are to accept investments from the PRC? What competitive advantages does the Development Finance Corporation have over the PRC in order to provide a more stable alternative and are there specific sectors with gaps the U.S. is best suited to fill? How does the DFC communicate U.S. values to developing nations making the choice between the model offered by the PRC and that offered by the United States?

Response: Since its establishment, DFC has mobilized billions of dollars of private sector capital toward projects that advance development impact and U.S. foreign policy interests. In contrast to the model put forward by strategic competitors such as the People's Republic of China, DFC's competitive advantage is its ability to partner with the private sector on projects that meet the needs of the communities in which it works. DFC also stands apart from strategic competitors for its high-quality investments resulting in sustainable projects that do not leave host countries burdened with debt, that reflect our values of transparency and good governance, and that adhere to strong social, environmental, and financial standards. DFC also monitors investments over their lifetime to ensure adherence to these values and standards.

DFC invests in a number of sectors, with the vast majority of our investments in energy, food and agribusiness, health, infrastructure, small business, and financial services projects. In all of our interactions with clients and other stakeholders, we strive to communicate that the mobilization of private sector capital helps create long-lasting benefits for local communities and build resilient market economies. Our projects demonstrate the success of that model, and we will continue to engage partners in developing countries that our approach is the most sustainable and effective way to achieve durable development outcomes.

Rep. Bill Huizenga (R-MI)

Question 1: In 2018, the PRC laid out an ambitious plan to spread the Belt and Road Initiative to the Arctic. The Arctic region is ripe for the picking with valuable commodities in energy and mineral resources, but also with commercial and geopolitical implications as well. According to the U.S. Geological Survey, as much as 13% of the world's undiscovered crude oil and 30% of undiscovered natural gas exist in the region.[1] There is no doubt in my mind that China intends to exploit these critical resources via the "Polar Silk Road."[2] How well has the PRC been able to implement this plan, and is the expectation that, in the future, their presence will grow?

Is there anything that Congress can do to make the United States more competitive in the Arctic Region?

Response: Given the country eligibility requirements in the BUILD Act, DFC is limited in its ability to support projects in the Arctic region. DFC does not invest in Russia, and the remaining countries in the Arctic region are high-income countries. DFC is generally prohibited from investing in such countries except under the European Energy Security Diversification Act, which allows DFC to support energy-related transactions in high-income countries in Europe and Eurasia if they meet specified eligibility criteria. However, DFC remains open to assessing opportunities that align with our investment criteria and eligibility requirements, and we continue to work with other U.S. government agencies to understand where there may be options for us to engage. The PRC's "Polar Silk Road" Strategy declared China to be a "near-Arctic State" in 2018. The strategy identifies Beijing's interests as access to natural resources, sea lines of communication, and promoting an image of a "responsible major country" in Arctic affairs. The Department of State is best positioned to comment further on the PRC's "Polar Silk Road" plan.

Question 2: As Chief Development Officer of the U.S. International Development Finance Corporation, you report directly to the Board of Directors and are responsible for setting the DFC's overall development strategy. Of which, the DFC has committed to a net zero emissions portfolio by 2040.

When Congress created the DFC, they were clear that they wanted the U.S. to avoid political battles over favored energy technologies and, instead, counter China's growing influence across Africa, Asia, and the Middle East.[3]

Instead, the Biden Administration has decided to pursue a green energy agenda so that "at least one-third of its new investments are linked to addressing the climate crisis."[4] While this sounds great for the green energy lobby, limiting investment in oil and gas puts low-income countries on a crippling path to energy dependence from places like Russia and Venezuela.

Yesterday, in the House Financial Services Committee hearing, where I also serve, Secretary Yellen said, "Multilateral Development Banks, we think, need to evolve the work that they do to move from focusing purely on country-specific challenges that affect poverty to responding better to global challenges including climate change." Secretary Yellen serves on your Board of Directors; you answer to her.

The desire to push climate policy initiatives and standards over common-sense, all-of-the-above energy solutions by this Administration puts America in a detrimental position over adversaries like China, who ultimately don't discriminate in the type of infrastructure investments.

I am looking for clarification here, despite the soaring energy prices exacerbated by the war in Ukraine, you think it's in America's best interest and these partner country's interest to prioritize climate-related risks over return, is that correct?

Response: DFC remains open to supporting strategic projects in the gas sector or other industries that help deliver strong developmental impact or contribute to key geostrategic goals. DFC's approach is driven by needs on the ground and the market that align with our dual mandate. We engage with a wide range of private sector companies that identify investment opportunities and apply for DFC support.

We recently approved projects in Europe that will help diversify energy sources as part of efforts to address the impact of the unprovoked Russian war in Ukraine. These DFC transactions will enable cost-effective access for Europe to international gas markets and strengthen regional energy infrastructure through a port investment in Greece.

DFC also supports energy security through investments to counteract the PRC's market dominance in solar photovoltaics, batteries, and wind turbines, among other technologies. In India, DFC financing is supporting First Solar, a U.S. company, in constructing a new solar panel manufacturing plant free from the problems of the Chinese supply chain.

Question 3: Whether it is predatory investment practices, financially unsustainable infrastructure projects, or capturing critical resource exports, the CCP is rapidly increasing its influence in the Western Hemisphere. As a result, the U.S. private sector is losing opportunities, and the U.S. government is losing influence in our neighborhood. What does China offer our partners in the Western Hemisphere that the U.S. does not or cannot?

Moreover, President Biden has presided over the loss of two of Taiwan's diplomatic allies in the Western Hemisphere, Nicaragua and Honduras. How is the Biden Administration working to strengthen Taiwan's ties with remaining diplomatic partners in the region as relations could further be eroded by China's "check-book diplomacy?"[5]

Response: DFC is providing a high-standards, values-based alternative to the financing model put forward by strategic competitors such as People's Republic of China. Unlike the approach of the PRC which, as you note, all too often burdens countries with unsustainable sovereign debt, DFC's efforts support the private sector, mobilize private capital, and through that activity, build resilient market economies.

Taiwan's International Cooperation and Development Fund (ICDF) is an important partner to DFC. Under the auspices of the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO), ICDF has co-invested with DFC in Central America and the Indo-Pacific. For example, Taiwan has supported DFC's

2X Women's Initiative by (1) funding an external vendor to develop a tool helping DFC identify potential leads for women-owned and operated small businesses in Guatemala, El Salvador, and Honduras, and (2) funding costs of DFC financial intermediary clients to attend the Financial Alliance for Women All-Stars Academy, where financial services professionals build critical skills to serve women effectively. We remain engaged with TECRO and ICDF on future opportunities where we can cooperate.

Rep. Kamlager-Dove (D-CA)

Question 1: Latin America's infrastructure and development needs are growing, and the United States has been slow to deliver the sea change in U.S. investment that our Latin American partners are asking for. There is ample room to encourage our allies to step into the gap and ramp up their own development and investment work in the region.

Through the Partnership for Global Infrastructure and Investment, to what degree is the DFC working with the international financial institutions of our G7 partners to bolster development financing in Latin America and the Caribbean, and what is the outlook for our major allies to start expanding their infrastructure investment in Latin America?

Response: The Partnership for Global Infrastructure and Investment (PGII) has provided a strong framework for DFC, others in the U.S. government, and G7 to coordinate resources to increase our investments in high quality infrastructure, including through DFC's activity across regions and sectors.

As of the end of FY22, Latin America was DFC's top region in terms of its overall portfolio. As highlighted by the White House in its May 20, 2023, PGII factsheet, DFC announced a $150 million loan to Yilport Terminal Operations this year to expand and modernize the Puerto Bolívar container port in Ecuador. The port's expansion and supporting investment in cold storage will enhance Ecuador's agricultural sector, diversify and strengthen global food security, and sustain and create local jobs. It is also projected to catalyze up to $750 million of foreign direct investment.

In addition, DFC has worked with its G7 partners and multilateral institutions to support projects in Latin America that address the region's development needs. For example, in 2021, IDB Invest, DFC, and FinDev Canada provided $390 million in subordinated loans to Banco Davivienda in Colombia to strengthen the growth of its portfolio of small business lending. DFC has also led an effort among the G7 development finance institutions (DFIs) to map out the capabilities, authorities, and tools of each DFI as a way to promote collaboration and co-financing among these like-minded partners. DFC remains interested in additional opportunities to work with G7 partners and multilateral institutions where appropriate.

Question 2: At a roundtable last month focused on promoting U.S. trade and investment in Africa, we heard the private sector's frustration with the limits of DFC support for businesses looking to invest on the continent, especially when it comes to the slow pace of DFC deals and the lack of adequate staffing.

You mentioned in your testimony that DFC is working to build overall capacity and align organizational structures with the areas of greatest demand. How specifically are these efforts working to ensure that DFC can address the unmet demand for development financing in Africa?

Response: DFC is in the process of realigning its processes and structure to best meet its dual mandate to make development impact and advance foreign policy. DFC is proposing to align its investment teams around priority sectors, thereby allowing the organization to scale its work and achieve more strategic growth in these sectors. We are also working to streamline our investment processes by shortening timelines, reducing paperwork, and improving our Board processes.

Africa represents DFC's largest overseas staffing presence and, as of the end of FY22, DFC's second largest region in terms of its overall portfolio. The staff on the ground help source deals and expedite necessary project due diligence. We are reviewing our current overseas presence globally with the intention of expanding our overseas staff to more efficiently source quality projects in local markets, including in Africa.

While DFC will continue to increase its staffing to build capacity to meet increased demand within existing funding levels, it is also essential that Congress provide budgetary resources at the level requested in the President's Budget for FY 2024 to further build our capacity to invest in markets such as Africa, including as part of our strategy to provide an alternative to PRC financing.

Rep. Tom Kean (R-NJ)

Question 1: The global nuclear industry largely relies on Russian low-enriched uranium to fuel its nuclear power plants. How are your agencies working to lessen dependence on Russian nuclear supply chains?

What are your agencies doing to make sure that U.S. allies and partners can maintain fuel supplies without reliance on Russian fuel, with regards to both Low Enriched Uranium and future advanced fuels?

Response: Other agencies are best positioned to provide comments on a broader set of approaches to resolve gaps in the nuclear fuel supply chain, as they are able to work in developed markets where processing and refining take place. For its part, DFC is working to increase the supply of raw materials for the nuclear fuel supply chain, including by exploring potential investments in uranium mining that would support diversification of the supply chain away from Russia.

Question 2: Last month the Africa Subcommittee held a roundtable with U.S. private sector companies that do business in Africa. A concern they raised is that DFC and other U.S. agencies with equities in that space are rarely "at the table" with U.S. private sector companies when they are negotiating with African governments.

This damages the legitimacy of U.S. bids as they do not appear to have the same level of official support when contrasted to Chinese and European companies who regularly travel with high-level government figures. Does the Administration find this to be a concern, and how could we work together to rectify this and improve the DFC's commercial diplomacy efforts?

Response: DFC's approach is driven by needs on the ground and the market that align with our dual mandate. We engage with a wide range of private sector companies, including U.S. companies, that identify investment opportunities and apply for DFC support.

Africa represents DFC's largest overseas staffing presence and, as of the end of FY22, DFC's second largest region in terms of its overall portfolio. DFC is seeking to expand our overseas presence to improve our ability to source quality projects in local markets, including in Africa. DFC currently has a modest overseas presence, and we have found that having staff on the ground is enormously valuable to sourcing and supporting deals that fulfill DFC's mandate. They have developed bankable transactions with new clients in low-income countries and improved interagency coordination with State, USAID, Commerce, and other overseas colleagues on outreach and engagement with the private sector to enable proactive sourcing directly aligned with Administration and interagency priorities.

DFC would like to deploy additional staff overseas so that we can realize these benefits but are limited by our budgetary resources. Funding DFC at the level requested in the President's Budget for FY 2024 will enable us to further expand our overseas presence and increase our capacity to invest in challenging markets.

<u>Chairman McCaul (R-TX)</u>

Question 1: U.S. international financing tools have been increasingly overshadowed compared to China's massive overseas investments. Through the "Belt and Road Initiative" (BRI), China plans to invest up to $8 trillion across 147 countries.[4] Much of this development is aimed at developing economies to support China's political aims. In some cases such as in Sri Lanka and in Ecuador, China has essentially engaged in "debt-trap diplomacy," gaining major leverage over the nation through loans that countries are unable to pay back, and with no leniency. In countries like Sri Lanka and Zambia, the tremendous payments to Chinese debtors have created civil unrest.

Why are Chinese banks able to get away with this type of coercion? What should we be doing instead?

Response: Without an alternative to PRC investment, countries are left with two options: accept the risks that come with working with the People's Republic of China (PRC) or these countries can forgo opportunities to attract investments even if they exploit local communities and resources. DFC is providing a high-quality, values-based alternative to that model. DFC investments result in sustainable projects that do not leave host countries

burdened with debt, that reflect our values of transparency and good governance, and that adhere to high social, environmental, and financial standards. DFC also monitors investments over their lifetime to ensure adherence to these values. The risks of working with the PRC are well documented and known to local communities, and this is why developing countries are strongly interested in DFC's approach and are eager for alternatives for their financing needs. DFC is working to grow its capacity and expand its presence in developing countries in order to mobilize private capital to meet those needs.

Funding DFC at the level requested in the President's FY 2024 Budget is an essential part of building our capacity to offer a robust alternative to PRC investment; this budget request includes $2 billion for an equity revolving fund as part of the Out Compete China mandatory proposal.

Question 2: The International Energy Agency (IEA) found that to reach net-zero by 2050, the world needs to double the amount of today's nuclear energy capacity. This would be unprecedented growth — about 25 new 1,000-megawatt reactors per year by 2030 and accelerated growth beyond that.[5] As nuclear energy provides clean and reliable baseload energy, it is important that we expand this critical resource.

What would it look like to actually build this much nuclear energy per year, and what more can the U.S. Government do to ensure that added capacity is spearheaded by American innovators rather than non-market, state-owned Russian and Chinese companies?

Response: DFC is supportive of nuclear energy technology projects, and we coordinate regularly with other parts of the U.S. government and the private sector to identify emerging opportunities in this area with a focus on U.S. firms looking to invest abroad. Despite this commitment, DFC's ability to provide financing to conventional nuclear projects is limited due to factors that include the large capital requirements that limit our role in those projects and the dominance of state-owned enterprises in large-scale nuclear projects, which does not fully align with DFC's mandate. DFC sees greater opportunities in the small modular reactor (SMR) space given the smaller financing requirements and the leadership of the private sector. The market and commercial opportunity for these technologies is still evolving, and we continue to explore opportunities where we can play a meaningful role in the early-stage development of large-scale nuclear opportunities.

Question 3: The selection of a partner for nuclear energy development can be the foundation of a 100-year strategic relationship. Three years ago, DFC modernized its nuclear energy policy to allow it to consider support of nuclear energy projects abroad. Further, in December, DFC received bipartisan letters from the House and Senate urging it to invest in international nuclear energy projects. We have recently seen that DFC has issued letters of interest for $1b for Poland and Romania respectively, which is a very positive step.

Is DFC making available its full set of authorities to support nuclear energy projects, for example its equity authority and risk insurance? If not, why not?

Through the Build Act, DFC was formed to leverage U.S. strengths and counter BRI. Given the important strategic nature of nuclear energy partnerships, how is DFC working to counter Chinese engagement and influence in nuclear energy, especially in Africa? How effective has DFC been in this space?

Response: DFC remains very interested in pursuing opportunities to support innovation in the nuclear space. We are pursuing opportunities to support small modular reactor (SMR) technology, or other small and modular installations that have the potential to be completed at lower costs and more expeditiously, including the two projects in Romania and Poland that you mentioned. We have also engaged in early-stage conversations on SMR projects in several other countries around the world. These technologies are still in their early stages of commercialization, and DFC may be better positioned to invest as SMRs achieve technological maturity and commercial uptake.

We will continue to work with other parts of the government that are supporting efforts to help other countries establish the right conditions for nuclear power investments. DFC's full set of authorities are available for viable nuclear power investments. However, the high costs of nuclear power projects could limit DFC's ability to deploy its equity product given how DFC is currently required to account for those investments.

Question 4: Last week, the U.S. International Development Finance Corporation (DFC) pledged up to $500 million to help increase Poland's natural gas imports, with a goal to facilitate higher volumes of U.S. LNG imports.[1] Low-emissions natural gas is a clean, reliable baseload energy source, and my understanding is that America is now the world's largest producer of natural gas as well as the largest exporter of LNG thanks to domestic investment. However, more supply needs to come online to substitute for Russian gas and meet global energy needs. If we aren't the ones to meet that demand, then other nations will almost certainly turn to far dirtier energy sources.

What more can we do to get that supply online to assist partners and allies, particularly developing countries, to responsibly employ American solutions for clean natural gas?

Response: The Russia's unprovoked war in Ukraine has resulted in countries in Europe and beyond looking for options to diversify their energy supplies, and DFC is responsive to some viable projects that support these objectives. This includes using the authority provided in the European Energy Security Diversification Act to support energy-related transactions that meet specified criteria in upper-middle-income and high-income countries in Europe and Eurasia.

Beyond the example you cite, DFC recently approved an investment in the Elefsina shipyard in Greece which has a significant focus on servicing vessels that carry LNG. In 2022, DFC approved insurance for a gas trader supplying the Moldovan market to enable the company to engage international markets for gas supplies and reduce Moldova's dependence on Russian gas.

Question 5: Historically, the U.S. has been the world leader on nuclear energy deployment, however recently we have lost that leadership to countries like China and Russia who are both building dozens of their reactor designs domestically and in other countries. In 2020 the U.S. International Development Finance Corporation (DFC) removed its moratorium on supporting nuclear energy projects. Since then, however, DFC has not been particularly proactive in doing so, especially when you consider the intense global competition we see for geostrategically significant and climate-imperative civilian nuclear energy projects around the world. We recognize that DFC has recently issued letters of interest to support Poland and Romania's small modular reactor (SMR) projects up to $1 billion each, but this is relatively modest, one-off support compared to our competitors and adversaries.[2][3]

Is there anything holding DFC back from more robust support for nuclear energy projects?

Does DFC have the internal capacity it needs to engage more meaningfully on nuclear projects?

Response: Investment in nuclear power is challenging anywhere in the world with complex regulatory, commercial, and technical issues that must be addressed to develop projects that will meet the needs of the markets that these projects will serve. DFC's ability to provide financing to conventional nuclear projects is also limited due to factors that include the large capital requirements that limit our role in those projects and the dominance of state-owned enterprises in large-scale nuclear projects, which does not fully align with DFC's mandate. DFC is nevertheless ready to leverage its full set of tools to support viable nuclear power projects and is actively engaged in collaboration with other U.S. government agencies and the private sector to identify opportunities.

Question 6: U.S. nuclear energy exporters face unfair competition from state-owned rivals, particularly from Russia and China in terms of financing and executing geostrategically significant and climate-imperative nuclear energy projects abroad. Bipartisan legislation has been introduced to help address some of America's competitiveness issues. would develop a civil nuclear export strategy to offset Russia and China's growing influence. In order to do so, it would set a national, strategic plan that promotes partnerships with ally nations and embarking civil nuclear nations to coordinate financing, project management, licensing, and liability. It would also promote safety, security and safeguards which are foundational to a successful, competitive nuclear export program.

How can bipartisan legislation like this support America's competitiveness, our economy and our geostrategic interests abroad?

Response: DFC continues to collaborate with other U.S. government agencies and the private sector to identify opportunities in the nuclear energy sector. We would be happy to review this legislation and discuss how DFC can support a U.S. civil nuclear strategy.

Rep. Moran (R-TX)

Question 1: My understanding is that the DFC is committed to increasing climate-focused investments. In fact, in 2021 the DFC announced that 33% of their investments would be climate focused. I am concerned that this commitment means that the DFC is turning down opportunities to invest in other strategic sources of energy investments, such as natural gas. Has the DFC denied energy projects in order to maintain a 33% balance in climate focused investments?

By mandating a specific type of energy project how will the DFC continue maintaining its positive ROI that has been returning money to the Treasury?

Response: DFC remains open to energy projects and reviews them on a case-by-case basis. We can support strategic projects in the gas sector or other industries that help deliver strong developmental impacts or contribute to key geostrategic goals. DFC has not turned down energy projects solely because of climate-linked targets, nor has the target inhibited DFC's ability to support projects in the gas sector. We recently approved projects in Europe that will help diversify energy sources there as part of efforts to address the impact of Russia's unprovoked war in Ukraine. These projects enable cost-effective access to international gas markets and strengthen regional energy infrastructure through a port investment in Greece. All projects that DFC supports are expected to be commercially viable, regardless of the type of energy involved.

Question 2: Energy independence, and by extension the furthering of American energy abroad, is of great importance to our national security. Specifically, in the Indo-Pacific, the furthering of American investment abroad could pay off in dividends to our national security. What current efforts are being undertaken by the DFC to promote American energy projects in the Indo-Pacific?

What is the reaction from the PRC, if any, when the DFC does invest in nations where China and the U.S. both share a strategic interest?

Response: While the BUILD Act provide us with flexibility to invest in projects that are developed by companies from around the world, we are in close contact with U.S. government agencies working to promote American investment in the region and continue to track emerging opportunities. In the Indo-Pacific Region, last year DFC provided a $500 million loan to a subsidiary of U.S. energy company First Solar to build a large solar module manufacturing facility in India. This investment will open a new market to a U.S. company while helping India establish a domestic manufacturing capability to reduce reliance on PRC imports. DFC is also assessing a renewable energy generation project sponsored by an American company in Indonesia.

Representative Salazar (R-FL)

Question 1: China's Belt and Road Initiative represents nearly $1.3 trillion investments in infrastructure projects over 2013-2023. By comparison, the U.S. International Development Finance Corporation (IDFC) has a limited budget of $1 billion in 2023 and is unable to finance projects in countries that are key allies in the region due to their income level.

We know China is focused on Latin America's digital infrastructure. This is concerning on multiple levels. These investments allow China access to some of the most sensitive government and personal data of our neighbors and allies in Central and Latin America.

What is the US government's response strategy and what tools can be leveraged through the IDFC to ensure we remain competitive? Can the IDFC use funding to invest in public sector projects in Latin America, including in middle and high income countries? If not, what can Congress do? Do you need additional funding and how much?

Response:
DFC is seeking to increase its capacity to provide a more robust alternative to investments from the People's Republic of China, including by supporting viable investments in priority sectors such as Information and Communications Technology (ICT) in the Western Hemisphere. As part of that effort, we are exploring ways to expand our overseas presence and improve our ability to source quality and impactful projects in local markets, including in the Western Hemisphere.

Funding DFC at the level requested in the President's FY 2024 Budget is an essential part of building our capacity, including the $2 billion for an equity revolving fund requested as part of the Out Compete China mandatory proposal. In addition, to further improve its ability to mobilize private capital, DFC is seeking to engage with Congress on ways to address challenges with deployment of equity investment and fee collection.

Although the BUILD Act authorized DFC to make equity investments, equity is accounted for on a dollar-for-dollar basis under current rules, requiring that DFC have the full amount of the investment available up front, rather than accounting up front for future anticipated returns. This prevents DFC from taking full advantage of this important tool. DFC would welcome discussion with the Committee on alternative ways to approach the budgetary treatment of equity.

This causes misalignment with the practices of private-sector clients. DFC's main predecessor organization, the Overseas Private Investment Corporation (OPIC) was able to collect fees from private sector parties seeking support and to use those collections for due diligence costs, workout expenses, and monitoring expenses. Providing DFC with this authority would have several key benefits. First, fee collection and spending authority would allow DFC to grow commensurate with potential business and actual liabilities. Second, the authority would better align DFC practices with private sector project finance from a
cost-sharing perspective. With fee collection ability, private sector entities seeking support will bear the upfront cost of due diligence and the risk of loss if the project does not proceed; currently, DFC and the U.S. taxpayer pay that cost. Third, payment of upfront fees deters fraud and indicates commercial viability. Lastly, this authority could offer DFC greater budgetary certainty, allowing us to handle unpredictable workout expenses without potentially triggering a trade-off between workout expenses and administrative overhead of the Corporation or compete with new business.

DFC can support information and communications technology projects in upper middle-income countries. By law, DFC is not able to support such projects in high-income countries in the Western Hemisphere. However, we believe the reliance on World Bank country income classifications to define DFC country eligibility is not the most effective way to achieve development impact. There are several alternative options for establishing DFC country eligibility that would better achieve the Congressional intent of ensuring DFC's focus on advancing economic development.

Representative Self (R-TX)

Question 1: What are they doing to secure the most critical chokepoints on the sea lanes, such as the Straight of Hormuz, Strait of Malacca, Panama Canal, Cape of Good Hope, and Suez Canal?

Response: DFC does not work on matters related to sea lane security. The Department of Defense is better positioned to provide a response to your question.

Rep. Greg Stanton (D-AZ)

Question 1: Thank you all for being here today. Via the Belt and Road Initiative, the People's Republic of China is expanding its influence right in our backyard. Twenty-one Latin American and Caribbean countries have received investments through the Belt and Road.

When China invests, it largely ignores climate consequences or human rights. On the surface, that makes investment easier. But make no mistake—overlooking those causes has massive implications for Latin America—and the US.

When a poorly constructed dam in Ecuador drastically erodes riverbanks, locals have to leave their homes. Or when China brings in outside labor for projects, it takes away local jobs. This hurts Latin American economies and exacerbates migration north.

And there are serious strings attached to Chinese investments. It can usually demand repayment at any time, and leverages this to sway recipients on issues like the status of Taiwan's or the treatment of Uyghurs. Indeed, Panama, El Salvador, and Nicaragua all stopped recognizing Taiwan around the same time they joined the Belt and Road. This shift away from democratic systems…away from humanitarian issues…away from good labor and environmental standards has dangerous implications for all of us.

And we mostly watched it happen at first. The Belt and Road kicked off in 2013—the US didn't step up to the plate until we established the Development Finance Corporation in 2019.
The Biden Administration has set up additional infrastructure development partnerships in the past two years. I want to hear what those partnerships are doing and if we can get ourselves into a good, competitive position. Because we're almost a decade behind.

The Administration has also worked with the private sector, which has committed more than $4 billion through the Partnership for Central America to address root causes of migration in the

Northern Triangle countries. Assistant Secretary Venkataraman (ven-CUT-uh-RAH-mun), how does the Partnership for Central America Initiative stack up against the Belt and Road in impactful investment?

Response: While others are better positioned to comment on the specifics of the Partnership for Central America, DFC has worked with some of the companies that have made commitments under the PCA, and we are exploring opportunities to collaborate with PCA in the region.

Rep. Dina Titus (D-NV)

Question 1: Obviously, China's BRI is not all that they have pitched it to be. It's publicly failing, debt is mounting, and the poor environmental and labor standards are taking its toll on local communities hosting BRI projects. It should not be the U.S.'s policy to force other countries to choose between China and the U.S., but it is important they know that they have a choice. The U.S. can best compete with the BRI by offering a credible alternative. Assistance provided by the United States leads to better development outcomes for our partners, including sustainable and inclusive growth, stronger governance, and better social and environmental outcomes for local communities. Do you see any needed changes to DFC's current authorities, resources, and engagement with the private sector to strengthen DFC's ability to complete its mission and address these global development needs to effectively compete with China?

Response: DFC is seeking to build its capacity to provide a more robust alternative to investment from the People's Republic of China.

Funding DFC at the level requested in the President's FY 2024 Budget is an essential part of building our capacity; this budget request includes $2 billion for an equity revolving fund as part of the Out Compete China mandatory proposal. In addition, to further improve its ability to mobilize private capital, DFC is seeking Congressional support to address challenges with deployment of equity investment, fee collection, country eligibility, and more. We welcome continued discussions with Congress on these matters.

Although the BUILD Act authorized DFC to make equity investments, equity is accounted for on a dollar for dollar basis under current rules, requiring that DFC have the full amount of the investment available up front, rather than accounting upfront for future anticipated returns. This prevents DFC from taking full advantage of this important tool. DFC is seeking authority to collect fees from our private clients for due diligence and similar project-specific transaction costs. This is in line with the practices of commercial financial institutions. With this change, the private party seeking support would bear the upfront cost of a due diligence and risk of loss if project does not proceed. Currently, DFC is bearing the full cost of projects that ultimately do not proceed.

Additionally, we believe the reliance on World Bank country income classifications to define DFC country eligibility is not the most effective way to achieve development impact.

There are several alternative options for establishing DFC country eligibility that would better achieve the Congressional intent of ensuring DFC's focus on advancing economic development.

Representative Chris Smith (R-NJ)

Question 1: Last November, the NGO China Labor Watch detailed forced labor conditions for Chinese workers in BRI projects in multiple countries across Asia, the Middle East, and Africa. Drawing on data from correspondence with over 2,000 workers in 8 countries across Asia, the Middle East, and Africa, China Labor Watch found "systematic violations of the rights of Chinese workers in BRI-affiliated projects." In interviews with workers, they found that interviewees raised grievances that corresponded to International Labor Organization indicators of forced labor or human trafficking in as high as 85 percent of cases. Issues documented by China Labor Watch include multi-layered sub-contracting agreements that shield companies from accountability, false advertising regarding salaries and other working conditions overseas, allowing or forcing workers to work overseas without required work visas, illegal contracting practices, passport seizures, arbitrary wage garnishments and fines, surveillance, intimidation, and physical abuse at job sites, and corruption and collusion with host country authorities to suppress worker complaints.

How are your agencies – Departments of State and Commerce, and the U.S. International Development Finance Corp. – tracking these human rights abuses, and do you have plans to hold China accountable to these violations? If so, what are those plans?

Response: In contrast with the myriad issues associated with Belt and Road-affiliated projects, DFC is working to provide a high-quality, values-based alternative to financing from the People's Republic of China in developing countries. The alternative that we are putting forward focuses on building local capacity and filling local needs while utilizing local resources sustainably.

We require all DFC-supported projects to be free of forced labor and to include child labor protections within a project's direct and contracted workforce as set forth in the BUILD Act of 2018, the Trade Act of 1974 (as amended), and the IFC Performance Standards, with which DFC requires compliance. Following the requirements of the IFC Performance Standards, DFC projects must follow specific policies and procedures to be implemented at the project level to protect against the use of forced or child labor.

Question 2: The People' Republic of China is one of the world's largest producers of rayon, with production concentrated in the Xinjiang Uyghur Autonomous Region (XUAR). Belt and Road countries such as Indonesia and South Africa are major exporters of wood pulp, which is used in the production of rayon, to the PRC. There are allegations of human rights abuses in the seizure of land then farmed for wood, as well as environmental concerns with deforestation, and other human rights abuses, which have occurred in wood-pulp-producing countries such as Indonesia. There are also allegations of forced labor occurring in the XUAR with regard to the production of rayon.

Have your agencies investigated allegations pertaining to human rights abuses and environmental degradation in BRI countries that in turn are directly linked to further human rights and forced labor abuses in XUAR with regard to the production of wood pulp and rayon? If so, what did you conclude? What steps have you taken to address any such abuses?
Have your agencies coordinated other relevant U.S. government agencies and bureaus, such as the Department of Labor's Bureau of International Labor Affairs, USAID, and the Department of the Interior's U.S. Fish and Wildlife Service with regard to the production of wood pulp in BRI countries and rayon in XUAR? If so, please detail what has been done.

With respect to the implementation of Executive Order 14072, signed on April 22, 2022 and directed at addressing deforestation, what interagency efforts have been made to address deforestation attributable to the production of wood pulp in BRI countries, and have such efforts also examined any linkage with the production of rayon in XUAR? If so, what was concluded?

Response: While DFC does not itself conduct the types of investigations you describe, we are aware of the ongoing issues you highlight with regard to the production of wood pulp and rayon.

DFC screens all projects against DFC's Environmental and Social Policy and Procedures (ESPP), which incorporates the IFC Performance Standards. To the extent that a project involves land acquisition, conversion, or disturbance, there are specific requirements that are put into place to identify, avoid where possible, consult on, mitigate, and monitor potential environmental and social risks.

DFC incorporates the valuable work of other expert agencies on forced labor into its diligence of potential investments and has also coordinated with other agencies on the implementation of Executive Order 14072. Should there be allegations of misconduct with respect to potential project proponents/clients, DFC incorporates these issues into the overall due diligence. This diligence can include discussions with interagency partners with regional, sectoral, and topical knowledge.

The DFC Office of Accountability can further provide affected communities an opportunity to have environmental or social concerns related to the project independently reviewed and addressed.

Question 3: With respect to U.S.-led Partnership for Global Infrastructure and Investment (PGII) projects, contracts, and programs, please detail interagency coordination undertaken to ensure that such PGII projects, contacts and programs are not linked to or investing in companies that are sanctioned or blacklisted by the U.S. Treasury and/or involved in abuses in the XUAR. Has any linkage with blacklisted companies been uncovered?

Response: DFC conducts due diligence on all its investments which, among other things, helps DFC ensure that its borrowers are not sanctioned or blacklisted by the U.S. Treasury. A project's potential for heightened risk due to linkages to the Xinjiang Uyghur Autonomous Region would be explored through the due diligence process, which would analyze and categorize such risk and determine the appropriate mitigant or other DFC

Questions for the Record Submitted to
Assistant Secretary for Energy Resources Geoffrey Pyatt by
Representative Dina Titus (No. 1)
House Foreign Affairs Committee
June 14, 2023

Question 1:

As the Ranking Member of the House Democracy Partnership, I am consistently looking for ways to engage with partner legislatures to address issues of mutual concern and importance and to seek greater collaboration with our counterparts in these countries. Unfortunately, numerous HDP partner legislatures have also signed Memoranda of Understanding with China to host Belt and Road Initiative projects. How can HDP serve as a forum to seek greater investment in our partners, align ourselves with our shared goals, and effectively compete with China by seeking greater engagement with our allies?

Answer 1:

The U.S. Congress plays a pivotal role by advancing discussions with foreign counterparts and governments on energy diversification, access, and security, as well as the bilateral relationships writ-large with our allies and partners. These discussions complement the work of the Bureau of Energy Resources, which regularly leads or participates in energy-focused dialogues with our interlocutors in foreign governments, including occasional engagements with members of foreign legislatures. The Department welcomes collaboration with the bipartisan House Democracy Partnership to hold regular and meaningful consultations with foreign legislative bodies and members to effectively pursue our shared goals of strengthening global energy security and countering the PRC's attempts to create economic dependencies and coerce others through its Belt and Road Initiative.

Assessing U.S. Efforts to Counter China's Coercive Belt and Road Diplomacy
House Foreign Affairs Committee Hearing
2:00 PM, Wednesday, June 14, 2023
Assistant Secretary of Commerce Service for Global Markets, and Director General
Arun Venkataraman

Chairman Michael McCaul

Question 1:

U.S. international financing tools have been increasingly overshadowed compared to China's massive overseas investments. Through the "Belt and Road Initiative" (BRI), China plans to invest up to $8 trillion across 147 countries.[4] Much of this development is aimed at developing economies to support China's political aims. In some cases such as in Sri Lanka and in Ecuador, China has essentially engaged in "debt-trap diplomacy," gaining major leverage over the nation through loans that countries are unable to pay back, and with no leniency. In countries like Sri Lanka and Zambia, the tremendous payments to Chinese debtors have created civil unrest.

Why are Chinese banks able to get away with this type of coercion? What should we be doing instead?

Answer: China is not a participant in the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits. U.S. government efforts to bring China into a rules-based framework have been met with little cooperation from Chinese officials, contributing to the suspension of International Working Group on Export Credits talks in 2020. Instead, the U.S. government focuses on offering developing countries financially sound alternatives through the Partnership for Global Infrastructure and Investment (PGI), such as through the U.S. International Development Finance Corporation (DFC), which aims to mobilize $600 billion private and public sector funding by 2027 in concert with its G7 partners.

Under PGI, DFC approved more than $3 billion in loans in the third quarter of FY 2023 supporting projects in Africa, South America, Europe, and Asia in key sectors including critical infrastructure, health, food security, energy, and small business support. Additionally, under PGI, the Export-Import Bank of the United States continues to operate its Congressionally mandated China and Transformational Exports Program aimed at advancing the comparative leadership of the United States with respect to the People's Republic of China or support U.S. innovation, employment, and technological standards, through exports in 10 areas, such as artificial intelligence and quantum computing. Although U.S. government financial tools do not attempt to match the volume of Chinese financing, foreign buyers are greatly influenced by the overall value proposition of U.S. exports and investment and often prefer the quality and service that U.S. firms can offer. Furthermore, with the power of the U.S. and G7 private sectors, PGI is able to better compete with PRC financing. To date, the United States has mobilized $30 billion through grants, federal financing, and leveraging private sector investments towards PGI. The Department of Commerce continues to work through its overseas commercial officers to emphasize the long-term advantages of U.S. goods and services.

Question 2:

The International Energy Agency (IEA) found that to reach net-zero by 2050, the world needs to double the amount of today's nuclear energy capacity. This would be unprecedented growth — about 25 new 1,000-megawatt reactors per year by 2030 and accelerated growth beyond that.[5] As nuclear energy provides clean and reliable baseload energy, it is important that we expand this critical resource.

What would it look like to actually build this much nuclear energy per year, and what more can the U.S. Government do to ensure that added capacity is spearheaded by American innovators rather than non-market, state-owned Russian and Chinese companies?

Answer: As you noted, the global market for civil nuclear energy is expected to grow significantly in the coming decades. Nuclear power currently accounts for about 50 percent of U.S. clean electricity and 30 percent of global clean electricity. In the future, nuclear energy will be a critical source in the deployment of carbon neutral infrastructure along the path to realizing a net-zero future. Increasing access to clean, reliable energy sources – including nuclear energy – as quickly as possible, while making sure this is done safely, securely, and while abiding by the highest nonproliferation standards, is both achievable and imperative.

For the United States to play a major role in maintaining current and increasing future nuclear energy capacity, the U.S. government and U.S. industry need to work together to counter competition from state-owned foreign competition. To do this, a number of actions are needed, including:

- New U.S. government financing tools that can be quickly mobilized to support U.S. companies on overseas civil nuclear projects;
- More civil nuclear cooperation agreements (123 Agreements for Peaceful Cooperation) with partner countries;
- Continued U.S. government support to develop and deploy small modular reactors (SMRs) and advanced reactors, both in the United States and internationally
- Coordinated U.S. government effort to prevent premature retirement and extend lifetime of operational reactors, both in the United States and internationally;

- Continued U.S. government support to develop and deploy small modular reactors (SMRs) and advanced reactors, both in the United States and internationally.

The Commerce Department is working to help U.S. industry export SMRs and advanced reactors through our Small Modular Reactor Public-Private Program (SMR PPP), a Commerce Department-led interagency initiative that aims to promote the development and deployment of SMRs, with an initial focus on Europe and Eurasia. The SMR PPP, which was launched in June 2020, includes government-to-government engagement, U.S. government coordination, and U.S. industry engagement to overcome the challenges to SMR deployment. The SMR PPP's U.S. industry pillar is the SMR Working Group (SMR WG), a group of 34 U.S. civil nuclear companies to which ITA provides services to promote the deployment and export of U.S. SMRs in Europe and Eurasia. The SMR WG includes three industry-led Workstreams on (1) Demand Generation, (2) Financing, and (3) Codes, Standards and Regulations.

In addition to the SMR PPP, the Commerce Department, through our Advocacy Center, is actively helping U.S. civil nuclear companies win international foreign government procurements. Right now, the Advocacy Center has 70 civil nuclear cases in 28 countries, with a total estimated project value of $304 billion with $144 billion in U.S. export content. The U.S. content in these projects supports approximately 617,000 jobs in the U.S. supply chain.

Question 3:

U.S. nuclear energy exporters face unfair competition from state-owned rivals, particularly from Russia and China in terms of financing and executing geostrategically significant and climate-imperative nuclear energy projects abroad. In addition, some Russian proposals offer a turn-key solution to civil nuclear programs; including both the supply of fuel and acceptance of spent fuel for reprocessing or long-term storage. Bipartisan legislation has been introduced to help address some of America's competitiveness issues would develop a civil nuclear export strategy to offset Russia and China's growing influence. In order to do so, it would set a national, strategic plan that promotes partnerships with ally nations and embarking civil nuclear nations to coordinate financing, project management, licensing, and liability. It would also promote safety, security and safeguards which are foundational to a successful, competitive nuclear export program.

How can bipartisan legislation like this support America's competitiveness, our economy and our geostrategic interests abroad?

Answer: The Commerce Department is keenly aware of the challenges facing the U.S. civil nuclear industry, which includes competition from state-owned foreign competitors such as Russia and China. Russia and China use nuclear energy supply to exert strategic and geopolitical leverage over current and prospective customers. For example, in the case of Russia's war against Ukraine, Russia has used, and continues to use, its oil and gas exports as a political cudgel against European countries seeking to exert their autonomy.

The dangers and costs posed by dependency on Russian and Chinese nuclear supply chains have grown even greater. In response to Russia's actions in Ukraine, many countries that have been dependent on or were considering Russian-supplied nuclear technologies are now looking for new trusted partners and pathways to bolster energy security in the near- and long-term. Reducing and ultimately eliminating U.S. reliance on nuclear energy supplies from Russia will pose challenges. Overcoming them in a timely manner will require close and expanded cooperation with like-minded nuclear energy partners, especially suppliers who can provide safe, reliable, and clean energy alternatives.

The Commerce Department is participating in interagency discussions to identify actions that the United States can take to re-establish U.S. nuclear energy leadership. The Department coordinates across the federal government to support U.S. firms pursuing tenders to supply nuclear fuel to European governments that are looking to diversify their supply chain from an historic overreliance on Russian providers. The Commerce Department's Advocacy Center has multiple cases of approved and active advocacy for U.S. nuclear firms. Commerce has recently reported multiple advocacy success stories in Central and Southeast Europe regarding diversification of nuclear fuel supplies. For example, Commerce directly supported Westinghouse Electric Company to sign an agreement with a company in Slovakia and contracts in the Czech Republic to diversify its nuclear fuel supply. On August 25, 2023, Westinghouse signed a long-term agreement with Slovakia energy company Slovenské elektrárne to license and supply VVER-440 fuel assemblies to its nuclear power plants in Slovakia. On March 29, 2023, Westinghouse signed an agreement with Czech energy firm CEZ to supply VVER-440 fuel assemblies at the Dukovany power plant. Westinghouse will deliver fuel beginning in 2024, replacing the current supplier, with an anticipated term of seven years. Westinghouse signed another agreement with CEZ in June 2022 to supply fuel assemblies at the Temelin nuclear power plant. Notably, Commerce assisted Westinghouse in Bulgaria to sign a 10-year agreement in December 2022 to supply nuclear fuel to the Kozloduy nuclear power plant, the largest in Southeast Europe. The fuel will begin arriving in June 2024 and will help the country begin to diversify away from a dependence on Russian nuclear fuel. Commerce will continue to support and advocate for U.S. nuclear fuel providers throughout the region.

Further, the Commerce Department works with a variety of industry stakeholders to strengthen U.S. government and industry coordination on international civil nuclear energy issues and on U.S. international and commercial strategic objectives. Specifically, the Department's Civil Nuclear Trade Advisory Committee (CINTAC) is an industry advisory committee that provides recommendations to the Secretary on the development and administration of programs to expand U.S. exports of civil nuclear goods and services. In addition, the Advocacy Center meets with interagency colleagues on a bi-monthly basis as a member of the Interagency Working Group on Civil Nuclear Trade. This collaboration with colleagues from Energy, State, the Nuclear Regulatory Commission, Export-Import Bank (EXIM), National Nuclear Security Administration (NNSA) and other agencies further enables coordinated, a whole-of-government approach to supporting U.S. exporters as they pursue specific projects and tenders in overseas markets. Legislation that recognizes and continues to support these collaborative efforts will help secure American industrial competitiveness in international markets.

Rep. Jason Crow

Question 1:

The U.S. and Foreign Commercial Service has 106 domestic offices throughout the U.S. and your overseas staff and local commercial specialists work out of 124 U.S. Embassies and Consulates in 78 countries.

Can you share with the Committee what work the International Trade Administration and Global Markets business unit does in these 78 countries to provide an alternative to the PRC?

Answer: The International Trade Administration (ITA) and its Global Markets (GM) business unit help U.S. companies compete with Chinese and other foreign businesses by 1) **pursuing market share** through aligning and leading U.S. Government export promotion efforts to help U.S. businesses gain greater market share in relation to PRC-supported entities engaged in anticompetitive behavior in countries around the world; (2) **promoting market openness** by working with allies and partners on addressing necessary regulatory capacities, increasing transparency, and enabling commercial environments in countries around the world; and (3) **preserving market security**, both here at home and in overseas markets, to preempt and counter predatory and anticompetitive PRC practices. The U.S. and Foreign Commercial Service has a presence across Europe, Asia, China, the Middle East and Africa, and the Western Hemisphere.

Our efforts to promote U.S. businesses and solutions as an alternative to foreign competitors are as varied as the countries we work in. Some specific examples include:

- *Europe*:
  Compete in Europe & Eurasia (CIE) is the Europe & Eurasia regional and market-focused strategy to assist U.S. exporters in their efforts to

increase sales and market share and counter competitors from potentially malign actors by leveraging interagency support, procurements, trade events, and policy dialogues with European and Eurasian public and private sector buyers, decision makers, and partners. This sector-based strategy launched in 2019, focuses on key sectors the People's Republic of China (PRC) Government (and Russia to a lesser extent) is targeting in which U.S. companies are competitive, such as security scanning equipment, advanced manufacturing, AI, and genomics to try to make an immediate impact given limited resources. A large part of our strategy is to focus on sectors that the Chinese government-has declared as priority sectors (i.e., 'Made in China' (MIC) 2025 + other critical & emerging technologies) where U.S. industry currently competes and is expected to compete in the future.

We have just added a new Regional Commercial Officer position to be based in Türkiye that will be dedicated to advancing our 'Compete' strategy across Europe and Eurasia. We are continually creating programs and opportunities to highlight U.S. companies as an alternative to PRC competitors. For example, in Eurasia we recently held a *Eurasia Medical Biotechnology Forum* to address U.S. Government concerns regarding PRC medical data harvesting and present U.S. companies as secure and reliable alternatives. We also hosted a *Türkiye Telecom Forum* in cooperation with State to introduce U.S. telecommunications hardware manufacturers to Türkiye's major provider and emphasize 5G/critical infrastructure security, as well as the long-term financial benefits of interoperable technologies such as O-RAN as Türkiye begins to build out its 5G network.

- *Asia:*
  Guided by the Biden Administration's U.S. Indo-Pacific Strategy, ITA is strengthening the United States' long-term position in and commitment to the Indo-Pacific region in several ways. First, we are partnering closely with like-minded countries across the Indo-Pacific region through our bilateral dialogues and deepening economic engagement through the Indo-Pacific Economic Framework for Prosperity (IPEF). These efforts, supported by our teams in the field, ensure that we are collaborating on principled approaches and building partner capabilities across a wide range of topics important to competition with the PRC—from supply chain resiliency to the clean energy transition to digital transformation. At the same time, we are also increasing resources in more remote corners of the region. Early last year, we onboarded local commercial staff at our embassies in Fiji

and Papua New Guinea. This past October, we opened a new office in Bangladesh. Finally, we are stepping up our core trade promotion work to bring more U.S. exporters – especially small and medium-sized enterprises from underserved communities – to the Indo-Pacific region. A great example is this year's Trade Winds ASEAN trade mission and business development forum held in March, where we facilitated over 750 business-to-business and 630 business-to-government meetings across six Southeast Asian markets (Thailand, Singapore, Vietnam, Indonesia, Malaysia, and the Philippines).

As we conduct programs like these, we are partnering with agencies such as USTDA, DFC, and EXIM to bring to bear the full suite of U.S. Government resources to bring tangible benefits to the region and to advance deals for U.S. companies. Despite all this, the perception persists that the United States is not present in the region. To address that, we are conducting outreach through workshops and roundtables, and are leveraging social and traditional media sources, to change this perception and reinforce the United States' deep commitment to the region.

- *Middle East and North Africa (MENA):*

  In support of the Partnership for Global Infrastructure and Investment (PGI), Prosper Africa is a U.S. government initiative which mobilizes services and resources from across the U.S. Government to empower businesses and investors with market insights, deal support, and financing opportunities. We believe this approach provides African countries an alternative to China's Belt and Road Initiative. In furtherance of this initiative, ITA is a significant contributor in an interagency process to help expand the presence of U.S. companies in the economies of African countries and increase two-way trade between the U.S. and Africa. Since Prosper Africa's launch, U.S. exports to Africa, home of more than half of the world's 15 fastest-growing economies, improved to more than $30 billion in 2022. This U.S. Government initiative to substantially increase two-way trade and investment between the United States and Africa offers a comprehensive package of U.S. Government services and resources to support U.S. and African businesses and investors. Prosper Africa deepens U.S. bilateral relationships and provides African countries an alternative to China's Belt and Road Initiative.

  Commerce is also working across several digital economy pillars with countries in the MENA region to highlight U.S. companies and technologies as an alternative to PRC competitors. These pillars include:

- **Regional Harmonization to Open the Entire 6 GHz Spectrum Band for Wi-Fi and Other Unlicensed Technologies:** ITA has been working with a broad coalition of U.S. companies to advocate that governments in the Middle East and North Africa open the full 6 GHz spectrum band for Wi-Fi and other unlicensed technologies. On April 23, 2020, the U.S. Federal Communications Commission (FCC) adopted rules to open the entire 1,200 megahertz of spectrum in the 6 GHz band (5.925–7.125 GHz) for license-exempt/unlicensed technology such as Wi-Fi. U.S. companies are the leading technology developers and manufacturers of the chipsets, equipment, and applications that enable Wi-Fi connectivity. A coalition of these companies has organized to promote international harmonization around opening the entire 6 GHz spectrum band for unlicensed technology, similar to the decision made by the FCC. The coalition includes Apple, Broadcom, Intel, Qualcomm, Cisco, Hewlett Packard Enterprise (HPE), Microsoft, Facebook, and others. Chinese and European opposition to opening of the full 6 GHz band to Wi-Fi is likely derived from the United States' technological advantage in this technology segment. If MENA region countries agree to open the entire 6 GHz band to unlicensed technologies, American companies will be able to leverage their technological advantage in Wi-Fi technology and bring innovations to local markets with their products and applications.

- **Promoting Open Data Flows:** Commerce has taken concrete actions to facilitate cross-border data flows as well as promote the harmonization of privacy and data flows regulation. ITA has actively worked with foreign governments in MENA to create open and transparent digital frameworks that enable U.S. companies (as well as the host country private sector) to allow digital trade, maintain unhindered business operations, and avoid unnecessary barriers to trade and communication. Saudi Arabia published a Personal Data Protection Law on September 16, 2021, which prompted U.S. industry concerns about restrictive data protection practices, specifically the strong restrictions on transferring personal data outside of Saudi Arabia. ITA and the Saudi Arabia Artificial Intelligence Authority (SDAIA) organized a series of meetings with U.S. industry to discuss the Kingdom's Personal Data Protection Law prior to the completion of the Executive Regulations. As a result of consistent engagement SDAIA postponed implementation and addressed many U.S. industry concerns. This engagement is on-going. Similarly, in March 2021, U.S. government officials and industry representatives met with Emirati government officials to share information on data privacy, cybersecurity, and cross-border data flows. Following this engagement, the UAE scrapped their draft data protection law and redeveloped the legislation based on input from USG and industry. They also began partnering with industry to ensure open channels for input and feedback on the legislative process.

- **New Bilateral Framework for Cooperation on 5G/6G: In 2022, the** U.S. National Telecommunication and Information Administration and the Saudi Ministry of Communications and Information Technology signed a new Memorandum of Cooperation, which will connect U.S. and Saudi technology companies in the advancement and deployment of 5G using open, virtualized, and cloud-based radio access networks and the development of 6G through similar technologies. The partnerships built under the MOU will also support 5G deployment in Saudi Arabia and in developing and middle-income states thereafter through the Partnership for Global Infrastructure and Investment (PGII). Saudi Arabia has committed to a significant investment for this project under the umbrella of the PGII. In February 2023, a Saudi delegation visited a range of companies and academic institutes in the U.S. to implement the MOU.

- *Western Hemisphere:*

During the past twelve months, the Office of the Western Hemisphere cultivated export opportunities for U.S. companies in the region through the execution of 35 events in the region, including three (03) Trade Missions to South America, Central America, and the Caribbean; 28 webinars; and eight (08) conferences. More than 3,000 individuals participated in these events. Aware of the need to increase our presence in the hemisphere we are in the process of opening a Foreign Commercial Service office in Embassy Guyana. As one of the fastest-growing economies in the world, Guyana attracts significant U.S. company interest.

The Office of the Western Hemisphere has conducted numerous engagements with countries across the region on critical information and communications technology (ICT) policy issues, including technical workshops and delegation visits on topics including Cross Border Privacy Rules, 5G deployment and security, and 6 Ghz spectrum allocation. In collaboration with interagency partners, we were instrumental in promoting the use of secure network infrastructure in Costa Rica, including by helping to secure U.S. financing under the Partnership for Global Infrastructure and Investment (PGI) for the Costa Rica Electricity Institute's 5G buildout and supporting SOUTHCOM conducting an assessment of a cyber security operations center in the country.

We have been active in advancing U.S. security and countering the influence of our strategic adversaries and foreign competitors in the region. For instance, on border security, we have facilitated this year, the acquisition by Mexico of non-intrusive inspection equipment (NIIE) manufactured by American companies worth more than $900 million. To foster the maintenance of transparent and predictable public procurement procedures and bolster the competitiveness of U.S. providers, we work with our sister Commerce agency, the Commercial Law and Development Program (CLDP) to train procurement decision-makers on Value for Money. For instance, in the Dominican Republic and Peru CLDP is focusing on addressing weaknesses and inefficiencies in their public procurement legal frameworks, promoting the professionalization of their procurement workforce, and supporting ongoing reforms to the public procurement legislations of both countries.

Question 2:

In comparison, you note in your written testimony that China has trade officers in 223 offices across 171 countries and our U.S. trade officers are outnumbered by 3 to 1.

Does your office have enough resources and staffing to effectively counter the PRC's trade and investment efforts, or what might the impact be if the Global Markets team received the additional funding President Biden included in his FY2024 budget request?

Answer: Despite our strategic use of limited resources, ITA's Global Markets business unit does not currently have enough resources and staffing to effectively counter the PRC's trade and investment efforts. As you rightfully observe, we are outresourced and outnumbered by our Chinese competitors. They have built a sprawling network of economic and commercial relationships around the world and, based on our latest estimates, have BRI agreements with 145 countries. This is almost double the number of countries where we have physical presence. While we are effective in deterring individual deals in the markets where we are present (or rely on established partnerships with our State Department colleagues), we are giving significant ground to our Chinese adversaries by not offering the same direct government-to-government engagement to the host-country officials responsible for making decision. We hear anecdotally that often times host officials and decision-makers are looking for anything but the Chinese alternative, and we need to capitalize on that.

I am very grateful that that Congress provided Global Markets with $6.5 million in FY 2023 to explicitly expand our capacity. With those funds, we plan to open new operations in Côte d'Ivoire, Guyana, and Zambia, while making additional investments to existing operations in the Indo-Pacific region, Eastern Europe, and Central America, subject to approval of our FY 2023 spend plan.

Regarding what our impact might be, if we received the additional funding President Biden included in his FY 2024 budget request, I would point to our public record of success – in FY 2022 alone, we facilitated more that than $134 billion in U.S. exports and $40 billion in inward investment – a total impact of over $174 billion, estimated to support over 625,000 U.S. jobs. In total, for every $1 appropriated to Global Market, the organization returned $360 back to the U.S. economy - a return on investment that last year exceeded our pre-pandemic results. I have no doubt that with additional $16.8 million included in the President Biden's FY 2024 budget request, Global Markets will expand and deepen its impact, both geographically and with respect to the key industries currently susceptible to Chinese influence and control.

With the additional resources, we will continue democratizing access to foreign markets for U.S. businesses and providing a much-needed American alternative to meeting the local needs. We will be sowing the seeds for future growth by bringing American companies to places where they would typically not go without our reassuring presence and support. Lastly, and very importantly, we will be sending a strong signal to our foreign partners and friends that we understand their aspirations and needs better than the Chinese, and that we are committed to growing our bilateral economic and commercial relations in the spirit of mutual respect for human rights, individual freedoms, and broad-based economic growth. While I can't quantify this impact, qualitatively, I am confident in saying that additional resources will translate into our ability to offer trading partners a more compelling alternative to Chinese goods and services that will increase the number of jobs supported by U.S. exports.

Question 3:

As you know, U.S. Southern Command (SOUTHCOM) and U.S. Indo-Pacific Command (INDOPACOM) are DOD combatant commands tasked with achieving U.S. national security objectives and protecting national interests in their areas of responsibility. These specific areas of responsibility cover regions particularly impacted by the BRI.

Can you please explain the partnerships the International Trade Administration and Global Markets unit has built with DOD in SOUTHCOM and INDOPACOM and how they facilitate awareness of investment and critical infrastructure projects in these regions? What kind of results are you seeing from this model and will it be expanded to other regional U.S. Commands?

Answer: Global Markets and our Western Hemisphere offices have maintained a collaborative partnership with SOUTHCOM since 2008. Our Western Hemisphere officials have been embedded in, or assigned to, support SOUTHCOM. ITA's partnership with SOUTHCOM has enabled critical information sharing and brought additional technical expertise and leadership to our efforts to counter PRC influence in the region. Our partnership is focused on two lines of effort:

- 1) Increase regional cooperation and commerce by deepening economic engagement with allies and partners. We do this by promoting policies that enable a secure, resilient, inclusive, and sustainable regional economy; by assisting U.S. exporters seeking foreign government contracts or projects, particularly in the defense and critical infrastructure sectors; and by addressing policies or actions taken as a result of PRC influence that impede the exports of U.S. goods and services.
- 2) Protect national security interests by identifying and protecting emerging technologies essential to national security, enforcing trade rules, and protecting against inappropriate use of U.S. technologies.

As a result of our partnership, ITA has become more involved in SOUTHCOM's strategic planning and programmatic activities, better enabling both institutions to coordinate around shared strategic priorities. SOUTHCOM's Commander has been able to effectively advocate for U.S. firms providing technologies that enhance regional security and interoperability. SOUTHCOM has funded experts and infrastructure in support of our Commercial engagements. For example, in Costa Rica, SOUTHCOM experts conducted an assessment of a cyber security operations center in the country, in collaboration with FCS/ Interagency, to support the Costa Rican government's goal of securing internal networks after suffering multiple ransomware attacks that crippled trade facilitation, tax collection, and the public healthcare system. The collaboration between SOUTHCOM and ITA has allowed ITA to facilitate favorable results for U.S. companies and support U.S. national security priorities.

Over the past year, we have also established permanent positions in Fiji and Papua New Guinea, as well as with the U.S. Indo-Pacific Command (INDOPACOM). Currently, these individuals work with our Regional Senior Commercial Officer based in Sydney, where we benefit from coordination and information-sharing with Australia and New Zealand. We are leveraging this increased presence in the Pacific, and the greater access we now have to information on the ground, to add commercial diplomacy to the INDOPACOM toolkit. This allows for commercial successes, such as the $6.5 million deal that a California-based aerospace company recently signed in Kiribati, that will help strengthen the U.S. position in the Pacific. Partnering with INDOPACOM, we hope to continue aggressively promoting the U.S. brand and opening additional markets across the Indo-Pacific to U.S. products and services in a way that can allow us to advance U.S. national security interests.

We see great value in our relationship with the Department of Defense (DOD) through the aforementioned combatant commands. We are committed to deepening our collaboration with DOD to ensure greater alignment between our commercial and strategic efforts, including exploring the value of an FCS presence in additional combatant commands.

Rep. Bill Huizenga

Question 1:

In 2018, the PRC laid out an ambitious plan to spread the Belt and Road Initiative to the Arctic. The Arctic region is ripe for the picking with valuable commodities in energy and mineral resources, but also with commercial and geopolitical implications as well. According to the U.S. Geological Survey, as much as 13% of the world's undiscovered crude oil and 30% of undiscovered natural gas exist in the region.[1] There is no doubt in my mind that China intends to exploit these critical resources via the "Polar Silk Road."[2]

How well has the PRC been able to implement this plan, and is the expectation that, in the future, their presence will grow?

Answer: While the PRC remains a strong competitor with financial resources to fund long-range projects in the energy and mineral resources sectors in the Nordic Arctic, there appears to be increasingly more caution in cooperating with China. Nordic leaders' awareness of the long-term security implications of Chinese investment and cooperative activities in the energy and mineral resources sectors

[1] https://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf
[2] https://www.csis.org/analysis/china-launches-polar-silk-road

have heightened in recent years, particularly as those sectors are essential to economic security and the green transition. Nordic governments are increasingly using investment screening measures to allow them to block investments in critical sectors by malign actors.

ITA has been increasingly using its bilateral commercial dialogues with Nordic countries to discuss motivations and long-term consequences of certain investments and procurements involving Chinese companies. Global Markets leads or participates in several commercial dialogues in the Nordic countries, including with Norway, Sweden, Greenland, and Iceland. ITA has also participated in bilateral meetings with Finland and the Department of Energy to share our respective national battery strategies. Due to the Russian invasion of Ukraine, some Finnish companies are relocating their manufacturing facilities to the United States and elsewhere. In addition, the State Department's opening of a U.S. consulate in Nuuk has been a very visible and active demonstration of USG commitment to Greenland. In conjunction with interagency partners, my team here at headquarters and in Copenhagen has been engaged in U.S.-Greenland bilateral meetings and initiatives to identify and strengthen commercial partnerships, including working on a congressionally funded Commerce Special American Business Internship Training Program (SABIT) program to help encourage opportunities for Greenlandic and U.S. companies to partner in the tourism sector.

The United States continues to bolster its commercial collaboration and cooperation with Canada, particularly on critical minerals. Commercial Service (CS) Canada has been focused on Arctic programming through several webinars and trade missions to showcase the emerging opportunities in Canada's north to interested U.S. exporters. To sustain the momentum and continue building interest from U.S. companies, strengthen U.S.-Canada commercial ties, and help provide U.S. solutions beneficial to Canada's Arctic, CS Canada plans to support a U.S. Business Mission in October 2023 to Yellowknife, Northwest Territories organized by local chambers of commerce.

Is there anything that Congress can do to make the United States more competitive in the Arctic Region?

Answer: Congress can strengthen U.S. competitiveness in the Arctic by considering additional financing options for countering malign influences in countries and regions, where the country/region may not be eligible.

Congress could also provide funds for ITA/DOC personnel to travel more often to Greenland and other locations in the Arctic to identify and encourage commercial opportunities. This would include more funding to attend Arctic-related business events and conferences. U.S. competitiveness would also benefit from continuing to send CODELs to Arctic States for information-sharing on Polar Silk Road initiatives and to have conversations on the importance of working with trusted partners in critical infrastructure.

Question 2:

Whether it is predatory investment practices, financially unsustainable infrastructure projects, or capturing critical resource exports, the CCP is rapidly increasing its influence in the Western Hemisphere. As a result, the U.S. private sector is losing opportunities, and the U.S. government is losing influence in our neighborhood.

What does China offer our partners in the Western Hemisphere that the U.S. does not or cannot?

Answer: Among the non-market-based tools and approaches China uses to advance its position in the Western Hemisphere are the following:

- Below-market price points on bids by Chinese businesses, enabled by their government's willingness to subsidize and take on risk on behalf of its companies;
- A sophisticated strategy for engaging on government procurement that includes very early pre-project engagement as well as highly targeted engagement across all levels of government;
- A sophisticated media and propaganda strategy; and
- Looser lending criteria help make China's financial institutions among the region's leading lenders, including in countries where DFC have requirements that restrict them from providing financing due to the country's level of development.

To counter these efforts, ITA coordinates interagency deal teams in line with the Partnership for Global Infrastructure and Investment (PGI) that work to ensure all available U.S. Government tools (e.g., financing, export promotion, insurance) are used to their full extent to put U.S. firms in the best possible competitive position against their Chinese competitors.

How is the Biden Administration working to strengthen Taiwan's ties with remaining diplomatic partners in the region as relations could further be eroded by China's "check-book diplomacy?"[3]

Answer: Of the thirteen countries globally that have diplomatic ties with Taiwan, six are in the Western Hemisphere. Within the Executive Branch, the Department of State is responsible for diplomatic efforts to strengthen support for Taiwan while Commerce addresses "check-book diplomacy" in other ways abroad. For

[3] https://www.reuters.com/world/asia-pacific/us-taiwan-seen-powerless-stem-islands-diplomatic-losses-latin-america-2023-04-05/

example, Commerce works to strengthen U.S. commercial ties with our partners in Latin America. We promote fair, transparent business environments and rule of law, including through Commerce's Commercial Law Development Program, and connect U.S. businesses to export promotion and financing support across the U.S. Government. In doing so, we enhance the attractiveness of U.S. company offerings and make it more difficult for China to succeed in "check-book diplomacy".

Rep. Thomas Kean, Jr.

Question 1:

The global nuclear industry largely relies on Russian low-enriched uranium to fuel its nuclear power plants.

How are your agencies working to lessen dependence on Russian nuclear supply chains?

Answer: The Commerce Department has taken an active role in helping European countries reduce and, when possible, eliminate their dependance on Russian nuclear energy supplies by helping to advocate for and promote U.S. civil nuclear companies and technology. Diverse, resilient, and sustainable nuclear supply chains are critical for national security and economic competitiveness, and a key element of this effort is to increase our civil nuclear cooperation with like-minded partners to help reduce reliance on Russian nuclear technology and, in turn, showcase cutting-edge American nuclear technology as a viable alternative.

Commerce has been working closely with the State Department and the Department of Energy to explore and sign to support Intergovernmental Agreements (IGAs) on civil nuclear cooperation between the United States and with countries in the region to expand commercial cooperation on civil nuclear energy projects and promote civil nuclear energy development to combat climate change. These agreements support present commercial opportunities for U.S. companies as countries look to upgrade existing reactors, procure new reactors, change their fuel supplies, and explore emerging nuclear technologies like Small Modular Reactors (SMRs) and Advanced Reactors. IGAs have been signed with Poland and Romania and are being actively pursued in other markets within Southeast Europe.

In addition to IGAs, we have also explored other types of interagency agreements with foreign partners, including Joint Declarations. Most recently, at the Transatlantic Energy and Climate Cooperation (P-TECC) Ministerial in March 2023, Deputy Secretary of Commerce Don Graves signed a Joint Declaration between the Department of Commerce and the Ministry of Economy of the Slovak Republic Concerning Industrial and Commercial Cooperation in the

Energy Sector. This declaration will assist the Slovak Ministry of Economy in its efforts to diversify Slovakia's energy supply chain.

Commerce has also been working with European governments to highlight the next generation of civil nuclear technology through the Small Modular Reactor Public-Private Program (SMR PPP), a U.S. government interagency initiative led by Commerce. The program aims to position U.S. and European governments and companies to reap the economic and climate benefits of SMRs and support key technical, regulatory, and financial steps to facilitate deploying these innovative technologies. The program includes a Working Group that brings U.S. industry and government together through quarterly meetings with the goal of expediting SMR deployment in European markets, positioning U.S. companies to succeed in those markets, and working with the European Commission and other European governments to expand opportunities for collaboration with the U.S. government and industry. The program has drawn attention to new SMR technologies and was instrumental in helping Romania to choose NuScale Power to build the first small modular reactor on the continent.

What are your agencies doing to make sure that U.S. allies and partners can maintain fuel supplies without reliance on Russian fuel, with regards to both Low Enriched Uranium and future advanced fuels?

Answer: In addition to the above efforts, the Commerce Department coordinates across the federal government to support U.S. firms competing against foreign firms for international contracts to supply nuclear fuel to European governments looking to diversify their supply chain from an historic overreliance on Russian providers. The Commerce Department's Advocacy Center has multiple cases of approved and active advocacy for U.S. nuclear firms. Commerce has recently reported multiple advocacy success stories in Central and Southeast Europe regarding diversification of nuclear fuel supplies. As noted above, Commerce directly supported Westinghouse Electric Company to sign an agreement with a company in Slovakia and contracts in the Czech Republic to diversify its nuclear fuel supply. On August 25, 2023, Westinghouse signed a long-term agreement with Slovakia energy company Slovenské elektrárne to license and supply VVER-440 fuel assemblies to its Nuclear Power Plants in Slovakia. On March 29, 2023, Westinghouse signed an agreement with Czech energy firm CEZ to supply VVER-440 fuel assemblies at the Dukovany power plant. Westinghouse will deliver fuel beginning in 2024, replacing the current supplier, with an anticipated term of seven years. Westinghouse signed another agreement in June 2022 with CEZ to supply fuel assemblies at the Temelin nuclear power plant. Notably, Commerce assisted Westinghouse in Bulgaria to sign a 10-year agreement in December 2022 to supply nuclear fuel to the Kozloduy nuclear power plant, the largest in Southeast Europe. The fuel will begin arriving in June 2024 and will help the country begin to diversify away from a dependence on Russian nuclear fuel. Commerce will continue to support and advocate for U.S. nuclear fuel providers throughout the region.

Question 2:

We understand that the Foreign Commercial Service has roughly 225 Foreign Service Officers around the globe. However, many on this committee are concerned by the concentrations of these officers in some regions over others.

How many currently serve in sub-Saharan Africa?

Answer: Global Markets does significant analysis to determine our overseas footprint. In doing this, we recognize that there are some regions where the bulk of our work will be focused on assisting U.S. companies to find new markets and new opportunities, as is the case with much of sub-Saharan Africa. In other regions, however, our presence remains critical to try to ensure that U.S. companies maintain market share, particularly against encroachment from strategic adversaries. As for Sub-Saharan Africa, we have 16 officers in 8 posts currently and are working to open two new posts in Côte d'Ivoire and Zambia as noted in my testimony.

In a rough estimate, how is this overshadowed by the PRC's Ministry of Commerce?

Answer: Specific PRC Ministry of Commerce (MOFCOM) staff numbers are difficult to verify. However, MOFCOM seems to have a presence in all but one country in Sub-Saharan Africa. This notably overshadows the Commercial Service presence in only 8 Posts in the region.

Rep. Maria Salazar

Question 1:

China's Belt and Road Initiative represents nearly $1.3 trillion investments in infrastructure projects over 2013-2023. By comparison, the U.S. International Development Finance Corporation (IDFC) has a limited budget of $1 billion in 2023, and is unable to finance projects in countries that are key allies in the region due to their income level.

We know China is focused on Latin America's digital infrastructure. This is concerning on multiple levels. These investments allow China access to some of the most sensitive government and personal data of our neighbors and allies in Central and Latin America.

What is the US government's response strategy and what tools can be leveraged through the IDFC to ensure we remain competitive? Can the IDFC use funding to invest in public sector projects in Latin America, including in middle and high income countries? If not, what can Congress do? Do you need additional funding and how much?

Answer: ITA is working together with our interagency partners to promote open, interoperable, secure, and reliable information and communications infrastructure across the region and to provide training to help partner Governments develop risk assessment frameworks that can inform relevant procurement decisions. ITA has worked to ensure that its partners recognize the long-term costs and the alternative technology solutions that are available to them.

As to the questions regarding the specific needs and capabilities of the agency, ITA refers those questions to the DFC.

Rep. Keith Self

Question 1:

"What are they doing to secure the most critical chokepoints on the sea lanes, such as the Straight of Hormuz, Strait of Malacca, Panama Canal, Cape of Good Hope, and Suez Canal?"

Answer: While the security of the sea lanes is primarily within the purview of our colleagues at the Department of Defense, we do work with our State Department colleagues (and to a certain extent our Pentagon colleagues) on the commercial and economic situation in the countries adjacent to these critical sea lanes that border these critical areas. Bolstering the economies of these countries, particularly in a way that includes the participation of U.S. companies, is a critical component of the overall security of the regions in question.

Rep. Greg Stanton

Thank you all for being here today.

Via the Belt and Road Initiative, the People's Republic of China is expanding its influence right in our backyard. Twenty-one Latin American and Caribbean countries have received investments through the Belt and Road.

When China invests, it largely ignores climate consequences or human rights. On the surface, that makes investment easier. But make no mistake—overlooking those causes has massive implications for Latin America—and the US.

When a poorly constructed dam in Ecuador drastically erodes riverbanks, locals have to leave their homes. Or when China brings in outside labor for projects, it takes away local jobs. This hurts Latin American economies and exacerbates migration north.

And there are serious strings attached to Chinese investments. It can usually demand repayment at any time, and leverages this to sway recipients on issues like the status of Taiwan's or the treatment of Uyghurs. Indeed, Panama, El Salvador, and Nicaragua all stopped recognizing Taiwan around the same time they joined the Belt and Road. This shift away from democratic systems…away from humanitarian issues…away from good labor and environmental standards has dangerous implications for all of us.

And we mostly watched it happen at first. The Belt and Road kicked off in 2013—the US didn't step up to the plate until we established the Development Finance Corporation in 2019.
The Biden Administration has set up additional infrastructure development partnerships in the past two years. I want to hear what those partnerships are doing and if we can get ourselves into a good, competitive position. Because we're almost a decade behind.

Question 1:

The Administration has also worked with the private sector, which has committed more than $4 billion through the Partnership for Central America to address root causes of migration in the Northern Triangle countries. Assistant Secretary Venkataraman (ven-CUT-uh-RAH-mun), how does the Partnership for Central America Initiative stack up against the Belt and Road in impactful investment?

> ***Answer:*** The Biden Administration's Central America Forward initiative and the Partnership for Central America (PCA) harness the resources and capabilities of the private sector to mitigate migration flows from Central American countries by creating economic opportunities and improving livelihoods in the region. The companies that answer the Vice President's call to action are thoroughly vetted through our interagency process, and they commit to large investments. Unlike Belt and Road Initiative (BRI) investment – which is solely focused on infrastructure – the main goal of PCA investment is to advance economic opportunity and hope in Central America, aiming to create 1 million new jobs in the region. The $4 billion in funding generated mobilized by the Partnership for Central America has exceeded Chinese development finance invested in the region. At $1 billion, Chinese policy banks have lent only a quarter of the amount raised mobilized by the PCA in the two years since the call to action initiative was announced.

Rep. Chris Smith

Question 1:

Last November, the NGO China Labor Watch detailed forced labor conditions for Chinese workers in BRI projects in multiple countries across Asia, the Middle East, and Africa. Drawing on data from correspondence with over 2,000 workers in 8 countries across Asia, the Middle East, and Africa, China Labor Watch found "systematic violations of the rights of Chinese workers in BRI-affiliated projects." In interviews with workers, they found that interviewees raised grievances that corresponded to International Labor Organization indicators of forced labor or human trafficking in as high as 85 percent of cases. Issues documented by China Labor Watch include multi-layered sub-contracting agreements that shield companies from accountability, false advertising regarding salaries and other working conditions overseas, allowing or forcing workers to work overseas without required work visas, illegal contracting practices, passport seizures, arbitrary wage garnishments and fines, surveillance, intimidation, and physical abuse at job sites, and corruption and collusion with host country authorities to suppress worker complaints.

How are your agencies – Departments of State and Commerce, and the U.S. International Development Finance Corp. – tracking these human rights abuses, and do you have plans to hold China accountable to these violations? If so, what are those plans?

> ***Answer:*** Protecting human rights is central to our values as a nation, and the Commerce Department takes seriously its role in preventing goods made with forced labor from entering our borders and inflicting harm to our economy and workforce. Commerce serves on the President's Interagency Task Force to Monitor and Combat Human Trafficking in Persons (PITF) and the Senior Policy Operating Group (SPOG). Further, the Commerce Department is a member of the interagency Forced Labor Enforcement Task Force (FLETF), which oversees the implementation of the Uyghur Forced Labor Prevention Act (UFLPA) and the associated strategy to prevent the importation into the United States of goods mined, produced, or manufactured with forced labor in the People's Republic of China.
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> In connection with the implementation of the UFLPA and the National Action Plan to Combat Human Trafficking, Commerce in coordination with interagency partners, including the Department of Labor, developed training materials for the private sector on the use of forced labor in global supply chains. The training module, Human Trafficking: Forced Labor in Global Supply Chains, helps businesses conduct due diligence to avoid forced labor when sourcing products for further processing or for sale in the U.S. market. Commerce also developed a training module for Commerce staff to increase awareness and provide tools to identify and assist with combating forced labor and human trafficking.

Question 2:

The People' Republic of China is one of the world's largest producers of rayon, with production concentrated in the Xinjiang Uyghur Autonomous Region (XUAR). Belt and Road countries such as Indonesia and South Africa are major exporters of wood pulp, which is used in the production of rayon, to the PRC. There are allegations of human rights abuses in the seizure of land then farmed for wood, as well as environmental concerns with deforestation, and other human rights abuses, which have occurred in wood-pulp-producing countries such as Indonesia. There are also allegations of forced labor occurring in the XUAR with regard to the production of rayon.

Have your agencies investigated allegations pertaining to human rights abuses and environmental degradation in BRI countries that in turn are directly linked to further human rights and forced labor abuses in XUAR with regard to the production of wood pulp and rayon? If so, what did you conclude? What steps have you taken to address any such abuses?

> ***Answer:*** Thank you for bringing this to our attention. We do not have any investigations pertaining to forced labor abuses in the production of wood pulp and rayon. However, we will work with interagency partners to determine if there are market disruptions brought on by this practice and the role of the International Trade Administration in addressing it.

Have your agencies coordinated other relevant U.S. government agencies and bureaus, such as the Department of Labor's Bureau of International Labor Affairs, USAID, and the Department of the Interior's U.S. Fish and Wildlife Service with regard to the production of wood pulp in BRI countries and rayon in XUAR? If so, please detail what has been done.

With respect to the implementation of Executive Order 14072, signed on April 22, 2022 and directed at addressing deforestation, what interagency efforts have been made to address deforestation attributable to the production of wood pulp in BRI countries, and have such efforts also examined any linkage with the production of rayon in XUAR? If so, what was concluded?

> ***Answer:*** We will look into the issue of deforestation in Belt and Road Initiative (BRI) countries and linkages to the production of rayon in XUAR. To date, no analysis on this issue has been developed in the International Trade Administration, but we will work with interagency partners to determine the appropriate role for the organization to address trade concerns.

Question 3:

With respect to U.S.-led Partnership for Global Infrastructure and Investment (PGII) projects, contracts, and programs, please detail interagency coordination undertaken to ensure that such PGII projects, contacts and programs are not linked to or investing in companies that are sanctioned or blacklisted by the U.S. Treasury and/or involved in abuses in the XUAR. Has any linkage with blacklisted companies been uncovered?

> ***Answer:*** Commerce defers to the Office of the U.S. Special Presidential Coordinator for Partnership for Global Infrastructure and Investment (PGII).

Question 4:

According to Walk Free's (a human rights group dedicated to eradicating modern day slavery) 2023 Global Slavery Index, the top 10 countries with the highest prevalence of modern slavery in 2021 are North Korea, Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan and Kuwait. Of those 10, it is interesting to note that 9 of them (Eritrea, Mauritania, Saudi Arabia, Turkey, Tajikistan, the UAE, Russia, Afghanistan, Kuwait) are countries of the BRI.

Are there coordination mechanisms in place with our allied partners to monitor forced labor, exploitation, slavery, and/or human trafficking? If so, what has such monitoring revealed, and what mitigation efforts been implemented?

Answer: Commerce defers to the State Department Bureau of Democracy, Human Rights, and Labor.