



CRS Report for Congress

U.S.-Funded Assistance Programs in China

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Summary

United States foreign assistance to the People's Republic of China (PRC) primarily supports democracy-related programs, particularly rule of law training, and assists Tibetan communities. The U.S. Congress has played a leading role in providing funding for democracy programs, which has grown from \$10 million in FY2002 to an estimated \$23 million in FY2007. Major program areas include legal training, legal aid, criminal defense, labor rights, and civil society development in China, monitoring human rights conditions in the PRC from outside China, and preserving Tibetan culture. This report will be updated annually.

Overview

United States foreign assistance to the People's Republic of China (PRC) primarily supports democracy-related programs and assists Tibetan communities, from both inside and outside of China. USAID does not have a presence or mission in the PRC, due in part to the Chinese government's reported human rights abuses. However, the Peace Corps has been involved in English language and environmental education in China since 1993, and USAID and the State Department have funded or administered programs in China and Tibet since 2000. The U.S. Congress has played a leading role in promoting democracy-related programs in the PRC. In the past five years, annual foreign operations appropriations for democracy programs in China and Tibet have grown from \$10 million in FY2002 to approximately \$23 million in FY2007. Major recipients of U.S. grants for China programs include Temple University (rule of law), the International Republican Institute (village elections), the Asia Foundation (civil society), and the Bridge Fund (Tibet).

The Department of State's East Asia and the Pacific (EAP) Bureau and the Bureau of Democracy, Human Rights and Labor (DRL) have allocated funding from two accounts, the Economic Support Fund (ESF) and the Democracy Fund,¹ primarily for U.S.-based non-governmental organizations (NGOs) in China, which in turn have provided some funding to Chinese non-governmental organizations. The East Asia

¹ Also referred to as the Human Rights and Democracy fund (HRDF).

Regional Democracy Fund also has provided some ESF for rule of law and Tibet programs. Since 2006, Congress has appropriated Development Assistance (DA) to American educational institutions for exchange programs related to democracy, rule of law, and the environment in China. In 2007, the U.S. government began funding HIV/AIDS programs in China using Child Survival and Health (CSH) account funds.

Some experts argue that legal reform efforts in China have produced limited benefits due to the lack of judicial independence, weak enforcement of laws, constraints on lawyers, and political corruption. Others contend that U.S.-funded rule of law programs in China have helped to build foundations for democratic change — more professional judicial personnel, more transparent lawmaking processes, and more sophisticated laws — and have bolstered reform-minded officials in the Chinese government. Many foreign and Chinese observers have noted that awareness of legal rights in many areas of PRC society is growing.

FY2008 Appropriations

For FY2008, the Bush Administration requested a total of \$9.2 million for China, primarily CSH account funds for HIV/AIDS programs (\$7.2 million).² Economic Support Funds (\$2 million) are to support rule of law programs, judicial independence, and the role of NGOs in Chinese society. Tibetan programs include public health efforts, education, environmental conservation, and job skills training in Tibetan communities. In addition, the Consolidated Appropriations Act, FY2008 (P.L. 110-161) provides \$15 million for democracy and rule of law programs in the PRC, Hong Kong, and Taiwan out of the Democracy Fund.³ The FY2008 appropriations measure also mandates \$5 million from the ESF account for activities that preserve cultural traditions and promote sustainable development and environmental conservation in Tibetan communities in China, and \$250,000 to the National Endowment for Democracy (NED) for human rights and democracy programs related to Tibet. In addition, \$10 million in Development Assistance is to be provided to American educational institutions and NGOs for programs and activities in the PRC related to democracy, rule of law, and the environment.

Commonly Used Acronyms

| | |
|--------------|---|
| ABA: | American Bar Association |
| CSH: | Child Survival and Health |
| DA: | Development Assistance |
| DRL: | Bureau of Democracy Human Rights and Labor |
| ESF: | Economic Support Funds |
| HRDF: | Human Rights and Democracy Fund |
| NED: | National Endowment for Democracy |
| NGO: | Non-Governmental Organization |
| OECD: | Organization for Economic Cooperation and Development |

² Congressional Budget Justification for Foreign Operations, FY2008.

³ Since 2004, the annual congressional authorizations for democracy funds for China have included Hong Kong and Taiwan. Funding for legal and political reforms in Taiwan shall only be made available to the extent that they are matched from sources other than the United States government. Taiwan receives approximately \$500,000 annually to develop its export control system and combat trafficking in persons. Hong Kong receives assistance for strengthening political parties and supporting democratization (\$840,000 in FY2007).

Foreign Operations Appropriations, 1999-2007

Between 1999 and 2007, the United States government made available or authorized roughly \$133 million for democracy-related programs in China. In FY2007, total funding for U.S. assistance programs in China represented about 7% of total U.S. foreign aid to East Asia.⁴ In other comparative terms, the Ford Foundation, which does not receive U.S. government support, provides grants for projects in several areas, including rule of law, civil society, rural development, education, and public health (\$220 million during 1988-2006). European aid efforts, particularly in the area of PRC legal reform, reportedly have far surpassed those of the United States in terms of funding, with greater emphasis on commercial rule of law.⁵ According to OECD data, the top donors of bilateral official development assistance (ODA) to China (2006) are Japan (\$1.5 billion), Germany (\$441 million), and France (\$186 million). However, some major aid donors, such as Japan and Germany, provide a large share of their foreign assistance in the form of loans rather than grants.⁶ Some policy makers in these countries have advocated reducing their development aid to China, due largely to China's rise as an economic power.

FY2000-FY2003 Appropriations. Prior to 2000, China received only Peace Corps assistance. The Consolidated Appropriations Act for FY2000 (P.L. 106-113) provided \$1 million for U.S.-based NGOs (to preserve cultural traditions and promote sustainable development and environmental conservation) in Tibet as well as \$1 million to support research about China, and authorized ESF for NGOs to promote democracy in the PRC. For FY2001 (P.L. 106-429), Congress authorized up to \$2 million for Tibet. In FY2002 (P.L. 107-115), Congress made available \$10 million for assistance for activities to support democracy, human rights, and the rule of law in China, including up to \$3 million for Tibet. The FY2003 foreign operations funding measure (P.L. 108-7), provided \$15 million for democracy-related programs in China, including up to \$3 million for Tibet and \$3 million for the National Endowment for Democracy (NED).

FY2004-FY2007 Appropriations. In 2004, the Bureau of Democracy, Human Rights and Labor became the principal administrator of China democracy programs. The FY2004 appropriations measure (P.L. 108-199) made available \$13.5 million for China, Hong Kong, and Taiwan, including \$3 million for NED. Appropriations for FY2004 provided a special earmark for Tibet (\$4 million). In FY2005 (P.L. 108-447), Congress provided \$19 million for China, including \$4 million for NED, and authorized \$4 million

⁴ For FY1999-FY2003, totals are taken from *General Accounting Office, "Foreign Assistance: U.S. Funding for Democracy-Related Programs,"* February 2004. For information on U.S. assistance to Asia, see CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

⁵ The European Union reported "co-operation projects" worth \$325 million (250 million Euros) during 2002-2006, including legal and judicial assistance, social reform, education, the environment, and economic development. See Delegation of the European Commission to China, available at [http://www.delchn.cec.eu.int/en/Co-operation/General_Information.htm].

⁶ Approximately 90% of Japanese ODA to China has come in the form of loans, according to some sources. See The Ministry of Foreign Affairs of Japan, "Overview of Official Development Assistance to China" [http://www.mofa.go.jp/policy/oda/region/e_asia/china/index.html]. German aid to the PRC reportedly also includes a substantial loan component. See "As China Booms, Germany Politicians Question Continuing Aid," *Deutsch Welle*, July 27, 2007.

for Tibet and \$250,000 for NED in Tibet. In addition, the FY2005 appropriations measure authorized the use of Development Assistance for American universities to conduct U.S.-China educational exchange programs related to democracy, rule of law, and the environment. The conference agreement (H.Rept. 109-265) on the FY2006 foreign operations appropriations bill (H.R. 3057, signed into law as P.L. 109-102) extended \$20 million for China. For Tibet, P.L. 109-102 authorized \$4 million for Tibet and Tibetan communities in China and \$250,000 to NED in Tibet. The FY2006 appropriations measure also provided \$5 million in Development Assistance to American educational institutions for legal and environmental programs in the PRC. Because of the late enactment of the Continuing Appropriations Resolution for FY2007 (P.L. 110-5), many U.S. foreign aid programs for the year were not specified but funding continued at or near FY2006 levels.

Table 1. Selected U.S. Grant Assistance to China, 2000-2006
(thousand dollars)

| Account | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 est. | FY08 est. |
|--------------------|--------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| CSH | — | — | — | — | — | — | — | 4,800 | 7,290 |
| DA | — | — | — | — | — | — | 4,950 | 5,000 | 10,000 ^d |
| ESF ^a | 1,000 | 28,000 ^b | 10,000 | 15,000 | 13,500 | 19,000 | 20,000 | 19,000 | 17,000 ^d |
| ESF-Tibet | — | — | — | — | 3,976 | 4,216 | 3,960 | 3,960 | 5,250 ^d |
| Peace Corps | 1,435 | 1,298 | 1,559 | 977 | 863 | 1,476 | 1,683 | 1,886 | 1,953 |
| Labor ^c | — | — | 6,400 | — | — | — | — | — | — |
| Total | 2,435 | 29,298 | 17,959 | 15,977 | 18,339 | 24,692 | 30,593 | 34,646 | 41,493 |

Sources: U.S. Department of State congressional budget justifications for foreign operations; congressional foreign operations appropriations legislation.

- a. Not specified in State Department annual budget justifications.
- b. Compensation for the accidental NATO bombing of the PRC Embassy in Belgrade.
- c. Department of Labor programs to promote workers' rights, greater awareness of labor laws, legal aid services to women and migrant workers, and health and safety standards in China, pursuant to P.L. 106-286 (granting China permanent normal trade relations status, or PNTR).
- d. The Consolidated Appropriations Act, FY2008 (P.L. 110-161) provides \$10 million for U.S.-China educational exchanges (DA), \$15 million for China/Hong Kong/Taiwan democracy programs (ESF), and \$5.25 million for Tibetan community assistance (ESF).

Foreign Aid Restrictions. Many U.S. sanctions on the PRC in response to the Tiananmen military crackdown in 1989 remain in effect, including some foreign aid-related restrictions, such as “no” votes or abstentions by U.S. representatives to international financial institutions regarding loans to China (except those that meet basic human needs).⁷ The Foreign Operations Appropriations Act for FY2002 lifted the

⁷ Pursuant to Section 902 of the Foreign Relations Authorization Act of 1990-91 and Section
(continued...)

restrictions (effective since FY2000) requiring that ESF for China democracy programs be provided only to NGOs located outside the PRC. Tibet programs are still restricted to NGOs. Congress has required that U.S. representatives to international financial institutions support projects in Tibet only if they do not encourage the migration and settlement of non-Tibetans (the Han Chinese majority) into Tibet or the transfer of Tibetan-owned properties to non-Tibetans, which some fear may erode Tibetan culture and identity.

The U.S. government suspended funding for the United Nations Population Fund (UNFPA) in 2002 because of the UNFPA's programs in China, where the State Department determined that coercive family planning practices had occurred. The Consolidated Appropriations Act, FY2008 makes funds available again to the UNFPA, if they are determined to be eligible under the terms of the Kemp-Kasten amendment, but forbids such funds from being used for any UNFPA programs in China.⁸

Key Actors

Bureau of Democracy, Human Rights, and Labor. In the past decade, Congress has supported increased funding for DRL's Human Rights and Democracy Fund (HRDF). Appropriations for HRDF grew from \$13 million in FY2001 to \$71 million in FY2007 (a total of \$261 million between 2001 and 2007). In addition, the U.S. government provided a total of \$65 million for National Endowment for Democracy (NED)-administered HRDF programs between 2003 and 2007. China programs account for about 25% of allocations from the Democracy Fund. Most DRL funding to China goes to U.S.-based NGOs, including universities, while some sub-grants go to PRC "partner NGOs."⁹

National Endowment for Democracy. The National Endowment for Democracy is a private, non-profit organization that promotes democracy around the world. NED was created by and obtains nearly all of its funding from the United States government. The Endowment's China programs receive grants through three channels: the annual foreign operations earmark for NED — the "core fund" — (\$50 million in FY2007), out of which approximately \$2 million is devoted to China programs each year; the annual congressional earmark for democracy-related programs in the PRC (\$2.9

⁷ (...continued)

710(a) of the International Financial Institutions Act. For further information, see CRS Report RL31910, *China: Economic Sanctions*, by Dianne E. Rennack.

⁸ The "Kemp-Kasten" amendment to the FY1985 Supplemental Appropriations Act (P.L. 99-88) bans U.S. assistance to organizations that support or participate in the management of coercive family planning programs. For further information, see CRS Report RL33250, *International Population Assistance and Family Planning Programs: Issues for Congress*, by Luisa Blanchfield.

⁹ For a listing of HRDF projects, see U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, *HRDF Projects, 1998-Present* [<http://www.state.gov/g/drl/c12440.htm>]. Because of political sensitivities, DRL does not disclose the names of its grant recipients.

million to NED in FY2007); and DRL grants to NED's "core institutes."¹⁰ During the FY1999-FY2003 period, about 38% of U.S. government funding for democracy-related programs in China was allocated through the Endowment.¹¹ NED began awarding grants to U.S.-based organizations supporting democracy in China in the mid-1980s and funded significant in-country programs in the 1990s (worth nearly \$20 million). Through its grant-making program and core institutes, NED supports pro-democracy organizations in the United States and Hong Kong, helps to advance the rule of law, promote the rights of workers and women, and strengthen village elections in China, and assists in the development of Tibetan communities.¹²

Selected U.S.-Funded Programs

Rule of Law. Since 2001, the State Department and USAID have provided \$12 million for the Temple University rule of law program in China, launched in 1999 in collaboration with Tsinghua University in Beijing and two U.S. partners or sub-grantees — New York University and Brigham Young University.¹³ Temple University's Master of Laws (LLM) program in China is the first and only of its kind, educating over 600 Chinese legal professionals, the majority of whom are officials in the executive (State Council), legislative, and judicial branches of government.¹⁴ In 2006, USAID administered a grant of \$1.1 million for a rule of law program bringing together two U.S. universities (University of the Pacific and American University) and three Chinese universities. Since 2002, the American Bar Association (ABA) has conducted several rule of law programs in China with the support of USAID, including the China Environmental Governance Training Program and the China Legal Aid project.

Office of American Schools and Hospitals Abroad (ASHA). During the past eight years, USAID's ASHA has supported the construction and equipping of the Center for American Studies at Fudan University in Shanghai. ASHA has also assisted the Hopkins-Nanjing Center for Chinese and American Studies in Nanjing and provided a grant to Project Hope to support training for the Shanghai Children's Medical Center.

¹⁰ NED's core institutes or grantees are: the International Republican Institute (IRI); the American Center for International Labor Solidarity (ACILS); the Center for International Private Enterprise (CIPE); and the National Democratic Institute for International Affairs (NDI).

¹¹ General Accounting Office, "Foreign Assistance: U.S. Funding for Democracy-Related Programs," February 2004.

¹² Eric T. Hale, "A Quantitative and Qualitative Evaluation of the National Endowment for Democracy, 1990-1999" (Ph.D. dissertation, Louisiana State University, 2003), pp. 173-4. For a listing of NED projects, see National Endowment for Democracy, *Grants — 2005 Asia Programs*.

¹³ DRL supports eight U.S. universities conducting rule of law programs in China. Approximately 150 U.S. law schools operate programs in China, mostly offering courses and short-term programs for American students to study PRC law; about one dozen U.S. law schools have developed exchange programs. See National Committee on United States-China Relations at [<http://www.ncuscr.org>].

¹⁴ Temple University Beasley School of Law, *Rule of Law Projects in China: 2005-06 Annual Report*; Adelaide Ferguson, *Temple's Rule of Law Programs in China*, March 2006.