

China

The Development Challenge: The People's Republic of China (PRC) sprawls across East Asia, its sheer size and economic power dominating the region. For the United States, seeing China fully integrated into the global economic and trading system is critical for regional security, prosperity and peace. Not only does China play a key role in international security affairs through its permanent membership in the United Nations Security Council, but it also is a major U.S. trade partner. Trade between the two countries totaled more than \$120 billion in 2001. For these economic and security reasons, the United States actively seeks a good relationship with China.

Currently, there is no USAID presence in the PRC. However, the United States maintains principled and purposeful engagement with the Government and people of China. This engagement has led to important gains in a number of critical areas, such as human rights and tariff reductions, although differences remain. The Chinese Government does not share core American values on human rights, religious freedom, and democracy. The United States and China also disagree on the best policies for Taiwan and Tibet. To narrow these differences and take advantage of the many areas where U.S. and Chinese interests coincide, the United States undertakes regular contacts and dialogue.

Since 1979, China has been engaged in an effort to reform its economy, an effort the United States firmly supports. In addition to reducing the role of ideology in economic policy, the Chinese leadership has emphasized political and social stability and economic productivity. This has included increased support for market based personal income growth and consumption. In the last 20 years, China has made the largest single contribution to global poverty reduction of any country. However, challenges still remain. Over 200 million Chinese live on less than \$1 a day, many of them in poor and remote regions of the country. The number of urban poor is also on the rise.

In the 1980s, China tried to combine central planning with market-oriented reforms to increase productivity, living standards, and technological quality without exacerbating inflation, unemployment, and budget deficits. China also pursued agricultural reforms, dismantling the commune system and introducing a household-based system that provided peasants a greater decision-making role in agricultural activities. Other initiatives have included the promotion of self-management for state-owned enterprises, increased competition in the marketplace, and freer contacts between Chinese and foreign trading-enterprises. Over the years, China has come to rely more upon foreign financing and imports, but modernizing the banking and legal systems to accommodate increased foreign ties remains a major hurdle.

The Chinese Government's efforts to promote rule of law are significant and ongoing. After the Cultural Revolution, China's leaders worked to develop a legal system to restrain abuses of official authority and revolutionary excesses. In 1982, the National People's Congress adopted a new state constitution that emphasized the rule of law under which even party leaders are theoretically held accountable. Since 1979, when the drive to establish a functioning legal system began, more than 300 laws and regulations, most of them in the economic area, have been enacted.

With its entry into the World Trade Organization (WTO) in 2001, China agreed to lower tariffs and ease import and export restrictions for Chinese and foreign business people. This opens up new opportunities for U.S. industries and service providers, particularly in the banking, insurance, and telecommunications fields. However, hundreds of laws and regulations still need to be put into place, and enforcement of existing laws and regulations needs to be strengthened, before China can comply fully with WTO requirements.

The USAID Program: USAID's program is focused around two objectives: (1) improve China's legal infrastructure as it opens itself into more of a market economy, and (2) assist Tibetan communities to preserve their cultural traditions, promote sustainable development, and conserve the environment.

-- The first objective is being met through the China Rule of Law program that is introducing key members of the Chinese legal and judicial system to the constitutional principles that support the rule of law -- due process, transparency, and equal access to justice -- and teaches critical thinking and advocacy skills to support the application of those principles in the Chinese judicial system. In FY 2003 USAID will obligate \$2,000,000 in ESF funds from the Department of State's East Asian and Pacific Affairs Bureau (EAP) to implement ongoing programs to train judges, law professors, lawyers from minority (non-Han) groups, and other legal officials in the content and processes of international and U.S. constitutional law. The foci in FY 2003 will be on tort law reform to give private individuals a place to address their grievances, Internet and e-commerce regulation, and on strengthening health care regulation to address the growing HIV/AIDS epidemic.

-- In FY 2003, USAID will obligate \$3,000,000 to assist Tibetan communities in China. This program is in cooperation with EAP and the Special Coordinator for Tibetan Issues, and is implemented through NGOs headquartered outside China that can provide the Tibetan communities with access to financial, technical, marketing, environmental, and educational resources they need for equitable and sustainable development.

In FY 2004, USAID expects State's Bureau for Democracy, Human Rights and Labor (DRL) to manage this program.

Other Program Elements: State/DRL manages a number of activities that support the rule of law in China and complement USAID efforts. As part of its Greater Mekong HIV/AIDS strategy, USAID will be working on a limited scale with NGOs in two southern provinces in China, Guangxi and Yunnan. Over the past eight years USAID's American Schools and Hospitals Abroad (ASHA) program has supported the construction and equipment of the Center for American Studies (FUDAN). ASHA has also supported the Johns Hopkins Center for Chinese-American Studies in Nanjing and provided a grant to Project Hope to support training for the Shanghai Children's Medical Center.

Other Donors: China does not have a formal aid group. Important donors include Japan, Germany, and the United Kingdom. Sweden, the United Nations, Australia, Italy, New Zealand, and Canada also provide some funding. Multilateral donors include the World Bank, the EU, the Asian Development Bank, and the United Nations Development Program.

**China
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Economic Support Fund	0	5,000	5,000	0
Total Program Funds	0	5,000	5,000	0

STRATEGIC OBJECTIVE SUMMARY

435-003 Rule of Law				
ESF	0	5,000	5,000	0

Data Sheet

435-001: No Summary and/or Pillar information entered for this SO.

Data Sheet

435-002: No Summary and/or Pillar information entered for this SO.

Data Sheet

USAID Mission:	China
Program Title:	Rule of Law
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	435-003
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2004

Summary: USAID's rule of law program in China strengthens the legal infrastructure for an emerging market economy through: education in international and American legal principles and processes, including transparency, due process, and attorney-client obligations. Specific activities under the program include training to improve Internet and e-commerce regulation, thus promoting both business opportunities and human rights through access to information, as well as training in WTO compliance measures and in promoting health care regulations to address HIV/AIDS issues.

Inputs, Outputs, Activities:

FY 2003 Program:

The USAID program has two components (\$5,000,000 ESF). The first is focused on the transparency and effectiveness of the Chinese legal system for its growing role in the global economy and strengthening China's capacity to deal with new challenges to their legal infrastructure. The second component focuses on Tibetan communities in China and is designed to promote sustainable development, preserve their cultural traditions and conserve the environment.

-- The Rule of Law activities will train Chinese judges, law professors, private sector lawyers and other legal professionals in the content and principles of international and American law with an emphasis on treaty obligations, especially WTO compliance; individual rights and legal ethics. Participants spend 15 months studying in the U.S. and at Temple University's Business and Comparative Law Center at Tsinghua University. USAID is actively promoting the advancement of minorities in the Chinese legal profession by seeking out those who have leadership potential for these programs. The program will also work with China's National People's Committee Tort Law Drafting Committee to design an effective tort law for the country. This will give private citizens a legitimate venue to address private disputes, something that currently does not exist. In addition, USAID will bring prominent Chinese legal scholars and U.S. legal experts together to promote legislation regulating the Internet and e-commerce that enables freedom of expression, allows organizing for human rights and other concerns and expands markets for the business community. A similar group will work with Chinese professors and legal health experts to begin developing regulations to ensure an uncontaminated blood supply, promote AIDS detection and treatment and prevent its dissemination.

-- The Tibetan community component is carried out in cooperation with the Department of State's East Asian and Pacific Affairs Bureau and the Special Coordinator for Tibet Issues. Under this activity, USAID will provide assistance that will be implemented through NGOs headquartered outside of China and that can provide the Tibetan communities with access to resources necessary for equitable and sustainable development, cultural preservation and environmental conservation.

FY 2004 Program:

The China Rule of Law program, in FY2004, will be funded under the "Improve East Asia Regional Stability Through Democracy and Human Rights" strategic objective reported in the Regional Programs section.

Performance and Results: USAID has helped strengthen the Chinese legal system by building the expertise of the leaders of the legal profession, including judges and law professors, in international and American constitutional law. Over the past year, through university in-residence programs, conferences and seminars, USAID has trained over 650 members of the legal profession in the importance of independent and impartial judicial and administrative decision-making, treaty obligations and the professional duties of attorneys to clients, tribunals and civil society. In addition, USAID has promoted the advancement of Chinese minorities (non-Han) by seeking out and educating minority legal professionals who can provide the leadership to advance the interests of minority groups. USAID has also created an advisory group to provide mid- to long-range assistance to Chinese legislators, regulators, scholars and judges in developing the legal infrastructure to accommodate China's emerging market economy. In FY 2002, the advisory group worked with the drafters of the Chinese Property Law Code and with the legal professionals responsible for WTO affairs and economic cooperation.

By program completion, the Chinese will have a better understanding of the issues inherent in running an effective legal system that takes individual rights into consideration; they will have the basis for developing effective regulations for the Internet and the health care industry and they will understand better their treaty obligations under the WTO.

US Financing in Thousands of Dollars

China

435-003 Rule of Law	ESF
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	2,300
Expenditures	0
Through September 30, 2002	
Obligations	2,300
Expenditures	0
Unliquidated	2,300
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	5,000
Total Planned Fiscal Year 2003	
Obligations	5,000
Proposed Fiscal Year 2004 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	7,300