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Chairman Gardner, Ranking Member Markey, and members of the subcommittee, thank you for this opportunity to testify before you on this very timely and important topic.

My name is Robert Orr, and I am the Dean of the School of Public Policy at the University of Maryland. Born and raised in California, and having studied, lived and worked in Japan, Taiwan, and China, I have had decades of exposure to, and engagement with, the Asia Pacific region. In addition, my work as a U.S. government official at the National Security Council and the State Department, combined with a decade at the United Nations, has given me long-term first-hand experience with how the United States is positioned and perceived in the region.

In 2017 I see both huge opportunities and very real threats to U.S. interests. Both can be fundamentally shaped by what policy decisions we take today. We face a global economic landscape that is changing with lighting speed. Nowhere is this more evident than in the Asia Pacific region. If the United States does not engage, compete, cooperate and lead across the width and breadth of the Asia Pacific region, we stand a very real possibility of squandering the unique leading economic and geo-strategic role we have carefully crafted over many decades. If we do not take the long view and invest our resources accordingly, we face the real possibility of ceding our leadership role to others in the region who would welcome the windfall.

The Asia Pacific region is exceedingly diverse in the economic sphere, among others, with competing visions and economic models, distinct geo-economic spheres of influence, and dynamic on-the-ground competition that will define nations' economies, their prosperity, and their relations with each other. The United States is well positioned to take a central role in shaping the global economy of tomorrow, continuing its long tradition of advancing innovation and competition as the pillars of progress. To do so will require full engagement by the United States across three distinct but related spheres of economic policy in the region: trade; development assistance; and investment and business development across the region.

On the question of trade, there can be little doubt that the U.S. pullout from the Trans-Pacific Partnership has left America's friends and allies in the region frustrated, indeed befuddled, and looking for partners. They continue to seek trade partnerships amongst themselves, with the eleven remaining countries of the TPP agreeing to explore how to move forward absent the U.S. on the sidelines of the most recent APEC meeting[1]. If the U.S. doesn't find a way to fill this vacuum and demand for economic partners in the region, it is clear that China will attempt to. We are already seeing this in the discussions regarding the Regional Comprehensive Economic Partnership, which have been spurred on by the U.S. withdrawal from TPP. This agreement would cover nearly half the world's population, almost 30 percent of global GDP, include China and India, and would see no U.S. seat at the table. The U.S. needs a cogent trade policy to respond to the vacuum we ourselves have created; preferably by advancing multilateral trade agreements, but at a minimum through a well-designed set of bilateral trade arrangements with various partners in the region.

The Asia Pacific, despite decades of growth, remains a developing region with the largest numbers of poor people in the world. While the U.S. has systematically pulled back from the Asia Pacific region, China has systematically increased its development assistance through both bilateral and multilateral mechanisms. The establishment of the Asian Infrastructure Investment Bank reflects the increased role China sees for itself in the region, successfully securing capital commitments totaling $100 billion from leading nations worldwide including many U.S. allies. This is only part of China's strategy, with various bilateral agreements used to build relationships and cement economic and political objectives in the region. In the face of China commanding a greater role for itself, cuts to our economic development tools in the region – USAID, the Overseas Private Investment Corporation (OPIC), and EXIM Bank – will only quicken our retreat. Numerous studies show disproportionate economic and political returns on U.S. development assistance dollars. The Trump Administration's budget proposal eliminates USAID's Development Assistance account, winds-down the activities of OPIC, seeks no new funding for EXIM Bank activities, and zeros out all climate-related funding across the federal budget. In this situation, Congress must exercise its authority to completely reverse these draconian and self defeating cuts. Given global competition, especially in the Asia Pacific region, we cannot afford to be penny wise and pound foolish.

Perhaps the most important economic dynamic in the Asia Pacific region is the sheer scope and speed of sustained economic growth – creating massive and growing markets for both goods and productive investment. The geo-economic and geo-strategic game of the 21st Century will increasingly play out in the Asia Pacific region, especially on the issues of energy, infrastructure, natural resources, changing consumer demand, and various forms of economic transformation in the face of climate change. These sectors will shape global markets for decades to come, and how businesses and countries respond to these opportunities and challenges will directly affect their standing, and indeed their relevance.

A few statistics give an idea of the most dynamic, and highest value opportunities:

- More than US$1.6 trillion has been invested in renewable energy capacity since 2010[2], with some US$7.8 trillion forecast to be invested through 2040[3].
- US$90 trillion is expected to be invested globally over the next 15 years to replace ageing infrastructure in developed economies and to build out emerging economies[4].
- Investors with more than US$10 trillion under management are moving to recognize the risk posed by holding carbon-associated assets through performance reporting[5], and individuals and institutions with more than US$5 trillion in managed assets have committed to some form of divestment from fossil fuel assets[6]. These trends are accelerating.
- Innovation in markets is occurring to finance plays in these areas, with a total of US$694 billion in climate-aligned, outstanding bonds in the markets in 2016[7].

These are the moves that economic actors are making globally on the issues that matter to them, and the opportunities of the new 21st Century economy run right through the Asia Pacific region.

China is already moving to take advantage of the opportunities posed by these defining issues, seeing them not just as vehicles for economic development at home and abroad, but also to command regional and global leadership.

It is aggressively pursuing renewable energy development to address domestic energy needs, having been the world's largest investor in the technology since 2012[2] and is preparing to invest more than US$360 billion over four years[8]. This domestic activity has translated to global competitiveness in renewable energy, with Chinese companies, manufacturers and technology firms claiming the dominant share of large public companies worldwide that generate 10 percent or more from clean energy revenues[9].

China's State Grid Corporation has proposed and is now taking a leading role in envisioning a Global Energy Interconnection, which would fundamentally transform the world energy system by creating a global grid to drive clean energy development[10]. This is in addition to continued strong investments in domestic electricity infrastructure, including an expected expenditure of US$62 billion on smart grid technology through the period 2009 to 2020[11].

Innovation is occurring in the finance space, with China clearly signally its intent to be a leader in the field. It is moving towards the rollout of its national emissions trading scheme, following a several year trial of seven regional trading schemes. From the outset this national market will cover over 7,000 firms accounting for nearly half of China's emissions[12], reducing inefficiencies in their economy and making themselves more competitive in the process. Recent global growth in green bonds is also being driven by China, which has gone from almost zero bond issuance in 2015 to accounting for 39 percent of the total global issuance in 2016[13].

Not only furthering its economic rise, China is increasingly being seen as a credible leader on the the 21st Century transition to a cleaner, more efficient economy. Countries throughout the region understand that their future is directly linked to global climate outcomes, and they are investing and striking regional and global alliances accordingly. For the island states this is a matter of survival. For China and India, this is a matter of an economic model that can sustain their populations and reduce poverty without the crushing health effects of the exclusively fossil fuel-based model; for U.S. allies like Japan, Korea, and various members of ASEAN, it is as much an issue of economic competitiveness as it is one of enlightened leadership on the global stage. For all these countries, it is about markets for new technologies to mitigate climate change, but it is also about the need for physical and economic resilience in the face of rising seas and highly disruptive weather events. U.S. moves and pronouncements in recent months aligning itself with fuels and technologies of a bygone era instead of fuels and technologies of tomorrow, make the U.S. a much less attractive and reliable partner. Friends, competitors, and those in between have all begun to respond accordingly: by betting on China.

In this context, the U.S. can do a number of things now to ensure its interests, as well as those of its allies and partners in the Asia Pacific region:

1) Work with allies and partners to construct a global trade regime with the United States at its center;

2) Fully and strategically fund the key instruments of economic development in the region, including USAID, OPIC, EXIM Bank, the World Bank; the Asian Development Bank; and the UN system;
3) Stay in the Paris Agreement and make adjustments to climate policy within that flexible and universally agreed framework. Even having the discussion about whether to pull the United States out of the Paris Agreement is a self-inflicted injury. The Administration should signal its clear intent to stay within the Paris framework given the flexibility offered under the agreement to pursue national policies of its own choosing, not to mention the universal and strong support for the agreement throughout the Asia Pacific and the world.
4) Accelerate our own energy transition to cleaner and more cost effective fuel sources, and build commercial partnerships around the Asia Pacific region based on cooperation in this area;
5) Focus on smart infrastructure and smart energy grids at home and around the Asia Pacific region with friends and allies;
6) Advance work at home and abroad on climate smart agriculture, where the U.S. remains highly competitive;
7) Put a price on carbon, and in so doing squeeze inefficiencies out of our economy to make it as competitive as it can be. Nothing within the global climate agreement prevents a "conservative climate policy" involving carbon taxes the likes of which former Secretary of States' James A. Baker III and George P. Shultz, and former Secretary of Treasury Henry M. Paulson Jr. have put forward;

8) Support US Federal financing for science, technology, and innovation, and for bringing those innovations to market; and
9) Finally, pay close attention to human capital flows, and how they are affected by exclusionary visa policies. In my university and in those across the country, we are seeing shifts in willingness by the best and brightest students from around the world to come to, and ultimately stay in the United States. Signals from Washington D.C., both the Administration and Congress, can be very helpful or be very harmful in this regard.

The United States has long demonstrated economic leadership in the Asia Pacific region, advancing a vision of innovation and competition to achieve progress. As the nations of the region turn their attention to the opportunities and impacts posed by climate change, China's leadership on the issue is offering an attractive alternative. Countries are only prepared to hook their fate to a global leader who has shown that it understands their interests and their views. It would be the height of folly for the U.S. to give up the leadership role it has played on addressing the climate challenge, an issue seen by all countries as central to the security and prosperity of all.

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