

Opening Statement of Carolyn Bartholomew, Chairman
February 1, 2007
Washington, DC

Good morning and welcome to the first hearing of the U.S.-China Economic and Security Review Commission's 2007 reporting cycle. We are pleased that you could join us today. I would like to start by welcoming our two new Commissioners, Jeff Fiedler, and Pete Videnieks. We look forward to working with both of them.

Five years after China's accession to the World Trade Organization, it is timely for us to step back and look at the big picture in U.S-China relations and what it means for the lives of people in the United States. When established, we were tasked with the responsibility of monitoring the national security implications of the U.S.- China economic relationship. How are those implications shaping up in national security, which embodies both our economic security and our military security? Is China abiding by the commitments it has made and how is its compliance or non-compliance having an impact here at home?

The rapidity of China's economic development and its ability to sustain that rapid growth has had serious implications for U.S. policy. When Congress passed PNTR legislation in the year 2000, according to U.S. Census Bureau statistics, the U.S. trade deficit with China was \$83.8 billion. We closed last year with a trade deficit of \$213.5 billion, representing a 155 percent percent change in just six years.

This difference is not just a matter of statistics or economics. It is experienced every day in communities across this country -- in the transfer of jobs, the shift of manufacturing, the piracy of intellectual property, and the erosion of our competitiveness.

And what are we to make of the Chinese government's interests and activities on the military front? The recent test of an anti-satellite missile has caused even some of the Chinese government's most ardent fans to question how much we really know about both the Chinese government's intentions and its capabilities and what that means for the security of the United States.

And certainly Hu Jintao's recent call for purification of the Internet does not bode well for freedom of expression. What does that mean for us?

We anticipate spending our time this year assessing the state of U.S.-China relations and the course China is taking in the important areas Congress has instructed the Commission to examine -- including proliferation, energy, regional economic and security issues, and freedom of expression.

We will continue to build on the idea of China as a responsible stakeholder. And, we will work to identify not only troubling trends, but also avenues for meaningful,

constructive cooperation on issues, like energy, affecting the economic interests and the security concerns of the United States.

At today's hearing, we are starting the Commission's work for this New Year with a broad assessment of U.S.-China relations. We will explore the progress of China's economic reforms since its WTO accession and evaluate the impact of those reforms on the U.S.-China economic, security, and political relationship.

We are very pleased to hear this morning from Senators Ben Cardin, Lindsey Graham, and Sherrod Brown and Congressman Randy Forbes, who will greatly assist us in understanding the perspective of members of Congress on these issues and on the priorities of the 110th Congress for addressing U.S.-China relations. Senator Carl Levin is preparing for an important Armed Services Committee hearing and has submitted a statement for the record.

Later today and tomorrow, key officials from Executive Branch agencies and expert witnesses from the private sector and academia will offer their views and advice on economic and security issues. I am looking forward to the testimony of our witnesses and to the insight they will provide.

Commission Vice Chairman Daniel Blumenthal is serving as a co-chair for today's hearing. I'll now turn the proceedings over to him for his opening remarks. Welcome again to all of you and thank you for your interest in the Commission's work.