

## **WOLF STATEMENT BEFORE US-CHINA COMMISSION**

### *'Implications of U.S. Debt to China are Many and Wide Ranging'*

Washington, D.C. – Rep. Frank Wolf (R-VA) today delivered the following remarks before the U.S. – China Economic & Security Review Commission:

“The year was 1956 and the Suez Canal crisis was unfolding. Egypt announced that it was going to nationalize the canal, which outraged the British and French which then devised a plan to use military force to keep control. The U.S. wanted to avert conflict. President Eisenhower threatened to sell the U.S. reserves of the British pound which would essentially result in the collapse of the British currency. The British changed course.

“This historical account is relevant today. Only this time, the U.S. is in a much more precarious position. Rather than operating from a place of financial strength, we are increasingly at the mercy of our foreign lenders.

“China is among our biggest “bankers,” which is the focus of today’s hearing. The implications of U.S. debt to China are many and wide ranging, encompassing everything from our national security to our ability to advocate for repressed and persecuted people.

“*Wall Street Journal* columnist Gerald Seib recently wrote, ‘The federal budget deficit has long since graduated from nuisance to headache to pressing national concern. Now, however, it has become so large and persistent that it is time to start thinking of it as something else entirely: a national-security threat.’

“According to the Congressional Research Service, ‘on March 9, 2009, the Pentagon reported that PRC ships and aircraft operating in the South China Sea had been acting in increasingly aggressive ways toward two U.S. Navy ocean surveillance ships operating in the area...’

“China is taking an increasingly aggressive posture globally, and their interests rarely intersect with ours. Consider the 2008 Senate testimony of the director of National Intelligence: ‘China continues to develop and field conventional theater range ballistic and cruise missile capabilities that will put US forces and regional bases throughout the Western Pacific and Asia at greater risk....China’s arms sales in the Middle East are also destabilizing and a threat to US forces, while missile sales to Iran pose a threat to US forces in the Persian Gulf.’

“The U.S. intelligence community notes that China’s attempts to penetrate U.S. agencies are the most aggressive of all foreign intelligence organizations. China's aerospace industry for decades has provided missile technologies and equipment to rogue regimes like Iran and North Korea.

“China’s aims globally are often directly at odds with those of the U.S. According to the Pentagon, weapons that PRC entities supplied to Iran were ‘found to have been transferred to terrorist organizations in Iraq and Afghanistan.’

“China has failed to use its influence to bring about a peaceful resolution to the multiple crises in Sudan. It is a major arms supplier and source of economic strength to the regime in Khartoum.

“China has been no friend in our engagement with Iran either. U.S. efforts to exert diplomatic pressure against Iran’s nuclear weapons program have been thwarted by China’s opposition to U.N. Security Council sanctions against Iran.

“In a recent column, Robert Samuelson summed it up this way, ‘China’s worldview threatens America’s geopolitical and economic interests.’

“Consider our differing worldviews. The U.S. was founded on the premise that liberty is a birthright, that individual human life is sacred, that the freedom to worship according to the dictates of your conscience is paramount. The Chinese government operates antithetically to these beliefs. There is no clearer indication of the gulf that exists between our two countries than the Chinese government’s treatment of its own people.

“According to the Cardinal Kung Foundation, currently every one of the approximately 35 underground bishops of the Catholic Church is either in jail, under house arrest, under strict surveillance, or in hiding. Protestant house church pastors are routinely intimidated and imprisoned. Their congregations worship in secret. According to the Congressional Executive Commission on China's Political Prisoner Database, as of July 2009, there were 689 Tibetan prisoners of conscience, 439 of whom were monks or nuns. Uyghur Muslims face persecution by the Chinese government as well. China maintains an extensive system of slave labor camps as large as that which existed in the former Soviet Union.

“This is but a snapshot of what can only be described as a grim human rights situation in China. But rather than being a voice for the voiceless, we see U.S. government officials heading over to Beijing and kowtowing to the Chinese government. Ronald Reagan once spoke of the U.S. constitution as a covenant ‘we have made not only with ourselves, but with all of mankind.’ We risk breaking that covenant with the kind of posture we display today.

“Our advocacy for dissidents and for long-cherished American ideals of freedom, liberty and respect for basic human dignity have been sidelined in our bilateral relationship with the Chinese – all the more so in the midst of a shifting dynamic whereby China owns our debt, and in so doing, is starting to influence, both subtly and overtly, elements of our foreign policy.

“Simply put, we are presently borrowing hundreds of billions of dollars from a country which pursues aims that are at odds with our national interest and values both directly and indirectly. This borrowing is necessitated by our exploding debt and deficit.

“Nearly four years ago I proposed an independent bipartisan commission, based on the successful federal base closing process, to address unsustainable federal spending. The SAFE Commission – short for Securing America’s Future Economy – would operate in an authentic and transparent way, holding a series of public meetings across the country to hear from the American people. It is the only debt reduction commission legislation in play that mandates public engagement on this scale. It is also the only commission plan that would force Congress to vote up-or-down on a legislative package borne from the commission’s work. There would be no avoiding the hard choices.

“In his State of the Union address, and then formally last week, the president proposed the creation of a “fiscal commission” by executive order. I am deeply concerned that a commission established through executive order will make it look like Washington is finally doing something to address runaway spending, but without the teeth to require legislative action, it will amount to nothing more than another report collecting dust on the bookshelf.

“Given the enormity of the country’s financial turmoil, and the implications both at home and abroad of failing to address this looming threat, I remain convinced that bold steps, like the SAFE Commission, are needed.

“A recent *Newsweek* cover story included the following: ‘This is how empires decline. It begins with a debt explosion. It ends with inexorable reduction in the resources available for the Army, Navy and Air Force . . . If the United States doesn’t come up soon with a credible plan to restore the federal budget to balance over the next five to 10 years, the danger is very real that a debt crisis could lead to a major weakening of American power.’

“Our debt crisis is only exacerbated by who our bankers are – China foremost among them. We have a responsibility to our own children and grandchildren and to the millions in China who long for freedom and basic human rights and look to America to be their champion, to not stand idly by and tolerate a major weakening of America power.”