



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on U.S. Debt to China: Implications and Repercussions

**Opening Statement of Commissioner Michael Wessel
February 25, 2010
Washington, DC**

Thanks to everybody for being here today. I would especially like to thank the Senate Committee on Rules & Administration for providing today's hearing venue.

The transcript of today's hearing and the panelists' written testimony will be posted on our website and will be used in the preparation of our annual report. Today's hearing on U.S. debt to China will provide a wealth of information for that annual effort.

Today's hearing is focused on analyzing and understanding the implications and repercussions of the United States' high and rising debt to China. John Paul Getty is quoted as saying, "If you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem." Today, we'll find out whose problem it is when the U.S. owes China – our banker – as much as \$1.5 trillion.

Our bilateral relationship has allowed the Chinese government to rely on exports to and capital investment from the United States to achieve phenomenal economic growth. At the same time, the United States has had its standard of living fueled, in part, by borrowing back the dollars that it sent to China. China has pursued mercantilist policies to promote its interests and increase our dependence on their production and their capital. At the same time, the U.S. has all-too-willingly accepted this situation and failed to take steps to rebalance the relationship.

Now, political and economic strains threaten this financial relationship. China has emerged from the global recession stronger than ever, expecting its status as America's banker to convey new political power. The United States government, with its fiscal and monetary policy tools constrained by the recession, cannot easily extricate itself from its growing financial dependence on China. This unusual situation – its ramifications and implications – is the theme of our hearing today.

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