



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on Major Internal Challenges Facing the Chinese Leadership

**Opening Statement of
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Commissioner and Acting Chairman**

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Washington, DC**

Good morning and welcome to the U.S.-China Economic and Security Review Commission's hearing on Major Internal Challenges Facing the Chinese Leadership. This important hearing is being co-chaired by Commissioners Bill Reinsch, who is presently testifying before the Senate Foreign Relations Committee, and Larry Wortzel who will chair this morning's panels.

To say that the U.S.-China relationship is one of great importance is an understatement. Our economies are intertwined, for better or worse, and there is a growing interdependence between China's economy and the economies of U.S. allies, both in the Pacific and in Europe. During the past 25 years, since China began to implement economic reforms and open its economy, the world has witnessed a phenomenal surge in China's economic growth—ranging between 8 to 10 annually percent for most of that period. Yet despite this tremendous progress, China's modernization is neither complete nor assured. Though the recent pace of China's modernization has been both rapid and steady, it has also been uneven, leaving wide swaths of the Chinese society—and rural areas in particular—far behind.

For the past 25 years China's leadership and local officials have often favored economic growth and development over environmental and other social concerns. Chinese leaders now confront the many difficult challenges that were set aside while they focused on economic growth. Economic upheavals, constrained natural resources and environmental degradation, migrant labor problems, worker dissatisfaction, and unfunded social needs are contributing factors to China's growing social unrest.

At today's hearing we will have an opportunity to explore the breadth and scope of China's internal challenges, examine the steps the Chinese are taking to address these challenges, and consider the implications for the United States if China is unable to adequately meet its challenges. I will now turn the microphone over to Hearing Cochair, Commissioner Larry Wortzel.