



Hearing on “China’s Current Economy: Implications for Investors and Supply Chains”

August 21, 2023

Opening Statement of Commissioner Kimberly Glas

Thank you, Commissioner Cleveland, and good morning everyone. Today’s hearing will call into question the health of China’s economy and the overall implications for the CCP’s influence over technology supply chains. The Party-state’s dual circulation strategy aims to eradicate its own external vulnerabilities while increasing the world’s dependence on Chinese technology.

Today, U.S. policymakers are moving to address some of the risks stemming from supply chains that are overly dependent on China, however much more remains to be done. In May of this year, the Biden Administration announced that the United States aims to derisk its relationship with China, focusing U.S. policy on fortifying areas core to U.S. national and strategic interests. Congressional action through the Inflation Reduction Act and CHIPS and Science Act took major steps towards diversifying U.S. supply chains in semiconductors and clean energy technologies if implemented properly. Nonetheless, these efforts are still early, and further action is needed to reduce U.S. other vulnerabilities to Chinese control over critical supply nodes, from pharmaceuticals to green energy. The recent spike in Chinese electric vehicle production and exports exemplifies the Party-state's ongoing efforts to expand control over crucial segments of global production.

U.S. businesses are discussing options to derisk their own operations, but China is simultaneously moving to ensure U.S. companies and investors remain intertwined with Chinese markets. While a 19 percent drop in trade with China and a near-90 percent drop in foreign investment in China in the previous quarter may be seen as a signal of decreasing reliance on Chinese markets, overseas investment by Chinese companies simultaneously surged. Chinese companies are looking to offshore production to other countries in Southeast Asia and even Mexico, evading tariffs by locating production in other jurisdictions. They are also continuing to export through other secondary markets to avoid tariffs and also customs scrutiny under the Uyghur Forced Labor Prevention Act. As a result, even where trade data shows a decrease in direct U.S. dependency on China, the true value of Chinese content in U.S. supply chains is much higher. This hearing provides an opportunity to consider the kinds of guardrails that businesses can follow to address these increasingly complex supply chain risks.

Before we begin, I would like to remind you all that the testimonies and transcript from today’s hearing will be posted on our website. I would like to thank the Senate Committee on Health, Education, Labor and Pensions for securing this room for our use today and the Senate Recording Studio for their assistance in livestreaming this event. We’ll now begin today’s hearing with our first panel.