



U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

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

**Opening Statement of Commissioner Robin Cleveland  
February 25, 2010  
Washington, DC**

Good Morning. Welcome to today's hearing on "U.S. Debt to China: Implications and Repercussions."

In mid-December the Treasury Department announced that there had been a decline in Chinese investment in US securities. Over the next few weeks there were news accounts and a public discussion with competing and often contradictory points of view. Some experts suggested the Chinese were shifting investments to longer term securities reflecting optimism about US economic trends while others expressed concern that they had shifted to short term investments reflecting a loss of confidence. In the ensuing months, understanding what the Chinese did has been as difficult to determine as why they may have done it.

Whether exceedingly confident or overly cautious, the fact is that China owns over 20% of the privately held public debt. The implications of this debt position, both for the US and China, are the focus of our interest today. With the exceptional group of experts we have convened, we expect to gain a better understanding of the political, financial and economic calculations underpinning current investment decisions as well as the long term risks and opportunities which may lie ahead for both the US and China.

For those who are new to our hearings, we are a bi-partisan Commission composed of 12 members, six of whom are selected by the Majority and Minority Leaders of the Senate, and six from the Speaker and the Minority Leader of the House. Commissioners serve two-year terms.

Congress has given our Commission the responsibility to monitor and investigate the national security implications of bilateral trade and economic relations between the United States and China. We fulfill our mandate by conducting hearings and undertaking related research as well as sponsoring independent research. We also travel to Asia and receive briefings from other U.S. government agencies and departments. We produce an annual report and provide recommendations to Congress for legislative and policy change.

This is the second hearing for the 2010 reporting year, a year which will also include hearings on China's relations with Taiwan, China's aerospace and green technology industries and China's activities in the World Trade Organization.

I join Commissioner Wessel in welcoming our panelists.