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CHAIRMAN JIM SAXTON

PRESS RELEASE

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CHINESE ECONOMY IS EXAMINED IN NEW JEC STUDY

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WASHINGTON, D.C. – The economy of the People’s Republic of China is strongly influenced by the Chinese government through its extensive ownership, control, and financing of major businesses, according to a new Joint Economic Committee (JEC) study released today by Chairman Jim Saxton. The new study, *Overview of the Chinese Economy*, examines the evolution of Chinese economic policy in recent decades and its impact on the structure of the Chinese economy.

Under current policy, the Chinese economy is relatively open to foreign direct investment as part of a strategy of export-led growth that facilitates capital formation, economic development, and employment. On the other hand, the Chinese government still dominates the domestic economy through extensive state ownership and control of major Chinese enterprises. These enterprises are coddled by government-owned banks that provide loans at below-market interest rates or with special terms.

“As Congress grapples with issues such as the proposed acquisition of Unocal by CNOOC, it is important to understand the economic environment in which such Chinese firms operate,” Saxton said. “This new JEC study provides a balanced analysis of the strengths and weaknesses of the Chinese economy, including the role of its state-owned enterprises.

“Although the Chinese economy has grown rapidly in recent years, it is faced with a number of problems and challenges,” Saxton said. “In particular, large sections of the Chinese economy are dominated by a number of major state-owned and state-influenced firms that are not economically viable. These enterprises use their access to officials at all levels of government to obtain special favors, and cronyism and corruption are widespread.

“These enterprises also receive loan subsidies from state-owned banks whose own solvency is often undermined as a result. Consequently, large segments of the Chinese banking system are essentially bankrupt. There is a private sector in the Chinese economy, but it is largely confined to foreign and smaller Chinese companies. As Congress evaluates U.S.-Chinese economic relations, we must take into account the fact that the Chinese economy is not yet truly a market economy,” Saxton concluded.

For a copy of the new study, please visit the committee website at www.house.gov/jec/

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