

September 3, 2024

The Honorable Martin Heinrich  
Chair  
The Joint Economic Committee  
United States Congress

The Honorable David Schweikert  
Vice Chair  
The Joint Economic Committee  
United States Congress

Dear Chair Heinrich and Vice Chair Schweikert:

The Chinese Communist Party (CCP) in the People's Republic of China (PRC) represents a grave economic and national security threat to the United States and its partners. With currency manipulation, malicious trade practices, and theft of intellectual property, the CCP has harmed the American economy and the American worker. The United States has come to realize the malevolent intent of the CCP and has engaged in a whole-of-government approach to posture ourselves against a stronger and more aggressive CCP. Indeed, the 2022 National Defense Strategy of the United States stated that the "PRC remains our most consequential strategic competitor for the coming decades."<sup>1</sup>

Since the end of World War II, the United States has acted as a counter-weight to the spread of communism, led then by the Soviet Union. Although the threat of the CCP is unique, the 20th century demonstrated the United States' resolve in the face of Communism.

The United States Joint Economic Committee (JEC) played a significant role in combatting the Soviet test during the 20th century. Drawing on the depth and breadth of economic knowledge in the United States, from scholars to governmental agencies, the Committee analyzed and reported on the Soviet economy. This analysis and the subsequent reports were especially important, as the Soviet Union stood to gain from lying about its economic condition. The analysis born from these efforts are still cited today.

In light of the success the JEC had, it is no surprise that the U.S.-China Economic and Security Review Commission offered the following recommendation to Congress:

*"The Joint Economic Committee should consider resuming production of an annual unclassified report on the state of the Chinese economy and economic policy decisions of the Chinese Communist Party. The report would analyze open source and classified data and analysis, leveraging expertise from across the U.S. government, including analysts and economists from the relevant agencies of the intelligence community."*<sup>2</sup>

This recommendation has been a serious priority for me, and I am grateful for the efforts of the JEC to see this request through. There are several critical aspects of the Chinese economy that should be included in a report to understand the Chinese economy and its implications to American interests.

---

<sup>1</sup> Department of Defense. (2022). *National Defense Strategy of the United States of America: Including the 2022 Nuclear Posture Review and the 2022 Missile Defense Review*.

<sup>2</sup> U.S.-China Economic and Security Review Commission. (2023). *2023 Annual Report to Congress*. U.S. Government Publishing Office.

First, the JEC report should examine economic factors that are causing vast numbers of Chinese nationals to flee the country at great risk of legal repercussions. According to reporting from the *Washington Post*, “U.S. authorities have encountered more than 55,000 Chinese migrants crossing illegally from Mexico during the past 18 months, . . . up from 3,813 in 2022.”<sup>3</sup> This spike is alarming, and raises many questions about what economic factors have caused Chinese nationals to not only flee China, but to then seek the opportunity America provides.

Secondly, China has also implemented aggressive state-driven market-fixing policies, picking winners and losers in its own economy. This is especially evident in critical technologies markets, where the CCP provides a 220% research and development super deduction for certain business.<sup>4</sup> It is essential for American policymakers to know whether Chinese subsidies have hurt or benefited the Chinese economy in each industry, the effects of this market manipulations over time, and to what extent this manipulation has played into the deflationary pressure that China has been experiencing.

Finally, the Chinese housing market is experiencing a crash, with debt, supply, and consumer disinterest all wreaking havoc on the CCP’s ability to achieve the 5.0% GDP growth goal that China has for itself.<sup>5</sup> China is likely to use various tools to climb out of this quagmire, and the success or failure of these efforts will be determined by several factors, which are of obvious interest to American policymakers.

I welcome the U.S.-China Economic and Security Review Commission's recommendation for the Committee to produce an annual report that would provide vital information on the PRC economy and the economic policy decisions of the CCP. To that end, I call on the Joint Economic Committee to hold a hearing on the Committee’s previous work on the Soviet Union and how those efforts can be reimagined to meet the geopolitical threat of the 21st century posed by the People’s Republic of China. Additionally, the hearing should address which aspects of the Chinese economy are most crucial to our understanding of the country, some of which I have outlined above. The JEC should be critical in shaping a whole-of-government approach to the challenges that China’s revanchist economic activities present, and I look forward to working with the committee to that end.

Sincerely,



---

Eric S. Schmitt  
United States Senator

---

<sup>3</sup> Cadell, C., Miroff, N., & Qiang, L. (2024, July 29). *Migrants from China ‘walk the line’ to U.S. border, testing Biden and xi*. The Washington Post. <https://www.washingtonpost.com/immigration/interactive/2024/china-migrants-us-border-san-diego-new-york/>.

<sup>4</sup> Lu, L. (2023, September 22). *China extends and enhances multiple tax incentives in the post-COVID era*. ITR. <https://www.internationaltaxreview.com/article/2c830pe71wymgxf4h6eip/china-extends-and-enhances-multiple-tax-incentives-in-the-post-covid-era>.

<sup>5</sup> He, L. (2024, May 21). *Analysis: China is trying to end its “epic” property crisis. the hard work is just beginning | CNN business*. CNN. <https://www.cnn.com/2024/05/21/economy/china-property-crisis-stimulus-challenges-intl-hnk/index.html>.