

THE COMMISSION'S RECOMMENDATIONS

Chapter 1 – The United States-China Trade and Economic Relationship

The Relationship's Current Status and Significant Changes During 2007

1. The Commission recommends that Congress urge the Administration to press China to sign the Agreement on Government Procurement in fulfillment of a promise it made when it joined the World Trade Organization in 2001.
2. The Commission recommends that Congress enact legislation to define currency manipulation as an illegal export subsidy and allow the subsidy to be taken into account when determining penalty tariffs. In addition, Congress should amend the law to allow currency manipulation to be added to other prohibited subsidies when calculating antidumping and countervailing duty penalties.
3. The Commission recommends that Congress amend the 1988 law directing the Department of the Treasury to report biannually on "International Economic and Exchange Rate Policies." Congress should eliminate the requirement that the Department of the Treasury first determine whether a country intends to gain an export advantage before deciding that country has manipulated its currency.
4. The Commission recommends that Congress urge the Administration to bring a World Trade Organization case against China for manipulating its currency to gain an unfair trade advantage, which is a violation of the principles of the International Monetary Fund of which China is a member.
5. The Commission recommends that Congress petition the Administration to initiate a Section 301 investigation of Chinese worker rights violations in preparation for bringing a case before the World Trade Organization alleging suppression of labor rights as an unfair trade practice.

The Control of China's Economy by its Government, and the Effect on the United States

6. The Commission recommends that Congress urge the Administration to employ all necessary trade remedies authorized by World Trade Organization rules, including antidumping and countervailing duty penalties and temporary relief, to protect the U.S. economy from the Chinese government's extensive subsidies for companies in China.
7. The Commission recommends that Congress endorse the Department of Commerce decision that it has the authority to bring countervailing duty cases against non-market economies.

The Impact of Trade with China on the U.S. Defense Industrial Base

8. The Commission recommends that Congress require the Department of Defense to prepare a complete list of the country origin of each component in every U.S. weapon system to the bottom tier.

A Case Study of the Local Impact of Trade with China: North Carolina

9. The Commission recommends that Congress increase the resources of the Department of Commerce and the Office of the U.S. Trade Representative devoted to tracking and ensuring compliance by America's trading partners with their World Trade Organization obligations.
10. The Commission recommends that Congress require U.S. companies to report to the Department of Commerce their receipt of any economic subsidy from China.
11. The Commission recommends that Congress revise the requirements to achieve standing under antidumping cases, particularly in cases where continuing sales losses in U.S. industries have driven producers into a minority status and they therefore are ineligible for standing.

Chapter 2 – China's Security-Related Activities

China's Military Modernization

12. In order to slow or stop the outflow of protected U.S. technologies and manufacturing expertise to China, the Commission recommends that Congress assess the adequacy of and, if needed, provide additional funding for U.S. export control enforcement and counterintelligence efforts, specifically those tasked with detecting and preventing illicit technology transfers to China and Chinese state-sponsored industrial espionage operations.
13. The Commission recommends that Congress assess the adequacy of and, if needed, provide additional funding for military, intelligence, and homeland security programs that monitor and protect critical American computer networks and sensitive information, specifically those tasked with protecting networks from damage caused by cyber attacks.
14. The Commission recommends that Congress ensure that the U.S. Department of Defense and the National Aeronautics and Space Administration have programs to provide access to space, protect space-based assets, and maintain adequate defense measures such as those required for rapid replacement of destroyed assets in space (the Operational Responsive Space framework).
15. The Commission recommends that Congress instruct the director of national intelligence to conduct a full assessment of U.S. intelligence capabilities vis-à-vis the PRC's military, and identify strategies for addressing any U.S. weaknesses that may be discovered as part of the assessment.
16. The Commission recommends that Congress urge the Administration to engage in consultations with its allies on an alliance-based approach to China's cyber attacks.
17. The Commission recommends that Congress urge the Administration to engage China in a military dialogue on its actions and programs in cyber and space warfare to include threat reduction mechanisms, the laws of warfare, and specifically how the laws of warfare apply to the cyber and space domains.

China's Proliferation

18. The Commission recommends that Congress encourage the Administration to seek to obtain China's agreement to join the Proliferation Security Initiative (PSI).
19. The Commission recommends that Congress urge the Administration to provide expanded technical assistance to China in strengthening its export control and border control programs and capabilities, particularly including enforcement of export controls, in order to prevent proliferation.

China's Science and Technology Activities and Accomplishments

20. The Commission recommends that Congress direct the U.S. Department of Commerce to report periodically on the general R&D expenditures of U.S. companies in China, based on protected business proprietary data the Department currently collects.
21. The Commission recommends that Congress direct the U.S. Department of Defense to evaluate, and, in its *Annual Report to Congress on the Military Power of the People's Republic of China*, to report on, potential Chinese military applications of R&D conducted in China by U.S. companies.

Chapter 3 – China's Energy and Environmental Policies and Activities

China's Energy Policy, Demand, and Supply

22. The Commission recommends that Congress encourage the Administration to seek greater cooperation with China in collecting and reporting energy-related data and to assist China to improve the bureaucratic framework and governance of its energy policy making bodies.
23. The Commission recommends that Congress urge the Administration to engage China to address global climate change/environmental degradation and identify opportunities for further U.S.-China cooperation.

China's Environmental Situation

24. The Commission recommends that Congress urge the Administration to increase its monitoring of air quality in the western United States and its support for efforts to determine the pollution in the United States that can be traced to China.
25. The Commission recommends that Congress encourage the Administration to seek opportunities (1) for joint study with China of the economic and social costs of environmental pollution, (2) for joint projects to monitor more effectively and transparently relevant environmental pollutants, and (3) to prevent pollution by use of nonpolluting energy sources and technologies and application of technologies to reduce pollution from carbon fuel combustion (such as carbon capture and sequestration techniques).

The Geostrategic Impact of China's Energy Policies and Activities

26. The Commission recommends that Congress urge the Administration to engage in a dialogue with China and other Asian nations about the physical security of their energy supplies, protection of sea lines of communication, and energy cooperation in Asia.
27. The Commission recommends that Congress urge the Administration to set as an objective for the next Strategic Economic Dialogue session developing with China a concrete agenda, set of principles, and timetable for identifying and addressing common strategic energy concerns.

Prospects for Addressing the Effects of China's Energy Consumption

28. The Commission recommends that Congress encourage the Administration to continue its current energy cooperation with China and seek opportunities to expand that cooperation at all levels of engagement, especially directed toward enhancing the monitoring and enforcement capabilities of China's energy and environmental regulatory agencies.
29. The Commission recommends that Congress encourage the sale to China of U.S. energy efficiency and clean energy technologies, especially from small- and medium-sized enterprises, and the implementation of those technologies in China.
30. The Commission recommends that Congress urge the Administration to seek further opportunities for the U.S. Environmental Protection Agency to cooperate with China on the development and enforcement of energy efficient building codes to promote energy conservation and energy efficiency in new building construction.

Chapter 4 – China in Asia

Taiwan

31. The Commission recommends that Congress encourage the Administration to continue to work with Taiwan to modernize its military, enhance Taiwan's capabilities for operating jointly with U.S. and allied forces, and make available to Taiwan the defensive weapons it needs for its military forces.
32. The Commission recommends that Congress urge the Administration to promote Taiwan's inclusion in international organizations where statehood is not a prerequisite such as the World Health Organization (WHO).

India

33. The Commission recommends that Members of Congress engage in dialogue with members of the Indian parliament on important issues in U.S., India, and China relations.
34. The Commission recommends that Congress encourage the Administration to engage in broader and deeper dialogue with the government of India on China's activities and influence in the region.

Hong Kong

35. The Commission recommends that Members of Congress, when visiting mainland China, also visit Hong Kong, and that Congress encourage senior Administration officials, including the Secretary of State, to make visits to Hong Kong part of their travel to China.
36. The Commission recommends that Congress urge the Administration to maintain a close watch on the development of democratic freedoms in Hong Kong, and formally protest if at any point there is a significant erosion of suffrage, media freedom, or human rights there.
37. The Commission recommends that Congress voice its disapproval of the delay in implementing universal suffrage in Hong Kong and the Hong Kong government's consideration of altering the definition of universal suffrage to include options other than "one person, one vote."
38. The Commission recommends that Congress reenact the reporting requirements of the Hong Kong Policy Act of 1992, which expired in 2007, that required the Administration to monitor and report on Hong Kong's progress toward universal suffrage, the state of the Hong Kong economy, and the relationship between Hong Kong and mainland China.

Chapter 5 – China's Media and Information Controls – The Impact in China and the United States

39. The Commission recommends that Congress increase funding for the Broadcasting Board of Governors' radio, television, and Internet news broadcasts to the people of China, to enable those broadcasts to be expanded and to reach a greater proportion of China's population despite jamming and other censoring methods employed by the government of the People's Republic of China.
40. The Commission recommends that Congress urge high-level Administration officials, including Secretary of the Treasury Henry Paulson, to discuss the issue of China's jamming of Voice of America and Radio Free Asia broadcasts during U.S.-China bilateral forums, including the Strategic Economic Dialogue (SED).
41. The Commission recommends that Congress prohibit U.S. companies from disclosing to the central or any subordinate government in the People's Republic of China, in the absence of formal legal action by that government, information about Chinese users or authors of online content. Congress should require that a U.S. company compelled to take such actions by a government in the PRC inform the U.S. government of its actions and the government's basis for compelling it to take those actions. A compilation of this information should be made publicly available semi-annually.
42. The Commission recommends that Congress urge the Administration to engage the government of the People's Republic of China in a high level dialogue with the objective of obtaining its agreement to increase international access to accurate, timely, and complete information on issues potentially affecting public health outside China.