

COMPREHENSIVE LIST OF THE COMMISSION'S RECOMMENDATIONS

Introduction

The Commission recommends that:

1. Congress, through legislation, require the president to assign the National Security Council to conduct an agency-wide comprehensive review of the U.S. economic and security policies toward China to determine the need for changes to address the increasingly complicated and serious challenges posed by China to U.S. international and domestic interests. Such a review should be examined and debated as appropriate by Congressional committees.

Chapter 1: The U.S.-China Trade and Economic Relationship

Section 2: Chinese State-owned Enterprises and U.S.-China Bilateral Investment

The Commission recommends that:

2. Congress urge the administration to employ all necessary remedies authorized by WTO rules to counter the anticompetitive and trade-distorting effects of the Chinese government's extensive subsidies for Chinese companies operating in China and abroad.
3. Congress assess the extent to which existing laws provide for effective remedies against the anticompetitive actions of Chinese state-owned or state-invested enterprises operating in the U.S. market. Appropriate remedies, if they are not readily available, should also be considered.
4. Congress urge the administration to include in any bilateral investment treaty with China the principles of nondiscrimination and competitive neutrality between SOEs and other state-invested or -supported entities and private enterprises.
5. Congress assess China's new national security review process for foreign investment to determine whether it is being used as a trade barrier.
6. Congress direct the U.S. Department of Commerce to report annually on Chinese investment in the United States including, among other things, data on investment in the United States by Chinese SOEs and other state-affiliated entities.
7. Congress direct the U.S. Securities and Exchange Commission to revise its protocols for reviewing filings by foreign entities listed on or seeking to be listed on the U.S. stock exchanges.

The Securities and Exchange Commission should develop country-specific data to address unique country risks to assure that U.S. investors have sufficient information to make investment decisions. The commission should focus, in particular, on state-owned and -affiliated companies, and subsidies and pricing mechanisms that may have material bearing on the investment.

8. Congress urge the administration to review federally subsidized contracts provided under the American Recovery and Reinvestment Act of 2009 and report on the extent to which Chinese-produced goods and services were procured using such funds.
9. Congress urge the administration to direct the USTR to move aggressively to bring more WTO cases against China for violating its obligations under the WTO Subsidies Agreement.
10. Congress urge the administration to direct the USTR to strengthen its mandated annual review of China's compliance with its WTO obligations by adding conclusions and recommendations to its annual report to Congress.

Section 3: Indigenous Innovation and Intellectual Property Rights

The Commission recommends that:

11. Congress request the administration to report on whether procurement catalogues are actionable under WTO obligations.
12. Congress instruct the administration to insist that all procurement catalogues at all levels of government be explicitly recalled in order to comply with assurances by President Hu Jintao to separate government procurement from the catalogues.
13. Congress urge the administration to raise with China in the Strategic and Economic Dialogue and the Joint Commission on Commerce and Trade and in other appropriate bilateral and multilateral venues the need for China to table a serious offer to join the Government Procurement Agreement that provides reciprocal opportunities for access to the estimated \$1 trillion in procurement controlled by central, provincial, and local governments as well as state-affiliated entities. If China fails to engage in serious negotiations, the U.S. government should restrict access to Chinese suppliers to government procurement opportunities and should coordinate policies with the states to limit procurement contracts with China.
14. Congress instruct the administration to make a top priority within the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue negotiations an agreement to lower the threshold for criminal prosecution of cases of piracy and counterfeiting of business and entertainment software.
15. Congress recommend the administration adopt a more reciprocal trading relationship in critical areas, such as intellectual property protection. The United States should demand the

same level of treatment from its major trading partners that it provides to those other nations. The administration should identify those sectors that China has failed to open up to trade in goods and services and identify the practices that act to nullify and impair anticipated economic benefits for U.S. producers and service providers. The administration should seek the elimination of such practices in a timely manner and, if unable to gain sufficient market access, should evaluate what reciprocal actions may be appropriate.

16. Congress urge the administration to insist that China audit the use of licensed software on government computers rather than just audit the budget for software procurement. The audit should be performed by the World Bank.
17. Congress assess the reauthorization of Super 301 to assist in the identification of the policies and practices that China pursues that create the greatest impediment to U.S. exports entering the Chinese market and the most important policies or practices that unfairly or unjustifiably harm U.S. producers and workers in the U.S. market. Priority should be given to addressing such practices by the United States Trade Representative under such legislation.
18. The President should direct USTR to move aggressively to bring cases to the WTO to enforce intellectual property rights.

Section 4: China's 12th Five-Year Plan and Technology Development and Transfers to China

The Commission recommends that:

19. Congress hold hearings to assess the success of the Strategic and Economic Dialogue and the Joint Committee on Commerce and Trade in addressing Chinese actions to implement its WTO commitments, including with regard to the issue of technology transfers. In preparation for such hearings, Congress should request that the Government Accountability Office prepare an inventory of specific measures agreed to as part of these bilateral discussions and the implementation efforts of the Chinese.
20. Congress direct the Government Accountability Office to undertake an evaluation of investments and operations of U.S. firms in the Chinese market and identify what federally supported R&D is being utilized in such facilities and the extent to which, and on what terms, such R&D has been shared with Chinese actors in the last ten years.

Section 5: China's Internal Dilemmas

The Commission recommends that:

21. The administration work with the Chinese leaders in the Strategic and Economic Dialogue and the Joint Commission on Commerce and Trade talks to identify specific commodities and products in the case where supply does not adequately meet demand in China and where enhanced access for U.S. goods

might help alleviate inflationary pressures. Specific attention should be given to agricultural commodities and Chinese barriers that may limit access to the Chinese market for American goods and products.

22. Congress direct the Government Accountability Office to conduct a review of efforts by the Chinese government to censor content on the Internet and identify the extent to which any foreign technology providers may be assisting the government in its efforts.

Chapter 2: China's Activities Directly Affecting U.S. Security Interests

Section 2: China's "Area Control Military Strategy"

The Commission recommends that:

23. The relevant Congressional committees investigate the adequacy of security for the Department of Defense's logistics data system, the time-phased force deployment data system, to ensure that the data therein are secure from a cyberattack.
24. Congress assess the adequacy of Department of Defense capabilities to conduct major operations in a degraded command, control, communications, computer, intelligence, surveillance, and reconnaissance environment for an extended period of time.
25. Congress direct the Government Accountability Office to evaluate the Department of Defense's early warning systems to ensure that the department will have sufficient timely warning of a PLA attack in the event of a conflict.
26. Congress require that the Department of Defense conduct periodic peaceful naval and air exercises in the East Asian maritime region to demonstrate the U.S. commitment to freedom of navigation.
27. Congress assess the adequacy of funding for Department of Defense programs that ensure the military's ability to operate effectively against China's Area Control Strategy measures. Such programs could include, at a minimum, robust theater ballistic missile defense, antisubmarine warfare, advanced air-to-air combat, command and control, and electronic warfare capabilities.
28. Congress encourage the administration to continue to work diplomatically and militarily with regional allies and friends to improve their capacity to resist China's Area Control Strategy capabilities.

Section 3: The Implications of China's Civil and Military Space Activities

The Commission recommends that:

29. Congress mandate that the Department of Defense (and other government space operators, as appropriate) assess and report

upon their preparedness for potential Chinese counterspace activities. To the extent that commercial entities provide essential services, assessments should also cover their systems.

30. Congress assess the adequacy and regularity of U.S. military exercises and training activities that simulate the destruction, denial, degradation, or manipulation of U.S. space assets. In addition, Congress should periodically evaluate whether the Department of Defense is taking sufficient measures to diversify its traditionally space-oriented capabilities, such as in navigation, communications, intelligence, surveillance, and reconnaissance.

Chapter 3: China's Foreign Policy

Section 1: An Overview of China's Relations with North Korea and Iran

The Commission recommends that:

31. Congress investigate whether U.S. sanctions have been imposed on all Chinese firms that have violated the sanction laws by investing in Iran's petroleum industry or providing Iran with refined petroleum products or advanced conventional weapons.
32. Congress, in light of China's continued investments in North Korea, hold hearings to evaluate the effectiveness of expanding North Korean sanctions to cover foreign firms investing in North Korea's natural resource industry.

Section 2: Actors in China's Foreign Policy

The Commission recommends that:

33. Congress investigate the extent to which the People's Liberation Army is becoming a more influential actor in China's foreign policy-making.
34. Members of Congress make an effort to engage with multiple official and unofficial foreign policy actors during their trips to China in order to better understand and establish channels of communication with these actors.

Section 3: Taiwan

The Commission recommends that:

35. Congress urge the administration to sell Taiwan the additional fighter aircraft it needs to recapitalize its aging and retiring fleet.
36. Congress request from the administration an update on the Taiwan submarine program that was approved for sale by the U.S. government in 2001.
37. Congress explore in hearings the implications for the United States and the region of closer China-Taiwan relations.

Section 4: Hong Kong

The Commission recommends that:

38. Congress reauthorize Section 301 of the Hong Kong Policy Act of 1992, which requires the U.S. secretary of State to submit an annual report to Congress on political, social, and economic developments in Hong Kong as they relate to the United States. This should include reporting on China's measures to use Hong Kong as a platform for the internationalization of the renminbi.
39. 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.
40. Congress encourage its Members to raise the issue of preserving Hong Kong's special status when meeting with members of China's National People's Congress.

Chapter 4: China's Public Diplomacy Initiatives Regarding Foreign and National Security Policy

The Commission recommends that:

41. Congress evaluate the effectiveness of U.S. government public diplomacy programs in the East Asian region.
42. Congress urge the administration to seek clarification on the Chinese government's views as to what represents a "core interest" as well as what this formulation means for U.S.-China relations, and the implications for U.S. allies and friends.
43. Congress ensure that its own Members are made fully aware of the Chinese institutional actors engaged in exchange programs involving officials of the U.S. Government.