

## **COMPREHENSIVE LIST OF THE COMMISSION'S RECOMMENDATIONS**

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

#### ***Section 2: Trends in Chinese Investment in the United States***

The Commission recommends:

1. Congress assess the extent to which existing laws provide for inadequate or ineffective remedies against the anticompetitive actions of Chinese state-owned or state-invested enterprises operating in the U.S. market. Additional remedies may be required to account for the fact that these enterprises may not be operating based on commercial considerations.
2. Congress assess whether to amend the Committee on Foreign Investment in the United States (CFIUS) statute to allow review of greenfield investments for threats to U.S. national security.
3. Congress direct the Department of Commerce to develop a comprehensive, ongoing inventory of Chinese foreign direct investment (FDI) in the United States and, on an annual basis, update the inventory. The inventory should identify the ownership structure of the entity engaging in the investment. In preparing the inventory, the department should call on private sector entities engaged in monitoring Chinese investments in the United States and such other entities to ensure that its report is complete and accurate. The department should prepare a comprehensive report to Congress on an annual basis identifying the FDI by Chinese entities that were made in the previous calendar year. In its report, the department should indicate those investments that received any assistance from the "Select USA" program. The department should also identify, on an ongoing basis, the lines of commerce that each of the investments are engaged in.

#### ***Section 3: Governance and Accountability in China's Financial System***

The Commission recommends:

4. Congress direct the Administration to press China for more cooperation with the international community in order to address the global economic risks of unregulated and underregulated shadow banking and ask the Department of the Treasury to provide an annual report to Congress on the risks of shadow banking.

5. Congress direct the Administration, in any bilateral investment treaty negotiations, to make fair and equitable market access and treatment for financial services firms a priority.
6. Congress direct the Administration to assist the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board by encouraging China to develop better regulatory oversight enforcement capabilities and more transparent markets, during annual and biannual bilateral dialogues, as well as multilateral dialogues.
7. Congress empower the SEC to set minimum standards for companies listing and maintaining listings on U.S. exchanges and enable the SEC to directly delist foreign companies not in compliance with these standards.

***Section 4: China's Agriculture Policy, Food Regulation, and the U.S.-China Agriculture Trade***

The Commission recommends:

8. Congress monitor the implementation of the U.S.-China Plan of Strategic Cooperation in Agriculture (2012–2017) to ensure that U.S. funding is being allocated in such a way as to improve the safety, sustainability, efficiency, and security of food production in China and the United States.
9. Congress require the U.S. Department of Agriculture (USDA) and the U.S. Trade Representative to conduct a comprehensive review of China's agricultural subsidies, discriminatory taxes, state trading, and procurement practices; take account of the damages incurred by U.S. farmers and downstream industries; and suggest appropriate remedies.
10. Congress urge the Secretary of Agriculture to engage, as part of the Joint Committee on Commerce and Trade and the Strategic and Economic Dialogue, with his/her Chinese counterparts to address those Chinese policies and practices that limit U.S. exports of value-added products.
11. Congress direct the Interagency Trade Enforcement Center (ITEC) to conduct a review of the selective use of value added tax (VAT) rebates by China and determine whether they have a trade-distorting effect and whether the selective use of VAT rebates is consistent with the original intent of the General Agreement on Tariffs and Trade (GATT) provision allowing for VAT rebates. The ITEC should prepare a report for the U.S. Trade Representative and the relevant Committees of jurisdiction and identify what steps should be taken to address any GATT inconsistencies, should they be found.
12. Congress direct the USDA to negotiate with China to synchronize approvals of biotechnology to ensure stable and predictable market access for U.S. seed companies and crop growers in the Chinese market.
13. Congress require that the USDA prepare an annual report on competitive factors in the pork industry. In preparing such reports, the department shall evaluate the impact, if any, of the

recent purchase of Smithfield Foods on the ability of other U.S. producers to export pork products to China. In addition, the report shall identify any changing pricing structures throughout the pork production chain to determine whether there is price or profit suppression as a result of the Smithfield transaction.

14. Congress direct the USDA to exercise extreme caution in negotiating equivalency status for Chinese exports of processed poultry using Chinese-origin birds. Congress should also increase its support of USDA's Food Safety and Inspection Service in its role as protector of meat and poultry food safety so that the United States serves as a world model for high-quality, science-based regulations.
15. Congress ensure that the Food and Drug Administration makes it a priority to increase the number of physical inspections of Chinese food imports at the border; to increase the rigor of those inspections to include testing for pathogens and chemical, pesticide, and drug residues, and processed food ingredients; and to conduct more frequent and thorough inspections in food facilities in China. Congress should also urge the USDA to permanently assign inspection personnel to China so that the exporting plants receive regular visits by USDA inspectors.
16. Congress require the Secretary of Agriculture to prepare a report to Congress identifying those organic food products being imported into the United States from China. The report should include a comprehensive evaluation of the different methodologies employed by the United States and China to certify that a product is organic and what steps, if any, are being taken to harmonize any discrepancies that might exist.
17. Congress evaluate whether a requirement that U.S. food importers purchase insurance against food-borne illnesses and pathogens from Chinese imports would improve food safety. Such a program would involve private sector risk insurance with insurance companies evaluating the safety of various sources and charging risk-based premiums based on the methods employed by Chinese exporters to address food-borne illnesses and pathogens.

## **Chapter 2: China's Impact on U.S. Security Interests**

### ***Section 2: China's Cyber Activities***

The Commission recommends:

18. Congress adopt legislation clarifying the actions companies are permitted to take regarding tracking intellectual property stolen through cyber intrusions.
19. Congress amend the Economic Espionage Act (18 U.S.C. § 1831–1839) to permit a private right of action when trade secrets are stolen.
20. Congress support the Administration's efforts to achieve a high standard of protection of intellectual property rights in the

Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership.

21. Congress encourage the Administration to partner with other countries to establish an international list of individuals, groups, and organizations engaged in commercial cyber espionage. The Administration and partner governments should develop a process for the list's validation, adjudication, and shared access.
22. Congress urge the Administration to continue to enhance its sharing of information about cyber threats with the private sector, particularly small- and medium-sized companies.
23. Congress direct the Administration to prepare an inventory of existing federal use of cloud computing platforms and services and determine where the data storage and computing services are geographically located. Such inventory should be prepared annually and reported to the appropriate committees of jurisdiction.
24. Congress urge the Administration to expedite progress in its implementation of Section 806 of the National Defense Authorization Act for Fiscal Year 2011 (Public Law 111-383), which was intended to enhance the Department of Defense's ability to address supply chain risks.

### ***Section 3: China's Maritime Disputes***

The Commission recommends:

25. Congress fund the U.S. Navy's shipbuilding and operational efforts to increase its presence in the Asia Pacific to at least 60 ships and rebalance homeports to 60 percent in the region by 2020 so that the United States will have the capacity to maintain readiness and presence in the Western Pacific, offset China's growing military capabilities, and surge naval assets in the event of a contingency.
26. Congress fund Departments of Defense and State efforts to improve the air and maritime capabilities of U.S. partners and allies in Asia, particularly with regard to intelligence, surveillance, and reconnaissance, to improve maritime domain awareness in the East and South China Seas.
27. Congress urge the Department of Defense to continue to develop the U.S.-China maritime security relationship in order to strengthen strategic trust. The relationship should be within the bounds of the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65) and based on the principles of reciprocity and transparency.
28. Congress fund U.S. Coast Guard engagement efforts with coast guard and maritime law enforcement agencies in the Western Pacific to increase understanding among civilian maritime bodies in the Asia Pacific.

### **Chapter 3: China and the World**

#### ***Section 1: China and the Middle East and North Africa***

The Commission recommends:

29. Congress support efforts by the Department of Defense to strengthen cooperation with China on counterpiracy in the Gulf of Aden and elsewhere.
30. Congress consider the merits of including fuel oil purchases in the current sanctions regime prohibiting countries from purchasing crude oil from Iran.
31. Congress work with the Departments of State, Commerce, and the Treasury to utilize the full range of incentives and disincentives to encourage China to reduce its ties with Iran, including exploring conditioning Chinese energy companies' future investments in the United States on limiting commercial ties with Iran.
32. Congress urge the Department of State to elevate the U.S.-China Middle East Dialogue to include an annual meeting at the Cabinet level and to increase meetings at the undersecretary level from once to twice per year.
33. Congress direct the Administration to provide a report to Congress on China's enforcement of its export controls, to include an assessment of the level of scrutiny the Chinese government applies to end users in transfers that are of proliferation concern.

#### ***Section 2: Taiwan***

The Commission recommends:

34. Congress direct the Administration to transmit an unclassified report to Congress on U.S. arms sales to Taiwan from 2001 to 2013. It should detail each of Taiwan's requests for purchase of U.S. weapons, defense items, or defense services during the immediately preceding one-year period; describe Taiwan's justification for each request; report on any Administration decision to reject, delay, or alter each request; and provide an update on the status of sales that have been previously approved.
35. Congress encourage the Administration to continue discussions between the United States and Taiwan concerning a bilateral investment agreement.
36. Congress urge Cabinet-level officials to visit Taiwan to promote commercial, technological, and people-to-people exchanges and direct the Administration to permit official travel to Taiwan for Department of State and Department of Defense personnel above the rank of office director or, for uniformed military personnel, above the level of O6.

#### ***Section 3: Macau and Hong Kong***

The Commission recommends:

37. Congress urge the State Department to negotiate with the Macanese government to fix the shortcomings in its regulatory framework. Potential reforms would include implementing an effective asset-freezing mechanism, an increase in due diligence procedures in casinos, reduction in the high threshold for reporting suspicious transactions within casinos, establishing more transparent cross-border reporting requirements, and a requirement that junket operators and their affiliates disclose detailed financial information and implement stricter licensing requirements.
38. Congress reconvene a congressional caucus on Hong Kong to ensure continuous attention to the region's democracy and civil rights issues.
39. Congress adopt a resolution urging China to keep its commitments to universal suffrage as articulated in the 1984 Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of the Hong Kong Special Administrative Region.
40. Congress reaffirm its support for human rights and the rule of law in Hong Kong.
41. Congress renew the biennial reporting requirements of the U.S.-Hong Kong Policy Act of 1992.