ADDITIONAL VIEWS OF COMMISSIONER STEPHEN D. BRYEN

While I am voting in favor of the Report as a whole, I oppose and dissent from two of its recommendations.

The first pertains to the appropriate means for addressing the over-valuation of China's currency. The majority of the Commission is absolutely right that China's currency is over-valued, but I believe the recommendations it proposes to Congress for remedying the problem are unrealistic, given the fact that China is providing considerable currency support to the United States through the purchase of U.S. Treasury bonds. Relying on the WTO to solve the currency problem is not realistic. I believe the Report and its recommendations need to face this issue squarely.

My second concern is about the Committee on Foreign Investment in the United States (CFIUS). The Commission recommends that Congress engage itself in the CFIUS process. Doing this will so confound the process that foreign investment in the United States will be chilled. Foreign investment is critically important to the American economy and creates relationships that help limit international adventurism and trade wars. Even China's investment in the United States can be a good thing so long as it is not in security-sensitive industries. Shifting the chairmanship of CFIUS will not change U.S. policy and is unnecessary. I see no compelling evidence that the CFIUS process and its outcomes have resulted in any harm to America's national security. In fact, the CFIUS system has worked very well and has operated responsibly.

For the reasons I have noted, I oppose and dissent from the indicated recommendations. In other respects, I believe the Commission has carefully considered the myriad important issues in the U.S.-China relationship and has offered sound recommendations to the Congress for addressing them and I consequently support the remainder of the Report and its recommendations.

ADDITIONAL VIEWS OF COMMISSIONER PATRICK A. MULLOY

The Members of the Commission by working together in a bipartisan manner, and with the assistance of a very able staff, have been able to achieve a near unanimous consensus on the complex issues we were charged by Congress to address. There are three issues addressed in the Report upon which I want to put a special emphasis because I believe they are of great importance in responding to the challenges of a rising China.

The first is that just because this Report makes hard-hitting criticisms of a number of China's economic, political, and military policies, it does not mean the Commission believes we cannot work with that nation or are out to demonize it. The Report notes that China does have a vision and strategy to build a high tech economy, raise the standard of living of its people, and strengthen its comprehensive national power. It does not quarrel with the right of China's leaders to pursue such goals as long as they do so in a manner that is consistent with their countries' international obligations, and in a fashion that is not designed to erode our nation's important interests including our economic well being and the standard of living of our citizens. To make that point absolutely clear, the Commission states the following on the very first page of the Report's Executive Summary:

> The U.S.-China relationship is not inescapably destined to be adversarial. . . . Perhaps the greatest challenge that faces the United States is to develop a coherent strategic framework for approaching China in a way that does protect vital U.S. interests while recognizing legitimate Chinese aspirations, minimizing the likelihood of conflict, building cooperative practices and institutions, and advancing both countries' long-term interests wherever that is possible. . . .

Calling attention to and seeking changes in certain Chinese practices and policies that impinge on America's legitimate interests should not be equated with demonizing China.

This Report also states that some of the policies toward China being pursued by U.S. multinational corporations are contributing to our massive and growing trade imbalance with China and the erosion of America's technological and industrial base. This should not imply that corporate interests are somehow malevolent. It is rather a recognition of the fact that there can be fundamental conflicts between the goals of U.S. companies (which are operating in a system that requires and rewards them to make profits,) and our broader national interests. This Report describes policies China has in place that are designed to give U.S. and other foreign corporations economic incentives to serve that nation's interests. In recognition of this fact, the Commission states quite clearly in the Introduction to this Report that America's "elected officials must reclaim control of the policy agenda" of our economic relationship with China from the corporate sector. Our public officials must develop policies that give U.S. companies incentives to serve America's national interest by keeping and creating in this country good paying, high tech jobs that sustain high living standards and contribute to the maintenance of our defense industrial and tax bases. This must be a top priority.

Some will claim that this Report blames China for our own nation's failure to have a vision and policies to help our citizens compete successfully in a now global economy. This is not the case. The Commission recognizes our own national shortcomings and calls on our Government to correct the consumption, savings and investing imbalances that are factors contributing to our trade and current account deficits. Also, as we did in our 2004 Report, the Commission calls on our Government to develop a coordinated, comprehensive national policy and strategy to maintain our scientific and technological leadership. The National Academies of Science and Engineering, along with the Institute of Medicine, released a very important report on October 12, 2005 entitled "Rising Above the Gathering Storm." It voices concerns similar to those voiced by this Commission about our nation's eroding technological and scientific base, and calls for specific steps to help arrest such erosion. I believe our policymakers are beginning to understand the urgency of addressing such issues. This does not mean, however, that we must wait until our own house is completely in order before we can address policies and practices being pursued by China that exacerbate our own shortcomings. We can and must pursue both courses simultaneously as they are inter-related. We will not be successful in arresting the erosion of our industrial base if we do not understand and deal with the deleterious impact some of China's economic policies are having on our economy.

I feel fortunate to have been part of the bipartisan team that worked diligently to produce the 2005 Report of the U.S.-China Economic and Security Review Commission to Congress. I hope the elected representatives of our people will find it helpful to them in shaping new policies that will ensure the U.S.-China trade, economic, and political relationship benefits both nations.

DISSENTING VIEWS OF COMMISSIONER WILLIAM REINSCH

With regret I must once again dissent from this Report, as I did in 2002. I had hoped when I supported the 2004 report that it represented an evolution in a more responsible direction in terms of both rhetoric and recommendations. Unfortunately, the Commission majority has instead returned to the paranoia, and heavy-handed use of leverage of its first report.

There is no question that the U.S.-China relationship remains difficult, and the report correctly notes that hoped-for progress over the past several years has not always occurred. Intellectual property protection remains a serious problem, with Chinese enforcement lagging badly behind enactment of its laws. WTO accession compliance is not what was promised, as numerous business groups have reported. China's "currency reforms" have so far been too little to have an impact, although their creation of a more flexible trading band holds the promise of further progress. Perhaps most troubling, crackdowns on the media, Internet users and dissidents suggest the Hu Jintao government is more repressive than its predecessor. Progress on these issues will be difficult, even with a well-intentioned government, but there is growing well-placed concern that the Chinese government's intentions may not be good.

This year's Report does a thorough job of detailing these problems as well as many others. Where it errs is in its failure to recognize areas where progress and cooperation have occurred, and in its adoption of recommendations that would make the situation worse rather than better.

The Report's tilt is embodied in its negative tone. The indictments of China may change, but the verdict is always the same—guilty. The Report's perspective is simple and simplistic: we are right; China is wrong; the only issue is how to force them to do what we want. The recommendations are equally simplistic—we should tell them what we want them to do and then sanction them if they don't do it. The Report consistently implies the Chinese deserve blame for acting in their own interest rather than ours. It is ironic that the Report implicitly criticizes the Chinese for viewing the U.S. as a hegemon at the same time it presents a view of U.S. interests in Asia that can only be described as hegemonic. The Commission majority has once again tried to avoid characterizing China as a "threat;" yet the belief that it is permeates every page, suggesting that the Commission majority would abandon the policy of engagement that has characterized the last five administrations in favor of a policy of frustration implemented by sanctions.

It is clear that the Commission majority has never met a sanction it didn't like or didn't want to impose on China. Despite overwhelming evidence that unilateral sanctions fail to achieve their objectives and at the same time impose significant costs on the sanctioning nation, the Commission continues to recommend their imposition or expansion. The cost of doing so, however, will be to tear the fabric of engagement that the last five administrations have so painstakingly built up.

The Commission's recommendations for sanctions are clearly based on its conclusion that the United States has substantial leverage over China due to the latter's enormous trade surplus with us, a conclusion I believe is naïve. Instead, it will take patience, subtlety and diplomatic creativity more than the sledge hammer use of "leverage" advocated in this Report to achieve progress.

The Commission majority has also not hesitated to adopt the policy of "do as I say, not as I do," best exemplified in its recommendation that the United States ignore the WTO requirement that we repeal the "Byrd Amendment" at the same time the Commission criticizes Chinese failure to comply with its WTO obligations. (The question of why the Commission is making a recommendation on the Byrd Amendment at all, which is at best tangentially related to China, is another mystery in this Report.)

In addition, the recommendation for the onerous corporate reporting requirement is administratively burdensome and confusing and will make the American business community assume the costs of our foreign policy. As with unilateral sanctions, such a provision disadvantages the American business community, cedes the playing field to our European and Asian competitors who cheerfully pick up what our companies leave behind, and does not help us achieve our policy goals.

In the category, "If it ain't broke, why are we fixing it," the recommendations relating to CFIUS would inject Congress into a process that has been functioning effectively and cast doubt on the United States' longstanding open investment policy, not to mention endorsing a policy that we have in the past criticized other nations for adopting. Likewise, the section on Chinese involvement in Western capital markets concludes that the government ought to be doing more to influence or limit investor choices, despite evidence that the market itself appears to be addressing the problem.

Finally, while the Report correctly points out that the United States itself bears the responsibility for many of its economic problems—and has some intelligent proposals for addressing them—the report for the third time fails to address China's domestic economic problems. It deals with Chinese actions that disadvantage the United States and virtually ignores growing signs of internal economic difficulties that could seriously compromise growth and create internal economic and political crises that would at best preoccupy and at worst directly threaten the current government, factors that would have a significant impact on the bilateral relationship. The simplistic assumption is two straight lines—China is growing stronger while the United States grows weaker.

Last year, I expressed the hope that the next report would be able "to move beyond the simplistic 'we're right; they're wrong' approach and undertake more sophisticated analysis that better explains the complexities of the bilateral relationship and the long term implications for the United States of China's economic and political growth and development." Unfortunately, this report not only fails to reach that goal, it actually moves farther away from it, so I must dissent from it.