

CHAPTER 5

CHINA'S INTERNAL PROBLEMS, BEIJING'S RESPONSE, AND IMPLICATIONS FOR THE UNITED STATES

The Commission shall investigate and report on “REGIONAL ECONOMIC AND SECURITY IMPACTS—The triangular economic and security relationship among the United States, [Taiwan], and the People’s Republic of China (including the military modernization and force deployments of the People’s Republic of China aimed at [Taiwan]), the national budget of the People’s Republic of China, and the fiscal strength of the People’s Republic of China in relation to internal instability in the People’s Republic of China and the likelihood of the externalization of problems arising from such internal instability.”

Key Findings

- While China’s rapid economic development continues, serious internal problems exist, such as environmental degradation, increased energy demand that threatens to outstrip energy supplies, corruption, censorship, and increasing social discontent.
- China has acknowledged some of its internal problems and even enacted rules or regulations intended to address them. The United States government is conducting some bilateral programs with China aimed at remedying internal problems. However, China is not allocating enough of its own time, energy, or resources to effectively solve many of them.
- A number of the internal challenges facing Beijing have international implications, including implications for the region and the United States. Some of these problems are not limited by boundaries, such as pollution and epidemic diseases originating in China. The number of Americans going to China, the increasing number of Chinese going abroad, and Beijing’s failure to address these problems could result in the spread of epidemic diseases to the United States.
- The constraints of China’s one-party system limit its ability to deal with its internal problems.

Despite its booming economy, China faces some serious internal challenges, many of which could have negative global implications. According to Dr. Bates Gill of the Center for Strategic and International Studies, “The China we will face in 10 years’ time will be profoundly shaped—for better or for worse—by the enormous domestic challenges unfolding in the country.”¹ For 25 years, China

achieved a remarkable economic expansion with an average annual growth rate between 8 and 9 percent. The Chinese Communist Party's hold on power has benefited from this growth; aided by improved collection efforts, the national government's 2005 revenue grew roughly 20 percent to \$395 billion.² Despite such economic success, Beijing faces a number of domestic challenges such as corruption and rising energy needs that could easily derail or delay China's recent steady economic rise. In addition, Chinese solutions to internal problems affect the country's willingness or ability to behave as a responsible international stakeholder and live up to international commitments.

Some of China's internal problems result from the inequitable distribution of wealth and services that the Chinese people believe the central government has failed to address, or has proven incapable of resolving satisfactorily. Others reflect direct dissatisfaction with the government or government officials—for example, the corruption, nepotism, or favoritism of those officials.

Increasingly, disaffected Chinese citizens are risking physical mistreatment and imprisonment to demonstrate their dissatisfaction with the government.³ In 2005 the Chinese government reported as many as 87,000 "public order disturbances" in China, although official statistics are often inaccurate.⁴ (Statistics to date for 2006 suggest a reduction in this number, but that may not be accurate or meaningful.)⁵ Beijing's ability to manage dissatisfaction and successfully address its causes could affect China's stability, and in turn the region's, affecting U.S. security interests and the world economy.

How China addresses its internal problems is a serious issue. Without a reliable rule of law system with which to remedy the causes of their dissatisfaction, the Chinese people increasingly are likely to turn to public protests and disturbances. The Chinese Ministry of Public Security reported a 13 percent increase in the number of "mass gatherings that disturbed social order" for 2005.⁶ Unfortunately, government forces increasingly respond to protests with injurious or lethal force that could lead to larger scale violence.⁷

Serious unrest could lead to political instability. For example, a massive government crackdown on protesters might result in regional problems such as mass refugee flows and an increased Chinese military presence at China's borders to maintain control of those flows, which could change regional strategic thinking.⁸ Moreover, Beijing might seek to deflect domestic criticism by increasing nationalist sentiment or engaging in aggressive foreign or military policies. According to former Director of Central Intelligence James Woolsey, "... a China that is getting nervous because of unemployment and economic changes could become hostile, particularly over Taiwan."⁹

China acknowledges some of its problems, and its officials say they are working to address them, but those claims fail to match the evidence in numerous cases. According to Dr. Anne Thurston, an independent researcher, "For whatever reasons—whether through incompetence, indifference, an inability to innovate, or a failure of will—the Chinese government is not coming up quickly enough with solutions to the country's pressing problems. While

the government pays lip service to these problems ... it seems unwilling or unable to solve them.”¹⁰

Challenges facing China's leaders

Health Concerns and the Diminution of the Social Safety Net

China's advancements in health and social services lag that country's recent economic achievements.¹¹ A large portion of China's population may face serious health issues as a result of crowded, polluted cities, unsafe workplace conditions, and poor health care access, particularly in rural areas. As China's people travel overseas, and as Americans travel to China, diseases there could spread rapidly around the world.

As Dr. Gill explained to the Commission, “Despite remarkable gains in key health indicators ... , China's health situation faces many problems. With an ailing public healthcare system and social safety net, China is increasingly vulnerable to the spread of emerging and re-emerging infectious diseases.”¹² HIV/AIDS and the avian flu (a.k.a. ‘bird flu’) are serious concerns. China estimates over 600,000 persons with HIV/AIDS in China, the majority unaware they are infected.¹³ Part of this problem comes from the government's reluctance or inability to inform its citizens about the problem; according to one report, “There is still a massive need in China for public HIV/AIDS education.”¹⁴ Given the communicability and lethality of this virus, and its potential to affect China's workforce and healthcare system, China's HIV/AIDS problem could become a global concern.

The same is true for the acute strain of the avian flu. China's large human and poultry populations, and the close proximity of the two in many areas, create conditions ripe for development of an epidemic. And with a poor health care system to address an outbreak of avian flu, China could become the epicenter of a pandemic.¹⁵

According to a 2006 International Monetary Fund report, a severe avian flu outbreak could lead to global supply disruptions due to absenteeism by sick or concerned workers, lower domestic consumer spending, and reduced foreign investment.¹⁶ China's manufacturing economy, and consequently the world economy, would be severely affected by an epidemic. The World Bank estimates that the initial annual cost to the global economy from an avian flu outbreak could reach \$800 billion.¹⁷ Given the potentially devastating global consequences of an avian flu pandemic, China must work closely with its local governments, its health care sector, other countries, and international bodies to prevent a catastrophic pandemic from occurring.

Since October 2005, there have been more than 30 outbreaks of avian flu and at least twelve Chinese have died from it.¹⁸ In the past, China failed to provide timely information about significant public health issues such as the severe acute respiratory syndrome (SARS) outbreak, possibly to avoid international embarrassment or to minimize the impact on domestic stability. The Commission is concerned that the Chinese government will follow its past patterns of behavior and will not provide accurate and timely information about outbreaks of diseases.

To successfully combat such outbreaks, China needs a more capable and extensive domestic public health care system. Poor health care is especially prevalent in rural China where the traditional system of free health clinics has “disintegrated.”¹⁹ Beijing, likely fearful of growing civil discontent, has acknowledged the need to improve rural medical systems.²⁰ But in poorer parts of China, Dr. Gill explained that local governments are “particularly hard-pressed to provide decent healthcare ...” given scarce tax revenues.²¹ Health care also is a problem for urban Chinese because of the rising costs of treatment.

Health care is not the only social program suffering in China today. China’s pension program has financial difficulties and is poorly suited to accommodate China’s aging population²² and its rising cost of living.²³ The number of urban retirees will approach 70 million by 2010 and 100 million in 2020 and will stress the retirement system that already is “riddled with problems of inadequate funds and narrow coverage.”²⁴ Those who are not entitled to pension support will have to rely on family support in their later years.²⁵

China recently acknowledged the need to reform its pension system,²⁶ but accomplishing this will be a major challenge given that the system has unfunded liabilities of approximately \$1.5 trillion.²⁷ Should popular dissatisfaction with this troubled system grow, Beijing could face protests. To solve the problem, the Chinese government may be forced to raise taxes or reallocate financial resources, which could hinder development in other areas.

Environmental Degradation

China currently has an “enormous environmental footprint” filled with polluted air and water. After years of rapid industrial and economic development China has some of the most polluted land, air, and water anywhere on the globe. Some of China’s largest cities, urbanizing at a rapid rate, are the most polluted in the world.²⁸ Environmental degradation has been linked to civil unrest, reduced worker productivity, and premature deaths.²⁹ The costs of preventing further environmental damage and mitigating damage caused by past pollution could have a significant impact on China’s economy, possibly leading to further domestic frustration if this prevents China from reaching its GDP goals.³⁰ But ignoring environmental problems also could damage the Chinese economy by destroying the productivity of farmland, making water unusable for agricultural or industrial purposes or human consumption, and producing calamitous health effects.³¹

There is growing dissatisfaction as a result of the government’s ineffectiveness in protecting the environment, and ensuring that drinking water and air are clean. This is viewed as such a serious problem throughout China that it eventually could threaten the legitimacy and control of the Chinese Communist Party.³²

Water pollution is a particular problem for China and the health of its citizens. Dr. Elizabeth Economy, director of Asian Studies at the Council on Foreign Relations, testified to the Commission: “Three hundred million [Chinese] people drink contaminated water on a daily basis ... 190 million of those drink water that is so contaminated that it’s making them sick.”³³ According to the World

Health Organization, water sampling in several areas shows high levels of petroleum, ammonia, nitrogen, mercury, and volatile phenol.³⁴ Chinese industrial and chemical factories, some of which are key to Chinese economic and trade profitability, are major sources of water and air pollution, and illegal industrial dumping is widespread. Two tragic examples occurred in 2005. In November 2005, a chemical spill in northeast China left millions without water for days; a few weeks later, a state-owned smelter in Guangdong Province released a large amount of carcinogenic cadmium into the Bei River.³⁵

Along with water pollution problems, China also is experiencing a water shortage. Given its large population, China has very low per capita fresh water holdings, and Beijing has spent large sums of money on water supply programs aimed at obtaining access to and redistributing water resources.³⁶ Such projects include the North-South Water Diversion Scheme which, when completed, will move Yangtze River water to water-short northern China. But despite attempts by the Chinese government to improve water supply, shortages persist. These hamper the productivity of both China's industrial and agricultural sectors and ultimately could provide "the catalyst for united demonstrations throughout the country ..."³⁷

According to Dr. Economy, there have been a number of environmental-related protests in 2005, some of which resulted in beatings and deaths.³⁸ For example, in April 2005, sixty thousand people in the village of Huaxi, Zhejiang reportedly protested against thirteen chemical plants that polluted the water and soil around the village. According to one report, two people died in the clashes between demonstrators and police. In August, villagers again threatened protests because local officials had failed to fulfill promises to redress the situation.

Air pollution is also a tremendous problem, stemming from China's reliance on coal-based power plants for much of its energy, and from ineffective pollution controls.³⁹ In a June 2005 report, China acknowledged that it experienced serious increases in emitted pollutants.⁴⁰ China's reliance on coal, inefficient energy technologies, and emissions from a growing number of cars, trucks, and factories will only increase air pollution.

China's State Environmental Protection Administration acknowledges China's environmental problem in an official report published in June 2006:

*"The conflict between environmental and [economic] development is becoming ever more prominent. Relative shortage[s] of resources, a fragile ecological environment and insufficient environmental capacity are becoming critical problems hindering China's development ... Water, land and soil pollution is serious, and pollution caused by solid wastes, motor vehicle emission and not-easily-degradable organic matter is increasing. In the first 20 years of the new century, China's population will keep growing, and its total economic volume will quadruple that of 2000. As the demand for resources from economic and social development is increasing, environmental protection is facing greater pressure than ever before."*⁴¹

China has enacted a large number of environmental protection laws. But enforcement of those laws has been seriously deficient. In June 2006, Beijing said it would “mobilize all forces available to solve the pollution problems that are causing serious harm to people’s health” and would shift from using mainly administrative protection measures to employing more comprehensive ones, including “legal, economic, technical and necessary administrative measures to solve environmental problems.”⁴² In the past, Beijing has urged its industries and citizens to protect and improve the environment and has stressed the importance of its environmental laws, but with little success.⁴³

Moreover, the agricultural sectors and urban water demands of downstream countries such as Burma, Thailand, Laos, Cambodia, and Vietnam could suffer as China considers building numerous dams to generate electricity and increase its own water supply.⁴⁴ China’s water needs could affect its relations with Russia, leading it into either closer cooperation or conflict with Moscow,⁴⁵ either of which could have security-related implications for Washington.

Pollution ignores political boundaries, and China’s pollution threatens the health of populations of other countries, including Americans. This spring an American satellite tracked a cloud of Chinese pollutants traveling across the American west coast, eventually reaching detectors in the mountains of California, Washington, and Oregon.⁴⁶ If China does not improve its environmental situation, “considerably more emissions could reach the United States [in the next few years].”⁴⁷ Increased Chinese pollution in the United States could lead to increased tensions between Beijing and Washington.

Neighboring countries such as Japan and South Korea are concerned about China’s pollution. “In all those wealthy societies on China’s periphery, public concern about the environment has grown in recent years, and China’s rapid growth makes it an obvious target for blame.”⁴⁸ Japan blames China for much of its acid rain problem.⁴⁹ Other trans-border environmental problems coming from China include untreated sewage flows from the Yangtze River into the Pacific⁵⁰ and the discharge of toxic benzene and other chemicals that flow downriver into Russia. In fact, Russian officials continue to complain about river pollution originating in China.⁵¹

Corruption

Corruption is a widespread problem in China. It exists at virtually all levels—from village officials to executives of mammoth state-controlled monopolies—and appears to be particularly pervasive at the local level. It has implications for multinational companies working in China, saps China’s economic efficiency, and is a significant factor in the Chinese Communist Party’s lack of success in combating other serious problems such as environmental pollution.

Corruption also is a factor in rising domestic dissatisfaction. Specifically, corruption and abuse of power are often associated with land seizures in rural China, which fuels unrest. According to one political analyst, Joseph Cheng, “In appropriating land, there’s very often corruption and inadequate compensation for the peasants, so the peasants protest.”⁵² Some protests, including a Decem-

ber 2005 demonstration that took place in Shanwei city, turn violent, leaving villagers and activists wounded or dead.⁵³ Adding to the resentment, some local officials supplement their incomes by placing illegitimate surcharges on the taxes or fees the local government collects from citizens.

Fraud and corruption also are found at the corporate level in China.⁵⁴ Weak internal banking laws and enforcement efforts allow for bribes, kickbacks, and non-performing loans to cronies. Bribes in connection with marketing and sales activities win contracts with the state-owned enterprises or government offices.⁵⁵ The practice of using Chinese fronts and bribes to secure contracts is so pervasive that it is described as “normal” in China.⁵⁶ And indeed, European and Asian anti-bribery restrictions that are weaker than U.S. restrictions reinforce these practices. It has been reported that some Chinese firms funnel bribe money on behalf of U.S. companies that are prohibited by the U.S. Foreign Corrupt Practices Act from making such expenditures.⁵⁷

The growing intensity of the public’s reaction to government corruption could pose a threat to the Chinese Communist Party’s legitimacy and power. Perhaps in an attempt to placate some of its aggrieved people, and/or purge political enemies, the Chinese government arrested nearly 9,000 officials for corruption in 2005, convicting roughly 2,000 of them.⁵⁸ President Hu Jintao explained that “Corruption is still rampant in some fields, as cases of cadres abusing power for personal gains are frequently reported,”⁵⁹ and Beijing has taken some well-publicized steps against it. In June 2006 the deputy mayor of Beijing, Liu Zhihua, was removed for undisclosed corruption-related activities.⁶⁰ Later that month Vice Admiral Wang Shouye was forced to resign as deputy commander of the Chinese Navy because he had accepted bribes.⁶¹ In September 2006, Shanghai Party Boss and Politburo member Chen Liangyu was arrested on allegations that he used municipal pension funds to speculate in real estate.⁶² Members of China’s parliament also have been removed for corruption-related activities.

Despite the rise in high-profile arrests, the likelihood of eliminating widespread corruption in the near future is small, because the Chinese political system and culture often reward loyalty through patronage and protection. According to Dr. Albert Keidel of the Carnegie Endowment for International Peace, efforts to reduce Chinese corruption face an uphill climb because “the corporate structure of China’s combined governmental and party organization neutralizes efforts to discipline [corrupt] government behavior. Normal channels require higher officials to work through those same local officials who are objects of investigation.”⁶³ Furthermore, China is unlikely to spend the resources to monitor local-level corruption in a way to positively affect the problem at that level.⁶⁴ As long as widespread corruption continues in China, it will provide a source of domestic dissatisfaction, and may force U.S. companies to decide between securing Chinese business and abiding by U.S. anti-corruption laws.

Rural Unrest

During the past decade, dissatisfaction and unrest have occurred with increasing frequency and intensity in China’s rural areas.

This appears to be the result of a collection of factors rather than attributable to a single cause.

Wide and growing disparities between income levels and standards of living in Chinese urban areas, especially along the East Coast, and those in the rural interior are a significant cause of anger and dissatisfaction. Other issues also contribute to the problem. According to Dr. Thurston who testified before the Commission, "It [China's countryside] has too many people and too little land. It has not enough water. Taxes have been very, very high. Officials are often egregiously corrupt. Many parents cannot afford to send their children to school. The health system has crumbled. Some 80 percent of the people who live in China's rural areas are without medical insurance."⁶⁵

Developers, working with corrupt local officials, arbitrarily seize peasant land without just compensation, which is another source of rural frustration and protest.⁶⁶ For example, in January 2006, in Guangdong province, hundreds clashed with authorities over inadequate compensation for land taken for commercial use.⁶⁷ In June 2005, hundreds of paid thugs attacked farmers protesting another land grab southwest of Beijing. Six were reported killed.⁶⁸

In order to diffuse mounting tension in China's rural areas, in 2004 the Chinese government started direct subsidies to grain farmers, eliminated agricultural taxes, subsidized agricultural supplies, and increased rural infrastructure.⁶⁹ However, the benefit to the Chinese farmer of these steps was mostly symbolic, as the value of the eliminated agricultural tax represented approximately two to three percent of total Chinese tax revenue.⁷⁰ The eleventh Five-Year Plan also emphasizes rural reform, addressing among other things pollution, increased infrastructure to include roads and medical facilities, and increased economic opportunities.

As foreign investment expands beyond China's coastal region, local governments strive to achieve high economic growth rates by attracting businesses to relocate in their regions. These governments provide incentive packages that include favorable policies for land leasing and development. To prepare the land for economic investment, local governments often unfairly or illegally take land from local farmers and fail to distribute the legally required compensation. Profits directed toward the local government do not always benefit the development of public infrastructure or other social services needed in rural areas, and foreign companies increasingly may be associated with corruption, uneven development, and dissatisfaction toward the local government. This practice places foreign companies' operations at risk, especially if local populations—affected by the government's unwillingness to enforce land compensation laws—cannot receive tangible benefits such as employment from the company's presence in the area.

In its latest Five-Year Plan, Beijing acknowledged rural problems, but it has failed to take effective action to address the root causes. As a consequence, rural unrest increases and often leads to violence.

Worker Unrest

Chinese laborers face harsh working conditions, poor benefits, corruption, frequent layoffs, and unpaid wages. One worker in an

artificial eyelash factory described being locked in a factory dormitory at night, fed a monotonous diet of cabbage and rice, and allowed only one shower a week, while being charged the equivalent of \$13 a month for room and board on a \$24 salary.⁷¹ At times frustration over these issues leads to violence, as was the case in September 2005 when shoe factory employees in Guangzhou rioted over unpaid wages.⁷² Widespread factory shutdowns resulting from riots could threaten China's economy.

In most advanced industrialized nations, independent trade unions have been able to obtain better and fairer treatment for workers, but they have no significant role in China. The Chinese Communist Party's All-China Federation of Trade Unions acts mainly as a surveillance mechanism, doing little to promote workers' rights.⁷³

With no means to effectively address their grievances, over the past few years Chinese workers have engaged in protests and other displays of frustration and anger. Unless the central government finds ways to reduce the mistreatment and victimization of workers, the nation and its economy likely will face increasing disruptive and costly protests. Chinese government concern with the problem is evidenced by the drafting of laws that give Chinese unions more input regarding issues such as compensation, working hours, work safety, and benefits.⁷⁴

The Chinese government is aware that there are potentially large repercussions if protests expand or escalate significantly. In January 2006, unrest occurred in Guangdong Province that borders Hong Kong. Were such protests or unrest to grow in that area of China, a major commercial, trade, and financial center, the result could threaten the physical security of that center and affect U.S. and international capital flows and trade.

Worker unrest could threaten the global supply chain. For example, many computer components are manufactured in China, and the computer industry and users are particularly vulnerable to Chinese worker unrest or heavy-handed government responses to them.⁷⁵ In fact, some foreign investors are starting to voice concerns over the increasing unrest.⁷⁶

China's Responses to Internal Problems and their Impact on the United States

The highest levels of the Chinese Communist Party are concerned about the internal conflicts China faces as economic development continues. Mass protests against unfair labor practices, official corruption, or the disintegrating healthcare and pension systems threaten the Party by calling into question its effectiveness and even its legitimacy.

Leaders of the Party are aware of the problems facing China, and legislative and administrative controls for many of these problems already exist. According to Mr. Jerry Clifford of the U.S. Environmental Protection Agency, China's current Five-Year Plan addresses "pollution, energy efficiency, and some of the environmental infrastructure inequalities between the urban and rural populations,"⁷⁷ while other sections of the Plan address healthcare and social pension systems.⁷⁸

However, concern and legislation by the highest levels of the Chinese government do not ensure country-wide implementation. Rules made in Beijing are often ignored by officials in the countryside, who frequently are more concerned with local economic development. For example, in 2004 a Chinese State Environmental Protection Administration inspection of sewage treatment plants showed that only half of those built during the tenth Five-Year Plan were working; the rest were considered too expensive to operate by the local authorities.⁷⁹

In addition, while laws promulgated by Beijing may be “on the books,” they often are not effectively enforced, or are not enforced at all. Chinese citizens “are often unable to secure protection from the very courts and legal institutions to which they are appealing.”⁸⁰ And in cases of corruption, it is often the local officials themselves who are the problem. As noted above, the combined Chinese Communist Party and governmental organization makes challenging corruption extremely difficult, since higher Party officials must work through the very same officials who are being investigated.⁸¹

With these outlets for grievances blocked, Chinese domestic discontent increasingly is expressing itself through protests. Should dissatisfaction increase to a troubling level, Beijing could seek to deflect domestic discontent by diverting it toward Japan, Taiwan, or even the United States.

The Chinese Communist Party has emphasized economic development to increase the standard of living of the Chinese people and reduce domestic dissatisfaction. However, as Mr. James Keith, Senior Advisor to the Bureau of East Asian and Pacific Affairs of the U.S. Department of State, told the Commission, “... China’s economic ‘miracle’ is unfolding at high cost, not just in terms of environmental degradation and public health, but also in terms of an erosion of social and ethical values.”⁸² Beijing’s favored solution to popular dissatisfaction may, in fact, be making these problems worse.

The Chinese government faces a dilemma—while continued economic growth may worsen problems such as environmental degradation and income inequality, thereby increasing domestic dissatisfaction, slowing growth to mitigate these problems may make them worse.

Furthermore, compliance with China’s international agreements such as its accession agreement to the World Trade Organization may be seen by the Chinese government as hampering its ability to provide continued economic growth. Beijing’s resistance to reform and increased transparency may stem from the belief that moving in these directions would decrease economic growth and lead to increased domestic instability.

China is facing growing internal problems and unrest, much of which is related to its continued economic growth. The over-arching question is, “Can the Chinese government solve these internal problems?” If so, Chinese government answers may not conform to U.S. and international expectations and agreements. At the same time, the United States must remain aware that if these internal problems remain intractable and continue growing, China’s development—both economic and socio-political—may stop, or even re-

verse itself. If this happens, the Chinese government may look to deflect rising discontent by increasing nationalistic sentiments and blaming traditional “enemies” such as the United States for its problems.

U.S.-China Bilateral Programs Addressing These Problems

Because of the potential for China’s internal problems to affect the United States, the U.S. government is working with that country to address a number of issues, from reducing environmental degradation to improving labor safety. Specifically, the U.S. Department of Health and Human Services’ National Institutes of Health provided a \$14.8 million multi-year grant to China for HIV/AIDS research in that country.⁸³ The U.S. Environmental Protection Agency has a continuing dialogue with its Chinese counterpart, the State Environmental Protection Administration, and works with Chinese officials to improve drinking water and air quality, especially in Yunnan province which has the highest rate of lung cancer in the world.⁸⁴ A U.S.-China Health Care Forum was held in 2005 in which the U.S. Departments of Commerce and Health and Human Services and China’s Ministries of Health and Commerce participated, covering topics such as medical insurance systems and health care products and services.⁸⁵

The U.S. Department of Labor funds projects in China that include a \$2.3 million coal mine worker safety project, and a \$4.1 million labor-related rule of law program aimed at educating workers and their employers about labor standards. China is developing a labor contract law with the Department of Labor’s assistance.⁸⁶ The U.S. Department of Energy has an ongoing dialogue with its Chinese counterpart to improve energy efficiency, and the State Department’s Bureau of Democracy, Human Rights, and Labor funds certain democratization, human rights, and rule of law programs for China.

RECOMMENDATIONS

- The Commission recommends that Congress encourage U.S. companies to work with their Chinese suppliers to improve China’s environmental, labor, and safety standards, which would address some of the causes of unrest facing the Chinese government.
- The Commission recommends that Congress encourage American nongovernmental organizations and the State Department to promote new and existing efforts to support independent Chinese nongovernmental organizations, especially those working on rule of law, healthcare, workers’ rights, and environmental issues.
- The Commission recommends that Congress instruct the Administration to promote new and existing cooperative efforts with China that improve China’s responses to transnational problems, including infectious diseases and the environment.

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