

# COMPREHENSIVE LIST OF THE COMMISSION'S RECOMMENDATIONS

## Chapter 2: Beijing's Internal and External Challenges

The Commission recommends:

1. Congress provide resources for programs that support independent media and the free flow of information to prioritize Indo-Pacific countries in their efforts to counter China's influence and propaganda efforts.
2. Congress require the relevant departments and agencies of jurisdiction—including the U.S. Department of the Treasury, the U.S. Department of Commerce, and the U.S. Securities and Exchange Commission—to prepare a report to Congress on the holdings of U.S. investors in Chinese bonds and other debt instruments. Such a report shall include information on the direct, indirect, and derivative ownership of any of these instruments.
3. Congress require the U.S. Department of the Treasury to prepare a report to Congress on the operation of China's Cross-Border International Payment System. As part of such a report, the department shall include information on the extent to which the Cross-Border International Payment System could be used to bypass international sanctions regimes.

## Chapter 3: U.S.-China Competition

### *Section 1: U.S.-China Commercial Relations*

The Commission recommends:

4. Congress enact legislation to preclude Chinese companies from issuing securities on U.S. stock exchanges if:
  - The Public Company Accounting Oversight Board is denied timely access to the audit work papers relating to the company's operations in China;
  - The company disclosure procedures are not consistent with best practices on U.S. and European exchanges;
  - The company utilizes a variable interest entity (VIE) structure;
  - The company does not comply with *Regulation Fair Disclosure*, which requires material information to be released to all investors at the same time.
5. Congress enact legislation requiring the following information to be disclosed in all issuer initial public offering prospectuses and annual reports as material information to U.S. investors:

- Financial support provided by the Chinese government, including: direct subsidies, grants, loans, below-market loans, loan guarantees, tax concessions, government procurement policies, and other forms of government support.
  - Conditions under which that support is provided, including but not limited to: export performance, input purchases manufactured locally from specific producers or using local intellectual property, or the assignment of Chinese Communist Party (CCP) or government personnel in corporate positions.
  - CCP committees established within any company, including: the establishment of a company Party committee, the standing of that Party committee within the company, which corporate personnel form that committee, and what role those personnel play.
  - Current company officers and directors of Chinese companies and U.S. subsidiaries or joint ventures in China who currently hold or have formerly held positions as CCP officials and/or Chinese government officials (central and local), including the position and location.
6. Congress enact legislation requiring the collection of data on U.S.-China economic relations. This legislation would:
- Direct U.S. economic statistics-producing agencies, including the U.S. Census Bureau, the U.S. Department of Commerce's Bureau of Economic Analysis, and the U.S. International Trade Commission, to review methodologies for collecting and publishing not only gross trade flows data, but also detailed supply chain data to better document the country of origin for components of each imported good before it reaches U.S. consumers.
  - Direct the U.S. Census Bureau to restart data releases in its *Current Industrial Reports* at the ten-digit industry level.
  - Direct the U.S. Department of the Treasury to coordinate with the U.S. Census Bureau to match U.S. firm-level data with their U.S. employees' data.

***Section 2: Emerging Technologies and Military-Civil Fusion: Artificial Intelligence, New Materials, and New Energy***

The Commission recommends:

7. Congress direct the U.S. Department of Justice to reestablish a higher education advisory board under the Federal Bureau of Investigation. In concert with the U.S. Department of Commerce's Bureau of Industry and Security, U.S. Department of Homeland Security, and U.S. Department of State, the higher education advisory board would convene semiannual meetings between university representatives and relevant federal agencies to review the adequacy of protections for sensitive technologies and research, identify patterns and early warning signs in academic espionage, assess training needs for university faculty and staff to comply with export controls and prevent unauthorized transfer of information, and share other areas of concern

in protecting national security interests related to academic research.

8. Congress direct the U.S. Government Accountability Office to conduct an assessment on the risks posed by Beijing's efforts to co-opt foreign researchers or students at U.S. universities to unlawfully appropriate research and other knowledge for the benefit of the government, companies, or interests of the People's Republic of China. This report should:
  - Include the number of foreign students and researchers from China studying in science, technology, engineering, and mathematics fields; past and current affiliations; primary areas of research; duration of stay in the United States; and subsequent employment;
  - Identify whether federally funded university research related to emerging technologies may have been unlawfully appropriated by individuals acting on behalf of Chinese entities; and
  - Evaluate the efficacy and ability of the U.S. Department of State's visa screening mechanism to mitigate the risk of inappropriate technology transfer to China, including but not limited to: assessing the ability of that process to identify students, researchers, and research entities, through a visa disclosure requirement, that are receiving funding from the government of China or an intermediary entity acting in support of China's government.
9. Congress amend Internal Revenue Code Section 41 to extend the research and development tax credit to initial stages of deployment for new products, processes, computer software, techniques, formulae, or inventions that increase the production of final and intermediary goods manufactured primarily in the United States. The tax credit should also extend to precompetitive commercial development of basic and applied research performed in the United States, particularly in industrial sectors where the People's Republic of China threatens the technological leadership of the United States.
10. Congress direct the U.S. Geological Survey, in coordination with the U.S. Department of Energy, U.S. Department of Commerce, U.S. Department of the Interior, and U.S. International Trade Commission to develop and maintain a risk assessment framework that identifies materials used in manufacturing industries critical to both national security and commercial vitality. Such a framework should provide an early warning mechanism for any threats to the U.S. supply of these critical materials, including an increasing concentration of extraction and processing by another country or entity and acquisition of significant mining and processing facilities; increasing export restrictions by another country; large gaps between domestic prices for these materials in another country versus prices on international markets; sharp increases or volatility in price; and substantial control in supply of minerals used within the same industry or related minerals that serve as substitutes by another country.

11. Congress direct the National Science Foundation, in coordination with other agencies, to conduct a study on the impact of the activities of Chinese government, state-sponsored organizations, or entities affiliated or supported by the state in international bodies engaged in developing and setting standards for emerging technologies. The study should examine whether standards are being designed to promote Chinese government interests to the exclusion of other participants.

***Section 3: Growing U.S. Reliance on China's Biotech and Pharmaceutical Products***

The Commission recommends:

12. Congress hold hearings assessing the productive capacity of the U.S. pharmaceutical industry, U.S. dependence on Chinese pharmaceuticals and active pharmaceutical ingredients (APIs), and the ability of the U.S. Food and Drug Administration (FDA) to guarantee the safety of such imports from China, with a view toward enacting legislation that would:
  - Require the FDA to compile a list of all brand name and generic drugs and corresponding APIs that: (1) are not produced in the United States; (2) are deemed critical to the health and safety of U.S. consumers; and (3) are exclusively produced—or utilize APIs and ingredients produced—in China.
  - Require Medicare, Medicaid, the U.S. Department of Veterans Affairs, the U.S. Department of Defense, and other federally funded health systems to purchase their pharmaceuticals only from U.S. production facilities or from facilities that have been certified by the FDA to be in compliance with U.S. health and safety standards and that actively monitor, test, and assure the quality of the APIs and other components used in their drugs, unless the FDA finds the specific drug is unavailable in sufficient quantities from other sources.
  - Require the FDA, within six months, to investigate and certify to Congress whether the Chinese pharmaceutical industry is being regulated for safety, either by Chinese authorities or the FDA, to substantially the same degree as U.S. drug manufacturers and, if the FDA cannot so certify, forward to Congress a plan for protecting the American people from unsafe or contaminated drugs manufactured in China.
13. Congress direct the U.S. Government Accountability Office to update its 2016 report, *Drug Safety: FDA Has Improved Its Foreign Drug Inspection Program, but Needs to Assess the Effectiveness and Staffing of Its Foreign Offices*. The updated report should focus on the U.S. Food and Drug Administration's ability to conduct inspections of Chinese drug manufacturing facilities.
14. Congress consider legislation requiring generic drug manufacturers that sell medicines to the U.S. Department of Defense and U.S. Department of Veterans Affairs to disclose which essential drugs are at risk of shortage or supply disruption because the relevant products, active pharmaceutical ingredients, chemical intermediates, and raw materials contained in them are sourced from China.

15. Congress enact legislation requiring drug companies to list active pharmaceutical ingredients and their countries of origin on labels of imported and domestically produced finished drug products.
16. Congress enact legislation creating a risk-based system making importers of active pharmaceutical ingredients (APIs) and finished products liable for any health risks incurred by consumers in the event the product is proven unsafe due to contamination, mislabeling, or other defects. Special attention should be paid to finished drug products imported from China or containing APIs sourced from China.

## **Chapter 4: China's Global Ambitions**

### ***Section 1: Beijing's "World-Class" Military Goal***

The Commission recommends:

17. Congress direct the U.S. Department of Defense to incorporate an assessment in its *Annual Report on Military and Security Developments Involving the People's Republic of China* of China's progress toward achieving its goal to build a "world-class" military. The report should also include an explanation of how the department defines this term.
18. Congress direct a classified assessment identifying where China has undertaken activities that may be aimed at establishing a military presence, operating location, or storage depot. This assessment would include Chinese state-owned enterprises or other commercial interests tied to the Chinese government investing in strategic assets, such as ports and airfields, and should suggest options that could be employed to dissuade host countries from agreeing to host a Chinese military presence.
19. Congress direct the U.S. Government Accountability Office to conduct an assessment of the U.S. government's ability to hire and retain Chinese-language-capable employees. The study would examine U.S. government agencies' processes for determining Chinese-language-designated positions and hiring and clearing employees, assess the extent to which the agencies are meeting their language proficiency requirements for these positions, measure the effects of language proficiency and gaps on the agencies' ability to perform their missions, and develop recommendations to address identified shortfalls.
20. Congress direct the Office of the Director of National Intelligence to restore the unclassified Open Source Enterprise website to all of its original functions for U.S. government employees. Access to the Open Source Enterprise should also be expanded by making appropriate materials available to U.S. academic and research institutions.

### ***Section 2: An Uneasy Entente: China-Russia Relations in a New Era of Strategic Competition with the United States***

The Commission recommends:

21. Congress direct the Office of the Director for National Intelligence to prepare a National Intelligence Estimate of China's

and Russia's approaches to competition with the United States and revision of the international order. The assessment would consider the influence of both countries' ideologies on their foreign policies, including areas both of overlap and of divergence; potential "wedge issues" the United States might exploit; and the implications for the North Atlantic Treaty Organization of a two-front conflict involving both China and Russia.

22. Members of Congress promote U.S. interests in the Arctic by participating in congressional delegations to Arctic Council member states and attending the biennial Conference of Parliamentarians of the Arctic Region to discuss economic and security concerns regarding China and Russia.

### ***Section 3: China's Ambitions in Space: Contesting the Final Frontier***

The Commission recommends:

23. Congress direct the National Space Council to develop a strategy to ensure the United States remains the preeminent space power in the face of growing competition from China and Russia, including the production of an unclassified report with a classified annex containing the following:
  - A long-term economic space resource policy strategy, including an assessment of the viability of extraction of space-based precious minerals, onsite exploitation of space-based natural resources, and space-based solar power. It would also include a comparative assessment of China's programs related to these issues.
  - An assessment of U.S. strategic interests in or relating to cislunar space.
  - An assessment of the U.S. Department of Defense's current ability to guarantee the protection of commercial communications and navigation in space from China's growing counter-space capabilities, and any actions required to improve this capability.
  - A plan to create a space commodities exchange to ensure the United States drives the creation of international standards for interoperable commercial space capabilities.
  - A plan to streamline and strengthen U.S. cooperation with allies and partners in space.
  - An interagency strategy to defend U.S. supply chains and manufacturing capacity critical to competitiveness in space.
24. Congress direct the U.S. Department of Defense to take the following steps to ensure it is prepared to counter China's and Russia's destabilizing approaches to military operations in space:
  - Ensure U.S. Space Command and any future space-oriented service are responsible for protecting freedom of navigation and keeping lines of communication open, safe, and secure in the space domain, as the U.S. Navy does for U.S. interests in the maritime commons.



- Strengthen the credibility of U.S. deterrence in space by fully integrating the space domain into policy, training, and exercises.
  - Ensure that programs designed to increase survivability, redundancy, reusability, resilience, rapid replacement, and disaggregation of critical U.S. space assets receive continued support, including those programs ordered in the National Defense Authorization Act for 2019 Title XVI, Subtitle A.
25. Congress urge the Administration to actively participate in international space governance institutions to shape their development in a way that suits the interests of the United States and its allies and partners and to strengthen U.S. engagement with key coalitional allies and partners in the space domain.

#### ***Section 4: Changing Regional Dynamics: Oceania and Singapore***

The Commission recommends:

26. Congress direct the Administration to assess the viability and impact of establishing new military training centers hosted by Indo-Pacific allies and partners to increase connectivity, interoperability, and shared professional military education among countries throughout the region.
27. Congress support the implementation of the Indo-Pacific Stability Initiative to align U.S. budgetary commitments with national security objectives and build the confidence of allies concerning U.S. commitment to security in the Indo-Pacific region.
28. Congress direct the U.S. Department of State to reinstate Peace Corps programs in Palau and the Federated States of Micronesia and consider expanding their presence in other Pacific Island countries to promote U.S. values while counteracting the spread of China's authoritarian influence in the Pacific Islands.

#### **Chapter 5: Taiwan**

The Commission recommends:

29. Congress direct the U.S. secretary of state to submit to Congress a report on actions that have been and will be taken by the United States to counter Beijing's attempts to isolate Taiwan's democratically-elected leaders and to strengthen support for Taiwan's engagement with the international community, including actions the Administration will take should Beijing increase its coercion against Taiwan. The report should:
- List measures the U.S. government has taken and will take to expand interactions between U.S. and Taiwan government officials in accordance with the Taiwan Travel Act.
  - Formulate a strategy to expand development aid and security assistance to countries that maintain diplomatic ties with Taiwan.
  - Detail steps to expand multilateral collaboration involving Taiwan and other democracies to address global challenges,

- such as the Global Cooperation and Training Framework's workshops on epidemics, cybersecurity, and media literacy.
30. Congress direct the Office of the Director of National Intelligence to conduct a study on the impact of a Taiwan Strait contingency on the supply of high-technology products to the United States from Taiwan, China, Japan, and South Korea.
  31. Congress direct the U.S. Department of Defense to prepare a classified study on how People's Liberation Army modernization targets to be met by 2035 will impact the ability of the United States to uphold its obligation established in the Taiwan Relations Act to maintain the ability to resist any resort to force that would jeopardize the security of Taiwan. This study would be briefed to all relevant committees of jurisdiction and provide the basis for a 15-year plan of action aimed at deterring Beijing from making a military attempt to unify Taiwan with China.
  32. Congress enact legislation to enhance U.S.-Taiwan security cooperation. Such legislation should contain provisions to:
    - Clarify that direct interactions between uniformed members of the armed forces of the United States and Taiwan in support of Taiwan's self-defense capability are fully consistent with the Taiwan Relations Act and the U.S. position of maintaining relations with the people of Taiwan.
    - Direct the Administration to increase military exchanges and training with Taiwan, including but not limited to humanitarian assistance and disaster relief, search and rescue, and any other skills supporting regional peace and security.
    - Direct the Administration to permit active-duty Taiwan military officers to wear their uniforms during visits to the United States.
    - Direct the Administration to permit active-duty U.S. military officers to wear their uniforms during visits to Taiwan.
  33. Congress raise the threshold of congressional notification on sales of defense articles and services to Taiwan to the highest tier set for U.S. allies and partners. Congress also terminate any requirement to provide prior notification of maintenance and sustainment of military equipment and capabilities previously sold to Taiwan.

## Chapter 6: Hong Kong

The Commission recommends:

34. Congress amend the U.S.-Hong Kong Policy Act of 1992 to direct the U.S. Department of State to develop a series of specific benchmarks for measuring Hong Kong's maintenance of a "high degree of autonomy" from Beijing. Such benchmarks should employ both qualitative and quantitative measurements to evaluate the state of Hong Kong's autonomy in the State Department's annual *Hong Kong Policy Act Report*.
35. Congress enact legislation stating that all provisions and the special status of Hong Kong included in the U.S.-Hong Kong



Policy Act of 1992 will be suspended in the event that China's government deploys People's Liberation Army or People's Armed Police forces to engage in armed intervention in Hong Kong.

36. Congress enact legislation directing the U.S. Department of Commerce's Bureau of Industry and Security to extend export control measures currently in place for mainland China to subsidiaries of Chinese companies established or operating in Hong Kong.
37. Congress hold hearings examining technologies subject to export controls for mainland China, but not controlled for Hong Kong. These hearings should request that the U.S. Department of Commerce's Bureau of Industry and Security and the U.S. Consulate General in Hong Kong assess the effectiveness of current export controls in preventing unauthorized transshipment to the Mainland or other destinations.
38. Members of Congress participate in congressional delegations to Hong Kong and meet with Hong Kong officials, legislators, civil society, and business representatives in the territory and when they visit the United States. They should also continue to express support for freedom of expression and rule of law in Hong Kong.