

COMPREHENSIVE LIST OF THE COMMISSION'S RECOMMENDATIONS

Chapter 1: U.S.-China Economic and Trade Relations

Section 2: Chinese Investment in the United States

The Commission recommends:

1. Congress consider legislation updating the Committee on Foreign Investment in the United States (CFIUS) statute to address current and evolving security risks. Among the issues Congress should consider are:
 - Prohibiting the acquisition of U.S. assets by Chinese state-owned or state-controlled entities, including sovereign wealth funds.
 - Requiring a mandatory review of any transaction involving the acquisition of a controlling interest in U.S. assets by Chinese entities not falling under the above class of acquiring entities.
 - Requiring reviews of investments in U.S.-based greenfield assets by Chinese-controlled entities to assess any potential harm to U.S. national and economic security.
 - Expanding the definition of “control” to include joint ventures, venture capital funds, licensing agreements, and other arrangements or agreements that enable Chinese entities to access and/or determine the disposition of any asset.
 - Prohibiting any acquisition or investment that would confer “control” with regard to critical technologies or infrastructure. The U.S. Departments of Homeland Security, Commerce, and Defense shall prepare and regularly update a list of critical technologies or infrastructure that would not be eligible for acquisition or investment by any Chinese entities to ensure U.S. economic and national security interests are protected.
 - Including a net economic benefit test to assess the impact of acquisitions by Chinese entities in the United States to ensure they advance U.S. national economic interests.
 - Requiring that any proposed acquisition of a media property by a Chinese entity be assessed in terms of the acquiring entity’s history of adhering to Chinese Communist Party propaganda objectives and its potential to influence public opinion in the United States.
 - Authorizing an independent review panel, appointed by Congress, to review the actions and activities of CFIUS on a continuing basis.

- Allowing any CFIUS member agency to bring a transaction up for review and investigation.
2. Congress consider legislation conditioning the provision of market access to Chinese investors in the United States on a reciprocal, sector-by-sector basis to provide a level playing field for U.S. investors in China.
 3. Congress amend the Foreign Sovereign Immunities Act (FSIA) of 1976 to:
 - Allow U.S. courts to hear cases against a foreign state's corporate affiliates under the commercial activity exception.
 - Require Chinese firms to waive any potential claim of sovereign immunity if they do business in the United States.
 4. Congress consider legislation to ban and delist companies seeking to list on U.S. stock exchanges that are based in countries that have not signed a reciprocity agreement with the Public Company Accounting Oversight Board (PCAOB).

Section 3: U.S. Access to China's Consumer Market

The Commission recommends:

5. Congress direct the Office of the U.S. Trade Representative to develop criteria for the Notorious Markets List to ensure listed companies can be held accountable for engaging in or facilitating copyright piracy and trademark counterfeiting.
6. Congress require the Office of the U.S. Trade Representative to expand the National Trade Estimate's coverage of China's digital trade barriers to include an assessment of their impact on U.S. industries and whether they comply with China's World Trade Organization commitments.

Chapter 2: U.S.-China Security Relations

Section 2: China's Military Modernization in 2017

The Commission recommends:

7. Congress authorize U.S. defense spending at levels sufficient to address the growing challenge to U.S. interests posed by China's ongoing military modernization program and to ensure the United States will have the capacity to maintain readiness and presence in the Asia Pacific.

Section 3: Hotspots along China's Maritime Periphery

The Commission recommends:

8. Congress require the executive branch to develop a whole-of-government strategy for countering Chinese coercion activities in the Indo-Pacific coordinated through the National Security Council that utilizes diplomatic, informational, military, economic, financial, intelligence, and legal instruments of national power.

Chapter 3: China and the World

Section 1: China and Continental Southeast Asia

The Commission recommends:

9. Congress increase economic and development assistance and public diplomacy resources to Southeast Asia commensurate with its importance to U.S. strategic, economic, and political interests. A significant portion of additional funding should be directed to democracy, civil society, and governance capacity programs.
10. Congress direct the U.S. Department of State and the U.S. Agency for International Development to allocate sufficient funding for the Lower Mekong Initiative and maintain funding at a level consistent with its role as a platform for water policy coordination and as a provider of U.S. expertise for environmentally safe dam construction.
11. Congress direct the administration to increase cooperation on infrastructure projects supported by U.S. partners and allies, such as Asian Development Bank programs and bilateral projects administered by the Japan International Cooperation Agency. U.S. cooperation should leverage U.S. technical expertise regarding engineering, management, and social and environmental safeguards.

Section 2: China and Northeast Asia

The Commission recommends:

12. Congress support initiatives that enable cooperation between the U.S. Coast Guard and maritime Asian coast guards (possibly to include joint patrols, shiprider agreements, and the expansion of the Code for Unplanned Encounters at Sea [CUES] to include coast guard and other maritime law enforcement agencies), given the prominent role of the China Coast Guard in aggressively advancing China's territorial ambitions in the East and South China seas.
13. Congress examine the state of the U.S.-Japan alliance in light of China's military modernization, paying particular attention to efforts to achieve a joint command structure for planning and executing complex combined operations.

Section 3: China and Taiwan

The Commission recommends:

14. Congress urge the Administration to invite Taiwan to participate, at least as an observer, in U.S.-led bilateral and multilateral military and security-related exercises, including the Rim of the Pacific (RIMPAC) maritime exercise, Red Flag air-to-air combat training exercises, and Cyber Storm cybersecurity exercise, in order to support Taiwan's efforts to enhance its defense capabilities, expand opportunities for Taiwan to contribute to regional and international security, and counter China's efforts to limit Taiwan's international space.

15. Congress highlight the accomplishments and otherwise elevate the visibility of the Global Cooperation and Training Framework, which facilitates U.S.-Taiwan cooperation in areas such as public health and disaster relief. Such efforts possibly could include examining whether the program would benefit from additional staffing and funding.
16. Congress urge the executive branch to reexamine its practice regarding reciprocal visits by senior U.S. and Taiwan military officers and civilian officials with the aim of increasing high-level exchanges, including Cabinet-level officials and senior National Security Council officials, as part of an effort to enhance U.S.-Taiwan relations.
17. Congress ensure relevant U.S. military personnel are sufficiently familiar with Taiwan's defense situation by allocating funds for U.S. military personnel to take courses at Taiwan's defense educational institutions (such as Taiwan's war college, service command and staff schools, and airborne school) and other courses in Taiwan in an unofficial capacity through the American Institute in Taiwan, in order to ensure the U.S. military is prepared to act in support of Taiwan's defense if called on to do so.

Section 4: China and Hong Kong

The Commission recommends:

18. Congress reauthorize annual reporting requirements of the United States-Hong Kong Policy Act of 1992, in an effort to ensure policymakers have the most up-to-date and authoritative information about developments in Hong Kong. The report should include an assessment of whether Hong Kong has maintained a "sufficient degree of autonomy" under the "one country, two systems" policy, among other developments of interest to the United States.
19. Congressional committees of jurisdiction examine and analyze potential U.S. policy options toward Hong Kong, including those to impose costs on Beijing for not abiding by its commitments to the territory, given mainland China's increased intrusions into Hong Kong's autonomy.
20. Members of Congress participate in congressional delegations to Hong Kong and meet with Hong Kong officials, legislators, and business representatives in the territory and while they visit the United States. In these meetings, they should raise concerns about Beijing's adherence to the "one country, two systems" policy and the recent crackdown on prodemocracy activists, including the imprisonment of Joshua Wong and others. They should also continue to express support for freedom of expression and rule of law in Hong Kong.

Section 5: China's Domestic Information Controls, Global Media Influence, and Cyber Diplomacy

The Commission recommends:

21. Congress strengthen the Foreign Agents Registration Act to require the registration of all staff of Chinese state-run media

entities, given that Chinese intelligence gathering and information warfare efforts are known to involve staff of Chinese state-run media organizations and in light of the present uneven enforcement of the Act.

22. Congress require the U.S. Department of Commerce to collect information from U.S. companies that do business in China concerning requests from the Chinese government regarding censorship, surveillance, and data transfers, and report its findings to Congress.
23. Congress modify U.S. Federal Communications Commission regulations to require greater transparency regarding Chinese government ownership of media outlets and the clear labeling of media content sponsored by the Chinese government.
24. Congress urge the Office of the U.S. Trade Representative, when renegotiating the existing Bilateral Film Agreement between the United States and China, to increase the number of films that have access to Chinese theaters and increase the revenue sharing arrangement to a level reflecting the median arrangement existing around the globe. In addition, the arrangement should reserve a minimum of 50 percent of the quota for films from studios and independent distributors that are not owned or controlled by Chinese interests.

Chapter 4: China's High Tech Development

Section 1: China's Pursuit of Dominance in Computing, Robotics, and Biotechnology

The Commission recommends:

25. Congress direct the National Science and Technology Council, in coordination with the National Economic Council and relevant agencies, to identify gaps in U.S. technological development vis-à-vis China, including funding, science, technology, engineering, and mathematics workforce development, interagency coordination, and utilization of existing innovation and manufacturing institutes, and, following this assessment, develop and update biennially a comprehensive strategic plan to enhance U.S. competitiveness in advanced science and technology.
26. Congress direct the Federal Bureau of Investigation in concert with the U.S. Department of Commerce's International Trade Administration to expand outreach to and develop educational materials and tools for U.S. academics, businesses, venture capitalists, and startups in dual-use sectors on potential risks associated with Chinese investors and partners, the Chinese government's role in acquiring technology through programs such as the Thousand Talents Program and Project 111, and steps to prevent industrial and cyber espionage.