

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

OCTOBER 29, 2010

The Honorable Daniel Inouye,
President Pro Tempore of the U.S. Senate, Washington, DC 20510
The Honorable Nancy Pelosi,
Speaker of the U.S. House of Representatives, Washington, DC 20510

DEAR SENATOR INOUE AND SPEAKER PELOSI:

On behalf of the U.S.-China Economic and Security Review Commission, we are pleased to transmit the Commission's 2010 Annual Report to the Congress—the eighth major Report presented to Congress by the Commission—pursuant to Public Law 106–398 (October 30, 2000), as amended by Public Law 109–108 (November 22, 2005). This report responds to the mandate for the Commission “to monitor, investigate, and report to Congress on the national security implications of the bilateral trade and economic relationship between the United States and the People’s Republic of China.” In this Report, the Commission reached a broad and bipartisan consensus; it approved the Report unanimously, with all 12 members voting to approve and submit it.

In accordance with our mandate, this Report, which is current as of October 29, includes detailed treatment of our investigations of the areas identified by Congress for our examination and recommendation. These areas are:

- **PROLIFERATION PRACTICES**—The role of the People’s Republic of China in the proliferation of weapons of mass destruction and other weapons (including dual-use technologies), including actions the United States might take to encourage the People’s Republic of China to cease such practices;
- **ECONOMIC TRANSFERS**—The qualitative and quantitative nature of the transfer of United States production activities to the People’s Republic of China, including the relocation of high technology, manufacturing, and research and development facilities, the impact of such transfers on United States national security, the adequacy of United States export control laws, and the effect of such transfers on United States economic security and employment;
- **ENERGY**—The effect of the large and growing economy of the People’s Republic of China on world energy supplies and the role the United States can play (including joint research and development efforts and technological assistance), in influencing the energy policy of the People’s Republic of China;
- **UNITED STATES CAPITAL MARKETS**—The extent of access to and use of United States capital markets by the People’s Republic of China, including whether or not existing disclosure and transparency rules are adequate to identify People’s Republic of China companies engaged in harmful activities;
- **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

Commissioners Approving the 2010 Report



Daniel M. Slane, Chairman



Carolyn Bartholomew, Vice Chairman




Daniel Blumenthal, Commissioner



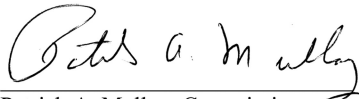
Peter T. R. Brookes, Commissioner



Robin Cleveland, Commissioner



Jeffrey L. Fiedler, Commissioner



Patrick A. Mulloy, Commissioner



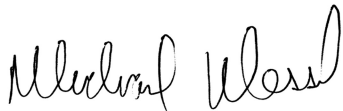
William A. Reinsch, Commissioner



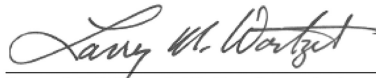
Dennis C. Shea, Commissioner



Peter Videnieks, Commissioner



Michael R. Wessel, Commissioner



Larry M. Wörtzel, Ph.D., Commissioner