

2007

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of the

U.S.-CHINA ECONOMIC AND
SECURITY REVIEW COMMISSION

ONE HUNDRED TENTH CONGRESS
FIRST SESSION

JUNE 1, 2007

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June 1, 2007

The Honorable ROBERT C. BYRD

President Pro Tempore of the Senate, Washington, D.C. 20510

The Honorable NANCY PELOSI

Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR BYRD AND SPEAKER PELOSI:

Enclosed is the June 1, 2007 Report of the U.S.-China Economic and Security Review Commission in compliance with the requirements of 22 U.S.C. 7002 (2001) as amended, the statute that established the Commission and sets forth its mandate from Congress.

This Report is submitted at a point when the Commission has completed approximately one-third of its 2007 work plan. As was the case with the report the Commission submitted at this time last year, this Report addresses the most significant information obtained by the Commission in its work to date this year. This Report contains letters summarizing two public hearings the Commission conducted in Washington: a hearing February 1 and 2, 2007 on *The U.S.-China Relationship: Economics and Security in Perspective*, and a hearing on March 29 and 30, 2007 on *China's Military Modernization and Its Impact on the United States and the Asia-Pacific*. In addition, it contains a summary of the trip a delegation of Commissioners took to the People's Republic of China and Hong Kong during April 2007. During this trip the delegation met with Chinese and Hong Kong government officials, American Ambassador to China Clark Randt and other officials of American Embassy Beijing, Consulate General Shenyang, and Consulate General Hong Kong, American business people, Chinese academicians and scholars, and representatives of democracy and human rights organizations. The delegation also visited Chinese ports and industrial facilities.

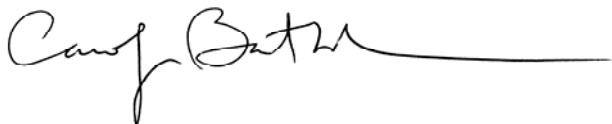
The Report's appendices include a list of the public hearings the Commission has held to date and a list of the hearings yet to be conducted – the 2007 schedule consists of eight hearings. Another appendix lists the witnesses who have testified before the Commission during the completed hearings.

The Commission will prepare and transmit to Congress in November a report comprehensively addressing the information gleaned from all its 2007 activities, and making recommendations to Congress based on the Commission's findings. The Commission in previous years has employed this same combination – a June 1 Report addressing its work to that point in the year followed by an end-of-year report covering information from the full year's activities – with the acceptance of the leadership of both parties in both houses of Congress.

The Commission wishes to note that, in its last three annual budget request submissions to the Office of Management and Budget, and appearing in its portion of the President's Budget for fiscal years 2006, 2007, and 2008, it has requested that the statutory date on which its Annual Report to Congress is due to Congress be changed from June 1 to the end of the year. This change will make it possible for one Annual Report to encompass the entirety of its efforts for each year. This timing will make the report and its recommendations available for consideration by Members of Congress as they are preparing for either a new Congress or the second session of a Congress in January of the following year. Agreeing with the Commission's rationale, the House of Representatives included a provision making this change in its Fiscal Year 2007 Appropriations Bill for Science, the Departments of State, Justice, and Commerce, and Related Agencies that it passed in August 2006; however, that legislation was never considered by the full Senate. The request for this change is included in the President's Budget for fiscal year 2008 that the Congress has begun to consider.

Thank you for the Commission's continuing opportunity to examine the complex but extremely important issues of the United States-China relationship, and to offer its observations and recommendations to Congress on those matters. We hope that the Commission's work, including this Report and the comprehensive report that will be submitted in November, will be useful to the Congress as it monitors U.S.-China relations. We stand ready to assist in any other ways that will be helpful to Congress, and hope you will call on us.

Sincerely yours,

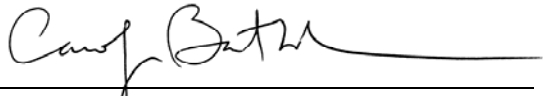


Carolyn Bartholomew
Chairman



Daniel Blumenthal
Vice Chairman

Commissioners Approving the Report



Carolyn Bartholomew, Chairman



Daniel Blumenthal, Vice Chairman



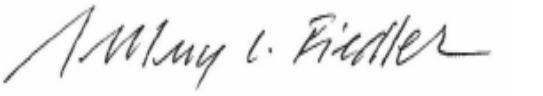
Peter Brookes, Commissioner



C. Richard D'Amato, Commissioner



Mark Esper, Commissioner



Jeffrey Fiedler, Commissioner



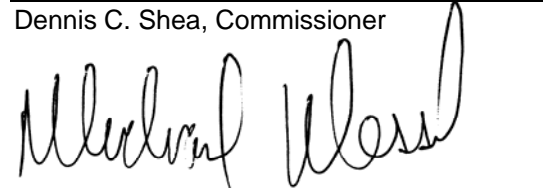
Kerri Houston, Commissioner



William A. Reinsch, Commissioner



Dennis C. Shea, Commissioner



Michael R. Wessel, Commissioner



Larry M. Wortzel, Commissioner

Commissioner Dissenting from the Report



Peter Videnieks, Commissioner

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May 30, 2007

The Honorable ROBERT C. BYRD
President Pro Tempore of the Senate, Washington, D.C. 20510

The Honorable NANCY PELOSI
Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR BYRD AND SPEAKER PELOSI:

We are pleased to transmit the record of our February 1-2, 2007 public hearing on "*The U.S.-China Relationship: Economics and Security in Perspective.*" The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, section 635(a)) provides the basis for this hearing, as it requires the Commission to submit an advisory report to the U.S. Congress on "the national security implications and impact of the bilateral trade and economic relationship between the United States and the People's Republic of China." In this hearing, the Commission reviewed the overall status of the U.S.-China relationship, and evaluated both the progress that has been made since China's accession to the World Trade Organization (WTO) in 2001 and the emerging challenges still facing U.S.-China relations.

The testimony offered at the hearing highlighted views that the United States needs to develop a coherent, coordinated policy toward the People's Republic of China that integrates economic, security, diplomatic, and human rights concerns. Deputy Under Secretary of Defense for Asian and Pacific Security Affairs Richard Lawless testified, "China's rapid emergence is an important element of today's strategic environment, of course, one that has significant implications for the United States, the Asia Pacific region, and the world. The uncertainty surrounding China's rise underscores the importance of the Commission's charter to identify approaches that best serve U.S. interests in managing the way forward." Development of a more coordinated framework for approaching China would strengthen the ability of the United States to communicate its interests to China and how it believes China must act to assume a place on the world stage as a mature, responsible world power.

Developing a more coordinated approach will require reexamining the expectations fundamental to the U.S.-China relationship and encouraging a public dialogue among U.S. commercial, security, and diplomatic interests intended to identify conflicts in American behavior toward China, and identification of policy solutions that best serve the economic and security interests of the United States and our people. James Mann, FPI Author-in-Residence at the School for Advanced International Studies at Johns Hopkins University, testified that "[U.S.] policy and public discourse about China are often affected by ideas, assumptions, rationalizations, and phrases that we fail to examine."

In addition to the economic benefits of expanded trade, the granting of Permanent Normal Trading Relationship (PNTR) status for China six years ago was linked to the social and political belief that economic liberalization inevitably would lead China toward democratic political reforms. However, as Mr. Mann argued, the United States has not considered fully the possibility that China may not undergo dramatic political change as a result of its economic development and that leadership by the Chinese Communist Party may remain intact. As December 2006 marked the completion of the fifth year after China's accession into the WTO, the United States should review its economic relationship with China and assess the extent to which all the Congress's expectations when it approved PNTR status for China have or have not been realized.

The U.S-China Economic and Trade Relationship

China's policies of market liberalization have resulted in rapid export-led economic growth prompting increased foreign investment; development of China's manufacturing capabilities; and integration into the global supply chain. China's abundant and inexpensive labor supply has made that country an obvious place for multinational companies to expand their production. However, as Dr. Peter Navarro, Professor of Business at the University of California, Irvine, observed in his testimony, five of eight factors identified as major drivers of China's comparative advantage—i.e., its ability to undercut the prices of global competitors—are considered unfair trading practices. These include its undervalued currency, counterfeiting and piracy, export industry subsidies, and lax health, safety, and environmental regulations. These practices violate China's WTO commitments, especially regarding workers' rights, market access, currency manipulation, subsidies, and the protection of intellectual property rights. These violations and unfair practices also contribute to a growing U.S. trade deficit with China, one that U.S. Census Bureau statistics confirm increased 177 percent in the past six years from \$83.8 billion in 2000 to \$232.5 billion in 2006.

Former Under Secretary of Commerce for International Trade Grant Aldonas argued that, as a result of changes in technology, transportation costs, and communication, China is no longer a low-cost producer, but the country maintains its attractiveness as a location for foreign direct investment because of the massive distortions produced by Beijing's economic policies. These distortions diminish the competitiveness of American workers, benefits, and wages, and as Ms. Thea Lee, Policy Director of the AFL-CIO, testified, even the prospect that American workers will be able to participate in effective collective bargaining as members of unions. Manufacturers increasingly are looking to China for its lower labor costs, and one significant factor is that the Chinese government prevents workers from organizing and negotiating for their wages, benefits, and rights. Dr. Navarro argued that as more American companies offshore their production to China, the American business community will lose its political will to lobby the government against unfair trading practices. It will be increasingly in the interest of businesses operating in China to maintain status quo distortions in order to protect their investments, but, as Mr. Aldonas stated, this is not necessarily in the interest of the United States.

All witnesses agreed that currency reform alone is not the solution to rebalancing the U.S.-China relationship because the deficit and disadvantages are compounded by China's other unfair trading practices. Dr. Navarro noted that revaluation would not produce a one-for-one improvement in the ability of the United States to compete with the China Price.¹ Rather, coordinated actions in the WTO against unfair industrial subsidies and restrictions on workers' rights are required to produce a comprehensive reshaping of the U.S.-China trade balance and to induce China's greater compliance with its WTO obligations.

The U.S.-China Military and Security Relationship

On January 11, 2007 China fired an anti-satellite weapon at one of its own weather satellites, destroying the satellite and littering space with debris. Deputy Under Secretary Lawless stated that this test and other actions by the Chinese in the past six years illustrate a "more confident and increasingly assertive posture than when the U.S.-China Commission was established in 2000." China increasingly is investing in capabilities designed to thwart U.S. access to the region. Of concern, China's ultimate objectives for its military modernization and assertiveness remain unclear.

Dr. Thomas Ehrhard, Senior Analyst at the Center for Strategic and Budgetary Assessments, testified that the U.S. must actively maintain the existing military balance in Asia. Improvement of China's capabilities requires a combined U.S. strategy of creating a flexible base structure, maintaining long-range forces, and supporting stealthy submarine and aircraft systems. Dr. Ehrhard stated, "Many key measures in the military balance vis-à-vis China are moving in a negative direction from a U.S. point of view, especially in the Taiwan Strait, and that movement is occurring at a pace that may expose this nation and our allies to more destabilizing Chinese actions in the future, generate capacity for coercion by PRC leaders, and present increasing risk of miscalculation owing to an erosion of deterrence." Deputy Under Secretary Lawless concluded that in the absence of improved transparency and broader trust between the two countries, the risk of miscalculating the development of China's military capabilities would increase. .

Mr. Kenneth Allen, Senior Analyst at the CNA Corporation, testified that the issue of transparency in the U.S.-China relationship should be viewed with a 25-year perspective, and that U.S.-China military-to-military exchanges would benefit from formal agreements pledging prior notification of meeting time and place and topics of discussion. Army Col. Charles Hooper, Senior Lecturer at the School of International Graduate Studies at the Naval Postgraduate School, argued that China does not engage in military-to-military exchanges for the purpose of increasing transparency or reducing threat nor does China share information out of a sense of obligation or reciprocity. Thus, it is unlikely the U.S. military will be able to obtain increased access to and conduct meaningful conversation with the PLA's leadership regardless of its investments in military-to-military exchanges. However, all witnesses

¹ According to Dr. Navarro, "The China Price refers to the fact that Chinese manufacturers can undercut significantly the prices offered by foreign competitors over a mind-bogglingly wide range of products and services. Today, as a result of the China Price, China produces more than 70% of the worlds DVDs and toys; more than half of its bikes, cameras, shoes, and telephones; and more than a third of its air conditioners, color TVs, computer monitors, luggage and microwave ovens." *The Coming China Wars*, New York: FT Press, 2007), p. 2.

underscored the importance of continuing to seek dialogue with the Chinese and monitoring the progress of interactions. Moreover, several witnesses highlighted the need to refocus the education and training of U.S. military personnel to incorporate more study of China because of the possibility it may choose a course that will make it an adversary of the United States.

Additionally, creating a new framework for military-to-military exchanges—such as engaging our allies in the region and throughout the world on the subject of the PLA’s modernization or engaging the PLA in security dialogues about third parties or on issues of humanitarian assistance and disaster response—could produce new insight into PLA strategic thought and intention.

The U.S.-China Political and Diplomatic Relationship

Since China’s accession to the WTO, U.S.-China relations have grown increasingly complex as the United States has sought to balance trade promotion with concerns over China’s behavior regarding proliferation, support of rogue governments, and military developments, especially regarding the Taiwan Strait. Acting Deputy Assistant Secretary of State for East Asian and Pacific Affairs John Norris testified, “Our vision is a China that is more open, transparent, and democratic, and a China that will join us in actions that strengthen and support a global system that has provided peace, security, and prosperity to America, China, and the rest of the world. Encouraging China to move in that direction continues to be the foundation of our policy; the question...is how we can most effectively do that.” He noted that while it is encouraging China to choose the path of a mature, responsible stakeholder in the global system, the United States is aware of the possibility that China will not choose this course.

To facilitate the expression of U.S. interests and policy to China, the United States and China have instituted structural mechanisms for diplomatic engagement, such as the Senior Dialogue and the Strategic Economic Dialogue. However, while witnesses agreed that engagement, dialogue, and cooperation with China are needed to improve issues of transparency and governance, Dr. Edward Friedman, Hawkins Chair Professor of Political Science at the University of Wisconsin and Dr. Alan Wachman, Professor of International Politics at The Fletcher School at Tufts University, underscoring James Mann’s point, both highlighted the need to reevaluate how that engagement occurs and whether U.S. expectations and assumptions are, in fact, correct that economic growth in China will lead to political reform.

Witnesses noted throughout the hearing that energy holds immense potential for improved U.S.-China cooperation. Deputy Assistant Secretary of Energy for International Energy Cooperation David Pumphrey testified, “As the two largest energy consumers in the world, the United States and China have a common interest in working together both bilaterally and multilaterally to promote global energy security and a cleaner energy future.” The Department of Energy has actively engaged China on a range of energy issues, including fossil energy, energy efficiency, renewable energy, nuclear energy, and nonproliferation. Moreover, it has worked to incorporate China in dialogue and association with the

International Energy Agency, especially as China continues to develop its strategic petroleum reserve.

To improve the depth of U.S.-China cooperation and to improve regional security, given the close relationships the United States maintains in East Asia, Dr. Friedman argued that China must change its diplomatic policies regarding three key regional issues: territorial disputes in the South China Sea and China's relationship with Southeast Asia; territorial disputes in the East China Sea and China's relationship with Japan; and policies toward the people of Taiwan. Moreover, Acting Deputy Assistant Secretary of State Norris acknowledged the importance of involving the diplomatic community in addressing China's recent ASAT test, and suggested the possibility of initiating a dialogue between the Department of State and the Chinese Ministry of Foreign Affairs about the importance of verification in testing of space objects and fair warning, as prescribed by the Outer Space Treaty to which China has acceded but which it has not ratified. Resolution of these issues not only will foster China's reputation as a responsible regional partner, but also will strengthen U.S.-China dialogue by lessening tensions with U.S. allies and allowing engagement to focus on issues of mutual interest.

Despite the areas of potential conflict in U.S.-China diplomacy, Acting Deputy Assistant Secretary Norris and Dr. Shiping Hua, Senior Fellow at the McConnell Center and Professor at the University of Louisville, both agreed that it is in China's interest to play a constructive role in the East Asian region and even globally. Dr. Hua testified that Chinese leaders recognize this and, after three decades of engagement between the United States and China, they realize that constructive engagement with the United States is in China's interest. Acting Deputy Assistant Secretary Norris said, "We must continue to build on the foundations of cooperation that we have established, broadening them and deepening them, while engaging China in a frank and direct manner about those areas in which we believe China's policy or behavior is undercutting our common objectives of peace, security, and prosperity in the region and the world." As expressed by witnesses throughout the hearing, these undercutting policies occur in both the economic and security realm, and the United States needs to design its diplomatic approaches to China so that it pursues American interests in a coordinated way in all three realms of interaction: economic, security, and political.

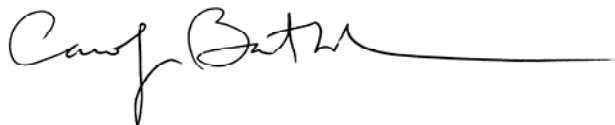
Recommendations

1. Because understanding China's strategic intentions—both in the economic and security realms—is essential to formulating a responsible and proactive policy toward China that addresses the complexity of U.S. interests and avoids miscalculation and potential conflict, the Commission recommends that Congress take all possible opportunities in parliamentary exchange settings to urge officials of the People's Republic of China to be as forthcoming as possible with the United States and other nations in clearly describing its strategic intent and objectives, and to make prior announcement of significant and possibly controversial actions such as the recent anti-satellite test in order to reduce the potential for miscalculation and prevent the development of anxieties that swell into adversarial inclinations.

2. The Commission recommends that Congress instruct the Administration to reevaluate its assessment of China's currency policies in the Department of Treasury's Annual Report to Congress.
3. The Commission recommends that Congress both applaud the recent actions taken by the Administration to employ WTO mechanisms to seek relief from China's unfair trading practices, and urge the Administration to act more rapidly to employ those mechanisms in future circumstances where China fails to rectify other unfair trading practices.
4. The Commission recommends that Congress direct the Administration to determine the nature of past military-to-military exchanges with China that appear to have produced the greatest enhancement in the U.S.-China relationship and benefits for the United States, to seek agreement from China to expand the frequency and number of exchanges determined to be mutually productive; and to seek a formal agreement from China providing that there will be an exchange of the specific details, agenda, list of participants, and topics for discussion for each military-to-military exchange circulated to all participants at least several weeks in advance of the exchanges.
5. The Commission recommends that Congress urge the Department of Defense to expand its dialogue with the militaries of other nations in the Asia Pacific region about the effects of China's military modernization, actions, and objectives on the regional balance of power, with the purpose of strengthening U.S. partnerships in the region.
6. The Commission recommends that Congress instruct the Administration to create an interagency committee on China to coordinate the formulation and execution of U.S.-China policy, and to facilitate development of a comprehensive U.S. Government policy toward China that incorporates economic, security, and diplomatic considerations and objectives.

The transcript, witness statements, and supporting documents for this hearing can be found on the Commission's website at www.uscc.gov. We hope these will be helpful as the Congress continues its assessment of U.S.-China relations.

Sincerely yours,



Carolyn Bartholomew
Chairman



Daniel Blumenthal
Vice Chairman

Cc: Members of Congress and Congressional Staff

May 30, 2007

The Honorable ROBERT BYRD

President Pro Tempore of the Senate, Washington, D.C. 20510

The Honorable NANCY PELOSI

Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR BYRD AND SPEAKER PELOSI:

We are pleased to transmit the record of our March 29-30, 2007 hearing on “*China's Military Modernization and Its Impact on the United States and the Asia-Pacific.*” The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, sect. 635(a)) provides the basis for our hearing, as it requires the Commission to study China’s military modernization. During the hearing, the Commission heard from Representatives Dana Rohrabacher, Madeleine Bordallo, and Tim Ryan, and received a written statement from Representative Duncan Hunter. The Commission also heard the views of senior defense and intelligence officials, including the Commander of the U.S. Strategic Command, General James Cartwright, and DIA Senior Intelligence Analyst Mark Cozad. An array of notable experts from outside the U.S. government also participated in the hearing.¹

The hearing was timely, coming only three months after a successful direct-ascent anti-satellite test by China that destroyed one of its own aging weather satellites in low-earth orbit. This test was only the third of its kind by any nation in history and served as a useful reference point during the hearing to illustrate not only China’s advances in military capabilities, but also the extent to which China’s decision making process is still very much opaque. This incident raises questions about Chinese intentions in space. The Commission will address these questions as it continues to monitor developments.

The Commission took a novel approach to this hearing on China’s military modernization, its first on this topic in 2007. Using the threat scenarios outlined in the Department of Defense’s 2006 Quadrennial Defense Review (QDR) as its analytical framework, the Commission examined China’s capacity to threaten the United States and its allies in the domains of irregular warfare, traditional warfare, and disruptive warfare. This approach generated testimony that illuminated many important aspects of China’s military strategy and modernization programs, including the heavy emphasis China has placed on asymmetric strategies and capabilities.

China’s Capacity for Irregular Warfare

Several experts testified that if China were to find itself in an armed conflict with the United States and its allies such as that resulting from a Taiwan dispute, China is likely to

¹ An electronic copy of the full hearing record is posted to the Commission’s web site:
<http://www.uscc.gov/hearings/hearingarchive.php#hearings2007>

employ an array of irregular warfare strategies against its adversaries. According to Michael Vickers, Senior Vice President for Strategic Studies at the Center for Strategic and Budgetary Assessments, a Chinese attack on Taiwan could entail special operations and cyber attacks on U.S. regional bases in Japan and South Korea, and might even include cyber attacks on the U.S. homeland that target the U.S. financial, economic, energy, and communications infrastructure.

China's search for asymmetric capabilities to leverage against U.S. vulnerabilities represents a serious form of irregular warfare preparation. China is convinced that, financially and technologically, it cannot defeat the United States in a traditional force-on-force match up. However, as Chairman of the Defense Science Board Dr. William Schneider highlighted, if it can acquire niche weapons systems that are relatively inexpensive and that can exploit U.S. vulnerabilities, it stands a chance of deterring or defeating the United States in a limited engagement. This strategy explains China's emphasis on acquiring sophisticated ballistic and cruise missiles, submarines, mines, and information and electronic warfare capabilities.

According to Dr. Derek Reveron, Professor at the U.S. Naval War College, Beijing also engages in a much softer form of irregular warfare through its perception management operations, both in times of tranquil relations and in times of crisis. Perception management is not unique to China – all nations have similar international perception goals. However, because the Chinese Communist Party maintains tight political and media controls, Chinese perception management campaigns are more tightly coordinated with diplomacy.

China has worked diligently over the last two decades, as Dr. Reveron stated, “to promote a non-aggressive image of itself through a policy of non-interference, outreach to foreign publics and governments through public works projects, participation in the international system, and comparisons to the United States, which it characterizes as a hegemon on the offensive.” This is in keeping with an internal and foreign policy statement made in 1991 by Party Chairman Deng Xiaoping when he put forward that China should, “Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; never claim leadership.”

Similarly, Dr. Reveron noted that in times of crisis China has sought to manipulate information in order to cast itself in a positive light or as the victim of U.S. aggression. He illustrated his point by recounting China's response to the crisis that ensued when a Chinese fighter collided with a U.S. EP-3 reconnaissance aircraft in international airspace in April 2001. The damaged EP-3 was forced to land on China's Hainan Island. By holding the crew in isolation for the first three days and monopolizing information, by characterizing the EP-3 as a spy plane, and by charging that the U.S. had violated China's sovereignty by landing the aircraft on Hainan Island, Chinese leaders were able to portray the United States as the aggressor in the crisis and elicit a statement of regret for the loss of the Chinese pilot.

China's Traditional Warfare Capabilities

Western literature on Chinese military modernization, as well as Chinese national defense white papers, acknowledges that China is presently in the midst of a lengthy round of holistic military modernization begun in 1992 with the aim of creating a professional, high-technology fighting force equal to those of the world's best militaries. To this end it has raised

its defense budget 10 percent or more each year over the last 11 years. This March, Beijing announced that its 2007 defense budget would rise by 17.8 percent to total \$44.94 billion. The Pentagon believes this figure is significantly understated and that China's actual defense budget is closer to two or three times this amount, or \$90-\$135 billion. Because of the opacity of Beijing's expenditures, particularly those that are military-related, it is difficult for analysts to agree on precise amounts. Nonetheless, the increasingly sophisticated capabilities purchased with such expenditures are readily demonstrated. In his testimony, Defense Science Board Chairman Schneider illustrated the benefit of looking at capabilities rather than budgets by saying, "I think looking at it from an output perspective may in some ways be more informative than trying to calculate how the inputs are measured." Therefore, while larger defense budgets do not necessarily reflect an increase in capabilities, in the case of Beijing's funding of the PLA there is a strong correlation in this regard.

According to the testimony of LTC (Ret.) Cortez Cooper of Science Applications International Corporation, China's weapons acquisitions and training are guided by an overall strategy of preparation to win "informationized wars" – or wars that are heavily reliant on computers and information systems. He also noted that Beijing's strategists believe that, in the future, conflicts that involve China will be limited in geographical scope, duration, and political objectives, and will be highly dependent upon command, control, communications, and computer (C4) systems.

As China surveys scenarios of potential future conflict, one of the most likely is a conflict over Taiwan in which the United States and/or Japan might intervene. This understanding has guided China's financial investment in the military over the last 15 years, during which the majority of the resources for weapons acquisition has gone to the Navy and Air Force rather than the land forces. Nonetheless, the pattern of military modernization and acquisition by China suggests the possibility it is consciously preparing for other types of and locations for armed conflict (or efforts to deter conflict with shows of force).

Navy

The PLA continues to modernize its Navy with an emphasis on those platforms that are best suited for littoral or "green water" operations. China has completed the acquisition of its fleet of a dozen Kilo-class submarines from Russia along with a complement of advanced SS-N-27 "Sizzler" supersonic anti-ship missiles. These low altitude sea-skimming missiles were specifically designed for attacking U.S. aircraft carriers by defeating the Aegis anti-missile system. Simultaneously, it is launching ever-larger numbers of indigenously developed Song and Yuan-class submarines, the latter of which may be equipped with an air-independent propulsion system for improved endurance.

The PLA Navy surface fleet has also made substantial progress in raising its air defense and surface warfare capabilities. Its three newest classes of surface combatants, the Luyang II and Luzhou-class destroyers and Jiangkai II-class frigate, are all equipped with sophisticated air search and missile guidance radars and long-range, vertical launch, surface-to-air missiles. However, the anti-submarine warfare capabilities of these vessels are weak – as was the case with their predecessors.

In the assessment of Dr. Andrew Erickson, Professor at the U.S. Naval War College, naval power projection remains lower on the PLA Navy's list of priorities than littoral operations in the near term. Despite their latent production capacity, China's shipyards have not engaged in the serial production of replenishment-at-sea ships, considered essential for the re-supply of surface action groups engaged in blue water operations. Similarly, even though China has benefited from close to two decades of aircraft carrier design study, it still has not produced a single operational carrier platform. However, there are indications that the PLA Navy soon may refurbish the Russian carrier Varyag that it acquired from Ukraine and place it in an operational state.

If China launches ten of its new nuclear-powered Shang-class submarines by the end of 2008, as posited by Mr. Cooper, this would reflect a new emphasis on blue water naval capabilities on the part of Chinese strategists. In fact, so substantial have been Chinese advancements in naval modernization that they are leading some to begin to consider China as a partner, along with the U.S. Navy, in protecting freedom of navigation and maritime security on the high seas. During the hearing, RADM (Retired) Eric McVadon, former U.S. Defense Attaché in Beijing, suggested that, "[i]t is reasonable to envision the PLA Navy as part of our thousand ship navy concept, described by the U.S. Chief of Naval Operations as an international fleet of like-minded nations participating in security operations around the world. U.S. policies can foster, if not ensure, a favorable outcome." There may be problems in building such a partnership with China, however. Among those is the fact that, according to section 1203 of the National Defense Authorization Act for Fiscal Year 2000, the U. S. Navy likely would not be permitted to engage in the forms of operational information sharing with the PLA that would be required for such military-to-military collaboration.

Air Force

China has always considered air superiority over the Strait as a necessary precondition to successful invasion and to this end has funded the PLA Air Force heavily over the last 15 years. In the early 1990s, China abandoned its hope of building an advanced fleet of fighter aircraft through only indigenous means and instituted a two track system of acquiring advanced types from abroad while continuing to pursue parallel domestic programs. Today, the PLA Air Force possesses close to 300 of the Russian Sukhoi family of aircraft, including fourth generation, imported Su-27 and Su-30s, and licensed, co-produced Su-27s, designated the "J-11." It is also manufacturing its first indigenous, light-weight, fourth-generation fighter, the J-10, in increasing numbers.

China continues to rely primarily on foreign purchases to fulfill its requirements for strategic lift and aerial refueling. The IL-78 still serves as the mainstay for PLA Air Force aerial refueling, though it has been supplemented by H-6 bombers reconfigured for this purpose. According to Mr. Cooper, China recently agreed on a deal to purchase additional IL-76 transport aircraft that would increase its lift capacity for airborne forces by as much as 150 percent.

As evidenced by its modernization trends, the PLA Air Force understands the importance of developing a fleet with information systems that can be integrated into a theater-wide command, control, communications, computer, intelligence, surveillance, and reconnaissance (C4ISR) system. It has sought to install data links in all its advanced fighter

aircraft and to build or acquire airborne early warning aircraft. China's handful of Y-8 and KJ-2000 aircraft fulfill this latter requirement to a limited degree. The second of these is China's answer to the United States blocking the \$1 billion deal for China to purchase Israel's "Phalcon" system in 2000. The KJ-2000 system is based on the Russian A-50 airframe and uses an indigenous phased array radar.

Army

Despite the fact that China's defense budget has favored the Navy and Air Force over the last decade and a half, the modernization of China's ground forces continues to constitute an important component of the overall development of China's armed forces. The Army continues to train in combined arms warfare and to focus on improving the quality of its infantry, armor, and artillery operations. It also conducts joint operations with the Navy and Air Force to train in the types of air mobile and amphibious assault operations that it would be called upon to undertake in a potential conflict over Taiwan. According to Mr. Cooper, about a quarter of the PLA's maneuver divisions and brigades focus on training for amphibious operations at four or more major amphibious training bases.

Even though training across the Army continues to lag behind that of the Navy and Air Force, in recent years the U.S. Defense Department has witnessed significant efforts dedicated to improving the professionalism and effectiveness of all PLA services. These efforts include developing a professional non-commissioned officer corps, improving the professional military education programs for officers, reforming and improving the quality of training, raising the pay of enlisted personnel, and emphasizing integration of information technology in daily operations.

Second Artillery

Development continues on both the nuclear and conventional components of China's strategic missile forces, otherwise known as the Second Artillery. Presently, China's land-based, solid-fueled, road-mobile DF-31 intercontinental ballistic missile constitutes its sole means of nuclear deterrence. However, with the introduction of the DF-31's naval counterpart, the JL-2, on the Jin-class submarine, China will possess an even more survivable nuclear deterrent.

China's conventional force, consisting of medium and short-range ballistic missiles, constitutes a crucial component of the deterrent force arrayed against Taiwan and is expected to fulfill an important theater-level precision strike role for China if armed conflict should arise. Presently, the Second Artillery's arsenal of 850 short-range ballistic missiles is being augmented at a rate of roughly 100 missiles per year. Additionally, the lethality of these missiles has increased through the development of more sophisticated warheads.

One other development in China's conventional missile force is noteworthy. The Second Artillery is designing a variant of the DF-21 intermediate-range ballistic missile with a maneuverable reentry vehicle (MaRV). This weapon will be very difficult to defend against due to its extremely high terminal speed. According to Mr. McVadon, if this capability is achieved, U.S. carrier groups responding to a Taiwan crisis may need to operate much further from China's coast, increasing the difficulty of air operations over the Strait.

The Taiwan Strait

Contingencies involving Taiwan remain the focus of Chinese planning and force acquisitions in the near term. The goals of PLA strategists are to deter Taiwan from declaring independence and to deter or delay the arrival of intervening third party forces, such as those of the United States or Japan. According to Dr. Bernard Cole, professor at the National War College, while Taiwan's armed forces are arguably better trained than their mainland counterparts, they also are under-armed in every service. Cole emphasized the importance of this by noting that if armed conflict were to break out between the two, it is unlikely that Taiwan could withstand the pressure from the mainland for more than a few weeks. He also remarked that, even with the addition of the defense systems that would be funded by the Special Budget that has been held up in the Legislative Yuan for more than five years, Taiwan's armed forces still would face a significant challenge defending the island. Indeed, it has become the consistent criticism of the United States government over the past decade that Taiwan is not preparing sufficiently for its own defense and is too reliant on the potential intervention of U.S. forces.

Chinese strategists are well-aware of the historical precedent of U.S. armed intervention on behalf of Taiwan and are developing strategies and capabilities to deter or delay the arrival of such forces in the theater. Chinese doctrine in this area stresses the use of pre-emptive, decisive strikes on forward bases and staging areas, such as Guam and Okinawa, and employment of a variety of platforms to deny the operational use of the waters in the Chinese littoral. Presently, the PLA possesses the capabilities to maintain sea denial operations out to 400 miles from China's coastline for a period of days. By 2010 China is expected to be able to sustain such operations for a period of weeks.

China's Capabilities to Execute Disruptive Warfare

Disruptive warfare is a form of non-traditional warfare with the aim of undermining the qualitative advantages of an opponent. Usually, fielding these asymmetric capabilities does not involve as much research and development or fiscal investment as traditional capabilities. Thus, developing disruptive capabilities is a strategic choice for a nation with a nascent military force preparing for conflict with a comparatively advanced adversary.

As evidenced by the trajectory of its military modernization, Chinese defense planners are seeking to accomplish the goal of undermining the U.S. military's technological edge through a variety of disruptive means. Among these is cyber warfare. USSTRATCOM Commander General Cartwright testified before the Commission that China is actively engaging in cyber reconnaissance by probing the computer networks of U.S. government agencies as well as private companies. The data collected from these computer reconnaissance campaigns can be used for myriad purposes, including identifying weak points in the networks, understanding how leaders in the United States think, discovering the communication patterns of American government agencies and private companies, and attaining valuable information stored throughout the networks. General Cartwright testified that this information is akin to that which in times past had to be gathered by human intelligence over a much longer period of time. He went on to say that in today's information environment, the exfiltration that once took years can be accomplished in a matter of minutes in one download session.

Speaking of the magnitude of the damage cyber attacks could cause, General Cartwright said, “I think that we should start to consider that regret factors associated with a cyber attack could, in fact, be in the magnitude of a weapon of mass destruction.” Here, by “regret factors,” General Cartwright was referring to the psychological effects that would be generated by the sense of disruption and chaos caused by a cyber attack.

One subsequent panelist posited a mitigating analysis. James Lewis from the Center for Strategic and International Studies testified that asymmetric attacks, including cyber attacks, are more likely to solidify the resistance of the targeted population than to cause real damage. Speaking about the practical outcomes of asymmetric attacks, Lewis said, “The effect is usually to solidify resistance, to encourage people to continue the fight, and if you haven't actually badly damaged their abilities to continue to fight, all you've done is annoy them, and what many of us call cyber attacks [are] not weapons of mass destruction but weapons of mass annoyance.” Despite the different estimates of potential damage from cyber attacks, all the panelists agreed that developing asymmetric capabilities is a primary focus of the PLA's military modernization endeavor.

This modernization also includes efforts to build competitive space and counter-space capabilities, the latter demonstrated by the January 2007 anti-satellite test. According to Hudson Institute Research Fellow Mary FitzGerald, Chinese military strategists and aerospace scientists have been “quietly designing a blueprint for achieving space dominance” for more than a decade.

Recommendations

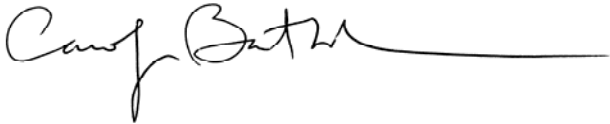
Based on the information presented at the hearing, we offer the following four preliminary recommendations to the Congress:

- 1) In order to minimize the possibility of miscalculation and conflict, the Commission recommends that Congress urge the Administration to press Beijing to engage in a series of measures that would provide more information about its strategic intentions and the ultimate purpose of its increasing military expenditures.
- 2) To further facilitate mutual understanding and avoid conflict resulting from inaccurate perceptions of interests or values by either nation, and to establish relationships that could prove critical for de-escalation of crises, the Commission recommends that Congress call on the Defense Department to develop a strategic dialogue whereby the senior military staff from the United States and China can discuss potentially contentious issues of the day such as non-interference in other nations' satellite activity and protocol for the use of nuclear weapons.
- 3) The Commission recommends that Congress ensure the adequate funding of military and intelligence agency programs that monitor and protect critical American computer networks and sensitive information.
- 4) The Commission recommends that Congress give high priority to the support of American space programs that ensure continued freedom of access to space and the

safety of space-based commercial and defense-related assets. This would include hardening satellites, maintaining quick-launch replacement satellites, and other defensive measures called for by the Operational Responsive Space framework.

The transcript, witness statements, and supporting documents for this hearing can be found on the Commission's website at www.uscc.gov. We hope these will be helpful as the Congress continues its assessment of China's military modernization.

Sincerely yours,



Carolyn Bartholomew
Chairman



Daniel Blumenthal
Vice Chairman

cc: Members of Congress and Congressional staff

2007 U.S.-China Commission Trip to China and Hong Kong

Trip Summary

From April 22 to May 1, members of the U.S.-China Economic and Security Commission traveled to Beijing, Dalian, Anshan, Shenyang, and Hong Kong for the purpose of observing and assessing the economic and security implications of the U.S. relationship with China. The delegation met with Chinese government officials, Hong Kong government officials, representatives from the People's Liberation Army (PLA), American, Chinese, and Hong Kong businesspeople, and U.S. diplomats. Throughout the course of this visit, the delegation examined issues related to Chinese military modernization and strategy; U.S. investment in China and transfer of production activities from the United States to China; China's compliance with World Trade Organization (WTO) agreements; China's energy policies and energy-related activities; freedom of expression in China; and China's political and commercial relationship with Hong Kong.

In Beijing, Jin Xu, Deputy Director General of the Department of American and Oceanic Affairs at the Ministry of Commerce, acknowledged the existence of intellectual property (IP) violations in contrast to his statement last year that China had no IP protection problem. During this year's meeting, he argued that IP protection is a concern of China. China has established an Intellectual Property Rights Working Group to address the regulation and enforcement of intellectual property across government ministries. This group's 2007 plan lists over 270 measures to address this problem from multiple perspectives, including legislation, law enforcement, institution building, publicity, training and education. In addition, the government has linked its goal of promoting indigenous scientific innovation to the protection of intellectual property rights. Despite these efforts, other representatives from the Ministry stated that as the volume of trade between the United States and China continues to grow, they do not expect the IPR problem between our two countries to become smaller.

When discussing the issue of economic subsidies and the recent filing by the United States of a WTO case against China for industrial subsidies, the Ministry of Commerce indicated that the focus of China's industrial development is changing to energy and infrastructure, including transportation. For example, the aviation industry is nascent, and the Chinese government will enact concrete measures to support its development. A legal representative from the Ministry of Commerce stated that WTO agreements allow members to provide subsidies to certain sectors. He argued that the United States has miscalculated the extent and magnitude of subsidies; the impression that China is unfairly subsidizing its industries is the erroneous idea of the U.S. Commerce Department caused by its use of surrogate benchmarks to calculate the subsidy margin and by double counting.

At the Ministry of Foreign Affairs, Xie Feng, Deputy Director General for North American Affairs, highlighted several issues of importance to the U.S.-China relationship, including economic relations, the commitments of the Bush Administration to the one-China policy, coordination on regional and global issues, and China's political reform. He acknowledged that in each area there are avenues of cooperation and sources of tension. For example, China perceives that those in Taiwan who support complete independence are in the minority and do not act in the interest of the majority who support reunification or maintaining the status quo. The PRC government remains concerned about U.S. arms sales to Taiwan. Xie requested that the United States encourage Taiwan's authorities to provide more access to Taiwan for Chinese journalists.

When Commissioners asked Xie about China's January 2007 anti-satellite (ASAT) test, he stated that China did not conduct the test for the purpose of changing its policies on outer space or air space. China subscribes to the classical definition of sovereignty, and Xie argued that the nations of the international community should cooperate to ensure transit rights through air and space for commercial purposes. He said that the government considered the ASAT test a "normal scientific test," and realized only after the very negative international response that further explanation was needed. Xie confirmed that the test was approved by the Chinese leadership, including President Hu. With regard to arms control policy in China, Xue told the Commissioners that, primary responsibility in the Chinese government for implementing arms control treaties does not reside in one ministry; but is conducted in coordination by the Ministries of Foreign Affairs and Defense.

Xue cited the effort to resolve the North Korean nuclear situation as an important example of U.S.-China coordination on regional and global issues. He stated that the initial action plan announced on February 13 is an important stage toward the final denuclearization of the North Korean peninsula. Despite the fact that the first deadline for North Korean action to implement the action plan had passed when Commissioners were meeting with him, Xue resisted labeling North Korea as noncompliant with the agreement because it refused to shut down the Yongbyon nuclear reactor until its impounded funds at Banco Delta Asia in Macau are released.

With respect to other foreign relations matters, Xie said that China is encouraging positive change in Sudan to resolve the conflict in Darfur, which he said was encouraged by President Hu when he visited Khartoum during his tour of Africa in February. Deputy Foreign Minister Zhai Jun recently visited the Darfur region at the request of the Sudanese government, and he reported that his impression does not match what the media are describing, especially in the refugee camps. Xie argued that resolution of the Darfur conflict must be pursued on dual tracks: first, by pressuring the Sudanese government to accept United Nations peacekeeping forces, and second, by bringing the opposition forces into the political process.

Representatives from the China Institute of International Studies (CIIS) also stated that China seeks a positive role in the Middle East peace process and in promoting a peaceful resolution to the Iranian nuclear issue. China believes that the peace process should be based on two principles: first, the United Nations resolution, and second, the

land-for-peace principle. China also supports the European Union's efforts to consult with Iran and peacefully resolve international concerns about Iran's ambitions to develop nuclear weapons. Gong Xianfu, President of CIIS, also stated that as a responsible country, China has abided by its international commitments to control the sale and transfer of missiles and missile technology and has not provided any related assistance to Iran since making those commitments.

The delegation met with People's Liberation Army (PLA) scholars and strategists at the PLA Academy of Military Sciences. This meeting was the first formal meeting between the U.S.-China Commission and representatives of the PLA, as in previous years Commission requests for such meetings had been denied by the Chinese government. During this discussion, the officers stated that the trend of Chinese military transformation will continue toward informationalization with a focus on modernizing air, naval, and strategic missile forces. The primary goal for the Army's modernization is to increase maneuverability; the primary goal for the Air Force is to increase offensive strike capabilities; and the primary goal for the Navy is to shift offshore and develop a blue water capability. The goal for the Second Artillery is to "rebalance" nuclear and conventional missile forces. In addition to developing and refining its ability to conduct informationalized warfare, the PLA recognizes that it must have integrated information networks, which necessitates an active presence in space.

One of the PLA's missions is to protect China's development interests. The officers noted that they would defend Chinese interests in the region and around the world, especially important sources of energy for China. This requires a force projection capacity that, in turn, supports developing a blue water navy. They argued that U.S. concerns are misplaced about China's military modernization and its lack of transparency. In their opinion, the lack of understanding of China's intent is not due to China's failure to reveal its intent but to a lack of trust or confidence on the part of the United States.

PLA officers analyzed the U.S.'s concept of global strike from two viewpoints: strategic and operational. Strategically, they argued that the concept is destabilizing because it threatens rather than strengthens the stability of the nuclear threshold. If a country fears the United States might strike it, it may react preemptively, which would be further destabilizing. However, from an operational standpoint, the global strike concept raises the threshold of nuclear warfare because it offers more operational/tactical (conventional) options. Therefore, in the PLA's analysis, global strike is strategically destabilizing but concurrently contributes to tactical stability by reducing the probability of nuclear escalation.

When questioned about cyber attacks, officers at the Academy noted that scholars hold differing opinions about whether a computer network attack may constitute an act of warfare. Some believe it meets that definition, but others believe that a network attack alone without corresponding conventional attacks is not an act of warfare. Officers said that if a cyber attack targets military capabilities of another country and does significant damage, conventional counterattacks are warranted. However, they noted the difficulty in

accurately identifying the source of cyber attacks and argued that the source must be clearly identified before a counterattack is launched.

In Liaoning province in northeastern China, the delegation visited the cities of Dalian, Anshan, and Shenyang. Throughout this visit, the province showcased its economic development that relies upon the development of Dalian as an export base for the region that in turn supports the development of inland manufacturing. The northeast region of China has maintained economic growth rates higher than the national average in recent years and is poised to continue this explosive growth through the integration of value-added manufacturing, high-technology production, and intraregional shipping.

The Dalian Commodity Exchange (DCE) was established in 1993, and now is one of three commodity markets authorized by the central government. This exchange trades corn, soy, soymeal, and soy oil, and last year was the ninth largest exchange in the world. The DCE has a memorandum of understanding with the Chicago Mercantile Exchange that includes information sharing and employee training. Cargill is a member of this commodity exchange, along with French and Japanese companies.

The Dalian Free Trade Zone oversees the bonded port area, which will officially enter operation by the end of this year. The central government identified three container terminals under development and adjacent land that will be used as a bonded port area outside of the administration of Chinese customs officials. Once domestic cargo enters the fence surrounding the area, it automatically will be considered exported, and domestic producers can claim a tax rebate. Within the bonded port area, goods may be imported, further processed, and then re-exported.

Businesses in this area are integrating their strategic development to take advantage of Dalian's port location and trade promotion policies. For example, the delegation visited Brilliance Auto Company in Shenyang, which manufactures high-end sedans for export to Europe. The sedans are then transported to the Dalian Auto Terminal where they are loaded onto ships; the terminal has a capacity of 750,000 automobiles per year. Additionally, Dalian has developed an industrial park to export software and provide information services for high technology companies. Forty-three percent of the companies located in this park are foreign companies, including IBM, Hewlett Packard, GE, Sony, Accenture, and Panasonic.

The delegation visited two U.S. companies with production facilities in Liaoning province: Goodyear Tire in Dalian and GE in Shenyang. Goodyear Dalian started production in 1995 and is the largest Goodyear plant in Asia. Most of its tires are produced for the Chinese market. (The Ministry of Agriculture maintains a 20 percent duty on imported natural rubber that limits the ability of Chinese-manufactured rubber products to compete internationally.) However, this pricing policy also affects Chinese domestic tire producers. Goodyear signed a 52-year lease with the local government on the land where its Dalian plant is located, but recently has seen the government encourage residential development around the periphery of the plant that limits its ability to expand.

GE has three ventures in Shenyang that manufacture turbine components, assemble wind turbines, and service gas turbines. According to GE representatives, demand for wind turbines is increasing in China as the government seeks to diversify its energy resources. GE faces competition from local manufacturers primarily because the local firms are able to source their components domestically. The more components that GE must import, the more expensive the assembly of turbines becomes. GE representatives argued that international companies are being forced to localize their parts supplies in order to remain competitive in the Chinese market.

The delegation toured the facilities of two traditional state-owned enterprises in the northeast: an iron and steel factory and an oil refinery. The Anshan Iron and Steel Company was constructed by the Japanese during the period of Manchurian occupation and has played a key role in China's heavy industry since that time. Today it is the second largest steel producer in China and produces items such as pipes, rails, containers, and automobile frames. The PetroChina Fushun Petrochemical Company Refinery No. 1 is one of the oldest refineries in China. The refinery's site the delegation visited primarily produces paraffin wax for foodstuffs and packaging. Nearly half this paraffin wax is exported. Others of the refinery's sites process lubricating oils. These state-owned companies are redefining their image as industrial leaders in northeast China by reducing the social function each plays and by supporting the development of regional manufacturing and infrastructure.

In Hong Kong, the delegation met with American businesspeople, Hong Kong government officials, Hong Kong democratic activists and environmentalists, and the U.S. Consul General and his staff. In general, Hong Kong's economy and political system have recovered from the turmoil of the Asian financial crisis, Severe Acute Respiratory Syndrome (SARS) epidemic, and protests over insufficiently rapid progress toward democratization since China regained political control of Hong Kong in 1997. Polls indicate that Hong Kong's people increasingly identify themselves as Chinese, and Hong Kong has increased its instruction of Mandarin Chinese in schools. American business representatives noted that Chinese companies often seek to locate branches in Hong Kong to take advantage of the jurisdiction's judicial system, law enforcement, and services infrastructure. For example, Hong Kong's protection and enforcement of intellectual property rights are superior to mainland China's, and Chinese businesses tend to keep their higher value-added materials in Hong Kong to better protect them.

The environment is one of the most popular political issues in Hong Kong, as Hong Kong residents struggle to deal with locally-produced air and water pollution and also with pollution generated in mainland China. In China, enforcement of environmental regulations at the local level remains a major problem, and this has a negative public health impact on the people in those communities and those who live with the downstream effects of the pollution. Guangdong Province, adjacent to Hong Kong, is the first province in China to release air quality data, and Hong Kong has established some cooperative efforts with Guangdong to address air and water quality problems. Another air quality problem unique to this area, identified by Christine Loh of Hong Kong's Civic Exchange, is the pollution created by ships utilizing the container ports. These ships' emissions remain

localized at ground level. Ng Chonam of the University of Hong Kong also noted that water has become a major issue in all cities in China, including Guangzhou and Hong Kong. During the dry season in Guangzhou, the outflow of the Pearl River diminishes to the point that sea water surges into the delta, thus harming the water supply and surrounding environment. Hong Kong now imports water from Guangdong province, so this is of concern to Hong Kong as well.

During the campaign of candidates running in the March 2007 election for Hong Kong's Chief Executive, incumbent Chief Executive Donald Tsang agreed to participate in two debates with Alan Leong, the candidate who represented pro-democratic parties in Hong Kong. These debates were watched by over two million people in Hong Kong and, notably, the Chinese government permitted the broadcasts to be viewed in Guangdong Province. Although Leong did not win the election, the support he garnered helped to establish a significant precedent and the expectation that future elections for Chief Executive will have multiple candidates and proposed policy platforms as well as open debates.

Reelected Chief Executive Tsang's leadership is perceived by the public to be improving although his government continues to stall movement toward universal suffrage, which many political observers believe will not be approved until 2017 at the earliest, a full twenty years after the governance of Hong Kong was returned to China. Tsang has pledged to resolve the issue of universal suffrage before the end of his term in 2012, and is expected to produce a green paper on constitutional development this summer that will present several options for universal suffrage. After a period of public consultation, Hong Kong officials have indicated they will adopt the option with the broadest support (determined by public polls) and present that option to the Chinese government for approval. Democratic activists expressed concern that the pro-Beijing forces in Hong Kong will try to manipulate the polls through their presentation of the options. If they succeed, pro-democratic forces would be placed in the difficult position of either accepting an option that offers less than complete or direct universal suffrage as is guaranteed in the Basic Law, or appearing obstructionist to political reforms favored by a majority of Hong Kong's citizens.

ADDITIONAL VIEWS OF COMMISSIONER PETER VIDENIEKS

It is a great honor to serve on the U.S.-China Economic and Security Review Commission (USCC). I did not sign this submission because it does not meet statutory requirements.

The relationship between U.S. Congress and the bipartisan USCC, appointed by leaders from both parties and bodies of Congress, is a contract. U.S. Congress and the American taxpayer have contracted with the Commission to do a job. The law is the contract. The statement of work requires that the USCC, the contractor, "investigate and report exclusively" on PRC proliferation practices, U.S. economic transfers to PRC, energy, U.S. capital markets, regional economic and security impacts, U.S.-PRC bilateral programs, PRC WTO compliance, and freedom of expression in PRC -- nothing more or less "(n)ot withstanding any other provision of law." The contract requires delivery of only one item: an advisory report by June 1, 2007. Congress appropriated \$3,000,000 to pay for this work. This amount is available until expended. There are no inspection and acceptance, termination, non-discrimination, or other needed provisions. There are no incentives to excel or to be objective. And furthermore, there is no requirement that USCC establish a reserve of funds for the possibility that Congress may choose not to appropriate more money, and USCC work has to end. Such funding set-aside should be sufficient to cover all shut-down costs: pay terminated staff employees, cancel rental and parking contracts, etc.

I cannot sign this submission because it does not meet the statutory requirements for the only deliverable item - an advisory report to U.S. Congress resulting from one full year of investigative work. This submission covers less than half a year and consists primarily of two hearing transmittal letters and a trip report. If this were a federal contract, it would be terminated for default. The work would be reprocured from another party at the Commission's expense. Past non-compliance with law by submitting a report in November definitely crosses fiscal years, but it does not change the law. I am very proud to serve on the Commission, and I regret that it is not doing its taxpayer-funded job as legislated.

ADDITIONAL VIEWS OF COMMISSIONERS LARRY M. WORTZEL AND C. RICHARD D'AMATO

As former chairmen of the Commission, we write together to provide additional comments. With respect to the timing of annual reports and the issuance of interim reports, the terms of sitting Commissioners expire, and Congressional leaders appoint Commissioners to new terms that begin, in January of each year. Therefore, the Commission begins its formal schedule of work each year in January and concludes that annual work schedule at the end of the calendar year. If it arranged and conducted its work program on the basis of a different calendar, invariably newly-appointed Commissioners would be required to participate in determining key findings and recommendations to Congress based on Commission hearings, briefings, and other activities that occurred before they were appointed and in which they therefore could not have been participants. That situation would not yield the most thoroughly considered and carefully crafted findings and recommendations for consideration by Congress.

In order to provide Congress with a complete, logically-sequenced report based on all the Commission's activities during a year, and the findings and recommendations that flow from the products of those activities, the Commission for the past several years has submitted a comprehensive report at the end of the calendar year rather than in June. This arrangement has the additional virtue of placing the Commission's observations and recommendations in Congress's hands as preparations are underway for either a new Congress or the second session of a Congress that will convene the following January. In order to comply with the statutory requirement that the Commission submit a report to Congress no later than June 1 each year, the Commission on that date has provided another report (of which this report is an example) that summarizes its significant activities to that point in the year.

Last year the House of Representatives agreed with the Commission's view of this matter, and included a provision changing the date when the Commission is required to deliver its annual report to Congress – from June 1 to November 1 – in its Fiscal Year 2007 Appropriations Bill for Science, the Departments of State, Justice, and Commerce, and Related Agencies that it passed in August 2006. However, that legislation was never considered by the full Senate. The request for such a change is included in the President's Budget for fiscal year 2008 that the Congress is now considering. We believe the merits of this proposed change are compelling, and are hopeful Congress will include the change in the fiscal year 2008 appropriations bill that will fund the Commission's activities.

Appendix I
United States-China Economic and Security Review Commission
Charter

22 U.S.C. 7002 (2001)

The Commission was created on October 30, 2000 by the Floyd D. Spence National Defense Authorization Act for 2001 § 1238, Pub. L. No. 106-398, 114 STAT. 1654A-334 (2000) (codified at 22 U.S.C. § 7002 (2001), as amended by the Treasury and General Government Appropriations Act for 2002 § 645 (regarding employment status of staff) & § 648 (regarding changing annual report due date from March to June), Pub.L. No. 107-67, 115 STAT. 514 (Nov. 12, 2001); as amended by Division P of the "Consolidated Appropriations Resolution, 2003," Pub L. No. 108-7 (Feb. 20, 2003) (regarding Commission name change, terms of Commissioners, and responsibilities of Commission); as amended by Pub.L. No. 109-108 (enacted Nov. 22, 2005) (regarding responsibilities of Commission and applicability of FACA).

§ 7002. United States-China Economic and Security Review Commission

(a) Purposes. The purposes of this section are as follows:

(1) To establish the United States-China Economic and Security Review Commission to review the national security implications of trade and economic ties between the United States and the People's Republic of China.

(2) To facilitate the assumption by the United States-China Economic and Security Review Commission of its duties regarding the review referred to in paragraph (1) by providing for the transfer to that Commission of staff, materials, and infrastructure (including leased premises) of the Trade Deficit Review Commission that are appropriate for the review upon the submittal of the final report of the Trade Deficit Review Commission.

(b) Establishment of United States-China Economic and Security Review Commission.

(1) In general. There is hereby established a commission to be known as the United States-China Economic and Security Review Commission (in this section referred to as the "Commission").

(2) Purpose. The purpose of the Commission is 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.

(3) Membership. The United States-China Economic and Security Review Commission shall be composed of 12 members, who shall be appointed in the same manner provided for the appointment of members of the Trade Deficit Review Commission under section

127(c)(3) of the Trade Deficit Review Commission Act (19 U.S.C. 2213 note), except that—

(A) Appointment of members by the Speaker of the House of Representatives shall be made after consultation with the chairman of the Committee on Armed Services of the House of Representatives, in addition to consultation with the chairman of the Committee on Ways and Means of the House of Representatives provided for under clause (iii) of subparagraph (A) of that section;

(B) Appointment of members by the President pro tempore of the Senate upon the recommendation of the majority leader of the Senate shall be made after consultation with the chairman of the Committee on Armed Services of the Senate, in addition to consultation with the chairman of the Committee on Finance of the Senate provided for under clause (i) of that subparagraph;

(C) Appointment of members by the President pro tempore of the Senate upon the recommendation of the minority leader of the Senate shall be made after consultation with the ranking minority member of the Committee on Armed Services of the Senate, in addition to consultation with the ranking minority member of the Committee on Finance of the Senate provided for under clause (ii) of that subparagraph;

(D) Appointment of members by the minority leader of the House of Representatives shall be made after consultation with the ranking minority member of the Committee on Armed Services of the House of Representatives, in addition to consultation with the ranking minority member of the Committee on Ways and Means of the House of Representatives provided for under clause (iv) of that subparagraph;

(E) Persons appointed to the Commission shall have expertise in national security matters and United States-China relations, in addition to the expertise provided for under subparagraph (B)(i)(I) of that section;

(F) Each appointing authority referred to under subparagraphs (A) through (D) of this paragraph shall—

(i) appoint 3 members to the Commission;

(ii) make the appointments on a staggered term basis, such that—

(I) 1 appointment shall be for a term expiring on December 31, 2003;

(II) 1 appointment shall be for a term expiring on December 31, 2004; and

(III) 1 appointment shall be for a term expiring on December 31, 2005;

(iii) make all subsequent appointments on an approximate 2-year term basis to expire on December 31 of the applicable year; and

(iv) make appointments not later than 30 days after the date on which each new Congress convenes.

(G) Members of the Commission may be reappointed for additional terms of service as members of the Commission; and

(H) Members of the Trade Deficit Review Commission as of the date of the enactment of this Act [enacted Oct. 30, 2000] shall serve as members of the United States-China Economic and Security Review Commission until such time as members are first appointed to the United States-China Economic and Security Review Commission under this paragraph.

(4) Retention of support. The United States-China Economic and Security Review Commission shall retain and make use of such staff, materials, and infrastructure (including leased premises) of the Trade Deficit Review Commission as the United States-China Economic and Security Review Commission determines, in the judgment of the members of the United States-China Economic and Security Review Commission, are required to facilitate the ready commencement of activities of the United States-China Economic and Security Review Commission under subsection (c) or to carry out such activities after the commencement of such activities.

(5) Chairman and vice chairman. The members of the Commission shall select a Chairman and Vice Chairman of the Commission from among the members of the Commission.

(6) Meetings.

(A) Meetings. The Commission shall meet at the call of the Chairman of the Commission.

(B) Quorum. A majority of the members of the Commission shall constitute a quorum for the transaction of business of the Commission.

(7) Voting. Each member of the Commission shall be entitled to one vote, which shall be equal to the vote of every other member of the Commission.

(c) Duties.

(1) Annual report. Not later than June 1 each year [beginning in 2002], the Commission shall submit to Congress a report, in both unclassified and classified form, regarding the national security implications and impact of the bilateral trade and economic relationship between the United States and the People's Republic of China. The report shall include a full analysis, along with conclusions and recommendations for legislative and administrative actions, if any, of the national security implications for the United States of the trade and current balances with the People's Republic of China in goods and services, financial transactions, and technology transfers. The Commission shall also take

into account patterns of trade and transfers through third countries to the extent practicable.

Contents of report. Each report under paragraph (1) shall include, at a minimum, a full discussion of the following:

(A) The portion of trade in goods and services with the United States that the People's Republic of China dedicates to military systems or systems of a dual nature that could be used for military purposes.

(B) The acquisition by the People's Republic of China of advanced military or dual-use technologies from the United States by trade (including procurement) and other technology transfers, especially those transfers, if any, that contribute to the proliferation of weapons of mass destruction or their delivery systems, or that undermine international agreements or United States laws with respect to nonproliferation.

(C) Any transfers, other than those identified under subparagraph (B), to the military systems of the People's Republic of China made by United States firms and United States-based multinational corporations.

(D) An analysis of the statements and writing of the People's Republic of China officials and officially-sanctioned writings that bear on the intentions, if any, of the Government of the People's Republic of China regarding the pursuit of military competition with, and leverage over, or cooperation with, the United States and the Asian allies of the United States.

(E) The military actions taken by the Government of the People's Republic of China during the preceding year that bear on the national security of the United States and the regional stability of the Asian allies of the United States.

(F) The effects, if any, on the national security interests of the United States of the use by the People's Republic of China of financial transactions and capital flow and currency manipulations.

(G) Any action taken by the Government of the People's Republic of China in the context of the World Trade Organization that is adverse or favorable to the United States national security interests.

(H) Patterns of trade and investment between the People's Republic of China and its major trading partners, other than the United States, that appear to be substantively different from trade and investment patterns with the United States and whether the differences have any national security implications for the United States.

(I) The extent to which the trade surplus of the People's Republic of China with the United States enhances the military budget of the People's Republic of China.

(J) An overall assessment of the state of the security challenges presented by the People's Republic of China to the United States and whether the security challenges are increasing or decreasing from previous years.

(3) Recommendations of report. Each report under paragraph (1) shall also include recommendations for action by Congress or the President, or both, including specific recommendations for the United States to invoke Article XXI (relating to security exceptions) of the General Agreement on Tariffs and Trade 1994 with respect to the People's Republic of China, as a result of any adverse impact on the national security interests of the United States.

(d) Hearings.

(1) In general. The Commission or, at its direction, any panel or member of the Commission, may for the purpose of carrying out the provisions of this section, hold hearings, sit and act at times and places, take testimony, receive evidence, and administer oaths to the extent that the Commission or any panel or member considers advisable.

(2) Information. The Commission may secure directly from the Department of Defense, the Central Intelligence Agency, and any other Federal department or agency information that the Commission considers necessary to enable the Commission to carry out its duties under this section, except the provision of intelligence information to the Commission shall be made with due regard for the protection from unauthorized disclosure of classified information relating to sensitive intelligence sources and methods or other exceptionally sensitive matters, under procedures approved by the Director of Central Intelligence.

(3) Security. The Office of Senate Security shall—

(A) provide classified storage and meeting and hearing spaces, when necessary, for the Commission; and

(B) assist members and staff of the Commission in obtaining security clearances.

(4) Security clearances. All members of the Commission and appropriate staff shall be sworn and hold appropriate security clearances.

(e) Commission personnel matters.

(1) Compensation of members. Members of the United States-China Economic and Security Review Commission shall be compensated in the same manner provided for the compensation of members of the Trade Deficit Review Commission under section 127(g)(1) and section 127(g)(6) of the Trade Deficit Review Commission Act (19 U.S.C. 2213 note).

(2) Travel expenses. Travel expenses of the United States-China Economic and Security Review Commission shall be allowed in the same manner provided for the allowance of the travel expenses of the Trade Deficit Review Commission under section 127(g)(2) of the Trade Deficit Review Commission Act [19 USCS § 2213 note].

(3) Staff. An executive director and other additional personnel for the United States-China Economic and Security Review Commission shall be appointed, compensated, and terminated in the same manner provided for the appointment, compensation, and termination of the executive director and other personnel of the Trade Deficit Review Commission under section 127(g)(3) and section 127(g)(6) of the Trade Deficit Review Commission Act [19 USCS § 2213 note]. The executive director and any personnel who are employees of the United States-China Economic and Security Review Commission shall be employees under section 2105 of title 5, United States Code, for purposes of chapters 63, 81, 83, 84, 85, 87, 89, and 90 of that title [language of 2001 amendment, Sec. 645].

(4) Detail of government employees. Federal Government employees may be detailed to the United States-China Economic and Security Review Commission in the same manner provided for the detail of Federal Government employees to the Trade Deficit Review Commission under section 127(g)(4) of the Trade Deficit Review Commission Act [19 USCS § 2213 note].

(5) Foreign travel for official purposes. Foreign travel for official purposes by members and staff of the Commission may be authorized by either the Chairman or the Vice Chairman of the Commission.

(6) Procurement of temporary and intermittent services. The Chairman of the United States-China Economic and Security Review Commission may procure temporary and intermittent services for the United States-China Economic and Security Review Commission in the same manner provided for the procurement of temporary and intermittent services for the Trade Deficit Review Commission under section 127(g)(5) of the Trade Deficit Review Commission Act [19 USCS § 2213 note].

(f) Authorization of appropriations.

(1) In general. There is authorized to be appropriated to the Commission for fiscal year 2001, and for each fiscal year thereafter, such sums as may be necessary to enable the Commission to carry out its functions under this section.

(2) Availability. Amounts appropriated to the Commission shall remain available until expended.

(g) Federal Advisory Committee Act. The provisions of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Commission.

(h) Effective date. This section shall take effect on the first day of the 107th Congress.

Amendments:

SEC. 645. (a) Section 1238(e)(3) of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (as enacted by Public Law 106-398) is amended by adding at the end the following: "The executive director and any personnel who are employees of the United States-China Economic and Security Review Commission shall be employees under section 2105 of title 5, United States Code, for purposes of chapters 63, 81, 83, 84, 85, 87, 89, and 90 of that title." (b) The amendment made by this section shall take effect on January 3, 2001."

SEC. 648. DEADLINE FOR SUBMISSION OF ANNUAL REPORTS BY UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION. Section 1238(c)(1) of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (as enacted into law by section I of Public Law 106-398) is amended by striking "March" and inserting "June".

Changes: Enacted into law by Division P of the "Consolidated Appropriations Resolution, 2003" Pub L 108-7 dated February 20, 2003:

H. J. Res. 2—

DIVISION P—UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

SECTION 1. SHORT TITLE.—This division may be cited as the “United States-China Economic and Security Review Commission”.

SEC. 2. (a) APPROPRIATIONS.—There are appropriated, out of any funds in the Treasury not otherwise appropriated, \$1,800,000, to remain available until expended, to the United States-China Economic and Security Review Commission.

(b) NAME CHANGE.—

(1) IN GENERAL.—Section 1238 of the Floyd D. Spence National Defense Authorization Act of 2001 (22 U.S.C. 7002) is amended— as follows:

In each Section and Subsection where it appears, the name is changed to the "U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION"—

(2) REFERENCES.—Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or relating to the United States-China Security Review Commission shall be deemed to refer to the United States-China Economic and Security Review Commission.

(c) MEMBERSHIP, RESPONSIBILITIES, AND TERMS.—

(1) IN GENERAL.—Section 1238(b)(3) of the Floyd D. Spence National Defense Authorization Act of 2001 (22 U.S.C. 7002) is amended by striking subparagraph (F) and inserting the following:

“(F) each appointing authority referred to under subparagraphs (A) through (D) of this paragraph shall—

“(i) appoint 3 members to the Commission;

“(ii) make the appointments on a staggered term basis, such that—

“(I) 1 appointment shall be for a term expiring on December 31, 2003;

“(II) 1 appointment shall be for a term expiring on December 31, 2004; and

“(III) 1 appointment shall be for a term expiring on December 31, 2005;

“(iii) make all subsequent appointments on an approximate 2-year term basis to expire on December 31 of the applicable year; and

“(iv) make appointments not later than 30 days after the date on which each new Congress convenes;”.

SEC. 635. (a) Modification of Responsibilities.—Notwithstanding any provision of section 1238 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (22 U.S.C. 7002), or any other provision of law, the United States-China Economic and Security Review Commission established by subsection (b) of that section shall investigate and report exclusively on each of the following areas:

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) REGIONAL ECONOMIC AND SECURITY IMPACTS.—The triangular economic and security relationship among the United States, Taipei and the People's Republic of China (including the military modernization and force deployments of the People's Republic of China aimed at Taipei), 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.

(6) UNITED STATES-CHINA BILATERAL PROGRAMS.—Science and technology programs, the degree of non-compliance by the People's Republic of China with agreements between the United States and the People's Republic of China on prison labor imports and intellectual property rights, and United States enforcement policies with respect to such agreements.

(7) WORLD TRADE ORGANIZATION COMPLIANCE.—The compliance of the People's Republic of China with its accession agreement to the World Trade Organization (WTO).

(8) FREEDOM OF EXPRESSION.—The implications of restrictions on speech and access to information in the People's Republic of China for its relations with the United States in the areas of economic and security policy.

(b) Applicability of Federal Advisory Committee Act.-Subsection (g) of section 1238 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 is amended to read as follows:

(g) Applicability of FACA.—The provisions of the Federal Advisory Committee Act (5 U.S.C. App.) shall apply to the activities of the Commission.

The effective date of these amendments shall take effect on the date of enactment of this Act [November 22, 2005].

Appendix II

Background on Commissioners

Carolyn Bartholomew, Chairman

Chairman Carolyn Bartholomew was reappointed to the U.S.-China Economic and Security Review Commission on December 17, 2005, by House Democratic Leader Nancy Pelosi for a two-year term expiring December 31, 2007. Ms. Bartholomew was unanimously elected as the Commission's Chairman for the 2007 report cycle.

Chairman Bartholomew worked at senior levels in the U.S. Congress, serving as Counsel, Legislative Director, and Chief of Staff to U.S. House of Representatives Democratic Leader Nancy Pelosi. She also served as a Professional Staff Member on the House Permanent Select Committee on Intelligence. Previously, she was a legislative assistant to then-U.S. Representative Bill Richardson.

In these positions, Ms. Bartholomew was integrally involved in developing U.S. policies on international affairs and security matters. She has particular expertise in U.S.-China relations, focused primarily on trade, human rights, and the proliferation of weapons of mass destruction. Vice Chairman Bartholomew was a lead staff on legislation to establish the Department of Homeland Security and led efforts in the establishment and funding of global AIDS programs and the promotion of human rights and democratization in countries around the world. Ms. Bartholomew was a member of the first Presidential Delegation to Africa to Investigate the Impact of HIV/AIDS on Children; and a member of the Council on Foreign Relations Congressional Staff Roundtable on Asian Political and Security issues. In addition to U.S.-China relations, her areas of expertise include terrorism, trade, proliferation of weapons of mass destruction, human rights, U.S. foreign assistance programs, and international environmental issues.

The Chairman received a B.A. from the University of Minnesota, an M.A. in anthropology from Duke University and J.D. from Georgetown University Law Center. She is a member of the State Bar of California.

Daniel A. Blumenthal, Vice Chairman

Vice Chairman Daniel A. Blumenthal was appointed by Senate Majority Leader Bill Frist for a two-year term expiring December 31, 2007. He was unanimously approved as Vice Chairman for the 2007 report cycle.

Daniel Blumenthal is a Resident Fellow in Asian Studies at the American Enterprise Institute for Public Policy Research. He is a member of the Academic Advisory Group of the Congressional U.S.-China Work Group.

Previously, Mr. Blumenthal was senior director for China, Taiwan, and Mongolia in the Office of the Under Secretary of Defense for International Security Affairs from March

2004-November 2004 during the first George W. Bush administration. He developed and implemented defense policy toward China, Taiwan, Hong Kong and Mongolia, during which time he received the Office of Secretary of Defense Medal for Exceptional Public Service. From January 2002-March 2004, he was County Director for China, Taiwan and Hong Kong in the Office of the Secretary of Defense, International Security Affairs.

Before his service at the Department of Defense, Mr. Blumenthal was an Associate Attorney, Corporate and Asia Practice Groups at Kelley Drye & Warren L.L.P. Earlier, he was an Editorial and Research Assistant at the Washington Institute for Near East Policy.

Mr. Blumenthal received an MA in International Relations and International Economics from the Johns Hopkins University School of Advanced International Studies, and a J.D. from the Duke University School of Law in 2000. He has written extensively on national security issues.

Peter T. R. Brookes

Peter Brookes, as senior Fellow at the Heritage Foundation, develops and communicates Heritage's stance on foreign policy and national security affairs through media appearances, research, published articles, congressional testimony and speaking engagements.

He also serves as a Commissioner on the congressionally-mandated U.S.-China Economic and Security Review Commission.

In addition, he is a weekly columnist for the nation's 5th largest newspaper, the *New York Post*. His column also runs in several other domestic and foreign newspapers, including the *Boston Herald*, *Daily Yomiuri* (Japan) and *China Post* (Taiwan), and on numerous news and opinion-oriented websites.

Brookes is also a contributing editor for *Armed Forces Journal* magazine, and has had over 300 articles published in over 50 newspapers, journals and magazines. He is the author of: *A Devil's Triangle: Terrorism, Weapons of Mass Destruction and Rogue States* (Rowman & Littlefield, hardback 2005, paperback 2007)

Brookes has made nearly 1,000 appearances as a commentator on TV and radio, appearing on ABC, NBC, CBS, FOX, CNN, MSNBC, CNBC, NPR, BBC and CBC, VOA, Al Hurra, and Radio Free Asia, among others. He has been quoted by many of the world's largest newspapers and magazines.

He has testified numerous times before both the Senate and House of Representatives on foreign policy, defense and intelligence issues as an administration official and as a private citizen. He is also a frequent public speaker both in the U.S. and overseas, including public diplomacy speaking tours for the State Department in Japan, Germany, Australia, Poland, Ukraine, Fiji and Papua New Guinea.

Before coming to Heritage, Brookes served in the George W. Bush administration as the Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, where he was responsible for U.S. security and defense policy for 38 countries and 5 bilateral defense alliances in the Asia-Pacific region. Prior to joining the Bush administration, he worked as a Professional Staff Member with the Committee on International Relations in the U.S. House of Representatives. He also served with the CIA's Directorate of Operations. Just prior to his CIA service, he worked for the State Department at the United Nations, and in the private sector in the defense industry.

Brookes is a decorated military veteran, having served on active duty with the U.S. Navy in Latin America, Asia, and Middle East in aviation and intelligence billets during the Cold War. Brookes has over 1300 flight hours aboard U.S. Navy EP-3 reconnaissance aircraft. Now a retired Navy Commander, during his reserve career he served with the NSA, DIA, Naval Intelligence, the Joint Chiefs of Staff, and the Office of the Vice President, working as an intelligence analyst, strategic debriefer, Russian-language interpreter, defense attaché and associate professor at the Joint Military Intelligence College.

Brookes is currently pursuing a Doctorate in international affairs/history at Georgetown University. He is a graduate of the U.S. Naval Academy (B.S., Engineering); the Defense Language Institute (Diploma, Russian); the Naval War College (Diploma); and the Johns Hopkins University (M.A., Government).

He has served in political positions at the local, state and national level, including being one of the drafters of the 2000 Republican foreign policy platform at the Convention in Philadelphia, and serving on Bush campaign foreign policy and veteran's advisory groups in 2004.

Brookes' awards include: Navy League Frank Knox Media Award, Joint Service Commendation Medal; Navy Commendation Medal (3 awards); Navy Achievement Medal; several naval and joint unit awards; the Defense Language Institute's Kellogg Award; the Joint Chiefs of Staff service badge; and Naval Aviation Observer wings.
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Hon. C. Richard D'Amato

C. Richard D'Amato was reappointed to the U.S.-China Economic and Security Review Commission by Senate Democratic Leader Harry Reid on October 5, 2005, for a two-year term expiring December 31, 2007. He served as the Chairman and Vice Chairman of the Commission beginning in April 2001 through December 20, 2005. He is an attorney, and a member of the Maryland and D.C. bars. He is a former delegate to the General Assembly of the State of Maryland, (1998-2002), representing the Annapolis, Maryland, region, and served on the Appropriations Committee. He is also a retired captain in the United States Navy Reserve, served two tours of duty in the Vietnam theatre aboard the USS KING (DLG-10), and three years as an Assistant Professor of Government at the U.S. Naval Academy. He served on the Trade Deficit Review Commission, a Congressional advisory body, as a member from 1999-2000.

From 1988-98, Commissioner D'Amato was the Democratic Counsel for the Committee on Appropriations of the United States Senate. He was responsible for coordinating and managing the annual appropriations bills and other legislation on policy and funding of U.S. defense, foreign policy, trade and intelligence matters. He served from 1980-88 as senior foreign policy and defense advisor to the Democratic Senate leader, Senator Robert C. Byrd. In this position, he supervised work on major foreign policy, national security and trade policies, and was the co-director for the Senate Arms Control Observer Group, a bipartisan leadership organization, which served as liaison with the White House on all arms control negotiations with the Soviet Union. He also served on the Senate delegation to the Kyoto negotiations on Global Warming.

Mr. D'Amato began his career as Legislative Director for Congressman James Jeffords (Ind.-VT) from 1975-78, and then as Chief of Staff for Senator Abraham Ribicoff (D-CT) until 1980.

He has been active in other aspects of public service, having founded the annual Taste-of-the-Nation dinners in Annapolis as part of the nationwide "Share Our Strength" hunger relief organization, and created an annual scholarship for college bound African-American women in Anne Arundel County, Maryland. He currently serves on the boards of the Annapolis Symphony Orchestra, Annapolis Maritime Museum, The Johns Hopkins Cuba Exchange Program, and the University of Oxford Congressional Visitors program.

Commissioner D'Amato received his B.A. (cum laude) from Cornell University in 1964, and served on the Cornell Board of Trustee's Advisory Council. He received his M.A. from the Fletcher School of Law and Diplomacy in Boston in 1967, and received his legal education from Harvard Law School and from the Georgetown University Law Center (JD, 1980). He resides in Annapolis with his wife, Dee.

Mark T. Esper

Mark T. Esper was appointed by Senate Republican Leader Mitch McConnell for a two-year term expiring December 31, 2008. He is the Executive Vice President of the

Aerospace Industries Association of America, the premier trade organization representing the nation's aerospace and defense industry in Washington since 1919. In addition to his duties as the association's executive vice president, Esper is also responsible for all national security, defense, and international affairs issues at AIA as head of the Defense and International Affairs Department. In this capacity, Mr. Esper also serves as co-chair of AIA's National Security, International, Defense, and Technical Operations Councils, and participates in federal advisory groups to the State and Commerce Departments.

Before assuming his present position in May 2006, Mr. Esper was the Director of National Security Affairs for Senate Majority Leader Bill Frist (R-TN). His portfolio in that position included all defense, foreign policy, and intelligence matters for the United States Senate, where he also worked on trade and homeland security issues. Mr. Esper was also responsible for managing the national security committees of the Senate and all national security-related issues with the Executive Branch, the House of Representatives, foreign governments, and non-governmental organizations.

From 2002 through 2004, Mr. Esper served as the Deputy Assistant Secretary of Defense for Negotiations Policy. His responsibilities as a senior official in the Department of Defense included nonproliferation policy, multilateral and bilateral arms control policy, law of armed conflict, and other international agreements. Prior to that, Mr. Esper served in a variety of positions in the United States Congress, including as a Senior Professional Staff Member responsible for national security affairs on the House Armed Services Committee, the Senate Foreign Relations Committee, the Senate Governmental Affairs Committee, and in the personal offices of Senators Fred Thompson and Chuck Hagel.

Mr. Esper is a graduate of the United States Military Academy at West Point and the John F. Kennedy School of Government at Harvard University. He is currently working on his Ph.D. in Public Policy at the George Washington University in Washington, D.C., and is an associate professor in the Graduate Department of Defense and Strategic Studies at Missouri State University in Virginia.

Mr. Esper served for ten years in the U.S. Army as an Infantry Officer in a variety of assignments around the world, including Operations Desert Shield/Desert Storm in Saudi Arabia and Iraq in 1990-91, before leaving active duty to become Chief of Staff at The Heritage Foundation in Washington, D.C.

He resides in northern Virginia with his wife and three children.

Jeffrey L. Fiedler

Jeffrey L. Fiedler was appointed by House Speaker-elect Nancy Pelosi for a term expiring December 31, 2007. Fiedler is President of Research Associates of America ("RAA"), a non-profit labor research organization. Previously, he was the elected President of the Food and Allied Service Trades Department, AFL-CIO ("FAST"). This constitutional department of the AFL-CIO represented 10 unions with a membership of 3.5 million in the United States and Canada. The focus of RAA, like FAST before it, is organizing and bargaining research for workers and their unions.

He served as a member of the AFL-CIO Executive Council committees on International Affairs, Immigration, Organizing, and Strategic Approaches. He is also on the Board of Directors of the Consumer Federation of America, and a member of the Council on Foreign Relations, and the Pacific Council on International Policy.

In 1992, Fiedler co-founded the Laogai Research Foundation (“LRF”); an organization devoted to studying the forced labor camp system in China. When the Foundation’s Executive Director, Harry Wu, was detained in China in 1995, Fiedler coordinated the campaign to win his release. He still serves as a director of the LRF.

Fiedler has testified on behalf of the AFL-CIO before the Senate Foreign Relations Committee, the House International Affairs Committee and its various subcommittees, as well as the Trade Subcommittee of the House Ways and Means Committee concerning China policy. He attended three of the American Assembly conferences on China sponsored by Columbia University and has participated in a Council on Foreign Relations task force and study group on China. He has been interviewed on CBS, NBC, ABC, CNN and CNBC on China policy, international trade issues, human rights, and child labor.

A Vietnam veteran, Fiedler served with the U.S. Army in Hue in 1967-68. He received his B.A. in Political Science from Southern Illinois University. He is married with two adult children and resides in Virginia.

Kerri Houston

Often referred to as “a force of nature” by fellow free market activists, Kerri Houston is a public policy analyst and expert in media, marketing and external relations for public policy institutes. Appointed by Speaker J. Dennis Hastert on January 25, 2006 for a two-year term expiring December 31, 2007.

Ms. Houston is vice president of policy for Frontiers of Freedom (www.FF.org), advocating for free market solutions to a wide range of public policy reforms, political and national defense issues. She also serves as director of Frontiers’ Lawsuit Abuse Reform Coalition and Project for the American Healthcare Century.

Ms. Houston is also President and CEO of Tacita Strategies Group LLC, a public affairs and consulting firm specializing in issue advocacy and stakeholder management.

Prior to joining Frontiers of Freedom, Ms. Houston was national field director for the American Conservative Union and executive director of State Policy Network, a member organization of free market state-based think tanks, and director of external affairs for the Institute for Policy Innovation.

Her responsibilities have included all facets of marketing, policy research and issue advocacy, as well as acting as liaison to Capitol Hill, the White House, state legislators, and other free market policy centers both in the U.S. and in Europe.

A strong proponent of individual and economic liberty, federalism, free trade and free markets, Ms. Houston lectures on public policy and legislative issues and the proper role of government in civil society. She has worked internationally as a trainer for the International Republican Institute.

She is a Brain Trust columnist for *Investor's Business Daily*, and her opinion/editorials have appeared in *The Wall Street Journal*, *The Washington Times*, *The Dallas Morning News*, *Forbes* magazine, *Intellectual Ammunition*, and numerous other print, internet outlets and institutional publications throughout the country. She is a guest on talk radio nationwide, and a regular guest co-host on USA Radio Network's "Point of View." Ms. Houston is also a roundtable host of the TCI Cable program "America Outside the Beltway," was a frequent guest on Politically Incorrect with Bill Maher and has appeared on Fox, MSNBC and CNBC.

She is a member of the National Paycheck Protection Working Group, Director of Coalitions for the Republican Liberty Caucus, co-Chairman of Legislative Affairs for the North Texas Technology Council, and advisor to the Texas Conservative Coalition's Health and Human Services Task Force. She serves on the Board of Directors for GOPUSA.com, Citizen Outreach and sits on the Board of Advisors for The Project for California's Future.

She was also nominated to serve on the President's Commission to Strengthen Social Security.

Well known for her dedication to presenting public policy in a way that will "pass the dinner table test," Ms. Houston brings a sharp wit and a practical spin to her particular areas of expertise in fiscal, cultural and international policy.

Hon. William A. Reinsch

Commissioner William A. Reinsch was reappointed to the U.S.-China Economic and Security Review Commission by Senate Democratic Leader Harry Reid on October 5, 2005, for a two-year term expiring December 31, 2007.

On April 2, 2001, Commissioner Reinsch joined the National Foreign Trade Council as President. The council, founded in 1914, is the only business organization dedicated solely to trade policy, export finance, international tax, and human resource issues. The organization represents over 300 companies through its offices in New York and Washington, D.C.

Prior to joining the National Foreign Trade Council, Reinsch served as Under Secretary for Export Administration in the U.S. Department of Commerce. As head of the Bureau

of Export Administration, he was charged with administering and enforcing the export control policies of the U.S. government, as well as its anti-boycott laws. In addition, the bureau is part of an interagency team helping Russia and other newly emerging nations develop effective export control systems and convert their defense industries to civilian production. Through its Office of Strategic Industries and Economic Security, the bureau is also responsible for monitoring and protecting the health of U.S. industries critical to our national security and defense industrial base and assisting in domestic defense conversion efforts. Major accomplishments during his tenure included: refocusing controls in light of economic globalization, most notably on high-performance computers, microprocessors, encryption, and other items; the first complete revision of the Export Administration regulations in over forty years; revising the interagency process for reviewing applications; permitting electronic filing of applications over the Internet; and increasing the bureau's budget by 87 percent.

From 1991 through 1993, Commissioner Reinsch was a senior Legislative Assistant to Senator John D. Rockefeller IV, responsible for the senator's work on trade, international economic policy, foreign affairs, and defense. He also provided staff support for Senator Rockefeller's related efforts on the Finance Committee and the Commerce, Science, and Transportation Committee.

From 1977 to 1991, Commissioner Reinsch served on the staff of the late Senator John Heinz as Chief Legislative Assistant, focusing on foreign trade and competitiveness policy issues. During that period, Senator Heinz was either Chairman or ranking minority member of the Banking Committee's Subcommittee on International Finance. He was also a member of the International Trade Subcommittee of the Finance Committee. Commissioner Reinsch provided staff support for the Senator on both subcommittees, which included participation in five revisions of the Export Administration Act and work on four major trade bills. Prior to 1977, Commissioner Reinsch was a Legislative Assistant to Representatives Richard Ottinger and Gilbert Gude, acting Staff Director of the House Environmental Study Conference, and a teacher in Maryland.

During his tenure as Under Secretary, Commissioner Reinsch delivered more than two hundred speeches and testified fifty-three times before various committees of Congress. His recent publications include "Why China Matters to the Health of the U.S. Economy," in *Economics and National Security: The Case of China, 2002*;" The Role and Effectiveness of U.S. Export Control Policy in the Age of Globalization," *The Monitor* (Center for International Trade and Security, spring 2000); "Export Controls in the Age of Globalization," *The Monitor* (Center for International Trade and Security, summer 1999); "Should Uncle Sam Control U.S. Technology Exports?" *Insight Magazine*, September 8, 1997; "Encryption Policy Strikes a Balance," *Journal of Commerce*, March 5, 1997; "Building a New Economic Relationship with Japan," in I.M. Destler and Yankelovich, D., eds., *Beyond the Beltway: Engaging the Public in U.S. Foreign Policy*, W.W. Norton, April 1994.

In addition to his legislative work, Commissioner Reinsch has served as an adjunct associate professor at the University of Maryland University College Graduate School of

Management and Technology since 1990, teaching a course in international trade and trade policy. He is also President of the Saint Mark Elderly Housing Corporation, a non-profit corporation that runs Saint Mark House, a home for the frail elderly in Rockville, Maryland.

Commissioner Reinsch received a B.A. degree in International Relations from the Johns Hopkins University and an M.A. degree from the Johns Hopkins School of Advanced International Studies. He lives in Bethesda, Maryland, with his wife and two sons.

Hon. Dennis Clarke Shea

Dennis Shea was appointed to the U.S.-China Economic and Security Review Commission on February 17, 2007 by Senate Republican Leader Mitch McConnell for a term expiring on December 31, 2008.

An attorney with more than 20 years of experience in government and public policy, Mr. Shea began his career as a corporate lawyer at Skadden, Arps, Slate, Meagher & Flom. In 1988, he joined the Office of Senate Republican Leader Bob Dole as counsel and later became the Office's deputy chief of staff. In these capacities, he advised Senator Dole and other Republican Senators on a broad range of domestic policy issues, was involved in the drafting of numerous pieces of legislation, and was recognized as one of the most influential staffers on Capitol Hill. Mr. Shea's service in the Office of the Senate Republican Leader was interrupted in 1992, when he ran for Congress in New York's 7th Congressional District after receiving the Republican and Conservative Party nominations.

In 1995 and 1996, Mr. Shea continued to help shape the national public-policy debate while serving as director of policy for the Dole for President campaign.

Following the 1996 presidential election, Mr. Shea worked in the private sector, providing legislative and public affairs counsel to Fortune 500 companies, major U.S. financial institutions, professional associations, and children's hospitals, while employed at BKSH & Associates and Verner, Liipfert, Bernhard, McPherson and Hand. Mr. Shea also served as a consultant to the American Enterprise Institute and The Brookings Institution on a report that outlined recommendations for reforming the independent counsel statute.

In 2003, Mr. Shea was named the Executive Director of the President's Commission on the United States Postal Service. Many of the Commission's recommendations were adopted as part of postal reform legislation recently enacted by Congress and signed into law. In 2004, Mr. Shea was nominated by President George W. Bush and later confirmed as Assistant Secretary for Policy Development and Research ("PD&R") at the U.S. Department of Housing and Urban Development. As the head of the PD&R office, Mr. Shea led a team responsible for conducting much of the critical economic analysis necessary to support HUD's mission. In 2005, Mr. Shea left HUD to serve as senior

advisor to Senator Elizabeth Dole in her capacity as chair of the National Republican Senatorial Committee.

Mr. Shea received a J.D., an M.A. in American History, and a B.A. in Government, all from Harvard University. His commentaries and articles have appeared on MSNBC.com and in *National Review*, *The Washington Post*, *The Washington Times* and the *Harvard Journal on Legislation*, among others.

Mr. Shea was admitted to the bar in New York and the District of Columbia.

He currently resides in Alexandria, Virginia, with his wife Elizabeth and daughter Juliette.

Peter Videnieks

Commissioner Videnieks was appointed by Senate Majority Leader Harry Reid on January 12, 2007, for a two-year term expiring December 31, 2008.

Prior to his appointment, Commissioner Videnieks served on the staff of Senator Robert C. Byrd (D-WVA), President Pro Tempore of the United States Senate and Chairman of the U.S. Senate Appropriations Committee, as an advisor on international affairs and energy issues. He also served on the staffs of the U.S. Trade Deficit Review Commission and the U.S.-China Economic and Security Review Commission. Mr. Videnieks was previously a contracting officer for NASA, the Justice Department, and the U.S. Customs Service, where he was Division Director. He has also been an IRS revenue officer. He holds degrees from the University of Maryland (BA economics) and the George Washington University (MSA with concentration in procurement and contracting). Mr. Videnieks was born in Latvia and lives with his wife Barbara on a farm in Northern Virginia. His language skills are: Latvian, Spanish, and German.

Michael R. Wessel

Michael R. Wessel was re-appointed to the U.S.-China Economic and Security Review Commission by House Democratic Leader Nancy Pelosi on December 7, 2006 for a two-year term expiring December 31, 2008. He has served on the Commission since April 2001.

Commissioner Wessel is President of The Wessel Group Inc., a public affairs consulting firm offering expertise in government, politics, and international affairs. He was formerly the Executive Vice President at the Downey McGrath Group, Inc. He served on the staff of House Democratic Leader Richard A. Gephardt for more than twenty years, leaving his position as General Counsel in March 1998. In addition to his duties as General Counsel, Commissioner Wessel was Mr. Gephardt's chief policy advisor, strategist, and negotiator. He was responsible for the development, coordination, management, and implementation of the Democratic Leader's overall policy and political objectives, with specific responsibility for international trade, finance, economics, labor, and taxation.

During his more than twenty years on Capitol Hill, Commissioner Wessel served in a number of positions: He was Mr. Gephardt's principal Ways and Means aide, where he developed and implemented numerous tax and trade policy initiatives. He participated in the enactment of every major trade policy initiative from 1978 to his departure in 1998. In the late 1980s, he was the Executive Director of the House Trade and Competitiveness Task Force, where he was responsible for the Democrats' trade and competitiveness agenda as well as overall coordination of the Omnibus Trade and Competitiveness Act of 1988.

He was intimately involved in the development of comprehensive tax reform legislation in the early 1980s and every major tax bill during his tenure. Beginning in 1989, he became the principal advisor to the Democratic Leadership on economic policy matters and served as tax policy coordinator to the 1990 budget summit. In 1995, he developed the 10 percent Tax Plan, a comprehensive tax reform initiative that would enable roughly four out of five taxpayers to pay no more than a ten percent rate in federal income taxes. It became the principal Democratic tax reform alternative. In 1988, he served as National Issues Director to Gephardt's Presidential campaign. During the 1992 Clinton/Gore campaign, he assisted on a broad range of issues and served as a Senior Policy Advisor to the Clinton/Gore transition office. In 2004 he was a senior policy advisor to the Gephardt for President campaign and later co-chaired the Trade Policy Group for the Kerry-Edwards campaign.

He has coauthored a number of articles with Democratic Leader Gephardt and a book, *An Even Better Place: America in the 21st Century* (Public Affairs, 1999). Commissioner Wessel has served as a Commissioner on the U.S.-China Economic and Security Review Commission since its creation in 2001. Commissioner Wessel served as a member of the U.S. Trade Deficit Review Commission in 1999-2000, a congressionally created commission charged with studying the nature, causes and consequences of the U. S. merchandise trade and current account deficits. He also currently serves as a member on the Board of Directors of the Goodyear Tire and Rubber Co., the world's largest tire company.

He holds a B.A. and a J.D. from George Washington University. He is a member of the bar of the District of Columbia and Pennsylvania. He and his wife Andrea have four children.

Larry M. Wortzel, Ph.D.

Larry M. Wortzel was reappointed by House Speaker J. Dennis Hastert on December 8, 2006 for a third term expiring December 31, 2008. Commissioner Wortzel served as Chairman for the 2006 report cycle.

He previously served as the Director of the Asian Studies Center and Vice President for foreign policy at the Heritage Foundation. A leading authority on China, Asia, national security, and military strategy, Commissioner Wortzel had a distinguished thirty-two-year career in the U.S. armed forces. His last military position was as director of the Strategic Studies Institute of the U.S. Army War College.

Following three years in the Marine Corps, Commissioner Wortzel enlisted in the U.S. Army in 1970. His first assignment with the Army Security Agency took him to Thailand, where he focused on Chinese military communications in Vietnam and Laos. Within three years, he had graduated Infantry Officer Candidate School, as well as both Airborne and Ranger schools. After serving four years as an infantry officer in Korea and at Fort Benning, Georgia, he shifted to military intelligence. Wortzel traveled regularly to throughout Asia while serving the U.S. Pacific Command as a political-military affairs analyst from 1978 to 1982. The following year he attended the National University of Singapore, where he studied advanced Chinese and traveled in China and Southeast Asia. He next worked for the Under Secretary of Defense for Policy, developing counterintelligence programs to protect emerging defense technologies from foreign espionage. In addition, for the Army Intelligence and Security Command, he managed programs to gather foreign intelligence.

From 1988 to 1990, Commissioner Wortzel was Assistant Army Attaché at the U.S. Embassy in China, where he witnessed and reported on the Tiananmen Massacre. After assignments as an Army strategist and managing Army intelligence officers, he returned to China in 1995 as the Army Attaché. In December 1997, he became a faculty member of the U.S. Army War College, serving as director of the Strategic Studies Institute. He retired from the Army as a colonel.

Commissioner Wortzel's books include *Class in China: Stratification in a Classless Society* (Greenwood Press, 1987), *China's Military Modernization: International Implications* (Greenwood, 1988), *The Chinese Armed Forces in the 21st Century* (Carlisle, PA, 1999), and *Dictionary of Contemporary Chinese Military History* (Greenwood, 1999). He regularly publishes articles on Asian security matters.

A graduate of the Armed Forces Staff College and the U.S. Army War College, Commissioner Wortzel earned his B.A. from Columbus College, Georgia, and his M.A. and Ph.D. from the University of Hawaii. He and his wife, Christine, have two married sons and two grandchildren.

APPENDIX III
PUBLIC HEARINGS OF THE COMMISSION

Full transcripts and written testimonies are available online at
the Commission's Website: www.uscc.gov

**February 1st & 2nd, 2007: Public Hearing on “the U.S.-China
Relationship: Economics and Security in Perspective,”
Washington, D.C.**

Commissioners present: Carolyn Bartholomew, Chairman, (Hearing Co-Chair); Daniel Blumenthal, Vice Chairman, (Hearing Co-Chair); C. Richard D'Amato, Larry M. Wortzel, Michael R. Wessel, Peter Videnieks, Peter Brookes, Jeffrey Fiedler, Kerri Houston, William Reinsch.

Congressional Perspectives: J. Randy Forbes, U. S. Congressman from the Commonwealth of Virginia; Ben Cardin, U.S. Senator from the State of Maryland; Carl Levin, U.S. Senator from the State of Michigan; Sherrod Brown, U.S. Senator from the State of Ohio.

Witnesses: Honorable Richard Lawless, Deputy Under Secretary for Asian and Pacific Security Affairs, Department of Defense; David L. Pumphrey, Deputy Assistant Secretary for International Energy Cooperation, Department of Energy; John Norris, Acting Deputy Assistant Secretary for East Asian and Pacific Affairs, Department of State; James Mann, Johns Hopkins University; Phillip Saunders, Ph.D., National Defense University; Thea Lee, American Federation of Labor and Congress of Industrial Organizations; Grant Aldonas, Center for Strategic and International Studies; Peter Navarro, Ph.D., The Paul Merage School of Business, University of California, Irvine; Thomas P. Ehrhard, Ph.D., Center for Strategic and Budgetary Assessments; Charles Hooper, Colonel, School of International Graduate Studies, Naval Postgraduate School; Kenneth Allen, The Center for Naval Analysis Corporation; Edward Friedman, Ph.D., University of Wisconsin; Shiping Hua, Ph.D., University of Louisville; Alan M. Wachman, Ph.D., The Fletcher School of Law and Diplomacy, Tufts University;

**March 29th & 30th, 2007: Public Hearing on “China's Military
Modernization and Its Impact on the United States and the Asia-
Pacific,”
Washington, D.C.**

Commissioners present: Carolyn Bartholomew, Chairman; Daniel Blumenthal, Vice Chairman; Larry M. Wortzel (Hearing Co-Chair); William A. Reinsch (Hearing Co-Chair); C. Richard D'Amato, Michael R. Wessel, Peter Videnieks, Peter Brookes, Jeffrey Fiedler, Kerri Houston, Dennis Shea, Mark Esper.

Congressional Perspectives: Dana Rohrabacher, U.S. Congressman from the State of California; Madeleine Bordallo, U.S. Congresswoman from the U.S. Territory of Guam; Tim Ryan, U.S. Congressman from the State of Ohio; Duncan Hunter, U.S. Congressman from the State of California.

Witnesses: William J. Schneider, Jr., Ph.D., Defense Science Board; Michael G. Vickers, Center for Strategic and Budgetary Assessments; Derek S. Reveron, Ph.D., U.S. Naval War College; Robert J. Bunker, CEO, Counter-OPFOR Corporation; General James E. Cartwright, Commander, U.S. Strategic Command; Andrew S. Erickson, Ph.D., U.S. Naval War College; Cortez A. Cooper, III, Hicks and Associates, Inc.; Retired Rear Admiral Eric McVadon, Institute of Foreign Policy Analysis; Bernard D. Cole, Ph.D., National War College; Mark Cozad, Defense Intelligence Agency; Ehsan Ahrari, Ph.D., Asia-Pacific Center for Security Studies; James A. Lewis, Ph.D., Center for Strategic and International Studies; Michael P. Pillsbury, Ph.D., Department of Defense; Eric D. Hagt, World Security Institute; Dean Cheng, Center for Naval Analysis Corporation; Mary C. Fitzgerald, Hudson Institute.

**May 24th & 25th, 2007: Public Hearing on “the Extent of the
Government’s Control of China’s Economy, and Implications for the
United States,”
Washington, D.C.**

Commissioners present: Carolyn Bartholomew, Chairman; Daniel Blumenthal, Vice Chairman; Jeffrey Fiedler (Hearing Co-Chair); Kerri Houston (Hearing Co-Chair); Michael R. Wessel (Hearing Co-Chair); Larry M. Wortzel, William A. Reinsch, C. Richard D’Amato, Peter Videnieks, Peter Brookes, Dennis Shea, Mark Esper.

Congressional Perspectives: Donald A. Manzullo, U.S. Congressman from the State of Illinois; Carolyn Cheeks Kilpatrick, U.S. Congresswoman from the State of Michigan; Walter B. Jones, U.S. Congressman from the State of North Carolina.

Witnesses: Barry Naughton, Ph.D., University of California, San Diego; Clyde Prestowitz, President, Economic Strategy Institute; Scott Kennedy, Ph.D., University of Indiana; George T. Haley, Ph.D., University of New Haven; Thomas R. Howell, Dewey Ballantine LLP; David M. Marchick, Covington & Burling LLP; Bradley Setser, Ph.D., Roubini Global Economics; Daniel Rosen, China Strategic Advisory; Barry Solarz, American Iron and Steel Institute; David Pritchard, Ph.D., State University of New York.

Alphabetical Listing of Panelists Testifying before USCC

Panelist Name	Panelist Affiliation	USCC Hearing
Ahrari, Ehsan	Asia-Pacific Center for Security Studies	March 29-30, 2007
Aldonas, Grant	Center for Strategic and International Studies	February 1-2, 2007
Allen, Kenneth	Center for Naval Analysis Corporation	February 1-2, 2007
Bordallo, Madeleine	Congresswoman	March 29-30, 2007
Brown, Sherrod	Senator	February 1-2, 2007
Bunker, Robert J.	Counter-OPFOR Corporation	March 29-30, 2007
Cardin, Ben	Senator	February 1-2, 2007
Cartwright, James E.	U.S. Strategic Command	March 29-30, 2007
Cheng, Dean	Center for Naval Analysis Corporation	March 29-30, 2007
Cole, Bernard D.	National War College	March 29-30, 2007
Cooper, Cortez A.	Hicks and Associates, Inc.	March 29-30, 2007
Cozad, Mark	Defense Intelligence Agency	March 29-30, 2007
Ehrhard, Thomas P.	Center for Strategic and Budgetary Assessments	February 1-2, 2007
Erickson, Andrew S.	U.S. Naval War College	March 29-30, 2007
Fitzgerald, Mary C.	Hudson Institute	March 29-30, 2007
Forbes, J. Randy	Congressman	February 1-2, 2007
Friedman, Edward	University of Wisconsin	February 1-2, 2007
Hagt, Eric D.	World Security Institute	March 29-30, 2007
Haley, George T.	University of New Haven	May 24-25, 2007
Hooper, Charles	Naval Postgraduate School	February 1-2, 2007

Alphabetical Listing of Panelists Testifying before USCC—Continued

Howell, Thomas R.	Dewey Ballantine LLP	May 24-25, 2007
Hua, Shiping	University of Louisville	February 1-2, 2007
Hunter, Duncan	Congressman	March 29-30, 2007
Jones, Walter B.	Congressman	May 24-25, 2007
Kennedy, Scott	University of Indiana	May 24-25, 2007
Kilpatrick, Carolyn Cheeks	Congresswoman	May 24-25, 2007
Lawless, Richard	Department of Defense	February 1-2, 2007
Lee, Thea	American Federation of Labor and Congress of Industrial Organizations	February 1-2, 2007
Levin, Carl	Senator	February 1-2, 2007
Lewis, James A.	Center for Strategic and International Studies	March 29-30, 2007
Mann, James	Johns Hopkins University	February 1-2, 2007
Manzullo, Donald A.	Congressman	May 24-25, 2007
Marchick, David M.	Covington & Burling LLP	May 24-25, 2007
McVadon, Eric	Institute for Foreign Policy Analysis	March 29-30, 2007
Naughton, Barry	University of California, San Diego	May 24-25, 2007
Navarro, Peter	University of California, Irvine	February 1-2, 2007
Norris, John	Department of State	February 1-2, 2007
Pillsbury, Michael P.	Consultant	March 29-30, 2007
Prestowitz, Clyde	Economic Strategy Institute	May 24-25, 2007
Pritchard, David	State University of New York	May 24-25, 2007

Alphabetical Listing of Panelists Testifying before USCC—Continued

Pumphrey, David L.	Department of Energy	February 1-2, 2007
Reveron, Derek S.	U.S. Naval War College	March 29-30, 2007
Rohrabacher, Dana	Congressman	March 29-30, 2007
Rosen, Daniel	China Strategic Advisory	May 24-25, 2007
Ryan, Tim	Congressman	March 29-30, 2007
Saunders, Phillip	National Defense University	February 1-2, 2007
Schneider Jr., William J.	Defense Science Board	March 29-30, 2007
Setser, Bradley	Roubini Global Economics	May 24-25, 2007
Solarz, Barry	American Iron and Steel Institute	May 24-25, 2007
Vickers, Michael G.	Center for Strategic and Budgetary Assessments	March 29-30, 2007
Wachman, Alan M.	The Fletcher School, Tufts University	February 1-2, 2007

APPENDIX IV
U.S.-China Economic and Security Review Commission
2007 WORK PLAN
COMMISSION HEARINGS, MEETINGS, AND ASIA TRIP

NOTE: Other briefings and meetings will be added throughout the year

1. February 1-2
(Thursday-Friday) 1st Public Hearing: *The U.S. China Relationship: Economics and Security in Perspective*. Washington, D.C.
2. February 2
(Friday) First Quarterly Business Meeting (for first quarter, CY 2007). Washington, D.C.
3. March 28
(Wednesday) Classified Briefings by the Central Intelligence Agency, Defense Intelligence Agency, and the Federal Bureau of Investigation on the role of U.S. technology in China's military modernization. Washington, D.C.
4. March 29-30
(Thursday-Friday) 2nd Public Hearing: *China's Military Modernization and its Impact on the United States and the Asia-Pacific*. Washington, D.C.
5. April 17
(Tuesday) Classified Briefing by the Defense Information Systems Agency on China's cyber capabilities and activities. Washington, D.C.
6. April 21-May
7. May 24-25
(Thursday-Friday) 3rd Public Hearing: *The Extent of the Government's Control of China's Economy, and Implications for the United States*. Washington, D.C.
8. May 25
(Friday) Second Quarterly Business Meeting (for second quarter, CY 2007). Washington, D.C.
9. June 1 (Friday) Formal transmittal of Commission Report to Congress required by statute
10. June 14-15
(Thursday-Friday) 4th Public Hearing: *China's Energy Consumption and Opportunities for U.S.-China Cooperation to Address the Effects of China's Energy Use*. Washington, D.C.
11. June 28-29
(Thursday-Friday) Field Briefing: China's science and technology status and progress compared to that of the United States, particularly in fields of military utility/application. Briefings will be provided by the Office of the Secretary of Defense and the science and technology branches of the four military services. Location: Wright-Patterson AFB, Ohio.
12. July 12-13 5th Public Hearing: *China's Proliferation, and the Impact on the U.S. Defense*

- (Thursday-Friday) ***Industrial Base of the Movement of U.S. Manufacturing to China.***
Washington, D. C.
13. July 31 (Tuesday) 6th Public Hearing: ***China’s Freedom of Expression and Media Control.***
Washington, D. C.
14. August 1-2 (Wednesday-Thursday) Commissioners’ meeting to review and edit staff drafts of the first tranche of the 2007 End-of-Year Report. Washington, D.C.
15. August 11-22 Commission delegation to Taiwan
16. September 5-6 (Thursday-Friday) 7th Public Hearing: ***The Impact of Trade with China on North Carolina’s “Old Economy” and “New Economy” Industries.*** Chapel Hill, North Carolina.
17. September 25-26 (Tuesday-Wednesday) 8th Public Hearing: ***The U.S. China Relationship: Economics and Security in Perspective – Annual Retrospective.*** Washington, D.C.
18. September 26 (Wednesday) Third Quarterly Business Meeting (for third quarter, CY 2007). Washington, D.C.
19. October 11-12 (Thursday-Friday) Commissioners’ meeting to review and edit staff drafts of the second tranche of the 2007 End-of-Year Report. Washington, D.C.
20. October 22-26 (Monday-Friday) Commissioners’ meeting to review and make final edits to the 2007 End-of-Year Report, and to vote on submitting the Report to Congress. Washington, D.C.
21. November 15 (Thursday) Formal transmittal of 2007 End-of-Year Report to Congress
22. December 13 (Thursday) Fourth Quarterly Business Meeting (for fourth quarter, CY 2007). Election of Chairman and Vice Chairman for 2008. Washington, D.C.

Appendix V

Commission Staff

T. Scott Bunton, *Executive Director*
Kathleen J. Michels, *Associate Director*

Paul Magnusson, *Senior Policy Analyst for Trade and Economics*
Luke Armerding, *(former) Policy Analyst for Military and Security Issues*
Omar Aslam, *Program Assistant*
Jacob Barrett, *(former) Research Assistant*
Carmela Bradshaw, *Office Manager*
M.L. Faunce, *Program Assistant*
Teresa Garcia, *Executive/Administrative Assistant*
Shannon Knight, *Policy Analyst for Military and Security Issues*
C. Erik Lundh, *Policy Analyst for Economics and Trade*
Marta McLellan, *Policy Analyst for Foreign Affairs and Energy*
Erik Pederson, *Congressional Liaison*
Carmen Arleth Zagursky, *(former) Research Coordinator*
Nargiza Salidjanova, *Research Assistant*
Kathleen Wilson, *Management Analyst*
