

# Contents

TRANSMITTAL LETTER TO THE CONGRESS.....	iii
COMMISSIONERS APPROVING THE REPORT.....	v
EXECUTIVE SUMMARY.....	1
KEY RECOMMENDATIONS TO CONGRESS.....	13
INTRODUCTION.....	15

## 2006 REPORT TO CONGRESS OF THE U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

<b>Chapter 1: The U.S.-China Trade and Economic Relationship.....</b>	<b>19</b>
Overview.....	19
1. The Status of China’s Compliance with its World Trade Organization Obligations, and the Impact of China’s Industrial Subsidies on U.S. and Other Markets.....	21
2. China’s Approach to Intellectual Property Rights and its Production of Counterfeit Goods... 27	
3. China’s Financial System and Monetary Policies and their Effects on the United States.....	41
Recommendations to Congress.....	51
<b>Chapter 2: China’s Global and Regional Activities and Other Geostrategic     Developments.....</b>	<b>53</b>
1. China’s Regional Activities.....	53
2. China’s Proliferation and Involvement in North Korea’s and Iran’s Nuclearization Activities.....	71
3. China’s Energy Needs and Strategies.....	89
Recommendations to Congress.....	103
<b>Chapter 3: China’s Military Power and its Effects on American Interests and     Regional Security.....</b>	<b>105</b>
1. China’s Military Modernization.....	105
2. The Effect of U.S. and Multilateral Export Controls on China’s Military Modernization.....	121
3. The Military Balance Across the Taiwan Strait.....	129
Recommendations to Congress.....	139
<b>Chapter 4: A Case Study of the Automotive Industry that Illustrates Challenges     to U.S. Manufacturing and the U.S. Defense Industrial Base.....</b>	<b>141</b>
Recommendations to Congress.....	153

<b>Chapter 5: China’s Internal Problems, Beijing’s Response, and Implications for the United States</b> .....	155
Recommendations to Congress.....	167
<b>Chapter 6: China’s Media and Information Controls</b> .....	169
Recommendations to Congress.....	173
<b>Comprehensive List of the Commission’s Recommendations</b> .....	175
<b>Additional Views of Commissioners</b> .....	181
<b>Appendices:</b>	
<b>Appendix I: U.S.-China Economic and Security Review Commission Charter</b>	
<b>Appendix II: Background on Commissioners</b>	
<b>Appendix III: Public Hearings of the Commission</b>	
<b>Appendix IV: List of Witnesses Who Testified at Commission Public Hearings</b>	
<b>Appendix V: List of Research Material</b>	
<b>Appendix VI: Abbreviations</b>	
<b>Appendix VII: Excerpts from U.S. Department of State Report <i>Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments</i></b>	
<b>Commission Staff and Acknowledgements</b> .....	234