

Chinese Spying No. 1 Threat To U.S. Manufacturing

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WASHINGTON (AP) — A congressional advisory panel said Thursday that Chinese spying in America represents the greatest threat to U.S. technology and recommended lawmakers consider financing counterintelligence efforts meant to stop China from stealing U.S. manufacturing expertise.

The U.S.-China Economic and Security Review Commission also said in its annual report to Congress that small and medium U.S. manufacturers, which represent more than half the manufacturing jobs in America, "face the full brunt of China's unfair trade practices, including currency manipulation and illegal subsidies for Chinese exports."

China's economic policies create a trade relationship that is "severely out of balance" in China's favor, said the commission, which Congress set up in 2000 to investigate and report on U.S.-China issues.

Carolyn Bartholomew, the commission's chairwoman, told reporters that "China's interest in moving toward a free market economy is not just stalling but is actually now reversing course."

China denied any spying activities, stressing the importance of healthy economic ties with the U.S. "China never does anything undermining the interests of other countries," Chinese Foreign Ministry spokesman Liu Jianchao said at a regular briefing Thursday in Beijing. "China and the U.S. have a fundamental common interest in promoting sound and rapid development."

The report comes about a year before U.S. presidential and congressional elections, and candidates have been critical of what they see as China's failure to live up to its responsibilities as an emerging superpower. China often is singled out for its flood of goods into the United States; for building a massive, secretive military; for abusing its citizens' rights; and for befriending rogue nations to secure sources of energy.

U.S. officials also recognize that the U.S. needs China, a veto-holding member of the U.N. Security Council, to secure punishment for Iran's nuclear program and to persuade North Korea to give up its nuclear weapons.

The commission's Democratic and Republican appointees have begun meeting with congressional staff and lawmakers to discuss the report's 42 recommendations.

In the report, the commission said China's spies allow Chinese companies to get new technology "without the necessity of investing time or money to perform research." Chinese espionage was said to be straining U.S. counterintelligence officials and helping China's military modernization.

China, the report said, enlists engineers and scientists to obtain valuable information from foreign sources "by whatever means possible — including theft."

Daniel Blumenthal, the commission's vice chair, said the pace of China's military buildup is outpacing U.S. estimates and "causing a lot of surprise" among government and private analysts.

While the report praised China for some economic progress this year, improvements were undertaken "with great hesitancy and, even then, only with the prodding of other nations and the World Trade Organization."

China, it said, "maintains a preference for authoritarian controls over its economy" and has done too little to police widespread copyright piracy of foreign goods sold in China.

The commission also faulted China for keeping its currency artificially low. American manufacturers have long complained that Beijing's low currency makes Chinese goods cheaper in the United States and American products more expensive in China.

China's dependence on coal, lack of energy efficiency and poor enforcement of environmental regulations, the report said, "are creating devastating environmental effects that extend throughout the region and beyond to the United States."

The commission said tensions between Taiwan and China have created an "emotionally charged standoff that risks armed conflict if not carefully managed by both sides. Such a conflict could involve the United States."

The U.S. has hinted it would go to war to protect Taiwan if nuclear-armed China were to attack. China claims Taiwan as its own and vows to attack at any declaration of independence by the island's leaders.

The report also described what it said was China's tight control over information distribution, which allows Beijing "to manage and manipulate the perceptions of the Chinese people, often promoting nationalism and xenophobia."

Beijing, the report said, uses its control of the media to influence its perception in the U.S.; that could endanger U.S. citizens if reports on food and product safety and disease outbreaks are manipulated.