

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-China Relations:

China Makes Strides with AIIB and a Great Wall of Sand

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2015 opened with high-level exchanges in preparation for the Strategic and Economic Dialogue, scheduled for early summer, and Xi Jinping's state visit in September. Visits to China were made by Deputy Secretary of State Tony Blinken, Treasury Secretary Jacob Lew, Commerce Secretary Penny Pritzker, and Homeland Security Secretary Jeh Johnson. Chinese State Councilor Yang Jiechi met National Security Adviser Susan Rice in New York. Military exchanges included dialogues, ship visits, joint drills, and video calls. The South China Sea remained a source of friction as evidence mounted that China is building military outposts on reefs in the Spratly Islands. In response to the issuance of the revised US-Japan Defense Guidelines, China voiced concerns and called the alliance outdated. Despite US objections, a total of 57 countries signed up to be founding members of the Chinese-led Asian Infrastructure Investment Bank. China held its annual meetings of the National People's Congress and the Chinese People's Political Consultative Congress, announcing an economic growth target of around 7 percent and an increase in its defense budget of 10.1 percent in 2015.

Preparing for the S&ED and President Xi's September visit

In an unusual move, the US and China announced seven months in advance that Chinese President Xi Jinping will make a state visit to the US later this year. The visit was publicized on Feb. 6, at the same time that the US announced that Prime Minister Abe Shinzo of Japan would also make a state visit, and that South Korea's President Park Geun-hye and Indonesia's President Joko Widodo would be welcomed in the White House in 2015. Together, the planned visits by four leaders from leading Asian nations appeared designed to emphasize the priority that the Obama administration continues to attach to Asia. Although an exact date for Xi's visit was not made public, it is certain to occur either before or after Xi attends the UN General Assembly meeting to mark the 70th anniversary of the founding of the UN in mid-September.

The annual Strategic and Economic Dialogue (S&ED) is expected to take place in early summer. Preparations for the Strategic Track began with the visit of Deputy Secretary of State Tony Blinken to Beijing on Feb. 11. At the Chinese Foreign Ministry, Blinken met with Foreign Minister Wang Yi and Vice Foreign Minister Zhang Yesui. Wang called for both countries to "timely carry out strategic communication, jointly plan the major agendas within the year, deepen practical cooperation in various fields, and constructively manage, control, and handle differences, and ensure President Xi Jinping's smooth and successful state visit to the United States." Achieving these goals, he said, would "promote new and continuous progress in the construction of the new model of major country relations between China and the US." The issues discussed included a broad range of regional and global challenges, including North

Korea, Iran, and the threat posed by violent jihadism, including by the Islamic State extremists. In a Twitter Q&A before his departure, Blinken said that the US appreciates the strong solidarity in the P5+1, including China, to prevent Iran from acquiring nuclear weapons. A month prior to Blinken's visit, Under Secretary of State for Political Affairs Wendy Sherman traveled to Beijing to discuss the negotiations between the P5+1 and Iran.

Two weeks later, National Security Adviser Susan Rice met Chinese State Councilor Yang Jiechi in New York. According to a National Security Council spokesperson, the two officials agreed to strengthen coordination on regional and global challenges, including North Korea, Iran, Afghanistan, global health security, and counterterrorism. Rice underscored the importance of expanding "tangible cooperation on shared interests" while "addressing areas of disagreement, including cyber issues." A Chinese Foreign Ministry account of the meeting noted that Rice and Yang exchanged views on the series of commemorations for the 70th anniversary of the founding of the UN, the post-2015 development agenda, climate change, counterterrorism, the fight against the Ebola epidemic, and other issues. Yang highlighted the phone conversation between President Xi Jinping and Barack Obama on Feb. 10, saying that both leaders had "put forward important guiding ideas on further building the new model of major country relationship between China and the US." Yang also reiterated that China and the US should "respect each other's core interests and major concerns," expand practical cooperation, enhance communication and coordination, properly handle differences and sensitive issues, carefully plan and carry out bilateral exchanges, and push bilateral relations for greater progress in the new year.

US Treasury Secretary Jack Lew traveled to Beijing March 28-31 to "hold discussions with senior Chinese officials on the US, Chinese, and global economies," and to prepare for the upcoming S&ED. In a meeting with Chinese Premier Li Keqiang, Lew reportedly stressed his hope that progress will be achieved in the Bilateral Investment Treaty (BIT) negotiations between the two nations, especially on the "negative list," which denotes sectors and items barred to investment by the other side. According to China's state-run media agency, *Xinhua*, Li expressed his government's wishes that the US would relax limits on exports of high technology to China, approve IMF reforms to give China more sway in the organization, and support the adoption of the RMB as a global reserve currency.

In his meeting with Chinese Vice Premier Wang Yang that same day, Lew re-stated the longstanding US position that China should move to a more transparent and market-determined exchange rate policy. He also conveyed US concerns with several recently drafted Chinese laws, including a counterterrorism regulation and a new law on the banking industry, both of which could hinder foreign competition in the Chinese market. Lew shared US "concerns regarding forced technology transfer and other attempts to bar technological competition," echoing a strong statement by President Obama earlier that month. In a March 2 interview with *Reuters*, Obama charged that the draft counterterrorism law "would essentially force all foreign companies, including US companies, to turn over to the Chinese government mechanisms where they can snoop and keep track of all the users of those services." The draft banking law will similarly require companies to turn over sensitive information to Beijing. Stating that he has spoken directly with President Xi on the matter, Obama emphasized that he has made it "very clear to [the Chinese] that this is something they are going to have to change if they are to do business with the United States."

On March 12, the White House Cybersecurity Coordinator Michael Daniel stated that the Chinese “decided to suspend the third reading” of the counterterrorism law. Four days later, however, Chinese Foreign Ministry Spokesman Hong Lei told the media that the “third round [of negotiations] is yet to come,” indicating that the government will continue to move ahead with the drafting process, despite international concerns. One month later, frustrated trade groups from the US, Japan, and Europe penned a letter to Beijing which claimed that, “Chinese banks are continuing to implement new procurement practices . . . creating urgent challenges for companies whose products and services are affected by them.” The letter called on Beijing to suspend the implementation of the new laws. In reply, Foreign Ministry Spokesman Hong Lei said it was “utterly necessary for China to enhance information security of the banking industry,” and said he hoped that others could “understand and respect” China’s efforts. In response to increasing pressure from the US and others, the Chinese government once again agreed to delay the review and implementation of the controversial regulations on April 13. It remains unclear how long this latest delay will be in effect.

On the way back from Beijing, Secretary Lew stopped at the Asia Society Northern California and gave a speech about the state of US-China economic relations and the Chinese economy. Lew acknowledged that the Chinese government has loosened its restrictions on its currency, but said that “further liberalization and reform are needed for the [yuan] to meet [the IMF] standard,” indicating that from the US perspective, the RMB is not yet ready to become a reserve currency. Lew also criticized China for delaying its efforts to open up the Chinese economy and reiterated US calls for Beijing to take action to remove barriers to foreign technology, provide enhanced protection of intellectual property, and adopt a market-determined exchange rate policy. Speaking about the BIT, Lew maintained that a successful deal will “need to have ambitious standards for investment and include real opportunities for [US] workers and firms.” He underscored that it is “critical that the negative list be short, limited in scope and narrowly defined.” China apparently has its own concerns about the negative list. On April 21, Lou Jiwei, China’s finance minister, said China is “uncomfortable with” the negative list provided by the US. In an interview with *Xinhua*, Lou stated, that the list “increases the uncertainty for Chinese investors in the United States.”

US Commerce Secretary Penny Pritzker led a delegation with representatives from 24 US companies to Beijing, Shanghai, and Guangzhou on a clean energy trade mission from April 11-17. In a meeting with Chinese Premier Li Keqiang, Pritzker expressed US willingness to increase cooperation on environmental protection and clean energy, said that the US welcomes more Chinese investment in the United States, and reiterated the US commitment to making progress on BIT talks. Pritzker also reinforced US concerns over new Chinese counterterrorism and banking regulations. Speaking at a roundtable on April 14 with Chinese and foreign media, she said “the approach that we’ve taken with the Chinese government is, one, to first of all aggressively talk about the challenges that some of the regulations might do to impede trade.” Li reportedly echoed Pritzker’s commitments to clean energy and environmental cooperation, and encouraged progress on “high-level and balanced” BIT. In addition, he pledged that China “will continue to open wider to the world and will have a more transparent and predictable market.” Li also reiterated calls for the US to lift controls on the export of high-technology products to China. According to one participant, the premier threatened to take Chinese business elsewhere

unless the US eases its current restrictions. Speaking to the press on April 14, Pritzker defended US regulations saying, “export controls are not an impediment to US trade in high technology ... we have to remember why export controls exist, and it’s really for our national security.”

In early April, US Secretary of Homeland Security Jeh Johnson visited China for the talks with Chinese Minister of Public Security (MPS) Guo Shengkun. The visit marked the first-ever ministerial meeting between the US Department of Homeland Security (DHS) and the Chinese MPS. According to a fact sheet issued by DHS after the visit, the two sides agreed to establish cyber discussions between DHS and MPS to “achieve concrete cooperation and set a path to reestablishing a full government to government cyber dialogue.” They also decided to increase information sharing on the cross-border movement of foreign terrorist fighters through appropriate international databases. Agreement was reached to improve cooperation on repatriation and fugitive cases, which is a high priority for Xi Jinping as he executes a high-profile anti-corruption campaign. In addition, the two sides pledged to enhance information sharing aimed at targeting enforcement of intellectual property cases and stemming proliferation of illicit precursor chemicals and improvised explosive devices. Finally, it was agreed that Minister Guo Shengkun would visit the US before the end of 2015.

Dalai Lama visit is a minor blip

For the first time, the Dalai Lama attended the National Prayer Breakfast in Washington on Feb. 5. President Obama, who has continued the tradition of presidents speaking at the annual event that began with Dwight Eisenhower in 1953, welcomed the spiritual leader as a “good friend.” In a personal gesture, the president pressed his hands together in a prayer-like position and bowed his head in the Dalai Lama’s direction, then gave him a big smile. In his speech, Obama lauded His Holiness as “a powerful example of what it means to practice compassion” and praised him as someone “who inspires us to speak up for the freedom and dignity of all human beings.”

Obama did not meet separately with the Dalai Lama in the White House, however, which he has done on three prior occasions since becoming president. Nevertheless, Beijing was incensed, probably due to the public nature of the event. Chinese Foreign Ministry spokesman Hong Lei charged the Tibetan spiritual leader with working to overthrow Chinese rule over the Himalayan region under the cover of religion. “We oppose any other country’s decision to allow Dalai to visit, and we oppose any country’s interference in China’s internal politics by exploiting the Tibet issues,” Hong said at a news conference. He also voiced China’s opposition to any country’s decision to provide platforms for the Dalai Lama, as well as any foreign leaders’ meeting with the Dalai Lama.

China’s official *Xinhua News Agency* warned in an editorial that a “meeting” or “encounter” between President Obama and the Dalai Lama would have “negative consequences” and “reverse the positive trends” in US-China relations. The episode appeared to have little, if any, fallout for the bilateral relationship, however.

Tensions rise over China’s “great wall of sand”

The South China Sea remained a top item on the US agenda with China in the first four months of 2015 as satellite and aerial images revealed China’s dredging was accelerating and expanding.

China's construction of artificial islands is taking place on seven of the eight reefs that China occupies in the Spratly Archipelago. New images released by *IHS Janes Defense Weekly* in February showed that China has built an island the size of 14 football fields that includes two piers, a cement plant, and a helipad at Hughes reef, which lies about 210 miles from the Philippines and 660 miles from China. New land reclamation activity also apparently took place at Johnson South Reef and Gaven Reef. At Fiery Cross Reef, Chinese dredgers have created a land mass that "spans the entire existing reef and is approximately 3,000 meters long and 200-300 meters wide," according to the Asia Maritime Transparency Initiative (AMTI) at the Center for Strategic and International Studies. AMTI images also revealed Chinese dredging activity on Mischief Reef, a submerged feature situated inside the Philippines exclusive economic zone.

Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel expressed US concerns about China's land reclamation activities during a visit to Beijing in February. Russel told the *Los Angeles Times* that China's reclamation work "is destabilizing and is at odds with the commitments the Chinese made" to members of ASEAN. While acknowledging that claimants Vietnam, the Philippines, Taiwan, and Malaysia have also engaged in some dredging, Russel maintained that "the sheer acreage of China's land reclamation work over the past two to three years dwarfs anything and everything other claimants have done by many times over."

US concerns were expressed publicly by Assistant Secretary of Defense for Asian and Pacific Security Affairs David Shear in early March. Shear told reporters that China has "added more land to features it occupies over the last five months than other claimants have added there over the last five years." He warned Beijing against building military facilities on the reclaimed features, saying, "It will have potentially negative effects on security and stability in the region." China immediately rejected US criticism of its land reclamation activities. Foreign Minister Wang Yi insisted that its construction "does not target or affect anyone" and is "lawful and justified." Wang also stated "we are not like some countries who engage in illegal construction in another person's house and we do not accept criticism from others when we are merely building facilities in our own yard."

Adm. Harry Harris, commander of the US Pacific Fleet, told a naval conference in Australia on March 31 that "China is creating a Great Wall of sand with dredges and bulldozers." The pace and extent of China's construction "raises serious questions about Chinese intentions," he added. Other US military officers also made comments that revealed growing US concerns about stability in the South China Sea. In late January, Vice Adm. Robert Thomas, commander of the Seventh Fleet, told *Reuters* that the US would welcome a Japanese decision to extend its air patrols from the East China Sea into the South China Sea. Two months later, Thomas said the US would support a combined ASEAN maritime patrol in the South China Sea.

In an effort to prod the Obama administration to take action, Senators John McCain, Jack Reed, Robert Menendez, and Robert Corker penned a letter to Secretary of Defense Ashton Carter and Secretary of State Kerry on March 19. In the letter, they described the pace and scope of China's land reclamation as "alarming" and warned that attempts by China to militarize the artificial islands would hold "serious consequences for peace and stability in the region." The senators called for a "formal policy and clearly articulated strategy" to address Chinese coercion in the South China Sea.

Also, in mid-March, Chinese Coast Guard vessels attempted to block two Filipino civilian vessels from resupplying marines deployed on Second Thomas Shoal. A State Department spokesperson said the US was “troubled” by China’s action and called it a “provocative move that raises tensions.” A month prior, the US signaled its interests in the maintenance of peace of stability by flying a *P-8A Poseidon*, its most advanced naval surveillance plane, over disputed areas of the South China Sea. The flight originated from a former US airbase about 80 km north of Manila.

Speaking to reporters after meeting Japanese Defense Minister Nakatani Gen in Tokyo on April 9, Defense Secretary Ashton Carter said the US prioritizes stability in the Asia-Pacific and wants to ensure “no changes in the status quo are made coercively and that territorial disputes, which are long-standing, are not militarized.” Carter later told the *Yomiuri Shimbun*: “We are concerned by the scope and pace of China’s land reclamation activities, which are inconsistent with China’s own past commitments to ASEAN countries. We are especially concerned at the prospect of militarization of these outposts. These activities seriously increase tensions and reduce prospects for diplomatic solutions. We urge China to limit its activities and exercise restraint to improve regional trust.”

The torrent of criticism from the US prompted the Chinese Foreign Ministry to provide the most detailed explanation so far of China’s motivation for carrying out its massive land reclamation activities in the South China Sea. On April 9, the ministry’s spokesperson acknowledged for the first time that the construction is aimed in part at “satisfying necessary military defense requirements.” She emphasized, however, that China’s main purpose is to provide “civilian facilities such as typhoon shelters, navigation aids, search-and-rescue centers, marine meteorological forecasting stations, fishing services, and civil administration offices” for China, its neighbors, and international vessels sailing in the South China Sea.

President Obama weighed in the following day while on a trip to Jamaica, voicing concern that China is using its “sheer size and muscle” to push around smaller nations in the South China Sea. “Just because the Philippines or Vietnam are not as large as China doesn’t mean that they can just be elbowed aside,” Obama added. China’s Foreign Ministry spokesperson quickly shot back, saying that “everyone can see very clearly who it is in the world who is using the greatest size and muscle.” She called for the US to do more to show that it wants to play a constructive, responsible, and positive role in the South China Sea.

The South China Sea was a prominent issue in hearings held by the House Armed Services Committee in mid-April. Adm. Samuel Locklear, commander of the US Pacific Command, warned that China’s island garrisons would give the ability for greater presence, increase dwell time for military and coast guard assets, and expand the areas covered by surveillance and area-denial systems. He also indicated that China could eventually deploy radar and missile systems on the outposts that could be used to enforce an air exclusion zone over the disputed territory. US Undersecretary of Defense Christine Wormuth, who also testified before the committee, called for China “to clarify the meaning of its ambiguous nine-dash line claim as a starting point to reducing tensions and creating greater transparency.”

China objects to the strengthening of the US-Japan alliance

In late April, Japanese Prime Minister Abe made a historic visit to the United States that included the release of new Guidelines for US-Japan Defense Cooperation and a US-Japan Joint Vision Statement. Although neither document mentioned China, it was no secret that a key impetus behind the strengthening of the US-Japan alliance was a shared view that Chinese intentions and behavior pose growing threats to US and Japanese interests. Speaking at a joint news conference in the White House Rose Garden, President Obama accused China of “flexing its muscles” to advance its maritime claims against Asian neighbors and assured Abe of the US commitment to defense Japanese territory, including the islands that are disputed with China in the East China Sea. At the same time, however, Obama said that the new defense guidelines and a strong US-Japan alliance should not be seen as a provocation to China.

Asked about China’s response to the revised defense guidelines, which remove the geographical limits from the US-Japan security cooperation, the Foreign Ministry spokesperson said that the US and Japan “have the responsibility to ensure that their alliance does not harm a third party’s interests, including those of China, nor undermine peace and stability in the Asia-Pacific. He dubbed the alliance a “bilateral arrangement formed during the Cold War” and called for close attention to its development in a “world where the Cold War has long gone.” China’s Defense Ministry spokesperson stressed that a military alliance is outdated and goes against the world trends of peace, development, cooperation, and common prosperity.

China’s unexpected AIIB success

Frustrated with a lack of influence in global financial institutions commensurate with its enhanced economic status, China took matters into its own hands and on Oct. 24, 2014 signed an agreement to establish the Asian Infrastructure Investment Bank (AIIB) along with representatives from 21 Asian nations. The AIIB was spearheaded by China as a much-needed effort to fund development projects in the Asia-Pacific region. The bank, however, is seen by many in the US as a challenge to existing Western-led institutions, as well as a potential opportunity for China to expand its influence in the region at the US expense.

In a long overdue move, US Department of Treasury Undersecretary for International Affairs Nathan Sheets officially articulated the government position on the AIIB for the first time in a commentary published on Jan. 7 by *CNBC*. Sheets wrote, “The United States stands ready to welcome new institutions into the international development architecture, provided that they share the international community’s strong commitment to complementing the existing institutions and maintaining time-tested, and ever-improving, principles and standards.” In his State of the Union address later that month, however, President Obama signaled persistent US concerns about a Chinese effort to undermine international rules and norms that have been in place since World War II. “China wants to write the rules for the world’s fastest-growing region,” Obama charged, adding “that would put our workers and our businesses at a disadvantage.... We should write those rules. We should level the playing field.” Obama’s tougher remarks were a calculated push to persuade Congress to approve Trade Promotion

Authority and the Trans Pacific Partnership, but they also reflect underlying worries about Chinese intentions behind establishing new institutions like the AIIB.

According to media reports that surfaced as early as last October, US officials quietly but actively discouraged several US allies, including Australia and South Korea, from joining the bank, citing concerns about governance including critical social and environmental safeguards. Their efforts, however, failed miserably. On March 12, the British government declared its intention to join the AIIB as a founding member, opening the door for other US allies to follow suit. Demonstrating its frustration, an Obama administration official anonymously accused London of “constant accommodation” of China. By the March 31 deadline, AIIB founding members numbered 57 and included Australia, Israel, South Korea, Germany, France, and Italy. At a hearing held by the House Committee on Financial Services on March 17, Treasury Secretary Lew further explained the US position on the AIIB: “Our concern has always been ... will it adhere to the kinds of high standards that the international financial institutions developed.... Will it protect the rights of workers, the environment, deal with the corruption issue appropriately?” Lew also encouraged Congress to move forward with its approval of IMF reforms. “Our international credibility and influence are being threatened,” he said. “To preserve our leadership role at the IMF, it is essential that these reforms be approved. The alternative will be a loss of US influence and our ability to shape international norms and practices.”

On March 22, several days after some of its strongest allies announced their support for the AIIB, the US began to soften its rhetoric. Sheets spoke on the subject once again, proposing collaboration between the AIIB and existing multilateral lending institutions. “The US would welcome new multilateral institutions that strengthen the international financial architecture,” Sheets said. “Co-financing projects with existing institutions like the World Bank or the Asian Development Bank will help ensure that high quality, time-tested standards are maintained.” A week later, Treasury Secretary Lew reportedly told Chinese Premier Li Keqiang in their meeting in Beijing that the US is looking forward to cooperating with the AIIB and that it welcomes and supports proposals that are helpful to infrastructure construction, marking a shift in the US stance on the new bank.

President Obama voiced conditional support for the AIIB for the first time in a joint press conference with Prime Minister Abe on April 28. Saying that he wanted to “dispel this notion that we were opposed or are opposed to other countries participating in the Asia Infrastructure Bank,” Obama added: “if, in fact, the Asia Infrastructure Bank that is being set up ends up having ... safeguards, is run in a way that ultimately is actually going to lead to good infrastructure and benefit the borrowing countries, then we’re all for it.”

In a statement on March 31, the Chinese Foreign Ministry spokesperson called the AIIB “a constructive action taken by China to assume more international obligations and complement the current international economic order ... [and] a useful supplement to the existing multilateral development banks,” suggesting perhaps that the bank will indeed work within the existing global financial structure rather than compete with it. Overall, the Chinese seemed delighted with the initial success of the AIIB. Ultimately, how the bank is run will be a test of Chinese willingness to truly work within the current international system and uphold high governance

standards. Chinese Minister of Finance Lou Jiwei said on March 20 that the AIIB would begin operations by the end of the year.

US-China military exchanges

The US and Chinese militaries held their 10th Disaster Management Exchange (DME) in Guangzhou and Haikou, Hainan on Jan. 18-19. The DME included an expert academic discussion, a tabletop simulation, and a practical field exchange in the area of humanitarian assistance/disaster response. Approximately 70 US participants and PLA counterparts examined how to respond to a large-scale disaster following a typhoon in a fictional third country. US participants came from US Army Pacific, 8th Theater Sustainment Command, US Army Corps of Engineers, 18th Medical Command, Special Operations Command Pacific, US Center for Excellence in Disaster Management and Humanitarian Assistance, Hawaii Army National Guard, US Marine Corps, US Air Force, and the State Department. Site visits included the Guangdong Provincial Television Propaganda Center, the Guangzhou Center Observatory, the Provincial Disaster Management Command, and Dashatou Pier.

At the end of January, Under Secretary of Defense for Intelligence Michael Vickers visited Beijing and met Vice Chairman of China's Central Military Commission Fan Changlong. In a brief readout of the talks, China's military spokesman said that the US "totally agrees with China in pushing forward the new type of relations between the two countries, both sides should maintain high-level dialogues and promote pragmatic cooperation so as to jointly maintain strategic stability." Fan lauded the positive developments in US-China military relations and called for the US to "respect China's core interests and major concerns and appropriately handle Taiwan-related issues."

Surface Warfare Officers School (SWOS) at Naval Station Newport, Rhode Island, hosted 29 officers from the People's Liberation Army Navy (PLAN) for an exchange visit Feb. 2-4. Cmdr. Justin Kubu, SWOS director for fleet division and international training, said the visit enabled officers from both countries to gain a better understanding of their counterparts' methods for training and educating prospective commanding officers. The military exchange included an "encounter exercise" between US and Chinese navies staged in ship handling simulators that allowed the two sides to practice basic maneuvering skills and standard procedures for communicating at sea.

On Feb. 23, the littoral combat ship *USS Fort Worth* practiced implementing the Code for Unplanned Encounters at Sea (CUES) with the PLAN frigate *Hengshui*. The two ships apparently seized the opportunity since both were conducting routine training and operations in international waters of the South China Sea. Cmdr. Matt Kawas described the encounter as "safe and routine," and commended the professionalism displayed by both sides.

Two US-Chinese military dialogue mechanisms convened in February and March. The Defense Policy Coordination Talks were co-chaired by Deputy Assistant Secretary of Defense David Helvey and Deputy Director of the Chinese Ministry of National Defense Foreign Affairs Office Rear Adm. Li Ji at the Pentagon on Feb. 5. The following month, on March 10, the two sides held the inaugural meeting of the Asia-Pacific Dialogue led by Assistant Secretary of Defense

for Asian and Pacific Security Affairs David Shear and Rear Adm. Guan Youfei, director of the Defense Ministry's Foreign Affairs Office. Neither side provided details about the contents of the meetings. The Pentagon stated only that Shear and Guan discussed "security interests of mutual concern" during their full day dialogue. According to a reliable source, Afghanistan and North Korea figured prominently in those talks.

On April 10, the first-ever a video call between senior US and Chinese military officers took place between Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey and counterpart Gen. Fang Fenghui. According to Chinese media, Dempsey described the call as evidence of the development of relations between the two militaries and of progress in building a bilateral mutual trust mechanism. Later that month, the chief of China's Navy, Adm. Wu Shengli, held a video call with US counterpart Adm. Jonathan Greenert. They discussed China's land reclamation work in the South China Sea.

On April 20, the US Seventh Fleet flagship *USS Blue Ridge* arrived in Zhangjiang for a five-day port visit with the PLAN's South Sea Fleet. During the visit, the *Blue Ridge* and the Chinese amphibious dock landing ship *Jinggangshan* held a joint search and rescue exercise in the South China Sea. They also practiced implementing CUES procedures. This was the second visit to China by the *Blue Ridge* is just over a year, with the prior trip being to Qingdao to visit the PLAN's North Sea Fleet.

The Defense Department reportedly rejected a request from PLAN chief Adm. Wu Shengli for a US carrier visit to China that was backed by Adm. Greenert. A DoD spokesman told reporters on Feb. 6 that the Pentagon has no plans to send a nuclear-powered aircraft carrier to China this year. Sen. John McCain, chairman of the Senate Armed Services Committee, weighed in against such a visit, sending a letter to the Pentagon leadership voicing his opposition. In the letter, McCain said, "I am concerned that as we have increased our engagements in recent years, China's actions in the East and South China Seas have only become more bold and coercive."

The annual "two meetings"

The third annual session of China's 12th National People's Congress (NPC) came to a close on March 15, just as the Chinese People's Political Consultative Congress (CPPCC) wrapped up its corresponding session. Amid slowing economic growth and an intensifying anticorruption campaign there was less optimism at the "two meetings" than in years prior. At the opening of the NPC meeting, Premier Li Keqiang announced a GDP growth target of around 7 percent for this year and told the approximately 3,000 delegates that "downward pressure on China's economy is intensifying. He openly admitted that "Deep-seated problems in the country's economic development are becoming more obvious" and left open the possibility that the difficulties that China is facing this year "could be bigger than last year." Pushing ahead with reforms of state-owned enterprises and liberalizing the banking system and financial markets were identified as top priorities. Despite sluggish growth, China announced an increase in the defense budget of 886.9 billion yuan (\$141.45 billion), or 10.1 percent. Explaining China's defense modernization priorities in his report to the NPC, Li Keqiang said that China "will comprehensively strengthen modern logistics, step up national defense research and development

of new- and high-technology weapons and equipment, and develop defense-related science and technology industries.”

In his closing press conference Li stated that the government would employ “more short-term measures to boost market confidence,” if the growth rate should fall below the targeted 7 percent, which the government sees as necessary to maintain current employment goals. China pledged to loosen restrictions on foreign investment by 50 percent, a move welcomed by international businesses. Chinese Minister of Commerce Gao Hucheng detailed China’s “One Belt, One Road” plan, and laid out Xi Jinping’s vision for enhanced economic relations with the region. The two sessions also announced plans to comprehensively advance the rule of law in Chinese governance, emphasized the enforcement of intellectual property rights, and discussed the significant challenges in implementing environmental regulations.

Looking ahead

Three major events in US-China bilateral ties in the next four months will be the seventh S&ED and visits to the US by Vice Chairman of the Central Military Commission Fan Changlong and by the head of the Central Commission for Discipline Inspection Wang Qishan. Preparations will continue for President Xi’s visit in September. China’s maritime activities will undoubtedly be a focus of attention at the Shangri-La Dialogue in Singapore at the end of May.

The 2016 US presidential campaign will begin to pick up steam in the coming months. On April 12, Hillary Rodham Clinton announced that she will run for president. Other declared contenders so far include Ted Cruz, Rand Paul, Marco Rubio, Ben Carson, and Bernie Sanders. In the coming months more candidates are likely to throw their hat into the ring. China is likely to be a prominent topic in the campaign. Stay tuned.

Chronology of US-China Relations* **January – April 2015**

Jan. 5, 2015: Chinese Foreign Ministry protests to the US after the Taipei Economic and Cultural Representative Office (TECRO) hoisted a Republic of China flag during a ceremony held at the Twin Oaks Estate on New Year’s Day in Washington, urging the US to respect the “One China” policy.

Jan. 8, 2015: China bans all imports of all poultry products from the US, citing worries over pathogenic strains of avian influenza found in the Pacific Northwest.

Jan. 12-19, 2015: Chinese and US militaries hold joint humanitarian assistance/disaster relief exercises in Guangzhou and Haikou involving about 150 engineering and medical personnel.

Jan. 15, 2015: Individuals from China’s Ministry of Public Security and Supreme People’s Procuratorate meet with representatives from the US Department of Justice and Department of

* Chronology compiled by CSIS intern Brittney Farrar

Treasury to discuss cooperation in the hunt for fugitives and asset recovery, aimed at capturing Chinese fugitives hiding in the US.

Jan. 20, 2015: US advocacy group Human Rights Watch urges China to revise draft legislation aimed at combating terrorism, saying it is “a license to commit human rights abuses.”

Jan. 20, 2015: President Barack Obama says during his State of the Union address that the US and not China must write trade rules for Asia and calls on Congress to give him a freer hand to close trade deals.

Jan. 21, 2015: US International Trade Commission rules US industry is materially injured from imports of photovoltaic products from China, paving the way for punitive duties on the products.

Jan. 21, 2015: At a press conference in Manila following the US-Philippines Bilateral Security Dialogue, US Assistant Secretary of State Daniel Russel says that “bigger nations can’t bully the small” in the South China Sea and that China’s actions are “an ongoing concern.”

Jan. 25-28, 2015: US Undersecretary of Defense for Intelligence Michael Vickers visits China and meets with Vice Chairman of the Central Military Commission Fan Changlong.

Jan. 27-28, 2015: Under Secretary of State for Political Affairs Wendy Sherman meets senior officials in Beijing to discuss cooperation, including the P5+1 negotiation with Iran.

Jan. 28, 2015: Group of US trade associations submit a letter to the CCP Central Leading Group for Cyberspace Affairs urging dialogue on the growing trend of Chinese government policies requiring the use of “secure and controllable” or Chinese-developed and/or controlled Internet and information communications technology (ICT) products, solutions, and services based on “cybersecurity” justifications.

Jan. 28, 2015: Tao Kaiyuan, vice president of China’s Supreme People’s Court, exchanges views with US Supreme Court Justice Ruth Bader Ginsburg and retired Justice Sandra Day O’Connor in Washington on enhancing judicial cooperation between the two countries.

Jan. 28, 2015: US-China Economic and Security Review Commission holds “Hearing on the Foreign Investment Climate in China: Present Challenges and Potential for Reform.”

Jan. 29, 2015: US Special Representative for North Korean Policy Ambassador Sung Kim meets Chinese Special Representative for Korean Peninsula Affairs Wu Dawei in Beijing.

Feb. 2, 2015: Chinese Vice Foreign Minister Li Baodong and US Under Secretary of State for Arms Control and International Security Affairs Rose Gottemoeller co-chair the seventh consultation on strategic security and multilateral arms control in Beijing.

Feb. 2-4, 2015: Surface Warfare Officers School (SWOS) at Naval Station Newport, Rhode Island, hosts 29 mid-grade officers from the Chinese navy’s surface, submarine, and aviation units for an exchange visit.

Feb. 5, 2015: The Dalai Lama attends the National Prayer Breakfast in Washington. President Obama warmly acknowledges him, but does not meet separately with the Dalai Lama.

Feb. 9-12, 2015: Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel meets Vice President Li Yuanchao and other senior officials in Beijing to discuss a range of bilateral, regional and global issues.

Feb. 10, 2015: President Obama and President Xi talk by phone. They discuss how to narrow differences on cyber and reaffirm their commitment to coordinate closely on security challenges.

Feb. 10-12, 2015: Deputy Secretary of State Tony Blinken visits Beijing and meets senior officials to discuss cooperation on a range of bilateral, regional and global issues.

Feb. 12, 2015: Obama administration files a case at the World Trade Organization (WTO) accusing Beijing of subsidizing services like information technology, product design, and worker training for industries that aim their products at the export market.

Feb. 12, 2015: Assistant to the US President for Homeland Security and Counterterrorism Lisa Monaco delivers a speech in Washington, saying that US cyber “threats come from nations with highly sophisticated cyber programs including China.”

Feb. 16, 2015: Vice Premier Wang Yang holds a phone conversation with Secretary of Treasury Jacob Lew to discuss issues including Sino-US economic ties and the global economic situation.

Feb. 17, 2015: US Navy flies a *P-8A Poseidon*, its most advanced surveillance plane, over disputed areas of the South China Sea.

Feb. 18, 2015: US-China Economic and Security Review Commission holds “Hearing on China’s Space and Counterspace Programs.”

Feb. 20, 2015: Assistant Secretary of State for Arms Control, Verification, and Compliance Frank Rose calls for a frank and open dialogue with China on how each nation defines and views strategic stability and each other’s nuclear posture during a speech in Washington.

Feb. 23, 2015: *USS Fort Worth* practices use of the Code for Unplanned Encounters at Sea (CUES) with the PLAN frigate *Hengshui* in the international waters of the South China Sea.

Feb. 25, 2015: US National Security Advisor Susan Rice and Chinese State Councilor Yang Jiechi meet in New York City for consultations on US-China cooperation on global issues.

Feb. 26, 2015: In testimony to the Senate Armed Services Worldwide Threat Assessment Hearing, Director of National Intelligence James Clapper discusses threats emanating from China’s persistent cyber economic espionage, military modernization, and maritime behavior.

March 2, 2015: In an interview with *Reuters*, President Obama sharply criticizes China's plans for new rules on US tech companies.

March 7, 2015: Chinese Commerce Minister Gao Hucheng says negotiations on the text of the China-US Bilateral Investment Treaty (BIT) are advancing to the stage of exchanging negative lists in which foreign investments are restricted by host countries.

March 12-13, 2015: US and Chinese militaries hold talks at the Pentagon chaired by Assistant Secretary Dave Shear and Director of the Foreign Affairs Office of the Ministry of National Defense Guan Youfei in a newly established dialogue mechanism on Asia-Pacific issues.

March 18, 2015: Chinese Foreign Ministry spokesperson says China hopes the US will stop making irresponsible remarks on maritime disputes between China and other countries in response to the US Navy's "A Cooperative Strategy for 21st Century Seapower" report.

March 18, 2015: US-China Economic and Security Review Commission holds "Hearing on Looking West: China and Central Asia."

March 19, 2015: US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey opens a photo exhibit at the Pentagon highlighting the friendship and cooperation between the US and Chinese servicemen during World War II.

March 19, 2015: Senators John McCain, Jack Reed, Bob Corker and Bob Menendez, write a letter to Secretary of Defense Carter and Secretary of State Kerry voicing concern about China's maritime strategy and the alarming scope and pace of land reclamation in South China Sea.

March 20, 2015: At a press briefing in Beijing after meetings with senior Chinese officials to discuss strengthening cooperation on climate change, US Special Envoy for Climate Change Todd Stern says US-China climate change cooperation is "closer than ever before."

March 20, 2015: Foreign Minister Wang Yi holds a telephone conversation with Secretary of State John Kerry to discuss Sino-US relations and the Iranian nuclear issue.

March 23, 2015: *USS Blue Ridge*, flagship for the US Navy Seventh Fleet, begins a port visit in Hong Kong after finished a six-month maintenance period in Japan.

March 30, 2015: In a meeting with Premier Li Keqiang in Beijing, Treasury Secretary Lew says the US is looking forward to cooperating with the Asian Infrastructure Investment Bank (AIIB), and the US welcomes and supports proposals that are helpful to infrastructure construction.

March 31, 2015: US Admiral Harry Harris tells a naval conference in Australia that China is "creating a great wall of sand" through land reclamation in the South China Sea, causing serious concerns about its territorial intentions.

March 31, 2015: In a speech to the Asia Society Northern California, Treasury Secretary Lew cites Chinese policies that he says are fueling US unease, including its managed exchange rates,

barriers to foreign technology, poor intellectual property rights protection, cybercrime, and cross-border investment controls which are harmful to global growth.

April 2, 2015: Foreign Ministry spokesperson expresses anger over two US fighter jets making an emergency landing in Taiwan on April 1, saying “China demands that the United States strictly abide by the ‘one-China policy’ and cautiously and appropriately handle this incident.”

April 3, 2015: Foreign Minister Wang and Secretary of State Kerry hold a phone conversation to discuss enhancing their cooperation on the Iranian nuclear negotiations.

April 9, 2015: Secretary of Homeland Security Jeh Johnson meets Chinese counterpart Meng Jianzhu in Beijing; they pledge to enhance law-enforcement and security cooperation.

April 9, 2015: President Obama says Washington is concerned that China is using its “sheer size and muscle” to push around smaller nations in the South China Sea.

April 10, 2015: Chief of the General Staff of the PLA Fang Fenghui and Chairman of the Joint Chiefs of Staff Martin Dempsey hold their first-ever video call.

April 13, 2015: The first US presidential trade mission under the Obama administration led by Secretary of Commerce Penny Pritzker meets Premier Li Keqiang in Beijing.

April 13, 2015: Trade groups, including the American Chamber of Commerce and organizations from Europe and Japan, send a letter to a Chinese leading small group on cybersecurity led by Chinese President Xi Jinping urging China to suspend the implementation of a new rule encouraging banks to buy crucial server and mainframe technology from Chinese companies.

April 15, 2015: Adm. Samuel Locklear, commander, US Pacific Command, and Christine Wormuth, undersecretary of defense for policy, raise concern about Chinese activities in the South China Sea at a House Armed Services Committee hearing.

April 16, 2015: Vice Minister of Finance Zhu Guangyao informs Treasury Undersecretary Nathan Sheets of China’s decision to temporarily suspend rules calling for companies that sell computer equipment to Chinese banks to turn over intellectual property and submit source code.

April 18, 2015: Finance Minister Lou Jiwei says in an interview with *Xinhua* that China welcomes the US and Japan to join the AIIB, and has provided with all relevant information.

April 20-24, 2015: US Seventh Fleet flagship *USS Blue Ridge* makes a port visit to Zhanjiang to build relationships and reinforce positive exchanges with the PLAN’s South Sea Fleet.

April 21, 2015: President Obama notifies Congress that the administration intends to renew a nuclear cooperation agreement with China allowing Beijing to buy more US designed reactors and pursue a facility or the technology to reprocess plutonium from spent fuel.

April 27, 2015: Agriculture Secretary Tom Vilsack asks China to drop a ban on imports of US poultry. Vilsack relays that China's agriculture minister said he would consider the request, but linked the issue to US limits on imports of poultry raised and processed in China.

April 28, 2015: At a joint news conference with Japanese Prime Minister Abe, President Obama says a strong US-Japan alliance should not be seen as a provocation to China. He also accuses China of "flexing its muscles" to advance its maritime claims against Asian neighbors.

April 29, 2015: In a video call with Chief of Naval Operations Adm. Jonathan Greenert, China's navy chief Adm. Wu Shengli says when conditions are ripe the US and other countries are welcome to use the facilities China is building on artificial islands in the South China Sea.

April 30, 2015: Defense Ministry spokesperson voices concern about the new US cyber strategy, saying "We are following the new U.S. cybersecurity strategy and are concerned about it. The report makes groundless accusations about China, and we resolutely oppose it."

April 30, 2015: In response to the new US-Japan Defense Guidelines, Chinese Defense Ministry spokesperson warns that "All parties should pay much attention to the impact of a stronger U.S.-Japan military alliance and the effect expansion of their defense cooperation to include the whole world will have on the world peace and regional stability."