



US-China Relations:

Xi's First State Visit to US: Pomp and Progress

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Despite growing friction between the US and China on a number of issues, Xi Jinping's state visit to the US in September was mostly positive and produced important outcomes on climate change, cyber security, and avoiding accidents between military aircraft. Tensions persisted in the South China Sea with China unwilling to stop its construction and militarization of terraformed reefs. The USS *Lassen*, a US Navy guided-missile destroyer, exercised international rights of freedom of navigation by sailing within 12nm of Chinese-occupied Subi Reef. The Obama administration notified Congress of its intent to sell a \$1.83 billion arms package to Taiwan prompting Chinese objections, but no suspension of bilateral military exchanges. Presidents Obama and Xi met again on the margins of the Paris climate change conference in late November. They also conferred by phone, helping to conclude an historic, ambitious, global, agreement to reduce emissions at COP21.

Obama-Xi summit exceeds expectations

On Sept. 22, Chinese President Xi Jinping arrived in Seattle, Washington where he delivered a policy speech, attended a meeting with 30 business leaders from the US and China, visited a Boeing assembly line, joined a US-China Internet Industry Forum, visited a high school, and had dinner with Bill Gates, the founder of Microsoft. On Sept. 24, he traveled to Washington, DC for the official portion of his state visit. Shortly after arriving, he attended a small working dinner with President Obama and a few senior officials from the US and China. The following day, Xi was greeted by a 21-gun salute at the White House and held a joint press conference with Obama. He was then hosted for lunch by Vice President Joseph Biden and Secretary of State John Kerry at the State Department and met congressional leaders on Capitol Hill. That evening, Obama and his wife Michelle hosted a state dinner for Xi and his wife Peng Liyuan.

The key deliverables of the summit were in the areas of climate change, cyber, and military-to-military relations. In a joint statement on climate change, the two leaders reaffirmed their commitment to reach an ambitious agreement at the year-end climate change conference in Paris. China announced that it would start a "national emission trading system" in 2017. The US highlighted its Clean Power Plan, in which it pledges to reduce carbon dioxide emissions from the power sector 32 percent compared to 2005 levels by 2030. In the cyber realm, both sides

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agreed to not conduct or knowingly support cyber-enabled theft of intellectual property and announced a ministerial-level dialogue on fighting cybercrime. (Climate change and cyber will be discussed in detail below.)

The US and Chinese militaries finalized and signed an annex to the Memorandum of Understanding (MOU) regarding the rules of behavior for safety of air and maritime encounters that was reached during the last summit in November 2014. The annex, a follow-on to the first annex that guides the behavior of surface naval ships, establishes procedures to prevent collisions between US and Chinese military aircraft. The new annex was signed just two months after a Chinese jet preformed an unsafe maneuver while intercepting a US *RC-135* surveillance plane flying over the Yellow Sea about 80 miles east of China's Shandong Peninsula.

The summit marked the sixth meeting between Barack Obama and Xi Jinping. Speaking at the press conference, Obama maintained that cooperation between the US and China is “delivering results, for both our nations and the world” and said he was committed to expanding cooperation even as both countries “address disagreements candidly and constructively.” Iran, Afghanistan, global development, global health security, humanitarian assistance, disaster response, agricultural development, and food security were cited by Obama as areas of expanding US-China cooperation. He also expressed support for “the rise of a China that is peaceful, stable, prosperous, and a responsible player in global affairs.”

President Xi noted that he and Obama had had in-depth discussions on their respective domestic and foreign policies, while also addressing bilateral ties, and regional and international issues. Xi referred three times to his concept of a new model of major country relationship, stating that he and Obama agreed to advance that “new model” while managing differences and sensitive issues in a constructive manner. On macroeconomic policy coordination, Xi said that the US and China had agreed to establish a regular phone conversation mechanism on economic affairs between Vice Premier Wang Yang and Secretary of the Treasury Jacob Lew.

Persisting differences between the US and China were signaled by the absence of a joint statement covering the full range of issues in the bilateral relationship. Instead, the only joint document issued focused on climate change. Common language was also negotiated on economic- and cyber-related issues in intense discussions held in the run-up to the summit. For other matters, the two sides issued “unilateral but coordinated statements.” These documents were drafted and exchanged ahead of the summit. On strategic issues, the Chinese “summit outcomes” document is much longer and more positive than the US “fact sheet.” In one notable difference between the two, the Chinese document celebrates the new model of major country relations, while the US fact sheet makes no mention of it.

Chinese media appraised the summit very positively. For example, a commentary in the Party mouthpiece *People's Daily* signed by the quasi-authoritative “Voice of China,” maintained that President Xi's visit to the US “has completely accomplished its purpose of enhancing trust and reducing suspicions” and went “better than expected.” Privately, however, some experts expressed disappointment over President Obama's refusal to reaffirm the new model of major country relations and the US unwillingness to set a deadline for signing a bilateral investment treaty. Xi's acceptance of Obama's distinction between the use of cyber for traditional espionage

purposes and for stealing intellectual property, and his pledge to not militarize the Spratly Islands were also criticized by some Chinese analysts, although not publicly.

Progress on cyber?

In April 2015, President Obama signed an executive order that gives him the power to impose sanctions “on individuals or entities that engage in certain significant, malicious cyber-enabled activities.” In the wake of the major cyber intrusion in June into the US Office of Personnel Management (OPM) that officials blamed on China, as well as persisting concerns about Chinese use of cyber to steal intellectual property (IP) from US companies, the White House began to threaten the use of sanctions under this executive order. The *Washington Post* reported on Aug. 30 that the White House was preparing a list of possible sanctions against Chinese SOEs and individuals that the administration had evidence showing they had “benefited from their government’s cyber-theft of valuable US trade secrets.” The move to seek sanctions was born of frustration with a lack of Chinese cooperation on the issue over the past three years. The leak was timed to force action on cybersecurity ahead of Xi’s September visit to the US.

When National Security Adviser Susan Rice traveled to Beijing in late August, she apparently warned that failure to take steps to curb cyber-enabled theft of IP would mar the upcoming summit. President Xi agreed to send a “special envoy” to the US to find a solution that would ensure his visit would be positive and successful. On Sept. 9, a Chinese delegation, led by Meng Jianzhu, a Politburo member and secretary of the Central Political and Legal Affairs Commission of the Chinese Communist Party, arrived in Washington. According to *Xinhua*, Meng was hosted by Homeland Security Secretary Jeh Johnson, and also held meetings with FBI Director James Comey, Secretary of State John Kerry, and Susan Rice. The *Washington Post* reported that the talks produced a “substantial agreement” on cybersecurity issues, quoting an unnamed US official as saying “they came up with enough of a framework that the visit will proceed and this issue should not disrupt the visit. That was clearly [the Chinese] goal.”

The first sign of a shift in Chinese policy came on Sept. 15. During a regular press briefing, the Chinese Foreign Ministry spokesman stated that China “firmly opposes and combats in accordance with law cyber attacks and cyber espionage launched in China...anyone who performs such action within China shall be held accountable.” Around the same time, the Chinese government arrested a handful of hackers it claimed were connected to the OPM breach. That same day, Obama told a group of company chief executives that cyber matters would be a major focus in his talks with Xi. He said that the US is preparing measures to demonstrate to the Chinese that, “this is not just a matter of us being mildly upset, but is something that will put significant strains on a bilateral relationship if not resolved,” and that the US is “prepared to take some countervailing actions.”

On Monday, Sept. 21, Susan Rice delivered a public speech at George Washington University on US-China relations. In the portion of the speech on cyber security, Rice cited the handling of cyber theft as “a critical factor in determining the future trajectory of US-China ties.” Sending a strong message to the Chinese just prior to Xi’s arrival, Rice maintained that “cyber-enabled espionage that targets personal and corporate information for the economic gain of businesses undermines our long-term economic cooperation, and it needs to stop.”

When asked about US-China tensions over cyber during a press conference to preview President Xi's visit on Sept. 22, Deputy National Security Adviser Ben Rhodes sent a clear warning: "China needs to be mindful that its activities don't undermine its standing here in the United States." Rhodes went on to state that the two countries must "start from a common understanding that you have agreed-upon principles which we believe must include that cyber theft does not go forward." That same day, the *Wall Street Journal* published an exclusive interview with Xi, in which he stated that "the Chinese government does not engage in theft of commercial secrets in any form, nor does it encourage or support Chinese companies to engage in such practices in any way." Xi added that "cyber-theft of commercial secrets and hacking attacks against government networks are both illegal." He reiterated many of these points in his speech in Seattle later that night, stating that "the Chinese government will not in whatever form engage in commercial theft, and hacking against government networks are crimes that must be punished in accordance with the law and relevant international treaties."

At the summit, several important outcomes relating to cyber were announced. In a major breakthrough that Obama had been personally seeking since he met Xi Jinping in June 2013 at Sunnylands in California, both sides agreed not to "engage in or knowingly support online theft of intellectual properties." They also promised to work together to establish "international rules of the road for appropriate conduct in cyberspace," and agreed to begin a high-level bilateral dialogue on cybersecurity before the end of the year. According to a White House fact sheet, the two sides also agreed to cooperate with requests to investigate cybercrimes and to "mitigate malicious cyberactivity emanating from their territory." In addition, they agreed not to target one another's critical infrastructure during peacetime, although the definition of what constitutes "critical infrastructure" was left for future discussion.

In the joint press conference following the summit, President Obama stated that he had reached a "common understanding" with President Xi to "abide by norms of behavior" in cyberspace. He cautioned, however, that these commitments, while important, will face scrutiny. "The question now is, are words followed by actions?" Obama stated. He went on to say that the US "will be watching carefully" to assess whether progress has been made, adding that he remains prepared to levy sanctions against cyber criminals. Xi warned that the issue of cyber should not be politicized, and encouraged further cooperation going forward.

Building on the bilateral September agreement, on Nov. 1, at the Group of 20 Summit in Turkey, leaders pledged that no country "should conduct or support cyber theft of intellectual property for commercial competitive advantage." The language was endorsed by both China and the US, and was viewed by the Obama administration as a major achievement. Critics considered the agreement as weak, however, because it lacks enforcement mechanisms. The use of the word "should" was also contentious, as it indicates voluntary adherence, rather than mandatory compliance. Nevertheless, the statement represents a step forward in reaching a common understanding of acceptable behavior in cyberspace.

The inaugural China-US High-Level Joint Dialogue on Cracking Down on Cybercrime and Related Matters was held on Dec. 1-2 in Washington, DC. The Dialogue was co-chaired by China's State Councilor Guo Shengkun, US Attorney General Loretta Lynch, and US Secretary

of Homeland Security Johnson. A Chinese Foreign Ministry outcomes list from the meeting reaffirmed and built upon Xi's summit pledges stating that, "neither country's government will conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies or commercial sectors." The two sides established guidelines for requesting assistance on cyber crime as well as to conduct "tabletop exercises" in the spring of 2016, and agreed on procedures for a hotline to facilitate more effective law enforcement cooperation.

According to the Chinese Foreign Ministry outcomes statement, "they also reached broad consensus on some specific cases of cyber security, cyber counter-terrorism cooperation and law enforcement training." Following the conclusion of the Dialogue, *Xinhua* reported that the two sides had discussed the OPM hack, and that "through investigation, the case turned out to be a criminal case rather than a state-sponsored cyberattack as the US side has previously suspected." The US has not commented on the validity of this claim. The next round of the Dialogue is set to take place in Beijing in June 2016.

The jury is still out as to whether progress on the cybersecurity front is genuine or just smoke and mirrors. In a briefing on Nov. 18, US counterintelligence chief Bill Evanina said he had seen "no indication" that China's hacking behavior had changed. Rebutting this claim, anonymous officials told the *Washington Post* that the Chinese military has scaled back its theft of US commercial secrets. Obama raised cybersecurity again when he met with Xi Jinping in late November on the sidelines of the Paris climate negotiations. Obama called the discussions "candid," and noted that cyber is still one of the "differences between our countries."

Cooperation on climate change yields results

On Sept. 25, following the Obama-Xi summit in Washington, the US and China released an ambitious joint presidential statement on climate change announcing historic pledges to reduce their country's respective carbon emissions by 2030. The statement also set new fuel efficient standards for heavy-duty vehicles in China, outlined increased cooperation to reduce emissions from methane and HFCs, and charted a plan to develop energy efficient standards for new Chinese buildings and cities, all of which should help China to reach its goal of an emissions peak in 2030. China also pledged to contribute \$3.1 billion to help developing nations meet their own emissions standards. In addition, the two countries articulated a common vision for the Paris United Nations conference on climate change, which took place in November. The White House called the statement a "major milestone in US-China joint leadership in the fight against climate change."

Beijing's willingness to cooperate with the US on climate change is partly a result of increasingly alarming pollution levels in Chinese cities and growing public concern about air quality. It may also be due to Xi Jinping's push for China to more actively contribute to global development, which he described in a speech to the United Nations General Assembly on Sept. 28. Enhanced cooperation between the China and the US – the number one and number two largest emitters of greenhouse gases – likely spurred other countries to make commitments to reduce emissions in the run-up to the Paris conference. Chinese state-run media outlet *Xinhua*

claimed that, “it is widely believed that the China-US agreements on climate change in the past years have inspired the global community in fighting climate change.”

The 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change was held in Paris from Nov. 30 – Dec. 11 with the aim of signing a new global agreement to reduce carbon emissions. The historic agreement was reached at the end of COP21 on Dec. 12, and replaces the 1997 Kyoto Protocol, which is set to expire in 2020. While not all elements of the agreement are legally binding, the accord will encourage the 196 countries present to take significant steps to reduce the risk of a global temperature rise beyond 2 degrees. The agreement will officially enter into force if at least 55 countries “accounting in total for at least an estimated 55 percent of the total global greenhouse gas emissions have deposited their instruments of ratification, acceptance, approval or accession.”

Presidents Xi and Obama, who both attended the opening ceremonies in Paris, met on the sidelines of COP21 on Nov. 30 to discuss a range of bilateral issues, with an emphasis on climate change. Obama reportedly praised Xi’s cooperation, stating that the US-China joint “leadership on this issue has been vital.” The two presidents discussed ways to make the Paris conference a success for all parties. For both the US and China, COP21 was the result of many months of cooperation and hard work, and demonstrated the ability of the US and China to work together where their interests converge.

In a press conference following their bilateral meeting, however, the two leaders’ statements revealed persisting differences. Obama stated that the US recognizes its own negative contributions to climate change, then called for a solution to the problem that is “global in nature.” Xi had a slightly different take, emphasizing that “countries should be allowed to seek their own solutions, according to their national interest,” a statement consistent with past Chinese efforts to protect the rights of developing countries to prioritize economic growth over fighting global warming. China’s special representative on climate change, Xie Zhenhua, made similar arguments in a Nov. 19 report, which re-stated China’s long-standing position that any deal should encompass the principles of “common but differentiated responsibilities” and “respective capabilities.”

Nevertheless, both presidents were ultimately satisfied with the agreement and praised its outcomes. According to a White House statement, Obama spoke with Xi on the phone on Dec. 14 following the announcement of the Paris accord, “to express appreciation for the important role China played in securing an historic climate agreement.” The Chinese Foreign Ministry reported that Xi described the Paris agreement as “pointing the direction and goal for global cooperation in fighting climate change post 2020.” Both presidents reaffirmed their pledge to continue their cooperation.

While all countries celebrated the climate deal, Chinese media outlets appeared especially excited about the significant role that their country played in creating global norms. A *Xinhua* editorial called the deal, “a particularly sweet victory for China, which emerged to take a leading role.” In Xi Jinping’s New Year’s message delivered on Dec. 31, he mentioned global climate change as one of the priority issues that Chinese leaders paid attention to in 2015. In that context,

Xi noted that “the international community expects to hear a voice from China and look at China’s plans. China cannot afford to be absent.”

Tensions over South China Sea flare up again

At the small dinner that President Obama held for Xi Jinping and few members of China’s foreign affairs apparatus, the most contentious issue was the South China Sea. Both leaders presented and defended their respective positions, unable to make any headway toward narrowing differences. Persisting tensions were apparent during the press conference. Obama described their discussions on the South China Sea as “candid,” noting that he had conveyed US concerns over China’s land reclamation, construction, and militarization, and reiterated that the US would continue to sail, fly, and operate anywhere that international law allows.

President Xi maintained that China is committed to maintaining peace and stability in the South China Sea, including addressing territorial disputes through “negotiation, consultation, and in a peaceful manner.” He pledged to uphold “freedom of navigation and overflight that countries enjoy according to international law.” Xi asserted that the US and China share common interests in the South China Sea, with both supporting peace and stability. Both countries, he said, “have agreed to maintain constructive communication on relevant issues.” In a surprise to Obama administration officials, Xi asserted that “China does not intend to pursue militarization” of the Spratly Islands. It was unclear what Xi meant by “militarization, however.” Months after the summit, Chinese officials and scholars continued to refuse to define it publicly or privately. In closed-door meetings, Chinese experts and officials indicated that Xi Jinping had simply used the phrase at the summit to reassure President Obama that he intended to resolve differences with the other South China Sea claimants peacefully, and nothing more.

On Oct. 27, the USS *Lassen*, a US Navy guided-missile destroyer, exercising international rights of freedom of navigation, sailed within 12nm of Subi Reef, a low-tide elevation that China has terraformed and on which it is constructing facilities that could be used for military purposes. The *Lassen* also went within 12nm limits of features claimed by Vietnam and the Philippines. Over the previous six months, various US media had reported that the Obama administration was considering conducting such an operation, so the Chinese were neither surprised nor unprepared. Moreover, the US action was not unprecedented: although US Navy ships had not sailed within 12nm of Chinese-occupied features in the South China Sea for some time, according to testimony by Assistant Secretary of Defense David Shear before the Senate Armed Services Committee on Sept. 17, they did conduct such operations prior to 2012.

Two Chinese Navy ships and its “air arm” shadowed the USS *Lassen* and issued warnings to evacuate the area. China’s Foreign Ministry charged that the US destroyer had “illegally” entered its waters and said it “firmly opposes any country harming [China’s] sovereignty and security under the pretext of freedom of navigation and overflight.” China’s Defense Ministry called the patrol “an abuse of freedom of navigation” and said that the PLA is ready to “take all necessary steps to protect the country’s security and interests.” China’s Vice Foreign Minister Zhang Yesui summoned US Ambassador to China Max Baucus, telling him that the US patrol was “extremely irresponsible.” The Foreign Ministry spokesman warned that China might be compelled to “increase and strengthen the building up of our relevant capabilities.”

Two days after the US freedom of navigation operation (FONOP), Adm. John Richardson, the US chief of naval operations, held a video call with Adm. Wu Shengli, commander of the Chinese Navy, to discuss the event. A US Navy spokesman described their exchange as “professional and productive.” Under pressure from the White House, the Pentagon made no official statement regarding the purpose of the FONOP or the specific activities conducted by the *Lassen* during the operation. Without such a statement, the exact message that the US was seeking to convey remains uncertain.

Unrelated to the FONOP, on Oct. 29, the UN Permanent Court of Arbitration issued a ruling in a case filed against China by the Philippines. It found that it has jurisdiction on seven issues and reserved the right to declare jurisdiction over the remaining issues after evaluating the merits of the case. China’s Ministry of Foreign Affairs reiterated that any ruling by the Tribunal concerning the South China Sea is “null and void” and has “no binding effect on China.”

At the 10th East Asia Summit (EAS) in Kuala Lumpur at the end of November, the South China Sea was a central topic of discussion among the 18 leaders from member states. President Obama reportedly urged all claimants to halt reclamation, construction, and militarization. He also highlighted the importance of preserving freedom of navigation and overflight. Other leaders raised concerns about the South China Sea, including Japanese Prime Minister Abe Shinzo and Philippine President Benigno Aquino. Malaysian Prime Minister Najib Razak told reporters that there was a consensus that the South China Sea had to be handled in a way that doesn’t raise tensions in the region. In his off-the-record remarks, Chinese Prime Minister Li Keqiang reportedly agreed to accelerate negotiations aimed at concluding a binding code of conduct on the South China Sea and reiterated that China does not intend to militarize the Spratly Islands.

Military-to-military exchanges proceed despite tensions

The final four months of 2015 witnessed a flurry of discussions and exchanges between the US and Chinese militaries. A 27-member delegation of US Navy captains traveled to China in mid-October, a reciprocal visit for the visit to the US by a captain delegation of the Chinese PLA Navy in February. The US delegation visited the Chinese aircraft carrier *Liaoning* on Oct. 19, sharing their experiences in training, healthcare at sea, and aircraft carrier development strategies, according to the Chinese Navy’s official microblog. The US delegation also visited the Chinese Navy’s submarine school.

Adm. Harry Harris, made his first visit to China as commander of the US Pacific Command in early November, less than a week after the *USS Lassen* conducted its FONOP near Chinese-occupied Subi Reef. Harris met separately with Gen. Fang Fenghui, chief of the PLA General Staff, and Gen. Fan Changlong, vice chairman of the Central Military Commission. According to the Chinese military’s flagship newspaper, the *People’s Liberation Daily*, Fan told Harris that the US warship had threatened Chinese sovereignty and that such operations could “easily trigger miscalculations and accidents.” Harris also delivered a speech at the Stanford Center at Beijing University in which he defended the US FONOP in the South China Sea, insisting that avoiding the escalation of US-China disputes to military conflict is a US priority.

While Adm. Harris was in Beijing, US Secretary of Defense Ash Carter met Chinese Defense Minister Gen. Chang Wanquan on the sidelines of the ASEAN Defense Ministers Meeting Plus in Kuala Lumpur. In a 40-minute discussion that focused on the South China Sea, Chang emphasized that China's activities in those waters are mainly defense in nature. He reportedly warned that China has a "bottom line" on US challenges to its territorial claims. Carter indicated that the US welcomed Xi Jinping's statements during his September visit to the White House that China "does not intend to pursue militarization" on reclaimed islands in the Spratlys. According to defense officials, Chang did not comment on what the Chinese mean by "militarization" or explain what Chinese intentions are.

US Pacific Fleet Commander Adm. Scott Swift flew to Shanghai on Nov. 16 to be on board the *USS Stethem* when it arrived at Wusong, a military port, for a goodwill visit. He reportedly was invited on short notice by Chinese Vice Adm. Su Zhiqian, commander of the East China Sea Fleet of the Chinese Navy, with whom he met for two hours on board the *Stethem* during the visit. A few days later Swift flew to Beijing and met Adm. Wu Shengli, commander of the Chinese Navy. In a discussion that centered on the South China Sea and relations between the US and Chinese navies, Swift reiterated the intention of the US to fly and sail wherever international law allows and emphasized the importance of transparency, parity, and reciprocity between the Pacific Fleet and PLAN counterparts. According to Chinese media, Wu called on the US to stop its "provocations" in the South China Sea. He maintained that the US FONOP did not contribute to peace and stability in the South China Sea, and charged the US with "sabotaging" China's sovereignty and security. Wu and Swift also discussed the PLAN's participation in the upcoming *Rim of the Pacific (RIMPAC)* multilateral exercise in 2016.

The US and Chinese navies conducted three port calls between Sept. 1 and Dec. 31. On Nov. 4, Chinese Naval Taskforce 152 composed of three Chinese vessels arrived at Naval Station Mayport in Florida, marking the first time that a Chinese Navy ship visited the east coast of the United States. The three ships held a passing exercise with US Navy ships in the Atlantic Ocean. The Chinese flotilla was on an around-the-world cruise, and later stopped in Mexico and Cuba before arriving at Pearl Harbor, Hawaii on Dec. 13. The *USS Stethem*, an *Arleigh-Burke*-class destroyer, docked in Shanghai on Nov. 16 for a five-day port visit after a brief stop in the northern port of Qingdao. After the goodwill port call in Shanghai, the *Stethem* conducted joint naval drills with Chinese ships involving a joint rescue operation near the estuary of the Yangtze River as well communication exercises of the Code for Unplanned Encounters at Sea (CUES). Although not considered part of official military-to-military exchanges, the Chinese hospital ship *Peace Ark* arrived in San Diego for a five-day visit on Nov. 3 during which discussions were held with US Navy and Veteran Affairs medical professionals.

The US and Chinese armies launched a bilateral Army-to-Army Exchange and Cooperation Dialogue Mechanism on Nov. 19 in Beijing. Gen. Wang Jianping, deputy chief of the PLA General Staff, led the Chinese side, and Maj. Gen. William Hix, director for Strategy, Plans and Policy at US Army headed the US delegation. Chinese media reported Wang's call for continuously strengthening communication and exchange, making greater efforts to promote mutual trust and cooperation, and effectively manage and control risks and crises. About 70 PLA soldiers participated in the third joint US-China drill for humanitarian assistance and disaster relief at Joint Base Lewis-McChord outside Tacoma, Washington Nov. 19- 23. The event

included command post exercises and field exercises, including 12 earthquake rescue-related activities and 13 medical-related drills.

Another arms sale to Taiwan

On Dec. 16, the Obama administration notified Congress of its intent to sell a new \$1.83 billion arms package to Taiwan. This is the third US arms sale to Taiwan since President Obama came to office in 2009 and brings the total of arms sales to Taiwan during Obama's tenure to \$12 billion. The package includes two *Perry*-class Frigates, *Javelin* anti-tank missiles, *TOW 2B* anti-tank missiles and *AAV-7* Amphibious Assault Vehicles. It also includes follow-on work for Taiwan's *Syun-An* C4ISR systems, Link 11/Link 16 for Taiwan's naval ships, *Phalanx* Close-In Weapons Systems, and *Stinger* surface-to-air missiles.

Beijing's public and official media reaction to the US announcement was the most restrained response to such sales since at least 1992, probably because the package was smaller than recent prior arms sales and did not contain advanced weapons. Whereas after previous sales China has issued "protests" or "strong protests," this time it issued a "solemn representation." A Chinese vice foreign minister summoned the US charge d'affaires in Beijing to deliver a demarche. According to *Xinhua*, the vice minister called on the US to "avoid further harming" US-China relations and "cooperation." By contrast, after the 2011 arms sale, China's then vice minister stated that it would "damage" bilateral ties and in 2010 China's then vice minister said that the sale would have a "serious and negative impact" on a range of bilateral exchanges.

A statement on the Foreign Ministry website indicated that Beijing would respond by imposing sanctions on companies involved in the sale, although the companies were not identified. This is not the first time that China has made such a threat, which in effect means that the Chinese government and Chinese enterprises will not do business with companies that sell weapons to Taiwan. The reaction from China's Defense Ministry was slightly harsher, though milder than in recent years. The Defense Ministry spokesman stated that the latest arms sale would have "a negative impact" on US-China military ties, compared to "severely damage" and "seriously harm" in 2011 and 2010 respectively.

Economic issues at the JCCT and the summit

US Trade Representative Michael Froman and Commerce Secretary Penny Pritzker along with Chinese Vice Premier Wang Yang co-chaired the 26th US-China Joint Commission on Commerce and Trade (JCCT) in Guangzhou on Nov. 21-23. Under Pritzker's guidance, the US made efforts this year to strengthen cooperation with the business communities on both sides. Several smaller roundtables and discussions were also convened with JCCT chairs and business leaders who were in attendance. For the year overall, JCCT results were modest, with Froman stating that, "we made progress on a number of fronts, but of course there's still work to be done." Wang, for his part, praised the "important consensus and outcomes" of the talks.

Expectations for progress in this year's JCCT were low partly because of the achievements made on commerce and trade just two months prior during the Xi-Obama summit. The November JCCT sought to build upon commitments made during the summit, but didn't achieve any new

breakthroughs. In a White House fact sheet on US-China economic relations released after the summit on Sept. 25, the two sides reportedly recognized the “positive progress” of ongoing Bilateral Investment Treaty (BIT) negotiations, including “improved negative list proposals.” Both sides have previously noted the importance of BIT negotiations to the larger bilateral relationship and place significant value on completing negotiations in the near future. Indeed, the White House fact sheet stated that the two sides reaffirmed the negotiation of a high standard BIT as a “top economic priority.”

There was no mention of the BIT in the US fact sheet released after the JCCT, however, and China’s Ministry of Commerce failed to issue any official statement, signaling that no substantial progress was made in the BIT negotiations. This was confirmed by Froman, who stated that “there’s still significant work to be done for the negative list.” Business communities on both sides were disappointed with the lack of movement on BIT negotiations. In their meeting on the sidelines of the Paris climate change conference, Xi again brought up the subject, suggesting that the two sides conclude a bilateral investment treaty soon. It seems increasingly unlikely, however, that a BIT will be finalized within Obama’s term in office, and it will likely face further delays as a new US administration gets settled in and reviews existing policies.

At the September summit, Obama also pressed Xi to follow through on economic reforms and not discriminate against US companies doing business in China. Xi reportedly was receptive to both points, stating that reforms would continue apace and that China would cut restrictions to market access for foreign companies. These themes were echoed during the JCCT, where China again pledged more open markets and allow greater access for foreign firms.

On intellectual property rights (IPR), an issue of increasing importance to the US, the White House reported during the summit that both countries affirmed that, “states should not conduct or knowingly support misappropriation of intellectual property, including trade secrets or other confidential business information with the intent of providing competitive advantages to their companies or commercial sectors.” According to a USTR statement, further progress was made on IPR during the JCCT where, “China clarified several ongoing and intended efforts to revise China’s trade secrets system and provide more effective aspects of its civil judicial system to deter and respond to the misappropriation of trade secrets.” Despite these promises of better IPR protection, Chinese representatives insisted that China should be allowed some flexibility given its status as a developing country. Chinese Vice Commerce Minister Zhang Xiangchen said in a press conference following the JCCT that China needs “to effectively protect intellectual property in a balanced way. That means we need to protect the rights of holders and users.”

In a move that is of great importance to US companies, China made a commitment to create nondiscriminatory and transparent policies for Information and Communications Technology (ICT) security. According to USTR Froman, China pledged to allow its banks to purchase technology regardless of where that technology was produced. Froman did not, however, address the issue of whether companies would be required to turn over IPR and source code to Chinese banks under the terms of the sale, an issue that continues to worry US and other foreign companies doing business in China. Relatedly, China promised that commercial secrets obtained from foreign companies under its new Anti-Monopoly Law will be protected and that antitrust cases will be pursued without political or bureaucratic influence. All of these measures indicate a

commitment by China to stronger protection against the theft of trade secrets, a welcome development for foreign companies if effectively implemented.

As in previous years, China pushed for lower restrictions on the purchase of high-tech items from the US at both the summit and the JCCT. At the summit, the US stated its commitment to “encourage and facilitate exports of commercial high technology items to China for civilian-end users and for civilian-end uses” and agreed to further discussions on the subject. At the JCCT, Secretary Pritzker promised that the US would “develop a mechanism to improve the exchange of information on individual cases of commercial high-tech items exported to China.” China also pushed for easing restrictions on Chinese investment in the US. According to the White House, during the summit the US committed to maintaining an open environment for Chinese investors, including Chinese state-owned enterprises (SOEs). These commitments were echoed at the JCCT talks in November.

Closing out 2015 and looking ahead

After a year of considerable friction, US-China relations ended 2015 on a relatively positive note. Washington and Beijing worked together alongside other nations to reach a deal with Iran and to sign a global pact to address global warming. Bilaterally, they expanded military exchanges and took a step toward addressing cyber theft of intellectual property. Nevertheless, many problems persist and there is a clear trend of intensifying competition.

2016 will be the final year of President Obama’s term in office. Obama and Xi will meet at the Nuclear Security Summit in Washington DC, March 31 – April 1. Obama will visit China for the 11th G20 meeting in Hangzhou. Defense Secretary Carter plans to travel to China in the spring and the PLA Navy will participate in *RIMPAC* for the second time in the summer. The US and China will hold the Strategic and Economic Dialogue in June or July. As the US presidential campaign kicks into high gear, both nations will be watching closely to see who emerges as the next US president. Regardless of whether it is a Democrat or Republican, most observers expect US policy toward China to get tougher and the bilateral relationship to face greater challenges.

Chronology of US-China Relations* **September – December 2015**

Sept. 2, 2015: Five Chinese Navy ships pass through US territorial waters as they transit the Aleutian Islands, coming within 12nm of the coast of Alaska.

Sept. 6–8, 2015: US Assistant Secretary for East Asian and Pacific Affairs Daniel Russel meets Chinese Assistant Foreign Minister Liu Zhenmin to discuss peaceful cooperation in the Asia Pacific region and other issues of importance to the bilateral relationship.

Sept. 8, 2015: US Senior Advisor to President Obama Brian Deese meets Chinese Vice Premier Zhang Gaoli in Beijing. They agree to work together more closely to address climate change.

* Chronology compiled by CSIS intern Hannah Hindel

Sept. 8–9, 2015: US Assistant Secretary for Arms Control, Verification and Compliance Frank Rose meets senior officials from China’s MOFA and the Chinese Academy of Military Science to discuss multilateral arms control, strategic stability, and space security.

Sept. 10, 2015: US Deputy Secretary of State Antony Blinken meets Chinese Executive Vice Foreign Minister Zhang Yesui.

Sept. 11, 2015: Chinese Vice Premier Wang Yang and US Treasury Secretary Jacob Lew hold a phone conversation to exchange views on economic relations and other issues.

Sept. 12, 2015: Concluding four days of meetings on cyber security between senior US and Chinese officials, National Security Advisor Susan Rice has a “frank and open exchange about cyber issues” with Meng Jianzhu, secretary of the Central Political and Legal Affairs Commission of the Chinese Communist Party.

Sept. 15, 2015: US Drug Enforcement Agency Officials and the Chinese Ministry of Public Security hold a meeting of the Bilateral Drug Intelligence Working Group to discuss major drug issues facing their countries.

Sept. 15, 2015: US Special Envoy for Climate Change Todd Stern meets China’s Special Representative for Climate Change Affairs Xie Zhenhua in Los Angeles, announcing joint actions in both countries to reduce greenhouse gas emissions, including development of cap-and-trade programs in China.

Sept. 15, 2015: A Chinese fighter jet makes an unsafe intercept of a US Air Force *RC-135* reconnaissance plane.

Sept. 15-16, 2015: US and Chinese leaders from cities in both countries meet for the White House-organized “US-China Climate Leaders Summit” in Los Angeles and sign agreements to help the US and China meet their national greenhouse gas emission reduction goals.

Sept. 16, 2015: President Obama brings up the potential for taking “countervailing actions” against China over cyberattacks in remarks at the Business Roundtable in Washington, DC.

Sept. 16, 2015: Secretary of Defense Ashton Carter expresses deep concern about “the pace and scope of land reclamation in the South China Sea” and says China is “out of step” with “international rules and norms” at the Air Force Association’s Air & Space Conference 2015.

Sept. 17, 2015: The Counter-narcotics Working Group, led by the US Department of Justice and the Chinese Ministry of Public Security, share potential avenues for cooperation in combatting “designer drugs” and stress “expanding mutual understanding and cooperation on drug issues.”

Sept. 17, 2015: David Shear, assistant secretary of defense, and Adm. Harry Harris, commander, US Pacific Command, testify before the Senate Committee on Armed Services in a hearing on Maritime Security Strategy in the Asia-Pacific Region.

Sept. 17, 2015: Co-Chairman of the Congressional China Caucus and Chairman of the House Armed Services Seapower and Projection Forces Subcommittee Congressman Randy Forbes submits a bipartisan letter to President Obama calling for a “firm response” to China’s actions in the South China Sea, garnering 29 signatures.

Sept. 17, 2015: President Xi Jinping meets US delegates attending the seventh China-US business leaders’ and former senior officials’ dialogue in Beijing.

Sept. 17, 2015: US Assistant Secretary for International Organization Affairs Sheba Crocker lauds US-China cooperation on peacekeeping and on Afghanistan among cooperative efforts at the UN at the Carnegie Endowment for International Peace in Washington, DC.

Sept. 22, 2015: President Xi begins his US visit, speaking at the Third US-China Governors Forum in Seattle, and emphasizing the value of local efforts in improving bilateral ties.

Sept. 23, 2015: Secretary of State John Kerry meets relatives of Chinese dissidents imprisoned in China to signal the Obama administration’s concerns about human rights.

Sept. 23, 2015: At the US-China CEO Roundtable, President Xi appeals to US business leaders to “deepen China-US business cooperation.”

Sept. 23, 2015: Wrapping up the eighth US-China Internet Industry Forum, President Xi meets 29 technology executives, including Apple’s Tim Cook, Amazon’s Jeff Bezos, and Facebook’s Mark Zuckerberg following tours of Boeing and Microsoft.

Sept. 24, 2015: Undersecretary of Commerce for International Trade Stefan Selig and Deputy USTR Robert Holleyman meet Vice Commerce Minister Zhang Xiangchen in Washington to prepare for the Joint Commission on Commerce and Trade.

Sept. 24, 2015: President Xi arrives in Washington, DC for a state visit.

Sept. 28, 2015: US and China hold the inaugural meeting of the Civil Space Dialogue in Beijing.

Sept. 29, 2015: Director of National Intelligence James Clapper tells a Senate hearing on cybersecurity that he is not optimistic about the US-China agreement on cybersecurity.

Sept. 30, 2015: Deputy Chief of General Staff of the PLA Adm. Sun Jianguo meets US Pacific Command Commander Adm. Harris in Hawaii at the 2015 Chiefs of Defense Conference.

Oct. 5, 2015: Announcing the completion of the Trans-Pacific Partnership (TPP) negotiations, President Obama says “we can’t let countries like China write the rules of the global economy.”

Oct. 8, 2015: Deputy Secretary of State Antony Blinken visits China and meets State Councilor Yang Jiechi and Chief of General Staff of the PLA Fang Fenghui in Beijing.

Oct. 12, 2015: Chinese PLAN vessel *Zheng He* arrives at Pearl Harbor for a four-day port visit, during which Chinese and US naval officers conduct confidence-building exercises.

Oct. 14, 2015: Chinese Ambassador to the US Cui Tiankai calls for stronger, more resilient relations at the gala dinner of the National Committee on US-China Relations in New York.

Oct. 15, 2015: Secretary Kerry calls on China to release human rights lawyer Zhang Kai.

Oct. 15-16, 2015: The US-China Legal Experts Dialogue takes place in Beijing, led by US Assistant Secretary for Democracy, Human Rights and Labor Tom Malinowski.

Oct. 19, 2015: A 27-member delegation of the US Navy captains visits the Chinese aircraft carrier *Liaoning* and exchanges views with Chinese peers on naval issues.

Oct. 19, 2015: In its Semi-Annual Report to Congress on International Economic and Exchange Rate Policies, US Treasury drops its previous assessment that China's renminbi is "significant undervalued." Instead, it says the RMB "remains below its appropriate medium-term valuation."

Oct. 27, 2015: Secretary of Defense Carter confirms that the *USS Lassen* sailed close to Subi Reef in the Spratly Islands, conducting a freedom of navigation operation. Chinese Foreign Ministry summons US Ambassador to China Max Baucus to express its "strong discontent."

Oct. 28, 2015: China and US begin 22nd round of talks on bilateral investment treaty (BIT) in Qingdao.

Oct. 29, 2015: Adm. John Richardson, chief of Naval Operations, and Adm. Wu Shengli, commander of the People's Liberation Army Navy, hold a video teleconference to discuss the passage of the *USS Lassen* near Subi Reef.

Oct. 29, 2015: Permanent Court of Arbitration awards its first decision in *The Republic of Philippines v. The People's Republic of China* case, ruling that the case was "properly constituted" under the UN Convention on the Law of the Sea, that China's "non-appearance" (i.e., refusal to participate) did not preclude the Court's jurisdiction, and that the Philippines was within its rights in filing the case.

Nov. 2, 2015: Adm. Harris of US Pacific Command visits Beijing to boost naval exchanges and meets Gen. Fan Changlong, vice chairman of China's Central Military Commission.

Nov. 2-3, 2015: Assistant Secretary of State for Educational and Cultural Affairs Evan Ryan meets Vice Premier Liu Yandong, Minister of Culture Luo Shugang, and Vice Minister of Education Liu Huiqing regarding cultural exchange.

Nov. 3, 2015: Chinese Navy hospital ship *Peace Ark* arrives in San Diego for a five-day visit with US Navy and Veteran Affairs officials.

Nov. 3, 2015: Secretary of Defense Carter meets Defense Minister Chang Wanquan in Kuala Lumpur on the sidelines of the ASEAN Defense Ministers Meeting Plus.

Nov. 4, 2015: Three Chinese Navy ships arrive at the US Naval Station Mayport in Florida, beginning a four-day port visit.

Nov. 5, 2015: Defense Secretary Carter boards the carrier *USS Theodore Roosevelt*, which is patrolling the South China Sea.

Nov. 5-12, 2015: House Democratic leader Nancy Pelosi leads a delegation to China, including a visit to Tibet. The group meets Premier Li Keqiang, Vice Chairman of the NPC Standing Committee Zhang Ping, and Chairman of the NPC Standing Committee Zhang Dejiang.

Nov. 6, 2015: Foreign Minister Wang Yi and Secretary of State Kerry exchange views on the South China Sea, Iran, and Syria in a phone conversation.

Nov. 6, 2015: Vice Premier Wang Yang speaks with Treasury Secretary Jacob Lew over the phone on US-China economic relations.

Nov. 7, 2015: Vice Premier Wang has a phone conversation with Secretary of Commerce Penny Pritzker and US Trade Representative Michael Froman on US-China economic relations.

Nov. 16, 2015: *USS Stethem* docks in Shanghai following a stop in Qingdao for a port visit. Pacific Fleet Commander Adm. Scott Swift meets Vice Adm. Su Zhiqian onboard the *Stethem*.

Nov. 17, 2015: Foreign Minister Wang Yi meets with Deputy Secretary of State Blinken in Manila on the sidelines of the APEC Economic Leaders Meeting.

Nov. 19-23, 2015: A group of Chinese soldiers visit Joint Base Lewis-McChord for a military-to-military exercise, practicing humanitarian assistance and disaster relief operations.

Nov. 19, 2015: US Pacific Fleet Commander Adm. Swift meets People's Liberation Army Navy Commander Wu Shengli in Beijing.

Nov. 17-19, 2015: The first annual meeting of the US-China Army-to-Army Exchange and Cooperation Dialogue Mechanism is launched in Beijing. Deputy Chief of General Staff of the PLA Gen. Wang Jianping heads the Chinese delegation and US Army Director for Strategy, Plans and Policy Maj. Gen. William Hix heads the US delegation.

Nov. 20, 2015: In an interview with the *Financial Times*, Assistant Secretary for Arms Control, Verification and Compliance Frank Rose reveals the establishment of an emergency "space hotline" between the US and China.

Nov. 21-23, 2015: Secretary of Commerce Pritzker, US Trade Representative Froman and Secretary of Agriculture Tom Vilsack participate in the 26th US-China Joint Commission on Commerce and Trade in Guangzhou. The Chinese delegation is led by Vice Premier Wang Yang.

Nov. 21-24, 2015: Military representatives from the US and China meet at Pacific Air Force Headquarters in Hawaii for bi-annual Military Maritime Consultative Agreement talks regarding military air and naval safety.

Nov. 23-25, 2015: Chinese and US delegates meet for the 13th US-China Joint Liaison Group on Law Enforcement Cooperation in Washington DC.

Nov. 24, 2015: Secretary of State Kerry speaks with State Councilor Yang Jiechi over the phone to discuss cooperation in advance of the December climate conference in Paris.

Nov. 27, 2015: Bureau of International Narcotics and Law Enforcement Assistant Secretary William Brownfield and Deputy Assistant Attorney General Bruce Swartz join Ministry of Foreign Affairs Director General Xu Hong and Deputy Director General Cai Wei in Baltimore on two coast guard vessels for a law enforcement excursion.

Nov. 30, 2015: President Obama and President Xi meet in Paris on the sidelines of the 21st Conference of the Parties to the UN Framework Convention on Climate Change.

Nov. 30-Dec. 3, 2015: Assistant Secretary for Arms Control, Verification and Compliance Rose travels to Beijing to attend an ASEAN Regional Forum workshop on space security.

Dec. 1, 2015: Director-General of the Arms Control Department of China's Foreign Ministry Wang Qun meets Assistant Secretary Rose to exchange views on space, nuclear and other arms control and non-proliferation issues.

Dec. 1-2, 2015: Minister of Public Security Guo Shengkun visits the US for the first bilateral high-level dialogue on cybercrime. Guo meets National Security Advisor Susan Rice and jointly chairs the meeting with Department of Homeland Security Secretary Jeh Johnson and US Attorney General Loretta Lynch.

Dec. 7-8, 2015: Chinese and American experts and NGOs meet in Beijing for the sixth Sino-American Dialogue on Rule of Law and Human Rights.

Dec. 9, 2015: Foreign Minister Wang Yi meets Deputy Secretary of State Blinken in Islamabad on the margins of the Foreign Ministerial Conference of the Istanbul Process.

Dec. 10, 2015: Two US *B-52* bombers fly into airspace near Chinese-occupied features in the Spratlys, prompting the Chinese Defense Ministry to protest what it called "a show of force" to "create tensions in the waters and airspace."

Dec. 10-11, 2015: The China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) and the US Financial Crimes Enforcement Network (FinCEN) meet in New York and sign an MOU on money laundering and countering terrorist financing.

Dec. 14, 2015: Presidents Xi and Obama applaud the agreement reached at the UN Climate Conference in a phone conversation.

Dec. 16, 2015: USTR Froman and Commerce Minister Gao Hucheng meet in Nairobi, Kenya and reach a consensus on the expansion of the WTO Information Technology Agreement.

Dec. 17, 2015: Vice Foreign Minister Zheng Zeguang summons US charge d'affairs Kaye Lee in Beijing to protest the Obama administration's \$1.38 billion arms sale to Taiwan.

Dec. 20, 2015: Foreign Minister Wang Yi talks by phone with Secretary Kerry. The main topics are Syria and Iran. Wang also raises US arms sales to Taiwan and US military operations in the South China Sea.

Dec. 23, 2015: The Office of the US Trade Representative presents to Congress the 2015 annual report on China's compliance with its World Trade Organization (WTO) obligations.