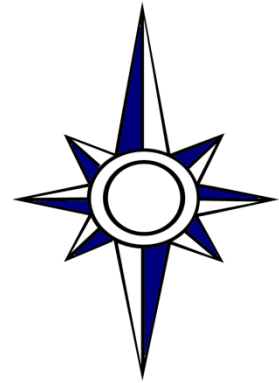


Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-China Relations: Sizing Each Other Up at Sunnylands

Bonnie Glaser, CSIS/Pacific Forum CSIS
Jacqueline Vitello, CSIS

With their domestic challenges in mind and a shared need for a stable bilateral relationship, Presidents Barack Obama and Xi Jinping met for a day and a half “no necktie” official working meeting to discuss the panoply of bilateral, regional, and global issues that affect US and Chinese interests. The fifth annual Strategic and Economic Dialogue (S&ED) was held in Washington on July 10-11, along with the Strategic Security Dialogue (SSD) and the first Cyber Working Group. Cyber security, especially cyber theft, was a prominent and contentious issue, aggravated by the revelations of former NSA contractor Edward Snowden. Maritime disputes in the East and South China Seas were also a source of tension. The bilateral military relationship was a bright spot, with the visit to the US of Chinese Defense Minister Chang Wanquan.

Sunnylands “no necktie” summit

President Obama hosted Xi Jinping for an official working meeting June 7-8 at the Annenberg Retreat at Sunnylands in Rancho Mirage, California. The meeting was unusual in several respects. First, the two presidents had not been scheduled to meet this year until the G20 meeting in St. Petersburg in September. Former National Security Adviser Tom Donilon told the press after the close of the Sunnylands discussions that the US believed postponing a meeting between the two leaders until the fall would have created a “vacuum.” China had also been eager to have an early opportunity for a meeting with President Obama. Second, prior Chinese leaders had insisted that their first visit to the United States as president be a formal state visit with a meeting in the Oval Office, a lavish state dinner, and a 21-gun salute. The only previous meeting between US and Chinese presidents in an informal setting took place in Crawford, Texas when George W. Bush hosted Jiang Zemin at the end of his tenure in 2002. Third, presidential meetings rarely last more than a few hours and usually focus on a small number of issues. Obama and Xi met at Sunnylands for eight hours over two days. The discussions were “quite strategic and covered virtually every aspect of the United States-China relationship,” according to Donilon.

The primary goal of the meeting was to establish a personal rapport between the two leaders that would better enable them to navigate problems in the bilateral relationship going forward. Donilon described the conversations as “positive and constructive, wide-ranging and quite successful.” Chinese State Councilor Yang Jiechi stated that the two heads of state “enhanced mutual understanding and trust, reached an important consensus on an array of issues . . . point(ed) the way and map(ped) out a blueprint for the future development of China-US relations.”

The talks covered their respective domestic circumstances, various aspects of the bilateral relationship, regional challenges such as North Korea and Iran, and global issues, including cyber security and climate change. Equally important, the US and Chinese presidents formed an opinion about each other. In a candid interview with Charlie Rose eight days after their meetings, Obama commented that Xi is “younger and more forceful and more robust and more confident, perhaps, than some [Chinese] leaders in the past.” Not surprisingly, Xi has not publicly offered his impressions of Obama.

On specific issues, Obama and Xi appear to have had the most common ground on North Korea, which was one of the topics discussed over dinner. They agreed that neither country would recognize North Korea as a nuclear weapon state and pledged to deepen cooperation to achieve denuclearization. In addition, Obama and Xi stressed the importance of continuing to apply pressure on North Korea to prevent proliferation and to compel Pyongyang to choose between nuclear weapons and becoming an economically prosperous country. Donilon indicated that there was “absolute agreement” that the US and China would “continue to work together on concrete steps” to achieve their joint goals with respect to North Korea’s nuclear program.

Another area of agreement was the need to bolster the US-China military relationship. According to Yang Jiechi, both sides said “they were ready to move forward with the building of a new type of military relationship.” In the only tangible outcome of the summit, Obama and Xi agreed to cooperate in fighting climate change by cutting the use of hydrofluorocarbons (HFCs), which are greenhouse gases.

Among the most contentious issues were the territorial disputes in the East and South China Seas. Xi Jinping expressed China’s determination to defend its claims and safeguard China’s national sovereignty and territorial integrity while at the same time supporting resolution through dialogue. President Obama reiterated US commitments under the US-Japan Mutual Security Treaty, and indicated his hope that Beijing and Tokyo would de-escalate, not escalate tension, and seek to have conversations through diplomatic channels rather than through actions in the waters of the East China Sea. The discussion about cyber issues was also contentious. Obama made clear the threat posed to US economic and national security by the use of cyber for the purpose of economic espionage. Apparently, Obama presented specific evidence of China’s widespread theft of intellectual property from US companies. According to Donilon, the president underscored that resolving this issue is the key to the future of US-China relations and asked that Xi Jinping take steps to investigate the problem.

There were some disappointments on both sides, although these were not explicitly expressed by either president or in the briefings provided by senior officials to the press. On the US side, officials commented privately that the meetings were more scripted than they had hoped; the presidents respectively presented their positions, but did not engage in a free flowing, back and forth conversation. On the Chinese side, there was some disappointment that President Obama was unwilling to fully embrace President Xi’s definition of a “new model of major country relationship.” (note: This is China’s preferred translation of *xinxing daguo guanxi*, rather than “new type of great power relationship.”) Xi proposed that the concept be defined as 1) no conflict and no confrontation; 2) mutual respect, including for each other’s core interests and major concerns; and 3) win-win cooperation. Based on Donilon’s read-out to the press, it

appears that Obama agrees that the US and China should avoid the historical phenomenon of a rising power and an existing power going to war, and agrees to build a new model of relations between great powers. However, it seems that Obama is unwilling to put forward a positive description of the new type of relationship, and did not accept Xi's proposed definition.

The Chinese side was also disappointed that first lady Michelle Obama did not attend the summit, opting to remain in Washington with her daughters who were finishing the school year. President Obama attempted to remedy this by meeting Xi Jinping's wife, Peng Liyuan, for tea. In addition, Michelle wrote a letter to Liyuan, welcoming her to the United States and saying that she regretted missing the opportunity to meet and hoped to have the chance to do so soon.

Following the summit, President Obama revealed some of his concerns about the US-China relationship in an interview with Charlie Rose. He described China's leadership as seeking to exploit the international system to "get as much as they can," while not being a "full stakeholder." China "can't have all the rights of a major world power but none of the responsibilities," Obama asserted, adding that if China accepts both, it will have a strong partner in the United States. He additionally stated that in working with the Chinese government, it is necessary to be candid, be clear about American values, and push back when the Chinese are trying to take advantage of the US.

Strategic and Economic Dialogue, round five

The fifth round of the US-China Strategic and Economic Dialogue (S&ED) opened on July 10 in Washington, DC. Both sides agreed that this year's dialogue built upon the budding mutual trust established at the Sunnylands summit. The annual event had four new co-chairs: Secretary of State John Kerry, Secretary of Treasury Jack Lew, Vice Premier Wang Yang, and State Councilor Yang Jiechi. Secretary Kerry, whose wife had taken ill just prior to the S&ED, attended for only a portion of the Dialogue, and was replaced by Deputy Secretary of State William Burns as the co-chair of the strategic track plenary session. Vice President Joe Biden also attended the joint opening session and in his remarks stated that the US-China relationship "is and will continue to be a mix of competition and cooperation."

The Chinese delegation stressed the "new model of major country relationship" throughout the S&ED in an effort to win more enthusiastic US support and commitment for Xi Jinping's proposal. In his opening remarks at the S&ED, Vice-Premier Wang stated that the "new model of major-country relationship ... is based on non-conflict, non-confrontation, mutual respect and win-win cooperation." Yang Jiechi told the Chinese media on July 11 that the "new type of major power relationship" should adhere to two principles: 1) the relationship should be built on foundations and common interests and 2) the relationship should be built in the spirit of mutual respect, and strive to obtain win-win results through cooperation. Despite Chinese efforts to forge a consensus on a definition of Xi's concept, the US remained hesitant to endorse it.

Economic track

In the economic track of the S&ED, both sides agreed to move forward with negotiations on a Bilateral Investment Treaty (BIT). While there have been nine previous rounds of BIT

negotiations between the US and China over the past five years, this year's S&ED seems to have brought a renewed sense of determination to sign an accord. In his closing remarks on July 11, Secretary Lew announced China's intention to include all stages of investment and all sectors in the BIT, which he called "a significant breakthrough," noting that this is "the first time China has agreed to do so with another country." Chinese Commerce Minister Gao Hucheng also reacted favorably, stating that the two sides had agreed to enter the "substantive stage" of negotiations.

In advance of the S&ED, China publicly stressed three economic track items that it planned to put on the agenda for discussion: 1) easing of US restrictions on high-tech transfer to China; 2) granting of market economy status by the US to China; and 3) taking steps to enable Chinese companies to more easily invest in the United States. Some progress seems to have been made to satisfy Chinese investors on the third item, as suggested by Vice Premier Wang's statement that the US had pledged to treat Chinese investment equally and fairly, and to welcome such investment from China including from SOEs and sovereign wealth funds. Wang was less positive about the US reaction to China's desire for market economy status, except to note that the US said it would "seriously consider" granting it.

China once again announced its intention to submit an offer to join the WTO Government Procurement Agreement (GPA) by the end of this year. This marks the fifth time China will submit an offer in as many years, the previous four having been deemed too weak by its US and European trading partners. Chinese officials signaled their readiness to begin technical talks with Washington to tackle the remaining obstacles to join the WTO GPA.

The US business community, economists, and scholars were less than fully satisfied with the outcomes of the economic track. China expert Nicholas Lardy at the Peterson Institute for International Economics told the *Wall Street Journal* that the BIT was a "noble goal" but would at best take a long time to negotiate and at worst might fail. The US-China Business Council voiced concern that China made no commitments to reduce barriers to investment in specific sectors. Former Treasury Secretary Hank Paulson was more upbeat, however, saying that a BIT would help level the playing field and assure access by eliminating discriminatory policies and practices.

Strategic track

In the spirit of building a new type of major country relationship, the two sides focused on expanding cooperation on issues where interests overlap and cooperation is possible. Climate change and energy policy have proven to be among such issues, since both countries face serious challenges and see opportunities for working together. At this year's S&ED, the US and China signed six new agreements to reduce greenhouse gas emissions and implement new, more energy efficient policies. They also upgraded their energy policy dialogue to the ministerial level.

Several breakout sessions were held under the strategic dialogue framework, including meetings to discuss bilateral cooperation on United Nations peacekeeping operations, South Asia, Latin America, wildlife trafficking, and customs. The two sides also agreed to implement joint projects in Afghanistan and Timor-Leste and announced a new Dialogue on Global Development. This dialogue, the first of its kind, will be chaired by the US Agency for International Development

(USAID) and the Chinese Ministry of Commerce. In an effort to promote the development of personal relationships as well as more effective cooperation, it was agreed that hot lines would be established between the two sets of US and Chinese co-chairs.

The third meeting of the Strategic Security Dialogue (SSD) that brings together senior civilian officials and military officers responsible for sensitive security matters was also held. The first SSD, held in 2011, lasted two hours and the second SSD, held in 2012, was extended to a half-day meeting. In both of those meetings, only two topics were on the agenda: cyber and maritime security. The SSD held alongside the S&ED this year lasted an entire day and the topics were expanded to include nuclear policy and missile defense. Deputy Secretary Burns and Chinese Executive Vice Foreign Minister Zhang Yesui were the civilian co-chairs; Under Secretary of Defense for Policy James Miller and Deputy Chief of the PLA General Staff Lt. Gen. Wang Guanzhong were the military co-chairs. Importantly, China agreed to hold another SSD meeting before the end of 2013, something the US has been pushing since the creation of this mechanism.

In keeping with past practice, President Obama met Chinese co-chairs Wang Yang and Yang Jiechi. The White House press release on the meeting noted that Obama underscored the importance of increasing practical cooperation on regional and global challenges while constructively managing differences and areas of competition. Wang Yang conveyed a similar message to Obama from Xi Jinping, urging both sides to “actively conduct cooperation at bilateral, regional and global levels and properly manage sensitive issues concerning each other’s vital interest to push forward the overall development of the bilateral relations based on mutual respect and win-win cooperation, according to the Chinese foreign ministry’s press release. They exchanged views on North Korea, maritime disputes, and cyber security, and Obama raised international norms and human rights.

Cyber espionage threatens setback

Obama administration concern about cyber threats from China has been mounting over the past year. In early 2013, those concerns were expressed privately and then publicly by senior US officials. In this second quadrimester of the year, the issue was broached at the highest level in Obama’s face-to-face meeting with Xi in California. Although attention is being paid to the hacking of US government websites and the potential for the use of cyber in a military conflict, the cause of greatest concern is the alleged use of cyber by Chinese government- and military-backed entities for the purpose of stealing US intellectual property.

The importance and protection of Intellectual Property (IP) rights first captured national attention in February, when US computer security firm Mandiant released a report associating a PLA unit in Shanghai with the systematic hacking of over 140 US organizations. The Chinese government rejected the report and claimed the evidence therein was “groundless.” One month later, in a speech at the Asia Society in March, National Security Advisor Thomas Donilon overtly associated China with the issue of cyber security – the first time a White House official had done so. Donilon warned that any cyber attack by China could seriously harm US-China relations. To that end, he outlined three Obama administration goals to accomplish in the area of cyber security with respect to China: 1) gaining Chinese recognition of the urgency and scope of the problem; 2) getting Beijing to begin investigating cyber theft coming out of China; and

3) engaging in constructive bilateral dialogue to establish rules and norms for activity in cyberspace. These three goals have since served as the basis for cyber-related talks with Beijing.

Building on the already substantive evidence provided in the Mandiant report, former US Ambassador to China Jon Huntsman and former Director of National Intelligence Dennis Blair released a report on May 21, which claimed that China is responsible for 50-80 percent of global IP theft. The report maintained that US companies have lost \$300 billion in revenue as a result of Chinese cyber espionage, and endorsed the contention of Gen. Keith Alexander, director of the National Security Agency, that this IP theft represents the “greatest transfer of wealth in history.”

In early June, immediately prior to the much anticipated Sunnylands summit, US charges of Chinese cyber espionage were undercut by revelations in the British newspaper *The Guardian* of US electronic surveillance activities based on information supplied by Edward Snowden, a former contracted employee for the National Security Agency (NSA). According to Snowden, the NSA was monitoring telephone and internet usage of US citizens, as well as targets in other countries, including China. The Chinese media reacted harshly to news of the Snowden affair, and went so far as to accuse the US of having double standards. The government-run Chinese newspaper *Xinhua* stated that, “the recent leakage of the two top-secret US surveillance programs of the National Security Agency has smashed the image of the US as a cyber liberty advocate and revealed its hypocrisy.” On June 27, Chinese Ministry of Defense spokesman Col. Yang Yujun accused the US of abusing advantages in IT while simultaneously “making baseless accusations against other countries.” He said this “shows double standards that will be of no help for peace and security in cyberspace.”

Following *The Guardian* reports, Snowden turned up in Hong Kong seeking asylum from any country that would provide it. Beijing apparently encouraged Hong Kong’s government to allow Snowden to leave for Russia on June 23, despite strong pleas from Washington to hold him for subsequent extradition. In Washington, this was seen as a slap in the face to President Obama and in direct contradiction to Xi Jinping’s professed desire for a positive and cooperative bilateral relationship. White House Press Secretary Jay Carney said bluntly, “we see this as a setback in terms of their efforts to build mutual trust.”

As discussed above, when the two presidents met at Sunnylands, Obama clearly conveyed his concerns about the use of cyber hacking to steal IP from US companies. In a subsequent White House briefing, Donilon stated that the Obama administration believes cyber issues need “to be at the center of the economic discussions that the United States and China are having.” Donilon related that Obama told Xi that “if it’s not addressed ... this (cyber issue) was going to be (a) very difficult problem in the economic relationship and was going to be an inhibitor to the relationship really reaching its full potential.” China downplayed the issue, however, claiming that cyber security is a multilateral rather than a bilateral issue. Moreover, in a briefing to the press following the Sunnylands summit, State Councilor Yang Jiechi emphasized that China and the US are facing the same threat and that, rather than becoming a point of contention, cyber security should be “a new bright spot in our cooperation.”

The Chinese seem to reject the distinction between the use of cyber to steal intellectual property and the use of cyber for more traditional intelligence collection, believing that they are both fair

game if not adequately protected. President Obama attempted to drive home the US view that the two are not the same on the Charlie Rose show, saying that IP theft is akin to, “a hacker directly connected with the Chinese government or the Chinese military breaking into Apple’s software systems to see if they can obtain the designs for the latest Apple product.” He called this type of activity theft, and said that the US government would not tolerate it.

When President Obama met Chinese S&ED co-chairs Wang Yang and Yang Jiechi, he conveyed his strong dissatisfaction with China’s decision to permit Snowden to leave Hong Kong. The issue was also apparently a source of contention in the closed-door meetings. At the closing session of the S&ED, Deputy Secretary of State Burns stated “over the past two days we’ve made clear that China’s handling of this case was not consistent with the spirit of Sunnylands ... or with the type of relationship, the new model that we both seek to build.” Yang Jiechi responded by insisting that Hong Kong’s handling of the Snowden affair was “beyond reproach.” The first ever US-China bilateral cyber working group was held on July 8, two days prior to the start of the fifth annual S&ED, and included civilian and military representatives from various agencies in the US and Chinese government that have responsibility for cyber-related matters. According to the US chair, Christopher Painter, the State Department’s coordinator for cyber issues, participants had constructive discussions, exchanged views, and made proposals to establish transparency and international rules for operating in cyberspace. The State Department also noted that the two sides are working to strengthen coordination and cooperation in the cyber realm between their Computer Emergency Readiness Teams (CERT).

Maritime disputes are front and center

US and Chinese officials sent clear signals regarding their respective policy stances and interests in the East China Sea and South China Sea in June, July, and August. At the Shangri-La Dialogue in Singapore in early June, Secretary of Defense Chuck Hagel called for all claimants to exercise restraint and employ peaceful means to resolve their differences. He also welcomed the agreement between China and ASEAN to establish crisis hotlines to help manage maritime incidents. A week later, as noted above, Presidents Obama and Xi Jinping had a tense exchange on the maritime disputes in the waters off China’s coast. Toward the end of June, Danny Russel told a Senate panel during his confirmation hearings for the position of assistant secretary of state for East Asia and Pacific Affairs that it was “unacceptable” for China to demand only bilateral negotiations with the other claimants. He stated that “America stands by our allies” and that he was committed to doing “everything in my power to try to lower the temperature, push claimants, including China, into a diplomatic track and continue to warn them that the region in which China will flourish is a region of law, a region of order, and a region of respect for neighbors, not one in which there is space for coercion and bullying.”

In his opening remarks at the 20th ASEAN Regional Forum in Brunei Darussalam on July 1, Secretary of State Kerry called on all parties to stop using coercion or other provocative actions to advance their claims in the South China Sea. Echoing the message delivered by his predecessor Hillary Clinton at the same meeting three years earlier, Kerry stated that the US has a national interest in the maintenance of peace and stability, respect for international law, unimpeded lawful commerce, and freedom of navigation in the South China Sea. He called for the signing of a “substantive” code of conduct (CoC) to “help ensure stability in this vital region”

and endorsed the use of legal mechanisms, including arbitration, to resolve disagreements. In a veiled warning to China, Kerry said that states should be able to seek peaceful means of dispute resolution without fear of retribution. While welcoming the announcement of official consultations a day earlier between ASEAN and China, he expressed hope that the talks would not be just a one-time event, but rather would result in progress toward a CoC. An unnamed State Department official was even less diplomatic in comments provided to the *Washington Post*, saying that the US “was more interested in China’s behavior toward its neighbors than in talks about documents.”

On the margins of the ARF, Kerry met Foreign Minister Wang Yi. Their talks focused primarily on North Korea, with Kerry pressing China to use its influence to persuade Pyongyang to honor its denuclearization commitments made in the Six-Party Talks. On the South China Sea disputes, according to an account of the meeting posted on the Chinese Foreign Ministry website, Wang Yi complained that Chinese efforts to seek cooperation were being undermined by “some individual country” that is “seeking confrontation.” He was undoubtedly referencing the Philippines, which continues to stand up to Beijing and determinedly defend its claims.

In a briefing on the upcoming Strategic and Economic Dialogue a week later, Chinese Assistant Foreign Minister Zheng Zeguang told reporters in Beijing that China wants the US to actively take steps to lower tensions arising from territorial disputes in the region. In the South China Sea, he urged the US to “do more to contribute to a proper settlement of the issue.” Regarding the East China Sea, Zheng encouraged the US to “send correct instead of wrong signals and do more to contribute to the cooling of the situation.”

Vice President Biden weighed in on the maritime disputes in a speech at George Washington University on July 18. All nations must have a clear understanding of what constitutes acceptable international behavior, Biden asserted, saying that means “no intimidation, no coercion, no aggression, and a commitment from all parties to reduce the risk of mistake and miscalculation.” He specifically urged China and ASEAN to set clear rules to manage their disputes and to sign a CoC.

A similar message was conveyed by the US Senate at the end of July in a unanimously adopted resolution condemning the use of force to assert territorial claims to disputed islands in the East and South China Seas. The resolution contained language condemning “the use of coercion, threats, or force by naval, maritime security, or fishing vessels and military or civilian aircraft in the South China Sea and East China Sea to assert disputed maritime or territorial claims or alter the status quo.” China lodged a formal complaint with the United States and the Foreign Ministry spokesman stated that China objected strongly to the resolution, which the ministry claimed failed to heed history or facts and “unjustifiably” blamed China.

A Politburo study session was held in late July at which Xi Jinping discussed China’s ongoing maritime disputes. Xi combined a tough stance with hints that priority may be accorded to lowering tensions with China’s neighbors going forward. The former was reflected in Xi’s assertion that Beijing would never give up its legitimate rights and interests, especially the nation’s core interests. The softer signal was embodied in his reaffirmation of Deng Xiaoping’s guideline that maritime disputes should be shelved and joint exploration of resources be pursued.

China's determination to staunchly defend its territorial claims was reiterated by Defense Minister Chang Wanquan when he visited the US in mid-August. At a news conference following his discussions with Secretary of Defense Hagel, Chang maintained that while Beijing prefers to solve disputes in the region through "dialogue and negotiation, no one should fantasize that China would barter away our core interests." He warned others to not "underestimate our will and determination in defending our territorial sovereignty and maritime rights."

In a speech at the end of August to Malaysia's Institute of Defense and Security, Secretary Hagel banged the drums again. He said the US was "troubled" by the increase in tensions and incidents in waters throughout the region, including in the South China Sea, and called on all parties to exercise restraint and "resolve incidents peacefully and without use of intimidation or aggression." Once again, Hagel reiterated US support for negotiation of a binding code of conduct for the South China Sea, and called on claimants to use means consistent with international law to settle their disputes. A few days later at the ASEAN Defense Ministers Meeting Plus gathering in Brunei, Hagel again voiced concerns about actions at sea aimed at advancing territorial claims that "increase the risk of confrontation, undermine regional stability, and dim the prospects for diplomacy."

China's defense minister visits the US

Prior to visiting Washington, Defense Minister Chang Wanquan traveled to the US Pacific Command, US Northern Command and North American Aerospace Defense Command (NORAD). In the nation's capital, Chang met Defense Secretary Hagel, Chairman of the Joint Chiefs Martin Dempsey, and National Security Adviser Susan Rice. The military exchange was one of 60 on the US-China bilateral agenda for this year. At the Pentagon, the talks focused on ways to promote the bilateral military-to-military relationship as well as regional and global security issues.

In their joint press briefing, Secretary Hagel stressed the US commitment to building a positive and constructive relationship with China. He noted that ties between the US and China are important for stability and security in the Asia Pacific. In order to strengthen the overall bilateral relationship, Hagel repeated a central tenet of the Obama administration's policy: that a "sustained, substantive military-to military relationship" is essential. In addition, Hagel stated that "the United States welcomes and supports the rise of a prosperous and responsible China that helps solve regional and global problems."

Gen. Chang described five agreements that were reached: 1) to implement the Xi-Obama consensus to strengthen the bilateral military relationship; 2) to increase high-level visits, and deepen consultations and dialogues with the aim of increasing mutual trust; 3) to strengthen coordination and cooperation under Asia-Pacific multilateral security dialogues, mechanisms, and frameworks; 4) to further enhance exchanges and cooperation in humanitarian assistance and disaster relief, counterterrorism, anti-piracy and peacekeeping; and 5) to work with other international community members to strengthen communication, coordination, and cooperation and to maintain strategic balance and stability of the world.

In their private meeting, Gen. Chang raised two of the initiatives that President Xi proposed to President Obama at their Sunnylands summit in June. The first is pursuing an agreement on advance notification of major military activities and the second is to negotiate an agreement on rules of behavior for military air and naval activities. It wasn't clear how far along these discussions are or whether progress was made during Chang's visit. Secretary Hagel noted that the venue for talks on establishing rules of the road at sea and in the air, the US-China Military Maritime Consultative Agreement, was holding a working group meeting in Hawaii on the same day as Chang's visit to the Pentagon to discuss humanitarian assistance and disaster relief. And within the week, the US and Chinese navies were scheduled to conduct second a counter-piracy exercise in the Gulf of Aden.

Additional agreements announced by Gen. Chang included plans to conduct the first bilateral humanitarian assistance and disaster relief exercise with active forces in Hawaii this November and to hold an exploratory discussion on logistics issues in support of nontraditional security missions later this year. The two sides also made a commitment to hold regular exchanges between the J5, the Joint Staff's strategic plans and policy directorate, and the PLA's strategic planning department. A series of high-level military visits between the two countries this year and next year were announced, including trips to China by Chief of Staff of the Air Force Gen. Mark Welsh and Chief of Staff of the Army Gen. Ray Odierno, and a visit by PLA Navy Commander Adm. Wu Shengli to the United States later this year. Gen. Dempsey invited his counterpart, Gen. Fang Fenghui, for a visit to the US next year. Secretary Hagel accepted Gen. Chang's invitation to visit China next year, and US Chief of Naval Operations Adm. Jonathan Greenert will also travel to China in 2014.

Briefing the press on the visit, Gen. Guan Youfei, director of the Chinese Ministry of Defense Foreign Affairs Office, claimed that the US had agreed to establish a working group to discuss the obstacles to better US-China military ties, including US arms sales to Taiwan. The Pentagon spokesman subsequently denied this, however, saying "I believe that the two sides, the US and China, agreed to set up working groups to discuss issues of mutual concern. But I have not heard of any specific working group on arms sales to Taiwan being established as of now." He maintained that the issues to be discussed would include crime prevention, particularly in regard to arms proliferation, piracy, and online crime. Gen. Chang reportedly told Secretary Hagel that the risk of war across the Taiwan Strait would decrease if US arms sales cease. Hagel maintained that US arms sales seek to ensure Taiwan's confidence in its self-defense. Guan also revealed that Xi Jinping pledged to President Obama that China would adjust the deployment of coastal PLA units once the US terminates arms sales to Taiwan. A US State Department spokesman said that Washington would continue to honor its commitments under the Taiwan Relations Act, which requires the US to make available defensive arms to the island. "We believe this longstanding policy contributes to the maintenance of peace and stability across the Taiwan Strait," State Department spokeswoman Jennifer Psaki said at a briefing.

Looking ahead to the rest of 2013

The US and China have an active agenda of meetings and exchanges in the last four months of the year. President Obama will meet Xi Jinping again on the margins of the G20 Summit in St. Petersburg, Russia, scheduled for Sept. 5–6. Foreign Minister Wang Yi will head the Chinese

delegation to the 68th United Nations General Assembly (UNGA) to be held in New York starting on Sept. 17, and may also visit Washington DC. Vice President Biden may visit China, Japan, and South Korea in late September or early October. Another meeting between Presidents Obama and Xi Jinping could take place on the sidelines of the APEC Leaders Meeting Oct. 7-8 in Bali, Indonesia. Premier Li Keqiang and President Obama will attend the 8th East Asia Summit on Oct. 10 in Brunei Darussalam, providing another opportunity for a high-level meeting.

At the working level, Special Representative for North Korea Policy Glyn Davies will visit Beijing, as well as Seoul and Tokyo, in September to coordinate policy toward Pyongyang. Also in September, Danny Russel will make his first trip to Northeast Asia since being appointed assistant secretary for East Asian and Pacific affairs. In addition to the numerous exchanges in the military sphere mentioned above, the Defense Consultative Talks, which had been scheduled to take place in June but were postponed, will now be held in September.

Chronology of US-China Relations* **May – August 2013**

May 1, 2013: US Trade Representative's office places China, along with Ukraine, Venezuela, and seven other countries on its Priority Foreign Country list in its 2013 Special 301 Report due to deteriorating intellectual property rights protection and market access.

May 1, 2013: US Department of Commerce issues a preliminary determination on antidumping duties against hardwood plywood manufactured in China and imported to the US, leading to a combined CVD/AD rate of 44.77 percent against Chinese manufacturers.

May 1, 2013: US Commission on International Religious Freedom releases its annual report on religious freedom in China.

May 6, 2013: US Department of Defense releases its *2013 Military and Security Developments Involving the People's Republic of China*, analyzing the progress, expansion, and modernization of the Chinese People's Liberation Army.

May 7, 2013: Houston hosts the third US-China Petroleum Forum and the 2013 China-US Shale Gas Technology Forum on the sidelines of the Offshore Technology Conference.

May 9, 2013: US Treasury Secretary Jacob Lew and Chinese Vice Premier Wang Yang hold talks by phone to discuss bilateral relations.

May 15, 2013: US Special Representative on North Korea Policy Glyn Davies visits Beijing on a trip that includes Seoul and Tokyo.

* Chronology and research assistance by CSIS interns Sheridan Hyland and Jessica Drun

May 23, 2013: Fang Fenghui, chief of the PLA General Staff, and Martin Dempsey, US chairman of the Joint Chiefs of Staff, hold talks by phone to discuss strengthening coordination and communication between US and Chinese militaries.

May 26-28, 2013: National Security Advisor Tom Donilon visits Beijing to prepare for the upcoming summit between Presidents Obama and Xi Jinping.

May 28, 2013: Qi Jianguo, deputy chief of the General Staff of the PLA, meets Cecil Haney, commander of the US Pacific Fleet in Beijing.

May 28, 2013: Xi Jinping meets Los Angeles Mayor Antonio Villaraigosa in Beijing to discuss tourism and trade relations between China and California.

May 30, 2013: *USS Shiloh* visits the PLA Navy South Sea Fleet base as part of a larger military-to-military exchange between the US and China.

May 31, 2013: State Department releases its annual statement calling for China to fully account for the June 1989 Tiananmen Square Incident and to adhere to universal human rights standards.

June 1, 2013: USPACOM Commander Adm. Samuel Locklear meets PLA Deputy Chief of the General Staff Qi Jianguo in Singapore on the margins of the Shangri-La Dialogue.

June 5, 2013: The Obama administration announces six-month sanctions waivers to China and eight other countries for reducing their imports of Iranian oil.

June 5, 2013: Secretary of Treasury Lew holds a phone conversation with Vice Premier Wang Yang on US-China economic relations and the upcoming US-China Strategic Dialogue.

June 5-7, 2013: Acting Under Secretary for Arms Control and International Security Rose Gottemoeller visits Beijing to co-chair the sixth consultation on strategic security and multilateral arms control with Assistant Foreign Minister Ma Zhaoxu.

June 7-8, 2013: President Xi meets President Obama at the Sunnylands estate in California.

June 8, 2013: State Councilor Yang Jiechi announces that China has accepted an invitation from the US to take part in the *2014 Rim of the Pacific (RIMPAC)* military exercises.

June 17, 2013: Chinese Foreign Ministry spokeswoman calls for the US to explain its NSA surveillance programs after they were revealed by Edward Snowden.

June 18, 2013: US Navy medical team gives a presentation aboard the Chinese hospital ship *Peace Ark* during the ASEAN Humanitarian Assistance/ Disaster Relief and Military Medicine Exercise in Brunei.

June 19, 2013: US State Department releases its annual Trafficking in Persons Report, relegating China, along with Russia and Uzbekistan, to the lowest tier, indicating that the US could apply non-trade related sanctions.

June 20, 2013: Under Secretary of State for Political Affairs Wendy Sherman and Vice Foreign Minister Zhai Jun hold the second round of US-China Middle East Dialogue in Washington.

June 23, 2013: Former NSA contract worker Edward Snowden leaves Hong Kong for Moscow. White House Press Secretary Jay Carney says the decision by the Hong Kong government “unquestionably has a negative impact on the US-China relationship.”

June 26-27, 2013: Under Secretary of the Treasury for International Affairs Lael Brainard visits Beijing for talks and to prepare for the US-China Strategic and Economic Dialogue.

June 26-28, 2013: US Ambassador to China Gary Locke makes a three-day visit to Tibet to talk with local officials, marking the first time since September 2010 that China has approved a US Embassy request to visit the region.

June 27, 2013: Martin Dempsey, chairman of the Joint Chiefs of Staff, rejects comparisons between cyber hacking by the US and China, saying that China’s program is aimed at stealing intellectual property.

June 28, 2013: US Department of Justice indicts Sinovel, a Chinese wind turbine company, for stealing trade secrets from a supplier, American Superconductor Corp.

July 1, 2013: Secretary of State Kerry meets Foreign Minister Wang Yi on the sidelines of the ASEAN Regional Forum in Brunei.

July 8, 2013: Inaugural US-China cyber security working group is held in Washington in advance of the S&ED. The working group is led by Christopher Painter, State Department coordinator for cyber issues, and Dai Bing, a senior Chinese Foreign Ministry official.

July 9, 2013: Third US-China Strategic Security Dialogue is held in Washington.

July 9, 2013: China Securities Regulatory Commission agrees to share Chinese audit papers with the US Securities and Exchange Commission and the Public Company Accounting Oversight Board.

July 10-11, 2013: Fifth meeting of the US-China S&ED is held in Washington DC. Secretary of State Kerry and Secretary of the Treasury Lew chair the meeting with counterparts, State Councilor Yang Jiechi and Vice Premier Wang Yang.

July 10, 2013: Under Secretary of State for Economic and Growth, Energy, and the Environment Robert Hormats and Administrator of the Chinese State Forestry Administration Zhao Shucong hold a breakout session on wildlife trafficking and agree on cooperation on combatting the trade during the S&ED.

July 10, 2013: US Air Force National Air and Space Intelligence Center releases an update to its 2009 Ballistic and Cruise Missile Threat Report, indicating that the PLA has the world's "most active and diverse ballistic missile program."

July 12, 2013: Daniel Russel begins serving as assistant secretary of state for East Asian and Pacific affairs. Evan Medeiros is promoted to senior director for East Asia on the National Security Council.

July 12, 2013: State Councilor Yang Jiechi visits Washington and meets Secretary of Defense Hagel and National Security Advisor Susan Rice.

July 17, 2013: US Trade Representative Michael Froman holds China responsible for the breakdown of negotiations on the Information Technology Agreement, which would have amended the 1996 agreement to eliminate tariffs from new millennium technologies.

July 18, 2013: China's Ministry of Commerce imposes preliminary anti-dumping duties on solar-grade polysilicon from the United States and South Korea.

July 27, 2013: Vice President Biden calls for China to agree to a code of conduct in the South China Sea while visiting Singapore.

July 30-31, 2013: US-China Human Rights Dialogue is held in Kunming, China.

July 30, 2013: US Senate passes a resolution condemning the use of force in territorial disputes in the East and South China Seas in response to rising Chinese aggression.

Aug. 1, 2013: Foreign Ministry spokeswoman says that China "strongly" opposes the US Senate resolution on the East and South China Seas, arguing that it blames China and is "sending the wrong message."

Aug. 1, 2013: Congressman and co-chair of the Tom Lantos Human Rights Commissions Frank Wolf says in a press release that the annual human rights dialogue between the US and China has "failed to produce meaningful results."

Aug. 1, 2013: US and Chinese Customs conclude a bilateral, month-long operation against counterfeit electronics in the largest collaboration between the two agencies to date.

Aug. 2, 2013: China's Ministry of Foreign Affairs repeats its opposition to US sanctions on Iran, saying that it "opposes sanctions that will hurt the interests of a third party." The statement came after the House of Representatives passed the Nuclear Iran Prevention Act.

Aug. 2, 2013: World Trade Organization determines that Chinese tariffs on chicken boiler imports from the US violated its rules.

Aug. 5, 2013: Chinese Vice Premier Liu Yandong meets a visiting delegation of representatives from the US Congressional Black Caucus to discuss people-to-people relations.

Aug. 12-17, 2013: United States joins China, New Zealand, and Australia in the *Phoenix Spirit* military disaster relief exercise hosted in Christchurch, New Zealand.

Aug. 15, 2013: US National Nuclear Security Administration announces a cooperative agreement with the General Administration of China Customs to counter the smuggling of nuclear materials by installing radiation scanners at airports, ports, and border checkpoints.

Aug. 16-19, 2013: Chinese Defense Minister Chang Wanquan visits several military installations in the US, ending the visit in Washington where he meets Secretary of Defense Hagel and National Security Advisor Rice.

Aug. 19-21, 2013: Chairman of the Senate Foreign Relations Committee Sen. Robert Menendez visits China. He also makes stops in Japan, Taiwan, and South Korea.

Aug. 19, 2013: US and Chinese forces discuss disaster relief and humanitarian aid at the Military Maritime Consultative Agreement Working Group meeting in Hawaii.

Aug. 19-21, 2013: US Special Envoy for North Korean Human Rights Issues Robert King visits China on a trip that also includes South Korea, and Japan to discuss human rights and humanitarian issues in North Korea with senior officials and civil society groups.

Aug. 23, 2013: State Councilor Yang Jiechi meets visiting US Senators John McCain and Sheldon Whitehouse.

Aug. 24-25, 2013: US and Chinese navies conduct second annual counter-piracy exercise in the Gulf of Aden.

Aug. 28, 2013: Secretary of Defense Hagel and Defense Minister Chang Wanquan meet on the sidelines of the ASEAN Defense Ministers Meeting-Plus in Bandar Seri Begawan.

Aug. 30, 2013: Vice Premier Wang Yang holds talks by phone with Treasury Secretary Lew to discuss the global economic and financial situation, the upcoming G20 Summit in St. Petersburg and bilateral trade and economic relations.