

U.S.-China Relations:  
**Anxiety About Taiwan Hits New Highs**

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Vice President Dick Cheney made a long-awaited visit to China this quarter and engaged in strategic dialogue with China's top leaders, who underscored the dangers of Taiwan independence in the aftermath of the re-election of Taiwan's President Chen Shui-bian. Despite U.S. efforts to allay Beijing's fears, Chinese dissatisfaction with U.S. policy toward Taiwan spilled over into other policy arenas, influencing its handling of Iraq and North Korea. This quarter also saw a host of activity in the economic realm, with the convening of the 15<sup>th</sup> U.S.-China Joint Commission on Commerce and Trade, June visits to China by U.S. Secretary of Labor Elaine Chao and U.S. Secretary of Commerce Don Evans, and the signing of numerous bilateral economic agreements.

**Vice President Cheney Visits China**

In mid-April, one year after postponing a planned trip to Asia to stay close to the White House during the Iraq war, Vice President Dick Cheney arrived in Beijing for a three-day visit. The unexpected rescheduling of the vice president's trip was enthusiastically welcomed by the Chinese leadership, which considers Cheney to be a crucial influence on President Bush and a hardliner on both Taiwan and North Korea, the two most delicate issues in China-U.S. relations. Topics discussed during Cheney's meetings with senior Chinese leaders included Taiwan, North Korea's nuclear weapons, antiterrorism, Iraq reconstruction, and bilateral issues including economic and trade cooperation.

The re-election of Chen Shui-bian on March 20 to a second four-year term as president of Taiwan raised alarm bells in Beijing and put the subject of forestalling Taiwan independence at the top of China's agenda for Cheney's visit. During separate sessions, Chinese President Hu Jintao, Central Military Commission Chairman Jiang Zemin, Premier Wen Jiabao, and Vice President Zeng Qinghong, all devoted the majority of time expounding China's stance on the Taiwan question and underscoring concern over U.S. policy toward Taiwan.

President Hu told Cheney that separatist activities by Taiwan independence forces pose the greatest threat to peace and stability in the Taiwan Strait. Zeng reminded Cheney that there is only one China in the world, Taiwan is a part of China, and the election results on Taiwan would not change that fact. He demanded that the U.S. stop selling weapons to

Taiwan. Jiang also urged the U.S. to adhere to its commitments on the Taiwan question and not send the wrong signals to pro-independence elements on the island. Reiterating a proposal that he had made to President Bush in October 2002, Jiang suggested that China would be willing to pull back its short-range ballistic missiles deployed along China's coast if the U.S. stopped selling advanced weapons to Taipei. Moreover, Jiang told the vice president, if the Taiwan issue were handled well, China-U.S. ties would have more room for development.

In his replies, Cheney reaffirmed Washington's continued adherence to the "one China" policy based on the three China-U.S. joint communiqués, non-support for Taiwan independence, and opposition to acts that unilaterally change the status quo in the Taiwan Strait, but he did not provide the Chinese with the firmer commitment to oppose Taiwan independence moves that they had hoped for. The vice president told his hosts that he "understood" their opposition to U.S. arms sales, but argued that such sales were directly linked to China's buildup of missiles and other forces to threaten Taiwan. Cheney also expressed concern about Beijing's recent moves to restrict Hong Kong's efforts toward self-rule and that people in Taiwan might view China's handling of the situation in Hong Kong as a bellwether of China's commitment to its "one country, two systems" formula for the former British colony and an indicator of Beijing's intentions toward Taiwan.

On the day Cheney departed China, a Chinese Foreign Ministry spokesman demanded that the U.S. clarify reports by Taiwan media on pending U.S. sales to Taiwan of submarines, *Patriot-III* anti-missile systems, and anti-submarine planes. The spokesman charged that U.S. arms sales to Taiwan violate the three China-U.S. joint communiqués, interfere with China's internal affairs, and "may lead to further tension in the situation across the Taiwan Straits."

For Cheney, North Korea's growing nuclear arsenal and the lack of progress toward the shared U.S. and Chinese objective of eliminating those weapons assumed top priority. After conveying U.S. appreciation for Beijing's active efforts to rid the Korean Peninsula of nuclear weapons, the vice president stressed Washington's angst about North Korea's expanding nuclear capability. According to reports, Cheney passed on to Chinese leaders new information, obtained from a top Pakistani nuclear scientist, suggesting that North Korea had at least three nuclear devices and is capable of making weapons from both plutonium and enriched uranium. "Time is not necessarily on our side . . . We think it's important to move forward aggressively," Cheney was quoted saying to his Chinese interlocutors. The Chinese remained unconvinced, however, both about the reliability of the intelligence on North Korea's nuclear arsenal and whether Pyongyang has a highly enriched uranium program. They cited Washington's inflexible stance in the six-party talks as an impediment to a diplomatic resolution of the issue and urged the U.S. to offer concrete inducements to North Korea to give up its nuclear weapons.

Both Chinese leaders and Vice President Cheney positively appraised progress in China-U.S. relations in recent years. Zeng Qinghong noted that the two countries share wide-ranging common interests and a cooperative basis, whether in safeguarding the peace and stability of the Asia-Pacific region and the whole world and promoting regional and

global economic development, or in dealing with terrorism, weapons proliferation, transnational crimes, and diseases. Zeng indicated that China is willing to work with the U.S. to further promote the bilateral constructive and cooperative relationship, which he characterized as having greater common interests than differences. Cheney also talked of shared strategic interests, but warned that “it would be a mistake for us to underestimate the extent of the differences.”

During his 46-hour whirlwind visit to Beijing, Cheney and the Chinese leadership agreed to strengthen high-level strategic dialogue and contacts, promote military exchanges, and further enhance cooperation on antiterrorism, trade, and law enforcement. The fourth round of consultations between both countries’ antiterrorism experts was announced and subsequently took place in early June. Cheney also visited Shanghai where he delivered a speech at Fudan University that was broadcast on Chinese state television, and attended a lunch meeting sponsored by U.S. businessmen.

### **Chinese Anxiety About Taiwan Spills Over**

Chinese concern about the danger of Taiwan independence spiked this quarter, despite assurances from Cheney and from President Bush in phone conversations with President Hu that the U.S. “one China” policy remained intact. A series of incidents intensified Beijing’s doubts about Washington’s determination to rein in what China sees as Chen Shui-bian’s pro-independence gambit. At the end of 2003 and during the first quarter of 2004, the Chinese believed that shared U.S.-Chinese apprehension about President Chen’s antics and common China-American interests in averting war in the Taiwan Strait could provide the basis for achieving an understanding and even for the pursuit of limited cooperation between Beijing and Washington to restrain pro-independence forces in Taiwan. Last December, Bush had publicly rebuked the Taiwan leader for seeking to change the status quo and U.S. officials had worked to dissuade Chen from holding referendums challenging Chinese sovereignty over Taiwan. In testimony to the House International Relations Committee on April 21, Assistant Secretary of State James Kelly called for President Chen to be responsible and restrained. Kelly explicitly declared that there are limitations to what the U.S. will support as Taiwan considers possible changes to its constitution and warned Taipei to not interpret U.S. support as a blank check to resist cross-Strait dialogue.

Following these positive moves, however, there were worrisome signs of U.S. backtracking that heightened Chinese suspicions of U.S. intentions. In mid-May, Washington actively lobbied and voted in favor of a proposal to invite Taiwan to participate in the World Health Assembly (WHA) as an observer. The following month, President Bush signed legislation authorizing Secretary of State Colin Powell to initiate a plan to facilitate Taiwan’s gaining observer status in the WHA. U.S. officials also privately told Beijing that in the coming year it would support observer status for Taiwan in the Organization of American States, which recently voted to accept China as an observer.

Although Beijing silently welcomed U.S. pressure on the Taiwan leader that successfully elicited a recommendation by Chen in his May 20 inaugural address that the forthcoming constitutional revision steer clear of matters involving sovereignty, territory, and independence vs. reunification, it condemned Washington's praise for Chen's speech as "constructive and responsible" and even "statesmanlike." From Beijing's perspective, the entire speech was replete with the notion that Taiwan is an independent country. Moreover, Chen's policies in his first term in office and his campaign promise to draft a new constitution that would be voted on by referendum in 2006 and enacted in 2008 rendered him untrustworthy.

Additional actions by Washington that China viewed as likely to embolden President Chen to continue down an independence path further incensed Beijing. Immediately following Chen's inauguration, the U.S. permitted Taiwan Vice President Annette Lu to transit the U.S. on her way to Central America. Lu used the opportunity of her stopover to call for the re-naming of the Republic of China to "Taiwan, ROC." A senior Taiwan delegation led by the powerful head of the Legislative Yuan, Wang Jin-pyng, visited the U.S. in June to discuss the weapons package President Bush approved in April 2001, which includes anti-missile Patriot batteries, submarine-hunting jet fighters, and submarines. The fact-finding mission will aid the legislators in determining whether they should approve a special budget of \$18.2 billion to procure the weapons. U.S.-Taiwan military ties appeared to be elevated to higher levels with reports that preparations are underway for an unprecedented visit by a flag officer, Brig. Gen. John Allen, this summer and the first joint U.S.-Taiwan simulated war game next year.

Chinese analysts are busy compiling evidence that Washington has shifted its target of concern from Taipei to Beijing and is resuming a policy of encirclement and containment of China. The release of two reports this quarter – the Pentagon's annual publication on Chinese military power and the Congressional U.S.-China Economic and Security Review Commission's annual report – were harshly criticized by Beijing as intended to promote the "China threat theory." Chinese media articles accused the U.S. Department of Defense of deliberately exaggerating China's military strength and defense budget to provide a justification for selling arms to Taiwan and to incite friction between China and its neighbors. U.S. global military maneuvers involving seven U.S. aircraft carrier battle groups and the fleets of U.S. allies that will reportedly rendezvous in the Pacific within striking distance of China's coastline in July have also unnerved the Chinese leadership.

Toward the end of the quarter, China's simmering dissatisfaction with U.S. policy toward Taiwan spilled over into other policy arenas. In late May, Beijing launched unprecedented efforts at the United Nations Security Council to restrain U.S. unilateralism in Iraq, proposing major amendments to the U.S.-British draft resolution. In a three-page paper, China called for a strict time limit on the stay of the U.S.-led multinational force as well as the granting of full sovereignty to the Iraqi interim government in the political, economic, security, judicial, and diplomatic areas after the June 30 handover of power. When President Bush phoned President Hu to express his hope for continued U.S.-Chinese cooperation on Iraq, Hu underscored the need for Iraq "to resume the exercise of its sovereignty in an all-round way" and for democratic and

fair elections to be held as early as possible. The following week, China and all the other UNSC members agreed on compromise language and unanimously passed a new resolution.

Two weeks later, Beijing signaled its intention to abstain on a UN resolution giving the U.S. immunity from the new International Criminal Court (ICC). China had supported granting a year's exemption the past two years, but this year voiced objections along with seven other members of the UN Security Council. Chinese Ambassador to the UN Wang Guangya publicly declared that the prisoner abuse scandal in Iraq had made it very difficult for Beijing to support the exemption. "My government is under particular pressure not to give a blank check to the U.S. for the behavior of its forces," he maintained. China's position was especially unusual because Beijing has not signed or ratified the court's treaty. Recognizing that it was unlikely to gain the nine "yes" votes required to adopt a resolution, the U.S. dropped the effort to extend immunity from ICC prosecution for its troops.

China-U.S. friction over Taiwan also cast a shadow over the six-party talks on the North Korean nuclear crisis on the eve of the opening of the third round in the third week of June. Chinese Deputy Foreign Minister Zhou Wenzhong told *The New York Times* that Beijing had doubts about the Bush administration's claim that Pyongyang is enriching uranium to make nuclear fuel. Zhou also criticized Washington's insistence on the complete, verifiable, irreversible dismantlement of North Korea's nuclear programs and expressed sympathy with Pyongyang's desire to maintain a peaceful nuclear program.

China's remarks were undeniably an attempt to exert pressure on the Bush administration to be more flexible and to demonstrate its "even-handedness" to Pyongyang. At the same time, however, the choice of Zhou as the messenger, who has responsibility for relations with the U.S., not East Asia, was likely intended to convey Beijing's growing unhappiness with President Bush's failure to take concrete steps to restrain Taiwan independence. Moreover, Chinese diplomats reportedly told CNN that it is difficult for Beijing "to do business with Washington over North Korea" because the Bush administration has repeatedly let China down over the issue of reining in Taiwan separatism.

Despite U.S.-Chinese differences over the best approach to achieving their shared objective of eradicating nuclear weapons on the Korean Peninsula, a rift was averted and small progress was achieved in the latest round of the six-party talks. A U.S. offer of political and economic incentives for North Korea to scrap its nuclear facilities was welcomed by Beijing. After the talks concluded, the Chinese praised the discussions as "constructive, pragmatic, and substantive," but cautioned that differences and mistrust persist between Washington and Pyongyang.

In another sign of Chinese irritation with U.S. policy toward Taiwan spreading into other policy realms, the government-controlled Chinese media, which has muted attacks on U.S. "hegemony" in recent years in the interests of avoiding confrontation with the U.S., adopted a more strident, anti-American tone this quarter. The *People's Daily*, the

Chinese Communist Party mouthpiece, charged the U.S. with pursuing a “world-domination strategy” and implementing “unilateralist and preemptive strategies” that run contrary to the “trends of today’s world nationalism, multi-polarization, and economic globalization...” An opinion piece in the official English language newspaper *China Daily* accused the U.S. of “wielding the big stick of economic and military sanctions to coerce the DPRK, Iran, and Libya into abandoning their nuclear programs, while at the same time accelerating an upgrade of its own arsenal to pursue absolute security and hegemony.” A signed article in the official *New China News Agency* issued a rare attack on the U.S. leadership by name, noting that “some people regard Bush, Cheney, and Rumsfeld as the ‘axis of evil.’”

### **Resisting Political Temptations: Steady Progress in Economic Relations**

Economic issues beat a steady rhythm this quarter, but, officials on both sides adapted well to rising trade and investment, demonstrating a kind of “active engagement, calm management” of the myriad issues. The U.S. presidential contest threatened to infect officials with the seasonal silliness that comes with placating needed voting blocs. Yet the Bush team mostly suppressed these instincts and tried to lay healing hands on the political problems emanating from China’s trade surplus, pegged currency, and the perceived job loss they create.

The strategy for the Bush team that came into focus this quarter is to show visible and unwavering dedication to get China to play by the rules while resisting protectionist moves. The Bush economic team has also stated it will use leverage to move China forward by dangling hopes that the U.S. will designate China as a “market economy,” which is a priority for the Chinese in order to reduce the number of anti-dumping cases brought against it. On June 3, the Commerce Department concluded that it would retain China’s non-market status (as the European Union did later in the month). In Beijing, Secretary of Commerce Don Evans argued before the U.S. Chamber of Commerce on June 23, “China must significantly reduce government micromanagement of its economy and introduce a far higher level of transparency – among other changes – before it can achieve a full transition to a market-driven economy.”

*U.S. tries to resist protectionist pressures.* The surprise decision by President Bush on April 28 to refuse petitions filed by labor and manufacturing leaders to impose duties on some Chinese goods was made all the more startling by the unusual unity among the four Cabinet officials at the press conference, which included the U.S. trade representative and the Treasury, labor, and commerce secretaries. The decision was stunning; the path of least resistance would have been to launch a study that would postpone any decision until after the November election. In the first of many utterances of what has become President Bush’s campaign rhetoric, USTR Bob Zoellick argued that the “road of protectionism is the road of isolation ... we won’t go down that path.”

Perhaps we can chalk up this bold decision to the successful April 21 meeting of the 15<sup>th</sup> China-U.S. Joint Commission on Commerce and Trade (JCCT), which marked the most senior dialogue on trade since China joined the World Trade Organization (WTO) in

December 2002. The Chinese delegation was headed by China's "iron lady" of trade policy, Vice Premier Madame Wu Yi, who led China's WTO negotiations, and included the equally formidable Madame Ma Xiuhong. On the U.S. side, Secretary Evans was joined by State Department veteran Grant Aldonis and Hank Levine, former consul general in Shanghai. These individuals have hands-on experience grappling with China's WTO compliance problems, and one can hope that their workman-like tone will seep through on both sides. The JCCT agreed to set up six working groups and signed two agreements, one on dual-use high-tech exports and another on intellectual property, both of which were high on the U.S. agenda.

But, the Bush team couldn't completely resist anti-dumping pressures. On June 21, the U.S. Department of Commerce announced it would recommend duties of up to 198 percent on Chinese-made wooden furniture (the Carolinas' votes are up for grabs), and the U.S. Commission on International Trade is expected to rule on this issue before the end of the year. This followed actions by the U.S. in early June to raise the average duty on Chinese-made plastic shopping bags from 18.43 percent to 23.6 percent, and in May to impose tariffs ranging from 5.22 percent to 78.45 percent on Chinese imports of color TVs. China, meanwhile, imposed anti-dumping tariffs of up to 46 percent on optical fiber imported from the U.S. (and Japan and the ROK). All of these actions are being disputed at the WTO, which notes that even though overall anti-dumping cases declined in 2003, those against China by the U.S. have steadily increased.

*Exchanges and agreements abound.* In addition to the JCCT, this quarter saw a number of visits by senior economic officials on trade, financial, labor, and health issues, and a handful of new agreements. From June 19-24, Secretary Evans conducted extensive meetings in China. Accompanied by an eight-member team from the President's Export Council (a group of 28 business executives to advise on trade matters), Evans met with Premier Wen Jiabao, Vice Premier Wu Yi, Vice Premier Zeng Peiyan, and Minister of Commerce Bo Xilai, among other officials. Echoing the Bush election-year strategy, Evans pointedly said "We are going to continue to look American workers in the eye, all across this country, and tell them we are going to be tough when it comes to enforcing our trade laws ... and China is certainly right there at the top of the list." Evans also carried the message of reform to Chinese youth. At the Harbin Institute of Technology, a burgeoning business school in China's northeast, Evans argued "your future as entrepreneurs and business leaders is directly linked to your government's economic reforms." At the trip's conclusion, Evans oversaw the signing of various business deals by half a dozen companies.

Secretary of Labor Elaine L. Chao kicked off her meetings in China with the June 21 signing of four letters of understanding between four senior labor officials and their counterparts at the Ministry of Labor and Social Security and the State Administration of Work Safety to expand cooperation in the areas of pension programs, wage laws, occupational hazards, and worker health. The same day, Chao announced a \$3.5 million grant to support workplace-related HIV/AIDS education programs. The delegation went on to tour the Rule of Law Project, a mine health and safety project, a women's migrant training facility, and an American-funded orphanage, concluding its visit on June 24.

The most significant opening of bilateral air traffic regulation since 1999 was concluded this quarter. On June 21, Transportation Secretary Norman Mineta announced a new accord to expand cargo and passenger air service between the U.S. and China from 54 flights a week to 249 weekly flights by 2010. Carriers will eventually be free to serve any city in the two countries: Chinese carriers are currently limited to 12 U.S. cities and American carriers to five Chinese cities. The deal also allows carriers to set up cargo-shipping hubs in the other country. Fed Ex stock anyone?

*Currency issues create constant static.* While U.S. officials never miss an opportunity to prod China toward a fully convertible exchange rate, Chinese officials remain adamant that retaining the peg is crucial for economic growth.

On April 13, Secretary of Treasury John Snow made the unusual announcement that a new post of “economic emissary” was being filled by Ambassador Paul Speltz, current U.S. representative to and Vice President of the Asian Development Bank (he will retain that post). Speltz’s mandate is to engage with China on the Technical Cooperation Program between the U.S. and China, which was created to “cooperate on issues that will facilitate a move to a market-based exchange rate regime in China,” said Snow. Coincidentally, a week later at the Third Bo’ao Forum for Asia held on Hainan island, Madame Wu Xiaoling, deputy governor of the People’s Bank of China (PBOC), made a passionate defense of PBOC monetary policy. According to Morgan Stanley’s Stephen Roach, who chaired a session at which Madame Wu spoke, “A leading Chinese central banker put the world on notice that China’s policy makers mean business – and did so in the most direct and fiery language I have ever heard from any member of this normally reticent species.” According to the translation provided by Roach, Wu responded to a drumming on the currency question from the media (including Chinese media) during the Q&A. She asserted, “The People’s Bank of China is focused on one thing – stability, and in establishing a mechanism to insure that stability. If you want to gamble with us, watch out! Speculators will be punished.” Clearly “stability” is at the forefront of Chinese leaders’ thinking on all matters economic – as well as political.

The U.S. showed its determination to sustain attention to the currency issue with a trip to Beijing by Treasury Under Secretary for International Affairs John Taylor on May 10-11, accompanied by Ambassador Speltz. This trip preceded the announcement on June 8 that China signed a memorandum of understanding with the Chicago Mercantile Exchange – a leading futures exchange and financial products market – to conduct technical cooperation to further develop China’s currency derivatives market, one of many necessary steps prior to exchange rate liberalization. Secretary Snow heaped praise on the agreement, calling it a “milestone,” an “outstanding example” of technical cooperation, and illustrative of “the seriousness” of China’s reform efforts.

### **The Bottom Line: How Sound is the Bilateral Relationship?**

China-U.S. spats over important, sensitive issues – especially Taiwan – do not mean that the bilateral honeymoon is over. Beijing is clearly signaling its displeasure with U.S. policy toward Taipei, but China remains committed to the preservation of good relations

with Washington and still views the U.S. as a critical external check on Taiwan independence. Rather than a fundamental shift in China's strategic orientation, this quarter has seen a greater willingness by China to modulate its cooperation with the U.S. to get the Bush administration's attention and increase Chinese leverage. For the U.S., cooperation with China is still a priority as well. In addition to the extensive and intricate web of economic ties, security cooperation continues to develop on the antiterrorism, law enforcement, and nonproliferation fronts. U.S.-Chinese relations remain as complex as ever.

## **Chronology of U.S.-China Relations April-June 2004**

**April 1, 2004:** Joseph De Trani, U.S. State Department Special Envoy for the DPRK issue, visits Beijing.

**April 1, 2004:** The Bush administration imposes sanctions on 13 foreign companies and individuals in seven countries that it says have sold equipment or expertise to Iran that could be used in WMD programs. Included are five Chinese companies.

**April 6, 2004:** General Administration of Civil Aviation of China and U.S. Trade and Development Agency sign Memorandum of Understanding on aviation cooperation.

**April 13, 2004:** U.S. Trade Representative (USTR) Robert Zoellick announces a new and expanded Office of China Affairs, covering the PRC, Taiwan, Hong Kong, Macao, and Mongolia, and headed by Charles Freeman with the new title of acting assistant U.S. trade representative (AUSTR) for China.

**April 13-15, 2004:** Vice President Dick Cheney arrives in China for a three-day visit.

**April 14, 2004:** Treasury Secretary John Snow announces Ambassador Paul Speltz will fill new post as Treasury's economic emissary to China.

**April 15, 2004:** 60<sup>th</sup> session of the UN Commission on Human Rights votes not to consider a U.S. draft resolution criticizing China's human rights practices.

**April 19-21, 2004:** Robert Mueller, FBI head, visits Beijing to open the FBI's legal attaché office and promote law enforcement cooperation.

**April 21, 2004:** President Bush meets Chinese Vice Premier Wu Yi at the White House.

**April 21, 2004:** Commerce Secretary Don Evans, USTR Robert Zoellick and Chinese Vice Premier Wu Yi chair the U.S.-China Joint Commission on Commerce and Trade.

**April 21, 2004:** Assistant Secretary of State for East Asian and Pacific Affairs James Kelly delivers testimony on Taiwan to the House International Relations Committee.

**April 21, 2004:** Secretary of Agriculture Ann Veneman and Chinese Minister for the General Administration of Quality Supervision, Inspection, and Quarantine Li Changjiang sign agreement establishing a consultative mechanism on food safety and animal and plant health issues.

**April 28, 2004:** U.S. turns down requests by labor and industry groups to consider duties on Chinese goods over alleged violations of labor rights and Beijing's currency policy.

**May 10, 2004:** China's special envoy for DPRK issues Ning Fukui arrives in Washington to consult with U.S. in advance of six-party working group meeting in Beijing May 12.

**May 10-16, 2004:** Treasury Under Secretary for International Affairs John Taylor travels to China, Japan, and Korea to discuss global and regional economic issues. Economic emissary Speltz joins him in Beijing.

**May 23, 2004:** FM Li and Secretary Powell discuss Iraq and Taiwan on the phone.

**May 23, 2004:** U.S. Secretary of Energy Spencer Abraham and Vice Chairman of China's National Development and Reform Commission Zhang Guobao sign Memorandum of Understanding to launch the U.S.-China Energy Policy Dialogue.

**May 25, 2004:** Deputy USTR Josette Shiner leads high-level team to Beijing to press for swift implementation of trade reform commitments by the PRC.

**May 28, 2004:** China joins the Nuclear Suppliers Group, an unofficial organization of nuclear capable countries exercising control on nuclear exports.

**May 29, 2004:** President Hu and President Bush discuss Iraq and Taiwan on the phone.

**May 29, 2004:** Annual DoD report on Chinese military power, required under the FY2000 National Defense Authorization Act, is released.

**May 31, 2004:** FM Li and Secretary Powell hold a phone conversation to discuss the draft resolution on the Iraq by the UNSC and issues in bilateral relations.

**June 3, 2004:** Commerce Department concludes that it will retain China's "nonmarket" status, inviting expected rebuke by Chinese officials.

**June 5, 2004:** Minister of Commerce Bo Xilai meets with USTR Zoellick at APEC ministerial meeting in Pucon, Chile.

**June 7, 2004:** FM Li and Secretary Powell hold phone conversation on Iraq and Taiwan.

**June 7, 2004:** China and U.S. hold fourth antiterrorism consultation in Washington D.C. Li Baodong, director general of the International Department of the Chinese Foreign Ministry and Ambassador Cofer Black, State Department coordinator for counterterrorism, head respective delegations to the consultation.

**June 8, 2004:** Treasury Secretary Snow praises new memorandum of understanding between China and the Chicago Mercantile Exchange to help develop China's currency derivatives market.

**June 9, 2004:** State Councilor Zhou Yongkang meets in Beijing with Thomas Collins, commandant of the U.S. Coast Guard to discuss cooperation between the Chinese Ministry of Public Security and the Departments of Homeland Security, Justice and State.

**June 11, 2004:** FM Li attends former President Ronald Reagan's funeral as a special envoy of Chinese President Hu Jintao and meets with Secretary Powell.

**June 12, 2004:** President Bush and VP Cheney meet with Chinese FM Li in Houston.

**June 14, 2004:** President Bush signs legislation authorizing the secretary of State to initiate a plan to endorse and obtain observer status for Taiwan at the annual summit of the World Health Assembly.

**June 15, 2004:** The U.S.-China Economic and Security Review Commission, a bipartisan review commission established by Congress in 2000 to assess economic and national implications of the U.S.-China relationship and provide policy recommendations to Congress, releases annual report to the public.

**June 18, 2004:** Transportation Secretary Mineta announces landmark air services agreement between the U.S. and China promising a substantial expansion of commercial aviation services between the two countries.

**June 18, 2004:** Department of Commerce imposes preliminary anti-dumping duties of up to nearly 200 percent on \$1.2 billion of wooden bedroom furniture imported from the PRC, but said most PRC companies would escape the highest duties.

**June 19-24, 2004:** Secretary of Commerce Evans visits China.

**June 21-24, 2004:** Secretary of Labor Elaine Chao visits China and announces a \$3.2 million grant for HIV/AIDS workplace education in China. Four letters of understanding are signed to expand cooperation in the areas of pension programs, wage laws, occupational hazards, and worker health.

**June 24, 2004:** U.S. House of Representatives' International Relations Committee passes resolution reaffirming Congress's unwavering commitment to the Taiwan Relations Act as the cornerstone of U.S. relations with Taiwan.