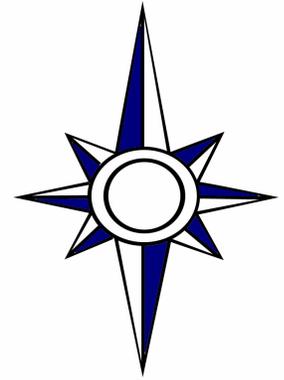


Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



U.S.-China Relations:

Pomp, Blunders, and Substance: Hu's Visit to the U.S.

Bonnie S. Glaser
CSIS/Pacific Forum CSIS

Despite the bungled welcoming ceremony on the South Lawn and the absence of concrete deliverables, the Hu-Bush summit was a modest success, given the complex nature of China-U.S. ties and the thorny issues that plague the relationship. Progress was made on market access and intellectual property rights at the Joint Commission on Commerce and Trade meeting that preceded the summit. In the wake of the summit, Beijing and Washington stepped up cooperation on both the Iranian and DPRK nuclear issues. Military exchanges were active this quarter, with a visit to China by Commander of U.S. Forces in the Pacific, Adm. William J. Fallon, the convening of the annual Defense Consultative Talks, ship visits by the U.S. Coast Guard Cutter *Rush* and the *USS Blue Ridge*, and a 10-member PLA delegation visited Guam to observe the *Valiant Shield-06* military exercises. In its semi-annual report to Congress, the Department of the Treasury noted that it was “extremely dissatisfied with the slow and disappointing pace of reform for the Chinese exchange rate regime,” but refrained from citing China as intentionally manipulating its currency regime.

Assessing the summit: a modest success amid gaffes

The South Lawn

Hu Jintao's first visit to the White House since he became China's top leader in 2002 was plagued by gaffes that upset months of painstaking diplomacy over protocol. U.S. media coverage of the summit focused on the welcoming ceremony on the South Lawn, which was interrupted by a female protester with press credentials from a pro-Falun Gong newspaper who screamed accusations at China's president and unfurled a banner. The disruption went on for a full three minutes as the Secret Service looked on, waiting for the D.C. police to remove the protester. President George W. Bush urged Hu to continue his speech with the reassurance “You're okay,” but Hu, with little experience dealing with public protests, was flustered and never regained his composure. The event was further marred when China's national anthem was announced as the anthem of the Republic of China – the formal name for Taiwan – instead of the anthem of the People's Republic of China. Officials accompanying Hu described their superiors as “outraged.”

Months after the visit, the Chinese government continued to press for the protester, Dr. Wang Wenyi, to be brought to justice, and her news organization, *The Epoch Times*, to be denied access to future official press functions. Beijing's entreaties were not met, however. U.S. officials apparently deemed credible a statement issued by *The Epoch Times* within hours of the South Lawn ceremony denying any knowledge or involvement by the news organization in Wang Wenyi's protest. Then, on June 21, prosecutors reached a deal with Dr. Wang to postpone the charge of willfully intimidating, coercing, threatening, and harassing a foreign official until April 2007. If she does not commit any crimes during that period, the charges will be dropped.

Private discussions, public commitments

As for the private discussions between Presidents Hu and Bush, although no agreements were signed and there was no substantial narrowing of the differences in any of the knotty issues addressed, the summit was nevertheless a modest success. U.S.-China relations are complex and problems such as the bilateral trade deficit and North Korea's nuclear weapons don't lend themselves to quick solutions. Moreover, the two leaders meet quite often – Bush was in Beijing last November and the two presidents met on the margins of the United Nations General Assembly meeting two months before. U.S.-China relations have matured and advanced considerably since the 1980s and even the 1990s and it is no longer realistic to expect presidential summits to produce major deliverables.

So, what was accomplished? Hu for the first time endorsed the concept introduced last year by Deputy Secretary of State Robert Zoellick that both China and the U.S. are stakeholders in the international system. He added that the two countries “must become partners in constructive cooperation.” If Beijing truly embraces the notion that it has a responsibility to contribute to strengthening the international system, then opportunities for security cooperation will likely increase. The two presidents agreed to step up cooperation to combat the spread of avian influenza; open a dialogue on potential cooperation on lunar space exploration; and expand military-to-military exchanges, including a discussion of strategic nuclear strategy and doctrine.

Small gains were made on freedom and human rights. The Chinese agreed to move forward on actions proposed by the U.S. side, including prisoner releases. Bush raised concerns about the tightening of Chinese controls on internet access. He also voiced U.S. objection to the return of a North Korean asylum seeker and pressed China to adhere to its commitments under the Refugee Convention. A glimmer of hope for greater tolerance and political liberalization was raised in President Hu's remark that “if there is no democracy, there will be no modernization.” Recognition that economic development and political reform must go hand-in-hand was unprecedented and hopefully indicates that Hu plans to accelerate political reform in the not too distant future.

In a clear message to China about the importance of human rights to the Bush administration, President Bush met with three prominent Chinese Christian activists in the Oval Office in May to discuss the severe limitations on freedom of expression and

religious freedom in China. Before the meeting ended, the Chinese Christians reportedly prayed with Bush, Vice President Dick Cheney, and Secretary of State Condoleezza Rice.

Even more important than the one-off \$16.2 billion in U.S. products that the Chinese pledged to purchase in the run-up to the summit was Hu's commitment to move China from an export-based economy to a consumer-based economy. Reducing China's high savings rate and boosting domestic demand are among the keys to addressing the \$202 billion U.S.-China trade imbalance.

On reform of China's currency there was no forward movement. President Hu merely reiterated that he would keep the exchange rate "basically stable," while continuing to "make efforts to improve the RMB exchange rate regime." Last July, Beijing revalued its currency by a paltry 2.1 percent, but replaced its pegged currency system to the U.S. dollar with a basket of currencies that provides the ability to gradually adjust the exchange rate. President Bush called upon Hu to step up the pace of currency reform. If the Chinese don't comply, Congress may take action later this year.

At Bush's initiative, the two presidents sat together at lunch so they could continue their substantive discussions. Their conversation, which included only their interpreters, focused primarily on North Korea and the future of the Korean Peninsula. National Security Council Acting Senior Director for Asia Dennis Wilder indicated in the post-summit briefing that President Bush had asked the Chinese "to continue to work on the North Koreans, to have the North Koreans come to that strategic decision that they really need to make, that they need to give up their nuclear ambitions. . ." Although no breakthroughs were achieved at the summit, upon his departure, Hu dispatched Vice Premier Tang Jiaxuan to Pyongyang for consultations.

In June, amid concern that North Korea might test a *Taepodong 2* missile, China's Premier Wen Jiabao expressed concern about a possible launch and called on the "various parties" to "proceed from the greater interest of maintaining stability on the Korean Peninsula and refrain from taking measures that will worsen the situation." Beijing also summoned the North Korean ambassador to Beijing to convey its concerns over the North's possible test. Chinese Foreign Minister Li Zhaoxing met with South Korean Minister of Foreign Affairs and Trade Ban Ki-moon June 27 and, according to a Chinese foreign ministry spokeswoman, agreed that all "relevant parties should stick to solving this issue through dialogue and peaceful means, and try to defuse the confrontational atmosphere." A week earlier, President Bush publicly praised Beijing for its ongoing efforts to resolve the Korean Peninsula nuclear issue.

In a discussion of Iran at the summit, Bush urged Hu to use China's relationship with Tehran to convince the Iranians to give up their nuclear ambitions and come back into compliance with their international obligations. China's president noted that his assistant foreign minister, Cui Tiankai, had been seeking to do just that during his visit to Tehran the previous week and that Beijing shared the same long-term strategic goal, while emphasizing the need for a diplomatic solution. On June 1, the two presidents held a telephone conversation on the Iranian nuclear challenge in which the Chinese leader told

Bush that Beijing was ready to play a constructive role in resuming negotiations. The next day an agreement was reached in Vienna by the five permanent members of the UN Security Council plus Germany to offer Tehran incentives, including U.S. assistance for an Iranian civilian nuclear energy program and a possible limited uranium enrichment program in Iran, in return for immediate suspension of its current nuclear work until the International Atomic Energy Agency determines with confidence that the program is peaceful.

In a meeting with Iranian President Mahmoud Ahmadinejad in mid-June on the margins of the Shanghai Cooperation Summit in Shanghai, Hu urged Teheran to “respond positively” to the international offer, calling it a new opportunity for solution to the Iranian nuclear issue. According to *Xinhua*, Hu also told Iran’s president that while China “understands” Iran’s “concerns” about its “right” to the “peaceful use of nuclear energy,” China also supports “maintaining the international nuclear nonproliferation regime.”

The JCCT’s accomplishments

Nine days prior to the summit, the U.S. and China held the 17th annual session of the Joint Commission on Commerce and Trade (JCCT). The U.S. delegation was led by Secretary of Commerce Carlos Gutierrez, Secretary of Agriculture Mike Johanns, and United States Trade Representative Rob Portman. Vice Premier Wu Yi headed the Chinese delegation. The two sides released a joint statement highlighting agreements to address bilateral trade issues in four major areas.

First, specific agreements were reached that will expand market access for U.S. companies. Beijing agreed to resume imports of U.S. beef and remove entry barriers in the telecommunication service and medical device sectors. Second, China reaffirmed its determination to greater enforcement of intellectual property rights (IPR), particularly focusing on the optical disk and software industries and undertook new commitments to protect IPR. The Chinese government promised to require the pre-loading of legal software on all computers produced or imported into China. In addition, action was taken to shut down 14 factories producing pirated CDs and DVDs and improve IPR enforcement. These steps likely met with domestic resistance in China, but were pushed through by Vice Premier Wu with the partial objective of setting a positive tone for Hu’s U.S. visit.

Third, the Chinese side also agreed to a number of structural and regulatory initiatives, including beginning negotiations to accede to the World Trade Organization’s Government Procurement Agreement (GPA), engaging in discussions on bulk chemicals (active pharmaceutical ingredients), and continuing the bilateral steel dialogue begun in May 2005. In addition, the two sides announced plans to establish the U.S.-China High Technology and Strategic Trade Working Group to review export control cooperation and facilitate high technology trade. Fourth, in an important transparency step, China committed to publish all trade-related measures in a single official journal put out by the Ministry of Commerce, the *China Foreign Trade and Economic Cooperation Gazette*.

These achievements were praised by business associations that promote trade and economic cooperation between U.S. and Chinese firms. Officials from both countries were pleased with the JCCT results as well, but Secretary Gutierrez cautioned that implementation and enforcement are essential: “The real outcome of this meeting, of course, will be known when we see the results. We will both be looking for the results before the next annual meeting to bring additional equity and balance to the U.S.-China trade relationship.”

Successes in Seattle and Yale University

From Beijing’s perspective, the most successful portions of President Hu’s U.S. visit were the bookends – the visits to Seattle, Washington and to Yale University in New Haven, Connecticut. In Seattle, Hu toured the Boeing aircraft factory in Everett in a golf cart, met privately with company executives, and delivered an address to 600 local officials and business leaders. He also visited Microsoft and dined with local dignitaries at the home of Bill and Melinda Gates. In addition, Hu met with a group of Chinese and U.S. former officials and scholars who convened in Seattle to discuss China’s peaceful development and China-U.S. relations. Chinese analysts hailed the two-day stop in Seattle as a great success, noting the vital importance of promoting close ties between China and U.S. business leaders, since economic ties – not security or ideology – are the glue of the bilateral relationship.

Hu Jintao’s final stop on April 21 was at Yale University, where he gave an address to students and faculty. In his speech, Hu presented the Chinese view of a harmonious world based on the concepts of Chinese civilization. He also emphasized the critical importance of the U.S.-China relationship saying that the closer China-U.S. relations are, the better off the world will be. China is committed to becoming more democratic, Hu averred, but will chart its own course on its path to development and democracy, rather than copying the examples of foreign countries.

An active quarter for military exchanges

Commander of U.S. Forces in the Pacific, Adm. William J. Fallon made a week-long tour of Chinese military installations and met with senior Chinese officers, including Defense Minister Cao Gangchuan in mid-May. He visited China’s 28th Air Division, based near the eastern city of Hangzhou, where he inspected a twin-engine *FB-7* fighter-bomber (China’s most advanced domestically produced warplane), toured the 39th Infantry Regiment of Shenyang, and visited an air force training academy near Xian. The trip marked a step forward in Adm. Fallon’s push to increase contacts between the U.S. and Chinese militaries as a way to ease suspicions, promote transparency, and reduce chances that the two Pacific powers will engage in military conflict resulting from miscalculation. In a subsequent interview, Fallon held out the possibility that he would press Congress to loosen restrictions on bilateral military contacts that were codified in the 2000 National Defense Authorization Act if Beijing would further increase transparency and reciprocity in the military sphere.

During his May discussions in China, Fallon invited the PLA to observe the *Valiant Shield-06* military exercises in Guam the following month. The Chinese accepted and sent a 10-member delegation, joining delegations from six other countries, to observe the June war game. Following the conclusion of the large-scale U.S. military exercise that involved 280 aircraft, 22,000 personnel, and 30 warships – including three of America’s 12 aircraft carriers – members of the Chinese delegation said that the event had “deeply impressed” them and “helped the Chinese side to obtain a better understanding of U.S. weapons, training skills, and exercise arrangements.” Fallon also reportedly invited Chief of the General Staff Liang Guanglie to join a November 2006 meeting in Kuala Lumpur, Malaysia, of Asian regional commanders.

On June 8, the Defense Consultative Talks (DCT) were held in Beijing, the eighth such meeting of annual discussions on defense issues between senior U.S. and Chinese officials. The U.S. delegation was led by Peter Rodman, the U.S. assistant secretary of defense for international security affairs, which was a notch down from last year’s DCT that were headed by Douglas Feith, undersecretary of defense for policy. The U.S. side also included representatives from the Joint Staff, the Pacific Command and the State Department. The Chinese side was headed this year by Maj. Gen. Zhang Qinsheng, assistant chief of the General Staff of the PLA, who recently succeeded Lt. Gen. Xiong Guangkai. Officers from the Chinese Navy, Air Force, and Second Artillery also participated. Rodman commented positively on the talks, saying that many things came out of the meeting that would be followed up on. “Both sides had a number of specific ideas of new areas of cooperation or new activities,” he told reporters. In addition to discussing the bilateral military relationship, the two sides talked about China’s defense budget, military transparency, and their respective strategic nuclear forces and doctrines.

In other developments in the U.S.-China military/security relationship this quarter, exchanges between military academies received a boost with the April visit to China by president of the U.S. National Defense University Michael Dunn. In early June, the Honolulu-based Coast Guard cutter *Rush* docked in Qingdao, the first major cutter to visit China since World War II. During the visit, law enforcement teams from the U.S. and China demonstrated techniques for boarding and searching vessels. The port call took place as part of the North Pacific Coast Guard Forum, which was established in 1999 to foster multilateral cooperative efforts in maritime safety and security. It comprises coast guards and equivalent agencies from China, Japan, the Republic of Korea, Russia, Canada, and the United States.

As the quarter drew to a close, the amphibious command and control ship *USS Blue Ridge* carrying more than 1,000 sailors and Marines arrived in Shanghai for a three-day port call. Capt. Jeffrey Bartkoski expressed hope that his ship would be permitted to visit ports other than Shanghai on future trips to China.

The Pentagon released its annual report on China’s military power in May, which noted that aspects of China’s military development have surprised U.S. analysts, including the pace and scope of its strategic forces modernization. The 45-page report contended that China’s military buildup is extending the reach of Chinese forces and poses a growing

danger to neighbors such as Japan and India and to the U.S. military in the Pacific. Planning for Taiwan Strait contingencies remains the PLA's immediate focus, along with the possibility of U.S. intervention. The report cited China's military budget as between \$70 billion and \$105 billion, but failed to provide information on the methodology used to devise those figures. In a sharply worded statement, Chinese Vice Foreign Minister Yang Jiechi denounced the report, claiming it "rudely interferes in China's internal affairs." Yang defended China's "normal national defense building and military deployments" and accused the Defense Department of "scheming to use this as an excuse to sell advanced weapons to Taiwan."

Beijing was irked when it was excluded from a meeting hosted by the U.S. in early May that was aimed at boosting cooperation in the global war on terrorism. More than 230 participants from 91 countries convened in Washington, D.C. to compare notes on counterterrorism on April 25, only five days after President Bush had hosted President Hu. The meeting was the fourth in a series held since May 2004 to bring together security planners from around the world. According to a spokeswoman for the U.S. Joint Chiefs of Staff, China was not invited because the U.S. "interagency coordination requirement and timeline didn't allow sufficient time to extend an invitation." The Chinese government was silent on the matter, but Chinese researchers complained bitterly that as a partner in the war on terrorism, China's exclusion was unwarranted and provided further evidence of the Pentagon's unfriendly posture toward China.

China is not a currency manipulator

In its semi-annual Report on International Economic and Exchange Rate Policies released May 10, the Department of the Treasury noted it was "extremely dissatisfied with the slow and disappointing pace of reform for the Chinese exchange rate regime," but refrained from citing China as intentionally manipulating its currency regime. Treasury Secretary John Snow maintained that the administration was unable to charge China with keeping the value of its currency artificially low because the record showed that Beijing had allowed its currency to appreciate. He noted that China's leadership has made a public commitment to implement reforms and pointed to statements by China's President Hu and Premier Wen as evidence that "China does not want a large current account surplus and will act to reduce it." Snow nonetheless called on Beijing to act immediately to increase the flexibility of its exchange rate regime "before real harm is done to its own economy, to its Asian neighbors, and to the global financial system."

Critics on both sides of the aisle, the AFL-CIO, and various manufacturing trade associations insisted that China deliberately holds down the yuan's rate, making its exports more competitive on global markets and driving up the trade imbalance with the U.S. While Snow argued that China's exchange rate practices do not meet the test of intent as defined by the Omnibus Trade and Competitiveness Act of 1988, critics maintain that China's progress in currency flexibility has been negligible and fails to match the rhetorical promises delivered by Chinese leaders. Authors of a bill to impose tariffs on Chinese exports in the absence of a substantial currency revaluation, Sen. Charles Schumer (D-NY) and Lindsey Graham (R-SC) denounced Snow's decision. Sen.

Charles Grassley (R-IA), chairman of the Finance Committee, called for scrapping the 1988 law under which Snow issued his report and creating a new law that would overhaul supervision of currency issues.

Chinese economists reacted positively to the U.S. decision and suggested that it would give Beijing greater flexibility to accelerate the introduction of a genuine forex trading market for the *renminbi*. On May 15, less than a week after the Treasury report was released, China's currency fell below 8.00 to the dollar for the first time, passing what the market had designated a psychological barrier. The next U.S. Treasury report on global currencies is due to be issued Oct. 15, about three weeks before the congressional mid-term elections.

In confirmation hearings at the end of June, Hank Paulson, the nominee to succeed Snow at Treasury, signaled a possible shift in policy away from currency issues toward putting greater weight on financial sector reform. Although he reiterated the need for Beijing to permit greater currency flexibility in the near term, Paulson put greater emphasis on pressing China to reform and open up its domestic financial system. In the absence of a modern financial system, Paulson told senators, China is "not going to be able to have a currency that trades in a competitive marketplace."

Looking forward

As the quarter closed, Iran and the DPRK were coming into focus as litmus tests of the China-U.S. relationship. Tehran has yet to respond to the package proposal presented by the permanent five members of the U.N. Security Council plus Germany. If Iran rejects the offer, will the U.S. and China be able to sustain their cooperation? Will the DPRK launch of seven ballistic missiles, including a long-range *Taepodong 2* (on July 4), produce similar or diverging responses from the U.S. and China? From Washington's perspective, both issues are important trials of China's willingness to act as a responsible stakeholder in the international system.

With the pending departure of Robert Zoellick and his successor not yet named, it remains to be seen whether the "Senior Dialogue" that has centered on what it means to be a responsible stakeholder in the international system will continue. The concept has taken hold both in Beijing and Washington; it has been included in key Bush administration documents including the *Quadrennial Defense Review* and the *National Security Strategy of the United States of America*; and both U.S. and Chinese presidents have publicly uttered the term "stakeholder." Officials from the two countries are likely to continue to discuss at various levels their respective understandings of "responsible" behavior and policies and their expectations of the other side.

In the third quarter, Guo Boxiong, vice chairman of the Central Military Commission and Politburo member of the 16th CCP Central Committee, will visit Washington, D.C. and visit several military installations in the United States. The visit by Second Artillery Commander Jing Zhiyuan to the U.S. Strategic Command may take place this coming quarter, or may be scheduled in the final months of 2006.

Chronology of U.S.-China Relations

April-June 2006*

April 4, 2006: Secretary of Homeland Security Michael Chertoff visits Beijing and meets Chinese Minister of Public Security Zhou Yongkang. They discuss joint efforts in the campaign against illegal immigration and furthering mutual trust and coordination.

April 5, 2006: State Department releases its annual *Supporting Human Rights and Democracy* report, which highlights the programs the U.S. is pursuing with foreign countries to promote human rights. In China, these measures include bilateral diplomatic efforts, and multilateral action and support through Chinese government and nongovernmental channels for rule of law and civil society programs.

April 7, 2006: Sen. Max Baucus (D-MT), joined by 16 fellow members of the Senate Finance Committee, writes an open letter to Chinese Vice Premier Wu Yi calling on China to address Washington's concerns about the currency exchange rate, IPR violations, and meeting World Trade Organization (WTO) commitments.

April 7-14, 2006: U.S. Environmental Protection Agency (EPA) Administrator Stephen Johnson travels to China and meets with Minister Zhou Shengxian of China's State Environmental Protection Administration and Deputy Director Pei Chenghu of the Beijing Environmental Protection Bureau to discuss opportunities for increased cooperation and to observe progress on existing collaborative initiatives.

April 10, 2006: During a news conference in Beijing, Chinese Commerce Minister Bo Xilai vows to crack down on IPR violations and goes on to say that the trade imbalance between China and the U.S. is not generated by IPR violations, but rather U.S. export controls on high technology and the competitiveness of Chinese companies.

April 11, 2006: Seventeenth annual meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) is held in the U.S. Commerce Secretary Carlos Gutierrez and Trade Representative Rob Portman head the U.S. delegation, joined by Secretary of Agriculture Mike Johanns, while Vice Premier Wu Yi leads the Chinese delegation.

April 12-15, 2006: Assistant Secretary for Western Hemisphere Affairs Thomas Shannon travels to Beijing and meets MFA officials to discuss China's Latin America policy and to promote U.S.-China cooperation in the region.

April 17, 2006: In a speech at the Institute for International Economics, U.S. Deputy Secretary of State Robert Zoellick says that Chinese currency reforms are moving in the right direction. Zoellick also has positive comments regarding China's efforts (especially in the reconstruction of Iraq and Afghanistan) to enhance international security.

* Compiled by David Adam Fisher, CSIS intern

April 18, 2006: The U.S. and China sign a five-year extension of their bilateral Science and Technology Cooperation Agreement, which covers infectious diseases, energy research, and atmospheric sciences.

April 18, 2006: Department of State releases fact sheets calling for increased religious freedom, as well as greater political and civil rights, in China.

April 18-21, 2006: President Hu travels to Seattle, Washington, Washington, D.C., and New Haven, Connecticut. In Washington, he meets with President Bush.

April 19, 2006: Speaking at the Trade Policy Review of the People's Republic of China in Geneva, Ambassador Peter Allgeier, the U.S. trade representative to the WTO says, "it is apparent that China has not yet fully embraced the key WTO principles of non-discrimination and national treatment, nor has China fully institutionalized market mechanisms and made its trade regime predictable and transparent."

April 20, 2006: U.S. and China renew the United States-China Education Agreement for Cooperation in Educational Exchanges.

April 24-25, 2006: China and the U.S. co-sponsor the APEC Anti-corruption Workshop in Shanghai.

April 27, 2006: Rep. Christopher Smith (R-NJ), chairman of the House International Relations Subcommittee on Africa, Global Human Rights, and International Operations chastises China for repatriating North Korean refugees, in violation of China's obligations under the 1951 UN Convention Relating to the Status of Refugees and the 1967 Protocol Relating to the Status of Refugees.

April 28, 2006: USTR releases its *2006 Special 301 Report*, which emphasizes China's IPR violations and moves U.S. policy toward using WTO dispute settlement mechanisms in regards to China.

May 3, 2006: U.S. Commission on International Religious Freedom (USCIRF) releases its annual report in which China is listed as one of the "countries of particular concern" due to restrictions, state control, and repression to which all religious communities are subjected.

May 4, 2006: Sens. Sam Brownback (R-KS), Kay Bailey Hutchison (R-TX), and Jon Kyl (R-AZ) introduce the Silk Road Strategy Act of 2006, which "expresses the sense of Congress with respect to U.S. political, diplomatic, and economic interests in and the democratic and stable development of Central Asia and the South Caucasus." The legislation calls for the U.S. to attain observer status in the Shanghai Cooperation Organization (SCO) "for the purpose of promoting stability and security in the region."

May 5, 2006: Department of Defense releases five ethnic Uighurs from Guantanamo Bay, Cuba to Albania.

May 9-16, 2006: Adm. William J. Fallon, commander of U.S. Forces in the Pacific, travels to China, where he meets with Chinese Defense Minister Cao Gangchuan and Chinese Foreign Minister Li Zhaoxing. Fallon invites senior Chinese officers to observe U.S.-led joint military exercises in June, promising them the opportunity to review U.S. bases and board U.S. warships during air-sea drills, which China later accepts.

May 10, 2006: Treasury Department releases its semi-annual *Report on International Economic and Exchange Rate Policies* saying that China has been too slow to revalue the RMB, but doesn't label China as a "currency manipulator." Chinese Foreign Ministry Spokesman Liu Jianchao expresses his country's appreciation at not being listed as a "currency manipulator."

May 10, 2006: House International Relations Committee holds hearing on China's resurgence. Deputy Secretary Zoellick testifies, "how we deal with China's growing influence is one of the central questions of 21st century U.S. diplomacy." He calls on Beijing to be a "responsible stakeholder" if it wants other countries to feel secure as China rises.

May 11, 2006: President Bush meets with three prominent Chinese Christian activists and pledges to discuss the issue of religious freedom with Chinese leaders.

May 15, 2006: China's currency creeps past 8.00 to the dollar for the first time, passing a psychological barrier for the renminbi.

May 16, 2006: The American Chamber of Commerce in Beijing releases its annual white paper calling on Washington to loosen export controls and Beijing to better protect IPR.

May 17, 2006: Treasury Secretary John Snow, testifying before the House Financial Services Committee, says that China needs to adopt more flexible exchange-rate policies and implement other economic overhauls to address growing global imbalances for the health of both the U.S. and Chinese economies.

May 18, 2006: State Department announces that it will not use computers purchased from Chinese manufacturer Lenovo for classified work due to fears that the machines would pose a security risk.

May 22-25, 2006: Speaking at the Lee Kuan Yew School of Public Policy in Singapore, Assistant Secretary of State Christopher Hill says that China-U.S. cooperation on global affairs is possible and that Beijing should hold direct talks with Taipei. Hill travels to Beijing where he meets Chinese Vice Foreign Minister Wu Dawei.

May 22-25, 2006: Under Secretary of Commerce David H. McCormick visits China and meets Chinese Commerce Minister Bo Xilai and other officials in China's Ministry of Commerce (MOC). Mr. McCormick announces that the U.S. is poised to loosen restraints on civilian-use high-technology exports to China.

May 23, 2006: The U.S. Department of Defense releases *Military Power of the People's Republic of China 2006*.

May 24-27, 2006: Deputy U.S. Trade Representative Karan Bhatia visits Taiwan. Speaking at the American Chamber of Commerce in Taipei, he calls for the liberalization of cross-Strait trade. Bhatia also indicates that a free trade agreement (FTA) between the U.S. and Taiwan would be “unlikely” in the short term.

May 25, 2006: U.S. and China reach an agreement for four North Korean defectors seeking asylum at the U.S. Consulate in Shenyang to travel to the United States.

May 27, 2006: FM Li holds a phone conversation with Secretary Rice.

May 30, 2006: The American Chamber of Commerce in Taiwan releases its annual white paper, which calls on the Taiwanese government to institute direct cross-Strait links.

June 1, 2006: Presidents Bush and Hu speak by phone. They discuss U.S.-China relations, North Korea, and the Iran nuclear issue.

June 3, 2006: Speaking at the Shangri-La Dialogue in Singapore, Secretary of Defense Rumsfeld only briefly mentions China’s lack of military transparency, toning down the rhetoric from his speech at the same forum one year earlier.

June 4, 2006: State Department calls on China to account for victims of the Tiananmen Square massacre, as well as ongoing human rights violations. Chinese Foreign Ministry Spokesman Liu Jianchao characterizes the demand as “groundless criticism.”

June 5, 2006: President Bush meets visiting Chinese delegation of senior public servants headed by Zhou Qiang, first secretary of Central Secretariat of Communist Youth League at the White House.

June 7, 2006: Assistant USTR Timothy Stratford and Commerce Department’s International IPR Enforcement Coordinator Chris Israel testify before the U.S.-China Economic and Security Review Commission. Stratford states the U.S. could bring an IPR case against China at the WTO.

June 8, 2006: At the eighth annual round of Defense Consultative Talks (DCTs), Assistant Secretary of Defense Peter Rodman meets Mj. Gen. Zhang Qinsheng, assistant chief of the General Staff of the Chinese People’s Liberation Army in Beijing.

June 9, 2006: Meeting on the side of the Group of Eight (G-8) dialogue between finance ministers, Treasury Secretary Snow and Chinese Finance Minister Jin Renqing discuss bilateral financial and economic cooperation and agree to boost dialogue in this field.

June 9, 2006: Speaking at CSIS in Washington, D.C., Under Secretary of Commerce McCormick announces that the U.S. will allow more civilian-use high-technology exports to Chinese companies that have been approved under a new licensing program.

June 11, 2006: U.S. Coast Guard cutter *Rush* becomes the first major Coast Guard vessel to visit China since World War II when it arrives at Qingdao. The visit helps further law enforcement cooperation between the U.S. and China.

June 12, 2006: House of Representatives passes three resolutions condemning escalating religious persecution in China, condemning Beijing's interference in the internal affairs of the Catholic Church and persecution of Catholics loyal to the Pope, and remembering the victims of the 1989 Tiananmen Square massacre.

June 13, 2006: FM Li has a phone conversation with Secretary Rice.

June 13, 2006: Department of the Treasury designates four Chinese companies and one U.S. company as having supplied Iran with missile-related and dual-use components. The designations prohibit all transactions between the designees and any U.S. person, and freeze any assets the designees might have under U.S. jurisdiction.

June 15, 2006: State Department spokesman responds positively to the agreement signed between China and Taiwan on direct cross-Strait flights, but also urges the governments in Beijing and Taipei to engage in "direct discussions."

June 19-23, 2006: A 10-member Chinese delegation observes *Valiant Shield-06*, a large-scale U.S. military exercise near Guam, at the invitation of Adm. Fallon, commander of the U.S. Pacific Command.

June 21, 2006: At the closing press conference after the EU-U.S. summit in Vienna, George Bush praises China for its efforts to resolve the Korean Peninsula nuclear issue.

June 22, 2006: Chinese State Councilor Tang Jiaxuan, while meeting with a delegation of the American Foreign Policy Council led by Richard Myers, former chairman of the Joint Chiefs of Staff, says that China is "open" to military exchanges with the U.S.

June 22, 2006: Assistant Secretary of Defense Peter Rodman testifies before the House Armed Services Committee about the Defense Department's annual report on Chinese military power. Rodman reports on a lack of transparency regarding Chinese military spending and intentions, but also states that China-U.S. relations are improving.

June 23, 2006: USTR Susan C. Schwab appoints Claire E. Reade chief counsel for China trade enforcement, a position created to ensure that China meets its international trade commitments as it approaches the end of its transition period as a WTO member.

June 27, 2006: During his confirmation hearing, Treasury Secretary nominee Hank Paulson indicates a shift in U.S. policy to emphasize opening the financial sector rather than currency reform.

June 27, 2006: Sens. George Allen (R-VA) and Tim Johnson (D-SD) introduce resolution calling on the U.S. to strengthen links with Taiwan, allow unrestricted visits by high-level Taiwanese elected officials, and allow Cabinet-level exchanges with Taiwan.

June 28, 2006: The amphibious command and control ship USS *Blue Ridge* docks in Shanghai for exchanges with the PLA Navy.

July 4, 2006: North Korea launches seven short- to long-range ballistic missiles. All fall into the Sea of Japan.