



US-China Relations:

Friction and Cooperation Co-exist Uneasily

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In pursuit of agreements reached between Presidents Hu and Obama in January, the US and China worked to strengthen their relationship, while managing friction on a number of issues. Renewed tensions in the South China Sea put maritime security at the top of the agenda in many bilateral and multilateral interactions, including the inaugural US-China Consultations on Asia-Pacific Affairs, at the ASEAN Regional Forum meeting in Bali, and in a bilateral meeting between Secretary Clinton and State Councilor Dai Bingguo in Shenzhen. In early May, the third annual Strategic and Economic Dialogue (S&ED) convened in Washington, DC. Despite protests from Beijing, President Obama met the Dalai Lama. In May and July, PLA Chief of the General Staff Gen. Chen Bingde and Chairman of the Joint Chiefs of Staff Adm. Mike Mullen exchanged visits. In August, Joe Biden made his first visit to China as vice president.

South China Sea is high on the agenda

The South China Sea featured prominently in US-Chinese interactions in this four-month period. Tensions flared in May and June in a spate of incidents that involved Chinese intimidation and harassment of other claimants. Chinese forces shot at Filipino fisherman, deployed navy patrol boats to chase off an oil exploration vessel, and unloaded building materials and erected posts on an uninhabited reef 230 km from the Philippines' southwestern Palawan province. Chinese fishing boats and patrol vessels harassed Vietnamese oil exploration ships operating in Vietnam's exclusive economic zone, in one case severing survey cables of a PetroVietnam ship. In another incident, Hanoi charged that Chinese sailors boarded a Vietnamese fishing boat and beat its captain before releasing him and stealing the crew's catch.

In the wake of the incidents, the US and Vietnam issued a joint statement following annual bilateral talks in Washington that called for the maintenance of peace, stability, safety, and freedom of navigation in the South China Sea and rejected the use of force. Philippine Foreign Secretary Albert del Rosario traveled to the US for consultations and was promised help in acquiring affordable material and equipment that would enable the Philippine military to defend itself. In a joint press conference with del Rosario, Secretary Clinton noted that the 1951 US-Philippine Mutual Defense Treaty "continues to serve as a pillar of our relationship and a source of stability in the region." US Director of National Intelligence James Clapper met del Rosario and promised increased sharing of intelligence with the Philippines, heightened surveillance of disputed waters, and the deployment of an early warning radar system off the Philippine littoral to detect intrusions. In June and July, the US held routine naval drills separately with the Philippines and Vietnam. The US Senate passed a resolution deploring China for its "use of

force” in late June, prompting China’s Foreign Ministry spokesman to call for nations “without a direct stake” in the South China Sea disputes to refrain from interfering.

On the eve of the inaugural US-China Consultations on Asia-Pacific Affairs, Chinese Vice Foreign Minister Cui Tiankai said that some countries were “playing with fire” by getting close to the US and reiterated that the South China Sea disputes should be settled only by claimant states. “While some American friends may want the United States to help in this matter . . . more often than not such gestures will only make things more complicated,” Cui asserted.

At the Asia-Pacific Consultations held on June 25 in Honolulu, Cui and Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell began by explaining their respective government’s policies toward the Asia-Pacific region and then devoted a substantial portion of the afternoon to discussions about the South China Sea. In a prepared statement to the press, Campbell described the talks as “open, frank and constructive” and noted that they had been conducted with the goal of obtaining a better understanding of each other’s intentions, policies, and actions toward the Asia-Pacific region. In addition to the South China Sea, the agenda included North Korea, Burma, and upcoming meetings of the ASEAN Regional Forum, APEC, Pacific Island Forum, and East Asia Summit. Campbell emphasized to Cui that the Obama administration does not view the South China Sea as an arena of US-China competition. He told reporters “We want tensions to subside,” and that he had underscored the strategic principles that guide the US approach to the South China Sea. “We have a strong interest in the maintenance of peace and stability. And we are seeking a dialogue among all the key players.”

During the mid-July visit by Adm. Mullen to China, the South China Sea proved to be the most contentious issue when Mullen and counterpart Gen. Chen Bingde met with reporters. Chen warned that “irrelevant countries” should refrain from intervening in the territorial issue and the joint exploitation of resources. Mullen countered that the US had a fundamental interest in freedom of navigation and would continue to maintain a presence in the South China Sea. In response, Chen insisted that freedom of navigation had never been a problem in the region and suggested that this issue has been raised as a pretext to criticize China. Chen also objected to the joint exercises the US held with Vietnam and the Philippines, hinting that they signal a US intention to interfere in South China Sea disputes and calling their timing “inappropriate.” When Mullen replied that the exercises were small in scale and scheduled long before recent tensions, Chen retorted that it would have been easy to reschedule them.

The agreement between ASEAN and China on implementing guidelines for the 2002 Declaration on the Conduct of Parties in the South China Sea just prior to the convening of the 27-member ASEAN Regional Forum (ARF) in Bali, Indonesia set a positive tone for the meeting. Nevertheless, the US and China sparred over the South China Sea again, although they avoided a sharp confrontation such as took place at the 2010 ARF meeting in Hanoi. In a statement clearly targeting China, Secretary of State Clinton opposed the “threat or use of force” by any claimant “to advance its claims or interfere with legitimate economic activity.” She also expressed concern “that recent incidents in the South China Sea threaten the peace and stability on which the remarkable progress of the Asia-Pacific region has been built.” “These incidents endanger the safety of life at sea, escalate tensions, undermine freedom of navigation, and pose risks to lawful, unimpeded commerce and economic development,” Clinton asserted. Reiterating

statements made at the 2010 ARF gathering, she told the assembled foreign ministers that the US calls on “all parties to clarify their claims in the South China Sea in terms consistent with customary international law,” adding that claims to maritime space “should be derived solely from legitimate claims to land features.”

Chinese Foreign Minister Yang Jiechi reportedly countered that Beijing’s territorial claim is “based on historical facts” and specifically mentioned the nine-dotted line maritime boundary that was submitted to the United Nations in May 2009. Yang denied that China poses a danger to freedom of navigation in the South China Sea. In a statement that was considerably more conciliatory than last year, Yang said that China is committed to peacefully resolving its disputes with relevant countries concerning sovereignty over the islands and reefs and maritime delimitation in the South China Sea, but insisted that consultations and negotiations be discussed on the basis of both international law and respecting historical facts.

In a background briefing with the press, a senior State Department official said that the US was “taking pains to underscore that we do not want to make the South China Sea an arena of US-Sino conflict or misunderstanding. That is not our intent.” The official praised what he termed “a determined effort on the part of the Chinese government to be responsive and proactive to the concerns that developed over the course of the last couple of months.”

Clinton and Yang held a bilateral meeting on the margins of the ARF in which they discussed the South China Sea as well as North Korea. In an effort to demonstrate to the region that the US and China can work together in pursuit of peace, stability, and prosperity in the region, they announced several areas of practical cooperation, including: 1) a project to promote agricultural development and food security in Timor-Leste; 2) enhanced cooperation on urban search and rescue; and 3) expanded cooperation with regional partners to strengthen regional capacity building efforts in disaster response and relief.

After Bali, Secretary Clinton stopped in Hong Kong, where she met Hong Kong Chief Executive Donald Tsang and delivered a speech to the American Chamber of Commerce that emphasized the importance of the US to Asia’s economy and security. Then she traveled to Shenzhen for a four-hour meeting with Chinese State Councilor Dai Bingguo. In those talks, Clinton reviewed developments in the bilateral relationship over the past year and underscored the significance of the interactions and exchanges planned in the coming six to eight months. According to a background briefing provided by a US official after the discussions, “the overall theme was that we needed to work harder to develop habits of cooperation in areas of common pursuit.” US agenda items included maritime security and the South China Sea; North Korea and the need to avert further provocations; Iran and the P-5+1 process; and the need to enhance bilateral dialogue on issues associated with Pakistan. Dai Bingguo raised concerns about US arms sales to Taiwan and expressed displeasure about President Obama’s meeting with the Dalai Lama. China’s internal politics as well as the debate in Washington over raising the government debt limit were also among the discussion topics.

Third Strategic and Economic Dialogue

On May 9-10, the third annual Strategic and Economic (S&ED) convened in Washington, DC. Secretary Clinton and State Councilor Dai Bingguo co-chaired the strategic track, while

Secretary of the Treasury Tim Geithner co-chaired the economic track with his counterpart Vice Premier Wang Qishan. Sixteen agency heads joined the US delegation for the dialogue, including Federal Reserve Chairman Ben Bernanke, Commerce Secretary Gary Locke, Labor Secretary Hilda Solis, and Securities and Exchange Commission Chairman Mary Schapiro. The Chinese delegation included representation from 20 agencies, eight of which were at the agency head level, including Finance Minister Xie Xuren, Central Bank Governor Zhou Xiaochuan, Minister of Science and Technology Wan Gang, and Commerce Minister Chen Deming.

In the run-up to the meeting, at May 5 press briefing, Assistant Secretary of State Campbell and the Department of the Treasury's Senior Coordinator and Executive Secretary for China and the S&ED, David Loevinger, highlighted a number of areas the US hoped to address during the talks. On the economic side, these included discussing the undervaluation of China's currency, enhancing IPR protection, delinking government procurement from innovation policies, and making it "easier" for foreigners to make portfolio investments in China. Other areas addressed were measures enabling Chinese investments abroad, and providing greater opportunities for foreign financial services firms. In the strategic track, Campbell emphasized the importance of getting officials together to talk through the major issues face-to-face. He called the S&ED the "most important venue...for managing this very complex relationship," and said that the US intent was to have "candid and honest" discussions on a long list of problem areas. These included how to deal with North Korea, Iran, Sudan, energy security, development, food assistance, and human rights.

Strategic track

Major accomplishments in the strategic track included 48 new and ongoing mechanisms for coordination and collaboration. Showcased were the expanding opportunities for bilateral high-level exchanges, such as Secretary Clinton and State Councilor Liu Yandong's High-Level Consultation on People-to-People Exchanges. Breakout sessions were held on several issues including law enforcement cooperation, climate change, energy, UN peacekeeping, and Sudan.

Dates and timelines were also announced for ongoing dialogues. These included plans for the second round of US-China discussions on law of the sea and polar issues (May 24-25); the visit of US Coast Guard Pacific Area Commander Vice Adm. Manson Brown to China (May 29-June 4); the next round of the Legal Experts Dialogue in Washington (June 8-9); the US Coast Guard's attendance at the World Maritime Rescue Congress in China (August 24-28); the ninth session of the Joint Working Group of US-China Agricultural Science and Technology Cooperation in New Mexico and the 14th meeting of US-China Joint Commission on Science and Technology Cooperation in Beijing (October 2011); the eighth US-China Counterterrorism Consultation; the fourth US-China Bilateral Forum on Combating Illegal Logging and Associate Trade (later this year); the next round of the Human Rights Dialogue (2012); and the Energy Policy Dialogue, Oil and Gas Industry Forum, Renewable Energy Industry Forum and Advanced Bio-fuels Forum (to be held on "mutually agreeable dates"). The two sides also established secretariats for the US-China Joint Liaison Group on Law Enforcement Cooperation (JLG) and announced plans to hold the ninth session of the JLG and working group meetings. In addition, China and the US stated that they would hold a new round of sub-dialogues on policy planning, Africa, Latin America, South Asia, and Central Asia prior to the fourth S&ED next year.

The two countries also decided to create the US-China 2011-2015 Framework Plan for Ocean and Fishery Cooperation to advance cooperation between the US National Oceanic and Atmospheric Administration (NOAA) and China's State Oceanic Administration (SOA), and would continue to develop a US-China large-scale multidisciplinary joint program for the Indian and Southern Oceans "in the near future." In addition, China and the US renewed the MOU on Health and Medical Sciences Cooperation, signed the Action Plan to Implement the MOU on Cooperation on Supply Chain Security and Trade Facilitation, established six new EcoPartnerships, and signed an MOU on Cooperation in Law Enforcement Matters.

US officials raised human rights issues at various junctures during the two days of discussions. Vice President Joseph Biden noted in his opening remarks that the US and China had "vigorous disagreement" over the issue. According to a White House press release, during his May 9 meeting with Vice Premier Wang and State Councilor Dai, President Obama "raised US concerns about the current human rights situation in China, and underscored his support for the universal rights of freedom of expression and worship, and of access to information and political participation." While some Chinese media outlets emphasized the discord over human rights, official Chinese commentary was muted, suggesting that disagreement over the issue was overshadowed by a generally positive appraisal of the talks, and a desire to sustain the positive atmosphere that had been created in January during Hu Jintao's visit.

Among the accomplishments of the strategic track, the two that garnered the most attention are two newly established mechanisms for dialogue: the US-China Consultation on the Asia-Pacific and the US-China Strategic Security Dialogue (SSD). The two sides agreed to hold the first round of the US-China Consultation on the Asia-Pacific early in 2011 (and held the first round in Honolulu, Hawaii in late June). Meanwhile, the first round of the SSD – a joint civilian-military dialogue – was held during the S&ED.

Strategic Security Dialogue (SSD)

The SSD is the brainchild of US Deputy Secretary of State James Steinberg, who has long pushed for a high-level civilian-military dialogue on security issues with the Chinese. Steinberg chaired the meeting with Chinese Vice Foreign Minister Zhang Zhijun. Other US participants included Under Secretary of Defense for Policy Michèle Flournoy, Vice Chairman of the Joint Chiefs of Staff Gen. James Cartwright, Assistant Secretary of State Campbell, and US Pacific Command Commander Adm. Robert Willard. PLA Deputy Chief of the General Staff Lt. Gen. Ma Xiaotian joined Vice Foreign Minister Zhang on the Chinese side, marking the first time that a three-star general participated in the S&ED.

In his briefing in advance of the opening of the S&ED, Assistant Secretary Campbell noted that the US goal in launching the SSD was to "bring together critical diplomats and military officials" and "create greater understanding around issues that have the potential for miscalculation and inadvertence" in the bilateral relationship. Having both military and civilian representation, he argued, offered an opportunity to improve "trust and predictability in the overall relationship." *Xinhua* reported Vice Foreign Minister Zhang describing the SSD as aimed at "enhancing mutual

trust, exploring cooperation, reducing differences, and avoiding misreading and misjudging the other sides' strategic intentions," goals similar to those of the overarching Dialogue.

Cyber and maritime security were selected as the two topics for discussion at this first SSD, but details of the discussions were kept out of both the Chinese and US press, likely due to their sensitivity. Apparently, Lt. Gen. Ma Xiaotian briefed US participants on Chinese concerns about close-in surveillance by US air and naval forces in the region, a longstanding complaint from China. Discussions on cyber-security issues reportedly focused on potential areas of cooperation rather than contention.

Several Chinese experts expressed the view that including active military officers in the S&ED and holding an SSD within the overall framework "represents major progress" for bilateral relations, especially considering the on-again-off-again pattern the bilateral military-to-military relationship has suffered. In a May 11 interview with *Xinhua*, Yuan Peng, Director of American Studies at the China Institutes of Contemporary International Relations, asserted that having military and civilian officials attending the SSD would "help reduce strategic misjudgments" and "increase strategic mutual trust."

Economic track

As the dialogue commenced, Chinese Commerce Minister Chen Deming stated that both sides would use the S&ED to review and further implement the consensus reached by the presidential summit in January and would "strive for more mutually beneficial and win-win results." Judging by the 64 outcomes on the joint outcomes document, the economic track produced achievements, at least on paper.

Progress was made on a number of issues of high priority to the US. These included commitments to improve "high-level, long-term" IPR protection and enforcement; to strengthen inspection mechanisms to ensure software being used by government offices is legitimate; to begin publishing proposed trade and economic regulations on the State Council Legislative Affairs Office website this year and allow a window of at least 30 days for public comment; to de-link government procurement and indigenous innovation policies at both the national and local levels, a reiteration of the commitment made by President Hu Jintao during the summit with President Obama; to allow US and foreign banks to sell mutual funds in China and obtain licenses to act as custodians for those funds as well as Margin Depository Banks in Qualified Foreign Institutional Investor (QFII) futures transactions; to "advance toward" permitting US and foreign insurance companies to sell auto insurance in China; to further open China's service sector to US and foreign involvement; and to raise the share of the service sector in China's overall economy by 4 percent over the next 5 years.

While China seems to have assumed the lion's share of unilateral commitments, the US made a number of pledges of its own. These included a promise to treat China "fairly" as the US continues to reform its export control system; to relax restrictions on high-tech exports to China; to give serious consideration to China's "market oriented industry" claims in antidumping proceedings; and to practice non-discrimination toward foreign investors.

The most significant outcome of the economic track was the US-China Comprehensive Framework for Promoting Strong, Sustainable, and Balanced Growth and Economic Cooperation. An initial consensus behind the Framework had first been reached on Jan. 20 between Presidents Hu and Obama, and was then elaborated on by Secretary of the Treasury Geithner and Vice Premier Wang Qishan at the S&ED.

US-China Comprehensive Framework

Within the Framework, the two countries agreed to promote greater economic cooperation “from a strategic, long-term, and overarching perspective,” to cooperate “to build a comprehensive and mutually beneficial economic partnership,” to add to both side’s economic “prosperity and welfare,” and to “achieve strong, sustainable, and balanced” global economic growth. The Framework listed several principles under which the agreement was constructed, including recognition that each country’s continued economic growth is “indispensable” to the other’s; that both countries’ policies have an impact on the global economy and therefore will cooperate to strengthen international trade and financial institutions; that both countries will advance bilateral consultation on their economic policies; and that the Framework’s implementation will be carried out in existing dialogue mechanisms. Under these shared principles, the two countries agreed to deepen and strengthen cooperation on the macroeconomic level, in the financial sector, and in regional and international economic institutions such as the G20 and APEC.

Xinhua reported that the Framework was “hailed by many officials as a milestone” for economic relations and said that it would “serve as a guideline” for future US-China trade and economic cooperation. Zhang Xiaoqiang, deputy head of the National Development and Reform Commission, maintained that the framework could help the two countries “open up new areas of cooperation” and “develop new growth models.” Chinese experts echoed the positive response. Zhang Yansheng, director of the Foreign Oriented Economic Research Office under the State Development and Reform Commission, said that the Framework would help illustrate the two countries’ growing awareness that each “is indispensable to the other side’s development and prosperity.”

Response to the 2011 S&ED

Following the conclusion of the talks, both sides hailed their accomplishments. At the S&ED joint closing remarks, Treasury Secretary Geithner stated that the two sides had held a “very comprehensive discussion” and Vice Premier Wang Qishan described the talks as a “great success.” State Councilor Dai Bingguo asserted that “China is ready to work with the US side to further grow and make good use of this S&ED dialogue and mechanism so that it can better serve China-US relations.” Secretary of State Clinton described the talks as a “productive and comprehensive dialogue” and noted that the two sides had “made a lot of progress” on several key issues.

Outside opinions were mixed, however. Some Chinese experts argued that the United States’ persistent emphasis on human rights both in the run-up to and during the Dialogue drew media attention away from accomplishments that had been made. Most experts, however, positively appraised the talks. Tao Wenzhao, a researcher with the Institute of American Studies at the

Chinese Academy of Social Sciences (CASS), said in an interview with Hong Kong's *Wen Wei Po* that while there continued to be differences between the US and China, there was "no doubt" that relations were "moving forward" based on the outcomes of this year's meeting. Regarding the role of the S&ED in the bilateral relationship, Yuan Peng, from the China Institutes of Contemporary International Relations, told *Xinhua* that the dialogue has become increasingly "mature," and described the third S&ED as "generally speaking, more constructive." Ni Feng, deputy director of American Studies at CASS, credited the dialogue with laying out "a roadmap" for improving bilateral relations in the future.

US experts were less sanguine than their Chinese counterparts. While the useful role played by the S&ED was widely acknowledged and the pledges by the Chinese side were welcomed, most analysts remained skeptical that commitments would be implemented. Many pointed out that China had made most of these promises at the US-China Joint Commission on Commerce and Trade (JCCT) meeting last December, during President Hu's visit in January, or even – as Ira Kasoff, former deputy assistant secretary for East Asia at the US Department of Commerce, noted – as far back as the June 2008 Strategic Economic Dialogue, when China first pledged to put trade and economic regulations online for review. In the economic realm, at least, this round of the S&ED was judged by many US experts to be treading water, awaiting follow through on previously made commitments. Given rising inflation, the housing bubble, the high number of bad loans, and unbalanced growth, most experts expect China to be slow in implementing agreements.

President Obama meets the Dalai Lama

Ignoring warnings from China, President Obama met the Dalai Lama on Saturday, July 16, the last day of an 11-day visit by His Holiness to Washington, DC. In accordance with previous practice, the meeting did not take place in the Oval Office and photographers from major news organizations were not permitted to cover the event. The White House released a still photo and a statement after the meeting in which it reiterated the US position that Tibet is a part of China and the US does not support Tibetan independence. The statement also praised the Nobel Prize laureate for his commitment to non-violence, called for resumption of dialogue between the Dalai Lama's representatives and the Chinese government, and expressed the US position that "the unique religious, cultural, and linguistic traditions of Tibet and the Tibetan people through the world" should be preserved.

In the wee hours of the morning, Vice Foreign Minister Cui Tiankai urgently summoned Robert Wang, chargé d'affaires of the US Embassy in Beijing, to lodge a protest. China's Foreign Ministry spokesman charged the US with "seriously interfering" in China's internal affairs and said the meeting "damaged" bilateral relations and "violated solemn commitments" that the Obama administration has "made repeatedly." The language used, although sharp, was not as harsh as the condemnation issued the last time Obama met with the Dalai Lama in February 2010. On that occasion, Beijing accused the US of "wantonly" arranging the president's meeting with the Dalai Lama and said that the action had "seriously damaged" bilateral ties. Also absent from this year's MFA statement was the charge made last year that the meeting "ran counter" to the three US-China joint communiqués and to US positions that Tibet is a part of China and that the US does not support Tibetan independence. The claim that Obama's meeting with the Dalai

Lama “undermined China’s core interest” was new in this year’s statement, although consistent with Hu Jintao’s position enunciated in a speech in Washington last January that “Taiwan and Tibet-related issues concern China’s sovereignty and territorial integrity,” and “represent China’s core interests.”

Articles in the Chinese media criticized the meeting, but generally played down its significance and implications, noting, for example, that Tibet is among several issues on which the US and China differ. Some expert commentary expressed tougher opinions. For example, an article in the Beijing-controlled Hong Kong newspaper *Ta Kung Pao* argued that the Dalai Lama was a “pawn” who was used by President Obama to distract attention from America’s domestic problems, pose obstacles to China’s development, and preserve US hegemony.

The only known retributive action taken by Beijing was the cancellation of a planned visit by Robert Einhorn, the State Department’s special adviser for nonproliferation and arms control. That decision was conveyed through diplomatic channels; it was not announced publicly. Overall, China signaled that despite its dissatisfaction with the president’s decision to meet with the Dalai Lama, China-US ties would remain on a positive track.

Exchange of visits boost military ties

The US and China conducted two high-level military exchanges this quarter with the purpose of developing a healthy, stable, and reliable military-to-military relationship in support of the vision shared by President Hu and President Obama for a positive, cooperative, and comprehensive bilateral relationship.

On May 15, People’s Liberation Army (PLA) Chief of the General Staff Gen. Chen Bingde began a weeklong visit to the US, the first visit by a Chinese officer of his rank in seven years. Chen’s host, Chairman of the Joint Chiefs of Staff Adm. Mike Mullen, held a reception for the Chinese delegation at his home and formally received Chen with full military honors in a ceremony at Fort Myer. In addition to Chen’s in-depth discussions with Mullen, he met Secretary of Defense Robert Gates, Secretary of State Clinton, National Security Advisor Tom Donilon, and a select group of congressmen. Chen delivered a speech at the National Defense University in which he emphasized that China’s economic rise and military modernization pose no threat to the US, and attended a joint performance of both countries’ military bands at the John F. Kennedy Center for the Performing Arts. Following his itinerary in Washington, Chen toured a number of military bases, including Naval Station Norfolk, where he observed *F/A-18E/F Super Hornets* conducting field carrier landing practice. He also visited Fort Stewart, Georgia, Nellis Air Force Base in Nevada, and the Army’s Fort Irwin National Training Center in California. It was the first time that Fort Stewart and Nellis AFB had been opened to senior Chinese officers.

Chen and Mullen held what Chen described as a “frank, in-depth and fruitful discussion.” Both stressed that at this early stage in the relationship, each side needed to listen to the other in order to appreciate the security environment from the other’s perspective. Mullen stated that neither country could afford to wait until a crisis before starting to understand one another. Both also cautioned against the expectation that fundamental differences could be reconciled quickly. A

six-point consensus on military relations was issued that included agreements to establish a direct telephone line between the PLA chief of general staff and the chairman of the US joint chiefs; to conduct a joint anti-piracy exercise in the Gulf of Aden and humanitarian and disaster relief joint training exercises; and to hold exchanges of military medicine and joint medical rescue drills involving Chinese and US hospital ships.

Mutual suspicions and sources of friction were largely played down publicly, but the impasse over Taiwan figured prominently in the joint press conference. Chen criticized the Taiwan Relations Act (TRA), calling it “hegemonic” and accused the US of seeking to use Taiwan to contain China’s development. In what may have been a deliberate distortion of what he had been told in meetings with US officials, Chen said Secretary Clinton had reiterated US policy that “there is only one China in the world, and Taiwan is part of China,” and some members of Congress had indicated that “it is time” for the United States to “review” the TRA. In a press release the following day, the Department of State noted that in her meeting with Gen. Chen, Clinton had re-stated that the US one China policy is based on the three US-China joint communiqués and the TRA, and “has not changed.”

Concerning the prospective sale of *F-16C/D* fighters, for which momentum has been growing in Congress, Chen questioned Taiwan’s need for the planes “since it is part of China.” He emphasized that future US arms sales to Taiwan would affect both “state-to-state and military-to-military relations between China and the US, though he added “As to how bad the impact will be, it would depend on the nature of the weapons sold to Taiwan.” Mullen told reporters that the US would continue to adhere to the TRA so long as it remained law, and insisted that he had not yet made an evaluation of Taiwan’s air defense needs. Chen said he was surprised by the US military’s sophistication and that China did not have the capability, much less the intent, to challenge the US. Responding to a question about whether the *J-20* test flight was meant as a provocation, Chen asked why the US was not scrutinized more, given its advanced military hardware. He expressed hope that the US media would cover the PLA more objectively.

Chinese media coverage of Chen’s visit was generally upbeat, portraying the high-level dialogue as a positive development. Several Chinese analysts judged the composition of the Chinese delegation – including generals from three major military regions as well as senior officers from the PLA Air Force and Navy – as an indicator of the PLA’s sincerity to improve bilateral military ties. The inclusion of Second Artillery Corps Political Commissar Zhang Haiyang was interpreted as a major gesture, following years of lobbying by the Pentagon to expand contacts with China’s Strategic Missile Force. Experts cautioned, however, that the persistence of the three obstacles – US arms sales to Taiwan, US reconnaissance missions close to China’s coast, and US legislation imposing restrictions on US-Chinese military relations – would impair trust and hamper cooperation. In the US, the visit was widely seen as a small, but positive step on a long road to achieving a more sustained, reliable and continuous military relationship with China. Some viewed the visit with skepticism. House Foreign Affairs Committee Chairwoman Ileana Ros-Lehtinen warned, for example, that “every scrap of information this expert delegation collects will eventually be used against us.”

Adm. Mullen paid a reciprocal visit to China from July 10-13, the first by a US chairman of the joint chiefs in four years. He was accompanied by one of the largest military delegations to

ever visit China, and was greeted with a red carpet welcoming ceremony. Chen and Mullen apparently had an especially frank discussion, touching upon such sensitive issues as the South China Sea, cyber-security, PLA force modernization, and the attitudes of US politicians towards China. Mullen urged China to use its influence with North Korea to halt its provocations. They met in Chen's office, reportedly the first time a foreigner had been accorded the privilege. Mullen subsequently met Vice President Xi Jinping, Central Military Commission Vice Chairman Guo Boxiong, Defense Minister Liang Guanglie and State Councilor Dai Bingguo. He also delivered a speech at Beijing's People's University in which he highlighted three "tones" that could provide the basis for a stable military relationship between the US and China: 1) Each side should adopt "a posture of mutual respect" toward one another; 2) both should "think locally and globally," as regional issues often carry global implications; and 3) both sides should "adopt the tone of looking to the future, not to the past."

The visit included unprecedented access to military installations and hardware as Adm. Mullen made trips to the Second Artillery Corps headquarters and to army, air force, and naval bases in Shandong and Zhejiang. Previous US civilian officials had visited the Second Artillery Corps headquarters, but had not seen any equipment, whereas Mullen was shown a *DF-11* short-range ballistic missile on a mobile launcher. He witnessed an anti-terror drill conducted by the 1st Amphibious Mechanized Division, one of the PLA's most advanced and well-equipped units. He also sat in the cockpit of an *SU-27* fighter and viewed a *Type 39A Yuan*-class submarine. Mullen and Chen agreed to continue regular communication through a new telephone link. Adding to the six-point consensus that was agreed upon during Chen's visit to Washington, agreements were concluded on reciprocal visits by commanders from one of the PLA's military regions and the US Pacific Command. They also agreed to hold working group and annual maritime military security meetings, and they reiterated intentions to conduct joint humanitarian rescue and disaster relief drills, joint anti-piracy exercises in the Gulf of Aden, hospital ship exchanges, and joint medical drills in 2011-12.

At the joint press availability, Gen. Chen surprisingly acknowledged for the first time that the PLA is developing the *Dong Feng 21-D (DF-21D)* anti-ship ballistic missile, saying that it was still in the research and development phase. He declined to discuss how many aircraft carriers China is planning to develop and insisted that Chinese weapons systems lag two decades behind those of the US, while maintaining that all of China's hardware, including the *DF-21D*, was strictly for defensive purposes and to preserve territorial integrity. He chided the US for putting a heavy burden on US taxpayers and suggested that the US should reduce spending on the military. Criticizing reconnaissance activities by US aircraft and ships near China's borders, Chen revealed that US unmanned aerial vehicles have operated as close as 16 nautical miles from Chinese shores and said that the frequent close reconnaissance missions are harmful to the friendly and cooperative relations between the two militaries.

Chinese media highlighted the unprecedented access Mullen enjoyed to advanced military hardware and state leaders during his visit. Many articles noted Mullen's statement in his speech at People's University that "China is no longer just a rising power; it has in fact arrived as a world power" and challenged its veracity. Two officers from China's National Defense University writing in *China Youth Daily* maintained that Mullen's visit demonstrated that "Sino-US military exchanges had moved to an institutionalized and normalized track" and expected his

visit “would play a positive role in promoting Asia-Pacific regional security and stability.” Others were less optimistic about the visit and the future of US-Chinese military ties. Chinese military expert Xu Guangyu said in an interview with Hong Kong-based *Phoenix TV* that despite China’s transparency, citing Mullen’s access to the *DF-11* as an example, the US will remain reluctant to show major weapons systems to Chinese counterparts. Media commentary also remained suspicious about US intentions around China’s periphery and conveyed the general expectation that the three obstacles to better US-Chinese military relation would remain unresolved for the foreseeable future. Commenting on Mullen’s assertion that the US military will maintain an enduring presence in the South China Sea, Xu Guangyu stated that “Washington is exploiting complicated geopolitical situations in the region to contain China’s rise and to deplete Chinese military strength.”

DOD report on Chinese military released

The *2011 DOD Report to Congress on the Military and Security Developments Involving the People's Republic of China*, due last March, was released in late August. In a briefing for the press, Deputy Assistant Secretary of Defense for East Asia Michael Schiffer noted that the “pace and scope of China’s sustained military investments have allowed China to pursue capabilities that we believe are potentially destabilizing to regional military balances, increase the risk of misunderstanding and miscalculation, and may contribute to regional tensions and anxieties.” These trends underscore the need for a sustained and reliable military-to-military dialogue between the US and China, Schiffer argued. This year’s report contains new sections on China’s evolving maritime strategy and its growing military engagement with other countries. Ongoing programs such as the *J-20* stealth jet fighter, aircraft carriers, and anti-ship ballistic missiles are assessed as well as growing capabilities for cyber warfare. The report estimates China’s total military spending for 2010 was more than \$160 billion.

China’s Ministry of National Defense condemned the report, saying that it was not in conformity with the “important consensus” reached by Presidents Obama and Hu Jintao in January to improve the bilateral relationship or with “the momentum of positive development” in bilateral military relations. The MND spokesman indicated that China was “strongly dissatisfied” and “resolutely opposed” – tougher wording than it used last year when the spokesman stated only that China was “resolutely opposed” to the report. The spokesman also noted that China had made “solemn representations” to the US government. The Ministry of Foreign Affairs also criticized the report, although in somewhat less harsh language, maintaining that it was “not beneficial” to enhancing the “strategic mutual trust” between the US and China.

Vice President Biden’s visit to China

Standard & Poor’s downgrade of the US sovereign credit rating from AAA to AA+ in the aftermath of the early-August debt ceiling fiasco in Washington, heightened anxiety in China. Chinese media chastised US financial irresponsibility and unsustainable spending habits, pointing to US military expenditures and overstretched military presence as key contributors. *Xinhua* called for the US to “reflect on its domineering thinking and deeds,” and to “change its policies of interference abroad.” One writer, Ding Gang, in an Aug. 8 commentary in *China Daily*, argued that China now has increased leverage over the US and should “use its ‘financial

weapon' to teach the United States a lesson" whenever it acts against China's interests, such as selling weapons to Taiwan. Premier Wen Jiabao warned publicly that uncertainties could hamper global economic recovery and called on "relevant countries" to introduce "responsible policies" to address their debt problems.

Despite the harsh criticism, the *renminbi* continued to strengthen against the dollar in early August, rising 0.7 percent between Aug. 8 and 11. On Aug. 8 alone it climbed 0.23 percent, reaching 6.4305 *yuan* to the dollar, which was reportedly the largest single-day jump since November 2010. On Aug. 18, it strengthened further, reaching 6.3997 *yuan* to the dollar, and by the end of the month, the rate was hovering around 6.38. Some US analysts warned against viewing the steps as a strategic shift in policy, stating that Beijing may be temporarily boosting its currency to curb inflation to stave off social unrest, but others wondered if China would heed popular sentiment and begin reducing the accumulation of US dollars in its foreign exchange reserve. The US Treasury Department released statistics in mid-August that showed China had increased its holding of US Treasury securities in June by \$5.7 billion to \$1.17 trillion.

As Chinese analysts debated whether the current trend of waning US power would endure and result in a multipolar world, Vice President Joseph Biden arrived in China in mid-August for a six-day visit. Meeting Vice President Xi Jinping, Biden expressed his desire for a close personal relationship marked by "openness and candor" and said that China and the US have ever more extensive common interests and shoulder ever more important common responsibilities." Xi told Biden that "cooperation is the only correct choice" for the US and China. Biden also met with Hu Jintao, who asserted that "a good China-US relationship is in the fundamental interests of both the Chinese and American people and is also a necessity for the world to achieve peace and development." Hu called for advancing bilateral cooperation on international and regional affairs, including reviving the global economy.

Perhaps in an effort to calm world markets, Wen Jiabao voiced confidence in the US economy, saying that China thinks it "will be able to overcome current difficulties." Biden told Wen that China need not worry about its investments in US Treasury bonds and said the US would not default on its debt. On the second day of the visit, Xi and Biden held a roundtable discussion with Chinese and US businessmen, where, according to media reports, Xi pressed for the US to take "concrete action at an early date" to relax restrictions on high-tech exports to China.

The schedule of Biden's visit included several opportunities for informal exchanges with China's presumed next leader. After their formal meeting, the two vice presidents dined at a local restaurant in Beijing. Xi also accompanied Biden on his visit to Chengdu where they toured of the Dujiangyan Water Conservancy Junction and visited a school that was reconstructed after the 2008 Wenchuan earthquake. Biden also delivered a speech at Sichuan University that was aired live by CCTV's English-language channel.

Attention to Biden's visit was diverted briefly by a tussle between the Georgetown Hoyas and the Bayi Rockets during an exhibition basketball match that was planned to foster goodwill. Observers noted that the refereeing was biased in favor of the Chinese team, the Chinese players were rough and aggressive, and the Chinese crowd demonstrated poor sportsmanship, throwing chairs and full water bottles at the Hoya's players and coaches as they headed to the locker room.

Looking Ahead

Sino-US relations will likely be tested in the remaining months of 2011 by a US arms sale to Taiwan. If, as expected, the announcement includes a “retrofit” of Taiwan’s existing fleet of *F-16A/B* fighters, but not 66 new *F-16C/D* planes that have also been requested by Taipei, Beijing is expected to denounce the sale and cancel a handful of planned military exchanges, while sustaining positive momentum in the overall bilateral relationship. Presidents Obama and Hu Jintao will have opportunities for interaction in September at UN General Assembly, and again in November at the APEC meeting in Honolulu and at the East Asia Summit in Bali. A long-anticipated visit to the US by Vice President Xi Jinping is likely to take place at the end of the year or early in 2012.

Chronology of US-China Relations¹ May – August 2011

May 3, 2011: US Treasury Secretary Timothy Geithner delivers a speech at the US-China Business Council, ahead of the third round of China-US Strategic and Economic Dialogue.

May 4, 2011: In a speech at the Asia Society, US Commerce Secretary Gary Locke warns that China is backtracking on promises to make its economy friendlier to foreign companies, pointing to recent proposals to review and restrict investments in its economy.

May 9-10, 2011: US and Chinese officials meet for the third annual Strategic and Economic Dialogue (S&ED) in Washington, DC. The two sides hold the first strategic security dialogue.

May 11, 2011: US-China Economic and Security Review Commission holds a hearing on “The Implications of China’s Military and Civil Space Programs,” with testimony from top scholars.

May 15, 2011: The nuclear-attack submarine *USS Hampton (SSN 767)* arrives in Hong Kong for a port visit, the first visit to Hong Kong by a US submarine in more than three years.

May 15-22, 2011: Gen. Chen Bingde visits the US, the first visit by a Chinese Chief of the PLA General Staff in seven years.

May 22-25, 2011: The aircraft carrier *USS Carl Vinson* makes a port call in Hong Kong shortly after disposing of the body of Osama Bin Laden.

May 24, 2011: The State Department announces sanctions on four Chinese firms or individuals over trade links with Iran, Syria, and North Korea in technology that may be used in weapons of mass destruction or missiles.

¹ Chronology and research assistance by CSIS intern Jackson Nicholls

May 24-25, 2011: The second round of US-China discussions on law of the sea and polar issues is held in Washington, DC.

May 26, 2011: Forty-five senators send a letter to President Obama urging the sale of 66 *F16C/D* fighter aircraft to Taiwan.

May 27, 2011: US House of Representatives votes to bar Chinese defense firms from receiving Pentagon contracts. The amendment excludes companies owned by or affiliated to the Chinese government from US defense contracts; it is passed as part of a larger defense budget bill.

May 29, 2011: US Coast Guard Pacific Area Commander Vice Adm. Manson Brown visits China.

June 2, 2011: Google Inc. says Chinese hackers targeted the email accounts of senior US officials and hundreds of other prominent people in a phishing scam.

June 2, 2011: Chinese Vice President Xi Jinping meets Vice President Joe Biden in Rome on the sidelines of a celebration marking the 150th anniversary of Italy's unification.

June 3, 2011: Defense Secretary Robert Gates meets Chinese counterpart Defense Minister Liang Guanglie in Singapore on the sidelines of the Shangri-La Dialogue.

June 4, 2011: US Deputy Secretary of State James Steinberg meets with Chinese Defense Minister Liang Guanglie on the sidelines of the Shangri-La Dialogue in Singapore.

June 6, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Beijing for talks on bilateral and regional issues with Chinese Vice Foreign Minister Cui Tiankai and Special Representative for Korean Peninsular Affairs Wu Dawei.

June 10-11, 2011: On a visit to Africa, Secretary of State Clinton urges scrutiny of China's large investments and business interests in Africa and warns that China's influence in Africa could foster a "new colonialism" on the continent.

June 15, 2011: The US-China Economic and Security Review Commission holds a hearing on China's Five-Year Plan, Indigenous Innovation and Technology Transfers, and Outsourcing.

June 15, 2011: China refuses to allow three US investigators from the Senate Armed Services Committee to enter mainland China from Hong Kong to investigate reports of Chinese-made counterfeit electronic parts being used in US weapons systems.

June 16, 2011: Chinese Foreign Ministry spokesman Hong Lei urges US lawmakers not to damage relations between the two countries by seeking "excuses to start trade protection," ahead of reported moves to reintroduce legislation aimed at forcing an appreciation in the *yuan*.

June 22, 2011: Vice Foreign Minister Cui Tiankai urges the US to let South China Sea dispute claimants resolve the issue themselves, saying US involvement may worsen the situation.

June 25, 2011: US officials led by Kurt Campbell meet Chinese counterparts led by Cui Tiankai in Hawaii for the first US-China Asia Pacific consultations to discuss issues in the Asia-Pacific region.

June 27, 2011: The US Senate unanimously approves a resolution deploring the use of force by China in the South China Sea and calling for a peaceful, multilateral resolution to maritime territorial disputes in Southeast Asia.

June 28-July 8, 2011: The US and the Philippines conduct joint naval exercises in the South China Sea near Palawan focusing on interdiction, information sharing, combined operations, patrol operations and gunnery, and anti-piracy and anti-smuggling.

June 28, 2011: Xi Jinping meets former Secretary of State Henry Kissinger in Beijing during a commemoration of the 40th anniversary of Kissinger's first "secret" visit to China.

June 30, 2011: Chinese Ministry of Finance announces the repeal of a government procurement policy that favors Chinese producers of computers and other technology that the US complains violates free trade.

July 5, 2011: The World Trade Organization rules that China's restrictions on exports of nine industrial raw materials violate international trade rules in response to a complaint brought by the US, the European Union, and Mexico.

July 5-16, 2011: The Dalai Lama visits Washington to confer a Buddhist teaching ritual and meet US officials, including President Obama, Under Secretary for Democracy and Global Affairs Maria Otero, and members of Senate Foreign Relations Committee.

July 9, 2011: The US, Japanese, and Australian navies hold a joint maritime drill in the South China Sea off the coast of Brunei.

July 9, 2011: Ships from both China and the US attend a fleet review during the conclusion of the Brunei International Defense Exposition 2011 (BRIDEX).

July 9-13, 2011: US Chairman of the Joint Chiefs of Staff Adm. Mike Mullen visits China, the first visit of its kind in four years.

July 13, 2011: ConocoPhillips suspends production at two platforms in northeast China's Bohai Bay after China's State Oceanic Administration orders the halt due to slow progress in containing a five-week oil leak.

July 15-21, 2011: The US and Vietnam conduct joint military drills in the South China Sea.

July 15, 2011: A gathering of Chinese provincial leaders and over 30 US governors attend the first ever China-US Governors Forum to discuss trade, investment, energy, environment, education and youth cooperation. Presidents Hu and Obama send congratulatory messages.

July 16, 2011: *China Central Television 7 (CCTV-7)* runs a segment that appears to show dated computer screenshots of a PLA institute conducting a rudimentary cyber-attack against a US-based Falun Gong website.

July 18, 2011: US House of Representatives Foreign Affairs Committee Chairman Ileana Ros-Lehtinen introduces a bill urging the EU and its member states to keep an arms embargo against China in response to moves by some European nations to lift the embargo.

July 19, 2011: In a letter to State Councilor Dai Bingguo, Sen. John McCain and Senate Foreign Relations Committee Chairman John Kerry say naval clashes between China and its neighbors in the South China Sea have raised tensions in the region and could jeopardize US interests.

July 22, 2011: Secretary of State Hillary Clinton meets Chinese Foreign Minister Yang Jiechi in Bali ahead of the ASEAN Regional Forum (ARF).

July 23-29, 2011: Department of Commerce General Counsel Cameron Kerry and a group of officials from the Department of State, Department of Justice, and the Securities and Exchange Commission visit Beijing to discuss anti-corruption and commercial rule of law issues.

July 25, 2011: Secretary of State Clinton visits Hong Kong where she meets Chief Executive Donald Tsang and members of the Hong Kong Legislative Council, and delivers a speech at the American Chamber of Commerce.

July 25, 2011: Secretary Clinton visits Shenzhen where she meets State Councilor Dai Bingguo to discuss bilateral issues such as US debt negotiations, North Korea, and the recent ARF.

July 26, 2011: The sixth meeting of the China-US Anticorruption Working Group of the Joint Liaison Group (JLG ACWG) is held in Beijing.

July 27, 2011: US Federal Trade Commission Chairman Joe Leibowitz visits Beijing and signs a memorandum of understanding on cooperation in anti-trust and anti-monopoly investigations.

July 27-30, 2011: Wang Yi, chairman of China's Taiwan Affairs Office visits Washington and meets US officials to discuss cross-strait relations, and US and Chinese policies toward Taiwan, including US arms sales. Secretary of State Clinton joins part of the meeting with Deputy Secretary Bill Burns.

July 28-30, 2011: PLA Deputy Chief of General Staff Zhang Qinsheng and Lt. Gen. Francis Wiercinski, commander of US Army Pacific attend the seventh Pacific Armies Chiefs Conference and the thirty fifth Pacific Armies Management Seminar in Singapore.

Aug. 1, 2011: Gary Locke is sworn in as the new ambassador to China, the first US ambassador of Chinese descent.

Aug. 1, 2011: A total of 181 members of the US House of Representatives sign a letter urging President Obama to approve the sale of *F-16 C/D* jet fighters to Taiwan.

Aug. 10-14, 2011: China's aircraft carrier *Varyag* undergoes its first sea trials.

Aug. 12, 2011: The *USS Ronald Reagan* Carrier Strike Group docks in Hong Kong for a four-day visit.

Aug. 17, 2011: The Chinese Ministry of Defense refutes reports that Pakistan allowed Chinese intelligence officials to photograph and take samples of the US *Blackhawk* helicopter that crashed during the raid on Osama bin Laden.

Aug. 17-21, 2011: Vice President Joe Biden visits China where he meets Vice President Xi Jinping and President Hu Jintao.

Aug. 18, 2011: Officials halt a basketball match in Beijing between Shanghai's Bayi Rockets and Georgetown University after a brawl erupts.

Aug. 24, 2011: The Pentagon releases the *Annual Report to Congress Military and Security Developments Involving the People's Republic of China 2011*, which concludes that China's modernization is "paying visible dividends."

Aug. 24-28, 2011: US Coast Guard attends the World Maritime Rescue Congress in Shanghai.