



**US-China Relations:**  
**US Pivot to Asia Leaves China off Balance**

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A spate of measures taken by the Obama administration to bolster US presence and influence in the Asia-Pacific was met with a variety of responses from China. Official reaction was largely muted and restrained; media responses were often strident and accused the US of seeking to contain and encircle China. President Obama met President Hu Jintao on the margins of the APEC meeting in Honolulu and Premier Wen Jiabao on the sidelines of the East Asia Summit. Tension in bilateral economic relations increased as the US stepped up criticism of China's currency and trade practices, and tit-for-tat trade measures took place with greater frequency. Amid growing bilateral friction and discontent, the 22<sup>nd</sup> Joint Commission on Commerce and Trade (JCCT) convened in Chengdu, China. An announcement by the US of a major arms sale to Taiwan in September prompted China to postpone a series of planned exchanges, but the Defense Consultative Talks nevertheless proceeded as planned in December.

**China reacts to US pivot to Asia**

*Official responses*

The series of foreign policy initiatives taken recently by the Obama administration in the Asia-Pacific region has left China feeling uneasy and off balance. In mid-November, the US hosted the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii where President Barack Obama made a big push for the Trans-Pacific Partnership (TPP), a multilateral free trade agreement that seeks to reduce and eventually eliminate trade tariffs among member countries, and for which the bar for joining is set so high that China would not likely be able to qualify for many years. During a visit to Australia, Obama announced plans for rotational deployments of Marines to Darwin, expanding the US military presence in Asia beyond traditional US allies South Korea and Japan and into Southeast Asia. As the first US president to participate in the East Asia Summit (EAS), which convened in Bali this year, Obama reiterated the US commitment to ensuring freedom of navigation in the South China Sea and stressed the need to settle sovereignty disputes in accordance with international law, including the UN Convention on the Law of the Sea (UNCLOS).

Secretary of State Hillary Clinton declared in Honolulu that the 21<sup>st</sup> century will be "America's Pacific Century." She then visited US treaty allies Thailand and the Philippines. In Manila, Clinton boarded the *USS Fitzgerald*, a US Navy destroyer docked in Manila Bay, where she signed a declaration marking the US-Philippines Mutual Defense Treaty's 60th anniversary. After joining President Obama in Bali, Clinton made an historic visit to Burma, where she pledged upgraded diplomatic ties and rewards for that country's leaders if reforms continue.

None of these policy steps were presented as being aimed at containing, encircling, or counterbalancing China. Rather, they were billed as a necessary rebalancing of US attention to advance US interests, exploit opportunities, and reassure allies and friends of US staying power and commitments. At a joint press conference in Canberra with Australian Prime Minister Julia Gillard, President Obama reiterated that the US “welcomes a rising, peaceful China.” He explicitly denied that the US and other countries fear China or are seeking to exclude China from regional agreements. At the same time, however, Obama called on the Chinese to “play by the rules of the road” and rise “into the global rules-based order.” In his address to the Australian Parliament, Obama said the US would “seek more opportunities for cooperation . . . even as we continue to speak candidly to Beijing about the importance of upholding international norms and respecting the universal human rights of the Chinese people.”

In an interview with *ABC news*, Secretary Clinton insisted that the Asia tour was “not about countering anybody else’s power.” “Now that we are winding down a war in Iraq and transitioning out of Afghanistan,” she explained, “we have the chance to turn back and look at the opportunities that the Asia Pacific offers us economically in terms of our security and strategic interest to promote democracy, human rights, freedom, things we stand for.” Writing in *Foreign Policy*, Clinton maintained that “a thriving America is good for China and a thriving China is good for America” and that both countries “have much more to gain from cooperation than from conflict.” She also underscored the need to “consistently translate positive words into effective cooperation” and “to meet our respective global responsibilities and obligations.”

China’s official reaction to the Obama administration’s “pivot to Asia” was generally muted and restrained. Commenting on the TPP, a Ministry of Foreign Affairs (MFA) spokesman insisted that China holds “an open attitude toward all cooperative initiatives conducive to the economic integration and common prosperity in the Asia-Pacific.” In a remark that suggests China may have doubts that many countries will join the TPP, Chinese Assistant Minister of Commerce Yu Jianhua noted that “TPP has set very high benchmarks; whether or not all these members will reach that high benchmark we’ll have to wait and see.”

Asked to provide China’s response to the planned deployment of US Marines in Australia, a Chinese MFA spokesman initially simply noted the “relevant report” and expressed “hope that bilateral cooperation between relevant countries will be conducive to peace, stability, and development of the Asia-Pacific region. A week later, however, another MFA spokesman questioned whether “strengthening and expanding military alliance is appropriate and consistent with the common aspiration of regional countries and the whole international community.” He added that the US had stated many times that it welcomes a strong, prosperous and stable China and has no intention to contain China, saying that “We hope the US does what it says.” Using tougher language, the Defense Ministry spokesman charged that the US-Australia agreement “does not help to enhance mutual trust and cooperation between countries in the region, and could ultimately harm the common interests of all concerned.” He added that “any strengthening and expansion of military alliances is an expression of a Cold War mentality.”

Responding to a question about Secretary Clinton’s visit to Burma, which shares a border with China, an MFA spokesman expressed China’s willingness to see that country, which it calls

Myanmar, strengthen contact and improve relations with a “relevant Western country” based on mutual respect and called for the US to lift the sanctions against Burma.

A press inquiry during an MFA press briefing regarding Secretary Clinton’s “America’s Pacific Century” speech in Hawaii provoked no official expressions of concern. Instead, the spokesman highlighted US and Chinese common interests and responsibilities in the Asia-Pacific, called for greater coordination, communication and cooperation between them, and noted that during the meetings between Presidents Hu Jintao and Obama and between Secretary Clinton and State Councilor Dai Bingguo and Foreign Minister Yang Jiechi respectively that the two sides “stressed their willingness to advance cooperation in the region.”

Ahead of the EAS in Bali, China signaled its displeasure with US involvement in the South China Sea issue. The MFA spokesman reiterated Beijing’s “clear and consistent” position that territorial disputes should be handled bilaterally and that “foreign intervention will not help settle the issue but will complicate it instead and is not conducive to peace, stability, and development of the region.” In his speech to the 14<sup>th</sup> China-ASEAN leaders meeting on Nov, 18, Premier Wen Jiabao similarly stated that South China Sea disputes “ought to be resolved through friendly consultations and discussions by the sovereign countries directly involved. Outside forces should not use any excuses to interfere,” he warned. In an unscheduled meeting with President Obama on the morning of the EAS that was set up at the request of Wen Jiabao after the two leaders chatted at dinner, Wen urged Obama to not raise concerns about the South China Sea in the meeting, but was reportedly told that the topic was unavoidable, and that the purpose of raising it was to seek a peaceful solution not confrontation.

The most prickly remark came from a deputy director-general at China’s Foreign Ministry, Pang Sen, who maintained that China would abide by rules that “are made collectively through agreement and China is part of it,” but insisted that China does not have the obligation to abide by rules that “are decided by one or even several countries.” Pang’s comment seemed to be a direct retort to President Obama’s statement that “enough’s enough” when it comes to China “gaming” the world community and pursuing unfair trading practices. Obama also called on China to operate by the same rules as everyone else, and criticized China’s claim that it is a developing country, insisting that China is now “grown up” and should act that way in global economic affairs.

#### *Commentator and scholar reactions*

In contrast to the generally composed official response, many articles published in the Chinese media adopted a more strident tone. An article in *China Youth Daily* by Han Xinyang and Dong Wei portrayed the deployment of US Marines in Darwin as a move to “contain” and “encircle” China and maintained that the move would pose “a huge threat to the maritime energy passages of China.” Chen Xiangyang, deputy director of the Institute of World Political Studies in the China Institutes of Contemporary International Relations (CICIR), wrote in *Liaowang* that the “real intention” of the US in getting involved in the South China Sea issue is to “sow discord between China and ASEAN” and promote its new Asia-Pacific strategy.

In an article posted on the *People's Daily* website, Maj. Gen. Luo Yuan from the Academy of Military Sciences rhetorically asked how the US would obtain energy and strength to “expand into the Asia-Pacific region and stick its nose into the South China Sea.” Luo advised the US to “get its own house in order and prevent its people from coming under attack by terrorists.

Analyzing Secretary Clinton’s visit to Burma, Li Xiguang, a communication scholar at Qinghua University, suggested in *Global Times* that America’s interest in improving ties with China’s neighbor was aimed at preventing China from diversifying its supply lines of gas and oil through Burma and away from possible US sea blockades. He asserted that the visit would exacerbate Chinese fears that “the aim of the new US Asia policy is to isolate and encircle China.”

Some Chinese experts suggested that US actions were related to the presidential campaign. Li Wei, a researcher with the Chinese Academy of International Trade and Economic Cooperation, contended that President Obama was pinning his re-election hopes on a toughening of US policy toward China to deflect attention from the US high unemployment rate and weak economic growth. Niu Xinchun of CICIR similarly suggested in *China Daily* that the US pivot to Asia was at least partially an attempt by President Obama’s to impress voters and counter his Republican rivals ahead of the 2012 presidential election.

A small number of Chinese analysts argued that China should bear some responsibility for the resurgence of US influence and power around its periphery. Shi Yinhong, professor at People’s University, advised the Chinese government to “think about the reason why the [US] is suddenly so popular in the region.” “Is it because China has not been good enough when it comes to diplomacy with its neighboring countries?” he remarked to the *New York Times*. Writing in the CSIS Freeman Chair newsletter, Beijing University professor Zhu Feng called for China to “stop blaming the United States, Japan, Vietnam or the Philippines, and reflect first on its own diplomatic blunders.”

An additional recurrent theme in Chinese media was that given China’s growing power, time is on China’s side, and therefore Beijing should not panic or overreact to the US pivot to Asia. One such article in *Global Times* urged China to follow Deng Xiaoping’s guidance to “observe calmly and secure our position,” and focus on its own economic development.

### **Sparks fly over economic issues**

Tension in bilateral economic relations increased in the fall as the US stepped up criticism of China’s currency and trade practices, a development which Chinese experts largely blamed on a slew of US domestic economic problems. Low economic growth, high unemployment, the US national debt and deficit crisis, and political gridlock in Washington has led – they argued – to politically motivated trade cards being played more frequently and a consequent deflection of blame onto China.

One case in point cited by Chinese experts is the Currency Exchange Rate Oversight Reform Act of 2011. On Oct. 3, the US Senate voted to open debate on the legislation, which would require the Department of Commerce to determine if undervalued currencies are acting as an export subsidy and thereby justify the application of countervailing duties in response. The move

prompted an angry response from China, which warned the legislation could spark a trade war. It also produced caution from House Speaker John Boehner, who described it as “dangerous,” and stated that he was not sure if passing punitive legislation was the best means to address China’s currency policy. The bill nevertheless passed in the Senate on Oct. 12 with a 63-35 vote in favor, although it remains unlikely to pass in the House, considering Boehner’s apprehension.

On Dec. 19, 2011, the US Court of Appeals for the Federal Circuit ruled that countervailing duties leveled against Chinese tires were illegal under US law. The decision says that China cannot simultaneously be considered both as a market economy and a non-market economy when applying anti-dumping and countervailing duties. Until this ruling, the US Department of Commerce had conveniently labeled China a non-market economy when assessing dumping and as a market economy when implementing countervailing duties. The December ruling is highly unpopular with many US unions, like United Steelworkers, and certain US industries, but China obviously views this as a victory, and it is likely a win for the rule of law. It is liable, however, to bring increased scrutiny of China’s trade-distorting subsidies, possibly in the form of China-focused legislation in 2012, which could open the door for the inclusion of currency issues.

Public discourse in the US in the lead-up to Republican primaries has also been riddled with criticism of China’s trade and economic policies as candidates have focused their attention on unfair Chinese trade practices and the undervaluation of the renminbi in order to bolster public support. Mitt Romney, for instance, stated that he would designate China as a “currency manipulator” his first day in office. The statement rattled the Chinese, who are unaccustomed to such harsh rhetoric on trade issues from Republicans.

The barrage of attacks from the US on Chinese trade and economic policies, paired with broader US-China trade tensions throughout the fall, were met with criticism and counter arguments from Beijing. The Chinese Foreign Ministry responded to the passage of the Currency Exchange Rate Oversight Reform Act of 2011 by calling it a protectionist measure, and argued that it could disrupt bilateral efforts to bolster global economic recovery. It urged the Obama administration to oppose the legislation. The Chinese central bank also said that the renminbi was not the cause of China’s trade surplus. The People’s Bank of China maintained that an appreciation of the renminbi would neither affect the bilateral trade imbalance nor resolve US unemployment woes. According to the *AFP*, Chinese Vice President Xi Jinping pressed the US through former US Treasury Secretary Henry Paulson to “curb its tendency towards protectionism and of politicizing economic issues.” Later, following Obama’s statements in Australia which called for China to follow the “rules of the road,” *Xinhua* published a commentary that argued it was “high time” for the US to review its own record of compliance with international norms, and that observing international rules “starts with respecting the fundamental rights and interests of others, especially their sovereignty and territorial integrity.”

The 10<sup>th</sup> anniversary of China’s accession to the World Trade Organization in December served as another twist of the screw. On Dec. 11, in a speech marking the event, President Hu Jintao pledged to pursue an “even more active opening strategy [and] expand into new areas for opening up.” He also vowed to seek more balanced trade relations and ensure a fair and transparent playing field. The next day, the US Trade Representative released the 2011 USTR Report to Congress on China’s WTO Compliance. In her testimony before the Congressional-

Executive Commission on China, Assistant US Trade Representative for China Affairs Claire Reed pointed to China's "trade-distorting government actions" which favor domestic enterprises and industries. She called for enforcement of intellectual property rights, transparency and predictability in the market for agricultural products, and greater market access for US firms. She also pointed out three areas where Chinese implementation of its commitments require further efforts: 1) to publish its trade laws and regulations; 2) to publish all such measures for public comment before their implementation; and 3) to make all of these measures available in one or more WTO languages.

Tit-for-tat trade measures occurred with greater frequency over the past months. In mid-December, China leveled anti-dumping and anti-subsidy tariffs on imported cars and SUVs with an engine capacity greater than 2.5 liters. While the tariffs came to nearly 22 percent of the import prices, reports suggested the act was more symbolic than substantive since sales of such vehicles are relatively low to begin with. The move came a week after the White House announced that it was taking China to the WTO to challenge its use of anti-dumping measures against US poultry exports. The Chinese Ministry of Commerce has also expressed serious dissatisfaction and open criticism of a US investigation into whether Chinese solar panel exports have been receiving illegal subsidies or have been dumped into the US market. If the investigation finds the solar panel exports have harmed the market, it is possible that the US will impose its own anti-dumping duties on China next year, as well as consider the creation of new legislation to deal with subsidies.

#### *High-level meetings illustrate disconnect*

For the Obama administration, formal meetings provided prime opportunities to directly press China on persistent issues of concern. At near back-to-back engagements at the APEC Leader's Meeting, EAS, and the Joint Commission on Commerce and Trade in November, the US raised concerns about Chinese trade and economic practices with Chinese counterparts. The Chinese side occasionally pushed back, but generally its official responses remained moderate, perhaps to avoid excessive high level conflict as Beijing prepares for its own leadership transition.

The Nov. 12-13 APEC meeting in Honolulu served as one such opportunity to discuss economic issues affecting the bilateral relationship. In his remarks at the CEO Summit, Chinese President Hu Jintao focused on Beijing's vision for the evolution of the global economic system and stressed China's desire to work through trade issues within the current international economic architecture. Hu repeated prior commitments to market reform and said "the new mechanism for global economic governance should reflect the changes in the world economic landscape, ... observe the principle of mutual respect and collective decision making, and increase the representation and voice of emerging markets and developing countries."

Following President Hu's remarks, President Obama delivered his statement, which emphasized ongoing friction in the US-China economic relationship. While the US is "rooting for China to grow," Obama said that it also wants China to "play by the rules." He argued that the renminbi's undervaluation makes US exports to China more expensive and "disadvantages" US businesses and workers. He emphasized the need to protect US intellectual property. In the area of trade disputes, Obama said, the US could not be expected to "stand by" if it did not see the kind of

reciprocity it needed in its economic relationships. In addition, if the US saw “rules being broken,” it would “speak out and in some cases ... take action.” The US president offered reassurance, however, that the increased number of trade measures against China over the past few years were to ensure protection of US businesses and workers’ interests; the US was not seeking conflict with China.

US media reporting on a private bilateral meeting on the sidelines of APEC between the US and Chinese presidents focused on Obama’s pressure on Hu for China to “do more” to promote faster appreciation of the renminbi, improve protection of US intellectual property, and create a “level playing field” for trade. US Deputy National Security Adviser for International Economic Affairs Michael Froman told the press that Obama had told Hu “that the American people and the American business community were growing increasingly impatient and frustrated with the state of change in China’s economic policy and the evolution of the US-China economic relationship.” Chinese media reporting on the meeting was mostly upbeat and stressed the leaders’ pledges to advance bilateral ties. A *China Daily* report highlighted Hu’s three-point proposal to advance bilateral relations, which called for the two countries 1) to become cooperative partners and respect one another, 2) to forge a “mutually beneficial and reciprocal” partnership, and 3) pull together in times of trouble. Nevertheless, Chinese media reported that Hu rebuffed Obama’s charges that the renminbi is undervalued, insisting that China’s exchange rate policy is not to blame for the US trade deficit and unemployment problems.

Progress on the TPP trade agreement also ruffled some feathers. At the APEC Leaders Meeting, President Obama announced that the US and eight other countries – Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam – had agreed to complete the TPP accord within one year. China was noticeably absent from the negotiations, and several Chinese officials commented that US expectations for the TPP were “too high” for other Asian countries. Chinese Assistant Commerce Minister Yu Jianhua stated at a press briefing in Beijing that such new trade mechanisms should be “open and inclusive” and called for members to find a balance between TPP and pre-existing trade mechanisms, arguing that the latter should act as the major channel while other regional mechanisms could be supplemental. Yu complained that China had not received “any invitation from any TPP economy,” but that if it did, China would “seriously study the invitation.” US Trade Representative Ron Kirk responded that the TPP is an open architecture and it “is not designed to be a closed clubhouse.” Michael Froman retorted that the TPP “is not something one gets invited to. It’s something one aspires to.”

Despite US reassurances, criticism of the TPP continued in Chinese media, where some argued that the trade agreement was aimed at diminishing China’s role and ensuring US leadership in regional economic integration. For instance, Li Hongmei argued in *Xinhua* that the US intention behind the TPP was to play a “dominant role” in the Pacific by “handpicking its members and systemizing and regulating” these other countries in accordance with US standards. While Li recognized that the TPP was part of the US pivot to Asia, the trade pact could also become a replacement for APEC and would thus “contain and counterbalance” China’s influence and “strategic space” in the region.

Later that month, President Obama had another opportunity to press the US agenda on trade relations with China, in a meeting on the sidelines of the EAS in Indonesia with Chinese Premier

Wen Jiabao on Nov. 19. While Wen and Obama “briefly” discussed the South China Sea, according to National Security Adviser Tom Donilon, the conversation focused on “specific [economic] issues and business practices,” such as the rate of China’s currency appreciation and US desire for China to follow international “rules and norms.”

### *JCCT makes some headway*

Amid growing bilateral friction and discontent, the 22<sup>nd</sup> Joint Commission on Commerce and Trade (JCCT) convened in Chengdu, China Nov. 20-21, co-chaired by US Commerce Secretary John Bryson, US Trade Representative Ron Kirk, and Chinese Vice Premier Wang Qishan. The US delegation included Secretary of Agriculture Tom Vilsack, Ambassador to China Gary Locke, and Trade and Development Agency Director Leocadia Zak. Senior Chinese officials from 23 ministries and agencies also attended the meeting.

Among the meeting’s accomplishments were five signed documents, including a bilateral Agreement on Intellectual Property Rights Cooperation; Implementation Measures for Carrying out the Cooperation Action Plan in Key Fields of Hi-tech Trade; Report on Progress of the JCCT Trade Statistics Work Team; and two memoranda of understanding on “Supporting China-U.S. Energy Cooperation Projects” and “China-U.S. Enterprise Cooperation Link Projects.”

The US committed to complete an assessment of Chinese poultry imports; hold technical discussions with Chinese counterparts on quarantine and access work for produce and seed imports; announce draft regulations on Chinese and Asian pear imports as soon as possible; and strive for trade in these pears by the end of March 2012. During the meetings, Vice Premier Wang Qishan reportedly asked the US to make further progress on relaxing its control of high-tech exports to China, recognize China’s market economy status, give equal treatment of Chinese businesses investing in the US, and avoid abuse of trade remedies. However, Chinese attempts to secure firm US commitments in these areas were to no avail.

Meanwhile, China’s commitments included pledges to invest \$1.5 trillion in “strategic newly emerging industries” such as biotechnology and energy conservation over the next five years, speed up progress in removing bird flu-related trade bans, provide market access for American pears, and issue dairy product certificates. China clarified its technical innovation policy, assuring the US delegation that foreign automobile manufacturers are not required to transfer technology to China or build Chinese brands, and promised to provide a “level playing field” for US and other foreign enterprises. In the area of intellectual property rights, China reiterated its commitment to bolstering IPR protection. Vice Premier Wang Qishan promised to create and head an office solely focused on protecting IPR, which Secretary of Commerce Bryson later described as a “step in the right direction.” China also committed to fully implement its software legalization project at the provincial level by mid-2012 and at the local level by the end of 2013.

A comment made Wang Qishan during the JCCT discussions regarding the global economy, reported by *Xinhua*, represented the bleakest assessment yet by a senior Chinese official. “The one thing that we can be certain of, among all the uncertainties, is that the global economic recession ... will be chronic,” Wang reportedly said, adding that “an unbalanced recovery would be better than a balanced recession.” He called on the US and China to make a “positive



contribution to the world through their own steady development,” suggesting that the two countries should attach priority to their own economies.

### **Taiwan arms sale and US-China defense ties**

In the third week of September, the Obama administration announced that it had approved the sale of a new arms package worth \$5.85 billion to Taiwan. Included in the package was a major retrofit program to upgrade Taiwan’s 145 *F-16A/B* fighters procured in the early 1990s, spare parts for Taiwan’s *F-16*, *F-5* and *C-130* aircraft, and training for *F-16* pilots at Luke Air Force Base in Arizona. The sale was condemned by China’s Defense Ministry spokesman Geng Yansheng, who stated that “planned China-US military exchanges, including high-level visits and joint exercises, will definitely be impacted.” Geng strongly urged the US “to take immediate and effective measures to reduce any negative impact, respect China’s core interests, and honor its solemn commitment on the Taiwan issue through practical actions.” Vice Foreign Minister Zhang Zhijun summoned US Ambassador to China Gary Locke and lodged a protest. In addition, Guan Youfei, deputy chief of China’s Defense Ministry’s Foreign Affairs Office issued a demarche to the US military attaché to China.

The People’s Liberation Army subsequently postponed several bilateral exchanges, including a visit to China by the US Army Band, a visit by Pacific Command (PACOM) Commander Adm. Robert Willard, joint US-China counter-piracy exercises, and a US-China military medical exchange. The MFA delayed a planned meeting to discuss arms control and nonproliferation issues with Under Secretary of State for Arms Control and International Security Ellen Tauscher.

The decision to upgrade Taiwan’s fleet of *F-16A/Bs* did not come as a surprise to Beijing. The Chinese were undoubtedly relieved that Taipei’s request to purchase 66 new *F-16C/D* fighters had not been approved, though they were peeved that in a background briefing on the decision, a senior US administration official stated that the request was “still under consideration.”

In a diplomatic *faux pas*, Defense Secretary Leon Panetta praised China for handling the arms sale in a “professional and diplomatic way” during a news conference on the Indonesian resort island of Bali. Such praise could render Chinese leaders vulnerable to criticism of being too soft on the US and failing to defend Chinese sovereignty and territorial integrity.

Defense Ministry spokesman Yang Yujun responded indirectly to Panetta’s remark in a monthly press briefing, saying that “the way the United States handles some issues in Sino-US ties is neither professional nor diplomatic.” He added that respect for the core interests and major concerns of both sides is an important precondition for the steady development of Sino-US military relations and urged the US to “stop selling weapons to Taiwan and make joint efforts with the Chinese side to advance bilateral military ties in a healthy, stable, and reliable way.”

In early December, less than three months after the Taiwan arms sale was announced, Under Secretary of Defense Michele Flournoy traveled to Beijing to co-chair the 12<sup>th</sup> US-China Defense Consultative Talks (DCT) with her counterpart Gen. Ma Xiaotian, deputy chief of the People’s Liberation Army General Staff. China’s willingness to proceed with the DCT suggested that Beijing has accepted US calls to put the bilateral military relationship on a more

sustained, reliable, and continuous footing. In 2008 and 2010, China had postponed all military dialogues and exchanges for six and nine months respectively.

Topics discussed at the DCT included the Middle East and North Africa, Pakistan, North Korea, the South China Sea, Taiwan, and bilateral cooperation in counter-piracy, humanitarian assistance and nonproliferation. In a press briefing, Flournoy said that she assured the Chinese that the rotational deployment of US Marines to Darwin, Australia is not directed at China, but rather is about strengthening the US-Australia alliance. “The US does not seek to contain China; we do not view China as an adversary,” she said. Flournoy termed the round of talks “very constructive” adding that “We had a good exchange of views and I think both sides understood each other well.”

According to *Xinhua*, Ma told Flournoy that the US and China “share extensive mutual interests, . . . bear common responsibilities in many areas and have a strong desire to cooperate.” He also noted that “building a sound and steady military-to-military relationship . . . serves the mutual interests of both countries and will contribute to the enhancement of strategic mutual trust between the two sides, the maintenance of China-U.S. common security, and the management and control of crisis and prevention of risks.” Ma called on the US to take steps to remove the obstacles to the development of bilateral military ties, which, he indicated, include US arms sales to Taiwan, legislation that restricts exchanges between the two militaries, and the conduct of high-frequency close-in reconnaissance activities by US warships and planes against China. *Xinhua* characterized the talks as taking place in a “candid and constructive atmosphere,” and added that they “reached the anticipated goals.”

Reflecting persisting tensions over the US arms sale to Taiwan, the two sides did not agree on an agenda of bilateral exchanges for the coming year as they did in past rounds of the DCT, although they did agree to continue their engagements. Flournoy said that she hoped that their bilateral interactions in 2012 would include “a number of high level visits as well as a number of joint exercises such as humanitarian assistance and counter-piracy.”

### **Kim Jong Il dies suddenly**

Signs were pointing toward progress on a deal between the US and North Korea that could pave the way for the resumption of Six-Party Talks aimed at denuclearization of Korea. Pyongyang reportedly agreed to suspend its enriched-uranium nuclear weapons program and Washington had agreed to provide the North with up to 240,000 tons of food aid. Then, on Dec. 19, North Korean television announced the unexpected death of its leader, Kim Jong Il. All negotiations were put on hold while the country went into mourning and measures were announced that further consolidated the accession to power of Kim’s youngest son, Kim Jong Un.

A day after Kim Jong Il’s death was announced, Foreign Minister Yang Jiechi and Secretary of State Hillary Clinton exchanged views on the matter in a telephone call. According to a statement posted on China’s Foreign Ministry website, Yang said that “safeguarding peace and stability on the Korean Peninsula serves the interests of all parties and China is ready to work with them toward that end.” Clinton reportedly said that the US would maintain close communication and coordination with China on the issue. It remained to be seen, however,

whether Kim's death would alter Beijing's longstanding reluctance to discuss with the US how the two countries might respond to potential instability in North Korea, including the challenges posed by refugee flows, civil conflict, or "loose nukes."

### **Looking forward to 2012**

Chinese Vice President Xi Jinping, who is expected to assume the powerful position of general secretary of the Communist Party of China in the fall and become state president in early 2013, will likely visit the US in early 2012. His visit provides an important opportunity to deepen US-China mutual understanding. During his trip, Xi will travel to Washington DC and another major US city. More importantly, he will meet President Obama, Vice President Joseph Biden, and key business and opinion leaders. Growing economic friction and intensified competition in the security arena are producing a more prickly US-China relationship. Xi's visit provides a chance for the US to engage with China's incoming leader on critically important issues such as rebalancing the global economy, preventing Iran from going nuclear, and managing potential instability in North Korea. It also presents an opportunity for the US to underscore the need for a closer and more effective military-to-military relationship and to find ways to cooperate to meet common challenges. Finally, the US can seek to explain its concerns about Chinese domestic and foreign policies that contravene international laws or norms and listen to Chinese concerns about the US pivot to Asia and US intentions toward China. Candid talks with Xi Jinping can help ease mutual suspicions and navigate rough waters that may emerge in the relationship.

### **Chronology of US-China Relations\*** **September – December 2011**

**Sept. 9, 2011:** *Global Times* article warns that the US sale of *F-16s* to Taiwan would be viewed as damaging to Chinese core interests.

**Sept. 20, 2011:** US Trade Representative Ron Kirk announces that the US has filed a case with the World Trade Organization (WTO) against China's imposition of anti-dumping and countervailing duties against the import of US chicken broiler products.

**Sept. 21, 2011:** Chinese Vice Premier Li Keqiang meets a delegation headed by US Secretary of Energy Steven Chu in Beijing and exchanges views on China-US energy cooperation.

**Sept. 21, 2011:** The US Senate unanimously passes a resolution in support of Taiwan's observer status in the International Civil Aviation Organization (ICAO) to enable it to play a part in maintaining global air transport security.

**Sept. 21, 2011:** The US administration announces a new arms package worth \$5.8 billion to Taiwan, which includes the upgrading of 144 *F-16A/B* fighter jets.

**Sept. 22, 2011:** Defense Ministry spokesman Geng Yansheng says the latest US arms sale have created severe obstacles to normal military-to-military exchanges between the two countries.

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\* Chronology and research assistance by CSIS intern Mei Shanshan

**Sept. 26, 2011:** Chinese Foreign Minister Yang Jiechi meets US Secretary of State Hillary Clinton on the sidelines of the 66th Session of UN General Assembly in New York.

**Sept. 30, 2011:** Chinese Vice Premier Wang Qishan meets Lael Brainard, the US Treasury undersecretary for international affairs.

**Oct. 4, 2011:** US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and Acting Assistant Secretary of Defense for Asian and Pacific Affairs Peter Levoy give testimony on “Why Taiwan Matters, Part II” before the House Foreign Affairs Committee.

**Oct. 5, 2011:** Secretary of State Clinton says China and Russia are on the wrong side of history after vetoing a UN Security Council resolution condemning Syria for its brutal crackdown on pro-reform protesters.

**Oct. 6, 2011:** President Barack Obama criticizes China’s currency manipulation, but also says he wants to avoid passing laws that are symbolic but will not be upheld by the WTO.

**Oct. 6, 2011:** US Trade Representative Ron Kirk says the US has notified the WTO of nearly 200 Chinese subsidy programs, claiming many of them may violate free trade rules.

**Oct. 11, 2011:** China and the US hold their second consultation on Asia-Pacific issues in Beijing, co-chaired by Vice Foreign Minister Cui Tiankai and Assistant Secretary Campbell.

**Oct. 11, 2011:** The US Senate votes 63-35 in favor of legislation aimed primarily at China that tightens guidelines used to determine when a country is unfairly manipulating its currency.

**Oct. 12, 2011:** China’s Foreign Ministry spokesperson criticizes the Senate bill as protectionist and a serious violation of WTO rules, adding that “it won’t solve America’s own economic and employment problems.”

**Oct. 13, 2011:** The Congressional-Executive Commission on China releases its annual report on human rights and rule of law developments in China. It says that Chinese officials ignored the law or used the law as a tool to repress human rights, stifle dissent, and unfairly subsidize Chinese industry.

**Oct. 13, 2011:** Commerce Department reports that the US trade deficit with China hit a record high for a single month of \$29 billion in August and is running 9 percent above last year’s level, when the deficit hit a record \$273 billion.

**Oct. 14, 2011:** US Treasury Department announces that it is delaying release of its biannual currency report, postponing a decision on whether China is manipulating its currency.

**Oct. 14, 2011:** In a speech to the New York Economic Club, Secretary Clinton says China is deliberately holding down the value of its currency to boost exports and has the largest trading surplus in world history to the detriment of the US and other major economies.

**Dec. 16, 2011:** Vice Foreign Minister visits Washington and meets Secretary Clinton and Undersecretary Wendy Sherman.

**Oct. 19, 2011:** Seven US solar panels manufacturers file a trade case with the US Commerce Department against the Chinese solar industry, accusing it of using billions of dollars in government subsidies to help gain sales in the US market.

**Oct. 24, 2011:** At a news conference in Bali, Defense Secretary Leon Panetta praises China for its mild response to the US arms sale to Taiwan.

**Oct. 27, 2011:** State Councilor Dai Bingguo meets Deputy Secretary of State William Burns in Beijing.

**Nov. 3, 2011:** Office of the National Counterintelligence Executive presents a report to Congress that calls China the world's "most active and persistent perpetrators of economic espionage."

**Nov. 7, 2011:** Chinese MFA and Ministry of Commerce criticize the agenda for the APEC meeting, specifically proposals on environmental policy and the TPP.

**Nov. 10, 2011:** US Assistant Secretary of State for African Affairs Johnnie Carson and Vice Foreign Minister Zhai Jun co-chair fifth round of US-China Sub-Dialogue on Africa in Beijing.

**Nov. 11, 2011:** State Councilor Dai Bingguo meets Secretary Clinton and National Security Adviser Tom Donilon in Honolulu on the margins of the APEC meeting.

**Nov. 12, 2011:** Presidents Hu and President Obama meet on the margins of the APEC meeting.

**Nov. 17, 2011:** US House of Representatives' Committee on Foreign Affairs votes unanimously in support of the Taiwan Policy Act of 2011 "to strengthen and clarify the commercial, cultural, and other relations between the people of the U.S. and Taiwan," and the Taiwan Airpower Modernization Act, "to provide Taiwan with critically needed multirole fighter aircraft."

**Nov. 19, 2011:** President Obama and Premier Wen Jiabao hold an unscheduled meeting on the sidelines of the EAS in Bali.

**Nov. 20-21, 2011:** US Commerce Secretary John Bryson and US Trade Representative Ron Kirk, together with Vice Premier Wang Qishan, co-chair the 22nd Joint Commission on Commerce and Trade (JCCT) in Chengdu, China.

**Nov. 21, 2011:** Vice Minister of Commerce Wang Chao and US counterpart Bryson sign the Sino-US Intellectual Property Rights (IPR) Cooperation Framework Agreement at the JCCT.

**Nov. 23, 2011:** US Undersecretary of State Wendy Sherman visits Beijing and meets Wang Jiarui, head of the International Department of the Communist Party of China (CPC) Central Committee, and Foreign Minister Yang Jiechi.

**Nov. 25, 2011:** China's Ministry of Commerce announces an investigation into US government policy and subsidy support for renewable energy.

**Dec. 7, 2011:** Undersecretary of Defense Michele Flournoy meets Gen. Ma Xiaotian, deputy chief of the People's Liberation Army General Staff for the 12th Defense Consultative Talks.

**Dec. 7, 2011:** The US and China announce implementation of the Megaport Initiative to monitor for "nuclear and other radioactive materials in cargo containers" at Shanghai's Yangshan Port.

**Dec. 8, 2011:** The fourth high-level dialogue between the Communist Party of China and the Democratic and Republican parties of the US is held in Washington.

**Dec. 10, 2011:** Wang Jiarui, head of the International Department of the CPC Central Committee, meets US Deputy Secretary of State William Burns to further promote bilateral ties.

**Dec. 12-13, 2011:** Derek Mitchell, US special representative and policy coordinator for Burma, visits China to discuss US policy toward Burma and Secretary Clinton's visit to that country.

**Dec. 15, 2011:** US Special Representative for North Korea Glyn Davies visits Beijing and meets Foreign Minister Yang Jiechi.

**Dec. 19, 2011:** A federal circuit court rules that the US cannot impose "countervailing duties" or emergency anti-subsidy tariffs, on imports from countries such as China that are designated as "non-market economies."

**Dec. 20, 2011:** Foreign Minister Yang Jiechi speaks by phone with Secretary Clinton regarding North Korea's leadership succession.

**Dec. 27-29, 2011:** The *USS Carl Vinson* visits Hong Kong, marking the fourth port call to Hong Kong by a US carrier strike group this year.

**Dec. 27, 2011:** US Treasury Department declines to brand China a manipulator of its exchange rate, but says the yuan is undervalued and vows to press for greater exchange-rate flexibility.

**Dec. 30, 2011:** State Councilor Dai Bingguo and National Security Advisor Tom Donilon hold a telephone conversation on US-China relations.