



U.S.-China Relations:  
**Old and New Challenges: ASAT Test, Taiwan, and Trade**

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China's test of an anti-satellite weapon against a defunct Chinese weather satellite on Jan. 11 prompted concern and criticism that reverberated around the world. A U.S. decision to allow Taiwan President Chen Shui-bian to make a stopover in San Francisco and notification to Congress of a possible arms sale to Taiwan led to Chinese protests. A Private Property Law was passed at the National People's Congress along with a Corporate Tax Law. U.S. officials credited China with making positive contributions toward strengthening the international system, notably in the Six-Party Talks, but urged China to do more. In a possible signal of toughening U.S. trade policy, the Commerce Department slapped duties on imports of coated paper, reversing a decades-old policy of not applying duties to subsidized goods from non-market economies. Sino-U.S. military ties advanced with the visit to the U.S. by Gen. Ge Zhenfeng, deputy chief of general staff of the People's Liberation Army, and the visit to China by Gen. Peter Pace, chairman of the U.S. Joint Chiefs of Staff.

**Anti-satellite test prompts concerns**

Without advance warning, a Chinese medium-range ballistic missile (MRBM) armed with a direct-ascent kinetic kill vehicle destroyed an aging Chinese weather satellite on Jan. 11. Shortly after the apparent anti-satellite (ASAT) weapons test, the Bush administration sought an explanation from Beijing, but received none. On Jan. 18, National Security Council Spokesman Gordon Johndroe expressed concern about the ASAT test: "The U.S. believes China's development and testing of such weapons is inconsistent with the spirit of cooperation that both countries aspire to in the civil space area. We and other countries have expressed our concern regarding this action to the Chinese."

Five more days of silence passed before a Chinese Foreign Ministry spokesman confirmed the test. In a brief statement, the spokesman declared that the ASAT test "was not directed at any country and does not constitute a threat to any country." He reiterated China's opposition to the weaponization of space and an arms race in space. When asked about the delay in confirming the test, the Foreign Ministry spokesman responded, "China has nothing to hide. After various parties expressed concern, we explained this test in outer space to them."

Countries that formally protested the Chinese ASAT test included the United States, Australia, Canada, Japan, and South Korea. The incident raised questions about civilian control over the Chinese military, coordination in the Chinese bureaucracy, and China's crisis-management capability. Privately, Chinese Foreign Ministry officials claimed they were unaware of the test, but admitted that had they been informed they would not have anticipated a strong international reaction, in part because China had only destroyed its own satellite and because the U.S. and the Soviet Union had already conducted such tests two decades earlier.

China's ASAT test did not come as a complete surprise. U.S. intelligence has been aware of Chinese efforts to develop such weapons for many years. In its annual report to Congress on Chinese military power in 2006, the Pentagon had noted Beijing's continued pursuit of an offensive anti-satellite capability, including by launching a ballistic missile and by using ground-based lasers to damage or blind imaging satellites. But the timing of the test – just months prior to China's politically sensitive 17<sup>th</sup> Party Congress – and the apparent lack of consideration accorded the response of the international community raised serious concerns.

Reaction to the ASAT test resounded in the pages of leading newspapers, in U.S. think tanks, and in Congress. Council on Foreign Relations Senior Fellow Elizabeth Economy wrote in *The Washington Post* that the “real message” of the test is that “China's rise will be as disruptive and difficult as that of any other global power.” Sen. John Kyl (R-Az) and Rep. Jane Harman (D-CA), from opposite sides of the aisle, voiced worries about the test and China's asymmetric warfare approach at the Center for Strategic and International Studies, and called for increased investment in U.S. counter-space capabilities and space situational awareness.

Deputy Under Secretary of Defense Richard Lawless told the U.S.-China Economic and Security Review Commission Feb. 1 that China's test of an ASAT weapon “poses dangers to human space flight and puts at risk the assets of all space-faring nations.” China's military transformation is expanding beyond the traditional air, land, and sea dimensions “to now include space and cyberspace,” he added. With China's military transformation accelerating annually, he said, it is not certain whether the end result will be peaceful or not. In a speech in Sydney, Australia, Vice President Dick Cheney maintained that China's ASAT test, along with its “continued fast-paced military buildup are less constructive and are not consistent with China's stated goal of a ‘peaceful rise.’”

Testifying before the House Committee on Foreign Affairs, Subcommittee on Asia, the Pacific and the Global Environment on March 27, Thomas Christensen, deputy assistant secretary of state for East Asian and Pacific affairs, repeated that “the development and deployment of such an offensive system appears inconsistent with China's stated goal of ‘peaceful rise.’” Commander of U.S. Strategic Forces Marine Corps Gen. James Cartwright told the Senate Armed Services Strategic Forces Subcommittee March 29 that China has undertaken a “very disciplined and comprehensive continuum of capability against . . . our space capabilities.”

## Taiwan remains front and center

Chinese concern about Taiwan spiked this quarter in response to developments on Taiwan as well as in U.S. policy. In early January, Washington approved an overnight stopover for Taiwan President Chen Shui-bian in San Francisco on his way to attend the inauguration of Nicaraguan President Daniel Ortega later that month and a brief refueling stop in Los Angeles on his way back to Taiwan. Beijing had hoped that the U.S. would only offer Chen refueling stops in Hawaii or Alaska, as it had done in May 2006 to signal displeasure with Chen's decision to abolish the National Unification Council and the National Unification Guidelines. Chinese Vice Minister Yang Jiechi, who was dispatched to Washington to attend President Ford's funeral, had planned to discuss the bilateral exchange program for the upcoming year as well as substantive matters, but was compelled to spend a considerable amount of time delivering a demarche in meetings with U.S. officials.

Later that month, deputy director of the Chinese State Council's Taiwan Affairs Office Sun Yafu traveled to the U.S. to discuss developments in cross-Strait relations with U.S. officials and scholars. Speaking at a forum with overseas Chinese representatives in New York on Jan. 17, Sun said that the Chen Shui-bian administration's adventure to strive for "*de jure* Taiwan independence" through so-called "constitutional transformation" is the greatest threat confronting cross-Strait peace and stability at present. In meetings with Americans, Sun urged greater joint efforts by the U.S. and China to constrain Chen Shui-bian's pro-independence antics.

At the end of February, the U.S. Defense Department notified Congress of a possible sale to Taiwan of advanced medium-range air-to-air missiles, *Maverick* air-to-ground missiles and other equipment in a deal worth about \$421 million. China lodged a formal complaint with the U.S. over the matter. Foreign Minister Spokesman Qin Gang said the proposed sale would "seriously violate" previous commitments made by Washington to reduce arms sales to Taiwan and would constitute a "rude interference into China's internal affairs."

During U.S. Deputy Secretary of State John Negroponte's visit to China in early March, Chinese officials reiterated their objections to U.S. arms sales to Taiwan and expressed concerns about Chen Shui-bian's rhetoric that China considers provocative. Chinese State Councilor Tang Jiaxuan told Negroponte that "the activities of Taiwan separatists pose a major threat to peace and stability in the Taiwan Strait," and warned the U.S. not to send wrong signals. *Xinhua* quoted Chinese Vice Foreign Minister Yang Jiechi as insisting that the U.S. "cease" selling weapons to Taiwan.

Chinese Ambassador to the U.S. Zhou Wenzhong brought the message to the public arena in March, delivering speeches at Brown University and the Paul H. Nitze School of Advanced International Studies. At Brown, Zhou said the U.S. should "stop sending advanced weapons to Taiwan and stop sending any wrong signals to the Taiwan independence forces." He expressed Beijing's hope "that the U.S. will work with China to unequivocally oppose and repulse any form of Taiwan independence activities."

## **NPC highlights domestic troubles**

The Fifth Plenary Session of the 10<sup>th</sup> National People's Congress was held March 5-16 in conjunction with the meeting of the Chinese People's Political Consultative Conference. Premier Wen Jiabao delivered the 2006 government work report in a speech that focused largely on populist issues such as health care and education, and signaled increased attention to addressing corruption, governmental waste, and environmental degradation. The need to balance regional disparities was another common theme. Wen also focused on real estate, guaranteeing an increase in low-income housing benefits in the coming year, and vowing a serious crackdown on real estate crime. He stressed the "Three Rural Issues" of agriculture, the countryside, and farmers, and pledged an increase in funding for rural health care that would provide over 80 percent of China's rural population with basic health care in the coming year.

Acknowledging governmental flaws, Wen set out a vision of a governmental system that is "clean, effective, satisfactory, and transparent," but did not discuss specifics about how governing institutions should be reformed. The longest period of applause came when he declared that China will remain resolutely opposed to any form of Taiwan's declaration of *de jure* independence.

At end of the 12-day NPC, with the backing of 97 percent of the 2,889 legislators attending (2,799 for, 53 against, and 37 abstentions), a Private Property Law was passed. When introducing the bill, NPC Standing Committee Vice Chairman Wang Zhaoguo told the Congress that the law will "safeguard the fundamental interests of the people," and is an attempt to adapt to new "economic and social realities" in China. The law declares: "The property of the state, the collective, the individual and other obligees is protected by law, and no units or individuals may infringe upon it." By elevating private property to the same status as state property, the law gives formal legal protection to China's burgeoning private enterprises and legitimizes capitalist exploitation of the working class for the first time in six decades. The bill was shelved last year due to controversy.

A petition against the Private Property Law, endorsed by hundreds of retired officials and academics, warned that it would increase social inequality and legalize the corrupt plundering of state-owned assets by officials. "With the unceasing advance of privatization, our country already has a serious gap between rich and poor, which is polarizing into two extremes," the petition declared. The NPC also passed a Corporate Tax Law that unifies the tax rates of foreign and domestic corporations at 25 percent.

The 2007 NPC session set the precedent of allowing foreign journalists to approach and interview any NPC members without restriction. All proposals and resolutions from the session for the first time were fully translated into English.

One day before the legislative session opened, Jiang Enzhu, the deputy secretary general and spokesman for the NPC, announced that China would increase its military spending by 17.8 percent to nearly \$45 billion in 2007. Jiang emphasized that the spending increase will increase salaries, improve living conditions for military personnel, and

upgrade equipment and technology. Just one week earlier, Lt. Gen. Michael Maples, director of the Defense Intelligence Agency, estimated China's annual defense spending at between \$80 billion and \$115 billion, the highest in the world after the United States, in testimony to the Senate Armed Services Committee.

### **Progress on Korea and Iran**

U.S. officials continued to laud China's role in the Six-Party Talks this quarter and point to U.S.-Chinese cooperation on North Korean denuclearization as a factor contributing to the further strengthening of the bilateral Sino-U.S. relationship. Speaking to the press in Beijing on Feb. 13, Assistant Secretary for East Asian and Pacific Affairs Christopher Hill observed that the six-party process "has done more to bring the U.S. and China together than any other process I'm aware of." Testifying before the House Foreign Affairs Committee on Feb. 28, Hill stated: "One of the benefits of the six-party process has been the development of our relationship with China. The new and highly constructive role of China as the convener of the Six-Party Talks is especially important, and our coordination with them in this area has been outstanding."

In a comprehensive assessment of the status of China-U.S. relations, Deputy Assistant Secretary Tom Christensen told the House Committee on Foreign Affairs, Subcommittee on Asia, the Pacific, and the Global Environment, that China had played a key role in helping get North Korea back to the Six-Party Talks in February and promoting agreement on the initial actions plan. On Feb. 15, Presidents Hu Jintao and George W. Bush exchanged views on the progress made toward implementation of the September 2005 Joint Statement and restated their willingness to continue close communication and cooperation to achieve denuclearization of the Korean Peninsula.

China joined the U.S. and other UN Security Council members in March in a vote to impose new, substantial sanctions on Iran as a result of its failure to comply with UNSCR 1737, which required Tehran to completely and verifiably suspend its uranium enrichment activities. UNSC Resolution 1747 includes a provision prohibiting Iran from providing weapons to any individual or organization and calls on nations to exercise "vigilance and restraint" in exporting arms to Iran. In addition, it recommends nations and international financial institutions refrain from providing financial assistance, grants, or concessional loans to Iran, except for humanitarian and development purposes. In his March 29 testimony to Congress, Christensen called on China "to expand its efforts to increase targeted pressure on Tehran through bilateral financial measures, by increasing efforts to block transit of proliferation sensitive materials to and from Iran, including between Iran and North Korea, and by ending its unhelpful weapons sales to Tehran." He underscored U.S. expectations that China will curtail sales of certain arms equipment to Iran per its obligations under UNSCR 1747, and highlighted U.S. concerns over reports that Chinese companies may invest in Iran's oil and gas sector.

In general, reflecting a near-consensus view of the Bush administration, Christensen maintained that the U.S. encourages China to work with the U.S. "to build and strengthen the global system and advance global peace and security." He noted that the U.S.

appreciates China's positive contributions, while urging China to do more, for example, in Darfur. As a whole, the bilateral relationship has improved in recent years and progress has been made in some key areas of cooperation, Christensen noted. Nevertheless, there are numerous areas of differences, including human rights, trade, and military affairs, that require candid dialogue, he added. The U.S. seeks to "encourage China to join us in actions to strengthen and support global security and prosperity for both our countries and the world" and to "help China frame its choices, to encourage it to act responsibly in a manner commensurate with its growing wealth, stature and influence," Christensen asserted.

### **U.S. trade policy toughens**

Under mounting congressional pressure, the Bush administration slapped duties of up to 20 percent on imports of coated paper from China on March 30, in a reversal of a decades-old policy of not applying duties to subsidized goods from non-market economies. The action, announced by Commerce Secretary Carlos Gutierrez, could lead to duties on imports of steel, plastics, machinery, textiles, and many other Chinese products sold in the United States, if those industries seek relief and the Commerce Department finds that they are helped by illegal subsidies. The Commerce decision signals a toughening of U.S. trade policies toward China and may be an indication that Treasury Secretary Henry Paulson's more patient and conciliatory approach is being revised.

Several bills have been introduced in the U.S. Congress to require the Commerce Department to end its policy of not applying countervailing duties to non-market economies like China and Vietnam as a tool to enable U.S. manufacturers to fight unfair trade. Critics in Congress are demanding that the administration take concrete measures to open Chinese markets to U.S. goods or impose sanctions if it does not. The \$232.5 billion U.S. trade deficit with China last year has further increased Congressional pressure. Democrats in Congress lauded the Commerce Department's decision, but said they would continue their efforts to force a tougher policy on China through various pieces of legislation. China is expected to retaliate against the U.S. action by challenging it in Federal courts and also at the World Trade Organization, but refrain from imposing tariffs of its own on U.S. goods.

During a Senate Finance Committee hearing a few days earlier, two U.S. senators reaffirmed their intention to write tough legislation that would compel China to revalue its currency. Democratic Sen. Charles Schumer and Republican Sen. Lindsey Graham did not provide details about the legislation or when it would be introduced. "Currency has come to define the U.S.-China relationship," Graham said. "The biggest thing impacting an American right now is having your job leave this country because American manufacturers can't stay in business because they're being cheated out of job shares."

Proving that pressure produces results, on March 8, China published a notice terminating a subsidy program that the U.S. identified as a prohibited export subsidy in a Feb. 2 request for World Trade Organization dispute settlement consultations. The subsidy

program – a regulation implemented by China’s central bank that allowed large exporters to take advantage of discounted loans not available to other companies – was one of nine subsidy programs that the U.S. named as possibly violating WTO rules. U.S. Trade Representative Susan Schwab welcomed China’s move. “China recognizes its own long-term economic interests will be advanced by adhering to global trade rules,” she said.

Schwab expressed hope that China plans to withdraw other subsidy programs identified in the recent WTO action. In addition to programs that grant export subsidies that provide incentives for foreign investors and their Chinese partners to export to the U.S. and other markets, the WTO action targets subsidy programs that appear to provide incentives for companies in China to purchase domestic equipment and accessories, instead of buying them from U.S. exporters. Japan, Australia, the European Union, and Mexico have requested to participate as third parties in the U.S. dispute settlement consultations. The Feb. 2 request for dispute settlement consultations marks the third time the Bush administration has gone to the WTO to seek enforcement of China’s trading obligations.

Treasury Secretary Henry Paulson visited Shanghai in early March to make preparations for round two of the Strategic Economic Dialogue (SED) planned for May. He met Chinese Central Bank Gov. Zhou Xiaochuan and toured the trading floor of the Shanghai Futures Exchange. In an address to the Exchange, Paulson called on China to open its financial sector further to foreign competition to enable it to become more than an exporter of low-cost manufactured goods. He also warned that China’s growth was becoming “increasingly imbalanced” because of its excessive dependence on exports, which could undermine growth if reforms lag. “Financial sector development is the key to China’s transition into an economy that is less reliant on industrial activity, produces more high-value-added products and reduces the intensity of natural resources consumption,” Paulson said.

In addition, Paulson urged easing “tight caps” of foreign ownership in Chinese capital markets that would foster the development in China of world-class investment bankers. China’s exchange rate was barely mentioned. Paulson’s advice to the Chinese seemed to be to grant foreign firms greater access to Chinese capital markets and strengthen protection for intellectual property rights as a strategy to dampen protectionist sentiment in Congress and ease pressure on the currency issue.

### **Sino-U.S. military ties advance**

Sino-U.S. military exchanges were kicked off in January with a visit to the U.S. by Gen. Ge Zhenfeng, deputy chief of General Staff of the People’s Liberation Army. Gen. Ge led a delegation of 10 Chinese military officers to the U.S. Pacific Command in Honolulu, the Army’s Fort Lewis, Washington base, the naval base in San Diego, the U.S. Military Academy at West Point, N.Y., and the Pentagon in Washington, D.C.

At the invitation of Gen. Liang Guanglie, chief of the PLA’s General Staff Department, Gen. Peter Pace traveled to China in March for a four-day visit. It was Pace’s first visit to China since he was appointed chairman of the U.S. Joint Chiefs of Staff in 2005. In

Beijing, Pace had meetings with his counterpart Gen. Liang, as well as with Defense Minister and Central Military Commission Vice Chairman Cao Gangchuan and Central Military Commission Vice Chairman Guo Boxiong.

In a sign of growing PLA confidence and interest in expanding military ties with the U.S., Gen. Liang proposed exchanges of students at the cadet level, and expanding junior officer level and senior officer level exchanges. Both sides agreed that preliminary search and rescue exercises that were conducted in 2006 were beneficial and agreed to conduct more humanitarian relief exercises later this year. Gen. Pace said he would work with the services, U.S. Pacific Command, the Joint Staff, and the office of the secretary of defense to quickly implement the PLA's proposals, "because they all made good sense." Progress was also made toward the establishment of a hotline for emergency communication between the two militaries, although no agreement was reached.

Before departing Beijing, Gen. Pace held a roundtable discussion with researchers with the PLA Military Science Academy. On visits to Chinese military installations, Pace scored several "firsts" for a U.S. military officer, including sitting in a Russian-designed *SU-27* fighter plane at Anshan Air Base in Nanjing and riding in a state-of-the-art *T-99* tank at the Dalian military training area in Shenyang. He was also invited into a Chinese general's office where war maps were displayed and visited a command post with a table displaying the disposition of Chinese forces. Upon his return to the U.S., Pace told the *Washington Times* that he was treated better than the Chinese have treated any other U.S. officer.

Gen. Pace told the press in Beijing that both China and the U.S. have "enormous military capacity," but "neither country has the intent to create a war toward the other country." He stressed the need for setting up a hotline, which he said would reduce the possibility of "misunderstanding based on misinformation." Later he proposed that the hotline be a telex or email connection modeled on the hotline between the Soviet Union and the U.S. during the Cold War. Pace indicated his hope to find ways to foster greater understanding between the U.S. and Chinese militaries so that "we could become partners in the future." Later this year, Adm. Timothy Keating, who assumed command of the U.S. Pacific Command at the end of March, replacing Adm. William Fallon, is expected to visit China.

### **Busy agenda planned for next quarter**

U.S.-China relations go into high gear next quarter with a very busy agenda of exchanges. Vice Premier Wu Yi will lead a delegation of senior Chinese officials to attend the second round of the Strategic Economic Dialogue in Washington, D.C. on May 23-24. In late June, Chinese Vice Foreign Minister Dai Bingguo will travel to the U.S. to hold the Senior Dialogue with his counterpart Deputy Secretary of State John Negroponte. At a date yet to be agreed upon, Chairman of the Standing Committee of the National People's Congress Wu Bangguo will visit the U.S. A senior Pentagon delegation will also travel to China for the Defense Consultative Talks, tentatively



scheduled for June. In their first meeting of 2007, Presidents Hu and Bush will get together on the sidelines of the 33<sup>rd</sup> G-8 Summit in Heiligendamm, Germany June 6-8.

### **Chronology of U.S.-China Relations January-March 2007\***

**Jan. 2-5, 2007:** Chinese Vice Foreign Minister Yang Jiechi attends the funeral ceremony of former U.S. President Gerald Ford. He meets Deputy National Security Advisor David McCormick, Secretary of State Condoleezza Rice, Secretary of Treasury Henry M. Paulson, and Under Secretary of State for Political Affairs R. Nicholas Burns.

**Jan. 7, 2007:** While visiting Africa, Chinese Foreign Minister Li Zhaoxing exchanges views on issues of common concerns over the phone with Secretary Rice.

**Jan. 8, 2007:** China protests a planned stopover in San Francisco by Taiwan's President Chen Shui-bian.

**Jan. 9, 2007:** Chinese Foreign Ministry spokesman says that China strongly opposes U.S. sanctions on Chinese companies selling sanctioned weapons to relevant countries.

**Jan. 9, 2007:** The U.S. Embassy spokesman in Beijing says that the U.S. has urged China to reconsider a reported multibillion dollar natural gas deal between the China National Offshore Oil Corporation (CNOOC) with Iran amid international efforts to sanction Tehran for its nuclear programs.

**Jan. 11, 2007:** Andrew Natsios, the U.S. president's special envoy to Sudan, visits Beijing and meets State Councilor Tang Jiaxuan and Vice Foreign Minister Yang Jiechi.

**Jan. 11, 2007:** China successfully tests an anti-satellite weapon, destroying an aging Chinese weather satellite.

**Jan. 12, 2007:** China and Russia cast vetoes in the UN Security Council to stop a U.S. draft resolution condemning human rights abuse in Myanmar.

**Jan. 17-21, 2007:** U.S. Under Secretary of State for Public Diplomacy Karen Hughes and Public Diplomacy Envoy Michelle Kwan visit Beijing to promote people-to-people exchange.

**Jan. 17-19, 2007:** Chinese Vice Minister of Taiwan Affairs Office Sun Yafu travels to the U.S. to discuss developments in cross-Strait relations with U.S. officials and scholars.

**Jan. 22, 2007:** U.S. Assistant Secretary of State Christopher Hill visits Beijing and talks to Chinese Foreign Ministry officials about his meeting with DPRK officials in Berlin.

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\* Chronology by CSIS intern Wang Liang

**Jan. 23, 2007:** Chinese Foreign Ministry spokesman confirms that China fired a missile to destroy an orbiting satellite, China's first confirmation of the ASAT test.

**Jan. 23, 2007:** Chinese FM Li and Secretary Rice exchange views over the phone on promoting a constructive China-U.S. relationship and on the North Korean nuclear issue.

**Jan. 23, 2007:** U.S. Assistant Secretary of State for International Organization Affairs Kristen Silverberg visits Beijing and meets FM Li, Assistant FM Cui Tiankai, Director of Department of International Affairs Wu Hailong, and Director of Department of Policy Research Ma Chaoxu.

**Jan. 24, 2007:** In a letter to U.S. Commerce Secretary Carlos Gutierrez, 23 U.S. senators appeal to impose duties on Chinese imports in response to a request for public comment on whether the U.S. countervailing duty law should apply to imports from China.

**Jan. 28-Feb. 9, 2007:** A senior PLA delegation headed by Deputy Chief of Staff Gen. Ge Zhenfeng visits Hawaii, San Diego, and Washington, D.C., and meets U.S. Pacific Commander William J. Fallon and Pentagon officials.

**Jan. 29-30, 2007:** A Chinese delegation led by Ma Chaoxu, director of the MFA's Department of Policy Research, visits Washington, D.C. for talks with Stephen Krasner, director of the State Department's Policy Planning Bureau.

**Jan. 30-31, 2007:** A U.S. transportation delegation travels to Beijing to restart talks with Chinese counterparts on a bilateral open skies agreement.

**Jan. 31, 2007:** Treasury Secretary Henry Paulson tells the Senate Banking Committee that the administration will continue to press China to accelerate currency reform.

**Feb. 1-2, 2007:** The U.S.-China Economic and Security Review Commission holds a hearing on economic and security issues in the U.S.-China relationship. Among those testifying are U.S. Deputy Under Secretary of Defense Richard Lawless and Deputy Assistant Secretary of State for East Asian and Pacific Affairs Thomas Christensen.

**Feb. 2, 2007:** The U.S. files a trade case against China at the WTO charging that China unfairly subsidizes its steel, information technology, wood, and other industries.

**Feb. 5, 2007:** FM Li calls Secretary Rice over the phone and expresses China's condolences over the losses caused by the thunderstorm and tornado in Florida.

**Feb. 7, 2007:** Under Secretary for International Trade Franklin Lavin tells a U.S. steel industry gathering that the Bush administration is concerned about state-supported expansion of the Chinese steel industry and problems created by China's rapid growth.

**Feb. 8, 2007:** The fifth round of the Six-Party talks resumes in Beijing.

**Feb. 9, 2007:** U.S. Deputy Assistant Secretary of State for African Affairs James Swan says in a speech at Columbia University that the U.S. does not regard China's emerging interest in Africa as a security threat.

**Feb. 12, 2007:** Chinese DM Cao tells a visiting Japanese delegation that China has no plans to carry out further anti-satellite missile tests.

**Feb. 13, 2007:** Third phase of the fifth round of Six-Party Talks ends in Beijing. The six parties reach an agreement under which North Korea promises to shut down its main nuclear reactor in return for fuel aid. The six parties agree to hold the sixth round on March 19.

**Feb. 13, 2007:** Chinese Councilor of the State Council Tang Jiaxuan meets the heads of delegations attending the Six-Party Talks in Beijing.

**Feb. 15, 2007:** President Hu Jintao talks to President Bush on the phone and exchanges opinions on China-U.S. relations and the North Korean nuclear issue.

**Feb. 20, 2007:** U.S. Assistant Secretary of State Christopher Hill says that the six-party agreement to end North Korea's nuclear program has strengthened the diplomatic relationship between the U.S. and China.

**Feb. 21, 2007:** U.S. and China mark the 35<sup>th</sup> anniversary of President Nixon's visit to China.

**Feb. 23, 2007:** U.S. Vice President Dick Cheney says in Australia that China's recent anti-satellite weapons test and rapid military buildup are "not consistent" with its stated aim of a peaceful rise as a global power.

**Feb. 27, 2007:** Michael McConnell, new director of National Intelligence, tells the Senate Armed Services Committee that China's military modernization is aimed at achieving parity with the U.S. and is not limited to its drive for reunification with Taiwan.

**Feb. 28, 2007:** Assistant Secretary Hill testifies before the House Foreign Affairs Committee, stating that one of the benefits of the six-party process has been the development of U.S.-China relations.

**Feb. 28, 2007:** U.S. Department of Defense announces that it plans to sell Taiwan more than 400 missiles worth \$421 million, which would include 218 advanced medium-range air-to-air missiles, 235 *Maverick* missiles, as well as spare parts and maintenance equipment. China voices strong dissatisfaction and resolute opposition to the U.S. plan.

**March 3, 2007:** FM Li calls Rice and expresses China's condolences over losses caused by a tornado in the U.S. Southeast and Midwest.

**March 3-5, 2007:** On his first trip to the region as deputy secretary of state, John Negroponte visits Beijing and meets Vice FM Yang Jiechi, Vice FM Dai Bingguo, FM Li and State Councilor Tang. China-U.S. relations, particularly the upcoming strategic dialogue, Taiwan, North Korean nuclear program, Iran and Sudan are discussed.

**March 4, 2007:** Taiwan President Chen Shui-bian announces “four wants and one have not”: that Taiwan wants independence, a new constitution, name rectification and further development, and there are no rightist and leftist divisions in Taiwan except for the debate on the issue of reunification and independence.

**March 4, 2007:** The Annual Meeting of the National People’s Congress of China opens in Beijing. China announces an increase in military spending of 17.8 percent in 2007.

**March 5, 2007:** China’s Taiwan Affairs Office issues a warning that “Chen Shui-bian’s pursuit of ‘Taiwan’s *de jure* independence’ and [Taiwan’s] separation from the country through ‘constitutional amendment’ will severely undermine peace and stability in the Taiwan Strait region and even the Asia-Pacific region.” The State Department labels President Chen’s remarks as “unhelpful.”

**March 5-7, 2007:** Chinese Assistant FM He Yafei visits Washington. In addition to meeting officials at State, NSC, DOD, and members of Congress, he delivers speeches at the U.S.-China Business Council and the Council on Foreign Relations.

**March 6, 2007:** State Department releases *2006 Country on Human Rights Practices* report. China is included in countries in which power is concentrated in the hands of unaccountable rulers and is one of “the world’s most systematic human rights violators.”

**March 6-13, 2007:** China and the U.S. join in a naval exercise codenamed *Aman* (peace) with Pakistan and six other countries aimed at consolidating efforts against terrorism.

**March 7, 2007:** U.S. Adm. William J. Fallon, outgoing chief of the U.S. Pacific Command, testifies to the House Armed Services Committee, noting that U.S.-Chinese military exchanges are “moving forward.”

**March 7, 2007:** Secretary of Defense Robert Gates says at a Pentagon press roundtable that he does not view China as a strategic adversary of the U.S. despite Beijing’s growing military budget.

**March 7-8, 2007:** Treasury Secretary Paulson travels to China. In Beijing, he meets Vice Premier Wu Yi and discusses the planned May meeting of the Strategic Economic Dialogue and other bilateral issues. In Shanghai, Paulson delivers a speech at the Shanghai Futures Exchange and encourages China to launch capital market reforms more quickly.

**March 8, 2007:** China’s State Council Information Office issues the *Human Rights Record of the U.S.* in 2006.

**March 8, 2007:** U.S. Navy Adm. Timothy Keating, nominee to head U.S. Pacific Command, says during a Senate hearing that if confirmed, he will pursue robust engagement with China to help defuse tensions across the Taiwan Strait.

**March 12, 2007:** The People's Bank of China releases a statement that it will gradually increase the flexibility in the exchange rate of the RMB.

**March 12, 2007:** Deputy U.S. Trade Representative Peter Allgeier travels to China and holds meetings with Chinese counterparts on issues related to the current WTO round, the Doha Round, and bilateral commercial ties.

**March 13, 2007:** Assistant Secretary Hill arrives in Beijing to join working group talks on denuclearization, economic and energy cooperation, and peace and security in Northeast Asia.

**March 13, 2007:** U.S. Trade Representative Susan C. Schwab welcomes news that China has announced the termination of one of the subsidy programs the U.S. challenged as a prohibited export subsidy in a Feb. 2 request for WTO dispute settlement consultations.

**March 14, 2007:** U.S. Treasury finalizes a ruling against Banco Delta Asia that prohibits all U.S. financial institutions from maintaining correspondent accounts for BDA and prevents BDA from accessing the U.S. financial system. China expresses deep regret over Treasury's decision.

**March 16, 2007:** The National People's Congress (NPC) of China concludes its annual session with the adoption of a properly law and a corporate income tax law.

**March 17-18, 2007:** Treasury Deputy Assistant Secretary Daniel Glaser travels to Macau and Beijing to discuss with Macau and Chinese officials issues related to BDA.

**March 19, 2007:** The sixth round of Six-Party Talks begins in Beijing aimed at implementing the Feb. 13 agreement.

**March 22, 2007:** The Six-Party Talks recess with a chairman's statement reaffirming all parties' commitment to the Joint Statement of Sept. 19, 2005 and the Joint Statement of Feb. 13, 2007.

**March 22, 2007:** Chinese Ambassador to the U.S. Zhou Wenzhong delivers a speech on U.S.-China trade, China's economic development, and Taiwan at the Watson Institute for International Studies at Brown University.

**March 22-25, 2007:** Marine Gen. Peter Pace, chairman of the U.S. Joint Chiefs of Staff, arrives in Beijing for a four-day visit.

**March 25, 2007:** Treasury Deputy Assistant Secretary Glaser arrives in Beijing to discuss with Chinese officials issues related to the transfer of North Korean money from BDA.

**March 25, 2007:** FM Li and Secretary Rice hold a phone conversation about Sino-U.S. relations and promoting the Six-Party Talks.

**March 27, 2007:** Thomas J. Christensen, deputy assistant secretary for East Asian and Pacific Affairs, testifies before the House Committee on Foreign Affairs, Subcommittee on Asia, the Pacific, and the Global Environment.

**March 27-28, 2007:** The Senate Finance Committee holds hearings on U.S.-China trade and China's currency regime.

**March 28, 2007:** United Airlines launches direct flights between Washington. and Beijing.

**March 28, 2007:** Speaking at the Paul H. Nitze School of Advanced International Studies in Washington, D.C., China's Ambassador to the U.S. Zhou Wenzhong calls on the U.S. to stop selling advanced weapons and sending to Taiwan.

**March 29, 2007:** Gen. James Cartwright, commander U.S. strategic command, testifies before the strategic forces subcommittee of the Senate Armed Services Committee.

**March 29-30, 2007:** U.S.-China Economic and Security Review Commission holds hearing on China's military modernization and its impact on the U.S. and the Asia Pacific.

**March 30, 2007:** Commerce Secretary Carlos Gutierrez announces the adoption of new policy imposing potentially steep tariffs on Chinese manufactured goods on the grounds that its government subsidies of exports are illegal.

**March 30, 2007:** U.S. health officials say that a toxin used in fertilizer in China and to make plastics in the United States has been found in samples of recalled pet food and in imported Chinese wheat gluten used in the food.