



**US-China Relations:
The Honeymoon Ends**

**Bonnie Glaser, CSIS/Pacific Forum CSIS
David Szerlip, George Washington University**

After a relatively smooth period in US-China relations through the first year of the Obama administration, the “honeymoon” ended in the first quarter of 2010. The new year brought new frictions and returned to the spotlight many problem areas. The quarter began with an unexpected announcement from an unlikely player in China-US relations: Google, the internet giant, reported extensive hacking of its networks traced back to China and then redirected Google.cn users to its Hong Kong site to evade Chinese censorship. Tensions were further stoked by the administration’s notification to Congress of a major weapons sale to Taiwan and President Obama’s meeting with the Dalai Lama. Throughout the quarter, economic frictions intensified, particularly over the valuation of China’s currency. Despite these numerous difficulties, the quarter closed with the pendulum swinging back toward the center. At the end of March, President Obama and Deputy Secretary of State James Steinberg both reaffirmed the US commitment to a positive relationship with China; Beijing announced that President Hu would attend a major international nuclear security summit in the US in April 2010; and Obama and Hu, in a friendly phone call, renewed their determination to sustain healthy and stable ties.

Google leaves China

On Jan. 12, internet search provider Google announced that it would stop cooperating with Chinese censors and threatened to pull out of China after it discovered that “highly sophisticated” cyber attacks originating in China had stolen some of the company’s source code and broken into the Gmail accounts of Chinese human rights advocates. Google said the attacks occurred in early 2010 and targeted at least 34 major Silicon Valley firms. The announcement stunned US observers, many of whom had long criticized Google’s cooperation with Chinese censorship rules and now saw Google’s threat as a major repudiation of Chinese practices. Google’s stance quickly became a political matter with potential fallout for bilateral relations; the US Embassy in Beijing issued a formal *demarche*, and Secretary of State Hillary Clinton called on China to end internet censorship and investigate the attacks. China’s Foreign Ministry spokesman, Ma Zhaoxu, responded sharply to Clinton, calling on the US to “stop attacking China” and saying that such statements “undermine China-US relations.” The Chinese insisted that the Google issue was an “individual commercial case” that would not affect the overall environment for foreign investors or the China-US relationship.

The Google story received attention throughout the quarter. On Feb. 18, the *New York Times* reported that an investigation team that included US intelligence agencies had discovered that the attacks originated from two Chinese universities, Shanghai Jiaotong University and Lanxiang Vocational School in Shandong Province. Both institutions denied involvement, and soon after,

China Daily ran an editorial arguing that the “Google farce” was “absurd and fictionalized” and had the potential to “push the already flagging bilateral ties to plunge deeper into troubled waters.” Chinese commentators similarly accused Google of fabricating the cyber attacks in order to bolster US political positions, and they accused the US government of meddling in China’s domestic affairs while insisting that China’s constitution guarantees freedom of speech for China’s citizens and internet users.

Subsequent negotiations between Google and the Chinese government failed to produce a workable compromise. On March 22, Google announced that it was relocating its Chinese search engine from mainland China to Hong Kong to evade Chinese censorship policies. Chinese officials charged that Google had violated the written promise that it made when it entered the Chinese market. Soon after the announcement, Chinese citizens began leaving flowers and notes outside Google’s Beijing headquarters to express their sympathy for the company and their opposition to Chinese internet censorship. The Chinese government was less supportive of Google’s move. The Communist Party newspaper *People’s Daily* published a scathing critique of Google, which stated, “For Chinese people, Google is not god, and even if it puts on a full-on show about politics and values, it is still not god.... Its cooperation and collusion with the US intelligence and security agencies is well-known.... All this makes one wonder. Thinking about the US’s big efforts in recent years to engage in Internet war, perhaps this could be an exploratory pre-dawn battle.”

Google’s decision was seen as a partial repudiation of Chinese internet policies. At the same time, it also demonstrated the unwillingness of a major US company to completely abandon the Chinese market as Google said it would retain much of its existing operations in China, including its research and development and its local sales force, and would continue to operate online maps and music services in China. The company’s attempts to straddle this fine line were quickly challenged by two major Chinese companies when both China Mobile and China Unicom announced plans to drop Google search engines or Google operating systems from their mobile phones. At the end of March, the future of the internet giant in China remained up in the air. Although Chinese internet users were able to access uncensored results from Hong Kong, many US commentators argued that it was only a matter of time before China would cut off all domestic access to Google, originating from Hong Kong or elsewhere.

Taiwan arms sale rattles Beijing

On Jan. 7, the US Department of Defense awarded a contract to Lockheed Martin worth \$978 million to sell *PAC-3* missiles to Taiwan. Chinese commentators reacted with fury, even though the sale had been sealed during the George W. Bush administration. The announcement was only the beginning of the quarter’s controversy over Taiwan arms sales. In the midst of the Google squabble, the Obama administration notified Congress on Jan. 29 of its intent to sell \$6.4 billion worth of military equipment to Taiwan, including 114 *Patriot Advanced Capability (PAC-3)* missiles (\$2.81 billion), 60 *UH-50M Black Hawk* helicopters (\$3.1 billion), 12 *Harpoon II* anti-ship missiles (\$37 million), two *Osprey-class* mine-hunting ships (\$105 million), and communication equipment for Taiwan’s *F-16 A/B* fighter aircraft (\$340 million). The package was similar in value to one announced by the Bush administration in October 2008 and was limited to items still pending from an \$11 billion package originally pledged in April 2001. The

sale did not include funding for Taipei's long-standing request for a submarine feasibility study or advanced *F-16 C/D* fighter planes, for which the Obama administration has not accepted a formal letter of request from Taipei.

Less than a day after the announcement, Chinese Vice Foreign Minister He Yafei issued an official *demarche* to US Ambassador Jon Huntsman, saying that the sale "constitutes a gross intervention into China's internal affairs, seriously endangers China's national security and harms China's peaceful reunification efforts." Vice Minister He also warned that the sale would "definitely undermine" bilateral relations and would have a "serious negative impact" on future bilateral cooperation. In response, China stated that it would suspend some military exchanges with the US, cancel an upcoming vice ministerial-level dialogue on security, arms control and nuclear nonproliferation, and would impose sanctions on the US companies involved in the arms sale (potentially affecting Boeing, Lockheed Martin, Raytheon, and United Technologies). The Foreign Ministry also said that the sale would "inevitably affect" China-US cooperation on "relevant important international and regional issues."

At least rhetorically, China's response to the January 2010 weapons sale to Taiwan was tougher than its reaction to the Bush administration's October 2008 Taiwan arms package. In the earlier case, Beijing had suspended military-to-military exchanges and arms control/security dialogues, but never before had China threatened to sanction US firms or explicitly said it would curb cooperation on other security matters such as North Korea, Iran, and nonproliferation.

The reasons for China's tougher response are numerous. First, the escalation reflected deep-seated and growing indignation and resentment over the US practice of selling weapons to Taiwan. In numerous public statements, Chinese officials repeatedly expressed their belief that the practice violated the three joint communiqués and ran counter to the China-US Joint Statement signed by Presidents Hu and Obama in November 2009 which stated that "respecting each other's core interests is extremely important to ensure steady progress in US-China relations." Chinese Foreign Minister Yang Jiechi maintained that "the Chinese government and people feel indignant about this," adding that "it is our sovereign right to do what is necessary." Second, Chinese leaders may have felt under domestic pressure to make a strong response. The perception that the US had violated China's core interests struck a raw nerve and incited a nationalistic reaction from both the Chinese elite and public citizenry. Although the influence of public opinion on Chinese decision making is not comparable to that in democracies, the views of the people as expressed on the internet are closely monitored by the government and taken into account in policy formulation. Chinese leaders cannot afford to be seen as not adequately defending Chinese sovereignty and territorial integrity lest they be fiercely criticized.

Finally, despite the fact that President Obama during his November 2009 visit to China told President Hu directly that the Taiwan Relations Act remained a component of the United States' one-China policy, recent developments in bilateral and international relations had raised Beijing's expectations, with some believing the sale would not happen so soon after Obama's visit to China and others believing the quality and quantity of the sales would begin to decrease. These expectations were raised, in part, by the Obama administration's constant emphasis over the last year on the importance of bilateral cooperation for solving the most pressing regional and international security issues. Additionally, Chinese expectations grew in the wake of Beijing's

successful handling of the world financial crisis, with many in China believing that the power gap between China and the US was shrinking and that China's growing clout provided Beijing with greater leverage to deter US arms sales to Taiwan.

China's outrage was displayed in both Chinese and Western media, with some Chinese experts calling on their government to carry out its threats and others arguing that China should go even further. One vocal supporter of sanctioning US companies was retired Rear Adm. Yang Yi of the National Defense University, who demanded that Chinese leaders follow through with the sanctions threat, adding that Beijing was going to "give a lesson to the US government that harming others will harm yourself." Jin Canrong, a leading international affairs expert at Renmin University, proposed that it was only "fair and proper" for China to accelerate the development and testing of high-tech weaponry. "The US," Jin added, "will pay a price for this. Starting now, China will make some substantial retaliation, such as reducing cooperation on the North Korea and Iran nuclear issues and anti-terrorism work." Possibly the most vocal critic of the US was Maj. Gen. Luo Yuan, a senior researcher at the Academy of Military Sciences, who gave numerous interviews in the aftermath of the weapons sale notification. To one news outlet, Luo argued that the arms sale gives China "justified cause" to increase its military spending and expand and accelerate military modernization, explaining that "the tiger that does not show its fierceness will be treated like a sick cat." In an interview with *Reuters*, Luo went even further, arguing that China's retaliation "should not be restricted to merely military matters" and calling on his government to "punish" the US by "dumping some US government bonds."

At the policy level, however, China's bark was worse than its bite. Beijing suspended the planned security dialogue with the US, and visits by leading Chinese and US military representatives, including chief of the PLA General Staff Department Chen Bingde and Commander of US Pacific Command Adm. Robert Willard, were postponed, along with other low-level military exchanges. However, in February and March, respectively, the *USS Nimitz* and *USS Blue Ridge* were permitted to make port calls in Hong Kong, actions that had not been allowed in previous arms sales spats. The US remained optimistic that military ties would be resumed within months and Defense Secretary Robert Gates indicated that he still hoped to visit China before the end of the year. Regarding sanctions on US arms manufacturers that sell weapons to Taiwan, the Chinese Foreign Ministry twice reiterated that it would carry out the sanctions, but no actions have been taken.

After nearly three weeks of Chinese media outrage, calls came from within China for all sides to tone down the rhetoric and move forward. *Global Times* – an English-language newspaper sponsored by the Communist Party's *People's Daily* that is typically known for publishing conservative, hard-line articles on Sino-US relations – ran two such articles. On Feb. 19, prominent US expert and dean of Beijing University's School of International Studies, Wang Jisi, argued that both China and the US "are facing the same global realities" and must cooperate to achieve economic recovery and make progress in dealing with pressing global issues such as climate change and the development of new forms of energy. Wang even mocked the hyperbole of domestic media that had argued that China-US relations had reached an all-time low and that the two nations had begun a new Cold War. Then, on Feb. 21, *Global Times* carried an editorial entitled, "Time to Drop Illusions in Sino-US Ties." While the editorial was critical of the arms sale and President Obama's meeting with the Dalai Lama, it was also pragmatic about the future

of bilateral relations: “Reality allows for no illusions. Washington will not change fundamentally in a short period of time. The old issues will keep cropping up, including human rights, arms sales to Taiwan, the Dalai Lama and more. But meanwhile, Sino-US ties are also advancing. Relations will continue moving forward with periodic conflicts for a long time.” The editorial even recognized US domestic political pressures that lead to support for Taiwan and Tibet, arguing that, despite these forces, “the huge interests at stake bring the two sides together to work out a solution.”

Obama meets the Dalai Lama

In early February, the White House announced that President Obama would meet with the Tibetan spiritual leader, His Holiness the Dalai Lama, on Feb. 18. He had requested a meeting with the president in autumn of 2009, but the administration demurred because it did not want to offend Beijing on the eve of Obama’s visit to Beijing – marking the first time since 1991 that the Dalai Lama traveled to Washington without meeting the US president. Obama dispatched his senior advisor, Valerie Jarrett, to Dharamsala in September to meet the Dalai Lama and convey his commitment to supporting the Tibetan people in protecting their distinct religious, linguistic, and cultural heritage, and to gain his understanding for postponing the meeting. At the time, the administration’s decision was criticized in the US by Republicans and Democrats alike, who accused Obama of kowtowing to Beijing. During his November trip to China, Obama informed Hu Jintao that he planned to meet with the Dalai Lama in the coming months.

The president’s meeting with the Dalai Lama took place in the White House Map Room, which is located in the residence, instead of the more formal and politically charged Oval Office where most foreign dignitaries are welcomed. The choice of location indicated the administration’s desire to avoid breaking with past practice so as to minimize negative reaction from Beijing. Underscoring the private nature of the encounter, no reporters or photographers were permitted; the White House issued a single in-house photo of Obama and His Holiness. Following the meeting, the White House issued a statement affirming Obama’s “strong support for the preservation of Tibet’s unique religious, cultural and linguistic identity and the protection of human rights for Tibetans.” The president also praised the Dalai Lama’s “commitment to nonviolence and his pursuit of dialogue with the Chinese government,” and he encouraged both sides to “engage in direct dialogue to resolve differences.” The Dalai Lama met with reporters, and called the US a “champion” of democracy and freedom.

As expected, the Chinese government sharply criticized the meeting. Foreign Ministry spokesman Qin Gang accused the US of “conniving and supporting anti-China separatist forces” and expressed China’s “strong dissatisfaction and resolute opposition to this meeting,” which, he said, had “seriously damaged” bilateral ties. Vice Foreign Minister Cui Tiankai summoned US Ambassador Jon Huntsman to issue a “stern representative,” according to state news agency *Xinhua*. Zhu Weiqun, in charge of Tibetan issues for the CCP Central Committee United Front Work Department, said that the meeting could “seriously undermine the Sino-US political relations.” An editorial in the *People’s Daily* highlighted China’s growing confidence in handling external pressure: “The Dalai Lama’s meeting with Obama is nothing more than a farce. A significant fact he can never change is that the Tibet issue is China’s internal affair and a powerful China has become a significant force in the world political structure.” A commentary

published in the government-controlled Hong Kong media suggested, however, that Beijing was seeking to limit the impact of the meeting on overall bilateral cooperation. *Wen Wei Po* reported that the “important common interests” between the US and China provided “ballast” for stabilizing bilateral ties and quoted Gong Li, director of the Central Party School’s Institute of International Strategic Studies, as maintaining that the current strains in the bilateral relationship were “temporary” and would not change the “interdependence” of the two countries’ interests.

Pressure mounts on China to revalue its currency

The first quarter of 2010 witnessed a heated back and forth between the US and China over the latter’s currency, which the US and many other countries insist is undervalued. Pressure mounted on the Obama administration to take action against China, as business leaders, economists, and pundits portrayed the issue as emblematic of broader strains in the US-China economic relationship. The issue entered the spotlight when President Obama, while speaking to Democratic senators on Feb. 3, said that the administration was planning to take a tougher stance against Chinese currency valuation policies – leading to immediate speculation that the US Treasury Department might, for the first time in 16 years, identify China as a currency manipulator in its report due on April 15. In its last report on China’s currency, the Treasury said the *renminbi* “remains undervalued” but cited favorably several steps the country had taken to keep the global economy – as well as its own – from an even deeper downturn. In March, Obama once again commented on the Chinese currency issue in a speech on trade, saying that a revalued *renminbi* would make “an essential contribution” to a healthier global economy. He indicated, however, that the US was committed to working through the G20 to achieve a broader “rebalancing” in world trade.

In an uncharacteristically sharp rebuttal, Chinese Premier Wen Jiabao accused the US of practicing protectionism by keeping the value of the US currency artificially low. Wen’s comments, delivered at a press conference held after the closing session of the annual National People’s Congress meeting in Beijing, set off a political firestorm on Capitol Hill and united Democrats and Republicans for one of the few instances since Obama’s inauguration. In a letter to Treasury Secretary Timothy Geithner and Commerce Secretary Gary Locke, 130 members of Congress demanded the administration designate China a currency manipulator and then begin talks with Beijing on its foreign exchange regime and signal its willingness to enter a formal complaint at the World Trade Organization.

Senators Charles Schumer (D-NY) and Lindsey Graham (R-SC) revived legislation that would force the US to increase pressure on China to raise the value of its currency, a move that would make China’s goods more expensive and help alter some of the trade imbalances around the world. The draft bill, similar to a measure considered in 2007, would require the Treasury Department to determine if a nation has a currency misaligned with the dollar. It would also make it easier for companies to seek import duties to compensate for an undervalued currency. Contributing to the chorus of voices demanding that China revalue the *renminbi*, Paul Krugman, a Nobel-prize winning economist at Princeton University, argued at an Economic Policy Institute event in Washington that global economic growth would be about 1.5 percentage points higher if China stopped restraining the value of its currency and running trade surpluses.

Responding to the moves in Congress, Foreign Ministry spokesman Qin Gang said that “such behavior is a bad example of protectionism that is detrimental to the recovery of the world economy.” However, China also attempted to assuage US political concerns. In late March, China sent Deputy Commerce Minister Zhong Shan to the US to discuss currency and trade issues with members of the administration and Congress. At least publicly, the gap in the two sides’ positions was not narrowed. During Zhong’s visit, Treasury Secretary Geithner urged China to make its currency policies more flexible, to which Zhong responded that revaluation was “not a good recipe for solving problems.” In Beijing, Premier Wen told a group of foreign entrepreneurs that the US and China would “settle disputes and problems” at the upcoming Strategic and Economic Dialogue, scheduled for the end of May. Signaling that an eventual compromise was likely, Wen told the audience, “Looking back, the disputes and differences between China and the United States have been settled one by one, leading to an increasingly close political and economic relationship.”

Mending ties

Just as quickly as China-US friction had emerged in January, tensions were resolved in March with a carefully orchestrated series of diplomatic moves. The process began with a visit to Beijing early in the month by Deputy Secretary of State James Steinberg and the National Security Council’s Senior Director for Asian Affairs Jeffrey Bader. After eight hours of meetings with Chinese officials, including State Councilor Dai Bingguo, statements released by respective government spokesmen suggested that the gap between the two sides on Taiwan and Tibet remained as wide as ever. The Chinese attempted to focus the discussions on rectifying the wrongs committed by the US in selling arms to Taiwan and holding a meeting between the US president and the Dalai Lama, while the US sought to shift attention to “issues of mutual concern,” including Iran’s and North Korea’s nuclear programs, trade and market access issues, and climate change.

Beijing insisted that the US take steps to repair the damage that it had inflicted on the relationship. China’s Ministry of Foreign Affairs spokesman stated that a “pressing issue right now is for the Americans to take China’s position seriously, genuinely respect China’s core interests and major concerns, show sincerity, and take practical action to propel relations between the two countries back onto the path of sound and stable development.” The State Department spokesman signaled that the US and China would continue to disagree on the meaning of “respect for China’s core interests” and that its policy toward Taiwan would remain unchanged. He noted that the senior US officials visiting Beijing had reiterated Washington’s consistent approach that adheres to a one-China policy, the three China-US joint communiqués and the Taiwan Relations Act, and anticipates a peaceful resolution of cross-Strait differences.

Private reports of the meetings indicate that Beijing presented the US officials with a list of demands, including promises to end arms sales to Taiwan and presidential meetings with the Dalai Lama – a list that was seen by the US as unacceptable and one that the Chinese side undoubtedly realized was unachievable. The conversations were likely a key turning point, as the US officials yielded no ground. Following the visit, China likely concluded that the paramount importance of China-US relations to Chinese national interests required making amends. Perhaps the Chinese also recognized that they had overreached in their threats,

expectations, calculations, and demands. In the hope that the Obama administration's emphasis on cooperating with Beijing to address global challenges might result in US willingness to make concessions on China's core interests – Taiwan, Tibet, and Xinjiang – the Chinese had tested the new US president, but had come up short.

The upcoming nuclear security summit planned for mid-April in Washington created some urgency. Hu Jintao surely realized that a refusal to attend in response to US actions that were in accordance with long-standing policies and practices on the issues of Taiwan and Tibet would have been widely perceived as indicative of China's parochial mindset and its unwillingness to be a responsible global player. Thus, a solution needed to be worked out that would allow the US-China relationship to return to normal while enabling China's leaders to save face.

After Steinberg and Bader departed Beijing, Foreign Minister Yang reiterated in a March 7 news conference broadcast live on China's official television network that the arms package to Taiwan and President Obama's meeting with the Dalai Lama had "seriously disturbed" bilateral ties and "undermined" China's "core interests." Yet, even as Yang called on Washington to "seriously consider China's position" and take "credible steps" to "respect China's core interests and concerns," he emphasized that "a sound US-China relationship" is in the "fundamental interests" of both countries, and that China is "committed to promoting positive, cooperative, and comprehensive" bilateral ties. Commentary in the Chinese media also signaled that Beijing was ready to find a compromise. A March 8 editorial in *Global Times Online* noted that "despite clashes and conflicts," the "interests" of both countries are "so intertwined and globalized" that neither can "afford the heavy price that may be extracted by strained relations."

After attending a G20 meeting in Canada, Chinese Vice Foreign Minister Cui Tiankai transited through Washington, where he met top administration officials, including National Security Advisor James Jones on March 22-23. During Cui's visit, the US once again reaffirmed its commitment to the one-China policy and noted Chinese concerns over both Taiwan and Tibet. After Cui's departure, Chinese Foreign Ministry spokesman Qin Gang said that China was "willing to strengthen communication with the United States" and that the best way to decrease bilateral tensions was to put "dialogue and consultations on an equal footing."

A week later, the elements of the well-choreographed diplomatic dance were revealed over the course of several days. President Obama took the unusual step of personally accepting the credentials of China's incoming ambassador to the US, Zhang Yesui, in the Oval Office. Although the meeting was billed by the White House as a reciprocal gesture to President Hu's meeting with US Ambassador to China Jon Huntsman after his appointment, the move was not typical for a US president, and it indicated the administration's strong desire to restore the cooperative bilateral relationship. After the meeting, the White House press office released a statement describing the conversation between Obama and Zhang: "The president stated his determination to further develop a positive relationship with China. He reaffirmed our one China policy and our support for the efforts made by Beijing and Taipei to reduce friction across the Taiwan Strait. The president also stressed the need for the United States and China to work together and with the international community on critical global issues including nonproliferation and pursuing sustained and balanced global growth."

Deputy Secretary of State Steinberg reaffirmed Obama's statements one day later when he spoke at the Foreign Press Center in Washington. Steinberg provided the details of his March trip to Beijing, saying that he and Bader had explained to their Chinese counterparts the US positions on the issues of concern. Once again, he stated that the US adheres to a one-China policy and that "we do not support independence for Taiwan and we oppose unilateral attempts by either side to change the status quo." Steinberg also welcomed improvements in cross-Strait relations under Taiwan President Ma Ying-jeou, saying that the "PRC-Taiwan dialogue contributes to the objective of a peaceful resolution that has been long central to our approach." Notably, Steinberg eschewed using the term "core interests," a term that had caused much confusion in both Beijing and Washington after Obama's November 2009 China trip due to its connotations in China, particularly regarding Taiwan.

On Tibet, Steinberg told attendees, "We reaffirmed our position that we do consider Tibet to be a part of the PRC and do not support independence for Tibet, but we strongly support continued dialogue between the Chinese government and the representatives of the Dalai Lama to resolve the differences." He also noted that, in Beijing, he had reiterated the core approach that President Obama takes toward China, which is "that the United State seeks a relationship with China marked by a positive and pragmatic cooperation in which we expand our areas of mutual interest while candidly addressing our differences." Steinberg stressed the importance of positive China-US security and economic relations. In the security realm, he proposed "intensified dialogue" to address US concerns about China's military modernization and to clarify China's strategic interests and intentions, and called for China's continued cooperation on North Korea and Iran. Finally, regarding the economic relationship, he told his interlocutors in Beijing that all countries must "do their part to assure sustainable, global economic growth and to avoid zero sum solutions that in the end benefit no country."

These statements, meant to reassure Beijing of the continuing US commitment to past agreements and communiqués and nothing more, were met by notable Chinese reciprocation. For many months, China had repeatedly criticized attempts to impose sanctions on Iran over its nuclear program and had continually urged the concerned parties to settle the matter through diplomacy. For example, in September 2009, Chinese Foreign Ministry spokeswoman Jiang Yu stated that "China always believes that sanctions and pressure should not be an option." However, on March 31, China changed its tune, likely as a result of behind-the-scenes diplomacy with Washington. On that day, US Ambassador to the UN Susan Rice announced that the five permanent members of the United Nations Security Council, along with Germany, would soon launch negotiations on a new round of Iran sanctions. Although the Chinese Foreign Ministry was tight-lipped, saying only that "China is highly concerned about the current situation and will strengthen cooperation with all parties," State Department spokesman P.J. Crowley told US media on April 1 that "China has indicated a willingness to be a full participant as we go through the specifics of what would be in [a UNSC resolution sanctioning Iran]." The same day, President Obama indicated in an interview that negotiations at the UN Security Council on Iran sanctions would soon be progressing. *Reuters* reported that an official with knowledge of China's position said that Beijing would likely support the blacklisting of Iranian banks, the imposition of travel bans, and the freezing of assets but was unlikely to blacklist Iranian shipping companies, ban arms imports, or approve sanctions against Iran's oil and gas industries.

Another piece of the carefully choreographed diplomatic deal was an hour-long phone conversation between Presidents Obama and Hu that took place on the evening of April 1, during which the two leaders discussed pressing issues, including Iran sanctions, nuclear nonproliferation, currency issues, and international economic growth. Earlier that day, the Chinese Foreign Ministry announced that President Hu would be attending the US-hosted nuclear summit in Washington in mid-April.

The final component of the deft diplomatic bargain was made public on April 2. The Obama administration announced that it would delay a decision on whether to declare China a currency manipulator. In making the announcement, however, Secretary Geithner pledged to raise the issue at a series of upcoming forums: a meeting of finance ministers and central bank governors from the Group of 20 nations in April; the semiannual Strategic and Economic Dialogue between the US and China in May; and a meeting of G20 leaders and finance ministers in June.

After a brief tense period in US-China relations over issues new and old, the first quarter of 2010 ended on a positive note. Between Google, Taiwan arms sales, the Dalai Lama meeting, and currency valuation disputes, many thought that US-China relations might be entering a period of extended strain. In the end, the importance of preserving a cooperative China-US relationship for both countries prevailed, and US and Chinese diplomats worked together to find a mutually acceptable way forward. A key lesson that has hopefully been learned is that on issues where US and Chinese interests overlap or converge, the two nations should work together; on matters that their interests conflict, they must carefully manage their differences.

The road ahead

An opportunity to further improve the US-China bilateral relationship will be presented in mid-April, when Presidents Obama and Hu are likely to hold a bilateral meeting on the margins of the nuclear security summit. They will probably firm up plans for Hu to make a state visit to the US later this year. The resumption of bilateral military ties will take place gradually, beginning with low-level exchanges and working toward a visit to China by Secretary of Defense Gates in the last half of the year. In the meantime, the two countries will work with the other members of the UN Security Council to pass a resolution that imposes new sanctions on Iran as part of an effort to persuade Tehran to stop all enrichment activities and forego development of nuclear weapons. Next quarter, the main event will be the second round of the Strategic and Economic Dialogue, which will be held in Beijing in late May. Secretary of State Clinton and Treasury Secretary Geithner will travel to China for those talks, which will focus on the full range of bilateral and global issues in US-China ties. In June, the US and Chinese presidents will both attend the G20 summit in Toronto, where they will seek to hash out a strategy to stabilize the global economy with the leaders of the other leaders of the new world club.

Chronology of US-China Relations January – March 2010

Jan. 6, 2010: The US Department of Defense announces the award of a \$968 million contract to Lockheed Martin for the sale of 253 *PAC-3* missiles and related hardware to Taiwan.

Jan. 8, 2010: A Chinese Foreign Ministry spokesman denounces the US decision to sell advanced air defense missiles to Taiwan.

Jan. 11, 2010: The World Trade Organization announces that it will investigate import tariffs levied by the US on Chinese tires in September 2009.

Jan. 12, 2010: Google threatens to end all operations in China after discovering that its “corporate infrastructure” had been hacked by a sophisticated attack originating within China.

Jan. 12, 2010: *Xinhua* reports that China’s military successfully tested mid-course missile interception technology on domestic territory.

Jan. 14, 2010: Commander of US Pacific Command Adm. Robert Willard and Assistant Secretary of Defense for Asian and Pacific Security Affairs Wallace Gregson testify before the House Armed Services Committee on Chinese cyber and space technology modernization.

Jan. 21, 2010: The US Commerce Department announces an investigation into charges that Chinese companies are selling oil well drill pipe in the US at unfairly low prices.

Jan. 22, 2010: Secretary of State Hillary Clinton calls on Beijing to end internet censorship, leading China’s Foreign Ministry to declare that US criticism could hurt bilateral relations.

Jan. 22, 2010: A Taiwanese military plane carrying humanitarian aid to Haiti is allowed to refuel in the US.

Jan. 27, 2010: En route to Honduras, Taiwan President Ma Ying-jeou stops in San Francisco, discussing US-Taiwan relations via telephone with members of the US Congress, including House Speaker Nancy Pelosi.

Jan. 29, 2010: The Obama administration notifies Congress of its intent to sell \$6.4 billion in weapons to Taiwan, including *Patriot* and *Harpoon* missiles, *Blackhawk* helicopters, and mine-sweeper ships.

Jan. 29, 2010: In a speech in France, Secretary Clinton warns that China will be under pressure from the US and other Western nations to cooperate on UN sanctions of Iran.

Jan. 30, 2010: In response to US arms sales to Taiwan, China announces a suspension of military and security exchanges, and threatens to levy sanctions on US companies selling weapons to Taiwan.

Feb. 2, 2010: The US Senate unanimously votes to condemn China for cyber attacks on Google.

Feb. 3, 2010: President Barack Obama tells Democratic senators that he will “get much tougher” on China regarding the valuation of its currency and its trade policies.

Feb. 3, 2010: China's Foreign Ministry warns that a meeting between President Obama and the Dalai Lama would hurt ties between the US and China.

Feb. 5, 2010: China's Commerce Ministry announces that it will levy heavy anti-dumping duties on imports of US chicken parts, one of the few highly profitable US exports to China.

Feb. 17, 2010: A US aircraft carrier, the *USS Nimitz*, makes a port call in Hong Kong.

Feb. 18, 2010: US computer security experts, including representatives from the National Security Agency, link alleged Chinese hacking of Google and other US companies to two prominent Chinese universities, Shanghai Jiaotong University and Lanxiang Vocational School.

Feb. 18, 2010: President Obama meets the Dalai Lama in the map room at the White House.

Feb. 19, 2010: Chinese Foreign Ministry spokesman Ma Zhaoxu says President Obama's meeting the Dalai Lama "amounted to serious interference in Chinese domestic affairs, and has seriously hurt the feelings of the Chinese people and seriously damaged China-US relations."

Feb. 19, 2010: The US-China Economic and Security Review Commission holds a hearing in Washington on the implications and repercussions of US debt to China.

Feb. 23, 2010: US Department of Defense officials confirm that China has postponed several military exchanges with the US in response to announced weapons sales to Taiwan, including a planned trip to the US by China's Chief of the PLA General Staff Chen Bingde.

Feb. 23, 2010: US Commerce Department announces duties of 11-13 percent on Chinese steel imports intended to offset subsidies provided to the industry by the Chinese government.

Feb. 25, 2010: Huang Xueping, spokesman for the Chinese Ministry of Defense, condemns the US for accusing China of hacking and for selling arms to Taiwan, warning the US to "speak and act cautiously."

March 1-3 2010: Deputy Secretary of State James Steinberg travels to Beijing, accompanied by the National Security Council's Senior Director for Asian Affairs Jeffrey Bader to discuss Taiwan, North Korea, Iran, and other issues of importance in bilateral relations.

March 3, 2010: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell discusses US-China relations before the House Committee of Foreign Affairs.

March 3, 2010: US Trade Representative Mark Kirk testifies before the US Senate Finance Committee that the administration is developing a "holistic" plan for trade relations with China and that the next Strategic and Economic Dialogue with China would occur in May.

March 9, 2010: Yi Gang, head of China's State Administration of Foreign Exchange, says that China is committed to purchasing US Treasury bonds.

March 9, 2010: US Trade Representative Mark Kirk tells an audience in Washington that the US is considering filing a WTO complaint against China for internet censorship rules.

March 11, 2010: Speaking in Washington, President Obama calls on China to adopt a “market-oriented exchange rate” for its currency.

March 11, 2010: The US State Department issues its annual report on human rights, which is sharply critical of Chinese human rights practices.

March 12, 2010: In response to President Obama’s comments a day earlier, Su Ning, vice governor of the People’s Bank of China, accuses the US of politicizing currency values.

March 12, 2010: In response to the State Department report on human rights, China’s State Council issues a report criticizing US gun policies, homelessness, and racial discrimination.

March 14, 2010: At a press conference in Beijing following the close of the annual session of the National People’s Congress, Premier Wen Jiabao says the US is practicing protectionism by depreciating the value of the dollar.

March 15, 2010: A bipartisan group of 130 US lawmakers sends a letter to Obama administration officials urging the White House to take immediate action to address China’s “currency manipulation.”

March 15, 2010: Zhang Yesui, formerly the head of China’s mission at the United Nations, replaces Zhou Wenzhong as China’s ambassador to the United States.

March 16, 2010: The US House of Representatives votes 412–1 for an end to the persecution of Falun Gong practitioners in China.

March 18, 2010: Speaking in Beijing, Ambassador Jon Huntsman urges China to cooperate with the international community on major issues, notably Iran.

March 18, 2010: Deputy Assistant Secretary of State for East Asian and Pacific Affairs David Shear and Deputy Assistant Secretary of Defense for East Asia Michael Schiffer testify before the US-China Economic and Security Review Commission on the future of US-Taiwan relations.

March 21, 2010: Minister of Commerce Chen Deming warns that if the US launches a “trade war” with China, “the American people and US companies will be hurt even more [than China].”

March 21, 2010: US Chamber of Commerce Senior Vice-President Myron Brilliant says that China can no longer count on the US business community to prevent the US government from taking actions against China over its exchange rate.

March 22, 2010: Google announces that it will relocate its Chinese internet search engine from mainland China to Hong Kong to avoid Chinese censorship restrictions.

March 22-23, 2010: Chinese Vice Foreign Minister Cui Tiankai, transiting through Washington, meets National Security Advisor James Jones, Deputy Secretary of State James Steinberg, and members of the National Security Council.

March 23, 2010: Commander of US Pacific Command Adm. Robert Willard testifies before the House Armed Services Committee on Chinese military modernization.

March 23, 2010: US Senators Charles Schumer (D-NY) and Lindsey Graham (R-SC) announce plans for legislation aimed at pressuring China to strengthen its currency.

March 24, 2010: Chinese Deputy Commerce Minister Zhong Shan visits US Treasury and Commerce officials and members of Congress in Washington to discuss currency valuation.

March 25, 2010: The *USS Blue Ridge* makes a port call in Hong Kong for a five-day recreational and cultural exchange mission.

March 30, 2010: President Obama meets new Chinese Ambassador to the US Zhang Yesui at the White House, telling Zhang that “our two countries should build a positive, cooperative, and comprehensive relationship for the 21st century.”

March 30, 2010: Deputy Secretary of State Steinberg tells a press briefing in Washington that the US seeks to develop positive, pragmatic and cooperative relations with China and adheres to the one China policy pursued by previous US administrations.

March 31, 2010: US Ambassador to the UN Susan Rice announces that China has begun cooperating with the UN Security Council to negotiate a fourth round of sanctions against Iran.

March 31, 2010: Former US Secretary of State Madeleine Albright and former US Assistant Secretary of State Richard Williamson visit China to lead the first high-level dialogue between the Chinese Communist Party and the Republican and Democratic parties.

April 1, 2010: China’s Foreign Ministry spokesman Qin Gang says Hu Jintao will attend the April 12-13 nuclear security summit in Washington on his way to Brazil, Venezuela, and Chile.

April 1, 2010: Presidents Obama and Hu hold a one-hour telephone conversation to discuss China-US cooperation on Iran sanctions, nuclear nonproliferation, currency issues, and international economic growth.