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US-CHINA RELATIONS

NORTH KOREA AND TRADE DOMINATE THE AGENDA

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The Trump administration's focus on increasing pressure on North Korea to abandon its nuclear and missile programs kept that issue at the top of the US-China agenda. In phone calls and a meeting between Presidents Trump and Xi Jinping on the margins of the G20 Summit, at the Diplomatic and Security Dialogue, and at the ASEAN Regional Forum, North Korea received the greatest attention as the US urged Beijing to use its economic leverage against Pyongyang in a bid to change Kim Jung Un's calculus. After a seven-month hiatus, the US resumed freedom of navigation (FON) operations in the South China Sea, conducting one operation in the Spratly Islands in May and another in the Paracel Islands in July. Marine Corps Gen. Joseph Dunford made his first visit to China as chairman of the US Joint Chiefs of Staff. The first Comprehensive Economic Dialogue convened, but made little progress in easing bilateral economic friction. In August, the Trump administration formally initiated a Section 301 investigation into China's theft of intellectual property.

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North Korea tests ties

North Korea's missile tests and an escalating war of words between Pyongyang and President Donald Trump kept North Korea on the front burner in the US-China relationship. In May, North Korea conducted three ballistic missile tests, using different delivery systems. Following the May 29 test, Trump tweeted that "North Korea has shown great disrespect for their neighbor, China, by shooting off yet another ballistic missile . . . but China is trying hard!" A few days earlier, Acting Assistant Secretary of State Susan Thornton told reporters in Beijing after meeting Chinese counterparts that Beijing understood the urgency of pressuring North Korea and had taken measures to tighten security along its border, including increased customs inspections.

The US and China were able to forge a consensus on a new UN Security Council Resolution on June 2 that extended a travel ban and asset freeze on senior North Korean officials and North Korean entities involved with the regime's nuclear and ballistic programs. However, US Ambassador to the UN Nikki Haley was unable to persuade Beijing to pre-negotiate even tougher sanctions that would follow another North Korean nuclear test. China apparently balked at discussing punitive steps in advance of another nuclear explosion.

Testifying before the Senate Foreign Relations Committee on Capitol Hill on June 13, US Secretary of State Rex Tillerson characterized Chinese cooperation on North Korea as "notable," but added that it had been "uneven." He also revealed that the Trump administration had asked China to take action against a number of Chinese banks and companies suspected of doing illicit business with North Korea. "We have made it clear to them, and we have provided them a list of entities that we believe they need to take action against," Tillerson said. He also reiterated that President Trump had told Chinese President Xi Jinping that "if they either don't want to take the action or they do not take the action, we will act on our own."

On the eve of the first US-China Diplomatic and Security Dialogue in Washington DC on June 21, President Trump tweeted that he appreciated President Xi's efforts to help with North Korea, but "it has not worked out," adding "At least I know China tried!" The tweet appeared to be aimed at putting pressure on the Chinese

delegation, led by State Councilor Yang Jiechi, to deliver more concrete actions by China to squeeze North Korea. The last-ditch effort failed, however. The Chinese insisted that they were doing their utmost to comply with the UN sanctions and did not commit to taking actions to shut down Chinese banks that are enabling North Korean companies involved in illegal activities to launder money through the US banking system. Apparently, the Trump administration held off on scheduling a meeting for Yang Jiechi with Trump in the Oval Office in the hope that the Chinese would offer something to secure the meeting. Even though the Chinese didn't table anything new, Yang got his meeting with Trump nonetheless.

Speaking to the press after the Dialogue, Secretaries Tillerson and Mattis did not provide many details, but there were hints at disagreement. For example, on North Korea, Tillerson said the US side stressed to China that it has a diplomatic responsibility to "exert much greater economic and diplomatic pressure on the regime if they want to prevent further escalation in the region." On the South China Sea, Mattis said the two countries had a "disconnect, where our understanding of the problem is very different from theirs." China issued a very positive nine-point statement on the Diplomatic and Security Dialogue, which characterized the two countries as in agreement on every issue discussed.

Frustrated with China's incremental approach to pressuring North Korea, the Trump administration took a series of steps to signal its unhappiness. The US Treasury designated the Bank of Dandong as a foreign bank of primary money laundering concern and announced sanctions on two Chinese citizens and a Chinese shipping company. A \$1.42 billion arms package for Taiwan, which had been awaiting approval for six months was notified to the US Congress. A US destroyer conducted a FON operation in the Paracel Island chain. Finally, in a move whose timing was probably coincidental, the US State Department downgraded China to its lowest rating in its annual Trafficking in Persons Report. On the heels of those actions, which left the Chinese reeling, President Trump held a phone call with Xi Jinping. According to *Xinhua*, Xi said that the relationship had been "affected by some negative factors" and stressed that the two sides "need to control the general direction of the bilateral relationship in light of the consensus they reached at the Mar-a-Lago

meeting” last April. Xi also urged the US to “handle the Taiwan issue appropriately in accordance with the one-China principle and the three China-US joint communiqués.”

On July 3, North Korea conducted its 11th ballistic missile test launch of the year. Trump appeared to still hold out hope that Xi would work with the US to address the growing threat. Trump tweeted: “Perhaps China will put a heavy move on North Korea and end this nonsense once and for all!” The following day, North Korea provided the US with an Independence Day gift by launching its first intercontinental ballistic missile (ICBM), which *Korean Central News Agency* claimed could hit the “heart of the United States” with “large heavy nuclear warheads.” Trump lashed out at Beijing, criticizing China’s growing trade with North Korea. “So much for China working with us – but we had to give it a try!” he tweeted. US Ambassador to the UN Haley called for tougher measures against North Korea, including restricting “the flow of oil to their military and their weapons programs.” From Washington’s perspective, the ICBM launch was a major escalation and required a forceful response, but Beijing appeared to side with Moscow, which denied the latest test was a long-range missile.

A week later, the US and Chinese leaders met on the margins of the G20 Summit in Hamburg. *Xinhua*’s readout said that Trump hailed the relationship with Xi and expressed confidence in their success in addressing common problems together. The report also cited Xi as calling for the two countries to respect each other’s core interests and major concerns, and properly address differences and sensitive issues.

In the meantime, there were leaks that the Trump administration was frustrated with Beijing’s unwillingness to do more to rein in North Korea, and was preparing to hit China with more sanctions. The sanctions plan, along with possible trade actions against China, surfaced days before the US-China Comprehensive Economic Dialogue on July 19. When the Dialogue convened, the US reportedly communicated to the Chinese side that the Trump administration was prepared to impose unilateral sanctions on more than 10 Chinese companies and individuals conducting business with North Korea unless rapid progress was made at the UN on a new sanctions resolution.

On July 28, North Korea conducted yet another ICBM test that appeared capable of reaching at least the US West Coast. China’s Foreign Ministry spokesman called on Pyongyang to “halt any actions that may lead to a further escalation of tensions on the peninsula.” At the same time, he urged “all parties” to “act prudently, and prevent a spiraling escalation of tensions.” Secretary of State Tillerson issued a statement that said China and Russia “bear unique and special responsibility” for North Korea’s ballistic missile program. Trump’s frustration was evident in his tweet the next day: “I am very disappointed in China. Our foolish past leaders have allowed them to make hundreds of billions of dollars a year in trade, yet they do NOTHING for us with North Korea, just talk. We will no longer allow this to continue. China could easily solve this problem!” Nikki Haley chimed in with her own tweet, which said “Done talking about NKorea. China is aware they must act.”

The US and China reached a compromise on UN action the following week. On Aug. 5, the UN Security Council unanimously passed Resolution 2371, which contained the toughest sanctions on North Korea to date. In an effort to curb hard currency going to North Korea’s nuclear and missile programs, the resolution banned all exports of North Korean coal, iron, iron ore, lead, lead ore, and seafood. Although the US likely pushed for further cutting off foreign revenue earnings by prohibiting North Korea from sending workers abroad, the resolution only banned increasing the number of those workers. There was also no mention of restricting Chinese crude oil exports to North Korea.

A new round of Korean Peninsula tensions was triggered only a few days later when President Trump, in response to North Korean rhetorical nuclear threats against the United States, warned Pyongyang to cease its provocations or be “met with fire and fury” like the world has never seen. North Korea called his remarks a “load of nonsense” and announced plans to fire missiles into the waters off Guam. China’s Foreign Ministry spokesman tried to calm the waters, saying both sides should avoid “going down the old path of alternately showing strength and continuously escalating the situation.”

As the war of words escalated between Washington and Pyongyang, Trump and Xi

talked by phone on Aug 12. The White House readout of the call urged North Korea to stop its “provocative and escalatory” behavior. It also noted that “The relationship between the two presidents is an extremely close one, and will hopefully lead to a peaceful resolution of the North Korea problem.” According to *Xinhua*, Xi Jinping encouraged “the parties concerned” to “exercise restraint and avoid words and actions that will aggravate tension in the Korean peninsula situation.” During the call, Trump affirmed his intention to visit China later this year.

In an effort to further increase pressure on North Korea, the US Treasury’s Office of Foreign Assets Control slapped sanctions on Chinese and Russian entities that it said help fund and facilitate North Korea’s nuclear and ballistic missile programs. The designated companies included Dandong Rich Earth Trading Co., Ltd, which allegedly violated UN sanctions by importing vanadium ore from North Korea. Mingzheng International Trading Limited, based in China and Hong Kong, was also designated for purportedly acting as a front company for North Korea’s Foreign Trade Bank. Three Chinese coal companies were also sanctioned – Dandong Zhicheng Metallic Materials Co, Ltd, JinHou International Holding Co., Ltd., and Dandong Tianfu trade Co., Ltd – for allegedly importing nearly half a billion dollars’ worth of North Korean coal between 2013 and 2016. Treasury Secretary Steven Mnuchin declared that the US is “taking actions consistent with UN sanctions to show that there are consequences for defying sanctions and providing support to North Korea and to deter this activity in the future.”

China’s Foreign Ministry spokesperson Hua condemned the unilateral sanctions as an effort by the US to impose “long-arm jurisdiction” on China based on its own domestic laws. Hua called on the US to “immediately stop the relevant wrongdoing” which, she maintained, is not conducive to mutual trust and cooperation between China and the United States on North Korea. Hua insisted that China “always implements the DPRK-related resolutions of the UN Security Council in their entirety.” She added, however, that Beijing would “investigate and deal with” the Chinese enterprises and individuals in accordance with Chinese laws.

On the same day, Chinese State Councilor Yang Jiechi held a telephone conversation with US

State of Secretary Tillerson. Per Chinese reports on the phone call, the officials discussed Afghanistan, not North Korea. Yang expressed his hope, however, that “the two countries will expand cooperation and properly settle differences so as to keep up a good momentum for the development of China-US relations.”

A week later, North Korea launched an intermediate-range ballistic missile over Japan’s northern island of Hokkaido. China’s envoy to the UN said that Beijing opposed Pyongyang’s ballistic missile launches and urged North Korea to comply with UN Security Council resolutions. He also called on “all parties concerned” to “exercise restraint” and avoid “mutually provocative actions” that could exacerbate regional tension. China agreed to a US-drafted statement at the UN that condemned the launch as an “outrageous” threat.

Then, on Sept. 3, North Korea exploded what it claimed to be a hydrogen bomb. The explosion created a magnitude 6.3 tremor, making it the most powerful weapon Pyongyang has ever tested. The test will undoubtedly create more friction between Washington and Beijing over how to deal with North Korea.

South China Sea FON patrols Resume

On May 25, seven months after the last FON operation by the US Navy in the South China Sea, the USS *Dewey* sailed within six nm of Mischief Reef, a low-tide elevation on the Philippines’ continental shelf that is illegally occupied by China, according to an arbitral tribunal’s findings in July 2016. Challenging any potential claim to a territorial sea, the USS *Dewey* remained inside 12 nm for about 90 minutes, cruising in a zigzag pattern. In addition, it conducted a man-overboard drill. The operation marked the first FON operation by the Trump administration and took place a week prior to the Shangri-La Dialogue in Singapore, an annual gathering of senior defense officials and experts from the Asia-Pacific. Signaling a departure from the Obama administration, the Pentagon confirmed the FON operation, but offered no details, saying it would be reported next year along with all other US Navy FON operations in the Fiscal Year 2017 Freedom of Navigation report. On the same day as the operation, two Chinese *J-10* fighter jets came within several hundred feet of a US Navy *P-3 Orion* surveillance plane over the South China Sea. The incident was one of several close

encounters between US and Chinese military assets during this May to August period.

Secretary of Defense James Mattis' speech at the Shangri-La Dialogue echoed many of the themes discussed in prior years by his predecessor Ash Carter, included the abiding US commitment to reinforcing the rules-based international order and its determination to fly, sail and operate wherever international law allows. In addition, Mattis noted that the 2016 ruling in the case brought by the Philippines against China on the South China Sea is binding and called on all claimants to use the ruling as a starting point to peacefully manage their disputes. He used particularly harsh language to condemn Chinese behavior in the South China Sea, highlighting "China's disregard for international law, its contempt for other nations' interests, and its efforts to dismiss non-adversarial resolution of issues."

In a departure from the past practice of US defense secretaries at the Shangri-La Dialogue, Mattis stated in his prepared remarks that the US Department of Defense (DoD) remains "steadfastly committed to working with Taiwan and with its democratic government to provide in (sic) the defense articles necessary, consistent with the obligations set out in our Taiwan Relations Act." In the question and answer period, a PLA officer queried whether the mention of Taiwan, which he noted was unusual on this occasion, signaled a change regarding the US "one China" policy. Mattis denied any change of policy and called for a peaceful resolution of China-Taiwan differences.

The week after the Shangri-La Dialogue, the DoD released its annual report on military and security developments involving the People's Republic of China. The report contained seven pages of satellite photos and graphics illustrating China's extensive land reclamation on the seven features it occupies in the Spratly Islands chain. The DoD concluded that China will be able to use these expanded features "as persistent civil-military bases to enhance its long-term presence in the South China Sea significantly."

In July, just over five weeks after the FON operation around Mischief Reef, the *USS Stethem* conducted a FON operation around Triton Island in the Paracels, challenging excessive maritime claims by China, Vietnam, and Taiwan. A few days later, two US *B-1 Lancer* bombers flew from

Guam over the South China Sea in a freedom of navigation flight. Yet another FON patrol took place Aug. 10, once again within 12 nm of Mischief Reef. This time the operation lasted six hours and was carried out by the *USS John S. McCain*. According to US officials, two *P-8 Poseidon* reconnaissance aircraft flew above the *McCain* (though not over Mischief Reef) as part of the operation. One US official told the media that a Chinese frigate warned the US destroyer at least 10 times, asking the ship to leave Chinese waters.



© AFP/Getty Images
1 USS John S. McCain (Daily Mail UK)

The Chinese Foreign Ministry protested against all the US FON operations in the South China Sea, accusing the US Navy ships of illegally entering China's waters, increasing the risk of accidents, and damaging Chinese sovereignty and security. Following the August FON patrol, the MFA also accused the US of violating Chinese and international law, and maintained that US actions justified Chinese efforts to bolster its defense capacity in the South China Sea.

The South China Sea was also on the agenda at the East Asia Summit ministerial meeting and the ASEAN Regional Forum in early August. Secretary of State Tillerson and counterparts from Japan and Australia released a joint statement expressing "serious concerns over maritime disputes in the South China Sea." The statement also called on Beijing to endorse a legally binding code of conduct for the region. The representatives from the three countries reminded China that the July 2016 ruling was "legally binding on both parties" and urged that it be implemented. The statement also urged all South China Sea claimants to "refrain from land reclamation, construction of outposts, militarization of disputed features, and undertaking unilateral actions that cause permanent physical change to the marine

environment in areas pending delimitation.” At a press conference, Chinese Foreign Minister Wang Yi accused the three countries of not appreciating the positive changes that are taking place in the South China Sea and refusing to endorse the valuable progress that China and ASEAN have made.

Joint Chiefs Chairman Dunford visits China

In mid-August, Marine Corps Gen. Joseph Dunford made his first visit to China as chairman of the US Joint Chiefs of Staff. The visit kicked off with a meeting with Gen. Fang Fenghui, vice chairman of the Central Military Commission and chief of the CMC Joint Staff Department that focused on the Korean Peninsula, the South China Sea, Taiwan, and the US-China military relationship. Fang commended the progress made between the US and Chinese militaries in recent years, but noted that “there are also negative factors that carry important adverse impact.” Dunford told Fang that the US and China have “many difficult issues” to work through. Speaking to reporters later in the visit, Dunford said that his conversations with his Chinese counterpart were interesting, transparent, and candid.

The two top military officers signed a framework agreement on a bilateral joint staff dialogue mechanism that is aimed at improving military communications between the US and Chinese militaries and reducing the risk of miscalculations. Gen. Dunford described the mechanism as “a framework for us to have a conversation.” The first meeting will be convened in November in Washington.

After his initial meetings in Beijing, Gen. Dunford and his delegation traveled to Shenyang where they observed a Chinese infantry unit demonstrate combined arms maneuvers at the Northern Theater Command’s Haicheng Camp, which is approximately 200 km from the border with North Korea.

Returning to Beijing, Gen. Dunford met President Xi Jinping. In their discussions, Xi stated that the visit provided evidence that the bilateral military relationship had made “a substantial step forward.” In his opening remarks, Dunford expressed his appreciation to Xi for his support for the US-China military relationship. “We both know that you and President Trump are committed to our improvement in military-to-military relations

and we have approached it with great commitment, candor and we certainly want to deliver results,” Dunford said.

100-day action plan

The meeting between President Trump and President Xi in April at Mar-a-Lago led to an agreement to implement a 100-day action plan to further bilateral economic cooperation prior to the first US-China Comprehensive Economic Dialogue (CED) set for mid-July. A joint statement listing initial results and agreements was released on May 11. Concrete achievements included the resumption of Chinese imports of US beef and reciprocal imports of Chinese cooked poultry by the United States; US recognition of the importance of China’s Belt and Road Initiative; Chinese commitment to expand access for a range of US financial services and biotech products and to reduce regulation on US exports of liquefied natural gas to China; and the implementation of a one-year plan to further advance cooperation.

The 100-day plan was completed on July 16, with the first CED held July 19. Many on the US side considered the plan a meaningful start, but were disappointed that the plan did not include several key issues such as overcapacity and forced technology transfer. Some US experts viewed the deal skeptically, noting that follow-through was required by China’s regulatory agencies and that China has often not delivered on past promises. Jorge Wuttke, president of the European Chamber of Commerce in China, indicated that both his chamber and the American counterpart “had hoped for a broad opening of the market, not a piecemeal opening due to political pressure.” Chinese experts generally viewed the deal more positively. For example, Xu Hongcai, deputy chief economist at the China Center for International Economic Exchange, described the plan as having “so far made a good start ... based on mutually opening-up markets, aiming to address trade imbalances between China and the US.”

Li Keqiang speaks to US-China business community at Summer Davos

Premier Li Keqiang spoke on the shared interests of the two largest economies at the Annual Meeting of the New Champions 2017, colloquially known as “Summer Davos.” The meeting, established in 2007 by the World Economic Forum, hosts officials, executives,

and media representing over 90 countries to discuss inclusive growth and economic cooperation. Noting that bilateral trade between the US and China stood at more than \$500 billion in 2016, Premier Li emphasized that stable relations between the two countries benefited global development and cooperation. Li further called for a strengthening of ties between the two nations' business communities and support for free trade, reminding attendees that common interests outweighed differences in the bilateral relationship. The premier stressed that China gives fair and equal treatment to both foreign and domestic firms, ignoring widespread criticism to the contrary. He also briefly mentioned that China would open up its services and manufacturing sectors, but offered no details.

Comprehensive Economic Dialogue

The purpose of the CED, according to the US Treasury, is "to enable the two countries to address and resolve the comprehensive set of economic issues in our relationship," and represents the highest-level bilateral economic forum. Established by Presidents Trump and Xi at their Mar-a-Lago summit, the CED mechanism replaces the US-China Strategic and Economic Dialogue created by the Obama administration and is indicative of the Trump administration's focus on economic issues. The first CED was held in Washington, DC on July 19. The dialogue was co-chaired by Treasury Secretary Mnuchin, Commerce Secretary Wilbur Ross and Vice Premier Wang Yang.



2First China-US Comprehensive Economic Dialogue. From left to right: US Treasury Secretary Steven Mnuchin, Chinese Vice Premier Wang Yang, US Commerce Secretary Wilbur Ross (*Forbes*)

A week prior to the CED, President Trump told reporters that he was considering placing steel

import quotas and tariffs on China, stating "They're dumping steel and destroying our steel industry, they've been doing it for decades and I'm stopping it. There are two ways – quotas and tariffs. Maybe I'll do both." That statement signaled that despite Chinese cooperation with the 100-day plan, Trump was growing impatient with the lack of progress on trade matters with China. Possible tariffs under discussion reportedly extended beyond steel to aluminum and semiconductors. China also had its own frustrations that the bilateral agenda for the CED failed to include its priorities. China's Ambassador to the United States Cui Tiankai called for the conclusion of a bilateral investment treaty (BIT), for example. That seemed unlikely, however, since Treasury Secretary Mnuchin indicated in June that a US-China BIT would take a back seat to Trump's priority of achieving reciprocity in the bilateral trading relationship.

Months later, the *Financial Times* revealed that in the run up to the CED, President Trump twice rejected a Chinese proposal to cut steel overcapacity that was endorsed by his advisors. The rejection came one week after Trump accused China of flooding the world steel market during the G20 Summit in Hamburg. G20 countries agreed to come up with a plan by November that would remove "market-distorting subsidies and other types of support by governments and related entities." David Dollar and Ryan Hass of the Brookings Institution noted that "it would be counterproductive for the United States to impose unilateral tariffs before seeing whether the multilateral route yields any real progress." While this scenario postponed unilateral enactment of Section 232 of the Trade Expansion Act of 1962, which tracks the effects on imports on national security, the possibility remains that this tool will be used in November if the Trump administration views the G20 plan as inadequate. The Chinese believed that their proposal would ward off unilateral, punitive actions by the Trump administration, but Trump's rejection dampened that hope.

On the eve of the CED, Secretary of Commerce Ross hosted the inaugural US-China Business Leaders Summit, a group co-chaired by Stephen Schwarzman, Chairman, CEO, and Co-Founder of Blackstone, and Jack Ma, Executive Chairman of Alibaba Group. The day-long event sought to produce a frank discussion of trade issues between the two nations and a list of

suggestions for officials to consider going into the CED. Sources from each side confirmed that little progress was achieved during the closed-door session, despite the joint statement presented at the conclusion of the summit.

The US-China CED failed to reach agreement on actionable new steps to reduce the US trade deficit with China and ended with cancelled press conferences and no joint statement. Characterized as a “frank exchange” by a senior US official on condition of anonymity, the dialogue failed to produce even the small deliverables expected, such as a framework for future negotiations. Ahead of the 19th Party Congress, China was unwilling to make concessions. On the US side, Trump’s narrow economic agenda and his impatient political base likely made him loathe to appear soft. A major sticking point for the Chinese was the US insistence on specific steps by China to reduce the \$374 billion trade deficit. Specific benchmarks for cutting China’s production overcapacity in the steel sector, for example, were a point of heavy contention.

Each side released its own statement at the close of the CED. The US statement – only 162 words – said that “China acknowledges our shared objective to reduce the trade deficit which both sides will work cooperatively to achieve.” It also underscored that “the principles of balance, fairness, and reciprocity on matters of trade” would continue to guide the US position so that it can provide US workers and businesses an opportunity to compete on a level playing field.

The Chinese statement declared that the dialogue had achieved expected objectives, including exploring a roadmap and timetable for resolving issues and enhancing understanding of each countries’ policies. In contrast to the brief US statement, the lengthy Chinese readout provided details of various meetings and breakout sessions. It claimed that the two sides had “deepened mutual understanding, increased mutual trust, fully completed the tasks of the inaugural CED, and created a successful working model for future CEDs.”

The upshot of the CED was an agreement to identify issues in the one-year plan and seek early-harvest items. However, the lack of concrete progress prevented the establishment of any firm schedule or timeline for the one-year plan. Nevertheless, Chinese Ministry of Foreign Affairs spokesperson Lu Kang tried to

put a positive spin on the talks, saying that both countries valued the CED as innovative and constructive. China’s *Global Times* noted that success was achieved in the broader acknowledgment of the need for increased cooperation, regarding “win-win cooperation” as an underlying principle in resolving disputes in bilateral ties via negotiation. It also highlighted that the two countries reached an agreement relating to inspection and quarantine protocols for US rice exports to China.

USTR initiates Section 301 investigation of China

On Aug. 9, the US levied a tax on imports of Chinese aluminum after the Department of Commerce found that Chinese firms exporting aluminum foil were receiving assistance from the Chinese government. These “countervailing duties” ranged from a 17 percent tax on one Chinese company to an 81 percent tax on two others. While described as routine, the decision signaled the Trump administration’s desire to use punitive measures to compel China to remedy its unfair trade practices. While a final ruling will be made by the Commerce Department on Oct. 23 and by the International Trade Commission at a later date, border officials were instructed to begin collecting the duties.

On Aug. 14, President Trump signed an executive memorandum instructing the US Trade Representative to determine whether to launch an investigation into Chinese theft of intellectual property (IP), invoking Section 301. If found to be stealing IP, China could be subject to a wide range of penalties, including tariffs and other restrictions on imports. Section 301 of the Trade Act of 1974, which allows the president to take trade actions in retaliation against a foreign government found to be discriminating against US commerce or violating international trade agreements, was a common US economic policy tool prior to the formation of the World Trade Organization (WTO). When it joined the WTO, the US committed to solving trade disputes through an agreed upon set of international rules rather than arbitrary domestic policy. Application of Section 301 was extremely unpopular with US trading partners, according to Peterson Institute of International Economics senior fellow Chad Bown, since it made the US the “police, prosecutor, judge, and jury.” The most commonly cited use or abuse of Section 301

dates to the Reagan administration, where Section 301 was used frequently to target Japanese steel and a vague “protective structure” that made it difficult for US semiconductors to compete against their Japanese counterparts.

Four days later, the US announced that it had formally initiated the investigation into China’s theft of IP. The investigation will not immediately result in penalties as it is expected to last many months and involve negotiations with Beijing as well as public hearings. The prospect of future sanctions, however, is unnerving to the Chinese. The Chinese Ministry of Commerce responded with “strong dissatisfaction” to the launch of the US investigation, calling it “irresponsible.” The Ministry strongly denied the allegations while implying that Beijing might challenge any eventual US actions in the WTO. It stressed that “cooperation is the best way to resolve divergences,” and expressed hope that the US and China can take the economic relationship between the two nations in a stable direction “based on the positive results of the China-US 100 Day Action Plan.”

On Aug. 24, Beijing announced that it would tighten controls over intellectual property for foreign firms. China’s Deputy Minister of Commerce Wang Shouwen said the new policies “will intensify the crackdown on malicious trademark registration, online IPR infringement and stealing business secrets,” according to *Xinhua*. Deputy Minister Wang stressed that “China’s IPR protection has brought huge benefits to foreign IPR.” He added that an implementation timetable would be announced by the end of September.

CHRONOLOGY OF US-CHINA RELATIONS

MAY – AUGUST 2017

May 3, 2017: Chinese Vice Premier Wang Yang holds a phone conversation with US Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross, in which they exchange ideas on enhancing bilateral economic cooperation.

May 4, 2017: US-China Economic and Security Review Commission conducts a hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy.

May 11, 2017: US and China jointly announce the initial results of the 100-day action plan of the US-China Comprehensive Economic Dialogue.

May 12, 2017: President Donald Trump tweets "China just agreed that the U.S. will be allowed to sell beef, and other major products, into China once again. This is REAL news!"

May 14-15, 2017: China holds the Belt and Road Forum in Beijing. Matthew Pottinger, senior director for East Asia on the National Security Council staff, represents Trump administration.

May 17, 2017: Two Chinese Su-30 fighter jets intercept a US Air Force radiation detection plane over the East China Sea.

May 17, 2017: US Department of the Treasury's Office of Foreign Assets Control (OFAC) designates seven targets in connection with Iran's ballistic missile program, including four Chinese targets.

May 20, 2017: State Councilor Yang Jiechi has telephone call with Secretary of State Rex Tillerson in which they discuss coordination on the upcoming first round of the US-China diplomatic and security dialogue.

May 23, 2017: Director of National Intelligence Dan Coats provides an assessment of the threats posed by China in a hearing convened by the Senate Armed Services Committee on the Worldwide Threat Assessment.

May 23, 2017: US and China hold second bilateral Nuclear Security Dialogue in Washington, hosted by Dong Zihua, deputy director general of the MFA's Department of Arms Control, and Robert Gromoll, acting deputy assistant secretary of State.

May 25, 2017: Two Chinese J-10 fighter jets come within several hundred feet of a US Navy P-3 Orion over the South China Sea.

May 25, 2017: US Navy destroyer sails within 12 nm of Mischief Reef, in the Spratly Island chain in a freedom of navigation operation, the first under the Trump administration.

May 25-26, 2017: Acting Assistant Secretary of State Susan Thornton visits Beijing to discuss bilateral and regional issues of mutual interest with Chinese officials.

May 29, 2017: President Trump tweets "North Korea has shown great disrespect for their neighbor, China, by shooting off yet another ballistic missile...but China is trying hard!"

May 30, 2017: US Navy confirms that China has been invited to attend next year's US-hosted *Rim of the Pacific (RIMPAC)* exercises.

June 1, 2017: US law enforcement hands over to Chinese police a criminal suspect named Zhu who was listed on an Interpol red notice and was accused of "serious offenses" by China.

June 3, 2017: At the Shangri-La Dialogue in Singapore, Secretary of Defense James Mattis [welcomes](#) China's economic development and acknowledges that "China occupies a legitimate position of influence in the Pacific" while criticizing Chinese actions that undermine the rules-based order.

June 4, 2017: Secretary of State Tillerson issues a statement marking the 28th anniversary of the Chinese government's violent suppression of protests in Tiananmen Square.

June 6, 2017: Treasury Secretary Mnuchin speaks on US-China economic relations at an event at the US-China Business Council in Washington.

June 6, 2017: Department of Defense releases its annual report, *Military and Security Developments Involving the People's Republic of China*.

June 6, 2017: State Department deputy spokesperson [calls on](#) China to release three labor activists affiliated with China Labor Watch and grant them judicial protections and a fair trial.

June 6-8, 2017: Energy Secretary Rick Perry attends Eighth Clean Energy Ministerial and Second Mission Innovation Ministerial in Beijing and meets Vice Premier Zhang Gaoli.

June 7, 2017: State Department's Bureau of East Asian and Pacific Affairs releases *Review of Key Developments in Hong Kong*, finding that while China has taken actions inconsistent with its commitment to the Basic Law, Hong Kong still enjoys a "high degree of autonomy."

June 8, 2017: US-China Economic and Security Review Commission holds a hearing on China's relations with Northeast Asia and continental Southeast Asia.

June 8, 2017: Two US Air Force B-1B Lancer bombers fly a training mission from Guam over the South China Sea in conjunction with the Navy's USS Sterett guided-missile destroyer.

June 12, 2017: Agriculture Secretary Sonny Perdue [announces](#) the finalization of technical documents allowing for the US to resume commercial shipments of beef to China achieved as part of the US-China Comprehensive Economic Dialogue.

June 12, 2017: US Navy Arleigh Burke-class guided-missile destroyer USS Sterett [arrives](#) in Zhanjiang, China for a scheduled port visit.

June 13, 2017: In testimony before the Senate Foreign Relations Committee, Secretary of State Tillerson describes Chinese cooperation on North Korea as "notable" but "uneven."

June 14, 2017: Ambassador Cui Tiankai [welcomes](#) US participation in the Belt and Road Initiative in speech at High-Level Dialogue on China-US Economic Relations in New York.

June 15, 2017: Justice Department [files a complaint](#) to forfeit \$1.9 million from Mingzheng International Trading Ltd. for transactions on behalf of North Korea's state-owned Foreign Trade Bank.

June 16, 2017: PLA Navy Commander Shen Jinlong [meets](#) visiting Commander of the US Pacific Fleet Adm. Scott Swift in Beijing.

June 20, 2017: Premier Li Keqiang [encourages](#) US business community to invest in China and contribute to bilateral economic cooperation during meeting with US delegation of business leaders and former officials.

June 20, 2017: President Trump [tweets](#) "While I greatly appreciate the efforts of President Xi & China to help with North Korea, it has not worked out. At least I know China tried!"

June 21, 2017: Secretaries Tillerson and Mattis host State Councilor Yang Jiechi and Gen. Fang Fenghui, chief of the Joint Staff Department of the PLA, for the first [US-China Diplomatic and Security Dialogue](#) in Washington.

June 21, 2017: President Trump [says](#) the US has a "great relationship with China" at rally in Cedar Rapids, Iowa with China Ambassador and former Iowa Gov. Terry Branstad.

June 21, 2017: US Trade Representative Robert Lighthizer expresses concerns about Chinese trade practices and market economy status at a [hearing](#) on trade policy held by Senate Committee on Finance.

June 22, 2017: Chinese State Councilor Yang and CMC member Fang meet President Trump.

June 22, 2017: US-China Economic and Security Review Commission holds a [hearing](#) on US access to China's consumer market in e-commerce, logistics, and financial services sectors.

June 22, 2017: Li Xie, director of China's export division at China's Commerce Ministry, speaks at a Commerce Department hearing on the Section 232 Investigation on the Effect of Imports of Aluminum on US National Security.

June 26, 2017: US Ambassador to China Terry Branstad identifies the bilateral trade imbalance, the North Korean threat, and people-to-people ties as top priorities in a [video message](#) to the Chinese people.

June 27, 2017: US State Department's Office to Monitor and Combat Trafficking in Persons [downgrades](#) China to the lowest rating in its annual Trafficking in Persons Report.

June 29, 2017: Treasury [designates](#) Bank of Dandong as a "foreign bank of primary money laundering concern" and imposes sanctions on two Chinese citizens and one Chinese shipping company.

June 29, 2017: State Department notifies Congress of its intention to sell an arms package to Taiwan worth \$1.42 billion.

June 30, 2017: Secretary of Agriculture Sonny Perdue joins Ambassador Branstad to slice a Nebraska prime rib in a Beijing ceremony, formally marking the return of US beef to the Chinese market after a 13 year hiatus.

June 30, 2017: US-China Economic and Security Review Commission releases statement on recent developments Hong Kong on the 20th anniversary of Hong Kong's handover from the UK to China.

July 2, 2017: US destroyer *USS Stethem* [conducts](#) FON operation within 12 nm of Triton Island in the Paracel Island chain while shadowed by a Chinese warship.

July 2, 2017: President Trump [speaks by phone](#) with President Xi. They discuss North Korea, trade relations and "a range of other regional and bilateral issues of mutual interest."

July 3, 2017: After North Korea launches its 11th ballistic missile of the year, Trump [tweets](#): "Perhaps China will put a heavy move on North Korea and end this nonsense once and for all!"

July 3, 2017: Vice Premier Wang Yang and Secretary of Commerce Wilbur Ross hold a telephone conversation in which they discuss economic relations between the two countries.

July 5, 2017: President Trump [tweets](#): "Trade between China and North Korea grew almost 40% in the first quarter. So much for China working with us - but we had to give it a try!"

July 6, 2017: Two US *B-1 Lancer* bombers from Guam [conduct](#) a freedom of navigation flight over the South China Sea.

July 8, 2017: President Trump and President Xi [meet](#) on sidelines of the G20 summit to discuss how to deal with North Korea and other sensitive issues. Afterward, Trump [tweets](#): "we had an excellent meeting on trade & North Korea."

July 10, 2017: China [acknowledges](#) apology from US for White House press release on the Trump-Xi G20 meeting which mistakenly referred to Xi Jinping as president of the Republic of China.

July 12, 2017: US-China Economic and Security Review Commission holds a [roundtable](#) on the Health of China's Economy.

July 12, 2017: Human Rights Commission of the House Committee on Foreign Affairs [holds a hearing](#) on freedom of religion in Tibet.

July 12, 2017: President Trump [tweets](#) an article from *The Gazette* titled "After 14 years, US beef hits Chinese market. Trade deal an exciting opportunity for agriculture."

July 13, 2017: Secretary of State Tillerson issues a statement mourning the passing of 2010 Nobel Peace Prize Laureate Liu Xiaobo, noting that he embodied the human spirit that the Nobel Prize rewards. Tillerson also calls on China to release his wife Liu Xia.

July 13, 2017: President Trump releases [statement](#) on the death of Liu Xiaobo through White House Press Secretary Office.

July 13, 2017: Onboard Air Force One, President Trump [tells reporters](#) that China has been dumping steel and "destroying our steel industry" for decades. He says he will stop this through "quotas and tariffs, maybe both."

July 13, 2017: In remarks at the Summer Meeting of the National Governors Association in Providence, Rhode Island, Chinese Ambassador Cui Tiankai [says](#) that "troubling developments" could derail US-China relations. He also calls for the negotiation of a bilateral investment treaty.

July 14, 2017: House Foreign Affairs Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations holds [hearing](#) on "The Tragic Case of Liu Xiaobo."

July 18, 2017: Secretary of Commerce Ross [hosts](#) a meeting of over 20 business leaders from the United States and China to discuss issues troubling economic relations between the countries. The session is moderated by Jack Ma and Stephen Schwarzman.

July 19, 2017: Secretary of Commerce Ross and Secretary of the Treasury Mnuchin [host](#) a Chinese delegation led by Vice Premier Wang Yang for first round of US-China Comprehensive Economic Dialogue in Washington.

July 20, 2017: Chief of Naval Operations Adm. John Richardson and People's Liberation Army Navy Commander Vice Adm. Shen Jinlong [hold](#) a video conference.

July 20, 2017: Secretary of Agriculture Perdue [announces](#) agreement on protocol to allow the US to begin exporting rice to China for the first time.

July 23, 2017: Two Chinese *J-10* fighter jets [buzz](#) US Navy *EP-3* approximately 90 nm south of Qingdao in the East China Sea with one jet allegedly coming within 300 feet of the *EP-3*.

July 25, 2017: At a hearing entitled "Assessing the Maximum Pressure and Engagement Policy toward North Korea," Acting Assistant Secretary of State for East Asian and Pacific Affairs Susan Thornton discusses China in [testimony](#) before the US Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity.

July 26, 2017: In an [interview](#) with *The Washington Free Beacon*, CIA Director Mike Pompeo says "China has the capacity to present the greatest rivalry to America" in the long term.

July 27, 2017: Senior US defense officials, including Maj. Gen. Charles Hooper, [attend](#) reception celebrating the 90th anniversary of the founding of the People's Liberation Army at the Chinese Embassy in Washington.

July 28, 2017: Secretary of State Tillerson issues a statement after North Korea's ICBM test that says China and Russia "bear unique and special responsibility" for North Korea's ballistic missile program.

July 29, 2017: President Trump tweets: "I am very disappointed in China. Our foolish past leaders have allowed them to make hundreds of billions of dollars a year in trade, yet they do NOTHING for us with North Korea, just talk. We will no longer allow this to continue. China could easily solve this problem!"

July 30, 2017: US Ambassador to the UN Nikki Haley tweets: "Done talking about NKorea. China is aware they must act. Japan & SKorea must inc pressure. Not only a US problem. It will req an intl solution."

July 31, 2017: In a press conference marking the end of China's month-long presidency of the UNSC, Chinese Ambassador to the United Nations Liu Jieyi says the US and North Korea have the primary responsibility to resolve the Korean Peninsula crisis by "moving in the right direction, [and] not China."

Aug. 1, 2017: In a meeting with Michigan Governor Rick Snyder in Beijing, Premier Li Keqiang encourages Michigan and other US states to enhance exchanges, two-way trade, and investment with China's provinces to create more opportunities and jobs for both sides.

Aug. 1, 2017: In an op-ed published in the *Wall Street Journal*, Commerce Secretary Ross slams China, as well as the European Union, for "formidable nontariff trade barriers" and vows to "use every available tool" to fight those limits.

Aug. 2, 2017: In a Department press briefing in Washington, Secretary of State Tillerson [says](#) the United States does not blame China for the Korean Peninsula nuclear conundrum.

Aug. 3, 2017: Chinese guided-missile frigate *Liuzhou* joins the US Navy in a search for a missing sailor in the South China Sea.

Aug. 6, 2017: Chinese Foreign Minister Wang Yi [meets](#) Secretary of State Tillerson on the sidelines of the ASEAN Regional Forum in Manila.

Aug. 8, 2017: US Department of Commerce [announces](#) its affirmative determination in the countervailing duty (CVD) investigation of imports of certain aluminum foil from China.

Aug. 10, 2017: US destroyer *USS John S. McCain* [sails](#) within 12 nm of Mischief Reef in the Spratly Islands.

Aug. 10, 2017: In remarks to reporters about Chinese pressure on North Korea, President Trump says: “I think China can do a lot more, and I think China will do a lot more.”

Aug. 12, 2017: In a [phone call](#), Presidents Xi and Trump discuss North Korea.

Aug. 14, 2017: President Trump [signs a memorandum](#) ordering US Trade Representative Robert Lighthizer to determine whether an investigation is needed into China’s alleged unfair trade practices, including forced intellectual property transfer and patent theft.

Aug. 14, 2017: In compliance with UN Security Council Resolution 2371, China’s Ministry of Commerce (MOFCOM) [issues an order](#) to ban the import of several commodities from North Korea, including coal, iron ore, lead, lead concentrates and ore, and seafood, effective Aug. 15.

Aug. 14-17, 2017: Gen. Joe Dunford, chairman of the US Joint Chiefs of Staff, visits China. He meets Xi Jinping and co-signs with his host, Gen. Fang Fenghui, [the joint strategic dialogue mechanism](#) to enhance military-to-military communication.

Aug. 14, 2017: China’s Director of MOFCOM Trade Remedy and Investigation Bureau, Wang Hejun, urges the US not to harm the bilateral economic and trade relationship.

Aug. 15, 2017: In response to the Memorandum signed by President Trump on Aug. 14, China’s MOFCOM spokesman [says](#) China will resort to all proper measures if the US damages trade ties.

Aug. 15, 2017: Secretary of State Tillerson criticizes China’s religious freedom violations in his [remarks](#) on the release of *2016 International Religious Freedom Annual Report* in Washington.

Aug. 18, 2017: US Trade Representative [announces the initiation of a Section 301](#) investigation to determine whether Chinese practices relating to technology transfer, intellectual property, and innovation are unreasonable or discriminatory, and if they burden or restrict US commerce.

Aug. 20-22, 2017: Health and Human Services Secretary Tom Price visits Beijing. He tours the National Cancer Center and meets China’s Minister of the National Health and Family Planning Commission, Li Bin, and Director of China’s Center for Disease Control George Gao.

Aug. 21, 2017: United States [formally requests](#) a WTO panel be set up to investigate Chinese tariff-rate quotas (TRQ) for agriculture products.

Aug. 22, 2017: Chinese MFA spokesperson [warns](#) the US against any military contacts with Taiwan Defense Minister Feng Shih-kuan during his transits in New York and Los Angeles on his way to and from Taiwan’s Central American allies.

Aug. 22, 2017: US Treasury [sanctions](#) Chinese and Russian entities and individuals for assisting North Korea with its development of nuclear weapons and ballistic missiles.

Aug. 23, 2017: State Councilor Yang Jiechi [holds a telephone call](#) with Secretary of State Tillerson, to discuss Afghanistan.

Sept. 3, 2017: North Korea conducts its sixth nuclear weapon test.

Chronology by CSIS Research Intern Kaya Kuo.