

The Importance of a Broad Bilateral Economic Relationship with China

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As Prepared for Delivery

Good morning. Thank you CICIR President Cui for those kind words of introduction and your warm welcome. For 30 years, the China Institutes of Contemporary International Relations (CICIR) has been a leading forum for critical study of international relations, world affairs, and the art of statecraft. I am honored to address this distinguished audience today about the broadening of the U.S.-China economic partnership.

Many of you have studied the historic partnership between the United States and China. And like me, you have probably noted how much this relationship has evolved over the last half-century. I have traveled to China many times in my career. And perhaps no trip is more telling about how far are two countries have come than one I made early in the 1970s as a young economic adviser to the National Security Council. I accompanied Henry Kissinger in advance of President Nixon's first trip to China on several occasions to develop the early stages of Sino-American relations. At the time, our engagement with China was posed with a huge question mark. How would we be received? Would we be able to cooperate? But leaders on both sides of the Pacific understood that normalizing relations would not only expand our economic and cultural ties, but would put us on a path toward peace, prosperity, and security—not just for our nations but for the world at large.

Nearly 40 years later, we bear witness to the promise of our strategic partnership. The world's largest economy and the world's fastest growing economy share an opportunity to shape the global economic agenda in the 21st century. The vision of American and Chinese leaders at the time has been validated over the decades. While working for Secretary Kissinger and his successors, I had the pleasure of meeting Zhou Enlai; Deng Xiaoping, Zhu Rongji, and many other China's leaders.

Even back then they shared our vision and they recognized that there is hardly an issue of global importance that does not require the collaboration and cooperation of our two nations. Today, that means everything from economic recovery and stability to climate change. That's why we need to broaden the range of issues that we discuss constructively. The more we talk, the more we find common ground.

Whether you live in Boston or Beijing, a stable world economic system, a healthy global environment, and a world free of terrorism is as much in China's interests as it is the United States'. All nations want their citizens to thrive economically and be able to reap the benefits of their own labor, innovation and creativity. We both want closer technological cooperation and collaborative innovation between our two countries. We want entrepreneurs and researches in Silicon Valley and Tianjin, to work—and benefit—together. That will not happen if there are restrictive and nationally focused or discriminate procurement or standard setting or licensing policies. Instead we must work together to determine best practices to encourage innovation—in both or our countries and elsewhere in the world.

We also want an environment where American companies in China and Chinese companies in America have good opportunities to do business in each others' markets. Foreign investments in the U.S. are critical to our economic growth and job creation. At the same time, we have a statutory obligation to protect national security while maintaining an open investment climate—a responsibility that we take very seriously.

As China seeks to increase investment abroad, we want to work with it to ensure a very open and welcoming environment consistent with our regulations and laws. In exchange, we seek fair and equitable treatment for our investors abroad.

President Obama and President Hu Jintao understand this. Principled and pragmatic cooperation is the key to our shared prosperity. In fact, that is the impetus behind our historic new dialogues and exchanges:

- Within the Strategic and Economic Dialogue (S&ED), we stress the importance of cooperating on issues like violent extremism, stability in Northeast Asia, strengthening the global financial system, and promoting a more open global trade and investment system.
- The Joint Commission on Commerce and Trade has given us an opportunity to talk not just about trade but about factors affecting trade. For instance, last fall, we were able to resume trade in agricultural products from H1N1-affected areas.
- The Ten-Year Framework (TYF) has provided a forum for us to engage on shared environmental concerns. The eco-partnerships that have emerged from our interaction under the TYF have paired U.S. and Chinese cities and supported exchanges to develop plans on issues such as clean air and water as well as natural resource and ecosystem conservation.

These are significant steps, but more are required if our partnership is to reach its full potential. We need to foster better understanding among Chinese officials about our policies. Our views on Internet freedom, for example, stem from our values—freedom of expression, competition in the marketplace of ideas—not from an intent to contain or limit China's development.

As we move forward, our goal is to use all fora—the upcoming S&ED, as well as the G20, bilateral and multilateral exchanges—to deepen our cooperation. So today, I would like to touch on four areas which could—and should—fall under the umbrella of our economic partnership: global architecture of cooperation, economic stability, trade, and climate change.

Global Architecture of Cooperation

As the world turns, it grows smaller. Many of the most compelling opportunities and challenges in today's era of globalization pay little heed to nationality.

On the issue of development assistance, we hope that the United States and China will be able to find common ground. This could generate opportunities for the United States and possibly other donor countries to work together with China in guiding the course of economic development around the globe.

On multilateral issues, we have to develop a global architecture of cooperation which ensures that powers like China have a voice in defining the parameters of a new international system. Because we can no longer afford to live in a world where a small few decide how the rest of the world's population should live. Through ASEAN, APEC, and other regional and international forums for cooperation, we will work with China to move away from zero-sum politics and towards a more inclusive and stable international economic system.

Economic Stability

To put it simply: cooperation is the only way to economic stability. The United States and China, along with other leading economies, must work to ensure international financial institutions have the resources and tools to meet the challenges in the months and years ahead.

We want to continue our efforts with China in key multilateral settings and encourage China's full engagement to foster enhanced transparency and financial sector regulatory reform. An innovative China working with companies, researchers and entrepreneurs and businesses in the U.S. and elsewhere in the world is in our common interests.

Economic Rebalancing

President Obama has also placed great importance on working with our Chinese counterparts to restore balance to our bilateral economic relationship.

Whereas the U.S. economy has grown in great part based on consumption, China's growth model has relied on fixed asset investment and exports. "Rebalancing" is a central component of the G20 commitments on fostering more sustainable growth. It also happens to be the key to addressing the imbalanced nature of our countries' economic paths thus far.

Putting our economies in sync means each of us has homework to do: we need more consumption from the Chinese side and more saving and exports from the U.S. side. Keeping markets open while protecting intellectual property will help to foster market growth of new sectors. It will also lead to competition which harnesses benefits of new ideas and products, spawn innovative developments, and supply creative energy to our economies.

Maturing Trade Relationship

As I've already mentioned, the United States and China have reaped the benefits of open trade. It has provided opportunities for business, farmers, workers and consumers to reach markets for goods and services on both sides of the Pacific. But this opportunity also comes with responsibility. Under the auspices of the World Trade Organization, we expect China to live up to its commitments just as China should expect us to live up to ours.

Both of our economies continue need to adjust to new sources of growth as part of our maturing trade relationship. We know that there will likely be trade disputes. They are almost inevitable between economies as large as ours. But this alone should not be cause for alarm. Often our toughest trade disputes are with close allies, like Canada and the European Union. But we have been able to maintain healthy relationships with each of them because we have all agreed to abide by certain rules.

We expect the same relationship with our Chinese partners. Since 2006, we have filed nine WTO cases against China. In four of these cases, we reached an agreement before the case ever proceeded to litigation. Finding a negotiated solution within is how we prefer to approach WTO cases.

As you may know, the U.S. Commerce Department oversees investigations related to anti-dumping and countervailing duty cases (AD/CVD). We have no control over the filing of AD/CVD cases, but they are conducted in an open and transparent way. These measures not only play an important role in the international trading system, they help maintain support for free trade. So it is critical that trade remedy measures not be abused by any country.

But this issue of trade disputes speaks to a larger point. Let me just note that there will always be areas where our countries disagree. That is the nature of diplomacy. But we can acknowledge those disagreements and have frank discussions about them in the context of a broader constructive framework supported by generally accepted rules and global institutions.

We hope to discuss our unease with policies such as "indigenous innovation." We are concerned that the policy's requirement for local development and sourcing of intellectual property and its link to the government procurement process constitute a step toward import substitution.

We also insist on protection of our companies intellectual property just as China, with its talented and entrepreneurial people, will insist on protection of theirs. We need to work with the Chinese government to ensure that the rights of all intellectual property holders—in the pharmaceutical internet sector, movie industry, music industry, fashion industry, and others—are well-protected and laws are well-enforced. Counterfeit goods, internet piracy, forced transfers of intellectual property should not be tolerated by any country. We hope that China shares these objectives, and that many companies there will work with us in achieving them.

We recognize China has made progress on these areas. And we will always acknowledge progress where it has occurred. In places Shanghai, Hangzhou, and Beijing the momentum behind intellectual property protection has picked up. We hope to work with leaders in other areas to move this process forward. We aim to resolve these concerns through open dialogue and engagement, avoiding discrimination and insulation that is harmful to China's long term innovation efforts.

Clean Energy/Climate Change Cooperation

And as the two largest energy consumers and two largest greenhouse gases emitters, frank dialogue will be needed on the issue of the world's environmental future.

The Obama Administration is committed to working bilaterally and multilaterally with China on climate change to promote a low-carbon future. President Obama demonstrated this in his November visit to China, where he further developed U.S.-China cooperation on climate change by establishing initiatives on issues like energy efficiency, renewable energy, clean coal and clean vehicles. Both countries agreed the transition to a low-carbon global economy is opportunity to promote continued economic growth and sustainable development in all countries.

President Obama's trip to Beijing also created constructive momentum for the Copenhagen climate change conference, where the world took a step forward in addressing this global challenge. The Copenhagen Accord represents the first international agreement to reflect actions by all major economies to mitigate climate change. We look forward to deepening climate change cooperation at the upcoming Ten Year Framework meeting and at this year's Strategic and Economic Dialogue. Successfully meeting the clean energy and climate challenge will help anchor U.S.-China relations in the years ahead and demonstrate to the world that our two countries can work together to effectively address global issues.

In conclusion, year by year, we are building a true sense of community across the Pacific. We must be true to the vision of the wise leaders of both of our nations who established and built our bilateral relationship. Although our borders are thousands of miles apart, the United States and China stand shoulder to shoulder to provide leadership throughout the Asia-Pacific region and the world at large. I hope that, as time goes by, we will continue to expand our cooperation to the benefit of all our peoples.