

Keynote Speech by Consul General Zhao Jian at the 20th Annual U.S.-China Trade Conference

2019/11/09

President Siva Yam,

Distinguished Guests,

Ladies and Gentlemen,

Dear Friends,

Good morning.

It gives me great pleasure to join you all at the 20th annual U.S.-China Trade Conference. I wish to thank the U.S.-China Chamber of Commerce for the kind invitation, and, more importantly, for your long-standing effort in promoting China-U.S. trade and economic cooperation.

Ten days ago, we celebrated the 70th birthday of the People's Republic of China. Since the founding of the P.R.C. on October 1, 1949, the Chinese people have embarked on a path of great national rejuvenation, projecting a completely new image of China on the world stage.

It has been 70 years of the Chinese people striving to create a better life with diligence and wisdom. In 70 years, China has grown from a backward agricultural country to the world's second largest economy, supporting 22 percent of the world's population with only 7 percent of the world's arable land. The average life expectancy in China has risen from 35 to 77 years, and its per capita GDP jumped from US\$27 to nearly US\$10,000. Seventy years ago, four out of five Chinese were illiterate. Today, the completion rates of primary and junior high schools are close to 100 percent, and the gross enrollment ratio in tertiary education is over 45 percent. On top of that, 850 million Chinese people have been lifted out of poverty, and hundreds of millions of people joined the middle-income group.

It has been 70 years of China actively promoting mutually beneficial cooperation with other countries and making ever more contributions to world peace and development. Actively engaging in international economic cooperation, China has deeply integrated itself into the process of economic globalization. It has become the largest trade partner of more than 120 countries and regions and the fastest growing major export market for many countries including the U.S., and has been the biggest contributor to global economic growth for more than a dozen years in a row.

China has also worked in partnership with other countries in addressing global challenges like terrorism, climate change, communicable diseases, environmental pollution and transnational crimes, and has become the second largest contributor to the U.N. regular budget and the largest provider of U.N. peacekeepers among the five permanent members of the U.N. Security Council.

The reason that we have been able to make these achievements is that under the leadership of the Communist Party of China (CPC), the Chinese people have forged a path of socialism with Chinese characteristics well suited to China's national conditions. It is the diligence, wisdom and courage of

the people that have made it possible. Going forward, we will continue to follow the CPC's leadership and pursue the people-centered development philosophy. We will further deepen reform and open wider to the outside world to meet the growing demand of the people for a better life and march towards the goal of great national rejuvenation.

We also owe these achievements to China's commitment to the path of peaceful development and the win-win strategy of opening up. China is committed to upholding the existing international order and systems, promoting globalization and trade liberalization, and working with other countries to build a community with a shared future for mankind. We are also committed to improving business environment for domestic and foreign investors and engaging in exchanges and mutual learning and practical cooperation with other countries in the world on the basis of mutual respect, equality and mutual benefit in pursuit of common development. China will have even lower tariffs, a shorter negative list, easier market access and more transparent market rules. A more open China will create more opportunities for the world.

Ladies and Gentlemen,

Dear Friends,

This year also marks the 40th anniversary of China-U.S. diplomatic relations. In the past 40 years, bilateral relationship has gone through a lot and made enormous progress, bringing huge benefits to our two peoples and contributing significantly to world peace, stability and prosperity. In fact, our relations have advanced in step with China's reform and opening up and globalization of the world economy, a process in which we have become each other's most important trade partner and investment destination and forged broad common interests.

First, our two economies have been so mutually complementary and deeply interconnected that it is impossible for us to "decouple". Forty years ago, no one could expect the China-U.S. trade and economic relationship to reach the breadth and depth it has today. Bilateral trade in goods has increased from less than US\$2.5 billion the time we established diplomatic ties to over US\$630 billion in 2018. Two-way investment, which was virtually nonexistent 40 years ago, had surged to a cumulative amount of nearly US\$240 billion by the end of 2018. In 2017, of all the U.S. exports, 57 percent of soybeans, 25 percent of aircraft, 20 percent of automobiles, 14 percent of integrated circuits and 17 percent of cotton were sold to China. Now, almost all major U.S. companies have operations in China. In 2017, the sales revenue and profits of U.S.-funded companies in China exceeded US\$700 billion and US\$50 billion respectively.

The truth of China-U.S. trade relations is that we are mutually interdependent and cooperating closely in global industrial and supply chains and neither country can move forward without the other. The attempt to decouple the two countries or shut their doors to each other is just like building castles in the air. It is neither sensible nor realistic.

According to U.S. statistics and surveys, despite the ongoing trade frictions, U.S. companies invested US\$6.9 billion in China in the first half of 2019, an increase of 1.5 percent over the average level in the same period of the last two years. Ninety-seven percent of the U.S. companies surveyed reported profitable business in China, while 87 percent of U.S. companies in China indicated that they would stay in China, and 74 percent of the members of AmCham China plan to expand

investment in the country. All this shows that they do not want to decouple from China, because they do not want to decouple from opportunities, nor from the future.

Second, our exchanges and cooperation are mutually beneficial in nature and have brought tangible benefits to the people of our two nations. Neither country has taken advantage of the other. Economically speaking, the U.S. has provided China with enormous and steady external demand, and the U.S. investment in China has played a positive role in driving China's economic development. Similarly, the Chinese market has offered the U.S. enterprises vast space for development. Import of inexpensive quality goods from China has enriched the lives of the American people and cut down the consumption costs of American families. Statistics show that trade with China has saved every American household an average of US\$850 each year. U.S. export to China and our mutual investment have created over 2.6 million jobs in the U.S. Moreover, a large number of patented technologies from American companies have been put into commercial use in China, making good contributions to China's economic development. Revenues from such patent royalties have been used by these American companies to further enhance their scientific research capability. There are many such examples that attest to the fact that the China-U.S. cooperation is a two-way interaction that has combined our complementary advantages to mutual benefit.

Third, the people of China and the U.S. see each other as friends and wish to see deeper friendship between the two countries. Two hundred and thirty-five years ago, the "Empress of China" from the U.S. reached the shores of China to open trade. Seventy years ago, Americans crossed the vast ocean to aid China in resisting the fascists' aggression. Eighteen years ago, China provided strong support to the U.S. in its fight against terrorists. Ten years ago, China and the U.S. stood together in easing the international financial crisis. To date, the two countries have established 50 friendly province-state and 227 friendly city relations, and more than 5 million people travel between the two countries each year. The number of Chinese students studying in the U.S. has reached 360,000 and that of American students in China reached 20,000. More and more American primary and middle school students are learning Chinese, and some young volunteers from the U.S. have gone to China's rural and remote areas to assist in local education efforts. All this has shown that the friendship between the Chinese and American people has transcended time and space and become an inexhaustible source of strength for the growth of bilateral relations.

Fourth, the China-U.S. relations have long transcended bilateral scope and are exerting increasing global impact. China and the U.S. are both permanent members of the U.N. Security Council, and the two largest economies in the world. Whether China-U.S. relations can go well or not not only directly affects the well-being of our two nations, but also bears on world peace, stability and prosperity. In the past year and more, the trade frictions between China and the U.S. have inflicted undesired losses on both sides, and have in turn hurt the world economy. When China and the U.S. lock horns, the world suffers. The OECD already warned that the China-U.S. trade frictions could dent global growth by at least 0.7 percentage point. The WTO has downgraded its global trade growth forecast for this year from 3.7 percent to 1.2 percent. At the same time, we are living in a world that is undergoing profound and complex changes and we are confronted with interwoven traditional and nontraditional security threats, global challenges like climate change, terrorism, nuclear proliferation and public health hazards, as well as many regional hot-spot issues. Under such circumstances, no country can afford to stand aloof or fix all the problems by itself. Cooperation between China and the U.S. in addressing these challenges has become more important than ever.

Ladies and Gentlemen,

Dear Friends,

China and the United States are different in history, culture, social system, development path and national conditions. It is unavoidable for us to have differences and disagreements. What matters most is that we objectively perceive and properly handle problems between us in line with the fundamental interests of our people and the larger picture of bilateral relations. We need to and must find a way in which two major countries with different social systems and cultural background like ours can live together in peace and engage in win-win cooperation.

First, we need to take an objective view of each other's development path and strategies, and respect each other's sovereignty, social system and development interests. Some people are using every means to depict China as a major adversary of the U.S., marketing their prophecy that the relationship is doomed to fall into the Thucydides Trap or the Clash of Civilizations Trap. These people do not understand China, nor do they understand the China-U.S. relations.

The purpose of China's development is to enable its people to have a better life, rather than replace or crowd out anyone or fight any country for supremacy. China will not export its social system or development model, nor will it follow the old path of past powers to seek hegemony. We fully respect the choices other countries, including the U.S., have made about their system and path, and expect other countries to do likewise.

China's development has benefited a lot from the peaceful international environment. I see no reason why China should give up its path of peaceful development or undermine the peaceful international environment. We must not let our mind be dictated by prejudice and apprehension, or let our relationship be defined by conflict and confrontation.

Second, we need to handle our trade frictions properly. No one wins in a trade war. China does not want a trade war, but we are not afraid to fight one if we have to. China has kept its door open for negotiations. Yet negotiations must be based on mutual respect, equality and mutual benefit and on the premise of honoring one's words with action. Negotiations cannot take place under threats or at the expense of China's legitimate right to development. Extreme pressure will not work with us; escalating the trade war will not make the U.S. greater. Recently, both sides have shown some goodwill on the tariff issue. Last week, a vice ministerial consultation was held in Washington, D.C., and the consultation was constructive. Hopefully the upcoming 13th round of high-level economic and trade consultations will produce a positive outcome. China and the U.S. are both great nations with great wisdom. If we have dialogue as equals and pursue win-win cooperation, I am sure we can figure out a way to effectively manage and properly resolve our differences.

Third, we need to seize the opportunities brought by China's continued opening up. Opening up is China's set policy. China's door will not be closed; it will only open even wider. We fulfilled as early as in 2010 our tariff reduction commitments made upon joining the WTO. Since then our average tariff has been cut further to 7.5 percent, lower than that of most of the other developing countries. We are the first in the world to host an annual import expo. The purpose of so doing is to open

China's market wider to the world and share with others the opportunities brought by China's development.

China is accelerating structural reform of its economy. This month, in another move to open up its market, China abolished the QFII and RQFII investment quotas. The Foreign Investment Law and its matching regulations will be fully implemented next year to foster a fairer and more transparent and orderly business environment. The management model of pre-establishment national treatment plus the negative list is being applied nationwide. Foreign investors will find the negative list getting shorter and shorter. Of course, opening up should go both ways. While China opens itself wider to the U.S. and the rest of the world, we expect the U.S. to do the same to China and remove the unreasonable restrictions.

Fourth, we need to follow the will of the people and promote greater local and people-to-people exchanges. The Midwestern states, including Illinois, are important industrial, agricultural and innovation bases in the U.S. that have played an important and unique role in the advancement of China-U.S. relations. Many enterprises from this region have been deeply involved in China's modernization process, while more and more Chinese companies have come here to make investment. The cultural, educational and people-to-people exchanges between China and the Midwest have also been very close. Local exchanges as such, especially those between friendly provinces and states and cities, have enhanced our mutual understanding and friendship and created more opportunities for cooperation. It has also reflected the strong support and confidence the local communities have for China-U.S. relations.

I believe that with our joint efforts, the exchanges and cooperation between the Midwestern U.S. and China will grow from strength to strength to the benefit of our people and add new impetus to the overall development of China-U.S. relations.

As Chinese President Xi Jinping has said, "We are living in a world that is full of hope and challenges. We should not give up our dreams because the reality is harsh and complicated, nor should we give up pursuit of our ideals because they seem to be remote". Let us join hands and devote ourselves to the sound and steady development of China-U.S. relations.

Thank you.