

# Remarks at U.S.-China Commercial Relationship Policy Conference

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**Secretary Gary Locke**

**U.S.-China Commercial Relationship Policy Conference, Georgetown University, Washington, DC**

Thank you for the kind introduction. Good morning everyone, and thank you for joining us.

This conference on “The U.S.-China Commercial Relationship” is being jointly sponsored by:

- The U.S. Department of Commerce,
- The Jackson School of International Studies at the University of Washington,
- The Henry M. Jackson Foundation; and,
- Georgetown University

I especially want to thank Georgetown University for hosting this event and all of our guest experts who will be participating on panels throughout the day.

We’re here to discuss how we can nurture and improve the most heavily scrutinized bilateral commercial relationship on earth – one in which our disagreements get all the headlines.

But today and in the weeks leading up to the Joint Commission on Commerce and Trade – or JCCT – I hope we can keep these disagreements in perspective.

As recently as 40 years ago, a commercial relationship between the United States and China barely existed.

But the intervening decades have seen our countries grow progressively closer, with our businesses, our universities, and our governments working and collaborating on a wide array of issues. And by last year, our bilateral trade in goods amounted to \$365 billion.

The JCCT has played an important role in this strengthening of relations. In about two

weeks, Ambassador Kirk and I will welcome Vice Premier Wang Qishan and his delegation of nearly 100 Chinese ministry officials to Washington for the 21st plenary session of the JCCT.

This is our most important bilateral dialogue for resolving trade and investment issues between our two countries. And I'm eager to work with China on continuing to further open its economy to the world.

Over the years, I've had the privilege to witness its evolution towards a market economy.

I've been visiting China, where both my parents were born, for 20 years.

As governor of Washington State, I was able to help double our exports there. And since being sworn in as Commerce Secretary, I've visited China four times on trade and diplomatic missions alike.

Each time I've visited, I have been absolutely amazed by the transformation.

I particularly remember my first trip to Shanghai, back in the summer of 1989 as part of an education mission from the state of Washington.

After arriving at the airport, we were brought into the city on a rickety, Russian-made bus with dimmed headlights. And as we pushed into downtown, I recall thinking to myself:

"I have never seen so many bikes in my life."

Young and old, men and women. . .they were all pedaling around what was then a gritty, industrial city.

At the time, cranes were beginning to dot the skyline, but I never could have imagined that just 20 years later, Shanghai would become one of the most vibrant metropolitan areas on earth.

When I first came to Shanghai, there were no skyscrapers; today, there are over 400.

And those bike paths have been replaced by elevated freeways shuttling people and commerce at a frenetic pace.

The maturation of Shanghai is one of the world's greatest economic success stories, and one that makes the Chinese people justifiably proud.

And this is just the beginning. Shanghai's explosive growth has been replicated in cities throughout China and has helped lift almost 200 million people out of poverty. In the years ahead, hundreds of millions of other Chinese citizens will ascend into the middle class.

The United States welcomes this growth because it's good for the health and wealth of the Chinese people; it's good for the global economy, and it's important for U.S. businesses.

American companies offer world-class products and services that can improve the quality of life for Chinese citizens: from medicines and medical devices; to clean energy, high technology and financial services.

And the U.S. government is absolutely committed to helping American businesses gain broader access into China.

There are two components to this: One is helping U.S. firms further develop their capacity to export. That is a primary goal of President Obama's National Export Initiative, which aims to double American exports by 2015. Under this initiative, we'll be targeting U.S. companies and encouraging new-to-export and new-to-market firms to export to markets like China.

The second component to increasing exports to China is addressing the market access barriers that prevent our world-class products and services from serving that surging demand in the world's second-largest economy.

Increased Chinese consumption of foreign products and services isn't just a quality-of-life issue – it is also of paramount importance to the global economy.

We can no longer depend so heavily on consumers in the United States, Europe, and other developed countries to be engines of global economic growth.

This approach worked well enough in the past -- but it has created major imbalances in the global economy that threaten everyone's stability and prosperity.

The United States will do its part to facilitate global adjustments by increasing private savings and exports, as well as taking steps to bring down our fiscal deficits to a sustainable level.

But as America does its job, countries that are overly reliant on exports for their own growth will benefit by pursuing policies that will help boost their own domestic demand. Regulatory reform, infrastructure improvement, and investments in human capital - like education and measures to expand the social safety – can all help move countries in this direction.

President Obama is committed to working cooperatively with our trading partners to ensure that trade is as free, and as fair, as possible.

And he has been forceful in his rejection of protectionist measures that will limit fair trade between the U.S. and its trading partners, including China.

The United States is the most open major economy in the world, and we are committed to forging a future in which China can take full advantage of the opportunities that come with economic liberalization.

China formally joined the WTO nine years ago this month and in that time has made important progress on the market openings that began three decades ago.

The Chinese government has modernized its legal institutions and recognized rights to ownership of private property. It has taken great strides in removing import quotas and joint venture requirements for foreign companies, reduced tariffs and improved its commercial legal regime.

In spite of this progress, there are still significant barriers that inhibit free and fair competition.

As I talk to American business leaders, the overriding concern that I hear about doing business in China is that there is not enough transparency in the development, implementation, and enforcement of rules and regulations.

American companies have also been frustrated by the fact that even when there are strongly worded laws promoting fair market access at the national level, implementation is often inconsistent at the provincial and local level.

Ultimately, all the United States seeks is a level playing field for its companies, where the cost and quality of their products determines whether or not they win business. That is the ideal we strive for in the United States, and our commitment to open and competitive markets is a big reason why we remain the number one destination for foreign direct investment in the world.

We would like to see more reciprocity from our partners in China and a stronger commitment to pursuing the market-opening policies that China agreed to when it originally joined the WTO.

I know that for many of you, this is a familiar refrain – perhaps too familiar.

And there are probably some in the audience who perceive this as U.S. self-interest masquerading as friendly advice.

But I would encourage you to consider another option – that in many areas, and especially in emerging industries like clean energy and biotechnology, the interests of China and the United States are tied together. And reforms that are good for us will be good for China as well. At the Commerce Department, we are operating based on that belief.

Today we are working with a variety of Chinese institutions, inside and outside the

government, to implement many of the best practices that made the American economy the most dynamic on earth. Successful engagement between the Commerce Department's scientific agencies and Chinese research institutes, government labs, and government agencies are essential parts of us creating a more integrated economic relationship.

For example, NOAA, the National Oceanic and Atmospheric Administration, has been working bilaterally with the China Meteorological Administration since 1979 on issue ranging from climate forecasting and satellite meteorology to capacity building.

Presidents Obama and Hu have also announced a U.S.-China Energy Cooperation Program that will have our research institutions, governments and businesses collaborating in a wide array of areas including the development of 21st century coal technologies, electric vehicles, and new approaches to energy efficiency

This cooperation helps create the mutual trust that will be so important as we approach the upcoming JCCT.

The JCCT provides the opportunity to address specific bilateral concerns; and, every year, we have succeeded in removing market access barriers in the Chinese economy through this dialogue.

This annual meeting of cabinet-level officials is only the most visible example of our ongoing trade diplomacy: We have authorized over a dozen working level interactions to address issues throughout the year between our plenary sessions.

This year, we've also implemented regular vice-ministerial meetings between the Commerce Department, Office of the U.S. Trade Representative, and China's Ministry of Commerce to make sure the agenda stays on track and maximizes the results of our plenary session.

At this conference today, I invite our panelists to set the stage for the coming JCCT meetings by looking at how economic policy decisions in each country have an impact on the larger bilateral relationship.

We will also hear from Commerce officials who are working on the appropriate policy responses to China in a wide variety of areas, including rebalancing our trading relationship through increased U.S. exports; sharing U.S. government experience on increasing transparency in rulemaking; improving intellectual property protection and coordination; and developing interoperable smart grid standards.

Today, we will also have the opportunity to discuss structural elements of the Chinese economy and their impact on the design of U.S. government policy. We will hear from a panel of experts about China's approach to innovation and look at ways that China is trying to develop innovative ecosystems. We will have another panel focused on the how the United States and China can spur the creation of high-quality green jobs.

By the end of today, I hope and expect that we'll have a better insight into how economic policy decisions are getting made in China and how we can work together to build a better bilateral relationship that benefits us all.