

# Speech by Wang Qishan, Vice Premier of the People's Republic of China

At a dinner hosted by the  
US-China Business Council  
American Chamber of Commerce--China  
National Committee on US-China Relations  
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Ladies, gentlemen, friends: Good evening!

First off, on behalf of everyone in my delegation who is participating in the China-US Strategic Economic Dialogue (SED), I'd like to thank the American Chamber of Commerce, the US-China Business Council, the National Committee on US-China Relations, as well as the other organizations who are sponsoring tonight's banquet. We are truly grateful for your hospitality.

I also want to straight off express special thanks to the sponsoring organizations for their sympathy, compassion, and humanitarian aid following the Wenchuan earthquake. An earthquake of this scale is certainly uncommon. The destruction it caused, the devastating effect it had on people's lives, was enormous. This event showed to the whole world the devastation an earthquake can cause in every way. The Chinese people have united under the leadership of the Chinese government to carry out successful rescue efforts, and through it all we've felt the warmth of the international community.

Thirty years after China's "reform and opening up," we meet with this disaster, a disaster of comparable damage to the Tangshan earthquake. From before reform and opening up to after, however, an important change took place. The Chinese people and Chinese government, especially the people in the areas affected by the earthquake, have responded to this earthquake in a way that's left a deep impression on people around the globe. Everyone has admired the Chinese government for its timely, strong, well-organized, and effective rescue and recovery efforts and follow-up action. Right now we've already started to rebuild. The international community has expressed deep sympathy and provided humanitarian aid that even now hasn't stopped.

Tonight is a gathering of business circles, and I very much want to share a piece of news I learned of earlier today. Twelve private American enterprises, under the leadership of Ms. Fore,<sup>\*</sup> are at this very moment in our disaster zones helping with the rebuilding effort. So I want to stand here on behalf of the Chinese government and sincerely thank the US government, and all walks of American society, especially our fellow businessmen, and especially the American people, for your sympathy and support to China during this crisis. Thank you!

Actually, since the earthquake, this afternoon at this SED was the first time I've worn a red tie. Why this afternoon? Because our SED was a success. This fourth dialogue was a success. Secretary Gutierrez the day before yesterday said my tie was nice and in good taste. I immediately replied that my wife had selected it for me. [laughter] I also told him that I would tell my wife--she'd feel very proud. So these two days I've been showing off all the ties that my wife has chosen for me. This afternoon one tie, this evening another one. [applause]

Because from the destruction of this earthquake, we will stand again. With the support of people all over the globe, the leadership of the Chinese government, and the unity of the country's 1.3

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<sup>\*</sup> Ms. Henrietta Fore, Administrator of AID, led a delegation to China on a public/private partnership on earthquake reconstruction.

billion people, there's no doubt that we will overcome this disaster. Moreover, we will build solidarity to conquer this disaster and channel this energy--continuing to develop, continuing to reform, continuing to open up, making our economy better and making it develop faster, so that our people will enjoy prosperity and a highly civilized existence. Maybe I speak too fast, and ought to translate my thoughts a bit more...

Right now, we need to channel this solidarity, this feeling of inspiration, directly into the Olympics. The tie I'm wearing tonight is an Olympic tie, [applause] because after forty and some odd days, the 29<sup>th</sup> Summer Olympic Games will be opening in Beijing. I have a special bond with these Olympics, because in 2004, at the closing ceremony of the Athens Games, I was the one who received the Olympic flag, since I was the mayor of Beijing. [applause] So I put a little thought in deciding to wear this red tie. I want to express to our American friends (I had no doubt that you would express your sympathy following this earthquake) that we should now take courage, unite, and turn our attention to this year's "One World, One Dream" Games--the 29<sup>th</sup> Summer Olympics in Beijing. I have no doubt we will give the whole world a sporting event that is characterized by the spirit of participation, dedication, and also joy. I hope that our friends who are present here today...ideally you'll come to Beijing to attend. If that's impossible, then you'd better at least watch on TV. Let's cheer-on America's athletes, and the whole world's athletes, to perform to the best of their ability, because this is a grand sporting event.

I'm very happy that Hank Paulson has already decided to come to Beijing to attend. If any of you want to come to Beijing to attend, but you can't find tickets, come see me. [laughter, applause] If you can't find a hotel, the head of our tourism bureau is here. So please, everyone, don't worry, [laughter, applause] because tomorrow we have a big US-China tourism-related event. Secretary Gutierrez will attend in person. To sum up, today, at this very moment, my delegation's members and I are all very excited, because, to be honest there hasn't been a lot of good news this year.

Before I came to the United States this time around, a lot of friends said, "Be careful, America's door is closing. Right now the prevailing attitude in America is protectionism." But the America I know isn't like this. Throughout history, America has been built on trade. Throughout history, America has been a wonderful land capable of accommodating all of the world's peoples. How many immigrants? Just earlier Mr. Cohen, who I met for the first time today--he's served as Secretary of Defense, he's served as a representative, he's also served as a senator--told me that he doesn't understand American politics. [laughter] I told him, "You're too modest. There's no one who understands American politics more than you do." He told me he had Irish ancestry, and also a little bit of Jewish ancestry. I'm sure that his having been a representative and senator, none of that is personal business, otherwise I wouldn't bring it up. [laughter]

As I look again at everyone present here...America is an immigrant nation indeed. So they told me that America's protectionist attitude is very strong right now. They told me that going this time to talk with Hank Paulson and have a dialogue with him, "you're likely to find the atmosphere off." So I decided this time to make my first stop in Missouri, because in March Missouri's senators and representatives--two senators, one Republican and one Democrat--met me in Beijing. They were of the same mind regarding trade resolutions, those trade resolutions under protectionist influence. They were both opposed to these. So I said, "Let's look for an open-minded place." [laughter] Afterward I was puzzled and said, "How did the middle become the open-minded region? The United States' most open-minded regions are supposed to be the east coast and the west coast, but it's actually the middle!" [laughter, applause]

Because I was thinking that I needed to construct an open-minded atmosphere for my dialogue with Hank Paulson, that's why we chose Missouri. Sure enough, Missouri is truly an open-

minded region. Now they are asking our Civil Aviation Administration of China (CAAC) to develop an air cargo hub there. They hope that China can develop a business center there. They say that between China and the United States, since reform and opening up, economic and trade relations have developed to a very great extent. But all those relationships have been limited to the west coast and the east coast. It's wrong that they haven't reached the Midwest. The Midwest is taking control of America's destiny!

After hearing this I was bewildered. "The Midwest?" I said. "I've always felt that New York, Washington, DC, California..." Right? Can Texas decide America's destiny? Afterward they took me to St. Louis to see the arch on the Mississippi River. That evening I felt inspired. What was the nature of this inspiration? This arch that they introduced me to was stainless steel, very high, very majestic. This arch symbolizes the East at that time beginning to open out onto the West. So standing there, it occurred to me that America is a country that has a doorframe but not a door because that arch is in essence a frame. There's no door in the middle. So I just felt that in Missouri, our first stop, there wasn't any feeling of protectionism. It was a very good atmosphere. As a result that put me in a much better frame of mind.

And then we arrived in Washington, DC. At the Naval Academy in Maryland, with Mr. Paulson, Secretary Elaine Chao, Secretary Gu (in Chinese we use Secretary "Gu" as short for "Gutierrez"), with these US Secretaries, during one and a half days of focused discussions there wasn't one person who endorsed protectionism. Everyone talked about how to strive together to open wider each other's doors. As far as the content goes, to be honest, Secretary Paulson just now anticipated what I was going to say. He's already talked about what I was going to talk about so I won't repeat it.

This afternoon we both signed an agreement and held a press conference. So I'll just say that this fourth SED has been a great success. During this dialogue, I again had the feeling that there wasn't any mood, any danger of protectionism. But to be honest, it's not that I don't understand the current situation in the US. Right now America is making a big decision. Not long ago this decision was between an old man, a black man, a woman. Right now this has been narrowed to an old man and a black man. [laughter] Sorry, I'm able to refer to them by name, but I feel that speaking this way is more vivid. [laughter]

Anyway, it's just these two people now. The process of deciding the American president, to be honest, boils down to who can command the microphone, who can win applause. That person's the winner. That's how it works. Everyone says, "Disaster issues from mouth." That's a Chinese proverb. Also, "Sickness enters through the mouth." The mouth, how dangerous a thing it is! Concerns about food safety can be expressed as, "Sickness enters through the mouth." High cholesterol, high blood fat, it all comes from eating. Too much high-cholesterol food and diabetes, these both come from eating as well. "Disaster issues from the mouth" means that when you talk you'll sometimes find yourself in trouble as a result. So I haven't ever been able to understand how your candidates never meet with disaster from their mouths...that's not true. A lot of them who are eliminated are eliminated because they say the wrong thing.

So my giving a speech today without a prepared text is also risky. If I happen to misspeak, won't that cause big problems? [laughter] ...I've thought now about tomorrow. Secretary Paulson has arranged for me three meetings with Congress. I want to go there and get a sense of whether a protectionist attitude exists or not. I'm sure that some protectionist attitude exists, not only in the United States, but also throughout the world, including in China. I feel this is normal. This is to say, when economic globalization was sweeping the world at the turn of the new century, we

faced new economic problems. Every country has its own domestic causes for such problems, but every country also has external, international causes.

Those who hold the so-called protectionist view, their basic idea is also well-meaning. They always hope that what's taken from the outside is good, that it's beneficial in a secure way with no risks involved. So they want to protect...the thing they want to protect is the safety of our interests. Our country right now, for example, has many scholars who also say that in opening up--in opening up too much--there lie problems. "People on Wall Street are too good at making money and will make it off of us! Relatively speaking we'll make less money, they'll make more." So this is another view concerning opening up more. What I'm getting at is that in my view China and the U.S. both have protectionist issues. There's nothing unusual about this.

However, people in possession of a penetrating judgment will sense the direction of the world's currents. If you look at things from a larger historical perspective, whoever closes themselves off to the world will fall behind. China used to be very advanced, and after becoming advanced took a protectionist stance. They took this stance for a thousand years and finally fell behind. Their door was firmly closed, but the final result is that it was opened up by others, by England's cannons. That was when China finally realized that it had fallen behind.

Later, after 1949, as a result of all sorts of complicated causes and also our own personal reasons, there was a period when our door was open only to the Soviet Union. We were almost like...whatever the Soviet Union did, we did as well. It was a single open door with exactly two parties. Later on this door also closed, and following that there was a long period when we were closed to the world. That takes us to 30 years ago, when Mr. Deng Xiaoping instituted reform and opening up and started us down the road of Socialism with Chinese characteristics. China changed, right?

What's more, many American friends who are present here today and have been to China in the past--they'd find that it's changed unbelievably fast. Even those who work for our embassy abroad will sometimes come back to Beijing and say, "It's only been a year since I left, and look at how it's changed!" So when I was mayor of Beijing I'd always say, "There's no way to keep the map up to date." Why? Because the city's been going through a period of accelerated urbanization and industrialization. When I was mayor the tourists would complain, "Your city doesn't have an accurate map." When I asked those in charge why they couldn't draw up an accurate map, they said, "Mayor, the city's changing too much. In just a short while, one road after another gets built. The moment we print a new map something else gets built."

So we're in the midst of a period of transition, and the example I gave I'm just using to illustrate the fact that China's in the midst of a period of rapid transition. These rapid changes are, to be honest, important proof that the Chinese people have reflected on their being closed off to the world. During these last 30 years, the Chinese people have continuously been uncovering their own problems and then seeking to reform. Uncovering our own problems--and this is something I've talked about before to foreign friends--I'll tell them that every day we're performing a diagnosis of our health problems: this spot doesn't feel right, that system isn't working well, things aren't functioning correctly over in that place either. And it's not enough to just look ourselves. We also hold meetings to uncover these problems. We call them forums. And then domestic forums don't seem to be enough either, so we first invited our compatriots from Hong Kong and Macao. Without much further ado we then started inviting international experts to come to China. All our mayors and provincial governors have advisory groups. Many of those at tonight's banquet also serve as advisors for certain cities or provinces. Mr. Greenberg, for example, has served as an important advisor to Shanghai.

The upshot is many people have come to China as consultants on its reform, that is to say, come to diagnose our health problems. Would you say that's painful or not? For a person to unremittingly diagnose his own health problems, research his health problems, and then to feel that this is insufficient and invite others to help him research, to say that "you have problems, a problem here, a problem there, a need for change here, a need for change there." To speak the truth, this sort of process is pretty painful, right? One's health problems are one's personal business. Most people will think, it's enough that I myself know my problems--I'll just quietly fix them myself. Not us! Our opening up is genuine. We've invited many experts, scholars, businessmen and politicians to come help China uncover its problems.

It's only because we uncovered these problems, dared to envisage these problems, and then put effort into resolving these problems that our China has been able to achieve in the 30 years of reform and opening up its great successes. In the most important characteristics of China, in order to maintain sustained growth, there really have been some enormous changes. Our GDP already ranks fourth in the world. But we ought to be sober-minded. China's GDP may rank fourth, but its per capita GDP ranks lower than one-hundredth. The measure of a country's wealth is ultimately the per capita figure. Total and per capita are different counts. Our per capita GDP is one-sixth of the United States. The fourth largest economy, huh?

Two days ago I said to Minister Xie, my Minister of Finance, "Look at Hank Paulson. Look at how much money he's got in his pocket." Right? [laughter] I said, "You're still the financial minister of a large country, at least, though one large country isn't the same as the next large country." This is a superpower. A real superpower. The word doesn't apply the same way to everyone. It just doesn't. Even though the renminbi to US dollar exchange rate has presently increased somewhat, from 8.30 RMB per dollar to I think yesterday a bit over 6.80, below 6.90. Mr. Chen told me that it was below 6.90 yesterday. Our renminbi stills needs to be divided by more than 6.80 though, right? So the money we have, I did a quick calculation. Secretary Cohen, when you were Secretary of Defense, your national defense budget-- the money you alone spent-- corresponded to our total budget. That's just how it is.

China has clearly realized that, though it's true we're developing rapidly, and it's true that we've changed greatly, in the midst of this rapid development many new problems have emerged. First of all, imbalance--imbalance between regions, imbalance between the city and the countryside, imbalance and disharmony between man and nature. The environmental problems are very serious. We have awoken to this fact. In 2003 we began to institute a scientific approach to development. Basically it means we need to emphasize that China's 1.3 billion people, in walking the path of industrialization and urbanization, can't repeat the paths that nations that are already developed took. The world's energy sources, resources, and environment can't support it.

So we say, "Let's transform our development methods." We say that the speed of our development has to be accompanied by quality, good organization, benefits. To put it more simply, in the words of our Chairman Hu, it was at the Seventeenth National Congress of the Communist Party when he directly addressed the issue of rapid development: "Developing quickly is easy. Developing well, that's harder to achieve. Developing both quickly and well, that's harder still." This clearly sums up the problem. This is just the problem that China is facing. If you don't develop quickly, the population is so large that the unemployment pressure will be immense. But to develop both quickly and well is very difficult. Who doesn't want to develop both quickly and well? Such is the difficult challenge we face.

It's my deep feeling that we still need to hold firmly to the path that we've already started down, there's no going back. It's not the determination of one party. It's the decision of the entirety of the Chinese people, and it's the only way to go. For history has taught the Chinese people that if you don't reform, don't open up, then there's no way forward. This particular point is something we agree on and understand. However, it's not enough to understand it. We also need to demonstrate it in concrete matters. As Secretary Paulson spoke about earlier in our Strategic Economic Dialogue, as far as this decade of energy source and environmental problems goes, many people's understandings of these problems are in agreement. Honestly though, after reaching agreement on a general framework you still ultimately need to find agreement on specific measures. The specific measures are the difficult part. Of course, without a general framework you can't talk about specific measures. Without a common perspective on strategy you can't talk tactics. That's how the relationship is, right?

If we now look at the macro level, all over the world there's financial turbulence, energy source prices and food supply prices rocketing up. With so many problems emerging, the current experts' opinions are very much at odds. One sees politicians pointing fingers at each other. In my opinion we should, as the biggest developed nation and the biggest developing nation, use the SED to take the initiative. That is, we should sit down together and work to uncover our problems. After all, these problems need solutions, and pointing fingers at each other won't do any good. If I say the US dollar is excessively devalued, and then you say I'm manipulating the exchange rates, no one ends up convinced by the other side. I feel it would be better to sit down and figure out how to improve things. Where are the problems? What are our handicaps? Trying to put ourselves in each other's shoes is the function and meaning of our strategic dialogue.

Through the years we've experienced, during the reform and opening up process, during the globalization process, times rife with contradictions, times rife with opportunities but also with challenges. Our common perspective should be that we have to tackle challenges in order to seize opportunities. If you don't tackle challenges, then there won't be any opportunity and that's a tragedy. So I believe that if we run into some problems during this process of globalization, what we should do is sit down and have a talk and sort through these problems. I'm very confident this works.

As for the matter of protectionism, I feel that it's ultimately not a matter that can be settled through debate or persuasion. What's more important is that we look to resolve, in a concrete manner, the many sorts of disputes that arise during the process of globalization. To work toward a common perspective and then take action and solve problems, and then have a discussion based on the facts. I'm not at all blaming those whose viewpoint is protectionist. Actually, my own mind is a mixture of opening up and protectionist viewpoints. I think that this is true for any one of us. It's like I say, in the same person truth, kindness, beauty coexists with falsehood, evil, ugliness. I think that your religion teaches something like this. Confucius taught this. So I think the most fundamental issue is the ability to find the way forward, and not be afraid of difficulties.

Additionally, to speak honestly, sometimes when I chat with my colleagues or have a conversation with some experts, I'll say, "For more than ten years the world's economy has grown nonstop, inflation has been low. Honestly, it's about time that some problems emerged!" There's been nothing like it in our history--not just ours, but the United States' as well--years and years of unbroken growth and low inflation. We really haven't experienced it before. So the problems that are emerging now are like an adjustment. This adjustment process is the same as the earthquake. It's a shock at first until one finds a new sense of balance, and then there's relative stability.

I feel that right now. Take, for example, the problems on Wall Street. I feel that it's the problems of many years that are being exposed. These problems can't all be exposed all of a sudden. This exposing is gradual. After the problems are exposed you still have to understand them, then you have to resolve them. Then some new problems might crop up. Ultimately though, we should believe in what we've already done, in our efforts, and in our wisdom. I believe that humans should be full of confidence, and whatever problems we face we should rely on ourselves to solve. This is just my way of understanding things.

I originally prepared a draft for this speech, but I really didn't feel like reading it because it was pretty much the same as that news release. [laughter] What else, Hank Paulson already talked about what I was going to talk about. I won't repeat it. So he forced me to speak without a prepared text at the risk of disaster issuing from my mouth. I don't know if this was the right choice.

Finally I want to say a word to the businessmen. Today, just now when Secretary Paulson was speaking, he did so as an official. Right now Mr. Cohen has already completed the transition from official to ordinary citizen. There are a lot of people here, all friends from business circles, and I feel truly honored by your presence this evening. During the development process, China, as it goes through difference phases, may encounter different problems of varying aspects, including investment environment problems. I hope that everyone will put their courage, foresight, wisdom, and effort into this emerging market just as you did when you started. I also want to speak on behalf of the Chinese government and welcome all American businesses to come to China.

Just now Secretary Paulson has already talked to you about the content of our Strategic Economic Dialogue. You should be able to gather that there will be new business opportunities. The China and the United States have today signed a strategic framework agreement for the next 10 years on energy sources and the environment. You should be able to imagine how much room there will be for business opportunities in the middle of this. Moreover, we didn't just talk about this, but also about trade, people's welfare, and social security. This time the dialogue was very broad. It included the money market, which is especially exciting to Wall Street.

The leaders of our delegation's three groups are all present. Our Minister of Commerce, our Minister of Finance, our Food Safety...excuse me...disaster issues from the mouth...Li Changjiang, our Quality Supervision, Inspection, and Quarantine bureau chief. If any of China's exported food products run into safety problems, that's his job responsibility. [laughter] So on the day that I told him to meet with reporters, I said, "You go and meet with reporters, and then the media, the American media, will supervise you." I said, "The American media is much less forgiving than the Chinese media." [laughter]

So I hope that whatever thoughts you have about China's investment atmosphere, whatever problems there may be during the investment process--it's just as I was saying earlier--let's envisage the problems, tackle the challenges, seize the opportunities. We need the Chinese government, not just local governments but also the federal government, to pitch in. I also welcome you to offer advice and make suggestions, to serve as doctors for China's investment atmosphere. You can go ahead and give us your thoughts. One of your Secretaries said to me, "Vice Premier Wang, could you explain how every American in business who goes to China and meets you only has positive things to say, whereas those who come to me only complain?" I replied, "It's not like that, is it?" I said that the American businessmen I met with told me whatever problems they had. I said that generally I'd construct an environment where people could speak their minds about things they weren't satisfied about.

Maybe this is something everyone has a problem doing. When I was mayor, or governor of Guangdong, or at some bank, meeting with people definitely wasn't a clear-cut event where you just settled your business and that was it. Some words of praise, giving each other face [is important]. I feel in the future we should proactively seek out the views of the business community on the investment environment. Of course, Secretary Gutierrez, your opinions are very important as their representative.

As for me, I didn't prepare much. I'm very happy I was able to speak, as it's called, "from the heart directly to the mouth," and to invite everyone to listen. If anyone has any questions, please ask. If there are no questions, let's disband. [laughter] Thank you! [applause]