



COMMERCE NEWS

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AS PREPARED FOR DELIVERY

Good afternoon. It's terrific to see so many familiar faces here today. Thank you John for your kind introduction. And thank you for your fine leadership of the U.S.-China Business Council.

It goes without saying how critical trade between the United States and China has become.

And it's not an exaggeration to say that the USCBC has been a part of this economic relationship from the start.

In 1973, the year the USCBC was founded, trade between the United States and China amounted to \$755 million, and 91 percent of that number came from U.S. exports.

In the first 11 months of 2009 alone, U.S.-Chinese trade came to \$331 billion. And Chinese exports made up nearly 82 percent of that figure.

What these numbers tell us is something you see in your day-to-day lives: that U.S. and Chinese prosperity is intertwined.

While the United States and China will not always agree on everything, we know that our economies are inextricably linked, and we have to strive to solve our problems through cooperation.

How we can make this relationship work better for American companies is a top priority of the Obama Administration and the Department of Commerce.

Since last March when I became the Commerce Secretary, I have been to China three times and have had the honor of receiving several senior Chinese officials here in Washington.

Promoting access for American companies to the Chinese, and the entire Asian marketplace is critically important to this administration.

Consider that if we just boosted our exports to Asia – where China is the biggest market – by one percent, that would support another hundred thousand new jobs in the United States.

And as President Obama underscored last night in the State of the Union address, creating American jobs is his number one priority.

There is no greater potential growth market for U.S. exports than China.

Through November of last year, U.S. exports to China were valued at \$61 billion – approximately 6 percent of our total worldwide exports.

Increasing the export of American products and services to global markets can help revive the fortunes of U.S. companies, spur future economic growth and create jobs here at home.

Exports are already a growing and substantial part of the U.S. economy. They account for almost 13 percent of our GDP, a percentage almost three times greater than it was in the 1950s.

Which is why in 2010, we are going to build upon the successes we had last year to further boost American trade with China.

For America's China trade policy, last fall's Joint Commission on Commerce and Trade was an important step in providing U.S. businesses better access to China's market.

As a result of these meetings, the Chinese government signed onto a number of significant agreements:

- The Chinese announced their intent to re-open their market to American pork products, after imposing a ban on these items last year.
- The U.S. Agriculture Department and its Chinese counterpart agreed to additional cooperation on agricultural issues – which should create new opportunities for American farmers.
- The U.S. and Chinese Governments signed nine agreements, including a Memorandum of Understanding supporting the establishment of the U.S.-China Energy Cooperation Program.

And perhaps most significantly, the Chinese agreed to remove barriers for American firms operating in China's clean energy market by removing local content requirements on wind turbines.

This was a critical first step and will provide significant opportunity to American firms.

Clean energy may be the greatest economic opportunity of the 21st century, and the development, production and deployment of American clean energy and energy efficiency technologies can be one of the most beneficial areas of cooperation in the history of U.S.-China relations.

As you may have heard in the news yesterday, China has announced the start of a National Energy Commission – led by Premier Wen Jiabao.

This Commission is aimed at enhancing China's domestic and international policy coordination on major energy security issues and on the development of new energy technologies.

This underscores China's commitment to work with the international community to address the clean energy challenges of the 21st century.

China's renewable energy market is expected to reach \$100 billion by 2020, and wind energy is the fastest growing sector.

Along with U.S. Secretary of Energy Steven Chu, promoting access to China's clean energy market has been a primary focus of my first year as the Secretary of Commerce – one that will continue to be a dominant concern of our China trade policy.

And it's why I am announcing today that I plan to lead a trade mission, the first cabinet-level trade mission of the Obama administration, to China and Indonesia in May, which will focus on promoting U.S. exports in cutting edge technologies related to clean energy and energy efficiency.

For companies already doing business in the Chinese market, we will focus on boosting their market share. And for American companies yet to enter that market, we will try to open new doors into China.

I'd like to encourage all American companies interested in this trade mission to apply by visiting the Web site: trade.gov.

We know that meeting the world's climate and energy challenges will require the development of breakthrough technologies. And that China, just like any other country in this globalized economy, will depend on the expertise of foreign companies to help them meet pressing societal challenges.

But recent events, specifically the well-publicized Google incident, have reminded us of the continued challenges faced by foreign and U.S. companies operating in China. China needs to continue making strides to be more transparent, predictable and committed to the rule of law.

If there is backsliding on these issues, it will affect the appetite of U.S. companies to enter the Chinese market and ultimately that will be bad for everyone.

China can benefit greatly from the jobs that U.S. companies create in its country and from the technology our companies provide – be it in advanced medical or energy equipment – that can improve the lives of the Chinese people.

And that is why a continued theme of my interaction with my Chinese counterparts will be an emphasis on the rule of law within China, including the protection and enforcement of intellectual property rights.

We have already taken a series of steps to ramp up awareness and promotion of IPR protection and enforcement in China.

- In the past 15 months, the United States Patent and Trademark Office signed three Memorandums of Understanding with its Chinese counterparts to enhance cooperation on intellectual property issues.
- Last December, PTO officials stationed in Guangzhou participated with China Customs officials from Guangdong Province in a training program about how to identify counterfeit goods.
- Earlier in April, PTO Guangzhou and the State Intellectual Property Office jointly organized a program on patent filing and enforcement in Shenzhen.

And these efforts have led to some positive results.

Nonetheless, I will continue to push my Chinese counterparts to take more aggressive steps to protect and enforce intellectual property rights.

The United States government continues to have concerns about China's commitment to robust IPR protections and enforcement, both at the local level and in national policies that give Chinese firms an unfair competitive advantage.

In particular, more must be done to protect the intellectual property at the core of emerging technologies in green energy and energy efficiency.

In addition, many of you are familiar with the issue of China's indigenous innovation accreditation system, which would provide domestic firms that use Chinese intellectual property a leg up in bidding on government procurement projects.

While this practice may have the laudable goal of nurturing a stronger innovation ecosystem in China, it significantly disadvantages U.S. companies, indeed all foreign companies, interested in bidding for contracts worth an estimated \$85 billion annually.

And in the long run it will harm rather than stimulate China's innovation environment by insulating its own companies from the competition that forces constant product and service improvement. Ultimately, that's going to leave the Chinese with less innovative companies and less useful products.

What's more, this program appears to be at odds with assurances the Chinese provided at the 2009 JCCT and S&ED meetings.

This is an issue that Obama Administration takes very seriously. The Commerce Department is working with the State Department and the United States Trade Representative's office to press this issue with our Chinese counterparts.

Moreover, we recognize that this issue is just one facet of a broader Chinese approach to industrial policy that is creating headaches for U.S. companies operating in and trying to export to China

Successfully dealing with this will require both tactical and strategic adjustments to our engagement with China and I can assure you that the administration is diligently studying what steps might be necessary.

Working through these challenges will continue to drive our trade agenda with China in 2010 and beyond.

As will our devotion to boosting U.S. exports to the Chinese market.

We know that while we have a trade imbalance with China, keeping Chinese goods from the U.S. market is not the answer to addressing our trade deficit. Instead, making sure the Chinese market is more open to U.S. companies is the most productive solution. It helps U.S. business, and it gives Chinese consumers access to great American products.

China continues to provide American companies with enormous export opportunities. And we will continue to engage China to expand upon – and improve – our existing relationship.

So thank you for your time and I look forward to taking your questions.

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