

Win-Win Cooperation Is the Best Cooperation

Keynote Speech by H.E. Wang Yang
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At the China-US Business Luncheon

Washington, D.C., 18 July 2017

Chairman Evan Greenberg,
President Thomas Donohue,
Chairman Xu Chen,
Secretary Steven Mnuchin,
Secretary Wilbur Ross,
Ladies and Gentlemen,

I want to thank the US-China Business Council, the US Chamber of Commerce and the China General Chamber of Commerce - USA for the warm invitation and the opportunity to meet friends, both old and new, in the business communities of the two countries. I had been to the States six times in the last five years. Every year I came, I would accept the invitation to meet and speak to the business leaders here. To be honest, it's not easy to always have something new to say. But Confucius said, "One can acquire new knowledge by constantly reviewing the past". Hopefully, I can put it into practice today in my speech.

I recall when I came to Washington last November, the dust had just settled for the presidential election in this country. The economic and trade policy of the new US government for China was a topical issue in the business communities. I said at the welcoming luncheon then, although there would be a new president in the United States, the passions of the business communities remained unchanged for cooperation with China. If the large gathering at the luncheon was any guide, there was every confidence in the future of China-US economic and trade relations. It seemed to be a pretty risky prediction of mine at the time, since many kept their fingers crossed, worrying that China-US trade relations would enter a stormy season of winter and even run the risk of a trade war.

It was at that critical juncture that President Xi Jinping accepted the invitation with no hesitation to come to the United States, and had a historic meeting with President Donald Trump at Mar-a-Lago, which set a constructive tone for China-US relations in a new era. The two sides decided to set up four high-level dialogue mechanisms, including the Comprehensive Economic Dialogue, and launched the 100-Day Plan for China-US economic cooperation, which was most reassuring to the business communities in both countries. We are pleased to note that thanks to the painstaking efforts of both sides, the 100-Day Plan has delivered major outcomes. The American beef has found its way back to the Chinese market after 14 years. The policy barriers for US LNG exports to China have started to crumble. In the first five months of this year, China had already imported 400,000 tons of LNG from the United States, standing in sharp contrast to zero in the same period of last year. More importantly, through 100 days of intensive engagement, our economic teams have built mutual trust, and managed to establish a way of communication featuring mutual respect and win-win cooperation.

You may ask, why is it possible? The answer is here. You are the ones who deserve the credit. I said here last year, China-US business cooperation is market behavior. The underlying drivers lie in the people and the business communities. The US side has made that choice indeed in reflection mainstream opinions of the business communities. Your long-standing support and active participation have helped to create an atmosphere favor of cooperation rather than confrontation for China-US business ties, and have contributed to the China-US economic relationship as it stands today. Although there may still be twists and turns in our cooperation going forward, as long you have confidence, the overall direction of China-US business cooperation will not change.

This brings me to my first conclusion: cooperation is the only right choice for our two countries. The giant ship of China-US economic and trade relations is sailing on the right course.

Ladies and Gentlemen,

China-US cooperation is not something new. Without going back to the distant past, just by taking stock of our discussions at the Strategic and Economic Dialogue and JCCT since the 18th CPC National Congress in 2012, we will find that our cooperation has indeed been fruitful in many areas.

In previous dialogues, China had undertaken to adjust the economic structure, and change the growth model that was mainly driven by investment and export. The contribution of China's final consumption to economic growth, which was only 47% in 2013, jumped to 77% in the first quarter of this year. The proportion of services relative to GDP increased from 46.7% in 2013 to 56.5% in the first quarter of this year. It is also worth noting that China's current account surplus relative to GDP dropped from the peak of 10% in 2007 to 0.7% in the first quarter in 2017.

China had undertaken to allow broader market access and greater opening of the services sector. China has in recent years revised on its own initiative the Catalogue for the Guidance of Foreign Investment Industries several times, leaving only 63 industries under restriction, 117 fewer than that of the 2011 version, down by an impressive 65%. Two US financial institutions have just gained licenses to conduct bond underwriting and settlement businesses in China's interbank bond market. This is a result of the greater opening of China's financial sector. In the 11 pilot free trade zones including the one in Shanghai, opening-up is broader in scope and greater in depth. As a matter of fact, China has already agreed in the Sino-US BIT negotiations to further open up its banking, securities, insurance, telecommunications, cultural, the Internet and automobile sectors.

China has undertaken to step up efforts to conserve energy and cut emissions in a joint endeavor to tackle global climate change. Between 2012 and 2016, China had cut its CO₂ emissions per unit of GDP by 22.5%. Last year, China's installed capacity of renewables already accounted for 24% of the world's total and 42% of the world's newly installed capacity came from China.

China has also undertaken to strengthen the protection of intellectual property rights. Since 2013, the Chinese government has carried out over 170 special campaigns against

unlawful trademark counterfeiting and copyright piracy, investigated more than 1.3 million cases of criminal offenses, and nearly 100,000 people have been penalized. The Intellectual Property Courts set up in Beijing, Shanghai and Guangzhou in 2014 have tried almost 40,000 cases.

It should be emphasized that China has made a choice of its own accord by fulfilling these pledges for its own development and progress. And it meets the interests of the 1.3 billion Chinese people and responds to the call of the US side. Of course, the path of cooperation should always be open to two-way traffic delivering benefits to both countries. We hope the US side could also address the concerns of the Chinese side to bring about a win-win outcome.

One needs to bear in mind that China remains a developing country and it has only been a little bit over 20 years since China adopted the market economy system. Opening up a market and starting up a business might not have been as easy as some had expected in the business communities. I understand that you still have concerns over quite a few issues. That will keep us motivated and help us find our way forward. As a matter of fact, we are reflecting on our own inadequacies and we will redress them with a problem-oriented approach. When it comes to China's reform and opening-up endeavor, our goals are well-defined, our path is clearly-marked, and our steps are surely and steadily taken. Sometimes we may not seem to be walking fast enough, day in and day out, we will beat expectations and come a long way. To give an analogy, when you look at a growing kid everyday, you could hardly notice any growth in him. But given a few years, you would be taken aback by how much he has grown. Isn't it the case for China with its reform and opening-up in the past nearly four decades?

This brings me to my second conclusion: China's development and progress is a long-term certainty, which offers the most important external environment for foreign businesses to work with China.

Ladies and Gentlemen,

After nearly 40 years of rapid growth, China's economy is bigger in size but not sturdy enough. China is still at the lower ends of the global industrial chain, lagging far behind the United States. The Chinese and US economies do have a competitive dimension, but there is far greater complementarity than competition. The two countries have seen the space for cooperation and expanded rather than narrowed.

The Chinese economy will continue to grow at a medium-high speed and climb higher on the value chain. As China's traditional industries are transformed and upgraded at a faster pace and emerging industries flourish, there is huge market potential to tap in US export of advanced technologies, key equipment and critical parts to China. Unfortunately, American businesses have not had their fair share of the "cake" due to outdated US regulations on export control. In 2001, US high-tech export to China accounted for 16.7% of China's total import of such products, while last year the percentage dropped to 8.2%. For instance, China's import of integrated circuits (IC) amounted to a whopping US\$227 billion last year, more than the import of crude oil, iron ore and primary plastics combined. But only 4% of China's IC import came from the United States. According to an Op-Ed by the Carnegie Endowment for International

Peace last April, if the United States were to liberalize its export barriers against China to the same level as those applicable to Brazil or France, the US trade deficit with China would narrow by up to 24% and 34% respectively.

China now has 300 million people in the middle-income group. The pattern of residential consumption is shifting from basic livelihood to greater emphasis on quality, and from offline to online. Their demand for quality US goods and services is also swelling by the day. Last year, Chinese tourists made about three million visits to the United States with a per capita spending of over US\$11,000, which helped to create 150,000 local jobs. China's online-shoppers number over 460 million. Popular American products such as cherry, lobster, sea crab, nuts and health supplements can reach Chinese households within 72 hours. American export to China via e-commerce surged by more than 100% last year. The "Gateway '17" conference held by Alibaba Group in Detroit last month attracted over 3,000 American SMEs, as they are eager to get a fast ride of the Internet to tap into China's vast consumer market.

The US-China Business Council predicts that American goods services export to China will double to US\$369 billion in the next decade, and rise to US\$520 billion by 2050. I'm sure any business would value such a huge market and any government with ambition would value cooperation with China.

This brings me to my third conclusion: there is no limit to the growth of the Chinese market, and China-US business cooperation holds out a promising future.

Ladies and Gentlemen,

Business cooperation is about the give and take of interests, and it's only natural that differences may arise from time to time. There are people both in the Chinese and American business communities who want their own government to dismantle the "barriers" of the other side that block market access, and at the same time build "walls" to keep foreign goods out. We understand that quite a few Americans support "Buy American, Hire American", just as in China there is also voice for "Buy Chinese, Hire Chinese". But it is important that both sides come to realize with cool heads that given the depth of our business cooperation, neither Chinese or Americans can do without goods from the other country. We both have a stake in the robust, balanced and healthy development of our business ties.

The first China-US Comprehensive Economic Dialogue is slated to open tomorrow. China stands ready to work in concert with the US to find a solution that benefits both sides and reach the best deal. Both of my dialogue partners were once business leaders well versed in the art of deal-making. Getting down to the nuts and bolts of our dialogue may be painstaking. Hopefully, the outcome will be gratifying.

Thank you.