



Remarks at the American Chamber of Commerce in China Breakfast

John D. Negroponte, Deputy Secretary of State

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DEPUTY SECRETARY NEGROPONTE: Thank you for your kind introduction, John. I appreciate it.

Just one small correction for the record here, because otherwise someone will do it for me, no doubt. I did come here in 1972 when I was working on the National Security Council, and I accompanied Henry Kissinger on one of his trips here, but that was in June. I was not fortunate enough to be along on the historic February visit of President Nixon to China, although I would have very much enjoyed doing that as well. But certainly my ties and my involvement in the U.S.-China relationship goes back to those years.

I also want to thank the American Chamber for hosting this anniversary week breakfast. It's a thrill and a privilege for me to be here to celebrate this landmark anniversary.

Images of President Nixon meeting with Chairman Mao and Premier Chou En-Lai in 1972 as well as Deng Shao Ping's 1979 trip to the United States are still fresh in American memory. Less clear in the American memory but no less important for our relations was the unveiling in December of 1978 of China's policy of reform and [openness]. This momentous decision 30 years ago allowed China's leaders to embrace policies that would enable China to look outward and seek engagement with the world. It was a pivotal moment for a relationship that has grown and transformed in the 30 years since.

On January 1, 1979 we carried out our mutual commitment to establish formal diplomatic relations despite the differences in our histories, cultures and political systems. We sent a strong message that normalization of relations was in the interest of both the American and Chinese people and would serve the interests of peace and prosperity for our nations, Asia and the world.

The U.S.-China relationship has transformed during that period, growing into the broad, deep, and multi-faceted relationship that we now enjoy. Our strongest and most durable tie is between the people of our great nations. The Chinese and American people have led us to build bridges of friendship between our countries. Their willingness and their desire to develop business, educational and cultural links have added immense value to our relationship and increased our understanding and respect for each other.

AmCham's work to strengthen commercial and people-to-people ties between the United States and China has contributed greatly to our successes. As both President Bush and President Hu have noted, the United States-China relations have never been better. In fact it is remarkable to see how far we have come in the last 30 years, a relatively brief historical interlude.

We discuss and collaborate on many areas of mutual concern and interest including ensuring global stability and peace, and working to guarantee economic prosperity and development for all nations.

The almost unprecedented speed of development in United States-China relations over the past three decades sends a message to governments throughout the world that legacies of isolation and mistrust can be overcome by visionary actions.

As with all relationships, ours has developed despite setbacks. Even today our two countries do not see eye to eye on every topic. However, our commitment to discuss our differences and work through them is a sign of maturity and strength of U.S.-China relations.

Today our most immediate challenge is to revitalize our economies while leading the way and preserving an open international trade and financial system.

The United States and China have accounted for more than 40 percent of the global economic growth in the last five and it is vital both to us and to the global economy that our growth continues.

The United States and China can meet this challenge by strengthening the cooperation we have developed. We can draw upon the broader scope of our relationship. Commercial ties in particular have been essential to connecting our nations and peoples. When you see booming cities like Shanghai and Shenzhen today, it is hard to believe that in 1972 we thought that all we could buy from China might be hog bristle brushes. Happily, we were deeply mistaken and business has played a key role in the growth of our relationship.

American exports to China have increased nearly 95-fold since 1973, a year after President Nixon visited China. China has become our second largest trading partner and third largest export market. Total bilateral trade between China and the United States in 2007 was \$387 billion, compared to just \$755 million in 1973. The growth of our business relations with China over the past 30 years is truly remarkable.

Our nations are acting together to manage and overcome the global economic crisis. The United States-China Strategic Economic Dialogue led by Treasury Secretary Paulson and Vice Premier Wang has been the main mechanism for deepening economic cooperation.

I want to express our appreciation for China's positive role at the G20 meeting in November. President Bush and President Hu met twice in late November to discuss the economic crisis and to reaffirm the importance of United States-China cooperation.

Such commitment to cooperation is important. We have discussed with China the importance of promoting balanced growth in China as a contributor to a healthy global economy. We have also discussed the need for our governments to demonstrate the benefits of free trade and open markets. Our record, a \$256 billion trade deficit with China stokes concerns in the United States over issues like valuation of the Chinese currency and protection of intellectual property rights. The Bilateral Investment Treaty Talks between our nations represent an important opportunity for the United States and China to demonstrate to the international community our shared commitment to open competitive markets and our rejection of investment protectionism.

The next 30 years will no doubt bring more challenges. We look forward to working together to solve issues of mutual and global concern. And we are optimistic that U.S.-China relations hold the promise of an even brighter future in which the understanding and respect between our people grow and in which our governments rise to the challenge of finding common solutions to critical international progress. I am sure that United States businesses will continue to play an indispensable role in bringing this future about.

I look forward to watching the United States-China relationship develop in the coming years and feel confident that it will continue to flourish under the new American administration.

I want to conclude by thanking you again for inviting me to celebrate this special anniversary with you, and for your hard work and cooperation over the last 30 years.

Now I'd be happy to take some questions from the audience. Thank you very much.

[Applause].

Moderator: Ambassador Negroponte, thank you very much for the work that you and so many others have done as we look forward to the next 30 years going forward. We appreciate your efforts and those of your colleagues.

I'll start off with a question. Ambassador Winston Bord likes to tell a story. The trip was made in 1971. Dr. Kissinger was 3A. He said he was sitting in seat 2A, so he was actually the first into China. Is it true that you were seated in seat 1A? [Laughter].

DEPUTY SECRETARY NEGROPONTE: No.

QUESTION: My question for you is, you mentioned in your remarks that you thought the most the U.S. could ever buy from China was hog bristle brushes. Can you say a little bit more, in the best case scenario as you were thinking about the future, what the best case scenario was, whether it was economically or politically in the early '70s and how you were thinking about it at the time.

DEPUTY SECRETARY NEGROPONTE: I'm not sure that, we didn't have our crystal ball out there and I'm not sure that that was the predominant concern at that time. After all, the opening to China in 1972 was taking place in the context of the Vietnam conflict, the rivalry with the Soviet Union, the Cold War generally. So I would say the impulse in those initial years was strategic. It was a strategic relationship. But obviously once that got started, and certainly by 1979 people started getting some idea of the potential of the relationship across a whole range of issues.

But when you think about it, coming from practically zero, and mind you, my experience goes all the way back to 1961 when I was a Vice Consul in Hong Kong. There was a curtain between Hong Kong -- there was virtually no movement between Hong Kong and China except for people who would come back and forth perhaps to visit family during Chinese New Years, but it was very limited trade and China was kind of a very mysterious and closed and isolated society as far as most of us were concerned.

When you think that today there's some 60,000 Chinese students studying in the United States. The level of trade, as I mentioned, is up to \$400 billion a year. The size of your Chamber of Commerce here is just one example. This is just one of the several important Chambers of Commerce here in this country. The level of interaction between -- We issued at the embassy this past year 500,000 visitor visas for Chinese to visit the United States. Quite honestly, that was inconceivable to us in 1972 or in 1979.

So I think looking forward, we have to try to imagine similar and even greater advances in the relationship between our two countries. I think that we can look forward to a very rich relationship across many many many different fields of human activity. Not only economic and commercial, but educational, cultural, social. I'm sure that some young person in this room or elsewhere looking back 30 years from now will say gee, that was all we were doing then? Look at what we're doing now. I'm very hopeful.

QUESTION: [Inaudible] on their minds at that time, at that moment, how were they looking forward and what were they expecting might be the case?

DEPUTY SECRETARY NEGROPONTE: I couldn't say. There are so many people in Beijing who could answer that question. I'd be reluctant to try to substitute my judgment for theirs. I really don't know.

Clearly one factor, and I've had some discussions with my Chinese friends about this part, is that I think they wanted to broaden the range of relationships they had and I think they felt, they chafed under what they considered to be the limitations of their relationship with the Soviet Union. So I think they saw potential in it for their own future. And certainly after 1978, the decisions to embark on the policies of greater openness and reform, I think from that time forward my sense is that China and Chinese leaders saw a real opportunity in deepening relationships with the United States.

QUESTION: I think that right now China's kind of confused on where to go going forward on investment in the United States with this credit crisis around the world. China has cash. There's a lot of companies and industries in the U.S. that need cash. China with the history of UNOCAL, [inaudible] ports, they got scared of investing in the U.S., so they tried to go through intermediaries -- Blackstone, investment banks. Those stocks got hammered. So they're now sitting, looking at the U.S. saying what do we do?

I'd like to ask you what the political establishment in the U.S. [... tape skip ...] towards China's direct investment. Is it welcome? Is it politically sensitive?

DEPUTY SECRETARY NEGROPONTE: It's welcome. I think that certainly that was one of the messages that we and the Chinese and the others at the recent G20 meeting tried to emphasize and send a strong signal that this, above all in a critical time like this, is not a time for investment protectionism, and that one of the ways that we're going to help ourselves out of any economic difficulties is to maintain and to promote an open economic environment. So I think we've got to work hard. We're committed to this and we've got to work hard going forward to maintain that kind of open investment atmosphere. Things like the Syphius Process and other such mechanisms have got to be managed, in my view, in such a way that it doesn't do damage to the free and open economic principles that work [inaudible].

QUESTION: Sir, you have an enviable experience in foreign affairs. I have a difficult question for you, sir.

I've lived abroad for 30 years in many different countries and it's been my impression that one of the biggest barriers to understanding is that each culture has its own deep emotional psychological springs that lead to assumptions, associations that are completely different from the surface words, and these are different whether it's France or Russia or China. And that this is an intractable source, a constant source of misunderstanding. And at the same time Americans have the same instinctive psychological springs that are intractable and equally lead to misunderstanding. I would be grateful to have your observation on this subject, sir.

DEPUTY SECRETARY NEGROPONTE: That's a broad topic. Maybe I can bring it down to one aspect of that. I think it's a very interesting observation. I think one aspect of it is what do we need to do, particularly in the area of people-to-people relations to generate the kind of mutual understanding that can be the underpinning of the relationship that can support a relationship that clearly a better understanding of language and culture is one way that one is going to deal with the kind of issue that you referred to. I take encouragement certainly on the United States side that in recent years, during the past decade or so, there's been a really significant growth of interest in the United States in interest in China. In the Chinese language, Chinese culture.

My own alma mater is one example. Yale. I was told by the President of Yale recently that ten percent of the freshman class, the entering class at Yale, now studies Chinese in order to meet its language study requirement. That kind of phenomenon replicates itself in other educational institutions in our country.

The number of Americans who come to study in China has increased significantly. It's nowhere near the level of the number of Chinese students who go to the United States.

My point would be that if we're going to manage a relationship of the size and complexity and I suspect even greater complexity going forward, relationships such as the United States and China, more is going to have to be done in this area of people-to-people relations, promoting exchanges, promoting the study of each other. And we're obviously doing a heck of a lot more of that today than we were doing 35 years ago. But we still have a ways to go. Education, it seems to me, is ultimately the answer to the problem that you've raised.

QUESTION: Taiwan status has been an important dimension of U.S.-China relations for the last 30 years or longer. What's your position? What do you expect with respect to the further evolution of China and Taiwan [inaudible], particularly with events over the last year?

DEPUTY SECRETARY NEGROPONTE: I think that events of the last year, particularly since the elections in Taiwan, have been encouraging in terms of reducing cross-strait tensions. The issue of Taiwan is one that, from a point of view of United States policy, needs to be dealt with with sensitivity and with caution. We of course maintain our position of a One China Policy. The issue of cross-strait relations must be resolved by peaceful means. So it's a delicate and sensitive issue but I do think there's been progress in the past year. I take encouragement from a number of the contacts that seem to have taken place between the authorities of the PRC and Taiwan in recent months to fuse the cross-strait situation. So I'd say we are in a hopeful period in regard to the issue of the Taiwan straits.

QUESTION: I know that [inaudible] global economy [inaudible] different nations [inaudible] coordinate efforts, especially China and the United States. So what is the wish list of the United States [inaudible] Chinese government [inaudible], and what is the gap, what things [inaudible] from your perspective?

DEPUTY SECRETARY NEGROPONTE: I would be reluctant to put it in those kinds of terms. I think as I said in my remarks, our two economies have been responsible for 40 percent of the world's economic growth in recent times. If you take our two economies together they represent a very very significant portion of the world economy. That situation is likely to persist. So it's important that we work in coordination.

I think one of the important initiatives, and by the way, I believe that one of the legacies of the Bush administration is going to be the progress with, I think when historians look back at what the Bush administration did, I think one of the issues they will highlight is the progress that was achieved in United States-China relations. One element of that progress was the establishment of the Strategic Economic Dialogue under the leadership of Secretary Hank Paulson on the U.S. side and the Vice Premier of China on the China side. I think one of the important things that needs to be done in my view in this political transition period of ours is to try and ensure that these kinds of mechanisms, such as the Strategic Economic Dialogue and the senior dialogue that I have conducted with my Chinese counterpart on political issues, continue going forward. These mechanisms are very important just as are the personal contacts both through meetings and phone calls and exchanges of correspondence that take place between our two leaderships, from the two Presidents on down. So I think it's the collaboration that is really crucial in this particular [inaudible].

QUESTION: I want to try to [inaudible] some questions together. Those that believe independence tend to find their positions and relationships on shared levels, and those that [inaudible] more respectful distance tend to suspect that there are [inaudible] shared values. So my question is, in the past 30 years we've seen each capital at different times have different schools of thought, different positions, concerning [inaudible] strongly. In the next critical year or two, especially with the huge changes -- financial and political -- what is your sense of resilience in the U.S.-China relationship? The possibilities for more self-reliance as it were on both sides? [Inaudible] versus the tendency that [inaudible] as we move towards [inaudible]?

DEPUTY SECRETARY NEGROPONTE: I guess I'm a strong believer that it's going to be the latter that's going to be an accelerated move, or its interdependence. Certainly that's what I believe has happened in recent times. I think we emerge from it historically from a period of isolation from each other. And the history of the past 30 years has been one of bridging that gap and finding more and more interests in common and greater and greater interdependence across a broad range of issues.

Just in the dialogue that I mentioned, the senior dialogue on political issues, I see examples of that.

My predecessor, Robert Zoellich, was the individual who coined the phrase that we encourage China to become a responsible stakeholder in the international arena, that it not be a free rider, that it not simply export its products and then not really take that much interest in the geopolitical scene, if you will. I think we've seen evidence in the last several years of China's growing interest not only in the bilateral relationship and in regional security issues but also in playing a stronger role on the global scene as a whole. I think you can look to greater interdependence in the years ahead.

QUESTION: [Inaudible] economic edge [inaudible]. Could it be in the sharp adjustments that have been in place around the world that it might be [inaudible] as a threat or at least a challenge [inaudible] towards more protectionism, shoring up political bases, and so forth [inaudible]?

DEPUTY SECRETARY NEGROPONTE: We certainly want to avoid that. It is a challenge. Again, I hark back to the G20 meeting where there was a reaffirmation of open market principles. We don't want to repeat the mistakes of the past. Look what happened in the 1930s when the United States passed protective tariffs to deal with the recession, the [Smoot-Halley] Tariffs. That kind of thing. I think people realize that we've got to work hard to avoid those kinds of mistakes.

Let me mention also when we talked about interdependence and our political dialogue, another legacy of the administration and of our two governments I think is going to be the fact that we established this 6-Party mechanism to deal with the denuclearization of the Korean Peninsula. This is an example of the kind of political cooperation with China, and China is after all a host of these 6-Party talks on the denuclearization of the peninsula, that was something that would have been difficult to imagine even 10 or 20 or 30 years ago.

So I think there are a lot of different signs of deepening collaboration with us, between us, that I fully expect to see continue.

QUESTION: One [inaudible] name of the next ambassador. [Laughter]. Second question, who [inaudible] Chinese government [inaudible].

DEPUTY SECRETARY NEGROPONTE: Who did I see on the Chinese side? I met with State Councilor Dai Bingguo who has been my counterpart in the senior dialogue. I met with the Foreign Minister, Foreign Minister Yang. I met with his senior deputy, his executive Vice Foreign Minister, Ambassador Wong who was previously at the United Nations and is now my counterpart. He occupies the same position in the Chinese Foreign Ministry as I occupy in the State Department. And this afternoon I'll be meeting with the Vice President of China before I go back to Washington.

The highlight so far is my chance to observe the exhibition ping pong match yesterday. [Laughter]. It was a great deal of fun and I have a signed paddle to proudly take home with me as an important souvenir of this visit.

Thank you very much. I have no doubt that this is the last time I'll appear before AmCham Beijing as a United States government official. It's always been a pleasure to come to visit with AmCham in one government capacity or another. The next time I meet with all of you, which I look forward to doing at some point in the future, it will be as a private citizen.

Thank you very much.

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