



The United States and China: Opportunities for Global Leadership in the New Economy

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It is always a pleasure to meet with representatives from business and industry, particularly from the technology sector. Your sector is driving innovation, and creating new opportunities, efficiencies and dynamism in the global economy. Given the size of the Chinese and American markets, the future of the Internet will, in many ways, be shaped by the companies and other representatives gathered in this room today.

As a U.S. Government representative at this conference, I thought it would be appropriate to provide an overview of U.S.-China relations, which I hope will provide some context for today's forum. I will cover three main topics:

First is the economic relationship between China and the U.S., including the Strategic Economic Dialogue, which President Bush and President Hu set up as a forum for discussing economic issues.

I will also address two concerns the United States has – the need to ensure the free flow of information and ideas on the Internet, and the need for increased and sustained protections for intellectual property.

I know many of you here this morning share these concerns. As I will address momentarily, freedom of expression and intellectual property protections can increase the economic opportunities that the Internet can bring to people around the world – including the people of China and the United States.

It is therefore important that we address these concerns in a timely and forthright manner. This also has the potential to deepen the economic and commercial ties between our societies.

The U.S.- China economic relationship is critical to the continued wellbeing of the global economy. The United States is the largest economy in the world, while China is one of the fastest growing. Both economies are incredibly dynamic. This dynamism is a driver of economic growth around the world, but it also poses challenges to our relations.

The overarching concern we have is that U.S.-China relations remain candid, constructive, and cooperative. China is a global economic leader, and with this leadership role, China will have an increasing amount of global responsibilities.

Let me start with the sector with which you are most familiar – technology, and more specifically, information technology. China and the U.S. are significant producers of and markets for the technology sector, particularly the Internet.

The U.S. and China are the two largest Internet users in the world. China has more than 140 million users, and the United States has more than 210 million. China also has one of the world's largest broadband market, which is expected to reach nearly 60 million this year.

The growth of cellular phone usage has also been brisk. Cell phone technology is fast becoming a gateway to the Internet. China and the U.S. host the two largest cell phone markets in the world. China is now the world's largest telecommunications market, with 870 million users.

The technology sector in China is part of an overall economy that has seen remarkable growth. Over the past three decades, the Chinese economy has grown by nearly 10 percent a year, and per capita income has risen eightfold.

This growth has helped lift hundreds of millions of Chinese out of poverty, and given a range of opportunities to a new generation of Chinese that previous generations would not have imagined. The technology sector is at the forefront of these trends, growing at 2-3 times the national average for the past 10 years.

Broadly speaking, economics is one of the pillars of our relationship, and our interdependence is deepening. The U.S. welcomes China's integration into the global economy. The Chinese economy is becoming less reliant on low-cost manufacturing exports, instead depending more on the skills and resourcefulness of the Chinese people. These changes are perhaps no more evident than in the technology sector in China.

The dynamism of the U.S.-China economic relationship demands new visions from our leaders and new mechanisms from our governments. Recognizing this, President Bush and President Hu established the Strategic Economic Dialogue a year ago, known as the SED. The SED provides a forum to address the fundamental strategic challenges and opportunities that lie ahead in our bilateral economic relationship.

Treasury Secretary Paulson has said that we are working to establish new habits of cooperation, and I think this is an apt way of describing it. This conference is indicative of this priority.

The SED seeks to set priorities, specify consequences of the choices we face together, and help us work on practical solutions to challenges that arise. Direct engagement is critical to our relations. It helps us avoid misunderstandings, and permits us to work through issues in a timely and professional fashion.

Next month, our leaders will meet in Beijing for the third round of the Strategic Economic Dialogue, and I have the privilege of leading the State Department's delegation. One thing that has emerged from this dialogue is an ever greater recognition of the interest each of our countries has in the continued growth and prosperity of the other.

Let me underscore, though, that the economic relations between our countries are built on the day to day commercial contacts in business and industry. So all of you gathered in this room play a critical role in our ties.

The high technology sector – and, in particular, the Internet – holds the promise of strengthening our ties, and increasing the wellbeing of our citizens. It also presents a historic opportunity to improve the lives of the marginalized and excluded, both in China and the United States.

Yet this opportunity cannot be seized unless the Internet is a place for the free flow of information and ideas, with strong protections for intellectual property.

As you all know, ideas are the currency of the innovation economy. They need to be cultivated and refined in an environment that fosters freedom of expression. And these ideas – whether in the form of music and movies, software, net-based services, or scientific breakthroughs – need strong protections from theft just as traditional goods and services do.

Without intellectual property protections in place, capital will be invested elsewhere. And perhaps more importantly, without these protections, the return on investment our countries make in education, research, development, science, the arts and culture risks being squandered.

Strengthening intellectual property rights is therefore a critical element of ensuring the continued growth and sustainability of the technology sector.

It is in the interest of all parties, including China, that these protections are upheld. China has produced world-class scientists, engineers, artists and writers. The Internet presents an entirely new market for these leaders in the arts and sciences, as well as for the developers of software and web-based products and services.

Strong protections will help leverage these assets, and will ensure that the investment in people that China is making will have a lasting impact on the economic development of the country.

The Internet is as crucial to the continued growth of China's economy as it is to the U.S. and to other nations around the world. It can provide a vital impetus to President Hu's stated desire to continue economic reforms and liberalization. The Internet presents an unprecedented opportunity to tap into the great resourcefulness and entrepreneurship of the Chinese people.

On a global scale, a component of future growth of the Internet is expanding beyond English-language web content. We therefore welcome the development of Chinese-language websites and increased communication on the Internet in Chinese. The Internet is a great purveyor of news and information, a potent catalyst for innovation and commerce. More Chinese language web content will help fuel China's economic growth and development, not to mention that of the Internet.

One of the reasons that the Internet is such a driver of growth and innovation is that it is one of the most efficient ways to exchange ideas, refine concepts, and develop a knowledge-based economy. This, of course, depends on the Internet as being a place of openness.

In the United States and the broader international community, there is concern about controls on access to the Internet in China and elsewhere around the world. This includes the blockage of a range of Internet sites – commercial ones, as well as news outlets, health organizations, foreign governments, and educational institutions.

The international standards are clear on this. Restrictions on content on the Internet in any country should be transparent, subject to the rule of law, and fulfill an internationally-recognized legitimate purpose of the government. Restrictions should not be imposed simply to limit the free expression of political, social or religious views.

The State Department is actively engaged on this issue. At Secretary Rice's direction, the Department has formed a Global Internet Freedom Taskforce. This taskforce, known as GIFT, monitors Internet freedom in countries around the world, responds to challenges to Internet freedom, and works to expand access to the Internet.

The GIFT taskforce has also discussed the broader implications of Internet censorship with technology companies and NGOs. The taskforce is reviewing the complexities involved, including matters of due process, law enforcement requests for information, legitimate censorship and privacy. We are also discussing approaches taken by companies to avoid being complicit in unacceptable practices.

We are deeply engaged on this issue because freedom of expression is a fundamental human right. Freedom of expression is also a foundation for long term economic growth in any country. The 'creative destruction' that is essential to market economies cannot occur without the free flow of information and ideas across borders, and within countries.

We therefore think it is in the interest of people around the world – including in China and the United States – to uphold these freedoms.

Maintaining the Internet as a place of the free flow of information, while also ensuring intellectual property protections, will enable both our countries, and countries around the world to realize the full economic potential that the Internet holds.

In conclusion, the United States and China have significant economic ties, ties that are dynamic and have the potential to enhance economic opportunities for the Chinese people and the American people.

The industry you represent – the high technology sector, and the Internet in particular – is one of notable importance to the future of this relationship.

As we gather to discuss these issues today, let us keep in mind that what we have before us is a historic opportunity. The Internet has a proven record of enabling economic growth, expanding opportunity, and helping market economies become more efficient.

To be sure, challenges exist that could undermine this potential. Working together, however, we can overcome these challenges and lay a foundation for cooperation based on freedom, rule of law, and strong protections for the work you do.

Thank you for listening.

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