



Remarks of Premier Wen Jiabao
at a dinner in his honor hosted by the
National Committee on U.S. – China Relations
and the
US-China Business Council
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(The official text – from the Xinhua News Agency – of the speech Premier Wen Jiabao gave in New York on September 22 is reproduced below. It has been supplemented by spontaneous remarks the Premier made at the beginning of the speech and in various other sections; these were translated from the Chinese audio tape and appear in italics. The Premier's response to an audience question, transcribed from the English audio tape, appears at the end.)

Honorable Secretary Gary Locke, Dr. Kissinger, Chair Hills, Chairman Kent, ladies, gentlemen and friends:

Actually, I have been anxious to come to the podium and speak. I suggested that it was time for me to take the stage because I know that everyone here tonight has shown keen interest and anticipation, and has come mainly to hear my speech. [Laughter and applause]

I prepared a speech, a rather fine speech I should add. [Laughter] But in my opinion, no prepared speech can match speaking to everyone from the heart. This is because speaking from the heart is more sincere and genuine. I hope this pleasant evening will bring hope and happiness to everyone.

A moment ago, Dr. Kissinger introduced me. Such a renowned senior statesman as Dr. Kissinger does not need another introduction, but I still would like to say a few words about him. In 1971, he secretly visited China. At the time, in the eyes of the world, he became a person of mystery. His fame didn't come immediately after his visit, but came several years later, after China and the United States established formal diplomatic relations. From this perspective, he has been a trailblazer for Sino-American relations and we must thank him! [Applause]

He said that when he [first] visited China, the volume of trade between China and the United States, was much lower than that between the United States and Honduras. But according to my understanding, China at that time did not even have accurate statistical records of its foreign trade. I was told the volume of trade was somewhere between only 100 and 200 million U.S. dollars. When China and the United States established diplomatic ties in 1979, the volume of bilateral trade was \$2.5 billion. Then he said something philosophical: when the volume of Sino-American trade was only \$100 million or \$2.5 billion, there was no talk of conflicts and disputes; both [sides] spoke nicely to each other. Nowadays, however, with the Sino-American

trade volume having grown to \$350 billions, we still speak nicely to each other, but have many doubts in our hearts. Nevertheless, I think I should concur with his point: this is a problem of rapid progress. If there had not been the development of trade between the two countries, there would not be conflicts or disputes over trade today.

I am a person of ideals, and an optimistic person. I fully believe that all existing trade problems and disputes between China and the United States will be readily resolved. Upon solving these problems, Sino-American relations will advance further and to a higher level. This is the reality and future of Sino-American relations. I want to tell everyone that the future of the relationship between China and the United States is bright. This is because, as many have said, the common interests shared by the two countries are far greater than the differences. Back when we established diplomatic relations, we could not speak of the relationship at such a high level. But now we can certainly say that Sino-American relations concern not only the interests of the peoples in our two countries, but have exceeded the bounds of the two countries and influence the entire world. Viewed from this perspective, we have no reason at all to allow Sino-American relations to retreat, but have tens of thousands of reasons for Sino-American relations to keep moving forward! [Applause]

I often look back to history. These two nations are completely different. One is the young, vibrant and energetic America that is still growing. I fully believe that the United States can overcome the current financial crisis, because it is not only endowed with a strong material foundation, but also possesses deep scientific strength and a wealth of management experience, particularly the competitive advantage it enjoys in human capital. This means that the current difficulties will be temporary. The future of America will indeed be prosperous and progressive.

China is a country with a history of 5,000 years. I often say that China is a country that is both ancient and new. It is ancient because it has 5,000 years of history and civilization. It is new because it is undergoing unceasing reform and renewing itself through development. Viewed in this light, China also has a bright future. Its future lies in its continued commitment to reform, innovation, tolerance and openness. When these two countries come together I believe that in the face of difficulties, they should work hand-in-hand to advance together in the same boat.

Over dinner, I asked how many American Flying Tigers from World War II are still living today. When President Pro Tempore of the U.S. Senate, Ted Stevens, recently passed away, I felt very sad. I knew him and think he was a very great human being. He was a member of the Flying Tigers. They tell me that there are now a few surviving members. They are living symbols of Sino-American friendship. In the war of resistance against fascist invasion, we fought together as allies. This morning, I attended a discussion with the editors of overseas Chinese and Chinese-American media organizations. They told me, that according to their history research, there were some 50 Chinese who fought in the American Civil War. I believe this bit of history because there were many Chinese who fought in the South American wars of independence.

I cannot help but think about the great railroads of the American West. They were built by 300,000 Chinese workers. Those railroads may still exist. According to historical records, there is on average one Chinese worker buried for every mile of railroad. People call them the "silent spikes," as in the spikes that hold the rail to the ties on the railroad. This is to say that the

United States is a country of immigrants and the Chinese people have made contributions to the development of the United States.

Today is China's traditional Mid-Autumn Festival. There is a poem that says: "Over the sea the bright moon rises; a world apart we share this moment." I know when the bright moon rises in China today, it is morning in New York. I haven't gone out to see if there too is a bright moon in the sky above New York.

I want to express my gratitude to the National Committee on United States-China Relations, the US-China Business Council, and other friendly organizations for their thoughtful arrangements, which have given me the opportunity, on this evening filled flowers under the full moon, to be in the company of new and old friends.

When I entered the banquet hall, the two chairs of the host committees told me it is unusual for banquet guests to come to an event so early and in such complete attendance. It shows that everyone's interest in the program extends beyond me and reflects the special attention you all give to Sino-American relations. I would hereby like to thank you, my friends, for it is you who have made such unremitting efforts over many years to advance Sino-American relations and to enhance the friendship between the peoples of the two countries!

How time flies and the first 10 years of the 21st century will soon be over. The past 10 years are 10 years in which China-US relations have been steadily elevated and continuously deepened, are 10 years in which the two countries have helped each other like people on the same storm-tossed boat and have jointly overcome current difficulties, and are also 10 years in which the two sides have carried out pragmatic, mutually beneficial and win-win cooperation. In the past 10 years, I have been in the United States three times. *And all three times, I attended grand receptions the two organizations arranged for me. I've felt deeply the friendly affection of America and Americans toward China and the Chinese people.* Each visit has deepened my understanding of the United States and the American people and each visit has also caused me to think more about China-US relations.

In the past 10 years, great changes have taken place in the international situation, but no abrupt rise and fall have appeared in China-US relations and a momentum of steady development has been maintained. *To say that there has been no disturbance in the relationship – well, there have been some. Last year, former President Bush attended the Boao Forum in China. He and I recalled that at the beginning of this century, our two countries had a plane collision incident. The location of the Boao Forum happened to be at the very place of the plane incident. The two of us talked about this irony and treated the incident as an episode of history. We all used our wisdom to solve this difficult problem; not only were Sino-American relations unaffected, but they have progressed further since then.*

Since President Obama's inauguration, President Hu Jintao and President Barack Obama have met on many occasions, the two sides have issued a "Sino-US Joint Statement" and the two sides have jointly decided to build positive, cooperative and comprehensive China-US relations and partnership to respond to common challenges in the 21st century, which has pointed out clearly the direction for the development of China-US relations in the new period. Being now in New

York, a city that has experienced vicissitudes to the full and which is full of vitality, my thoughts have returned to the difficult moment at the beginning of the international financial crisis. The bankruptcy of the Lehman Brothers and the American International Group being bogged down in the financial crisis caused the international financial market to be overcast with dark clouds at once. In the face to the serious impact of the international financial crisis, China took a highly responsible attitude. Under the situation of the drastic shrinkage of external demand and the obvious decline in the economic growth rate, China strengthened coordination of the macroeconomic policy with the United States, jointly promoted positive achievements at the financial summit of the G-20 and made important contribution to pushing forward the economic recovery of the two countries and the world. We also carried out highly fruitful cooperation on a series of important regional and global hotspot issues. I clearly remember that in December last year, when the Copenhagen Climate Change Conference reached an impasse, China and the United States closely cooperated and worked together with other countries concerned to finally reach the "Copenhagen Agreement," thus pushing forward the international progress in responding to climate change. *The U.S. media may have been reported this or that, however, both President Obama and I understand in our hearts, that through working diligently hand in hand – and indeed he barged into my meeting with the four BASIC countries – that from this we were able to resolve a series of difficult problems. This episode is now part of history, but the effect it had on the achievement of the Copenhagen accord cannot be erased.* In April this year, President Hu Jintao headed a delegation to attend the Nuclear Security Summit in Washington and played an important role in pushing forward international nuclear security cooperation. We shall not forget the selfless assistance for the Chinese people provided by the US Government and its people after China was hard-hit by the extraordinarily serious natural calamities of the Wenchuan and Yushu earthquakes.

In the past 10 years, trade and economic relations between the two countries have developed rapidly. The two countries are the second biggest trade partners to each other, bilateral trade volume increased from \$80.5 billion in 2001 to \$298.3 billion in 2009 and the US export to China increased by 2.6 times. The accumulated total of the actual input of US direct investment in China has exceeded \$60 billion. Cooperation between the two sides in energy, environment, science, technology, education, humanities and other areas has constantly been deepened.

There is no need for reticence and China-US relations have not been always plain sailing either. However, what is gratifying is that dialogue and cooperation have always been the mainstream of the relations between the two countries, the common interests of the two sides have always been bigger than their differences and the voice demanding friendship between the two countries has always been louder than the noises of disharmony. Facts have fully proved that China and the United States are not opponents in competition, but are partners in cooperation. Cooperation benefits both countries while contention hurts both; mutual trust brings progress while suspicion causes setbacks. On the road to progress, our two countries can stand together regardless of the situation and move forward together hand in hand. This is my wish and is my faith. It is also the conclusion drawn from reviewing the history of China-US relations in the past 10 years.

Ladies and gentlemen,

With the rapid development of China's economy, the scale of China's economy and trade has also expanded continuously. The concern of the international community over China has increased and its doubts and worries have also increased. Recently, some people said: The scale of China's export has exceeded Germany, its foreign exchange reserves rank the first in the world and its GDP will soon overtake Japan. Is China still a developing country? Other people said: China's environment for foreign investment is deteriorating. Has China changed its policy of reform and opening up? Some people also said: China has become strong and tough. Does it still persistently take the road of peaceful development? President Woodrow Wilson once said, "Understanding is absolutely the soil for nurturing the fruit of friendly feeling." Here, I would like to tell you with facts that China's basic national conditions of being a developing country have not changed, its basic national policy of reform and opening up has not changed and its policy of persistently making peaceful development has not changed.

I. The basic fact that China remains to be a developing country has not changed. Thanks to the construction carried out in the past 61 years, especially in the past 32 years of reform and opening up, earthshaking changes have taken place in the appearance of China. From 1978 to 2009, the average annual growth of China's GDP was 9.9 per cent, the growth of the per capita GDP was over 12 times and its economic aggregate jumped to the third place of the world; the total import and export volume increased from \$20.6 billion to \$2.2 trillion, jumping to the second place of the world; transportation, telecommunication and other infrastructure become more and more adequate, the level of industrial development was raised by a big margin, the output of many major industrial and agricultural products remained firmly at the forefront of the world, and the output of grains, meat, cotton, steel, coal, cement and television sets continuously remained to be the greatest of the world; education, science, technology, culture, healthcare and other social undertakings developed vigorously; the number of poverty-stricken people in the rural areas was reduced by 214 million people and the impoverishment rate was reduced from 30.7 per cent to 3.8 per cent. China has mainly depended on its own efforts to realize a historical leap forward in the people's livelihood from having insufficient food and clothing to living a well-off life on the whole. This is the most magnificent and brilliant chapter in the history of human development and is China's important contribution to global development!

Nevertheless, China is still a developing country. China's per capita GDP is only \$3,743, about one-thirteenth of the United States and one-eleventh of Japan, ranking behind the 100th place of the world. *I'll repeat something I have said previously in the United States, which has since been widely retold: that is, no matter how big the aggregate size of our economy, when divided by 1.3 billion, it becomes very, very small; conversely, no matter how small a problem is, when multiplied by 1.3 billion, it become very, very big. This is the reality of China.* The gap between the urban areas and the rural areas and between different regions in China is still expanding. At present, over 700 million people are still living in the rural areas. Their per capita annual net income is about \$750 and their per capita annual consumption expenditure is less than \$600. According to China's own standard, we still have tens of millions of people living under the poverty line and according to the UN standard, we still have about 150 million poverty-stricken people. In some remote mountain villagers in China, where the natural conditions are poor and the environment for subsistence is harsh, people have not been able to use electricity up to the present and they still have not overcome the difficulty of getting drinking water for people and domestic animals. In Gansu Province, where I worked over a long time in the past, the people of

many villages depend on building water cisterns to collect rainwater for people and domestic animals. Because of dry weather and few rains in some places, the cisterns there have not been filled with water to the top for many years and the people have to get water from other places several li [1 li = half a km] or even several dozen li away. This is not uncommon in the Northwest and Southwest of China. *Former U.S. Secretary of Treasury Paulson has been to China dozens of times, but I respectfully suggested that he visit China's Northwest to take a look. He followed my advice and went to China's Qinghai and Shaanxi Provinces. In Shaanxi, he met two blind friends. He deeply felt the difficulties of their lives, and used his own resources to help them. As a matter of fact, I asked him to go to China's Northwest, because I wanted him to have a more complete and real sense of China.*

China has a working-age population of nearly 800 million, which is equal to the total workforce resources of all the developed countries, and has always been faced with a tremendous employment pressure. *I know President Obama worries a great deal about America's employment problem. It is indeed a big problem. But I told him, "The pressure on me to create jobs is much bigger than pressure on you"! There will be 150 million rural residents moving to cities in search of jobs. In the cities, there are already a staggering 24 million people among the long-term unemployed. Each year, another 24 million will enter the workforce. Among these, each year, are 6 to 7 million college graduates. And there are veterans discharged from the military. They all need to be assigned jobs. I said that the pressure of the unemployment problem in the United States, when compared to that of China, is like the little witch who meets the big witch [a Chinese idiomatic expression meant to convey how size is a relative concept].*

A social security system has basically been established in China in recent years, but the level of old-age insurance in the urban areas is relatively low and that in the rural areas has just started. *This is to say that there are social security experiments in only 23% of rural areas.* The overall science, technology and education level in China is still not high and the 9-year compulsory education has just been popularized. The level of the development of the productive forces in China is quite uneven. China has the relatively developed aerospace industry and large-scale medium-and low-level ordinary industries. China also has primitive agriculture, animal husbandry and handicraft. *Perhaps in the United States, one can no longer find two-oxen pulling a plow, but that still exists in China.* Besides, its per capita possession of resources is low, its per capita farmland and fresh water areas are respectively only about 40 per cent and one-third of the average level of the world, and further development is still restrained by resources, energy, the environment and other bottlenecks. In short, the contradictions and problems we have encountered in the process of development are rare in the world today no matter in terms of scale or the difficulty to resolve. There is still a very long way to go before China can realize modernization. *As we often say, it will take several generations over several decades to accomplish.*

II. China's adherence to the basic national policy of reform and opening up has not changed and will never change. China has become a country with a comprehensively open market economy. With the reform and opening up in the past 30 years and more, we have successfully realized a historic change from the highly concentrated planned economy system to a socialist market economy system full of vitality and from a sealed-up or semi-sealed up state to a state of opening up to the outside world in all directions, broken through the ideological shackles that restrain the

people, extremely aroused the enthusiasm and creativeness of hundreds of millions of people, and effectively pushed forward the great liberation and development of the productive forces. China's development and progress have been benefited by reform and opening up and China still has to depend on reform and opening up to realize its goals in democracy, civilization, harmony and modernization. Within a short span of several decades, China has traversed a historical course which has taken two to three hundred years for some developed countries to finish. We shall also encounter all the contradictions and problems which the developed countries have encountered in the process of industrialization, urbanization, marketization and internationalization. Besides, such contradictions and problems will even be more concentrated and more acute. We have to depend on reform and opening up to resolve them. Unswervingly pushing forward reform and opening up has a bearing on the rise or decline of the Chinese nation and the destiny of the country and we shall not waver in the least.

Perhaps everyone is getting a little bit impatient, because you want me to address some of the hotspot issues that everyone is concerned about.

The first is about the favorable balance in China-US trade. I shall tell you three facts: First, China has never sought a favorable trade balance. China began to have a sustained favorable trade balance only in 1994 and the favorable trade balance of most years accounted for 3 per cent or less of the GDP and after 2005, the favorable trade balance increased. *Here let me add something. Those familiar with American history might know that the United States had a trade surplus from the 1870s to the 1970s for about 100 years. After 2005, our surplus grew more rapidly.* We started long ago to resolve this issue through expanding domestic demand and increasing import. Since the outbreak of the international financial crisis in particular, the strength of China's policy to expand domestic demand has been unprecedented. In 2009, China's favorable trade balance was 34 per cent less than the previous year. The favorable trade balance in the first half of this year was again 42.5 per cent less than the same period last year and the percentage in the GDP it accounted for decreased to 2.2 per cent, an internationally recognized rational level. China's processing trade has a favorable trade balance, its general trade has a trade deficit; its goods trade has a favorable trade balance, but its service trade has a trade deficit. In the past 10 years, China's favorable trade balance has mainly come from the processing trade and foreign-funded enterprises. Foreign-funded enterprises, including those of the United States, are major beneficiaries of China's export. *Perhaps our friends seated here might not be aware of this fact – there are about 57,000 American enterprises in China, but among them there are 22,000 export-oriented enterprises.* I read a widely circulated research report from three years ago by three researchers at the University of California. They analyzed the value-added structure of i-Pod players. The retail price of an i-Pod player with 451 parts in the United States was \$299 and the US local enterprises, including the Apple Inc., and their workers obtained the greatest portion of the added value of \$163, the distributors and retailers obtained \$75, and the parts manufacturers \$8; the added value obtained in Japan was \$26; and China only got \$4 of processing fee. However, each i-Pod player exported to the United States increased China's favorable trade balance in its trade with the United States by \$150. China's export has caused China and the world to obtain win-win results, enabling China to increase employment, transnational companies to obtain profits and the people of the importing country to enjoy consumer goods with high quality and at a low price. *Ladies and gentlemen, you may have read the book about what happens if [an American lived] for three days without made-in-China*

goods. This book realistically recounts the personal experience of an American woman. This is to say that inexpensive Chinese goods have reduced the effect of inflation on American families of ordinary income.

Second, the high unemployment rate in the United States is not caused by China's favorable trade balance. The overwhelming majority of China's export products are labour-intensive and low value-added consumers goods. As far as the United States is concerned, the production of many of these products was stopped long ago. Even if it does not import them from China, it will import them from other countries and it will never start producing such goods all over again in the United States to increase employment. Therefore, to change the imbalanced state in China-US trade, it is necessary for China and the United States to make joint efforts and it is all the more necessary to consider the issue of trade balance from the global and multilateral angle. China will continue to increase import from the United States and the United States should also recognize China's market economy status, relax control over export to China and really promote free trade. Third, the interests of China and the United States are not only in goods trade, but also in two-way investment, service trade and other areas of economic cooperation. At present, the United States has an accumulated total of nearly 60,000 investment projects in China. In 2008, the sale volume of US enterprises in China was \$146.7 billion, their export volume was \$72.2 billion and their total profits were nearly \$8 billion. As we all know, China is one of the biggest holders of US treasury bonds and the number of enterprises invested and run by China in the United States also tends to increase rapidly.

The second is about the issue of the Renminbi exchange rate. The Renminbi exchange rate is an economic issue and it should not be politicized. Some people have linked the Renminbi exchange rate with China's favorable trade balance, saying that China has forced down the Renminbi exchange rate to get an advantage in competition. As a matter of fact, there is no necessary connection between the exchange rate and the favorable trade balance. From the 1870's to the 1970's, the United States maintained a favorable trade balance for more than 90 years. Later, it was changed into a trade deficit, which became bigger and bigger. Such a change was evidently not caused by the exchange rate. At present, China has a favorable trade balance against the United States and Europe, but a trade deficit against Japan and the ROK.

It can thus be seen that the trade imbalance between the two countries cannot, to a very great extent, be explained by the level of the Renminbi exchange rate. China has always taken a highly responsible attitude towards the issue of the Renminbi exchange rate. We should look at the changes in the Renminbi exchange rate from a historical angle. According to the exchange rate calculations published by the Bank for International Settlement, from January 1994 to July this year, the actual and effective rate of revaluation of the Renminbi has risen drastically by 55.2 per cent, while all the major currencies obviously devalued and the US dollar, the Euro and the Yen respectively devalued by 2.5 per cent, 3.8 per cent and 19.5 per cent. Since the outbreak of the current international financial crisis, the currencies of many countries have been devalued by a big margin, but China has maintained the basic stability of the Renminbi exchange rate at a reasonable and balanced level, thus making a tremendous contribution to stabilizing the international economic and financial situation and to promoting the recovery of the world economy. On 19 June this year, China further pushed forward the reform of the Renminbi exchange rate formation mechanism, persistently took market supply as the basis, made

readjustment in reference to a basket of currencies and increased the elasticity of the Renminbi exchange rate. This was the positive efforts made by China under very difficult conditions it was still faced with. There is no basis for the Renminbi to revalue by a big margin.

In fact, I can tell you the real situation. Many of China's exporting enterprises have an average profit margin of 2 to 3 per cent. The highest is 5 per cent. If as some American congressmen have demanded, the Renminbi were to appreciate by 20 to 40 per cent, there would be countless Chinese enterprises going bankrupt and countless Chinese workers becoming unemployed. Vast numbers of peasant workers would have to return to the countryside from the cities. China's society would face new unrest. One who is not the Premier of China does not carry such burden. This is the reality. The exchange rate reform conforms with the long-term and fundamental interests of China and we shall continue to push it forward. Besides, we shall also actively and effectively carry out structural reform, strive to expand domestic demand, especially the residents' consumption demand, and promote balanced international payments.

The third is about China's investment environment. What I wish to emphasize here is that China's investment environment has indeed changed and it has become more standard, more transparent and more favorable for enterprises with a strategic vision to make investment and develop their business. By the end of July this year, foreign funds actually used by China had broken through \$1 trillion, ranking the first among the developing countries for 18 years running. Foreign-funded enterprises have become an important part of China's economy. The advanced technology and management experience brought by them have deeply influenced various economic and social strata in China and speeded up the progress of China's participation in economic globalization. The open market of China has obviously benefited foreign-funded enterprises. Even when the impact of the international financial crisis was at its worst, foreign-funded enterprises still operated well in China and many enterprises became a bright growth point and a profit centre in the global business of their parent companies. At the beginning of this year, an "Investigation Report on the Commercial Environment for US Enterprises in China in 2010" published by the American Chamber of Commerce in China indicated that in 2009, 71 per cent of US enterprises in China made a profit and 91 per cent of enterprises were optimistic about the prospects of the development in the coming five years. Of course, China will not be contented with the achievements. We shall continue to improve foreign-related economic laws, regulations and policies, observe the WTO rules and provide a stable, transparent and foreseeable investment environment. *Here I want to answer a question American enterprises care about.* All enterprises registered according to the law in China, *including all American enterprises in China*, are entitled to national treatment and on the confirmation of independently innovated new products, government procurement and the protection of intellectual property rights, they are treated equally. We sincerely welcome US enterprises to actively participate in the process of reform and opening up of China and share China's opportunities and achievements in prosperity and progress.

III. China's basic policy of persistently taking the road of peaceful development will remain unchanged over a long time to come. The Chinese nation is the most peace-loving nation of the world and it has the tradition of regarding peace as the most valuable thing since ancient times. Our love for peace has been passed on from generation to generation and it has been thoroughly blended with our blood. China's development and progress have been benefited by the peaceful

international environment and to realize new development, China still needs a peaceful international environment. China is always a staunch force for maintaining world peace, faithfully performs its due international responsibilities and obligations and promotes world peace and development with its own development. In recent years, no matter in promoting the solution to regional hotspot issues, pushing forward regional and international cooperation or participating in UN peacekeeping activities, China has played an increasingly more important role. China has persistently pursued the peripheral foreign policy of "good-neighborly relationship and partnership with its neighbors," constantly strengthened good-neighborly and friendly relations and pragmatic cooperation with neighboring countries and called for peacefully resolving differences through dialogue and consultation. China has always provided help for the large number of developing countries within its power. Just several hours ago, I attended the High-Level Meeting on the UN Millennium Development Goals and announced a series of new measures taken by China to push forward the realization of the Millennium Development Goals, *including giving Pakistan 200 million U.S. dollars in aid on top of the 320 million Renminbi we already gave them and the medical teams we sent.*

I can responsibly tell you that "a strong country is bound to seek hegemony" goes against the Chinese traditional culture and departs from the global trend of development and it will never be the choice of China. China will not threaten anyone and will not harm the interests of anyone. China is sincerely ready to be a good friend and a good partner of various country and hopes to work to gather with other countries to jointly build a harmonious world with lasting peace and common prosperity.

Ladies and gentlemen,

China and the United States are the biggest developing country and the biggest developed country of the world today and the importance of the relations between our two countries has far exceeded the bilateral scope and is of global significance. Under the new situation at present, the common interests of China and the United States have closely blended together, the mutual needs of the two countries have increased with each passing day, and friendly exchanges between the people of the two countries have constantly been deepened. For the sake of the loft cause of world peace and development and for the sake of the long-term interests of the people of the two countries, we are duty-bound to ensure China-US relations in the new period will always develop along the track of positive, cooperative and comprehensive cooperation. Because of this, we must continue to make unremitting efforts in the following aspects:

Enhance strategic mutual trust. Trust is the basis for friendship and cooperation. Trust is a seed and it will strike roots, germinate, bear flowers, bear fruits, propagate and finally bring the luxuriant growth of leaves and branches. The deeper mutual trust is, the greater will the space for cooperation be. Both sides should always take a positive attitude in looking at the other side, make positive moves to push forward dialogue and cooperation in various areas and firmly grasp the correct direction for the development of the relations between the two countries. At present, it is necessary to maintain the momentum of high-level exchanges and comprehensively promote dialogue, exchanges and cooperation in politics, economy, military, science, technology and other areas.

Respect each other's interests. It is impossible for China and the United States to agree on all issues and we can only seek common ground while reserving differences. When differences occur, what is important is to properly handle them. So long as both sides abide by the principles put forward by the three Sino-US Joint Communiqués and the "Sino-US Joint Statement" and earnestly respect each other's core interests and important concerns, we shall be able to eliminate all kinds of interferences and obstacles and push forward the healthy and steady development of China-US relations. China unshakably safeguards its own sovereignty, security and development interests. On the Taiwan issue, issues relating to Tibet and other issues that have a bearing on China's sovereignty and territorial integrity and involve China's core interests, the Chinese people will never make any compromise. In recent years, the two sides of Taiwan Strait have interacted very well. This situation is not easy to come by and we should treasure it all the more. China hopes the United States will abide by commitments concerned, prudently and properly handle the Taiwan issue and take actions to support the peaceful development of the two sides of the Strait.

Strengthen mutually beneficial cooperation. The reason why we develop China-US relations is precisely to benefit the people of the two countries. We should, in accordance with the principles of mutually beneficial win-win cooperation, strengthen cooperation in trade, economy, science, technology, education, agriculture, food safety, antiterrorism, nonproliferation, law-enforcement and other areas and open up new areas of cooperation such as the construction of infrastructure, aerospace and other areas so that the people of the two countries will be benefited by the fruits of China-US cooperation. Only in this way will it be possible for China-US relations to win the support of the people of the two countries and to continuously develop.

Expand people-to-people exchanges. By expanding people-to-people exchanges, a bridge of understanding and friendship can be built between China and the United States. We should continue to promote various forms of exchange activities between the local governments and the personalities of the industrial, commercial, cultural, education, think tanks, media and other circles of the two countries and enhance understanding between the people of the two countries so that more people will become active supporters of the development of China-US relations. China and the United States should strengthen exchanges between the young people of the two countries and lay a solid foundation for long-term friendship between China and the United States. We also welcome more American friends to come to China for visit, sightseeing and exchanges with the Chinese people so as to understand China more comprehensively.

Let me tell you a joke. When I heard that many US congressmen have never been to China, I specifically suggested that the Chinese Embassy ought to give them special visas, allowing them to travel to China in order to help them better understand China.

Ladies and gentlemen,

The worthy predecessor of your country Benjamin Franklin once said, "Energy and persistence conquer all things." So long as we have the undaunted spirit and unflinching will, no difficulty or danger can obstruct the current of the development of China-US relations. Let's join hands to remove all kinds of difficulties and interferences on the road to progress and create a bright future of China-US relations in the new period.

Thank you. [Applause]

[Q & A session following the speech. Transcribed the audio tapes.]

Carla Hills: Mr. Premier, I think you can tell from that warm applause, the enormous appreciation in this room for that very comprehensive and thorough and, I think, optimistic talk. You covered about any subject that we could raise, but we do have one question, just one. And that's come from the audience and it is: Currently what do you see as the greatest risk for China's continued economic and social development?

Wen Jiabao: As long as all of you have enough patience and perseverance, I would like leave all the remaining time before 11am to all of you. [Laughter] Madam Chair posed a very important question. The biggest challenge in China's economy, I believe, is the lack of balance, coordination, and sustainability. We still have serious development disparities between the urban and rural areas of China. We have structural dis-coordination in terms of the structure of consumption and investment, the structure of domestic demand and external demand, and the structure of China's primary section, secondary section and tertiary industries. In terms of lack of sustainability, the constraints from population, resources and the environment on China's economic and social development are getting more and more serious.

Our people deserve blue sky and clear water; our future generation needs to have a good foundation for long term development. We must not pursue immediate development at the cost of our prospects for future development; we should bear the interests of our children and grandchildren in mind.

That is also why we have given strategic position to our energy conservation, environmental protection, developing a green economy, and reducing emission. These are all tasks high on our agenda. We are now formulating China's 12th Five Year Plan. And one of the basic objectives in that 12th Five Year Plan is to continue to transform the economic development pattern, and adjust China's economic structure.

I recall that in my first meeting with the Secretary of the Treasury Robert Rubin, I told him the biggest challenge in China's economic development was the lack of balance, coordination and sustainability. And I also remember very clearly what he said in response to me – he said these are all structural problems. These are problems that all countries will invariably run into in the course of its development. And it's no exception for the United States. But to repeat the old path of industrialization is no longer a choice, which means we must pursue sustainable development. Thank you all. [Applause]

Wen Jiabao: Ask another one! [Laughter]

Hills: We have taken so much of your time, and we know you have early meetings in the morning, so we are going to limit the question to just one. And you handled it so well with your remarks on the economy, social development, the future of China, U.S-China relations, that we will all leave this place a lot more knowledgeable than we came in. So we thank you from the bottom of our hearts.