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I am delighted to be in Shanghai to commemorate the 40th anniversary of the Shanghai Communiqué and to offer a few reflections on the state of U.S.-China relations.

Shanghai has always been a special place for me. My wife’s family has roots here, and it is the first Chinese city I explored on my first trip to China in 1988. I have returned many times since that initial visit. And each time I have had to adjust my mental image of Shanghai – from memories of when bicycles dominated the roads to the sights today of a frenetic flow of cars and commerce.

Shanghai is no longer the dimly-lit city with a low skyline that President Nixon surveyed from his hotel a few blocks down the road 40 years ago. And China is not the same country he encountered on his historic visit and the one that I saw in 1988.

The Chinese people, through their hard work and determination, have achieved unprecedented economic growth that has lifted hundreds of millions of people out of poverty. They, along with China’s leaders, deserve enormous credit for this success – a success we all applaud and from which we all benefit.

I would like to state unequivocally that the United States welcomes this transformation. China’s economic ascent is good for the people of China, it’s good for the people of the United States, it’s good for the global economy, and it’s critical to creating jobs in America.

To put this in tangible terms, in 1972 annual bilateral trade was less than $100 million, the United States’ top export to China was cereal, and China’s top export to the U.S. was animal parts. Two-way investment in each other’s markets was close to zero. Only a handful of American jobs relied on trade with China.

Now, more than a billion dollars of goods and services flow between our two countries every day. Electronics have replaced cereal as our leading export to China, and machinery and equipment have taken the place of animal parts as China’s top export items to the United States. 800,000 American jobs depend on producing goods and services sold to China. And an even larger number of Chinese jobs are anchored by trade with the United States. Today, the U.S. is China’s second-largest export market. China is America’s largest export destination outside of North America. Annual U.S. exports to China exceeded $100 billion for the first time in 2010 – a 23-
percent increase over 2009 – continuing a trend of exponential growth over the past decade. People in both our countries are benefiting from this deepening economic integration.

Measured against the past and where the relationship has been, our two sides have made enormous progress. Measured against the future and our potential, there is much more progress still to achieve.

From where I stand, I believe our bilateral relationship is entering a new phase. During the 1970s and 1980s, it was a relationship mainly defined by balancing a common foe, with President Nixon coming in large part to enlist China’s support in countering the Soviet Union. President Carter shared in that motivation when he normalized relations seven years later. As time passed and the threat of a common foe receded, our joint efforts turned to fully integrate China into the community of nations. China now has a seat at the table and a role in virtually every institution of importance in the world today.

Our shared endeavors in these arenas have benefited both of our countries, and they have propelled the relationship forward. To deepen the relationship over the next 40 years, though, I believe we need to turn our focus toward strengthening bilateral collaboration – at all levels – to produce tangible benefits for the people in both our countries – jobs, prosperity, and security.

Rhetoric alone will not sustain growth in this relationship. Only shared actions that deliver results for the benefit of our people will.

President Obama shares this belief, which is why he has consistently stressed the need to ensure that our economic partnership makes it possible for more people in both countries to work, trade, invest, create, and prosper.

We believe this requires fairness in both policy and practice. By fairness, I mean guaranteeing a level playing field for healthy competition between U.S. and Chinese firms. Fairness also means ending discrimination against U.S. companies; ending unfair trade preferences for domestic firms; ending what we see as unfair, distorting currency practices; improving protections of intellectual property; and establishing a more open investment climate.

The United States is responding to Chinese concerns about American economic practices – for example on inbound investment and export control restrictions on high-technology goods – so that together we can find ways to further unlock the economic potential of our two countries.

Inbound Chinese investment into the U.S. is vital to economic growth, job creation, and productivity. We welcome such investment but many Chinese firms say they are reluctant to invest in the United States for fear their investments will be blocked by the U.S. government and that all Chinese investment in the U.S. requires U.S. government approval.

But perception is reality and so the U.S. government is moving beyond just saying that the U.S. is open to Chinese investment to active promotion.
President Obama recently announced SelectUSA, a government-wide initiative to promote foreign investment in the United States, including from China. This is a program I launched as Commerce Secretary. Our Foreign Commercial Service now regularly organizes investment fairs and conferences targeted at attracting Chinese investment. And our Embassy has commissioned a short video in Chinese to (1) dispel the false myths about investing in the U.S., (2) highlight the many Chinese companies that have successfully invested in the U.S., and (3) list the ingredients for successful investment. It will be ready in a month and we will be showing it all over China. The reality is that only a small fraction of all foreign investment in the U.S. from all over the world is reviewed by the U.S. government and very few of these cases involved Chinese companies.

My Chinese counterparts often tell me that the US deficit would be narrowed substantially if only the US would relax export controls. And I tell them, we are in the midst of a major reform and simplification that will enable more hi-tech goods to be exported to China.

To move beyond our talking points, China took a helpful step by providing a list of 141 hi-tech items that it wants to purchase from the United States. As a result of our work together, the United States has indicated that 46 of these technologies can be readily exported to China, and some may not need a license at all.

We need additional detail from China on the remaining requested items, so that we can determine whether and under what conditions they can be exported. In the meantime, we are going a step further, also to move beyond rhetoric. In May, we are bringing a delegation of U.S. companies to Shanghai focusing on high-tech goods, including items on the list, to meet with Chinese companies interested in purchasing these high-tech goods.

Finally, I also know that the issue of visas matters deeply to the Chinese people and to the Chinese business community, especially complaints about endless waits for visas.

But again to move beyond diplomatic talking points we have made a variety of immediate changes that are already bearing results.

Speeding up visa processing has been a top priority for me. I’ve been here in China now for 7 months. In the last 5 months, the average wait time for an appointment for an interview to apply for a visa has been less than 6 days compared to 22 days during the same 5 months last year and 13 days 2 years ago. All this despite more than a 70% increase in applications and almost no new staff over the last two years.

And it’s going to be even more convenient to renew a visa. Under a new initiative we announced in late January, certain visa applicants who were interviewed for a prior visa are eligible to renew their visas without another interview.

Previously, if a person had a visa that expired less than a year ago, another interview was not required. Under the new procedures, an interview is not required if the prior visa expired less than a 4 years ago. One can instead drop off the application at any Citic bank.
On the security front, as China becomes stronger, its stake in the preservation of global peace and prosperity from which we both benefit will naturally rise. The United States looks to partner more fully with China on security issues, for example by working together to halt nuclear proliferation, bring Iran into compliance with its international obligations, denuclearize the Korean Peninsula, and promote peaceful development in Syria, Afghanistan and Sudan. Doing so will advance our shared goal of fostering global stability, which in turn will enable trade to flourish. As two of the world’s largest trading countries, we have a direct interest in expanding efforts to work together for this outcome.

We all know that China’s ascent has sparked debates over whether China’s progress threatens U.S. global leadership, or whether the United States is working to constrain China’s rise. These debates ignore reality and distract from what should be our overriding shared objective: producing benefits for the people in both countries. We must not allow such debates to divide our two countries or disrupt deepening habits of cooperation.

Let me be clear, the United States does not fear China’s growth; it sees China’s growth as an opportunity.

While some of my Chinese friends have cast America’s deepening engagement in the Asia-Pacific in competitive terms, President Obama does not subscribe to such a view. America’s growing participation in a full range of economic, humanitarian, educational, scientific and security-related endeavors throughout the Asia-Pacific is in response to a strong desire from many countries in the region for the United States to become more involved. Over time America’s strong and deepening engagement in the Asia-Pacific region will open up new avenues for U.S.-China cooperation; reduce regional anxieties about China’s rise; and give other countries the confidence they need to deepen their relations with China.

The United States recognizes that every country in Asia wants a better relationship with China, and we fully support that. We, too, seek a strong, constructive partnership with China, and we are working to achieve that outcome.

Another source of debate and misunderstanding has been our position on human rights.

By urging China to protect freedoms enshrined in its own constitution and uphold universal values in accord with its international obligations, the United States is encouraging China to meet the aspirations of its people. We applaud the fact that millions upon millions of Chinese citizens have been able to rise out of poverty thanks to the dedication of China’s leaders and the hard work of its people.

But human rights encompass more than improving living standards. They include the right to due process of law, to be able to speak freely, to associate openly, to practice one’s religious beliefs, and to enjoy the benefits of a free press. Citizens should have the right to speak openly about their convictions, even if they disagree with the government or hold a minority opinion. Governments that protect and foster such freedoms and respect religious, cultural, and linguistic differences achieve greater progress in dealing with domestic challenges and enjoy greater
confidence and stronger support from their citizens. China will not achieve its full potential if it does not ensure the protection of its own citizens’ rights.

We also know that diversity of opinion and the free flow of ideas have never been more crucial to a country’s success than today – the information age, the age of the Internet – a time suited for creativity and innovation.

In fairness, I must acknowledge that the United States has not always lived up to its ideals. I remember, for example, when my country imprisoned a leader who challenged America to rise to the principles of its founding. His name was Martin Luther King, Jr. We now have a monument for him in our capital.

Thanks to him and other brave Americans, America is continually being pushed from within to improve itself. The major improvements in civil rights in our own country – from the abolition of slavery to women’s suffrage, the civil rights movement, the environmental movement, and the advent of new laws that guarantee transparency of governments – did not happen because the U.S. government decided to reform itself. These gains came as a result of the efforts of brave citizens and civil society groups who challenged prevailing thought, questioned authority, and demanded that America deal with unflattering truths. Anyone who doubts this fact need only look at me – the Chinese-American grandson of an immigrant houseboy – or at our President – to be reassured of the openness and ability for self-examination and change that enables American society to thrive.

So we will continue to support the advancement of these fundamental freedoms and universal rights in China and make our views known. It is natural that we will not see eye to eye on every issue, but we must keep discussing our differences openly, and committing to develop as many avenues for cooperation as possible. Our two countries have steadily moved in this direction over the past 40 years. And our experiences together have shown that when we come together – whether in education, global economic rebalancing, scientific exploration, or global security – our relationship improves along with the quality of the outcomes. I see it when:

I sit down together with governors and mayors from both of our countries to map out ways to address the challenges of urbanization and economic development;

And when I hear from American and Chinese engineers about the progress they are achieving through collaborative research across a range of fields that is pushing out the boundaries of what is possible and opening up industries that did not even exist last year.

But this is only possible when both sides commit to playing by the rules and sharing equitably in successes. As we do so, we will move closer to the day when even more of our scientists collaborate to cure diseases and create technologies of the future, even more of our students engage in exchanges that foster lasting personal relationships, and even more of our businesspeople cooperate to develop better products that fuel innovation and encourage economic growth.
The more we are able to bring our two peoples together in common cause, the more we will be able to deepen a shared conviction between our two peoples that China’s success is good for the United States, and that a strong United States is good for China.

This is where the relationship needs to go, but it will not get there without all of your active support, involvement, and encouragement.

And so my challenge to you is to actively help build the U.S.-China relationship from the bottom up, rather than waiting for it to be constructed from the top down. Increasing even more the interactions between our executives and entrepreneurs, scientists and scholars, artists and athletes will enable the benefits of the relationship to multiply, and a virtuous cycle to form.

We know such a positive result is possible. Just look at how far our bilateral relationship has come over the past 40 years. But it will require that we not allow inevitable differences in outlook to eclipse opportunities to advance shared interests and not allow political winds in either country to push the relationship off course. Neither conflict nor cooperation between us is preordained. It is a choice we make through our actions.

All of us in this room share in this common endeavor to build a strong, lasting bilateral relationship that delivers results for both our peoples. And so I encourage all of you to continue to build bonds across oceans, question assumptions, and defy skeptics who focus on the challenges, when opportunities are so much more abundant.

If we do so, I am confident that we will make great strides in unlocking the full potential of our two great countries and in improving the lives of our citizens. This is our challenge; this is our opportunity. Thank you.