

DRAFT

**The United States-China Relationship:
Ushering in a New Era**

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April 21, 2009

I. INTRODUCTION

Ladies and Gentlemen, Students of the University - Good morning.

I would like to express my heartfelt gratitude for your generous invitation for me to speak here today, as well as Vice Provost Ulrich Baer's kind introduction. I am truly honored to be here.

I was born in Shanghai in 1937. Many of you have probably visited Shanghai recently. Today, Shanghai is a great city: a dynamic city with endless opportunities; a city of dreams and a city of hope. But in 1937, it was a city of poverty, chaos and despair. It was a city ruled by a government that was corrupt and inept. It was where Western powers enjoyed extraterritorial rights. It was a city about to be occupied by the Japanese with the onset of the Second World War. So, from a very young age, I witnessed a chapter of a colossal national tragedy unfolding before my very eyes.

In 1960, I arrived in the United States and for the seven of the next nine years, I made New York my home. I was married here, I worked here, and began building a family here.

Although turbulent, America in the 60s was a time of hope and optimism. It was a time of political ferment. Under the backdrop of an escalating cold war overseas and racial strife at home, the civil rights movement and the new ideas of the baby-boom generation brought about irrevocable changes in American society. It was a time of great intellectual awakening, and I remember how all of this excited and fascinated me.

In 1969, I returned to Hong Kong as a businessman. In 1997, I took on a new and unique challenge, and was elected the 1st Chief Executive of Hong Kong on her return to China.

Upon stepping down from being Chief Executive and taking up the role as Vice Chairman of the CPPCC, I decided to take on one more challenge in life. And that is to enhance US-China relations. China is my country, and I passionately want her to succeed. The United States is a country which was my home for nine years. I have great admiration for the American people. I believe US-China relations is the most important international relationship today.

Therefore, today I would like to discuss with you two subjects. First is what has been, and what is happening in China. Then I would like to speak about some of my ideas on how to move the US-China relationship forward.

II. CHINA'S DEVELOPMENT AND REASONS FOR SUCCESS

To start with, I would like to talk briefly about China's recent history and also her effort in nation building in the last 60 years.

From the middle of the 19th century, China as a nation, and we Chinese as a people, lived through days of despair, humiliation and hopelessness. At that time, the Qing dynasty was inept, and the nation was impoverished. The invasion of Western

powers, the extraterritorial rights granted to them and land ceded to them, inflicted pain and a sense of loss of dignity to the people. The subsequent revolution in October 1911, which marked the downfall of the Qing dynasty, brought much hope for renewal at that time. But unfortunately, chaos, warlordism and civil war ensued, only to be followed by the Japanese invasion and occupation.

But throughout this time, many Chinese, driven by lofty ideals and steadfast conviction, devoted themselves to the advancement of the people, and the safeguarding of the territorial integrity of the nation. Their enormous sacrifice and tireless efforts eventually led to the establishment of the People's Republic of China on October 1st, 1949. Now, at last, true nation building could begin. And indeed, much progress was made. But the country was still in transition, and unfortunately, mistakes were made, particularly during the Cultural Revolution. It was not until 1978, when Deng Xiaoping made the crucial decision to put China onto the path of reform and opening up, that real development took hold. Deng's was a decision of enormous wisdom and courage, a decision that would irrevocably change the history of China, and launch her on a trajectory toward modern statehood.

In the 30 years since reform and opening up, a market economy has been introduced, an essential physical infrastructure has been built, education and health care has been made available, and 1.3 billion people have moved from abject poverty to a much improved livelihood.

In these 30 years, a closed Chinese society has become open. Indeed, there has been an unprecedented expansion of individual freedoms – freedom of thought, freedom of movement, and freedom to pursue economic opportunity. The government has firmly committed itself to the building of democracy, to being more transparent and more accountable, to enhancing the rule of law, and to the protection of human rights.

Many people overseas wonder how China's miracle over the past 30 years has come about. Some of the reasons, of course, are external. First, the three decades past have been a time when major wars have been avoided. Second, the unprecedented expansion of global trade, and the heightened use of science and technology to improve productivity has benefited China to a great extent. China has been able to seize upon these unique opportunities very effectively.

But the successes over the past 30 years have been driven by internal reasons as well. First, the smooth transfer of leadership, based on meritocracy, has been institutionalized. Second, has been the ability of the Chinese leadership to formulate sound long-term macroeconomic and geopolitical policies, and to implement very complex policy initiatives. Crucially, the government, while ideological and principled, is also highly pragmatic and flexible when changes are necessary.

In my view, these reasons, while critical to China's success, do not alone explain her trajectory over the past 30 years. People point to the urban architecture with breathtaking skylines, efficient transport infrastructure all across the land, networks upon networks of optic fiber linking cities and citizens, and the enormous and modern industrial complexes as evidence of success. Of course, this is so. But I believe that beneath all this, there is real substance underlying and anchoring the vigor and the newness that we see in China. First is the expansion of freedom that has

lifted the innate entrepreneurial, innovative spirit, and the determination of the Chinese people to succeed. Moreover, there are the traditional Chinese values of humility, decency, integrity, diligence, strong familial ties, a commitment to education, and a yearning for peace and harmony. These values have carried on through the millennia and today still guide our people and sustain our vitality.

But what path should China pursue for its future? Obviously, China must build on the successes of the past 30 years and develop its economy through further deepening of reform and opening to the world. But economic development must be balanced and sustainable. The unbalanced nature of economic growth has increased income disparity between urban and rural populations, and coastal and inland regions. This growth has also created huge environmental challenges. In addition, there is an urgent need to address climate change, and improve the quality of water and air, while satisfying the seemingly unquenchable thirst for energy and raw materials. China's economy needs to be restructured away from the labor intensive, energy intensive, export driven economy, to one that is based on innovation and technology, based less on energy, and more on quality, on product safety, and on branding. In other words, China needs to move up the value chain.

The government needs to be even more responsive to the needs of the people in providing better services, including education, health care and social security, and personal consumption needs to play a bigger part in the economy.

The rural population, whose livelihood is farming or farming related activities, still accounts for close to 60% of the population, or close to 800 million people. The need to build infrastructure, to provide better education and health care, to introduce technology in farming and better irrigation, are all pressing tasks for the rural area. There is also a need for the continued migration of the rural area population to cities, which is one of the most challenging tasks the government faces.

The government needs to be even more conscious of the need to be governing for the people by strengthening the development of democracy and the rule of law. Government work needs to be made even more transparent and accountable, and with greater checks and balances. In fact, China's progress in the areas of developing democracy, while providing social stability as the economy develops rapidly, has, by any standard, been impressive. Today, this democracy has evolved into what we call electoral democracy, as embodied in the NPC, and consultative democracy, as embodied in the CPPCC.

Whereas at one time the NPC and the CPPCC were looked upon to be passive institutions, over the past 30 years their roles have evolved into what they were originally designed to be – representative organs. Both the NPC and CPPCC play an increasingly active role in making the voices of the people heard, in monitoring the work of the government, and in providing checks and balances to the government.

In recent years there has been much discussion by mainstream Chinese scholars about what constitutes good government and how good government should be measured, in a word, governance. At the end of the day, democracy is not only about elections, but also about delivering good governance. In these discussions governance assessment has focused on such areas as social justice, social stability,

and the rule of law; transparency, accountability and legitimacy of the government; and democracy within political parties.

The significance of these discussions is that China is thinking forward about building democracy. Today in China, we are working continuously to improve our system of government and in building democracy. China needs a home grown system of democracy which suits its culture, history, and current stage of development. In the process, we will continue to learn from experience overseas.

Whether it is in the area of economy in peoples livelihood in sustainable development, in the development of democracy, although much has been achieved, more work needs to be done.

III. CHINESE FOREIGN POLICY AND SINO-US RELATIONSHIP

Ladies and Gentlemen,

With regard to its foreign policy, the past 30 years of China's reform and opening up has also been 30 years in which China has become more and more integrated into the community of nations of the world. In the years to come, as reform and opening up deepens, China's destiny will become even more intertwined with the world at large. A peaceful world, and a world in harmony, is in China's national interest.

Foreign policy objectives will be achieved through the principles of mutual benefit, non-interference, and patient and reasoned diplomacy. Multilateralism will be central to Chinese foreign policy. For this reason, you can be sure that China will play a constructive part in all multilateral organizations with the objective of making the world a better place for herself and for the rest of the world.

China recognizes the importance of bilateral relationships with countries big and small. But today, and for generations to come, the single most important bilateral relationship - for our two nations and for the world in which we live - is the Sino-US relationship. Today, the common strategic interests of the two countries abound; and cooperation is wide-ranging. It is in China and the US's common interests to address climate change, protect the environment, create energy security, achieve global financial stability and economic recovery, prevent nuclear weapons proliferation, counter terrorism, fight international crime, prevent the spread of infectious diseases, and the list goes on and on.

IV. DEVELOPING THE SINO-US RELATIONSHIP

This year marks the 30th anniversary of the establishment of the formal relationship between the United States and China. In these 30 years, under the efforts of seven American presidents and four Chinese leaders, the relationship generally has been moving positively forward.

Given the interdependence and common interest, there is a need to move the relationship forward speedily. I am heartened that President Obama and President Hu

Jintao had a productive meeting on the sidelines of the G20 meeting on April 2nd. They agreed that the two countries need to develop a positive, cooperative and comprehensive relationship for the 21st century.

But unfortunately there are obstacles that stand in the way of our relationship really moving forward. To do so, we have to overcome mistrust that still exists in certain quarters. Mistrust, as a result of real differences, and mistrust as a result of misperceptions. Real differences need to be managed and worked out. Misperception needs to be corrected. China is a poorly understood country in the West. Unfortunately, some outdated Western perceptions of China exist because of views clouded by a cold war mentality. The fact is that much has happened in China over the last 30 years. Some areas you see readily, others you need to dig more deeply to understand. Still others are evolving. The best way is to come to China, spend time, and see for yourself what is going on.

In order to support the direction that has been set by the two new Presidents, and to intensify our effort to bring our nations together, I would like to suggest the following for your thoughts.

Firstly, government to government strategic dialogue has been established for a number of years. The two Presidents have decided in their meeting to strengthen this strategic dialogue. This is to be welcomed. We know, inevitably, there is a need for the dialogue to deal with the day to day issues. But our hope is that the long-term development of the relationship should really be the focus, so that the dialogue not only meets short-term expectations, but more importantly, the long-term, strategic interests of the two nations are made a priority.

Second, the Senate and the House, and the National Peoples Congress, should strengthen their relationship by increasing their level of contact and communication through mutual visits. A good beginning has been made, but it can be made much better through a more determined effort particularly by the US side.

Third, since the establishment of the new republic 60 years ago, people to people relationship was the catalyst for enhanced Sino-US relations. Today it is the academics, the journalists, the think tanks and artists, the youth, people in business, that are expanding the effort. Certainly more can be done. For instance, up to now, there are close to 100,000 young Chinese studying in American universities as undergraduates, as post-graduate, or receiving different professional training at any one given time. On the other hand, there are 10,000 Americans studying in China. There are 300,000,000 Chinese studying the English language, but there are only 50,000 Americans studying Chinese. Little wonder, the Chinese understand America a whole lot better than the Americans understand China. China is a rapidly changing country. After all, China today is a very different from the China of 30 years ago. We welcome more Americans to visit China. We particularly welcome American youth to visit China. Youth are the future of our two countries.

Fourth, China needs to make a greater effort to explain to Americans what is happening in China, particularly to correct the misperceptions that exist today.

Finally, on the issues of common interests which I raised earlier on, whether they are climate change, nuclear proliferation, or global financial stability and

economic recovery, collaborating closely on any one of these issues will be beneficial to the United States and China and to the world at large.

V. CLIMATE CHANGE

I would like at this point to talk to you particularly about the issue of climate change, an issue of grave importance and global consequences.

President Obama has decided to take on the challenges of climate change and achieve energy independence as national goals for the United States. The forthcoming December conference in Copenhagen, as a sequel to Kyoto and Bali, will be a crucial conference for international efforts against climate change. At this time, it would be helpful to understand what China's position on this issue is.

First of all, let us be clear: China has not been standing still. China has taken concrete steps, and has made remarkable achievement in facing up to the challenge.

First, increasing energy efficiency.

1, The 11th Five-Year Plan which started in 2006 called for reduction of energy intensity, defined as energy consumption per dollar GDP produced, by 20% over five year period. Based on the achievement made in the last three years, China is well in its way in meeting this target.

As a result by 2010, China would save as equivalent 600 million tons of coal consumption and 1.6 billion tons of greenhouse gas emission by this effort alone.

2, Coal fired power plant with most advanced technology totaling 500 GW in capacity per year for the past two years has been built and commissioned while capacity of 500 GW of small inefficiency extremely polluting coal fired power plants has been closed during the same period. The new power plants have efficiency gain of 30% than the old plants.

3, In 2007 alone, more than 2,000 heavily polluting papermaking plants, chemical plants, printing and dyeing mills as well as 11,200 small coal mines were close down.

Second, reducing the use of hydrocarbon.

China has enacted renewable energy law in 2006, and set target for renewable energy to contribute to 15% of total energy by 2015. By the end of 2007, in hydropower generation, China is already ranked first in the world in both installed capacity and power generation. In wind energy by 2008, China is already ranked as No.4 in the world. Effort in solar energy is also expanding.

Third, other areas of activities.

Nuclear energy use is being greatly expanded with latest 4 sets being supplied from the United States.

In the rural area, construction of biogas digesters is being strongly encouraged. Solar energy use is greatly expanded.

Through afforestation China's forest coverage has been increased from 12% in the 80s to 18.21% now. It is estimated a total of accumulated net sequestration of 3 billion tons of CO₂ was achieved. The effort is continuing.

So the list goes on. So you can see China is doing a great deal already in combating climate change.

China will firmly and comprehensively adhere to the UN framework agreement on climate change and subsequent Kyoto protocol and Bali roadmap. Taking into account China and the developing nations are at an early stage of industrialization. These international agreements did not call for specific time table and gargets for greenhouse gas emission reduction by these nations.

China does not want to make the same mistake of the developed nations by not beginning early enough in tackling climate change. As a result of that, 80% of the greenhouse gas in the atmosphere today comes from the developed nations.

So, instead of waiting for international negotiation and support from the developed nation for technology and finance, China is already moving ahead, within her own ability, in doing what need to be done.

Now I would like to tell you what China is thinking about in issue of international collaboration.

Firstly, China is at an early stage of its nation building effort. Her economic development must continue at its present pace. So it is not possible for China, nor for that matter, for the other developing nations, to reduce its energy consumption and emission of greenhouse gases, like the developed nations can. However, China will do her very best to reduce energy intensity, by improving efficiency, and by restructuring the economy away from energy intensive industries, to make efforts in reforestation, to use renewable energy and nuclear energy, in order to reduce her reliance on hydrocarbons.

Second, China will firmly and comprehensively adhere to the United Nations Framework Agreement on Climate Change, and the subsequent Kyoto protocol, and the Bali roadmap. There are no specific obligations for China and the other developing nations in these international agreements on reduction of emissions of greenhouse gases. But, instead of waiting for international negotiation and support from the developed nations for technology and finance, China is already moving ahead, within her own ability, in doing what needs to be done.

Now let me talk about the forth coming international negotiations. In these negotiations, Unites States and other developed countries need to understand, of particular importance to China, and for that matter, to the developing nations, is the upholding of the principle of "common and differentiated responsibilities", the obligation to provide financial and technical support to developing nations, and to fulfill specific commitment to short term and long term goals for the reduction of greenhouse gases, as called for by the above mentioned international agreements.

The U.S. and China together consume more than 50% of world energy. The U.S. and China together emit 60% of world green house gas. Both countries rely heavily on hydrocarbons as source of energy. These are good reasons for working together. Working together and sharing research and technology together will greatly enhance the possibility of success in this international effort.

I am confident, a way ought to be found within in the principle of “common and differentiated responsibilities” in dealing with the protection of intellectual property on one hand and making available technology for the greater good of mankind on the other.

I am distressed to hear the possibility of the introduction of a border tax in legislation before the House. This is no help at all. First, I’m not sure this is WTO compliant. Second, if the purpose is to protect local employment, it is not effective, and will only add to the cost of the consumers in the US. It smells of protectionism. Finally, there is always the possibility that the developing nations may retaliate. This may indeed make international negotiations difficult. This is particularly unfair to China given the enormous effort China has already made and will continue to make in reducing greenhouse gas emissions.

I firmly believe cooperation between the U.S. and China on climate change will not only benefit the two countries and the world at large, but will also form building blocks of trust for the two countries.

VI. CONCLUSION

Ladies and Gentlemen,

As Americans, you have a dream. It is the American dream. The dream for “life, liberty, and the pursuit of happiness.” It is a dream deeply rooted in the American tradition.

For centuries, people have come to this great country of America regardless of their race, social status or background, in the belief that opportunities for a better life are open to everyone. Success is within reach for those who have an open mind, a pair of diligent hands, and the belief that the next generation will fare better. Together, the hard working people have built this great nation.

The people in China today also have a dream. It is a dream for all of her citizens to rise above poverty, to live in dignity, to live in a society which is just and democratic, and to share in the growing economic prosperity. It is a dream of all its citizens to live in a country we can proudly call home, and a country that will be a force for peace and harmony for the world. It is a dream that was beyond anyone’s imagination until only very recently, and now a dream within reach of all her people.

In today’s China, millions of people are being lifted out of poverty every year. Millions of rural residents are migrating to cities to seek better opportunities, greater mobility and personal success. Millions of ethnic minorities, remember there are 55 groups of them, are enjoying a better life. With hard work and intelligence, the Chinese people have changed their own destinies and the destiny of their country. In

the pursuit of their goals, there are stories of joy and stories of tears. While everything is not perfect, the people of China have made gigantic strides in improving the livelihood for one-fifth of the world's population. Many of them have turned their dreams into realities. According to a Pew research survey, 86% of people in China are happy with the direction of the country.

Your dream, our dream, it is fundamentally one dream – the dream for a better life in a peaceful and prosperous world for this generation and for generations to come.

The world yearns for peace, stability and sustainable development, but never has it been faced with so many global challenges coming together simultaneously. To successfully overcome these challenges, the United States and China need to work together. Let us work hand in hand to make our dreams a reality for our two peoples.

Thank you.