



C. H. TUNG ON U.S.-CHINA RELATIONS

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WELCOME:

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JESSICA T. MATHEWS: Good evening. I am Jessica Mathews, president of the Carnegie Endowment. And it is my distinct pleasure to welcome our guest tonight, Mr. C. H. Tung. You have his bio in front of you and probably all of you know. But let me take a second to just highlight some of his key accomplishments.

Mr. Tung has made numerous contributions to Hong Kong and to the broader Chinese community serving as chairman of Orient Overseas as the first chief executive of the Hong Kong Special Administrative Region and now as the founding chairman and leader of the China-United States Exchange Foundation, which I should add is our host actually this evening and we are very grateful for that.

He was previously a member of the Executive Council of Hong Kong and chairman of the Hong Kong-United States Economic Cooperation Committee. He served in an advisory capacity for the Hoover Institution at Stanford and on the Council of Foreign Relations.

An expert on the subject, Mr. Tung is here tonight to discuss the always-timely topic of U.S.-China relations. We are hearing dire warnings from some quarters about cooler temperatures between the two countries and it certainly has dominated news coverage recently. But recent developments on the exchange rate issue and on the next round, the upcoming round of the Strategic and Economic Dialogue suggests that, in fact, there are many positive notes to look forward to. And our own work at Carnegie on climate change and restoring a cooperative relationship between the United States and China on that issue points in the same direction.

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Some say this is a rocky patch in the relationship, but we have to recognize that this is a very short period in a very long timeline and differences are always going to exist. And I don't think anybody disputes that. But that doesn't negate the many areas of mutual understanding and cooperation that exist and that we need for moving forward.

I think it is easy to assert that there is really nobody who has a deeper insight into both ends of this equation than C. H. He can give us a unique insider's perspective on the present tenor of the relationship and I think an invaluable sense of predictions in what the future holds. His analysis is enormously appreciated here and in this room and in this city. And I want to personally thank him for being with us tonight. C. H. Tung, thank you. Please welcome. (Applause.)

C. H. TUNG: Jessica, thank you very much for those very generous remarks. Friends, ladies and gentlemen, it is really nice to be here to see so many old friends and hopefully make some new friends. But I would particularly like to introduce a very good friend of mine who is now the new ambassador of People's Republic of China to the United States and he has come to give me moral support, Ambassador Zhang. Would you stand up? (Applause.)

[0:04:11.3]

I am very, very happy to be here to speak to you. I am always happy to come here, Jessica, to the Carnegie Endowment for International Peace. And I have spoken in many think tanks. Very often the emphasis is on strategy, strategic center of something or the other and so on. More war-oriented. This is very clear. (Laughter.) It

is for international peace. And we are at a time when peace is really important as the world moves forward. So Jessica, I am really happy to be here to speak to every one of you.

In 1972, President Nixon visited Beijing. And since that time until now, seven United States presidents plus President Obama, so eight presidents of the United States and four leaders of China, every one of them with enormous foresight, devoted their attention and their endeavor to U.S.-China relations. And throughout all these 38 years, there have been ups and downs. But on the whole, the relationship has been moving forward.

And when it started in 1972, the first communiqué, which was entered into between China and the United States, a lot of it was about China, about the United States and China, about the need to open up the market, about the issue of Taiwan, already at that time, a very important focus. But there was very little mention about an international perspective, except on a very important issue, which is that the two countries come together against a hegemony, the name of which was not mentioned. We all know who they were and hegemony – it is against the hegemony of Soviet Union that the two countries actually come together.

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But today the U.S.-China relation is full of international issues. It is affected by many, many international issues. So, in fact, from these, you can see the relationship actually has changed. But these eight presidents and four leaders of China, they saw this coming and they devoted really a lot of their effort trying to make this relationship work. Why is the relationship so important?

Well, the fact is that the world we live in, the very world we live in has entered into a post-Cold War era in which ideological differences have given way to a whole set of new issues. If the 20th century was shaped by conflicts of great powers, the 21st century will be shaped by how we as a human race can successfully take on the challenges of energy security, climate change, food sufficiency and scarcity of natural resources, all of which are issues crucial to the sustainable development and economic growth for the 21st century.

Beyond those challenges, the world continues to face threats of nuclear weapon proliferation, transnational terrorism and localized conflicts. There is also urgency to improve global efforts on epidemic prevention and drug trade eradication. And make no mistake; China is suffering from drug trade from elsewhere also.

Although there are early signs of global financial stability and economic recovery, much collective effort will still have to be made. An exit strategy needs to be coordinated. Fiscal responsibility needs to be restored. Confidence in the euro needs to be reestablished. And global imbalances must be addressed. Protectionism in any way, shape or form has to be rejected.

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Today actually the world yearns for peace, security and stability and sustainable development. Indeed, never has the world been faced with so many transnational challenges happening all at the same time. To successfully overcome these challenges, a multilateral approach is essential. The United States and it is?? essential particularly among the major powers. The United States is the strongest, most developed nation in the world and China is the largest developing nation in the world.

In the effort to overcome these challenges, the multilateral effort, the relationship between these two countries, a good relationship is really very, very important. So we really need to give credit to these eight

presidents of the United States and four leaders in China who over these years have made this relationship move forward as it should.

In November 2009, Mr. Obama visited Beijing. And before that, Mr. Obama and Mr. Hu Jintao actually had met four times already during the course of the year at many multilateral meetings, on the sidelines of multilateral meetings. But that meeting of November was a state visit to China. It was by all accounts a very successful meeting – of course, not if you read the New York Times or the International Herald Tribune. (Laughter.)

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But seriously speaking, it was. From where I was – and I was in Beijing – it was really a very successful meeting. Afterwards, a long joint statement was issued. It was a very comprehensive, very thorough, very balanced and actually it points to the future effort that needs to be made by these two countries to work hard, to come together, to overcome some of the common challenges, which I talked about.

Soon afterwards, there were hiccups in the relationship and one might wonder what has happened. I think we are two different people. Culture is different. History is different. So as history is concerned, you have 280 years of glorious history. We have 5,000 years of wonderful history. But in our history, of course, we had very sad aspect of our history. And so our history is different. Therefore, some of the things we want to do, such as unification or territorial integrity, sovereignty, you know, we feel differently about these issues, probably more so than you do.

And then culture is very different. Sometimes somebody says yes, but our body language may be a bit different; it really means no. Other times, the other way around. And the Chinese and the Americans sometimes can't communicate very well with each other. I am the exception because I lived here for so many years, so whatever you say, I think I understand. (Laughter.) But there are these problems that exist.

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And the fact is we are also at the different stages of development. Therefore, our needs, as China, and the United States' needs are different, different times and therefore, although our overall objective is the same – we don't want nuclear weapons to proliferate – our objective is completely the same, the approach may be somewhat different. Our anxiety may be different compared with yours. So there tend to be – there tend to be disagreement of how to deal with the issue, although the objective is the same. And the question is how we can solve some of these problems.

So there is a cultural issue. There is a history issue. There is also an issue that because of different stage of development, we have different needs. And as our relationship moves forward, we need to take this into account as we work with each other, talk with each other. There is, of course, the other aspect that, you know, China doesn't understand America totally. But America understands China even less. (Laughter.) So there is a huge misperception and how this perception can be corrected.

And these are, in fact, the work of the foundation, which I have. And I am sure this is the work of Carnegie Endowment. The fact is that in the two presidents' joint statement, the long statement, which I referred to earlier on, there was a key sentence. The two presidents said there is a need to nurture and deepen the strategic trust between the two countries. The two of them, they saw the difficulties. They understand the challenges and the call is for all of us to see what we can do to build this particular relationship, to build up the trust.

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And today I am here not really to keep on talking for a long time, but A, to listen to you, B, to receive your questions and tell you what my views are, but more importantly, to listen to you, to understand better what you feel here, you know. And, of course, the other reason, which I am going to tell you I have stopped talking now, is because we have to let Jessica leave because she has another appointment to go to. (Laughter.)

So with that, can I stop here and look forward to your questions? And Jessica, thank you so very much. (Applause.)

DOUGLAS H. PAAL: If I may, we are going to have microphones available out in the audience for you. But the system we use here is Bluetooth based and very sensitive to cell phones and the like. So you may find yourself talking into a microphone and nothing coming out if you have your cell phone on. So please turn cell phones and BlackBerrys off. Thanks.

MR. TUNG: You know the people, so you should probably moderate.

MR. PAAL: Some of these people you just don't want to call on. You have to be very careful. (Laughter.) We have someone here who knows a little bit about Hong Kong from personal experience. Steve? Steve Schleicher (sp)?

[0:17:28.0]

Q: Steve Schleicher. Happy to see C. H. here in Washington. Enjoyed immensely working on our mutual effort to make sure U.S.-China relations were preserved over the Hong Kong transition in 1997. C. H., you epitomize Hong Kong. I think you gave a wonderful speech just now that summarized the situation in the world and between the U.S. and China as only someone from Hong Kong could do.

Hong Kongers are – although you are a transplanted Shanghaier, I suppose – but Hong Kongers are –

MR. PAAL: Boston owns a big piece of this guy, too. (Laughter.)

Q: And so he is a Red Sox fan. (Laughter.) But I think you are as a people notoriously objective and practical about the world. And I think your speech was right in line with that. I would like to ask you a question that really asks you to step out of your position as someone who is really promoting U.S.-China relations for their own sakes and because you know the U.S. so well and you know China so well, in our current global situation, we face some really serious problems.

From your point of view, what should China do – what is its priority, the one thing that it should try to improve to make things better for it and the world? And what should the United States do? Presumably the things that we need to do to correct our own problems now will also benefit U.S.-China relations. Thank you.

[0:19:23.5]

MR. TUNG: Old friend of mine saying all the nice things about me. (Laughter.) Thank you very much. I think for United States and for China, at this time – at this stage of economic recovery, the most important thing is to ensure the economy continues to recover. And this is absolutely vital for the United States and for China. Each

one of us must do our work to ensure the recovery of the economy because the world economy is still very tender. And we have many spots where there are problems. And if we begin to slip, if we begin to slip, it will be really bad news. It would then really become a double-dip situation, which we really want to avoid.

And number two, I think insofar as U.S. and China are concerned, I think insofar as China's concerned, many of you I am sure visit China from time to time. Maybe some of you haven't been there recently. But I think China really has a very good story to tell about what China has done since 1949, October 1, over the last 60 years, what China is trying to achieve, what Chinese people are trying to achieve, what are the dreams of Chinese people, what are the senior leaders thinking about how to move ahead with the country.

China has a very good story to tell. And I think China will need to continue to tell this story to the world, what it is all about, what China is all about. It is important because then the world can understand China better and therefore, the world can forge together better, forge forward together better. And now that the new ambassador has come, you know, you will find him very articulate speaker – (chuckles) – and you can expect a lot of voices from him also.

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But it is important for China to be there to be explaining to the world what China is all about. And China has some really good stories and proud stories to tell. And insofar as the United States of America is concerned, I think the most important thing today is for United States of America not to lose confidence in herself, not to lose confidence in yourself because what is the United States?

You know, in the 21st century, the competition among nations, what does it entail? It is about the quality of people. Now, you have the best universities. The best brains around the world want to come and live and work in this wonderful country. Your amount of expenditure you provide for science and technology is many, many times more than any other nation on earth. And you have the best of the best here in the United States of America.

And natural resources, you have more natural resources than any other advanced nations. And then, while other nations, other advanced nations, as well as China, we all will be faced with an aging problem. You know, your population is actually getting younger. So all the important aspects of America's vitality are still there, you know.

So please don't lose confidence in yourself. My worry is that when you lose confidence, you sometimes tend to do things, which are somewhat irrational. (Laughter.) Please don't do that. Thank you.

[0:23:41.7]

Q: Thank you. I am Raphael Danziger and I am with AIPAC, the pro-Israel lobby in Washington. And you mentioned a common concern of the United States and China, the issue of proliferation of nuclear weapons. And, of course, Iran right now is the biggest concern that certainly the United States has and I believe China also has that same concern. Insofar, it seems that China is not really willing to go to join other powers in the Security Council in imposing serious sanctions that will avoid the need for anybody to even consider war against Iran to prevent Iran from getting nuclear weapons.

I was wondering what exactly is the thinking in China with regard to Iran? And is there any chance that China would move forward toward going along with other countries in imposing serious sanctions against Iran that will prevent the need for even considering any kind of military action against Iran? Thank you.

[0:24:45.8]

MR. TUNG: Thank you very much. I want to emphasize again that nuclear proliferation is not acceptable, whether it is in North Korea, whether it is in Iran or anywhere. So from our point of view, we don't want to see Iranians with nuclear weapons.

The thing is this – you know, I looked back into the history of the many years of negotiations with Iran and sanctions haven't really worked. My worry is that we apply sanctions again, two years from now, they have a nuclear weapon because it hasn't worked before. Why are we so sure it is going to work this time?

So are there better ways? Is the diplomatic approach still available? Can we somehow even at this very late stage do something, create something, let something happen? I know it is difficult. Lots of efforts are being made. But we really need to exhaust totally these possibilities. If at the end of the day this doesn't work, then, of course, sanctions need to be seriously looked at. But I am just maybe too wishful. I am just thinking that sanctions don't seem to work. Do we need to spend more time at the other possibilities until they are exhausted?

But we don't want to see this happen. We don't want to see nuclear weapon.

[0:26:47.0]

Q: I am Helen Rafal (ph). I worked in China for five years in Beijing and Chengdu and I loved it. (Chuckles.) But I would like to know from you because your talk earlier suggested that we have so many misconceptions about China and Chinese people have so many misconceptions about America. What are the one or two principal misconceptions – since you have been on both sides of the border now – that Chinese people have about America and vice versa, that American people in your knowledge, understanding have about China? Can you be specific about the misconceptions?

MR. TUNG: Well, that is a very good question. (Laughter.) You know, Chinese people – many Chinese people, not all Chinese people, but many Chinese people feel America do not wish China well. Why? Well, you know, we want to see our country united in a peaceful way. But you continue to sell weapons to Taiwan. You don't wish us well. And I can give a list of examples, but I just mentioned one.

So, you know, it is a misconception firstly, certainly, most of the American people I know, they wish China well, especially over the last few years, this number actually has been increasing. I was particularly impressed every time I meet some young people, young American students and so on, very passionate about this relationship and how to move forward.

So that is an example. And Americans – well, I give two examples. One is that, you know, you are not democratic. You don't have human rights. And the truth of the matter is that – and you know China. You have been there. You have lived there. The truth of the matter is that both in democracy and human rights, in the issue of human rights, China made incredible progress over the last 30 years or so. I think it has never happened in the history of mankind that so much progress has been made over the last 30 years and you will continue to see progress in the years to come. I am very, very confident of that.

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And on democracy, too, China is making progress. China is moving forward its own democracy, its own model of democracy. That works for China. China has no intention or pretension to introduce it to any other

country in the world. This is something very special for China. At this stage of development with 1.3 billion people, we are very poor among natural resources with enormous challenges. This is the model of government. This is the democracy China is pursuing.

And many Americans just feel these are not right and why you do this? So these are some of the problems we have. And I would like to ask you how you can help to enhance these misperceptions on both sides. What I have been doing is trying to keep on talking about it to all my friends in America and in China about some of these issues. Actually there are quite a few. I don't want to bore you.

Q: Eugene Martin. We last met when I was working for the Hopkins-Nanjing Center in Nanjing, which I think is a wonderful example of the exchanges that Johns Hopkins and Nanjing University have. Let me ask you a little bit about your education foundation or your exchange foundation.

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We all remember, many of us, at least, have looked at the history of the last century. And the exchange of students and citizens between China and the United States has been a tremendous advantage over the century starting way back shortly after the Republican Revolution in 1911. And the whole cohort of Chinese students who came to the United States became leaders of China subsequently. And I think we are going through a similar kind of period these years in which we have a lot of Chinese students coming to the United States and then going back to China as sea turtles to help China – (laughter) – become more progressive as well.

But I think one of the things I am appreciative is the Chinese government has offered new scholarships for Americans to study in China. There are far more students from China studying in the United States than vice versa. And I think there are ways in which the exchange foundation that you have founded can help in this kind of exchange. Thank you.

MR. TUNG: Well, first of all, the program in Nanjing is really marvelous. It is an example of how the relationship can actually move forward. These are really fine young people, Chinese and American, live and work together, study together and become lifelong friends, many of them. And then they will impact the future of relations of these two great countries. So keep up the good work.

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There are over 100,000 Chinese students now in America, studying in America. And in the November visit, President Obama to Beijing, he made the pronouncement that in five years' time, there will be 100,000 students – American students – studying in China. We loved that very much. We want to see that happen. And we know that is going to happen.

Now, insofar as the foundation is concerned, we have two kinds of objectives. One is to promote understanding, which can come rather more quickly. The other is really to help to nurture relationships between young people. And in the latter work we do, recently I met a group of teachers from Massachusetts. The organization, it was introduced to me by Ezra Vogel who is with Harvard. And he said there is this organization called Primary Source. And they have this idea to send teachers to China to understand what China is all about.

And recently in Hong Kong, I met a group of them we sponsored actually. They came through all the way to China and they spent a couple of weeks in China, 10 days in China, then spent a few days in Hong Kong. It was

a very good worthwhile experience for them. I interacted with them afterwards. They really enjoyed it. And we are going to try to double these efforts.

At this moment, we thought teachers probably can be more direct than the students. So we are starting with teachers. We are doing that. And we are also promoting exchange of scholars between American institutions and Chinese institutions also. So that is where we are. In the future, we hope we will do more.

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Q: Thank you, Mr. Tung. My name is Dong Hui Yu (sp) with China Press. And Shanghai right now is holding the World Expo. As the first executives of Hong Kong, are you concerned about the possibility that Shanghai will overtake Hong Kong's position in the future? Or will you see it as an inevitable trend? What do you think about that? Thank you.

MR. TUNG: You know, I think everyone here knows, I was born in Shanghai. (Laughter.) I think this year, maybe next year, probably this year, the GDP of Shanghai will exceed the GDP of Hong Kong. And the population of Shanghai is, of course, many times Hong Kong's. So from almost every aspect, you would expect Shanghai to overtake Hong Kong.

The area where there is perceived competition is in the financial markets because in other areas, Shanghai, for instance, is in the front, is the leader of the Chang San Jiao – the Yangtze River Delta. Hong Kong is the lead of the Pearl River Delta. We are there because of geography, so we do our own things. It is not competitive. It is really complementary.

But in terms of financial markets, it is really very interesting because people will say there is competition. But let's look at this because Hong Kong is where we are. When China needed huge amounts of capital, foreign capital, the Hong Kong market was very natural because the large Chinese companies came to Hong Kong to raise capital, raise foreign currency capital at that time when China did not have enough capital.

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And as Premier Wen said to me one day when I talked to him, he said no, there is another reason why we want all these companies to come to Hong Kong to be listed is because the companies can then be – and these are all big state-owned companies – can be subject to international financial financiers' monitoring in terms of corporate governance and so on and so forth and therefore, improve Chinese companies' corporate governance. It is better done in Hong Kong.

And, in fact, the top 15 companies from the mainland were all listed in Hong Kong. But the situation is changing today because in China, there is plenty of liquidity, RMB liquidity. And Shanghai's stock market can raise the funding in RMB. And, in fact, when you raise funds in Hong Kong, sometimes there is embarrassment because there are so many foreign currency reserves already in China. You send the money back to Beijing, to China. It is not really totally, you know, necessary.

So the world has changed. The liquidity is in China. The RMB liquidity – there is plenty of RMB liquidity. And, of course, the listing is in Shanghai. It is not in Hong Kong because we don't raise RMB. We raise foreign currency. So we have to understand all these forces at play. In the longer term when the RMB is freely floating – it could be in many, many years, but it will happen – when that happens, it then depends on how Hong Kong will respond to this, what happens to the peg and many, many things.

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And then from there, you see how this is going to work out. But my point would be this; that Hong Kong is very advanced in terms of corporate governance, in terms of the rules and regulations for the financial market and so on and so forth. So the thing is to think in terms of how Hong Kong and Shanghai can work together in the financial market to benefit Shanghai and also benefit Hong Kong at the same time, not as competitors. Of course, we have to compete, but as partners to try to make the financial market of China better and to make both markets actually stronger.

And the other thing I want to say: Hong Kong today has a very important market in the asset management side of things. Funds from individuals, corporations, are being gathered in Hong Kong to be managed. And I have always said Hong Kong can become a Switzerland of Asia. And this Hong Kong, I think, is achieving.

Now, who is our competitor there? It is Singapore. Well, if you don't have competition, your life is too dull. (Laughter.) So we need to compete and we improve ourselves all the time. So we shouldn't be worried about this because, you know, there is enough for everybody.

[0:41:00.0]

MR. PAAL: We have time for two more questions. The first one over here in the yellow.

Q: Victor Li from China Society. You mentioned that China has a story to tell the world. I guess it is not only an economic story. It must be something on the soft side. My question is which aspect of the soft side like traditional values or a new creation of a system or way of doing things do you feel most comfortable and passionate to tell about.

MR. TUNG: You can stay all night here. (Laughter.) I have long list. I really have a long list. I would like to read to you a paragraph, which I used in a speech I made, which I thought might be helpful to you. I said, you know, as Americans, you have a dream. It is the American dream, a dream for life, liberty and pursuit of happiness. It is a dream deeply rooted in the American tradition.

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

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The people of China today also have a dream. It is a dream for all of our citizens to rise above poverty, to live in dignity, to live in a society, which is just and democratic and to share in 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 of peace and harmony in the world.

It is a dream that was beyond anyone's imagination until only very recently and now a dream within reach of all its people, every Chinese. 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 are enjoying a better life. With hard work and intelligence, the Chinese people have changed their own destiny and the destiny of the 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. And many of them have turned their dreams into reality. And this is the work led by this government, led by this government, that have achieved these successes.

Actually your dreams, our dreams – it is fundamentally one dream, a dream for a better life in a peaceful and prosperous world for this generation and for the generations to come. I am not trying to soft sell, but I do want to say this is the aspiration of Chinese people. And we are getting there. We are getting there. And we need your help with your support for a good relationship because a peaceful relationship, a good United States-China relationship is essential in China's nation-building effort. And I hope it will benefit United States of America. Thank you.

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MR. PAAL: One final question way at the back of the room.

Q: Thank you, Mr. Tung, for your wonderful remarks tonight and be here just to give your perspective to us. I do have a question. You know, as China has been growing the past 30 years, I guess, ever since it opened up to the Western world, it is gaining a lot more influence over the regional stability and security issues and also economical issues.

Now, there is a lot of the common – I would say some criticism that you hear, especially from developed countries that China does not seem to be playing enough, I guess, role in terms of that kind of matches the economic power. Almost as if, you know, China ought to play more, I guess, to really help the world – I mean, to really help maintain the regional stability and all these other security issues.

And recently also, there was a lot more criticism from the U.S. side also about, you know, Chinese renminbi, the currency, probably needs to be, you know, appreciated – needs to, I guess, appreciate a little bit more to help the world to get out of the economic slump.

I just wanted to ask you because you have so many interactions with the Chinese leadership, I just wanted – if you could share some of that thoughts among the Chinese leadership about those kind of trade issues, trade deficit issues, as well as the currency issue, and also your personal view on that if China can really play a lot more role than what it has been doing now. Thank you.

[0:47:43.0]

MR. TUNG: Many questions. (Laughter.) First, let me talk about trade and I particularly want to talk about trade since now you have given me the opportunity about what is happening in Asia. When did Asian financial – sorry – when did global financial crisis happen? The Asians were in a better shape because after 1998, all the countries in Asia fiscally were very conservative. So they did not indulge in excesses. So they were spared of many of the difficulties. So this year, last year, we began to see very strong recoveries. And part of the recovery was, in fact, as a result of the growth of China. So that is the number one point.

Number two point is that in the old days, Asian trade was basically: Asia makes the goods, manufactures the goods and then sends them to America and to Europe to be consumed. But today intra-Asia trade accounts for 50 percent of the total trade. So only the other 50 percent goes overseas. The 50 percent is actually for domestic. So there is a huge change that is happening.

And the third point is that China's – this East Asia – I am talking about East Asia, not West Asia. East Asia's economy in the '60s was 10 percent of the GDP of the world. Today it is 25 percent GDP of the world, the same as the United States of America. So it is a huge economy. It is going to explode. Why do I say this? January 1st this year, ASEAN and China free trade agreement was implemented. January, February, the trade just took off. Huge trades. And all this is hardly reported here, I think. But it has a huge impact on Asia.

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And then a year from today or a year from January 1st, a year from the opening of the implementation of that agreement, it is expected that a Korean and ASEAN FTA will be implemented. And then in 2012, a Japan and ASEAN free trade area will be implemented. These are not empty talks. There has been discussion going on for many, many years. These are just programmed to be implemented. It is a sort of timetable.

And last year, the Japanese have suggested an East Asian agreement between China, Japan and Korea. Now, if you see this coming in a few years, maybe 10 years, less than that, there may be an East Asia economic bloc in the making. You see all this happening. Why I want to raise this is that world trade is expanding. Asia is successful because it is looking outward, expanding, opening up the markets.

I want to say this because it is – two things. One is for – it is important for the United States to be out there on this issue. We sometimes hear some footsteps, but we don't see enough of action because you haven't approved the U.S.-Korean free trade agreement. But, you know, you have to be out there. That is my number one point.

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Number two point is this that, you know, free trade really benefits for America. Please don't go back into isolationism or protectionism because it is not good for America, not good for the rest of the world. And I worry that all these activities, free trade activities, are now stopped in America. And I don't think it is very good news for America and for the world at large. So we need to get on with it and approve what is happening in Asia.

And on the foreign exchange, I have many points I can make. But I just want to make one point – (laughter) – because I know it is very late now and I really need to stop. Otherwise, Doug will be unhappy. (Laughter.) The point I want to make is about the myth that currency revaluation will improve jobs or job prospects – will eliminate negative trade or trade deficits. The reality is really not like this.

You know, in September 1985, under enormous pressure from the United States of America, Japan revalued the currency. This was the Plaza Accord. A year before revaluation, the dollar-yen exchange rate was 250 to one U.S. dollar. U.S. trade deficit with Japan was \$31 billion. Japan's current account surplus was \$35 billion, so these were the numbers.

[0:53:38.1]

By 2007, the exchange rate of the yen was 112, so about twice as strong as before. What happened? The American trade deficit had tripled to \$96 billion. And Japan's current account surplus was \$211 billion – five or six times – whatever the times is.

So my point is this that revaluation of currency doesn't really solve this trade problem. It doesn't solve the trade problem. The way to solve the trade problem is something else, you know. China from year of 2008, China's imports from the United States have quadrupled, four times, you know, more than any other nation in terms of trade growth. It is enormous. And China has replaced Japan as the third largest importer of American goods next to Canada and Mexico. So that is going to make a difference.

And the second point I want to make is that China's current account surpluses and trade surpluses really began to climb in the middle of 2000s, in other words, about 2005, 2004, 2005. And it started to peak by 2008 actually. And, you know, March this year was the first time for a long time, China had a trade deficit. The point I want to make is that China has a trade deficit with America, with Europe. China has surpluses with American and Europe and deficits with almost any other country in the world.

[0:55:36.2]

So it is not about bilateral issues. Trade is about global issues. You have to look at a number in totality rather than bilaterally. So I want to mention these things to say that to China, trade is important. It means employment. But trade is not the only thing. And the premier of China recently came out and said look, you know, our aim is to bring that surplus down to zero. We don't want a surplus. In fact, we don't want a surplus because it is a huge headache to manage all this surplus.

So with that, I will stop. Thank you very much. (Applause.)

MR. PAAL: Thank you, C. H. Obviously, we could keep him going all night explaining the many missing perspectives on U.S.-China relations that are on the minds of people that are not getting into our media. But then that would be violating our constitutional prohibition against cruel and unusual punishment. (Laughter.) So I want to thank you, C. H., for tonight's presentation and in particular for your eloquent expression of the aspirations of the Chinese people in your view. I think that is something we will all leave with tonight as a particularly poignant memory.

Thank you for that. And thank you all for being with us tonight. Thank you. (Applause.)

(END)