**Remarks of Ambassador Locke**
Tsinghua Financial Forum
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Beijing American Club

Thank you, Paul, for that kind introduction.

It is a pleasure to be here today at the U.S.-China Financial Forum. I am particularly pleased to have the opportunity to be here with former Under Secretary of State for Economic, Business and Agricultural Affairs Reuben Jeffery and Cowen Group Chairman Peter Cohen. I would also like to thank our hosts, Richard An and Paul Haenle, for organizing such a terrific event.

This forum is a prime example of how the United States and China must work more closely together, in both formal and informal settings, to better understand each other and to deepen strategic trust.

This is particularly necessary in the world of finance and commerce.


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For there is no doubt that although our two countries are growing closer together economically and commercially – and that our economies are becoming ever more interdependent – suspicions remain on both sides regarding how one country's firms are treated when trying to do business in the other country.

Let me first address Chinese suspicions of the U.S. economy. We often hear complaints that the United States discriminates against Chinese investment, that our trade balance is largely due to the fact that we are not willing to sell China the high-technology goods its firms seek, and that our visa application process is too cumbersome. My friends, I believe you'll find the reality is very different.

Yet for all we do to refute these misrepresentations, the conversation rarely rises above the level of exchanging talking points.

Today, in the spirit of this forum's objectives to discuss freely, exchange openly, and learn from one another, I would like to have a more meaningful conversation. To start, let us first focus on a topic that is of particular interest to all of us here today: investment.

The United States is the number one destination for foreign direct investment, attracting over $228 billion from overseas in 2010. We are also the largest source of outbound investment in the world, investing almost $329 billion overseas in 2010.

China has recently risen to become the number two destination for foreign direct investment, with an estimated $124 billion of foreign direct investment inflows in 2011.

Its outflows have also grown tremendously, with the National Development and Reform Commission targeting $66 billion in outbound investment this year.

So why is it that these two economies, with such significant global investment flows, do not invest more in each other's economy?  U.S. investment in China is less than 3 percent of China's total foreign investment.

And while Chinese investment in the United States is growing dramatically - increasing eight-fold from 2005 to 2010 such growth came off of a small base and totaled only 5.8 billion in 2010.  Why are these numbers so low?

Let us start by debunking the myth that the United States does not welcome Chinese investment.  Many Chinese firms say they are reluctant to invest in the United States for fear their investments will be blocked by the Committee for Foreign Investment in the United States.

The fact is, that the Committee for Foreign Investment in the United States is rarely a factor when it comes to investing in the United States.


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From 2008 to 2010, 313 transactions were filed with the Committee for Foreign Investment in the United States. Very few of those 313 cases – just five percent – resulted in the Committee's requiring modifications to the terms of the transactions.

The message is clear: we want you to come to the United States and we want you to invest. We recognize that foreign investment, including Chinese investment, is vital to economic growth, job creation and productivity.

U.S. subsidiaries of foreign-owned firms employ 5.3 million U.S. workers, almost five percent of the U.S. private sector work force. These firms spend billions of dollars on research and development in the United States and produce over 20 percent of our exports. We welcome this contribution to our economic prosperity.

What are the other major roadblocks to increased Chinese investment in the United States? Many stem from a fundamental lack of understanding of the U.S. market and its operating environment from taxes, to labor safety, and environmental regulations.

One of our key messages to Chinese investors is that U.S. service providers are essential to navigating unfamiliar territory. U.S. accounting firms, public relations firms, management consultants, and other service providers can help Chinese investors understand the U.S. investment environment, garner support for their investments, and help them successfully launch their operations in America.

But perception is reality. So it is incumbent on Americans to dispel the myths and misperceptions about Chinese investment in the U.S.

President Obama recently created SelectUSA, a government-wide initiative to promote foreign investment in the United States, including from China. Our 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 myths, (2) highlight the many Chinese companies that have successfully invested in the U.S., and (3) list the ingredients for successful investment.

Turning to this side of the Pacific, the biggest thing China can do to facilitate bilateral investment here is to create the same opportunities in China for U.S. firms that Chinese firms enjoy in the United States.

China should open sectors currently reserved for state-owned monopolies or other national champions. That is why we are calling on China to eliminate its restrictive Foreign Investment Catalogue that severely limits market access by U.S. and other foreign firms.

But until then, if China is encouraging US investment in certain sectors of its economy, why do our companies still need to seek approval to enter those very same favored sectors? Ending that approval process is one achievable step that can grow investment between our two countries right away.

By opening the Chinese market more fully to U.S. investors, China will show that it is serious about reform. It will say that China believes its firms have the strength and efficiency to compete fairly in the global marketplace.

In short, we encourage China to trust markets more and allow an open and fair environment where firms can prosper based on their competitiveness and not on their underlying ownership structure.

And it seems we are not alone. More and more voices in China, from both inside and outside the government, have begun to question the special role that Chinese state-owned enterprises enjoy. An increasing number of Chinese leaders are starting to discuss the benefits of economic reform and, I hope, they mean what they say. This is a conversation that we welcome and look forward to participating in.

And we are already making progress on other issues which mostly are important to our two countries. My Chinese counterparts often tell me that the US deficit would disappear if


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only the US would relax export controls. And I tell them, the US is committed to high tech trade with China to civilian end users and civilian end uses.

To move beyond our talking points, China took a helpful step by providing a list of 141 items for which it desires greater imports, items that it wants to purchase from the United States. As a result of our work together, the United States has indicated 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. government and licensing officials to Shanghai to meet with US and Chinese companies focusing on high-tech items in the aviation and semiconductor sectors to discuss export compliance and expanding opportunities in high tech trade in China.

Finally, I also know that the issue of visas matters deeply to the Chinese people and to the Chinese business community. We welcome the challenge of accommodating this explosive growth that we've seen over the last several years for more travel to the United States. The visas that we've issued have almost doubled in just the last few years alone, and just last year we had a 40 percent increase in the applications for visas to the United States.

However, Chinese applicants have long complained about endless waits for visas and the need to repeatedly renew those visas once they're issued.

On the US side, the standard refrain was that we didn't have funding for more staff and that the best solution would be issuing 5-year visas to Chinese applicants, but that we first needed the Chinese to agree to give Americans 5-year visas. Indeed I have formally notified the Chinese government that we're ready to provide substantially longer visas to our


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Chinese guests, provided the Chinese government does the same for Americans.

But again to move beyond diplomatic talking points – instead of waiting – 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 now for 7 months. In the last 5 months, the average wait time for an appointment to apply for a visa has been less than 7 days compared to 20 to 25 days during the same 5 months last year and 2 years ago. All this despite a 70% increase in applications and almost no new staff.

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. The change affects 95 percent of all the visas that people seek in the first place. So this really addresses the vast majority of all visas that are applied for.

Because our relationship with China can only benefit from deeper and more meaningful conversations between our companies and between our governments. Ours is a relationship that is too interdependent to be affected by election cycles or political transitions.

We need to move past the rhetoric we too often see and focus instead on constructive dialogue and concrete steps that lead to mutually beneficial market opportunities.

I hope that all of you in the financial world will continue to participate in this dialogue.

Let us work together to propose and implement practical initiatives to promote bilateral investment, increase mutual trust, and create a more prosperous bilateral economic relationship.