

**The Role of International Relations**

**&**

**The Global Economy**

**In Economic Recovery**

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**Lieutenant Governors, Distinguished Guests, Ladies and Gentlemen,**

**Good afternoon. Thank you very much for inviting me to speak here today. This is my first trip to the Gulf Coast and I am already enjoying the Southern hospitality. I am particularly honored to witness the perseverance of a community which has been hard hit by the Hurricane Katrina as well as the oil spill. Today's session is on the road of international relations and the global economy in economic recovery. I would like to focus my remarks on the U.S.-China relations aspect.**

#### **U.S.-China Economic Relationship**

**As we all know, the U.S. is the most developed and strongest nation while China is the most populated and fastest growing developing nation in the world. I agree with President Obama that “the relationship between China and the U.S. will shape the 21<sup>st</sup> century”. In the multilateral effort to meet the challenges that face the world -- from climate change to the global economic crisis -- a good and productive relationship between the U.S. and China is essential.**

**The financial crisis has affected the world, and China has not been left unscathed. At a time when the U.S. is working to reform Wall Street and the unemployment rate is close to 10%, China is also facing its own set of challenges. The downturn of many European and American markets led to the closing of factories in China, causing at one stage nearly 20 million workers to lose their jobs. When combined with the 24 million new workers who enter the labor force in China each year, this means that a significant number of prospective applicants are unable to find**

**a job. The pressure that the loss of jobs exerts on the Chinese government is enormous.**

**Many people in the U.S. believe that their nation's unemployment woes have been the result of unfair trade practices by the Chinese and that the trade imbalance can simply be rectified by imposing a tariff on Chinese goods. But this is hardly the case. The majority of Chinese and U.S. goods are not in direct competition with each other. What China manufactures, the U.S. manufactures no more. So even if the U.S. places tariffs on Chinese imports, it would simply shift the manufacturing of China's products to other developing countries with a cost advantage. The problem of the U.S. trade deficit will still stay unresolved, and may even be aggregated as some imported goods become more expensive because of the tariffs. Specifically, the large U.S. trade deficit has existed since 1998, long before China began to have a comparatively significant trade surplus in 2005.**

**The Chinese have been responsible global citizens. China has complied with its obligations to multilateral institutions, sometimes at significant sacrifice. The huge fiscal stimulus implemented by the Chinese government in response to the G20 Washington Declaration in 2008 has contributed to a strong global recovery, but at a worrisome cost to China's current account.**

**China's leaders are now restructuring the economy away from a labor intensive, energy intensive, export driven economy, to one that is based on innovation, technology, energy efficiency, product safety and quality. Personal consumption**

will play a bigger role in the economy, which will be good for China in the long run and also benefit America's economy, as China's consumers play a more active role in driving the global economic recovery.

These structural changes have been complemented by exchange rate reforms with the revaluation of the Yuan. According to the Bank for International Settlements, China's real effective exchange rate has appreciated 22.7% since its exchange reform in 2005, with 40% of that appreciation occurring since China re-pegged the Yuan to the dollar in July 2008. Recently, China announced that it was returning to an exchange rate regime that would be more flexible and more market based. On June 21, the first trading day following China's announcement, the Yuan appreciated 0.43% -- the largest single day rise since 2005. One should also remember that during the Asian financial crisis some twelve years ago, China's currency policies had provided stability and eventual economic recovery for the Asian region. At that time, the U.S. applauded China's decision to remain cautious.

Thus, by and large, closer economic relationships in trade, finance and investment would create win-win scenarios for both countries.

### **Other International Relations Issues**

Although economic policy is the foundation for the relationship between our two countries, China has also become an increasingly more assertive player in international discussions on peace, security, and sustainable development. The increased presence and prominence of China in the international community

poses not a threat but a huge opportunity for cooperation on international issues such as climate change and energy security. If we open up new avenues for exchange and cooperation, both of our countries will reap the rewards of increased growth and prosperity.

### Different Core Concerns – U.S. and China

Of course, there remain between the U.S. and China many differences shaped by our own unique histories, cultures, and traditions. China and the U.S. have different views on democracy and human rights. Yet despite these differences, both countries are deeply committed to protecting and improving the welfare of their citizens. While the U.S. seeks to achieve this through political rights with the idea of ‘one man one vote’, China is more concerned with meeting the most basic needs of its people, which include providing fundamental economic rights to employment, promoting access to education and making sure that her citizens have three meals a day. When evaluating this goal, it is important to look at how far China has progressed in providing her people with basic rights. In the six decades since the People’s Republic was formed, China has undergone a rapid and extraordinary economic miracle. 1.3 billion people have moved from abject poverty to much improved livelihoods. Life expectancy has reached 73 years now vs. 35 years in 1949; infant mortality is down to 1.5%, and the literacy rate is now 95% vs. 20% in 1949.

And yet our countries remain at two different stages in development. China is still a developing country with the world’s largest population. The practices of vertical and horizontal democracy, which are outlined by Professor John Nisbitt

in the book *China Megatrends*, generally are not well understood in the world. The practice of vertical democracy is developing well in China, with the Chinese leadership engaging in bottom-up ideas, initiatives and demands, and the prime example is the implementation of village self-government since 1998. Chinese electoral democracy in the National People's Congress and consultative democracy in the Chinese People's Political Consultative Conference have also been strengthened. The Chinese government has firmly committed itself to the building of democracy and the Rule of Law, but in a gradual manner, according to its own circumstances and its own pace.

At every stage in China's development, leaders have remained focused on a stable China. National unity is of paramount importance to the people and to peaceful development. Indeed, after 150 years of wars due to the invasion of foreign powers, as well as internal civil strife, China has learned the importance of protecting its territory to maintain national unity. This is why cases such as Taiwan, Xinjiang and Tibet are so close to the hearts of the Chinese people and so sensitive when raised by the U.S.

China is looking into the future and will build on the successes of the past 30 years with policies aimed at greater social equity between rich and poor, urban and rural populations, coastal and inland regions with balanced and sustainable economic development, further deepening her reform and opening to the world.

#### **The Role of Lieutenant Governors in U.S.-China Relations**

As Lieutenant Governors, how can you help to improve the U.S.-China

relationship and further the global economic recovery process? Your positions allow unique influence on the relationship between our two countries. I believe that you have the ability to create an exceptional channel for attracting investment to the U.S. Chinese enterprises are not as insular as they once were. They are investing abroad, but perhaps not as much in the U.S. as in some other countries. We have common interests in research and development, and you can play a critical part in attracting to your states Chinese investment in such areas as renewable energy and clean coal technology, advanced medical equipment, modern agriculture and retail spending, to mention but a few. NLGA meetings provide the unique opportunity for Lieutenant Governors to work across party lines to address challenges that are facing every state, and therefore to strengthen your competitive advantage in the world.

Just as the 50 states of the U.S. have their own geographical and economic features, in China, there are now 34 provincial-level administrative areas, including 23 provinces, five autonomous regions, four municipalities and two special administrative regions, each having its own distinct characteristics. Similarly, they have their own governments and interests, and are forming relationships with local and provincial counterparts in other countries. By visiting provinces and regions, you can have a better idea of their characteristics, and identify opportunities for cooperation in trade, investment, tourism, education, research and development, etc.

We have indeed come a long way in building understanding and forging trade links between our two countries. By continuing to enhance our communication

**channels and exchange views on bilateral economic and trade cooperation, global climate change, and U.S.-China relations more generally, we are paving the road for decades of deepened understanding and strengthened ties.**

**Our Foundation and the NLGA share a common mission, which is to provide a medium of exchange of views and experiences on subjects of importance. By acting as a bridge-builder, our Foundation can work with your Association, instituting and facilitating people-to-people exchange, which is integral to mutual understanding.**

**I believe that the Sino-American relationship is the most important bilateral relationship in the world today. China's rise is not a threat to the U.S., but an enormous opportunity. We have so many areas of common interests. We also share similar dreams and basic values. Let us work hard to improve our mutual understanding, build strategic trust and cement our relationship in the days, months, and years to come.**

**Thank you.**

**END**