As China Moves Toward the 21\textsuperscript{st} Century

Remarks of
The Honorable Li Zhaoxing
Ambassador of the People's Republic of China
at the Economic Strategy Institute
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Thank you very much, Mr. Jim Morgan, for your very kind introduction of me. And also thank you very much for your very interesting story. And I'm very much delighted to find that we have also some common ground between us. That is, both you and I are connected with our president, Mr. Jiang Zemin. Several years ago, Mr. Jiang Zemin played host of you when you visited China. And several weeks ago, President Jiang Zemin appointed me ambassador of China to this good country, the United States.

Well, you also mentioned my career. That is an always when one addresses a risky business before a beautiful lunch or a beautiful dinner, for your story or your speech can certainly never be as good, as tasty, as the food your audience enjoys.

However, this is a real honor, a privilege for me to be able to speak before such a distinguished audience. And I'd like to take this opportunity to devote my remarks on China's economic development and the China-U.S. trade relationship.

Your excellencies, ladies and gentlemen, since our late senior leader, Deng Xiaoping, initiated the policy of reform and opening up two decades ago, China's history has turned a new page. Its economy has developed into one of the fastest-growing and the most dynamic in the world. And social economic progress is simply unprecedented in China's history.

Today, China's economy is in good shape thanks to the successful macro control over the economy and instruction of new reform measures. The operation of a national economy has transformed from a pattern of high economic growth, high inflation, to one featuring high economic growth, low inflation.

Last year, China's economy grew by 8.8 percent while keeping the inflation rate at 0.8 percent. For this year, China -- (inaudible) -- to maintain an 8 percent growth rate of GDP and the rise of less than 3 percent in commodity prices.

To maintain this growth rate, China will focus on tapping huge potential of the domestic demand and have already identified new areas of economic growth engine such as residential housing and public works. Commercializing housing nationwide is going now smoothly. And the people have shown a greater demand and enthusiasm for purchasing houses.

China has decided to invest 750 billion U.S. dollars in the next three years in large-scale infrastructure, for agriculture, forestry, railways, expressways, posts, electric power stations and the environmental protection facilities.

China has also taken -- reform measures to bring -- state-owned enterprises,
the so-called SOEs, out of difficulties, and actually some SOEs have already shown signs of picking up. In the meantime, China will continue to attract more foreign investment and we invite management of SOEs by foreign companies.

While reforms on the economic front are going on, the Chinese government has slashed its ministries and state commissions from 41 to 29 and is in the process of cutting staff by half. This further shows the government's determination to reform and be more efficient.

The first quarter of this year registered a growth rate of 7.2 percent, a fairly good performance considering the fact that it takes time for the new investment to bring results. With exports to southeast China slowing down a little bit, the total export increased by several percent, and total investment in China saw an increase of about 10 percent.

China's foreign exchange reserves has reached 140 billion U.S. dollars. And China's high-tech cooperation with foreign countries is also developing step by step. A recent example is that on May the 2nd, a launch vehicle has successfully launched two American-made communications satellites into the orbit, from 630 kilometers away from us.

Well, ladies and gentlemen, let me now share with you some of my observations of the Asian financial crisis. With the world economy moving towards globalization, the recent financial crisis in some Asian countries in the latter half of last year are complicated and interwoven, and its influence is worldwide.

Due to sound economic conditions and effective monetary policy, China stood firm and was hardly affected by the financial turmoil. Meanwhile, China reached out a helping hand by providing 4 billion U.S. dollars to the affected countries in this region, either directly or through MIFN, ranking the third-largest contributor after the U.S. and Japan.

In spite of a slowdown of exports, China has made good its commitment not to devaluate its currency, the Renminbi, the measure seen as the most important contribution to the financial stability of Asia. Of course, there is a price China has to pay for not devaluing Renminbi. But this is something China undertakes to do as a responsible member of the international community.

While taking pride in China's contribution to the Asian financial stability, we need to draw strong lessons from the crisis, such as the need to maintain the overall balance of the macroeconomy, and particularly preventing the bubble economy in real estate and stock market, the need to maintain a rational structure of foreign investment and -- supervise the management over
enterprises and the commercial institutions to establish prudent and rational financial systems and strong balance-of-payments position and to maintain sufficient foreign exchange reserves.

A concern has recently been raised about a possible slowdown in opening China's financial sector to the outside world as a result of the Asian crisis. I wish to assure you that China will not give up its reforms and opening up and will continue to open the financial sector to the outside world. As a matter of fact, more than a dozen foreign bank branches have started business in China.

By the end of last year, some 166 foreign-funded financial institutions had operations in China, with total assets of 30.64 billion U.S. dollars.

Meanwhile, we also have to realize that China's financial sector is still in its infantile stage, so to speak, and its opening has to be a gradual process. Ladies and gentlemen, China is determined to further integrate its economy into the global trading system. We have taken significant measures to open our market for foreign partners.

We have recently announced further reductions in the average industrial tariff. That is the fifth cut in three years. The new offer will bring down the tariff rates from the current level of 17 percent to 10 percent by the year 2005.

Taking into account the positive steps China has taken over the past 11 years in its efforts to join the World Trade Organization, China as a developing country is qualified for WTO membership. Without the world's tenth-largest trading partner's participation, I'm afraid that the world trading body is an incomplete one.

While the people in China are optimistic and confident about their future, we are keenly aware of the constraints and the challenges facing China. We are still a developing nation -- despite modernization and the prosperity, we still have a long, long way to go. China has a huge population of over 1.23 billion. Even under the current family planning policy, it increases by 14 million every year, the size of above the entire population of a big country like Australia.

We must feed 22 percent of the world's population with only 7 percent of the world's arable land. China's natural resources are also limited in terms of per capita distribution. We need more than ever a lasting world peace and a good cooperative relationship with all other countries so that we can concentrate on developing our economy and the social progress. It is common sense that a stable and a prosperous China will certainly be a contribution to world stability.
and prosperity.

One of the most important aspects of the common interests between us lies in the economic and trade spheres. Over the past 19 years, our bilateral trade has increased rapidly. Today the United States leads China's other trading partners in terms of both trade volume.

U.S. exports to China increased by 90 percent during the 1990 to 1996 period, much higher growth than U.S. exports to other important trading partners. Such exports support more than 200,000 high-wage, high-tech jobs in this country.

U.S. imports from China make affordable goods available to American consumers. According to a report by the World Bank in 1994, U.S. consumers would have had to pay 14 billion U.S. dollars more, had the U.S. imported the same products from other parts of the world that year.

Ladies and gentlemen, at the end of last year, U.S. investment actually used in China had a total of 18 billion U.S. dollars. U.S. projects and ventures have reached 20,000. So far, more than 200 of the Fortune 500 American companies have set up their operations in China. That means that direct U.S. investments are the most successful foreign business operations in China. Such investments give the U.S. companies direct access to the huge China market and they contribute to the expansion of the U.S. economy today. Looking ahead, China has set its annual economic growth rate at about 8 percent for the years to come, up to the end of this current century. This offers the world a market worth 700 billion U.S. dollars and the trade opportunities of 1,400 billion U.S. dollars from today up to the year 2000. To upgrade its economy and maintain high economic growth, China will take massive input in the areas of power generation, telecommunications, airport renovation, building materials, iron and steel, heavy-duty engineering machinery, railway and expressway networking, and many others. The U.S. companies have many competitive advantages in all of these areas. And I hope the U.S. companies will see this opportunity and actively participate in the competition in the Chinese market.

Ladies and gentlemen, China and the United States are two global powers with many common grounds. Both in terms of China's economic development strategy and its foreign policy agenda, China puts U.S.-China relations on top of its foreign relations agenda. A healthy and good China-U.S. relationship not only serves the fundamental interests of our peoples, our two nations, but is also crucial to peace and stability in the world as a whole.

Since the successful visit to the United States by Chinese President Jiang Zemin, China-U.S. relations have maintained a momentum of improvement and advancement. The joint statement issued by our two presidents last year has
gradually been implemented. At the moment, our countries are working
together
and making intensive preparations for President Clinton's upcoming visit to
China.

The summit, I believe, will offer our bilateral relationship another good
opportunity for further growth. China is ready to work with the United States to
build a constructive strategic relationship for the 21st century, as agreed upon by
the two leaders of our countries on the basis of the three Sino-U.S. joint
communiques and the joint statement.

I thank you very much, ladies and gentlemen, for your patience.

Amb. Li Zhaoxing is ambassador extraordinary and plenipotentiary of the
People’s Republic of China to the United States. Prior to this ambassadorship, he
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to the United Nations from 1992 to 1995, as assistant minister of foreign affairs
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