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ON CLEAN ENERGY COOPERATION

Opening Session

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P R O C E E D I N G S

MR. LIEBERTHAL: Good morning. I'm Kenneth Lieberthal with the John L. Thornton China Center at The Brookings Institution. I want to welcome you very warmly to this second forum on -- U.S.-China's Strategic Forum on Clean Energy Cooperation. Just delighted you could all make it here today, for some of the Americans, despite the weather that may have made it a little more difficult to get over here this morning.

Let me make a few announcements and then I want to turn the chair over to John Thornton. First, there is simultaneous translation available. You each should have a microphone. You can plug this into the microphone and directions are over here. Channel 5 for English, channel 6 for Chinese. Please hold on to your earphones and your cassette through the morning, through this session and the following one. And then at the end of the morning, you can put your microphones on the table over there as you leave.

Secondly, you'll get -- you should have a

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schedule that tells you where to go from each session to each session, but we will also make announcements at the end of every session so that you will be very clear about what begins next and where you go in between.

Finally, let me ask you to be sure to turn your cell phones off and so we can focus wholly on the speakers and the substance.

With that set of brief announcements, let me introduce John L. Thornton, who is chairman of the Brookings Board of Trustees. John.

MR. THORNTON: Thank you, Ken. I want to start the proceedings by reading a letter from President Obama. And when I'm finished, then my co-host, Chairman Zheng Bijian, will read a letter from President Hu Jintao.

From President Obama: "I send warm greetings to all those attending the Second Annual United States-China Strategic Forum on Clean Energy Cooperation. Your participation contributes substantially to meeting the global challenges of

climate change.

"America's relationship with China is among the most important and consequential in the world today. Continuing to strengthen the cooperation of our two countries to address common global challenges will help shape and improve the world in the 21st century. A vital component of this effort is our robust bilateral collaboration on climate change and clean energy, which is necessary to ensure both nations accelerate our respective transitions to low-carbon, energy-secure economies. By working together, we can hasten the development and deployment of clean energy technologies to our mutual benefit and to the betterment of our world. I am pleased our governments were able to come together constructively over the past years to promote a successful outcome in Cancun, building on the Copenhagen Accord, namely the adoption of the Cancun Agreements.

"The global challenge of climate change cannot be addressed by our governments alone. We also need the active support and cooperation of the private

sector, scientific communities, nongovernmental organizations, and other stakeholders involved in public policy to develop a strong clean energy partnership. Events like this forum bring these parties together, helping us to build this partnership and accomplish our shared goals. I wish you all the best for a productive event. Barack Obama."

Thank you. And Chairman Zheng, over to you.

(Applause)

MR. ZHENG: Ladies and gentlemen, dear friends, good morning. We're all very pleased to come to Washington to hold this very important strategic forum on U.S.-China Clean Energy Cooperation. This is the second session. The first session was very successful and I wish the second session to be a very successful conference.

Now I would like to -- our Chinese president, Mr. Hu Jintao's message to our second session on the strategic forum on U.S.-China Clean Energy Cooperation written on January 16, 2011. And this is the message from President Hu Jintao on the

occasion of the second session of the Strategic Forum on U.S.-China Clean Energy Cooperation, co-hosted by the China Institute of Innovation and Development Strategy and The Brookings Institution in Washington, D.C.

"I would like to express congratulations to all the participants to the forum from China and the United States, and also I would like to give my sincere greetings to the friends from both countries who have cared for the bilateral relationship between our two countries. In 2009, the first session of the Strategic Forum on U.S.-China Clean Energy Cooperation was successfully held in Beijing, which provided a platform for men and women of vision from both countries to promote cooperation in environment and energy. I believe the second session of the forum will continue to promote our two countries' cooperation on clean energy and sustainable development. This forum will certainly play a very important role in this area.

"China and the United States are both big

energy producers and big energy consumers. In our cooperation on clean energy and environment we have great potential. In recent years, according to the 10-year framework of cooperation on energy, we have steadily pushed forward our pragmatic cooperation in the area of energy and joint efforts with the international community to meet the challenges of climate change and thus has substantiated the content of Sino-U.S. relations.

"Now we have a number of important topics in human development and social development. China and the United States have more extensive common interests now and we both shoulder heavier responsibilities and more important responsibilities. The Chinese side is willing to work together with the United States on the basis of mutual respect and mutual benefit to promote a positive, cooperative, and comprehensive Sino-U.S. relationship so as to benefit the peoples in both our two countries and the peoples around the world.

"I wish this second session of the Strategic Forum on U.S.-China Clean Energy Cooperation a big

success. Hu Jintao, President of the Peoples Republic of China, 16th of January 2011." (Applause)

MR. THORNTON: A few comments by way of introduction of this session, and I'll be brief. I see this -- the point of this entire two days as doing our part to ensure that the issues of clean energy and energy efficiency are at the center of the U.S.-China relationship. I also see that interaction, that exchange on this topic as a kind of model for other countries. If the two biggest consumers and emitters can work together to solve these problems, then any other country should be able to do the same.

I also see it as a model for U.S.-China relations. If the U.S. and China can cooperate in this area constructively, then there's no reason why we can't cooperate in any other area constructively.

I see this occurring in three ways, three practical ways, in the next two days. Number one, people-to-people interaction, and by that I don't mean just exchange, but I mean deepening relationships. Everyone in this room knows that the world is built

off relationships. Everyone knows that these are central to building a cooperative relationship between our two countries. And so I would encourage you to go out of your way to deepen your relationships with friends from the other country.

Secondly, I see the content of this meeting directly impacting policies in our two countries, that we know from the two letters we just received from our respective leaders that they are taking this very seriously. And we will give the input of this conference directly to them and have a direct impact on policy.

And then finally, in the course of the two days we will have announcements of some concrete agreements to show that we're not simply having a talk shop here, but we are actually doing things.

Now, I'm going to say a few quick words about Ambassador Huntsman. He will then speak and then I'll say a few quick words about Zheng Bijian and he will speak, and that will be the first session.

On Ambassador Huntsman I'm not going to

belabor his biography, which you all either know or it's in your brochure. I'll simply say the following two or three points.

He has been a very successful business leader, political leader, and statesman, and in all of those roles he's always been an innovative thinker and a very pragmatic leader. To my Chinese friends in particular I want to say about Ambassador Huntsman insofar as you are learning about our country, this is somebody to pay attention to. He cares deeply about China. He is highly knowledgeable about China. In fact, in my experience -- and I've now been paying close attention for quite a few years -- in my mind, among the leaders of this country, public leaders of this country, he's the single most knowledgeable and interested and passionate observer of your country and I think, therefore, can be a very important constructive force for our relationship going forward.

We're very pleased he was able to carve out some time from his very busy schedule here during the state visit, and I give you Ambassador Huntsman.

(Applause)

AMBASSADOR HUNTSMAN: How's everybody? The weather is bad this morning, but I still see most people showed up and it's very good. I'm very grateful to Mr. Thornton for giving me a great introduction and especially happy my wife is here because my wife can hear nice words about me.

(inaudible) so many friends from China and from the United States who are gathered here. We have so many excellent leaders: Zhang Guobao, my good friend, and former Ambassador Zhou; Zheng Bijian, my excellent friend; just to name a few. And I'm so very, very delighted that this session through Brookings is able to bring a spotlight on something as important as clean energy within the U.S.-China relationship.

And to John Thornton, who himself is a one-man think tank, I want to thank him for his friendship and for his vision and for his guidance in particular that resulted in bringing us here today.

Winston Churchill used to say famously you

never kiss a person who's leaning away from you, you never climb a mountain that is leaning toward you, and you never speak to a group that knows a hell of a lot more about the subject matter than you do, which is the cardinal rule that I am violating this morning. My friends in China have another way to say it: (speaking Chinese).

In just a few hours, President Hu will arrive in Washington, the first state visit by a Chinese leader since 1997, when Jiang Zemin visited Bill Clinton. Strobe Talbott remembers that. My good friend Ken Lieberthal, who we all read and follow closely, remembers that. Mack McLarty, my friend, remembers that as well. Think about it. Almost 15 years has passed. The world has changed a lot since then.

When Deng Xiaoping visited the United States in 1979, we all remember those vivid images that came from that visit. He helped set the course for a new and revitalized U.S.-China relationship. And I believe President Hu's visit will have a similarly

significant impact on where this relationship will go in the decades ahead. And where this relationship goes is important not only for the United States and China, but also for the rest of humankind.

You see, no two countries are more prominently positioned on the world stage today. The United States and China are the world's two largest economies. We have two of the largest militaries. We are the two largest energy users and carbon emitters. For so many reasons. This is a bilateral relationship that touches every country on Earth. And if you pick any of the most critical issues of our day, from the economy to the environment, from national security to nuclear proliferation, the way forward must include joint action by both the United States and China.

To be sure, the United States and China do have important and fundamental differences that we need to be honest about and confront openly and respectfully. And believe me, neither side is shy about that. In my opinion, that is the best way to develop a friendship even and especially among friends

and partners, building trust the old-fashioned way, just as we have done now for almost 40 years since the Shanghai Communiqué was signed in February of 1972. It's not always easy, it won't always be smooth, but the reasons for close collaboration with both countries are just too compelling. And if either country wants to succeed, both countries will have to work together.

And so, as we move forward, I believe increasingly we need to demonstrate the tangible benefits of this relationship. We need to highlight how this relationship helps improve lives here in America, from Wall Street to Main Street. And believe me, in this age of instantaneous communication I believe the same will be required of my friends from China. This is what makes today's gathering so timely and important.

Cooperation on clean energy is a prime example of where we can further our common interests and benefit not only our people, but also many throughout the world for decades to come. Our two

countries have had some successes in this area. You'll hear about them through the day. The problem is those successes, which are often accomplished in the context of a JCCT or an S&ED or some other acronym don't necessarily resonate with average Americans or average Chinese. We have to humanize these accomplishments. We have to make them real in ways that citizens on both sides better see the benefits of supporting a strong U.S.-China relationship.

What does that mean? It means we can't just discuss these topics as abstruse or technical issues because they aren't. Ultimately, we need to make clear that the U.S.-China relationship is one of the best opportunities we have to improve the quality of life for average American families and businesses big and small because the economic opportunities are increasingly very real. So when people ask me why we should cooperate with China on clean energy initiatives I say it's very simple: We are embarking on a technological revolution in clean energy, like the space program or electronics of the 20th century,

that will dramatically expand high-quality jobs, living standards, and our economy in the United States. We'll get better products, lower prices, and more jobs in both countries. I believe the possibilities in this particular area of clean energy are unlimited. Here's a good example.

A few months ago I met the legendary innovator and philanthropist Bill Gates in Beijing. Now, generally, when Bill Gates mentions he has an idea for a new product I listen. But this time the product is a new kind of nuclear reactor, something that could operate for 40 to 60 years without refueling. Compare that to what we have today, where reactors need to be opened up and refueled every 18 months or so. So the bet is, if this technology works we could need a lot less uranium to create a whole lot more energy with far less nuclear waste. And keeping the uranium inside the reactor means we don't have to worry about terrorists buying it on the black market. You can see why this would be of such great interest to so many people.

But why China? This is an American company, but the simple reality is right now the regulatory environment here in the United States means it would take decades just to certify the design. So by partnering with the Chinese they can move ahead and then commercialize the technology around the globe when it is proven. The end result? Countries around the world would get cleaner, safer energy, and a joint U.S.-Chinese company could lead the world in nuclear reactor construction. That is a very big deal for so many involved.

Today, with jobs being so very needed, our cooperation on clean energy development is creating tremendous opportunities for new employment throughout the United States. Westinghouse is a prime example. I'm sure many of you are already familiar with their work in China, where they're focused on four next-generation nuclear reactors. What you may not know is those 4 reactors in China have already either saved or created 5,000 high-quality jobs here in America and across 13 different states. So as long as we continue

to produce cutting-edge technology and maintain our competitive advantage in management, services, and education, the China market will loom very large. And as China continues its efforts in renewable energy, we're beginning to see Chinese companies launching operations in the United States, and that means even more investment and job creation here for us.

More broadly, our cooperation on clean energy is important and timely because of its impact on the environment, health, and quality of life. This is a global challenge and it cannot be resolved unilaterally. We need to cooperate across ideologies and across borders, and we are. Both countries have committed \$150 million in public and private support for a new clean energy research center which will help generate new ideas and new products in at least three critical areas with vast potential: efficient building codes, carbon capture and sequestration, and electrical vehicles.

Why do I think these are such critical areas for research and cooperation? Well, look at the

numbers. Seventy percent of China's energy comes from coal. China currently uses half the world's cement every year and if current building trends continue, will probably build enough floor space in the next 30 years to pave the entire United States of America. In one year that's all of New York. Last year, in Beijing, there were more than 700,000 new cars on the road. That's 2,000 new cars every day in Beijing alone. That might be hard to imagine, but take it from a guy who makes the commute daily. My travel time has almost doubled in the last year.

The challenge now is where do we go from here? We're moving in a similar direction. The question is how do we ensure a common pathway for both the United States and China? And that puts us back to where I started. These cooperative efforts will only work if we have the public behind us. We have to be relentless in demonstrating the benefits and speaking honestly about the challenges.

In closing, let me suggest three ways we can broaden the public's understanding of the importance

of our relationship with China and the need for greater cooperative efforts. First, we need to continue to expand and promote mutual understanding, country-to-country and people-to-people. We are already moving toward our goal to send 100,000 U.S. students to China, which is perhaps the greatest investment long-term that this country could be making. And I know we are working overtime at our embassy in Beijing and our consulates throughout China to process a record number of visa applications for Chinese business delegations, students, performers, and tourists heading here to the United States. We just recently confirmed that China now is the number one country in the world in terms of sending students to the United States: 130,000 in total, up in just 1 year by 30 percent.

And by the way, in terms of job creation, let me just add that pretty much every one of those 130,000 students is paying full tuition, which means every time we issue one of those visas, we are either saving or creating a job in the United States.

Second, we need to continue our cooperative effort to protect intellectual property rights in China. This is a critical issue in the high-tech sector, including clean energy, and it generates a lot of concern in both U.S. and Chinese companies. We spent the past 16 months in particular working hard to convince Chinese businesses that this is not a U.S. versus China issue. This is an issue that affects anyone developing new ideas and new products.

I was lucky enough to address a room full of Chinese entrepreneurs last year at Jack Ma's conference in Hangzhou, where the U.S. relationship started in 1972. And I can tell you this next generation of Chinese innovators and strategic leaders, they get this better than just about anybody, regardless of nationality or business affiliation. Increasingly, they have at least as much to lose from IPR violations as their American counterparts, so I'm very optimistic. We're starting to gain a little ground on this.

I should also note that the Chinese

government recently launched a six-month crackdown on counterfeit technology and is making sure every government office is buying legal software only, no bootlegs, and we greatly applaud this effort.

Third, we should expand our official points of contact. Tomorrow's state visit should help us usher in a new era of bilateral cooperation and not just at the top, but across the board. We need to encourage our governors and provincial leaders, our mayors and local officials to spend a little more time comparing notes. The future of this relationship will be more Alabama and Anhui or Salt Lake City and Zhoujiajiang

Last September, we organized a visit by over 20 Chinese mayors to U.S. West Coast cities to exchange views with their U.S. counterparts on deploying green technologies in cities in both our countries. Ultimately, that is where the relationship will flourish, at the grassroots, where we live and where we work, on Main Street and around the family dinner table. It is the opinions generated in every

home and every (inaudible) home that will determine the long-term success of this relationship.

As I said at the outset President Hu's visit is as important an opportunity as we have had in years to bring this relationship into our daily conversation. Our presidents are talking. Our businesses are growing and expanding. Even our militaries are starting to re-engage with one another as they did last week with Secretary Gates while he was in China for yet another very important exchange.

Our job, whether it's about clean energy or energizing the private sector, is to make the benefits of this relationship as clear as possible to the people of each country. We have to improve the lives of ordinary Americans just as the Chinese have to improve the lives of their citizens. If sustained common ground is to be found in the U.S.-China relationship there is no better impetus than the strong desire on both sides to aggressively pursue a clean energy future. And by doing so we will likely better understand the meaning of my favorite Han

Dynasty aphorism: (speaking Chinese).

Thank you all very much. (Applause)

MR. THORNTON: Ambassador, thank you very much for those comments and for the inspiration. And I hope you see what I said earlier about John Huntsman's pragmatism, originality, and ability to hit the nail exactly on the head. His point about humanizing this issue to both of our peoples I think is absolutely central and something which needs an enormous amount of work. So I thank you for those comments.

Now, Chairman Zheng Bijian, just a few personal comments about him. At Brookings we have a - - we started a practice a few years ago of identifying the most interesting deepest thinkers in China on public policy issues and translating their works into high-quality English so they'd be accessible to people in our country. We chose as our first book essays by Chairman Zheng Bijian because he has been the most innovative and deepest thinker on public policy issues in China for a very long time. The issue of clean

energy and energy efficiency was something he identified long before it became commonly discussed. He put it right at the center of his famous peaceful rise theory. We could have no better, more influential voice, no more pragmatic thinker, no more relentless thinker than Chairman Zheng Bijian.

We welcome you and we look forward to your comments. Thank you. (Applause)

MR. ZHENG: Mr. John Thornton, Ambassador Huntsman, dear friends, ladies and gentlemen, today I recall 2006, when President Hu Jintao made a state visit to the United States as the president of the Peoples Republic of China, at that time in Seattle, together with CSIS, I organized a strategic workshop on Sino-U.S. relations when President Hu Jintao met with participants of the forum, which made the forum a big success. Today, we're very happy to attend together with you the forum on Sino-U.S. relations in the second decade of the 21st century and the second session of the Strategic Forum on U.S.-China Clean Energy Cooperation co-hosted by the China Institute of

Innovation and Development Strategy and The Brookings Institution here in Washington, D.C., during the important historical moment of President Hu Jintao's visit to your country.

I fully agree with and appreciate Ambassador Huntsman's very insightful speech. His observations and his judgments are very inspiring and encouraging. I believe his words and his predictions will turn out to be true. And I have a strong belief in that because I'm also an observer. I'm not someone who says things without any ground.

Looking back to China-U.S. relations since the normalization we can see that the critical junctures, men and women of vision from both countries never lost sight of the wood for the trees. They showed commendable pragmatic spirit and political wisdom in joining hands to overcome various difficulties and manage to maintain the normal developments of our bilateral relations, which was good news for the international community.

Now in the wake of the international

financial crisis that hit both our two countries we need to remember more than ever the successful experience. Always focus on the wood. In other words, keep a global vision and show pragmatism and political wisdom in our efforts to remove new interferences. In this way we can refuel the engine of the China-U.S. relationship and build it on a new foundation of common interests in the second decade of the 21st century.

Why do I raise this point on such an occasion? Because since the second half of 2008, with the international financial crisis and the growth of China's economic strength, there have emerged anxieties in the international public opinion about the direction of China's development, and skepticism and speculation about China's intention to stick to the path of peaceful development.

So I think that peaceful rise is not possible, and that China is no exception to historical precedence. And in the United States there are people in and out

of the government who hold similar views. As your friends, I believe if these skepticism and speculation became the mainstream of the public opinion and were still the national strategic judgment of the United States, it would lead to a total misinterpretation of the direction of China's developments and also do great harm to the interests of the United States itself as well as the common interests of China and the United States. I believe none of us would like to see it happen.

To our relief, we have heard recently reassuring and reasoned voices and wise advices from some American strategists. It shows that we have brought agreements on the existence of common interests and interdependence between our two countries. When I started the subject of China's

developing past as an observer and a scholar, I tried to explain why China's rise is bound to be peaceful.

In the early years of the century, I pointed out on several occasions that it was economic globalization that has made China's rise peaceful which, in turn, would keep offering the world opportunities and markets and mutual benefit, and whirlwind progress. Since 2004, I have further proposed that China needs gradually to be with communities of interest with our neighbors and surrounding regions, with all countries and regions, especially with the United States.

As I said, in June 2005 in my addresses to the National Committee on U.S.-China Relations and the Brookings Institution, there are factors which will make it possible for our two countries to form communities of interest in multiple areas and at

different levels. And such communities will be strong enough not to be easily broken up. The factors I mentioned are as follows:

In an era of globalization, our interests are so deeply intertwined that we need each other. The rise of nontraditional security threats has led to new security concepts based on cooperation among major countries. The international community has come to understand that there is necessity for joint efforts to address regional hot spot issue and maintain international peace and security. Increasing contacts and how-to exchanges between the Chinese and American peoples have brought us closer together, and I still believe this is true, and I believe that the developments have proven this fact.

For example, we have seen further developments of Chinese and American students studying

in each other's countries. I would like to take this opportunity to share with you my views on expanding convergence of interests and building communities of interest in the next decade.

First, outlook for China's development in the second decade of the 21st century on a subject of fostering convergence of interests and building communities of interest, I must first speak briefly about the ideas and goal of China's development in the second decade of the 21st century. The first two decades of the 21st century are a crucial period in China's endeavor to build a moderately prosperous society at a higher level benefitting more than one billion people. It is a period of development focussing on improving the lives of the people and raising the quality of life in a sustainable manner. It is also a period of transformation of China's

economy from quantitative growth to qualitative lifting.

Now, half of this relatively independent historical period has passed. We still have 10 years ahead of us. On the whole in the past 10 years, we have done quite well in quantitative terms but not so satisfactorily in qualitative terms. Now we're in the second decade. What kind of challenges we face in China's developments I would like to provide you a list.

For example, resources in the environment to constraints on economic growth, unbalanced economic and social development including imbalances between investment and consumption between the city and the rural areas and between the eastern and the western regions, difficult industrial restructuring, and insufficient R&D, human resources unable to meet the

needs of employment structure, inequitable distribution of income, and the readjustment of infrastructure, lagging social governance, and increasing social conflicts, severe natural disasters both predictable and unpredictable, et cetera.

To meet these challenges our work in the second decade of the 21st century we'll concentrate on accelerating the transformation of the economic developing patterns, ensuring and improving people's livelihoods, consolidating and expanding our achievements made in our response to the international financial crisis facilitating long-term study and reasonably fast economic growth, and achieving harmony and stability in the country. All this will lay a solid foundation for beauty and moderately prosperous society by the year 2020, and this is the effort we will make in the second decade of the 21st century.

To this end we must transform our economy from one mainly driven by external demands to one driven by both domestic and external demands, mainly domestic demands. This will be accompanied by the accelerated change of the industrial structure and elevation of consumption structure. China, a lower-middle income country, will move to an upper-middle income country at a faster pace. What is more, China will devote more efforts to realizing domestic development and to raising ethic standards and inspiring people to work for a lofty ideal. China will become a dynamic country enjoying harmony and stability, thus China will achieve the goal of peaceful rise and cultural renaissance.

Without any doubts, I believe such a China will provide the rest of the world with a bigger market and greater opportunities for development.

This is a big market, and this represents great opportunities -- China's past of peaceful rise, of course, with the friend of the history.

Today the trend of the world development is economic globalization and interdependent international relations. In this context, dialogue, consultations, coordination, proper management and reform in peaceful, cooperative, and mutually beneficially manner will be the means to tackle the existing and emerging problems. Such represents the main trend of (inaudible) developments. This road, as a whole, will face both opportunities and challenges with the former outnumbering the latter. That is the general trend of the world.

Given the fact that in the first decade of the 21st century China's peaceful developments has made it an important part of the world's developments,

and the science foundation of common interest has been built between China and the United States, thanks to the global vision, pragmatism, and political wisdom of both sides.

Then in the second decade, China will continue to follow this developing path and thus become a more important part of the world's development, and in the same manner as in the first decade, China and the United States may be develop common interests which are better defined and more sustainable. I've noticed that the concept of that, the concept of common interests, have go down in the hearts of the statesmen, the business people, and the ordinary people in both of two countries. All this will determine the direction of China's relations with the world and with the United States in the next decade and beyond. So that is my first point about

China's development, China's development in the second decade of the 21st century.

My second point is about China's past of peaceful rise and the building of convergence of interest and community of interest. In the second decade, China's past of peaceful rise and policy of building a harmonious world needs to be categorized. The important thing is to expand and deepen the convergence of interests of all parties and foster communities of interest with other countries in the region, in different areas and at various levels.

As I said before, we need such a policy choice for China's own development, but we also need it for the common developments of both our two countries, and I believe it also conforms to the trend of world developments. We hope that more and more countries will recognize and understand our policy

choice. I would like to assure you that to expand and deepen convergence of interests and to build communities of interest has become the policy of the Chinese government. In particular, to expand and deepen the convergence of interests with various parties has been incorporated into the CPC Central Committee's proposal on formulating the 12th's five-year program for economic and social developments which was issued not long ago.

In his address to the opening ceremony of the Asian summit meeting, Premier Wen Jiabao proposed that Asian members should become a close-knit community of interests. President Hu Jintao, not long ago in his telephone conversation with President Obama, says further that we're facing important subjects, that is, how to actively elevate the positive cooperative and comprehensive China-U.S.

relationship to a higher level and enter into a cooperative partnership in areas of common interest.

I would like to say that in fact the convergence of interests between China and the United States has already existed. This is an actual fact. I will not give you a comprehensive list of our achievements in trade development from \$25 billion U.S. dollars to \$890 billion U.S. dollars. This was unexpected by both China and the United States. Since 2008 our two countries joined hands to cope with the impacts of the financial crisis.

Wasn't it a most significant convergence of interest under the special conditions of the time? Yes, it was, and now we need to adapt to each other and make the necessary adjustments in order to work together to be with changes in the postfinancial crisis period and handle the domestic restructuring of

each country. This may become and should become a new convergence of interest between our two countries. In this regard, one thing is worth our attention: The Chinese and American economies are mutually complementary and interdependent in trade, and now they're increasingly complementary in investment as well.

Since last year for the first time Chinese investment in the United States surpassed the U.S. investment in China in one year. But, of course, accumulatively, your investment in China is much higher, but for last year alone we have more investments here than your investment in China. So this is a new development. As Ambassador Huntsman and Mr. Thornton mentioned, Chinese investments in American infrastructure projects and small and medium-

size enterprises in American south and west will help with its economic recovery and job creation.

I think this will show that China-U.S. common interests are moving from the strategic macrolevel to a microlevel that is to (inaudible) businesses. During these two days apart from our dialogue, China-U.S. relations, we shall also explore ways to develop convergence of interests and build communities of interest between our two countries in certain important areas of clean energy. I believe this kind of discussion will not only contribute to the global efforts to address the challenge of climate change but also help promote low carbon developments and energy security of our respective countries.

In addition, it may create more business opportunities for our two countries. China-U.S. practical cooperation in clean energy surely can

expand and deepen the convergence of interests and become an important part of the communities of interest that we are building. In short, as we have put together during the international financial crisis and now are in the process of the economic restructuring of our respective countries and practical cooperation in climate change and clean energy. we find more converging interests between our two countries and better conditions for building communities of interest in different areas and at different levels.

Even on sensitive issues, China had set store by the overall interest of our bilateral relations and given priority to a stable relationship. It has tried to expand the convergence of interests with other parties based on mutual respect for each other's core interests and major concerns. For

instance, on the issue of the Korean Peninsula, we have stated in explicit terms our position to provocative acts by any side that may lead to tension and any attempt to develop nuclear weapons on the peninsula.

On the issue of Taiwan, we have adopted the policy of reconciliation, peace and harmony, and made efforts to advance the common interests of the people on both sides of the Taiwan Strait.

On military modernization, we have adhered to strategic defense and rejected military expansion. On the issue of maritime security, we have intensified cooperation with countries concerned in a joint effort to preserve international shipping safety. Looking down the road, in the next 10 years we'll witness peaceful and gradual transformation of global governance system and international division of labor.

This will again prevent strategic opportunities for China and the United States in the process of world economic and political changes.

The basic factors and driving forces that's pushed forward China-U.S., China-Europe, and China-Japan relations in the past 10 years still exist despite our problems and differences with those countries. This requires us to seek new growth points in both bilateral and multilateral relations with a will to expanding and deepening our convergence of interest and building communities of interest which will be beneficial to all parties.

In short, it is both necessary and possible for us to work together with a global vision, pragmatic spirits, and political wisdom to view its bilateral and multilateral communities of interest in different areas and at different levels in the second

decade of the century. To achieve this goal, we must transcend the differences in ideology and social system and discard the parochial adjectives of "closing the doors" to the others.

We believe this is not only necessary but also possible. When there is an accumulation of converging interests there will be a solid foundation for common interests. The conditions will become right for building communities of common interest which offer immense scope for mutual cooperation and excellent chances for success.

And lastly, in conclusion I would like to talk about China's principle of self-conduct and dealing with other countries difference. The world today is at a critical juncture and so China-U.S. relations. Looking back at the first decade of the century, our relations encountered a number of risks

and crises. We have former ambassador to the United States, Mr. Zhou Wenzhong, I believe that he has a lot to say about this. He has had some very nice memories and some difficult periods, however, thanks to the leaders and strategies of our two countries who steered the boats firmly away from dangers, our bilateral relation as a whole have developed steadily for 10 years.

And what about the next 10 years? Without a doubt we may encounter new risks and crises, both predictable and unpredictable. To be frank, we have already encountered such risks and crises, but I believe that if we can draw on the useful experience of the past 10 years, take a global vision, be pragmatic and use our political wisdom in handling emergencies calmly and appropriately, we can find solutions to any problem.

Well, I have such great confidence in Ambassador Huntsman, if I can use you as an example. This is an important issue. Do we have such confidence? This is a very important issue. At this point I would like to quote Mr. Deng Xiaoping's words in December 1989 when China-U.S. relations were facing serious difficulties. He said to General Brent Scowcroft, who was a special envoy of the U.S. president, Mr. Deng Xiaoping said, "Although there are disputes between China and the United States and problems and differences of this or that kind, our relations must improve. World peace and stability need it."

But although that was not a last sentence but he pointed the most important thing, especially he said that our relations must eventually improve. At that time I asked him if I could use that sentence as

the title of his chapter -- of that chapter in his book, and if you read Volume 3 of the selection of his works, you can see the title of that sentence.

Later I wrote that sentence by Mr. Deng Xiaoping in traditional Chinese calligraphy as a gift to President George Bush. I think that today his words are still valid. Today politicians and strategists of both our two countries do need this kind of political and strategic vision in preserving and handling our bilateral relations, including standing convergence of interests and building communities of interest in all areas. In a broader sense, this is the way China conducts itself and handles its relations with other countries in a changing world in the second decade of the 21st century and beyond.

Thank you for your attention. (Applause)

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John L. Thornton: Chairman Zheng, thank you very much. If you think of Ambassador Huntsman and Chairman Zheng Bijian as representing the very best of the United States and China, and you listen to what they have to say, it is not difficult to conclude that this relationship can be and should be and must be a constructive and mutually beneficial one.

Of course, they both emphasize we have a lot of work to do, as we all know, so we're going to get down to work in just a minute. And I'd like to thank both of you for your contributions to your respective countries, to your contributions to U.S-China relations, to this particular issue of clean energy, and to your inspiration for the morning. Thank you very much. (Applause)

Kenneth Lieberthal: Thank you to the speakers. We are running just a few minutes behind.

We will have the next session begin in 15 minutes at 10 minutes of 10:00 in this room.

I will ask some people who are in the audience -- we'll be leaving the next session a little bit early -- to join the Department of Energy CERC ceremony. Will those people who are going to leave to participate in that ceremony please sit in the back part of the room on that side of the room when you come back for the next panel discussion.

Okay, and please hold onto your translation devices. Thank you very much. We'll see you in just 15 minutes. There is coffee and tea outside for you.

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