

THE BROOKINGS INSTITUTION
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**“U.S. CHINA RELATIONS:
CITIZENS, NOT GOVERNMENTS, ARE LEADING THE WAY”**

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PROCEEDINGS

RICHARD BUSH: Let's not forget that we do have an arrangement for a lunch talk and let me invite the Vice President of Fudan University Professor Lin Shangli to be the moderator and the speaker will be Bob Griffiths, the U.S. Consul General in Shanghai. Now let's first welcome Vice President Lin Shangli.

LIN SHANGLI: Now good afternoon everyone. I'm very grateful to be here, and it is my honor to make an introduction this speaker, Bob Griffiths. Mr. Griffiths is a current member of the U.S. Foreign Service Consul rank. His postings overseas have included Bogota, Colombia; Kaohsiung and Taipei with the American Institute in Taiwan; and Shanghai and Beijing, on China's mainland. Most recently he served as a Senior Course Advisor at the Foreign Service Institute in Arlington, Virginia. He has also served three tours in Thailand. In Washington, Mr. Griffiths has served in the Bureau of Economic Affairs and as Deputy Director for Mainland Southeast Asian in the Bureau of the Eastern Asian and Pacific Affairs. Outside the Department of State, he worked in Asia Policy Office at the Office of the Secretary of Defense and served a year in in the U.S. Senate in the office of Harry Reid of Nevada, Mr. Griffiths' home state senator as part of the State Department's Pearson Program. He holds a bachelor's degree in Asian Studies from Brigham Young University and a master's degree in public policy from Harvard University. The title of Mr. Griffiths' address is "U.S. China Relations: Citizens, Not Governments, are Leading the Way." Welcome.

ROBERT GRIFFITHS: Well thank you Professor Lin. I'm particularly pleased to be speaking to you over dessert because that might make everything I say feel as sweet as what you will be eating. It really is a pleasure to be here. As many of you I'm sure know, the United States has a long term and great relationship with the American Studies Center of Fudan. When I was here in Shanghai before, back in the 1990's, we were urging the United States USAID to complete the Center with funds from their Hospitals and Schools Fund, and that took place after I left, and so it's a little bit of satisfaction that I'm able to see the Center here, fully operating, and I believe it really is a symbol of the desire of the United States as a whole to have good relations here in China, here in Shanghai, and with Fudan University. I was speaking with Vice President Lin on the way over here about the desire that we all share to do more with the American Center here and we look forward to doing that.

Many have mentioned already this morning how China's a big country and there are many different perspectives on many different issues. I am very much aware that there is tremendous expertise here in this room from both sides of the Pacific, and that it's a very real question of what is it that I might be able to say here today that would add value to the discussions that are going on. There really is, at least from my perspective, a lot of good information about China available out there. I'm particularly impressed by the sources and stories that come out of particularly the American print press. But the really good stuff isn't read enough. And the information that is mostly readily available to most Americans is rather shallow and sometimes leaves the impression that the relationship really has more problems than benefits. Now it's also been mentioned that on the Chinese side, there's a similar dynamic there going on, but I'll leave to others to discuss that.

At any rate, what we're left with to have to deal with, often, is a focus from the U.S. side on unfair trade practices, on government subsidies, on state owned enterprises, IPR violations, market restrictions. There are human rights issues, Chen Guangcheng, Liu Xiaobo, the reform through labor system. There's concern about the regional, what's perceived as an aggressive regional policy, growing military capabilities, confrontations in the South and the East China Seas, and in the past year great concern about cyber-attacks for the purpose of commercial gain. All these issues are very real, and I'm glad they're getting reported, I'm glad they're getting discussed. These issues need and deserve a lot of work and I can assure you that from the U.S. Government perspective, they are getting a lot of time and a lot of attention.

But my concern is that attention spans are not long enough to really fill in the background of what's really going on in the U.S.-China relationship, in order to understand the context in which these difficult issues really are laid. Let me share with you a bit of what I deal with here in Shanghai, to at least give you that particular perspective.

I'm thinking a lot of the most recent Congressional delegation that came through. And it was clear, in talking to them ahead of time and anticipating their visit, that most of their questions and their concerns really evolved around these difficult issues, and while we had no desire to not face those straight up, I really felt like we could do some good for this Congressional delegation by giving them some more background. So we organized a lunch reception and invited what we called "interesting Americans doing interesting things in China," and we invited a group, quite an interesting group. It wasn't the normal group that Congressional leaders would meet with. There were no government officials, there were no leading academics, there weren't even any big business people. That's not who we were -- you know, they see those people all the time. I wanted them to see a different side of things. So we invited TV writers -- there's an American who actually writes scripts for Chinese soap operas, there are chefs, there are NGO fund raisers, there are doctors, there are actors, school administrators, entrepreneurs, very small level entrepreneurs, one in particular that I like is a guy who, with his wife, supports their three children living in a small Chinese apartment by making cinnamon rolls in their living room and selling them around the city. We have an American cage fighter who operates here in Shanghai. So we brought all these people together with this Congressional delegation and they loved it. They loved it. The response was -- wow -- who knew? Who knew what was really going on here in terms of the perspective of the U.S. and American, American and Chinese peoples' interaction? The head of the delegation said to me, he said: do this for every Congressional delegation that comes to Shanghai. So it really is a different perspective on things. We have some 50,000 Americans resident in the greater Shanghai area. There is so much going on, it's really impossible to keep track of.

There was a time, even before Ken Jarrett's time as Consul General, way back, when we would gather the entire American community in Shanghai for a Fourth of July party out on the little lawn area by the Consulate there. Well those days are gone forever. And it is really impossible to keep track of everything that's going on. We certainly can't do it. I don't think anybody can do it.

Let's step back and take stock of the relationship, as it ends up affecting the

American people who are coming to China. Trade -- we do half a trillion dollars in trade every year. The economic gains to both sides, just on the basis of little micro-economic grabs, obviously have to be enormous, and if you think about the number of people that actually have to be involved in making a half trillion dollars' worth of trade happen every year, it's really mind boggling, when you think about that. We have investment. United States has invested some sixty billion dollars in China. The Heritage Foundation recently said that China had invested a comparable amount in the United States. I haven't seen any of the sources that put it nearly that high but the influence is certainly growing. Just this weekend we heard of Fosun's purchase of Chase Manhattan Plaza in New York. As you know, as I hope most of you know, the U.S. market is extremely open. The number of Chinese investments that go in number in the hundreds every year, at least. Again, there's no real good way to keep track of that, because it can happen at so many different levels. There is concern about the CFIUS review of Chinese investment in the United States. Those boil down to a literal handful every year and all but one or two eventually invest and ended up getting approved, probably with some modifications. It's really open and the investment that's going on, on both sides is huge and that brings a lot of people to people interaction.

Let's look at education. I have not yet run into -- I go around my Chinese district - - three Chinese provinces around Shanghai here -- I have not found a single university at all that doesn't have an exchange program with the United States. And everywhere else as well. It's huge. I have not run into a single U.S. university of any size that does not also have some sort of exchange program with China. There is a lot going on there. Well over two hundred thousand Chinese students are in the United States today and it was mentioned earlier today that some 2.7 million have gone to the United States or gone abroad at least. The United States students in China are a smaller number, but it's growing rapidly. I am continually struck how often I run into people here in all lines of work, business, government -- who like me, first learned Chinese in Taiwan. Back in those days, there really weren't many opportunities in the mainland to learn Chinese. Ken, I guess, was the pioneer in that effort, but so many of them are still doing China work.

Now today, we have tens of thousands of American students in China, studying and learning about China. Think about what the implications are going to be in the future as all these people move up through their professions, their professional careers and the implications from that for bilateral relations.

Let's look at language. Now, I think a couple of days ago, we heard in the news that Beijing was tweeting its requirements for the *gaokao* and that now they've made this decision that first graders will no longer be required to learn English, they'll have to start in third grade, I guess. But these really are tiny tweaks. The efforts to learn each other's language are huge. The demand for U.S. teachers of English in China is so big that virtually anybody can come here and get a job, and they do. And sometimes they're well prepared, and sometimes they are not.

Chinese programs in the United States are also expanding exponentially. I recently, this past summer, had an opportunity to give a few speeches at universities in Utah. Utah is not California. It's not New York. Utah claims to have more elementary school students

in half-day Chinese language programs than any other state in the union. And not only is it significant that there are that many students studying Chinese, but this is something that the state authorities in Utah are proud of, and are happy to tell everybody about.

Let's look at energy and environmental cooperation. There are huge exchanges going on at every level. In Shanghai alone, we approve, just on the U.S. Government side, about a hundred U.S. scientists coming here every month doing some sort of exchange programs. Again, we can't keep track of all this, but we're just vaguely aware of all that's going on. Travel and tourism -- the demand for U.S. visas among Chinese citizens, as I'm sure you're aware, has doubled and tripled in recent years. In Shanghai alone, last year, we processed some 400,000 visas, and we have to interview each one of these and it's a big deal, I'll tell you. We are doubling our facility in order to accommodate the increased demand. Some 1.1 million Americans came to China last year we are told, and 1.3 million visas were issued to Chinese all around the country this past fiscal year. Chinese visitor spending in the United States contributes some ten billion dollars to the U.S. economy. Las Vegas, which is my hometown, you should know, celebrates Chinese New Year. Now granted, their interest is perhaps more commercial than cultural, but nevertheless, it's all red in February.

Now, the government of course gets involved. We have this Strategic and Economic Dialogue, which, while some of us are just so involved in the nuts and bolts of making that happen, is really remarkable to step back and realize what a unique thing this is. There are no other two countries in the world that have an exchange like this. And in addition to that, we have, at last count, maybe 94 bilateral dialogues going on, on a whole range of different issues, between our two governments. And of course, it's been mentioned here, the priorities that President Obama has put on meetings regularly with his Chinese counterparts.

One could argue that there is already well underway the greatest collaboration between two nations in history. The U.S.—and I'm picking the adjectives here, but with democratic values, high tech capability, creativity, working with China, with its enormous economies of scale, tremendous human capital, willingness to work hard—it's a natural fit in so many ways.

Now, in this -- I don't mean to be critical of so many brilliant people in this room who do great work, but frankly, analyses of whether this interaction is good or bad, who benefits the most, who might be getting hurt, what the strategic implications are, what it means for the future, are generally always way behind the curve. Because things are just changing so fast. And they are changing because they are being driven by the people of America and the people of China interacting with each other on their own terms.

Consider these anecdotes that just come across my desk as Consul General here in this area, this little corner of China:

Great architecture -- there is so much great architecture being constructed in China now, it is just absolutely mind boggling. If you think of Lujiazui down there in Shanghai across from the Bund, the four tallest buildings, the Jin Mao Tower and the World Trade Center and the new one that's going up -- those are all -- those all have U.S. architects. Now that's true, it's also true that all of

these architectural design firms are nowadays very international and it's just a reflection of globalization, but still, you've got a lot of U.S. talent being employed in China to build the world's best architecture.

There's a water shortage in China. This isn't a surprise to anybody, but it's really quite serious. By far the greatest consumer of water in any country is agriculture and to cope with that, China has made a difficult decision to import water. They import it mainly in the form of soybeans. My agricultural trade office, there in the Consulate, informs me that China imports over, well over a million tons of soybeans--every *week*! A lot of that comes from the United States. Not all of it—China is of course worried about having any single source provider so they're trying to diversify—but you know, we're the ones that have got the soybeans. Now, just to sort of continue on with the significance to this, soybeans are what the pigs eat. Pork, in the Chinese diet has probably been the single best measure of the standard of living of the Chinese people for a millennia. And so we are really, as was mentioned earlier, joined at the hip. Soybean exports have also become an extremely important thing for American farmers. U.S. agriculture would be in bad straits if we didn't have this market.

Let's talk about clean coal technology. Once again air pollution in China was a big headline his past weekend. But General Electric Corporation in the past few years has developed a truly cutting-edge new clean coal technology. The problem was, it wasn't cheap. In fact, the machine tooling required to build the machines to do this clean coal technology were so great that there was no American company that could take it on, because they did not have the economies of scale that would justify that sort of an upfront investment. GE has partnered with Shenhua, the largest coal producer in China. I attended the signing ceremony and Shenhua does have the economies of scale to make this worthwhile and better for everybody. Once the machine tooling has been done, the cost of the machines that actually do the cleaning of the coal, will undoubtedly come down and they expect to then begin exporting it around the world, so this technology is available to many countries in the world, including the United States, where it simply would not have been available otherwise, had there not been this collaboration between the United States and China.

Many of you are probably familiar and aware that in Hefei there is a tokamak reactor. I don't know how many in this room are very familiar with plasma physics. I'm not, but let me tell you what I think I know. Now plasma physics, this is where we're going to use magnetic containment to create a nuclear fusion reaction. They will create heat. When this technology is developed it promises to be a source of electrical generation that is clean and has no radioactive fallout from it. It is really the single greatest hope for the world's energy future that is on the horizon. Now this reactor was built, I'm proud to say, in large measure because of close collaboration with U.S. scientists in the United States who have come to China and helped them put this together, and international people as well and of course the Chinese as well. But this is particularly useful for us and our collaboration has come to a very fruitful point because, for different reasons, our comparable reactors in MIT and Princeton have been shut down and now if you are a post-doc plasma physics student in the United States, more than likely you're going to Hefei to produce your reactions so that you can write your dissertation.

Let's talk about a new way of international education. You're probably aware that

in the environments around Shanghai, three American universities are building campuses. These are New York University in Pudong, and Duke in Kunshan, just across the border, but what many people aren't aware of is Kean University in Wenzhou. Most Americans have never heard of Kean University but it's in New Jersey. It's a real university, it's substantial. But this is way beyond just having exchange programs. These campuses are going to be conducted in English with home country faculty, the home country's curriculum and when they graduate they will get a degree from NYU or Kean University or Duke. The President of NYU is -- he has a stump speech he gives and one of the points that he makes is -- John Sexton -- he says -- We are moving towards a world where no one will think getting an undergraduate education in only one country is adequate. And so that's his vision of what's going on, and China and the United States are very much in the forefront of seeing that become a reality.

We recently held a reception to which we invited American students in Shanghai to come from the campuses around the city. Obviously we couldn't invite them all but we had a few from each of the campuses around. These kids, as Dr. Li mentioned -- they are so psyched on China. They are learning the language, they are happy to be here, they are having by and large great experiences, interacting with their Chinese counterparts and they are really the new wave of Chinese ambassadors to the United States. And that's what you are going to see.

Talk about Chinese investment in the United States -- now we've talked about the large role that foreign investment played in getting China to have its incredible economic rise in the past few decades. Now I'm happy to report that some of the money we have funneled through Walmart to China is coming back, and companies such as Wanxiang in neighboring Hangzhou has been going around the rust belt in the United States. They started in 2008 when a lot of companies were going bankrupt -- buying up car parts firms and keeping them alive. They had a steep learning curve to go up, they had not really counted on what it meant to deal with the United Auto Workers in the process, but they figured out how to do that, and they made peace and those many firms -- thousands of American jobs are there because of the investments of Wanxiang. And they also did the same thing with battery maker A123. It's good business for them; it's jobs for America.

Recently Greenland, a property developer here in Shanghai, you may also have read, announced an initial investment of a billion dollars in urban renewal in Brooklyn. A lot of that is going to be low income housing, amazingly enough. So, if any of you have not had the opportunity to go out to Yangshan Port, you really ought to sometime. It is a sight to behold. They took up five little islands and joined them together with land fill and built this humongous container port. Just as far as the eye can see you've got the cranes. And it's really very impressive and the big causeway that comes on to it, and we've cooperated with them With Megaports and the like. But the interesting thing was, the day I was out there getting a tour, there was another group wandering around and they kind of looked like I did and so I went up to them and it turns out they were officials from the United States Environmental Protection Agency. Ha - fancy meeting you here. But they were in Yangshan Port. And they explained that one of the most serious pollution problems faced anywhere is in harbors, because the big tankers that come across -- the oil tankers, or container ships come all the way across the ocean burning the dirtiest oil, fuel oil—the bottom of the rung, bottom of the barrel literally—across the ocean. Well that pollution is dispersed in the ocean, it's not that big a deal, we hope. And when they get

into port, they still have to run their ship operations and that extreme pollutant is put into a very narrow area in the harbor and it's a terrible pollution problem. So what EPA has been pioneering is a new system where you build an electrical generating grid at the port and then when these ships come in, they turn off their engines and they plug into the electrical grid and that's how they can keep their ship going. And I thought, that's a great idea. But why are you in China pitching this? Now what are U.S. taxpayers' interests in your being here? I mean everyone likes to come to Shanghai, I know that, but still... They said, Ah!-- it costs a lot of money to retrofit a big ship to plug into this electrical thing. And if the only place you can do it is in Long Beach, it's just not worth it. But we think if we can get the Chinese ports to invest in this electrical infrastructure so that the ships can do it on both sides of the Pacific, that will allow these ship owners to see it's in their benefit to make the investment necessary to do it. So again, because of the economies of scale involved and the cooperation on both sides, both sides, indeed the entire world eventually, again, can have a great benefit.

Okay, well you get the point. All these examples are things that I have just seen come across my desk here in Shanghai. It's not the whole story of the U.S. bilateral relationship with China, but I think it's an important part of the story. Sixty thousand people cross the Pacific every week between the United States and China. They, I would argue, not really the governments, are the primary drivers of the real U.S.-China relationship. Now this is basically a very happy story. And I'm not, in telling it, trying to diminish in any way the problems that we face and the challenges that need to be addressed. But I do hope that we can see those challenges and problems in this broader context of what the U.S.-China relationship really means to the Chinese people and the American people. Thank you very much.

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