

## The U.S.-China Strategic & Economic Dialogue / Consultation on People-to-People Exchange

Remarks

John Kerry

Secretary of State

Joint Opening Session With Vice President Joe Biden, Chinese Vice Premier Liu Yandong, Chinese Vice Premier Wang Yang, Secretary of Treasury Jack Lew, and Chinese State Councilor Yang Jiechi  
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**SECRETARY KERRY:** I welcome my friend, the Vice President of the United States, Joe Biden. (Applause.)

**VICE PRESIDENT BIDEN:** Mr. Secretary, thanks for letting us in your house. I appreciate being able to be here. And with Secretary Lew, I just say to our Chinese friends, I notice you looking at the Secretary on crutches and our Secretary of Commerce on crutches – it's a difficult job in Washington. (Laughter.) We play it very – Hank Paulson can tell you it's a very tough place right now. And I just want you to understand that and why – that's why they're so committed to this relationship.

Vice Premier Liu and Vice Premier Wang, State Councilor Yang – it's good to see you again. We've spent a lot of time together. And we each have been – all of whom have been designated special representatives of President Xi. I'm really honored to welcome the entire Chinese delegation for the seventh U.S.-China Strategic Economic Dialogue and the sixth U.S.-China Consultation on People-to-People Exchanges. And I want to thank Ambassador Cui and Ambassador Baucus – it's good to see you, Max; welcome home – for being here today. And I'd be remiss if I didn't recognize other members of the Cabinet. Secretary Moniz is here as well as Secretary Pritzker, who I already referenced, and Ambassador Froman and Administrator McCarthy. And it's – they all are deeply involved and deeply committed to this dialogue.

Four years ago in Beijing, then-Vice President Xi observed, "If one is to have a full view of the scenery, one needs to cast his eyes to the far horizon." Well, that's what we need to be doing here today – cast our eyes to the far horizon. And we need to be honest and direct about where we've been, what lies on the horizon for the relationship that will in many ways define the 21st century for the remainder of the world.

It's been ten years since then-Deputy Secretary of State Robert Zoellick called on China to become what he referred to as a responsible stakeholder. He said all nations conduct diplomacy to promote their national interest. Responsible stakeholders go further; they recognize that the international system sustains their peaceful prosperity, so they work to sustain that system. And under President Xi, as China's interests and capabilities have grown increasingly global, China has indeed taken some important steps in that direction.

For example, you have served as a partner to curb nuclear activities in Iran and North Korea. You've taken concrete actions to address climate change, setting ambitious climate goals at home.

You've committed to let the market play a greater role in your economy, which will contribute to a stronger and more sustainable growth in the global economy. You supported efforts at the United Nations to combat radical terrorism, to stem the ability of extremist groups like ISIL to recruit, and so much more. Chinese medical personnel worked side by side with Americans to fight Ebola and set up hospitals in Sierra Leone. And China has been a leading contributor to the United Nations peacekeeping operations and has assisted in efforts to bring lasting peace and stability in both Afghanistan and the Sudan.

These are welcome actions that impact in a very positive way the growth and security of China, but also the region and the world. And I believe that the future of China's success and global influence is directly tied to the extent to which it acts as a responsible stakeholder. Essential to this is continuing to find new ways to work together even as we manage future competition in a responsible way. We must all embrace the role of responsible competitor as well, helping to create and uphold a playing field that is level, fair, and transparent – a field where the rules apply equally not only to the United States and China, but to all responsible competitors regardless of their size.

The rule-based order that emerged in the 20th century has served the world extremely well, and, I would respectfully suggest, including China. It provided the ballast for remarkable peace and prosperity that ensued after the war. And we'd be foolish today to hastily discard or ignore all of it. But we have to recognize that some of the rules, such as environmental and labor standards, have to be updated in the 21st century. Some institutions, such as the International Monetary Fund, they should be updated as well and revised to reflect the world as it is, not as it was.

And there's an urgent need to agree on a rule-based system for rapidly evolving areas ranging from cyber space to outer space – a new set of rules. Together, collaboratively, we have an obligation – China and the United States – to shape these rules. And let me be clear: The United States believes strongly that whenever possible, China needs to be at the table as these new rules are written. Responsible competition, adhering to these common rules – both old and new – in my view will be the essential ingredient necessary to manage areas of disagreement, and to build the long-term sustainable U.S.-China relationship.

As President Xi has said, "There's competition in cooperation." Yet such competition is healthy, based on mutual learning and mutual reinforcement. It's a fundamental sense. It is conducive to our common development. I believe that. The President of the United States believes that. The Secretary of State believes that. And as I've told President Xi on multiple occasions I've had to be with him over the last several years, we – the United States – we welcome fair and healthy competition. Quite frankly, you've awakened us. We got a little slow. We were a little – I know my colleagues don't like my saying this, but the truth is we got a little – how can I say it – too comfortable in the last part of the 20th century. It awakened the competitive spirit that's stamped into the DNA of every American, naturalized as well as native born. And a lot of them are Chinese, I might add.

I believe the United States of America is not only well positioned to thrive, but to contribute to the economic growth of the entire world as we grow. We're in the midst in the United States of an energy transformation that has positioned us as the epicenter of the world's energy sector over the 21st century, including renewable energy. We have the finest research universities in the world that educate millions of Americans and the brightest minds from around the world, including China. We're the top destination for immigration from entrepreneurs, scientists, academics, and artists

who bring creative solutions and want to create an open and welcoming environment. It's the creative edge we have, being as open as we are to immigration.

The best of the world make their way here. It's not that someone sits around a table in Southeast Asia or Africa or Latin America and says, "I've got a great idea. Why don't we sell everything we have, pick up, get smuggled into a country that doesn't want us? We're going to have fun, aren't we? This is wonderful." The truth is the people who make those judgments are people with courage and vision, optimism, innovation. So we have benefited from the openness of our system over the last 200 and some years.

We also in the United States protect innovation from those – the innovation that emanates from those great minds – through strong protection of intellectual property and the rule of law. Fair competition not only spurs our companies to develop better products and services; it spurs economic growth around the world. On a level playing field, our growth contributes to yours, and your growth in China contributes to ours. Your nation has opened up to the world and you have lifted 500 million people out of poverty, one of the most remarkable occurrences in human history – 500 million people out of poverty. Your traditions of scholarship, philosophy, entrepreneurship, and ambition are now paired with an increasingly educated public, including the education of millions of engineers and scientists from your finest universities.

The economic dynamism of your nation has supported the prosperity and growth of not only China, but throughout Asia. The future contributions of a successful, open, and collaborative China that embraces the responsibility of a stakeholder and a responsible competitor have tremendous potential for all of us, the whole world. But any country that relies on unhealthy practices to undermine healthy competition with others ultimately limits itself. There's sort of like – there's new rules of economics in the 21st century not set by any nation; they're like rules of physics. There are certain things that have to exist for nations to truly meet their potential. Responsible competitors help to sustain the system where research and development are rewarded, where intellectual property is protected, and the rule of law is upheld, because nations that use cyber technology as an economic weapon or profits from the theft of intellectual property are sacrificing tomorrow's gains for short-term gains today. They diminish the innovative drive and determination of their own people when they do not reward and protect intellectual property.

Responsible companies adhere to international law and work together to keep international sea lanes open for unimpaired commerce. Eighty percent of all the commerce today is on the back of a ship somewhere floating on the oceans – 80 percent of all the world's economy. The notion of sea lanes being open and protected is even more crucial today than any time in human history because of the interconnectedness of the world and global economy. Because nations that disregard diplomacy and use coercion and intimidation to settle disputes or turned a blind eye to aggression of others only invite instability and undermine the collaborative goals of the international community. And I can think of no nation that will greater benefit from international – an international economic collaboration than China and the United States.

And responsible competitors draw on the talents of every part of their societies. This is not lecturing; please do not misunderstand me. This is just one of those economic rules, like rules of physics in the 21st century – protecting the rights and voices of women, minorities, journalists, civil society, religious leaders; allowing nongovernmental organizations and educational groups to operate without harassment, intimidation, or detention. In short, they respect human rights not just

because it's the right thing to do, but because it's absolutely economically necessary. I think it's originally, actually, in a Chinese expression: Women hold up half the sky. Women hold up half the sky. Nations that do not take advantage of the populations – and I'm not directing this at any particular country – any nation that doesn't take advantage of it is squandering their potential, because as surely as people cannot live without blood coursing through their veins, societies cannot thrive without the full participation of all its citizens. Just like the basic rules of physics, as I said, there are underlying tenets of fair and responsible competition that comprise the path to stability and prosperity in the 21st century for all nations.

And let me be crystal clear, and I know my friends and I have become – have made some friendships in your leadership. Let me be clear: We do not fear China's rise. We want to see China rise, to continue to rise in a responsible way that will benefit you most, China, because you have an important role to play. A rising China can be a significant asset for the region and the world, and selfishly, for the United States.

China, like all nations in Asia, benefits from stability and prosperity – a stability and prosperity that, quite frankly, has been maintained over – since the end of the World War II by the United States of America for 60 years. We're going to continue to play a role for decades to come, but don't misunderstand it: We are a Pacific nation. 7,632 miles of our shoreline breaks on the Pacific Ocean. We are a Pacific nation. What happens anywhere in the Pacific affects the United States as much as – more than any other portion of the world. And now we are a Pacific power, and we're going to continue to remain a Pacific power. To respond to the changing world, the Administration has set in motion an institutionalized rebalance policy of the Asian Pacific region, not to contain but to expand all of our opportunities.

We believe this is important because the Pacific and every nation along its shore from Chile to China will form the economic engine that drives the economies of the 21st century. That's where the action will be. As part of that rebalanced strategy, we've strengthened and modernized our alliances and our partnerships throughout the region. As part of that strategy, we have deepened our support for important regional institutions like ASEAN, and we're continuing to work on the Trans-Pacific Partnership, which I predict we will succeed in getting done – the most progressive trade agreement in American history, and history, period. It boosts economic growth at home and abroad.

And as part of that strategy, we're working to build more constructive and productive ties with China. But we all know this relationship is complicated and consequential, to say the least. And we all know, like a good marriage, it requires an awful lot of hard, hard work, an awful lot of attention. In 1979, I was a young junior senator and I was invited to go to China with a group of senior, important senators – the first delegation to visit China after normalization and to meet with Deng Xiaoping. We had an opportunity to spend a considerable amount of time with him. I was criticized when I got back home because I was asked what did I think, and I said, "I think that a rising and peaceful China could provide an extremely positive incentive for the United States and the world." I still believe that. I believed it in 1979 that that was possible, and I believe it's even more likely today.

Then as now, I recognized that our two countries had clear disagreements on important issues. But that's not a new phenomenon. The animating logic of our relationship is also not new. Both sides accept that we each gain by working together where our interests align, and addressing our

differences candidly and constructively where they do not. And there are places where they will not align.

In reviewing the course that has led us to today, I think it's worth recalling that both our countries have gone through considerable changes since 1979, even since we met in the first Strategic & Economy Dialogue in 2009. For our part, the United States has entered a period of renewal, optimism, and new strength. Thanks to the aggressive actions we took to stimulate our economy and to stabilize our financial sector in the wake of the recession, our economy has gone from recession to recovery to resurgence. Twelve point six million private sector jobs added over those years; 63 straight months of employment growth; \$30 trillion in household wealth has been added back since the President and I took office. Unemployment is down from 10 percent to 5.5 percent, and I predict we'll go lower. U.S. exports are at record levels. U.S. businesses have served as the Asia Pacific's biggest source of foreign direct investment. U.S. businesses have invested over \$620 billion in investment stock in the region just in 2013.

And as we grow, we acknowledge our depending – our deepening economic interdependence. China is the largest destination for U.S. exports – you all know that – outside of North America. Our country engages – our countries engage in over half a trillion dollars in trade every year, and it's destined to grow. Because of the strong economic ties, China's success benefits our own, as I said, just as our economic resurgence supports China's growth. In just the last year or two, for example, China has made some changes to promote Chinese household consumption and allow more market-determined interest rates. As your third plenum laid out, there was a need to open the economy to private sector competition, implement market-based exchange rates, and to grant greater market access to foreign investors. That was your decision, not ours. Your plenum made that judgment.

We recognize the advances that China has made, and we encourage further progress in this effort to reform the economy. And we know the remarkable potential of the Chinese people. As we build toward the future that realizes the full potential of both our countries, success in the Strategic & Economic Dialogue and the Consultation on People-to-People Exchanges is critical.

Over the past few days, you have had an opportunity to make substantive progress on nonproliferation, strong and balanced economic growth, trade and investment, climate change, energy, environment, ocean conservation, maritime security, cyber issues, human rights, sustainable development, public health, education. We're not going to solve all these problems in this meeting or in multiple meetings, but we have to be committed to working towards solutions in each of these areas.

I need not tell you all that are participating we have a lot of hard work to do, but we have to keep at it day after day after day after day. This relationship is just too important. Not only do we depend on it, but the world depends on our mutual success. To put it bluntly, the world is depending on those of you in this room to continue to work through those issues. There's an old Chinese proverb that says one generation plants a tree, the next enjoys the shade. Today we gather in the shade of a tree planted by those visionaries on both sides of the Pacific who joined hands a generation ago, and now we have to plant additional trees together, today, so the generations that follow in both of our countries and around the world can grow and flourish in the shade, prosperity, security of a new friendship.

There will be intense competition. We will have intense disagreements. That's the nature of international relations. But there are important issues where we don't see eye to eye, but it doesn't mean we should stop working hand in hand because we don't see eye to eye. There was a famous American politician who we all loved – his name was Tip O'Neill – who was speaker of the House. He said all politics is local. Well, I'm getting old enough and I've hung around long – as long as he had in the House and Senate and in politics, and I'm going to presume to try to improve on that. I believe that all politics, especially international politics, is personal. It's all personal. And – because only by building a personal relationship – that's the only vehicle by which you can build trust. Doesn't mean you have to even like the other person, but it has to be a personal relationship where you understand what the other guy needs, the other woman needs, and what you need, and work through it. That's the only way to build trust.

Because of President Hu and President Obama, I had the opportunity to spend scores of hours with President Xi when he was vice president. He even was nice enough to see me for five hours when he was president. I think I know him. We know him. We know his aspirations for your country.

So as I told her last time we met, I'm particularly grateful that Vice Premier Liu is – for everything she's done to help build the face relationship that, as a Chinese co-chair, the Consultation on People-to-People Exchanges – it's important. The exchange has led to concrete progress in our relationship from an increased number of Americans studying in China to a program connecting young, professional scientists through in-person exchanges. These accomplishments are critical to expanding cooperation in areas such as the arts, education, women's issues, science and technology.

So I want to thank her again for her leadership, and I want to thank Secretary Kerry for the hard work he's put in this effort as well. And it's now my honor to introduce premier – am I doing the introduction? I am, okay. (Laughter.) I was about to take advantage of this opportunity, but Liu Yandong as our next speaker. Thank you. (Applause.)

VICE PREMIER LIU: (Via interpreter) Vice President Biden, Secretary Kerry, Secretary Jacob Lew, ladies and gentlemen, dear friends, good morning. I want to thank Vice President Biden for his speech. During Vice President Biden's visit to China, the Chinese people were very impressed and in his speech he particularly emphasized the importance of China-U.S. relations from a global context. He talked about common interests of our two countries, the common challenges, and our respective responsibilities. And that fully shows the leaders of the United States and the American Government the high level of importance they attach to the relations with China. So I want to thank the Vice President for that.

According to the agreement of the two countries, the seventh S&ED and the sixth CPE have a joint opening ceremony this morning. This is the first time that the two mechanisms and three dialogues are held concurrently in the United States. It is of very special and important significance. Vice Premier Wang Yang and State Councilor Yang Jiechi and I are particularly happy to be back in Washington, D.C. again, which is a very beautiful city, and to co-chair respectively with Secretary Kerry and Secretary Lew for the two mechanisms. Representatives from both sides are gathered together, and the scale is unprecedented. We have 13 ministers and 40 vice minister-level officials from the Chinese side. And that shows both sides take very seriously our bilateral relations.

First of all, I wish to, on behalf of Vice Premier Wang Yang and State Councilor Yang Jiechi and all the entire Chinese delegation, our appreciation to the thoughtful and meticulous arrangements made by the U.S. side. (Applause.) President Xi Jinping takes this S&ED and CPE very close to his heart, and he asked me and Vice Premier Wang Yang and State Councilor Yang Jiechi to bring a message for President Obama and convey his greetings and best wishes to President Obama, Vice President Biden, the two secretaries and all the colleagues from the U.S. side. He believes that the new model of major country relations featuring mutual benefits, win-win cooperation, non-confrontation is the priority of China's foreign policy. Facing complicated and volatile international situation, China and the United States should work together. They can work together in a wide range of areas. The two sides should keep the bilateral ties on the right track. As long as our two countries adopt an overall perspective, respect and accommodate each other's core interests and be committed to a constructive approach to reduce misunderstanding and miscalculations, we can manage our differences and maintain our common interests.

He expressed a hope that the two teams will keep up the good work to take full advantage of the role of the S&ED and CPE to promote mutual trust and cooperation between the two countries and to ensure that the bilateral ties will bring benefits to people of the two countries and people of the entire world.

Ladies and gentlemen, dear friends, the Consultation on People-to-People Exchange together with political mutual trust and business ties are intertwined and reinforcing each other. They form the three major pillars of China-U.S. relations. Since 2010 when the CPE mechanism was established, China and the United States have held five rounds of consultations and achieved nearly 300 concrete deliverables. I'm happy to see that the people-to-people exchange between our two countries today has expanded to cover more areas, as Vice President Biden said – that the CPE from four major areas add to the first round of the consultation now covers seven areas, and this time we'll add public health into the dynamics.

We have now involved multiple stakeholders, and it is shortening the distance between people of our two countries and increased mutual trust and friendship. And this mechanism is now showing its increasingly unique charm and important role and has forcefully promoted steady and sound growth of China-U.S. relations.

As we say in China, even a thousand-story tower starts from piles of earth, and in today's world we're living in a global village and countries have become a community of common destiny and intertwined interests. The building of the new model of major country relations not only needs efforts from politicians and diplomats, but more importantly, understanding and support from our people, especially those at the grassroot level. The theme of the CPE this year is exchanges, mutual learning for win-win cooperation. Our two countries will reach a series of practical and concrete outcomes in education, science and technology, culture, sports, women, youth, and health.

We are looking forward to working together with the U.S. side to build more platforms for mutual understanding of our two peoples and create conditions for mutual learning between civilizations from East and West, so that hundred millions of students, scientists, artists, and people from different walks of life, including our women and young people, to feel and share the joy of exchanges and harvests so that this new model of major country relations of China and the United States will have greater warmth, resilience, depth, and breadth.

Here I wish to express my belief and hope that the 7th S&ED and 6th CPE will be a complete success. Now I would like to invite the American chair of the 6th CPE, Secretary Kerry, to deliver his speech. Secretary Kerry with his wisdom, capabilities has impressed all of us deeply, especially in the 5th consultation in Beijing. The music he played with a Chinese instrument pipa attracted 6 million Chinese fans. And now I would like to give the floor to Secretary Kerry. (Applause.)

SECRETARY KERRY: Mr. Vice President, thank you very much. We appreciate your comments enormously. Vice Premier Liu, thank you very much. I'm looking for the royalties on those 6 million fans. (Laughter.) State Councilor Yang and Vice Premier Wang, distinguished guests, members of the Chinese and American delegations, and I particularly want to warmly welcome both our ambassadors – the ambassador from China – Ambassador Cui and my friend Max Baucus back here. And I particularly also am happy to see our fellow members of the President's cabinet here, and I think the numbers of participants really underscores the importance of this meeting.

This is the 3rd Strategic & Economic Dialogue in which I've had the pleasure of participating directly, and I'm confident that we're going to be able to take full advantage of the chance to expand our bilateral cooperation. We particularly look forward to September, when President Xi will pay a state visit to the United States, to Washington, and we're confident that when our presidents meet again, if we do our work well over the course of these next months, we will be able to advance this relationship.

As the Vice President noted in his remarks, we have taken a number of very positive steps over the course of the past year. These include, perhaps first and foremost, an historic announcement on climate change. In addition, nurturing confidence between our militaries as we have increased our mil-to-mil engagement, extending visa validation reciprocity, working very solidly together as partners in the P5+1 negotiations on Iran, and helping our friends in West Africa combat the deadly Ebola virus. And I had a chance last night – we had a wonderful dinner at Mount Vernon last night, a very open and freewheeling discussion in the course of that, but we really were able to isolate those things on which we differ and talk about them in reasonable ways, but most importantly get excited about the possibilities of cooperation between these two great nations.

We believe that the steps we've taken over the course of the last year are important in and of themselves. But they also have a larger value, because when other nations see China and the United States working together, it tends to galvanize their own efforts. It tends to increase their focus on similar issues. So more and more I think we have both decided that our partnership is an essential starting point to the resolution of global problems, and that this partnership can indeed become even more important in terms of providing a better sense of structure and order in a world where there is an increasing sense of, at least in some places, disorder or even chaos.

This week, in these next two days, we have a very, very full agenda. It includes building on the progress that we've already made in the field of sustainable energy cooperation, the environment, and curbing greenhouse gas emissions. This topic alone, frankly, validates our dialogue, because unless our countries lead on these issues, meaningful gains are simply not going to happen. And if you take the judgment of scientists with the seriousness that one should, we all understand the serious consequences of not achieving progress.

We've made a good start, but we all understand we have to do more within and beyond our borders. We have to drive home the urgency of growing economically in ways that are green and

clean. And as Secretary Moniz and Secretary Pritzker and Secretary Lew and all of us will underscore, the energy market is the biggest market in the world. It can drive all of our economies, and it is a growing market as we go from some six billion people to nine billion people on the face of this planet – all of whom will be consumers of energy.

So we believe that we can contribute to shared prosperity by coordinating in addition on development policy, which is something that our countries have never done before. This is something that State Councilor Yang Jiechi began a discussion on over a year ago in Boston, and President Obama and President Xi have agreed and put focus on it with a determination that if the United States and China could together find development projects on which we could cooperate, we could exponentially leverage that much more positive outcome.

On the strategic track, we will review the possibilities for further cooperation on Afghanistan; the Iran nuclear negotiations, which we go to towards the end of this week and are reaching a pivotal moment; on counterterrorism and the Middle East. We will talk about regional security in the Asia Pacific, including stability in the Korean Peninsula, and the need to reduce tensions rather than add to them in the South China Sea and the East China Seas. We will devote a special session to coordinating oceans policy, which is hugely important environmentally, economically, and obviously from the perspective of international order and law. And we look forward to a very frank discussion of cyber security and other ongoing concerns, such as internet freedom, human rights, and religious liberty.

Now, we are aware – obviously, and both speakers have already referenced this – that we will not agree on all issues. No nations agree on every issue. But we do not accept that a narrowing of the differences is beyond our reach. The dialogue between those who already see eye to eye is not a particularly interesting or necessary dialogue. But the discussion that – a discussion that merely restates longstanding positions becomes pretty sterile. That's not what we're looking for here. We're not satisfied with simply maintaining the status quo. Our relationship is dynamic and it has grown and matured steadily in the past decades, and most notably in recent years. We each have a stake in continuing that momentum.

One way to do that is through the sixth edition of the Consultation on the People-to-People Exchange. Contacts between our citizens in the arenas of business, science, technology, athletics, and the empowerment of women work best when they are fully reciprocal and unfettered. These contacts can take many forms – from technical workshops, sports competitions, to online conversations and the travel of students back and forth across the Pacific. Frankly, this is diplomacy on a retail basis, and it's some of the most important diplomacy that we can do. It's how we forge a comprehensive partnership out of smaller friendships. And this year, for the first time we will be focusing on cooperation in the area of health. And right now, as you imagine, that's not a bad topic for me. (Laughter.)

My colleagues, if we are going to reap a harvest from the opportunities that are staring us in the face – and they are many – than we really need to be honest with each other. And I hope that frankness is going to be the hallmark of our conversations over the next two days. We can't promise one thing and then do something else. We've got to live up to the commitments that we make and the world is looking to China and the United States to fulfill commitments. That's how we will build a foundation for real cooperation, and that is why we established the Strategic &

Economic Dialogue and the Consultation on People-to-People Exchange in the first place. That is why we are here today.

This is serious business. Last night, State Councilor Yang Jiechi and I referenced the fact that at any given moment, there are a lot of conversations taking place in the world. But at this particular moment, given the stakes, given the interests, given the possibilities, this is one of the most important conversations that could be taking place. There is never a routine moment in U.S.-China relations. Every meeting matters. Every day matters. And every decision matters, because of the consequences that it may have for future choices.

So I echo the words of Vice President Biden: We have to make the absolute most of these two days. And as I look around this room at the serious people who have gathered here to do so, I'm confident that we're going to make this a success. I thank all of you for taking part in this effort. A special thanks to Vice President Biden for having joined us this morning to kick this off, and tomorrow President Obama is very much looking forward to meeting with the delegation and having a chance to close out this conversation.

So at this time it is my pleasure to ask you all to join me in welcoming Vice Premier Wang. (Applause.)

VICE PREMIER WANG: (Via interpreter) I don't want to enjoy the treatment enjoyed by Secretary Kerry. I don't have to stay there.

Secretary Kerry, Secretary Lew, ladies and gentlemen, this round of dialogue precedes President Xi's first state visit to the United States and is the last round of the S&ED held in the United State during President Obama's term of office. This has conferred a special and important mission upon our dialogue, which involves hopes and expectations of both presidents. The Chinese team will work with our U.S. colleagues to lay a solid foundation for a successful visit by President Xi and add a mark of success for the Obama Administration.

In the past seven years, the S&ED has grown broader and stronger, acquiring a richer agenda and better format, and producing more fruitful results. The two rounds of economic dialogue have been held by the current governments, yielding over 170 outcomes in various fields. Substantive progress has been made on major issues, including BIT negotiation, climate change, and ITA expansion, injecting positive energy to China-U.S. relations and common development of the world. Some outcomes may seem insignificant at this stage, but once nurtured by the fountain of opportunity, these seedlings will grow into large fields.

This is not just an expectation for the future, but also a summary of the past. More importantly, the dialogue mechanism itself shows the commitment of both governments to work together for win-win results. As such, it is conducive to boosting the confidence of people and companies of the two countries in developing closer cooperation and exchanges. Today more than 10,000 Chinese and Americans travel across the Pacific every day, and the number keeps growing at a double-digit rate. Two-way trade has exceeded U.S. \$550 billion, and China has become one of the fastest-growing export markets for the United States. U.S. exports to China have helped to create nearly 1 million jobs in the U.S. Accumulated mutual investment topped U.S. \$120 billion. And Chinese businesses have so far made investment in 44 states of America, with total investment reaching U.S. \$46 billion and creating 80,000 jobs for America, and the numbers are still growing.

With such convergence of the two countries' interests, which has gone beyond many people's imagination, neither of us could afford the cost of noncooperation or even all-out confrontation. Our high-level, multidimensional dialogue is a testament to the greater maturity of relations between our two nations. Dialogue helps us understand each other's thinking and get to the crux of how to make cooperation work and better handle differences.

On some issues, perhaps, consensus still eludes us. However, talking to each other could help pave the way to finding a solution, or at least help keep our differences under control. Although dialogue may fall short of expectation, and sometimes nothing much is achieved, leaving everybody unhappy, yet it would always be more preferable than confrontation. Some people believe that the Thucydides trap between major countries is insurmountable. Some even want China and the United States to confront each other. In any case, decision-makers of both countries must always remember that confrontation is a negative sum game in which both sides will pay heavy prices and the world will suffer too.

Talking to each other does not create win-win all the time, but both sides will lose in a case of confrontation. Our dialogue mechanism may not be perfect, but it is an indispensable platform for the two countries to increase mutual trust, deepen cooperation, and manage differences.

History teaches us that China and the United States must not follow the old path of confrontation and conflict between major countries. Building a new model of major country relations is an effort to explore a new path towards peaceful coexistence. This path may not be smooth and the journey could be bumpy, but as a great Chinese writer said: "Originally there is no path – but as people walk down the same track and again, a path appears." I'm convinced that we are on the right track. Thank you. (Applause.)

And now, I welcome my rival, Secretary Jacob Lew, to take the floor.

SECRETARY LEW: Good morning. I'd like to join Vice President Biden and Secretary Kerry in welcoming Vice Premier Liu, Vice Premier Wang, State Councilor Yang, and the entire Chinese delegation to Washington for this seventh meeting of the Strategic & Economic Dialogue. I'd also like to welcome all of the members of the Chinese delegation, our cabinet and Administration members, and our two ambassadors who are here with us today.

I particularly welcome the opportunity to co-chair our economic track discussions with Vice Premier Wang with whom I've worked so closely over the last several years and who's played a central role in strengthening our bilateral cooperation. The Strategic & Economic Dialogue is a key mechanism for generating practical cooperation on issues across our relationship, and it's led to important, tangible results for both sides. It also provides an opportunity for frank, high-level discussions on areas where we have concerns and need to manage our differences and to work through issues to prepare for a productive leaders meeting in September.

Over the next two days, we will address a range of economic issues of importance to the American and Chinese people. These include promoting strong, sustainable, and balanced growth; enhancing financial sector reform and stability; and emphasizing our joint responsibilities in upholding high governance and standards in the international economic system. We'll also discuss candidly and work to make progress on areas of concern, such as cyber security, barriers to open trade and

investment, and exchange rate reform. Together, the United States and China account for a third of global gross domestic product, and nearly 40 percent of recent global growth.

We have an enormous stake in each other's economic performance. As the world's two largest economies, a mutually beneficial economic relationship is of great importance not only to the prosperity of our own peoples but to the health and development of the global economy.

The U.S. economy has strengthened in the past year led by strong private demand. Though growth slowed somewhat in early 2015, in part due to temporary factors, the near-term outlook in momentum remains strong. Improved labor market conditions, along with the recent sharp decline in energy prices, have been a boon to consumers, helping to lift consumer confidence to its highest level in a decade.

Continued strong growth in China, particularly growth based increasingly on domestic demand, is also essential to global growth and prosperity. We support China's economic reform agenda, including efforts to allow the market to play a more decisive role in the economy and rely more on consumption to drive China's economic growth. As part of these reforms, it's critical that China continue to move to a more market-determined exchange rate and a more transparent exchange rate policy.

We have a shared interest and a joint responsibility to pursue policies that support the global economy, as well as uphold and continue to improve the global economic and financial architecture. This includes responsibilities to abide by certain standards of behavior within cyber space. We remain deeply concerned about government-sponsored cyber theft from companies and commercial sectors. The United States and China have a shared interest in ensuring that the internet continues to drive growth and prosperity worldwide. We look forward to discussing these matters further.

China has a significant role in the global economic and financial architecture, and we hope China will work with us to maintain and advance high standards in multilateral institutions. This is especially critical as we head into China's G20 host year. We must work to achieve a mutually beneficial bilateral economic relationship, including through a trade and investment relationship that provides a level playing field, promotes innovation, and supports jobs and growth. We must work together to show leadership on financing to combat climate change. We look forward to working with China as it continues to deepen its domestic financial market reforms and becomes more integrated into the global financial system.

Our goal is to continue to make concrete, tangible progress on our respective issues of concern in order to deliver mutual benefits to the United States and China. We intend to use this forum, built up over the past decade and involving engagement at the most senior levels of both of our governments, to tackle difficult issues – issues that, if left unaddressed, would hinder the bilateral relationship.

I'm confident that we will continue to make the kind of concrete progress during the seventh round of the S&ED that we've made in the past. We look to productive and cooperative discussions over the next two days as we address the mutual challenges that we face. And with that, please join me in welcoming our next speaker, State Councilor Yang. (Applause.)

STATE COUNCILOR YANG: (Via interpreter) Secretary Kerry, Secretary Lew, Vice Premier Liu, Vice Premier Wang, ladies and gentlemen, friends: It gives me great pleasure to have this opportunity to attend the seventh round of S&ED and attend the joint opening session for the seventh S&ED and sixth CPE. I see many colleagues and friends that I know, but I also spot some new friends among the audience, so it gives me great pleasure to meet with all of you.

We live in a complex and fast-changing world with new opportunities and new challenges emerging all the time. Countries are seeking reform, development and incorporation to keep up with the trend of the times. China and the United States, as the world's biggest developing country and the biggest developed country, need to stand high and look far under the changing circumstances, stay committed to China-U.S. relations, and work together for world peace and development of all countries.

Maybe there aren't as many skyscrapers in Washington as those in New York, but here in Washington, D.C. we still can stand high and look far, and let us work together to build a new model of major country relationship. Why? Because our two countries are countries with major influence in the world, and both of us are committed to promoting peace, stability and development of the world. Our two countries are in the Pacific region. At last year's APEC Economic Leaders' Meeting held in Beijing, we reached agreement to have an FTAAP. We hope that we can stay the course for the free trade agreement in the Asia Pacific. Both our two countries believe that we need to uphold the purpose and principles of the UN charter, and take those purpose and principles as the norms governing international relations.

China is a participant in promoting the international order and we have benefited from the international order. We will work with the United States and indeed, for that matter, all other countries in the world to push for a more just and fair international order. President Xi said that we need to forge a community of shared destiny for all mankind. We follow the principles of sincerity, affinity, real benefit and inclusiveness for our neighborhood. The Asia Pacific is the most dynamic region in the world. In this region, China and the United States should work together. We hope that we can see even better economic growth in the United States because it serves the interests of all countries around the world.

Just now, Vice President Biden, Secretary Kerry and Secretary Lew all mentioned that they want to see economic growth in China, and they want to see closer business and trade cooperation between the two countries. So China's development also serves the peace and stability of the region and beyond. China is committed to the path of peaceful development, and China also hopes that other countries around the world will also follow the course of peaceful development. We believe that countries around the world, regardless of their size and their strength, are equal members of the international community. We are committed to promoting democracy and international relations.

This year marks the 70th anniversary of the founding of the United Nations. We hope that we can work together to uphold the outcome of victory of the Second World War, continue to follow norms governing international relations with the UN charter at its core. China and the United States opened the door to diplomatic engagement in 1972. Despite ups and downs in our bilateral relations, this relationship has followed the right track in general, and both countries have benefited from this relationship. Areas of cooperation far outnumber the areas of competition. With regard to competition, I am a patriot, but I still believe that for Chinese basket team to have a draw outcome

with the U.S. basketball team, that will be a tall order, and vice versa for the U.S. ping-pong team to win the Chinese ping-pong team. That will be – that will take some time.

So the point I'm driving at is that both of us have our respective strengths. We need to be mutually complementary to each other. We need to turn competition into cooperation. As a matter of fact, we have already started doing so. In Asia, we are helping some developing countries on their water conservancy projects to improve their peoples' lives. We are ready to work with the U.S. in Africa and other regions. We are promoting a strategy of strengthening the country through science and technology. One important aspect of this strategy is to protect intellectual property rights. In this regard, we stand ready for closer cooperation with the U.S.

Our two countries have made instructions to further China-U.S. relations under the new situation. Our task is to make this round a resonating success and live up to the expectations of our presidents and the people of our two countries. I hope that our dialogue will help us better understand each other's domestic and foreign policies and view each other's strategic intentions in the right way, so that we can reduce suspicion, prevent miscalculation, and cement the foundation of our cooperation. I hope our dialogue will help us build common ground and work through differences on the sensitive issues.

We need to work in the same direction, respect and accommodate each other's core interests and major concerns, manage our differences in the relevant areas, and stay on the right track of building a new model of major country relations between our two countries. The growing business ties and the growing world economy will benefit from navigation freedom across the world. China is firmly for navigation freedom across the world. We hope that our two sides can work together to ensure that the global economy can improve in the right direction.

We need to keep the transparency of regional trading architecture and framework and openness. We hope that in promoting trade liberalization, in trade in services, to have – to achieve bigger things in this regard. We hope – we believe that cyber security is very important. We think that countries should work together to develop international code of conduct for cyber information sharing.

We will work with the United States and other countries to work in the spirit of openness, to properly address the relevant issues. We hope that this round of S&ED will achieve positive outcomes. I look forward to working with Secretary Kerry for exchanges of views. We hope that our dialogue will help us further expand win-win cooperation. For example, deepening practical cooperation on energy, environmental protection, law enforcement, and so on. We need to promote positive interaction and inclusive cooperation in the Asia Pacific, and we need to strengthen communication and coordination on such regional hotspot issues as the Iranian and Korean nuclear issues. We need to tap potential of cooperation on climate change, marine conservation, and global development.

Our work together will not only bring more tangible benefits to our two peoples, but also serve peace, stability, and prosperity in the Asia Pacific and the world at large. Like what Vice Premier Wang and Vice Premier Liu and Secretary Kerry and Secretary Lew – they all had their mission to introduce the next speaker. I don't have this task. But I also have a glorious mission, that is I want to thank each and every one of you to be here for this opening session. I want to thank you all for

you contribution to China-U.S. relationship and for the success of our S&ED and the CPE. Thank you all. (Applause.)