



(Translation)

**Deepen Mutually Beneficial Cooperation
To Promote Common Development**

Address by President Hu Jintao of the People's Republic
of China
At Luncheon in Seattle

19 April 2006

The Honorable Christine Gregoire, Governor of
Washington,
The Honorable Gregory J. Nickels, Mayor of Seattle,
Ladies and Gentlemen,
Dear friends,

I am very glad to attend this luncheon hosted by the Washington State, the Seattle business community and the friendly local organizations. And it is truly a great pleasure to join you, both new and old friends of China. Over the years, you have all made important contribution to deepening mutual understanding and friendship between our two peoples and the growth of China-US relations. I would like to thank you most sincerely for

this and send you my best wishes.

Seattle is known as the "Emerald City". I am very glad to start my visit to the United States from Seattle, and I wish to convey to the American people, through this "Gateway to the Orient", best wishes from the Chinese people. During my visit, I hope to work together with the US side to enhance mutual trust, deepen cooperation and promote the growth of the constructive and cooperative China-US relations in all fields.

Ladies and Gentlemen,
Dear friends,

The growing trend toward economic globalization has led to increasing contact, greater interdependence and overlapping national interests among countries. Thanks to the new progress in modern information technology and communication, important messages now spread around the world in a split second. Living in such a world, we must be global in view and outlook, give a high priority to exchanges and cooperation, draw on each other's experience, and seek mutual benefits, win-win outcomes and common development. This is the important message that development in today's world has given us.

As the largest developed country, the United States

has advanced science and technology, adequate capital supply and strong market demand. China is the largest developing country with rich labor resources, a huge market and a steadily improving investment environment. Our economies are complementary, we enjoy extensive common interests, and there are great potentials for enhancing our business ties.

When our diplomatic relations were established in 1979, bilateral trade was only a little more than US\$ 2.4 billion. In 2005, it jumped to US\$ 211.6 billion, an increase of more than 80 times. To date, the United States has invested in over 49,000 projects in China, with a total actual investment of more than US\$ 51 billion. China is now the third largest trading partner and the fastest growing export market of the United States, and the United States is China's second largest trading partner and the biggest export market.

The fast growing bilateral business ties have delivered great benefits to our peoples. According to Morgan Stanley, in 2004 alone, quality yet inexpensive Chinese goods saved US consumers US\$ 100 billion, and trading with China created over four million jobs in the United States. By doing business with China, US companies have made good profits, enhanced their global competitiveness and strengthened their positions in the US market. In 2005, total sales of American

invested companies in China came to US\$ 107.6 billion. A survey conducted by the American Chamber of Commerce in China shows that 86% of US companies operating in China have registered increase in earnings, and that the profit margin of 42% of them is higher than the global average. More than 800 Chinese companies have invested in the United States, contributing to local economy and employment.

China-US business cooperation has promoted economic and trade exchanges of our two countries with other members of the Asia Pacific region and contributed to both economic development and cooperation in the Asia Pacific region and global economic growth. The United States is the locomotive of global economic growth, and China is also an important force driving economic growth in the Asia Pacific region and the world at large. China now contributes at least 10% of world economic growth and more than 12% of the growth of world trade.

Business cooperation has proved to be a pillar for the growth of China-US relations. Strong business ties meet the fundamental interests of our two countries and peoples and will continue to play an important role in boosting and stabilizing our relations.

American Northwest is closer to China than any

other region of the American continent. It was also the first region in the United States to start trading with China. Products from this region in aviation, electronics, IT, agriculture, forestry, animal husbandry, fishery and other industries are popular in my country, and Microsoft and Boeing are household names in China. Two weeks ago, I received a letter from Lieutenant Governor Brad Owen of Washington. He said in the letter that China is playing an increasingly important role in the economic development of Washington. Last year, Washington's export to the mainland of China increased by 64%, exceeding US\$ 5 billion. The two sides are having extensive cooperation in engineering, manufacturing and other industries. This is a good example of the overall China-US business cooperation where complementarity yields mutual benefit and win-win outcomes. Some Chinese provinces have sister relationships with Washington, Oregon, Idaho and Montana. All this has boosted bilateral exchanges and cooperation.

Ladies and Gentlemen,
Dear friends,

Given the rapid growth, sheer size and wide scope of our business ties, it is hardly avoidable that some problems have occurred. However, mutually beneficial cooperation and common development remain the defining feature of our business relations. We should

properly address these problems through consultation and dialogue on an equal footing as we work to expand our business ties. I am pleased to see that good progress was made at the recently held 17th Session of the Joint Commission on Commerce and Trade. This demonstrates that China and the United States are fully capable of settling the problems that have occurred in the course of business growth and keeping their business relations on a sound track.

China takes trade imbalance between our two countries seriously and works hard to address this issue. China continues to implement the policy of expanding domestic demand to drive its economic and social development. China does not seek a large trade surplus. As a matter of fact, China has trade deficit with Japan, the Republic of Korea and Southeast Asian countries. Many factors have contributed to China's trade surplus with the United States. But fundamentally speaking, it has to do with different industrial restructuring of our two countries and the accelerated international division of labor driven by economic globalization. At least 90% of US imports from China are goods that are no longer produced in the United States. Even if not from China, the United States will still have to import these products from other suppliers. China has been increasing import from the United States and worked hard to reduce its trade surplus with the

United States. For example, in 2005, China imported US\$ 6.7 billion worth of soy beans, cotton and other farm products from the United States. In the same year, we ordered 60 Boeing 787 Dreamliners, and early this year, we ordered 70 Boeing 737 aircrafts. Just recently, China signed another framework agreement with Boeing on purchasing 80 Boeing 737 aircrafts. China's market is open. According to US statistics, US export to China increased by 118% in four years from 2001 to 2005, or an annual increase of 21.5%. That is 4.9 times the increase of US export to the whole world. China will further open its market to American goods and services. On our part, we hope that the United States will take steps to promote the export of US products to China, including easing export controls and reducing protectionist measures in the interest of addressing the trade imbalance issue in a better and more effective way.

China attaches high importance to the protection of intellectual property rights. Protecting the IPR is in the interests of all countries. China needs to protect the IPR in order to open itself wider, improve its investment environment and enhance its innovation capability. China is firm in protecting the IPR and fighting piracy. We will continue to improve the legal regime for IPR protection, step up law enforcement and crack down hard on IPR infringement to protect the lawful rights and interests of foreign IPR proprietors in China in accordance with the

law. Last year, licensed computer software was introduced in all government departments. And this year, we will promote the use of licensed software in large enterprises. China will continue to strengthen cooperation in IPR protection with the United States and the international community.

China attaches high importance to the issue of the RMB exchange rate. China has taken a highly responsible attitude in deciding upon an exchange rate regime suitable to its national conditions in light of the actual state of its economic and social development and the need to ensure global financial and economic stability. Last July, China put in place a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. After this reform, the RMB exchange rate is no longer fixed. Instead, it floats in response to the supply and demand situation on the foreign exchange market and the changes of the exchange rates of major international currencies. From last July to the end of March this year, the RMB appreciated by over 3% against the US dollar and by over 7% against the Japanese Yen. China will continue to firmly promote financial reforms, improve the RMB exchange rate setting mechanism, develop the foreign exchange market, increase the flexibility of the RMB exchange rate and improve the capacity of financial institutions to set prices at their own discretion and to

conduct risk management. Our goal is to maintain the RMB exchange rate basically stable at an adaptive and equilibrium level. This serves the interests of China, the interests of the United States and the common interests of all countries in Asia and the world at large.

China gives a high priority to the development and conservation of energy and resources. As China's economy continues to grow, so does its demand for energy. China is a major energy consumer, but it is also a major energy producer. It follows the basic principle of meeting its energy needs mainly through domestic supply. China places equal importance on energy development and conservation and focuses on more efficient use of energy. Since the 1990s, China has met over 90% of its energy demand with domestic supply. China's per capita energy consumption is not high. It was only 1.08 metric tons of oil equivalent in 2004, less than one eighth of that of the United States. China has rich coal resources. Three fourths of its hydro power is yet to be developed. Nuclear power accounts for less than 2% of the country's energy supply. Wind and bio-mass power generation and other new energies are still in the early stage of development. China's energy sector has huge potentials for development. Recently, the Chinese Government set the goal for China's economic and social development between 2006 and 2010. In 2010, China's per capita GDP is projected to double that of year 2000 and the

energy consumption per unit of GDP is to be reduced by 20% from that of 2005. At the same time, China will speed up changing the pattern of economic growth, vigorously develop a circular economy and build a resource-conservation and environment friendly society to achieve sustainable development. Proper use of overseas energy is a necessary supplement to China's energy supply. To this end, we will follow international practices and work together with the United States and other countries to conduct energy cooperation and maintain order in the international energy market.

Ladies and Gentlemen,
Dear friends,

To deepen China-US business ties and promote the all-round growth of the constructive and cooperative relationship between the two countries, we both need to make greater efforts in the following areas:

First, work together to promote economic development and prosperity in the Asia Pacific region and the world at large. China and the United States share extensive common interests. We both shoulder important responsibilities for peace and development in this region. China is ready to enhance dialogue and coordination with the United States to jointly take part in regional economic cooperation in the Asia Pacific,

ensure fast and dynamic economic growth in the region and facilitate balanced and orderly growth of the world economy.

Second, strengthen coordination to uphold the international free trade regime. Free trade is important for countries to draw upon each other's strengths. China and the United States need to actively promote trade and investment liberalization and facilitation, remove trade barriers, and work to help establish a multilateral trading system that is open, fair, equitable, transparent, non-exclusive and non-discriminatory. Our two countries should step up coordination and work for the Doha round of the negotiations to produce comprehensive and balanced results.

Third, expand the scope of bilateral cooperation in an innovative way. China and the United States need to open new channels and areas of cooperation and create new stimulants to boost our business ties. We can identify new areas of cooperation, such as in nuclear energy, natural gas, energy conservation, renewable, clean and new energies. We need to enhance dialogue on energy policy and increase dialogue and cooperation in service industries, environmental protection and other areas. China welcomes American businesses' participation in developing its western region, revitalizing the old industrial bases in its Northeast and

facilitating the economic taking-off of its central region. China and the United States can also explore opportunities of cooperation in third countries.

Fourth, give more guidance and support to Chinese and American business communities to deepen cooperation among them. China supports the undertaking of large projects of cooperation based on equality and mutual benefit between Chinese and American companies. It welcomes American business investment in China's high-tech industry, modern agriculture, service industries, environmental protection industries and infrastructure development. It encourages major American companies to set up regional headquarters and R&D centers in China. China also welcomes more small and medium-sized American firms to China to explore business opportunities. Similarly, China encourages Chinese companies to seek business opportunities in the United States. Our two Governments should facilitate and support cooperation between the business communities of the two countries.

Fifth, improve institutional arrangements to properly address issues as they occur. China and the United States should always properly handle the bilateral economic and trade issues through dialogue and consultation. Trade issues should not be politicized. We should continue to give full scope to the role of

China-US Joint Commission on Commerce and Trade, China-US Joint Economic Committee and China-US Joint Committee on Science and Technology. We should also enhance consultation and cooperation in macro-economic policy, trade and finance as called for by new developments in these areas.

Ladies and Gentlemen,
Dear friends,

We now have a rare opportunity for expanding China-US business relations. This opportunity is created by the economic growth and market demand of both the United States and China.

From 1978 to 2005, China's GDP increased from US\$ 147.3 billion to US\$ 2.2257 trillion, registering an average annual growth rate of 9.6%. During this period, China's total import and export volume went up from US\$ 20.6 billion to US\$ 1.4221 trillion, growing by over 16% annually. By the end of 2005, China had approved the establishment of 530,000 foreign invested companies and attracted a total of US\$ 620 billion in actual foreign direct investment.

China's development goal for the next 15 years is to increase its GDP to about four trillion US dollars, averaging 3,000 US dollars per head. During this period,

China will further develop its economy, improve democracy, advance science and education, enrich culture, foster social harmony and make life better for its people.

China's economy is now in a new period of growth. China will continue to follow the strategy of boosting domestic demand. There will be massive input in industrial upgrading, infrastructure building, environmental protection and expansion of social programs. There are now in China over 110 million internet users and 740 million fixed line telephone users and cellular phone subscribers. This makes the information industry a very dynamic sector of growth in China's economy. By 2020, China will need over 2,000 new planes. China is speeding up the development of its high-tech and service industries and will further open banking, insurance, securities, distribution and accounting to foreign businesses. China plans to build in the next 15 years large nuclear power plants with installed capacity of 30,000 megawatts. China will continue to take positive steps to increase import. China's total import volume in the next five years will exceed four trillion US dollars. China's development will present enormous business opportunities to the United States and other countries. China has a huge market and big demand for America's advanced technologies and management expertise. I hope the American companies

will seize opportunities, aggressively expand their share of China's market and continue to enhance their business ties with China.

Ladies and Gentlemen,
Dear friends,

Li Bai, a great poet of China's Tang Dynasty some 1,200 years ago wrote this famous line: "Hoisting high the sails, I will brave the winds and waves to cross the vast ocean." This is a call to forge ahead in defiance of hardship or danger. Ralph Waldo Emerson, an American thinker, said: "Progress is the activity of today and the assurance of tomorrow." Mankind is always moving forward. As we keep our eyes on what is ahead of us, we will be able to go in the right direction and advance steadily. Let us work in partnership to foster mutually beneficial cooperation, strengthen common development and promote the all-round growth of the constructive and cooperative relationship between China and the United States.

Thank you.