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*Remarks Delivered by*  
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Let me begin by thanking our hosts, the Shanghai Institute for Strategic Studies (SISS). Our particular appreciation goes to the institute’s President, Yu Xintian, and its Vice President, Yang Jiemian. Madame Yu is one of China’s premier scholars on the role of culture in international relations. Professor Yang is one of China’s most influential scholars on Sino-American relations and, I might add, a frequent visitor to the Baker Institute. We see this meeting – our third – as an important step in forging what we expect will be a productive partnership between our two institutes for years and decades to come.

I would also like to thank others who have helped to make this meeting possible: my law firm Baker Botts, the China Institute of International Studies (CIIS), Morgan Stanley, and our Baker Institute Energy Forum. Your support for this event, and your presence here today, evidence our joint commitment to enhanced knowledge and international dialogue.

The importance that the Baker Institute attaches to our partnership with SIIS is reflected in the team we have assembled here today. This begins, of course, with the institute's founding director, Ambassador Ed Djerejian, one of the world's foremost experts on the Middle East. But our team also includes Amy Jaffe, director of our energy program, Steve Lewis, director of our transnational China project, as well as two top Rice University economists: an award-winning energy economist, Ron Soligo, and Mahmoud El Gamal, a leading scholar in Islamic economics.

We are also fortunate to have two first-rate private sector experts as speakers: Tom Langford of Morgan Stanley and Sean Korney of Baker Botts.

Let me begin with a few personal observations.

China's historic economic transformation is well known in the United States and, indeed, around the world. Almost daily, it seems, we in the West hear some extraordinary statistic about Chinese economic growth, trade, or investment. Yet it is only by visiting China that one even begins to grasp the immense changes underway. This is particularly true of someone like me, who has been coming here for over 30 years. I never cease to be astonished by the speed and scale of China transformation. Today, China is not just an immensely richer country than when I first visited. It is a much more open, dynamic, and confident society. And it is also a great power poised to take an increasingly important role on the world stage.

Let me be quite blunt. There are some in the United States – not a majority by any means but certainly a vocal minority – who see China's rise as a threat to America's current preeminence in international affairs. They believe conflict between our two countries is inevitable as Chinese ambitions clash with American position and power.

These observers are wrong – *dangerously* wrong. The reason is simple: their analyses grossly underestimate the broad areas where Chinese and American interests converge.

One such area is fostering global economic growth. Not only are our two countries major trading partners, but both possess a vital interest in the health of the broader world economic system. Each is a major beneficiary of more open trade and investment. Each is an important stakeholder in the ongoing process of globalization. And both would suffer, along with the rest of the world, were either of us to yield to protectionist pressures and close our markets.

China and the United States also share a vital interest in avoiding the sort of financial crisis that swept much of East Asia in the later 1990s. Coordination between our two countries will become more important as China's financial markets grow larger and more integrated into the international financial system. Moreover, given the speed with which financial contagion can spread in today's fast-paced, closely linked global financial markets, we need to keep close track of developments outside our own economies. China and the United States need to work together to avert financial crises before they occur and to mitigate them should they break out. And we should be prepared to undertake consultation and coordination on macroeconomic imbalances that can cause market instability to arise in the first instance.

Another obvious area of common interest for our two countries is energy. Like the United States, China now has a huge stake in the unimpeded flow of petroleum to global markets at a reasonable price. China's emergence as a major energy importer has created new realms of cooperation between Washington and Beijing. These can range

from coordinated stockpiling to a common approach to stability in major oil-producing regions.

One clear threat to stability in the Persian Gulf is Iran's nuclear program, which could allow Tehran to blackmail its neighbors and set off a Middle Eastern nuclear arms race. Both Washington and Beijing have a direct interest in avoiding such outcomes.

Another field ripe for cooperation is cleaner coal technology. China and the United States, after all, are by far the world's two largest consumers of coal. And if we are to tackle the problem of global climate change, we will need to develop and deploy innovative technologies that sharply curtail greenhouse gas emissions from coal-fired electrical power generation. Burning coal represented 35 percent of all CO<sub>2</sub> emissions from fossil fuels between 2000 and 2005. It remains a major challenge to the stabilization of greenhouse gases in the earth's atmosphere. Together, the United States and China can find a "win-win" in new technologies developed jointly to use this vast resource cleanly.

Yet another area of common interest is regional stability. In Northeast Asia, the major threat is North Korea's nuclear program. China, as a participant in six-party talks to resolve the crisis, has clearly signaled its commitment to a comprehensive regional approach to North Korea's nuclear program. And the recent agreement with Pyongyang to suspend its nuclear program is evidence that such an approach can work. Clearly, North Korea's compliance must be monitored very carefully. We are talking, after all, of a regime that has not hesitated to break agreements in the past. But the six-party talks nonetheless mark a first – but crucial – step in what I hope will be broader security cooperation between Beijing, Washington, and Northeast Asian capitals in the years ahead.

These are just a few of the areas of common interest that exist between China and the United States. But there are many others. Combating terrorism, resolving conflicts in the Middle East and elsewhere, protecting sea lanes, promoting arms control, and stemming the proliferation of weapons of mass destruction are just a few that come immediately to mind.

If we are to tackle any of them, we need first to manage our differences. Those differences exist, as they do between all countries and all great powers. And they are not going to go away. Over time, in fact, larger differences may emerge. Our task is to ensure that such differences do not escalate.

At times of tension, we need to restrain the rhetoric on both sides of the Pacific. We need to keep lines of communication open. We need to find compromises that allow us to meet each other half way. And sometimes we simply must agree to disagree. The future is rich enough with opportunities to give both our countries full rein to our energy, ambitions, and dreams. But to do so we must be engaged – with each other *and* with the world.

I've touched on the vast scope for common Sino-American economic and diplomatic cooperation, from maintaining the stability of financial markets to conflict resolution in the Middle East. To achieve any these goals, we both need to resist the temptation of turning inward into isolationism. If we slip into confrontation or conflict, both of us will suffer. And make no mistake about it: the world will suffer with us. One Cold War ended less than twenty years ago. We neither want nor need another one.

I, for one, am optimistic about our ability to avoid such a tragic outcome. I have already touched upon the broad range of current and potential cooperation between our two countries.

Perhaps as important, however, is the increasingly powerful net of interpersonal relationships that bind us together as people. Whether we are talking about business partnerships, cultural exchanges, academic collaboration, or even tourism, ever more Chinese and Americans are learning about each other in direct and human ways. One phenomenon alone – the huge and growing number of Chinese enrolled in American universities – is creating a foundation of understanding and goodwill that, I am confident, will bear fruit for decades to come. There has also been a welcome increase in the number of American young people studying in China. Two of them are here with us today – Jason Lee and Jo Kent, both Fulbright Scholars and both, I am proud to say, from Rice University.

The Baker Institute is honored to play our part in fostering closer ties between our two nations and two peoples. And we count ourselves fortunate in having the Shanghai Institute for Strategic Studies as our partners. Our partnership with SISS possesses merit in its own right. But it also represents a microcosm of what the broader Sino-American relationship should be: one based on mutual respect, driven by common purpose, and animated by shared confidence in our ability to create a more prosperous and secure future for Chinese and Americans alike.

Thank you.