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Opening Address

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not have taken place without the support and encouragement of Dean Arthur Frakt and the tireless efforts of the conference coordinator, Lynda Engel.

Sadly, a postscript is necessary. Although the theme of the conference was investment and trade with China, the conference served a greater purpose in bringing together lawyers, businesspeople, teachers and students from these two great countries. In meetings during the conference and at social occasions before and after the conference, new friendships were formed with the hope that relations between the United States and China would grow stronger. The events of Summer 1989 dealt a cruel and unexpected blow to those in both countries who applauded the growth of economic and political freedom in the People's Republic of China.⁵ We may someday forget what we saw on television and in the press following the Tianamen massacre, but for those of us who cannot or will not forget, our view of China will never be the same.

Opening Address

AMBASSADOR MA YUZHEN*

It gives me great pleasure to be the opening speaker at this conference. I am delighted that this conference and so many other conferences of a similar nature have been held. This shows there is increasing interest in the development of the People's Republic of China ("PRC"), and also in the trade relations and economic cooperations between the PRC and the United States. I accepted the invitation for this reason, and I am most delighted to share my thoughts with our friends.

My purpose is to inform you of what is presently occurring. This information will hopefully serve as the basis of your study of the economic situation in the PRC. Observers have learned a lot about our country already. Last year the PRC had an inflation problem, and a corruption problem. Recently, after the very successful visit of Presi-

5. During the summer months of 1989 in China, demonstrations by students and others against the Chinese Communist government occurred on a widespread basis. The protests continued for weeks in Tianamen Square in Beijing, China. The demonstrators were finally dispersed by the Chinese military. Many lives were lost in the pursuit of democracy.

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dent Bush to China, you may have heard about the problem of a certain Mr. Fang. In addition, there are problems in Tibet.

The PRC indeed had some problems in implementing its economic reform and open policy. Nonetheless, I want to assure you that when the PRC adopted the open policy in 1979, we realized that it was the right policy for China. The open policy and the policies for economic reforms have been guiding China in an entirely new direction in its economic development. For the leaders and the people of China, this is the only correct course for China and we are not going to reverse or change course. But in the process of doing so, some problems are bound to occur. In my view, these are problems of a transitional nature and are more or less inevitable.

When a new policy is adopted in a country as large as China, it will not be smooth sailing. For example, years ago China followed the Russian model for running the economy which was a purely planned economy. Now, China is thinking about adopting a commodity economy run in a planned way. This is a very different concept, since a market mechanism was introduced into our system. China was not totally prepared for that. China does not have the experience, nor enough economists, experts or lawyers who know how to handle a new economy in a new manner. As a result, people are taking advantage of the loopholes that exist in the new system. This explains the corruption and the speculation that exists.

At the same time, China is experiencing inflation as a result of recent heavy investment in capital construction. In addition, China has had too much institutional consumption. The speed of growth over a short period of time was very fast. These are the problems China is tackling, and we are certain they will eventually be resolved.

Politically, stability is most important for China today. Fifteen years ago, China had a disastrous cultural revolution. Because of that conflict, there was little economic development. Since China's goal is modernization, we must carry out reforms. Reforms will succeed only when there is stability. This stability must be maintained in order to achieve greater results in China's new policy. Without this stability, we will not achieve new success, or preserve the achievement we have made over the past ten years.

There are two groups of people in China who oppose the new policy of reform and open policy. The first group is composed of those who, from the very beginning, have been opposed to the new policy of reform and openness. Their opposition is based on the view

that the reforms are capitalistic. With the problems of last year, these people believed they were justified in their opposition. Another group of people believe we must adopt the Western system in total. This group believes China will not be successful in the reform policy without changing its social system. This group wants to organize demonstrations and stir up trouble in China against Mr. Deng Xiao Ping and the Chinese government. When the second group starts voicing their opinions, the first group uses it as proof that their reservations about the reforms are right. The first group is fearful that China is becoming capitalist and Westernized. These two groups are making things very difficult for our country.

This is the political situation now. This is why I believe if the American people and the American government want to support the Chinese reform policy and open policy, then Americans must support the Chinese leaders like Deng Xiao Ping who are dedicated to pursuing this policy, instead of supporting a few other individuals who have no political influence among the people and the armed forces and who advocate political beliefs that have no chance of success in China.

The economic relationship between our two countries is moving very rapidly. Last year, there was a total of \$9 billion in trade between our two countries. In 1979, there was only \$1 billion in trade. In ten years time, we have had a nine fold increase. The national foreign trade volume increased only five fold from \$20 billion to \$100 billion between 1979 and 1988.

The investment situation is also very encouraging. There are now more than six hundred enterprises in China with United States capital. The total investment from the United States has already reached over \$3 billion, which is second only to Hong Kong and Macao, but still greater than Japan. The Japanese have been very active in exporting products to China, but unfortunately they are not as interested in investing in China as the United States. That is why the Chinese attach great importance to their relation with the United States as far as investment is concerned and we welcome more. From this perspective, this conference is very important. I give my full support and wish you complete success and a very fruitful discussion.