UNEDITED TRANSCRIPT

Welcome, everyone. I'm Michael Greenstone. I’m the economics professor in the Department of Economics here, and the director of the BFI. So our first topic today is the role of the business community in developing US-China relations. Let me just start off by saying someone gave me either the easiest or toughest job for the entire conference which was to try and find a way to introduce these two guys. If I wanted to cover everything, it would be the whole panel or I could translate them in some small way. So I'll try and thread the needle here.

So Hank Paulson is a businessman, China expert, conservationist, and author. He grew up in Barrington, Illinois outside Chicago. He served as the 74th Secretary of the Treasury under George Bush from July 2006 to January 2009. Notably, expertly leading when the country's financial crisis started to bloom. Prior to that, he had a 32 year career at Goldman Sachs serving as chairman and CEO beginning in 1999.

He's the founder and chairman of the Paulson Institute, which aims to advance sustainable economic growth, a cleaner environment, and cross-border investments in the United States and China. It's a think and do tank that was founded in 2011, and is importantly located at the University of Chicago.

He's also a lifelong conservationist. He was chairman of the Nature Conservancy, board of directors, and founded and co-chaired the organization's Asia-Pacific council. In 2011, he founded the Latin American Conservation Council, comprised of global business and political leaders, which he chaired until 2017.

He's written a couple of books. His most recent bestseller, Dealing with China, details his career working with scores of China's top political and business leaders, and witnessing the evolution of China's state controlled capitalism.

Tom Pritzker is a businessman, national security expert, philanthropist, and little known-- is also an academic. He too was born and raised in the Chicago area. Pritzker is the executive chairman of the Hyatt Hotels Corporation. He’s also chairman and CEO of the Pritzker organization. Over his career, he’s been involved in acquiring and building companies in a number of different, industries and founding significant companies in the fields of container leasing, biotech, and health care.

Outside of business, Pritzker is chairman of the Center for Strategic and International Studies in Washington DC. And he’s also chairman of the Hyatt Foundation, which sponsors the Pritzker Architecture Prize, and a member of the board of trustees here at the University of Chicago, and the Art Institute of Chicago.

As to his academic credentials, he's an honorary professor of history at Sichuan University in China.
original research in the field of Western Himalayan history.

So now let's turn to the topic at hand. And I think no discussion of China can begin without noting the massive increase in incomes and reduction in poverty there in the last 25 years. It's virtually unprecedented in human history. At the same time there have been enormous increases in international flows of capital and trade of physical goods, as well as great innovations. Much of this has been driven by the business community, and that provides the backdrop for we want to talk about today on this panel.

So let me start with you, Tom. Amazingly, you've been doing business in China since 1981, and started visiting there even in the '70s. I wonder if you could talk a little bit about that, and some of the changes you've seen over time.

**TOM PRITZKER:** OK. So first of all, Michael, this is the 40th year of reform, and next year is the 40th year of diplomatic relations between the United States and China. I'm an 80-20 guy, meaning I think 20% of all inputs control 80% of all outputs. And here, China is certainly in that 20% in Sino-US relations. So I appreciate what you're doing at Becker Friedman Institute. I think this is very important. There's nothing more important than Sino-US relations.

So what I thought I'd do to set the stage is take you through my characterization of the different eras that I've watched China go through, and then go back into those era wearing my Hyatt hat, and tell you our experience of doing business in China during those areas.

So I start with the era of Mao. Mao was a revolutionary. So what do you do as a revolutionary? You do revolutions. And so basically, his year was marked by a series of revolutions. 1,000 Flowers Blossom-- or 100, don't remember. A Great Leap Forward cultural revolution. He basically looked at poverty, he looked at China, and he attacked it politically, not economically.

So the hallmarks of that era from my point of view was he us with a consolidated political entity in China, but a political entity that didn't have any economic grounding. It didn't have the skill set to the elements that you need for growth.

You then move to the Deng Xiaoping era. And Deng looked and said, we got to create a better life for our people. And in 1979, he did the special economic zone in the south. And that was profound. That was his way of sort of convincing the rest of China that growth was important, that economics was important, that opening markets was important to China's future.

And so you had some opening in the '80s. You then have Tiananmen in 1989. And coming out
of Tiananmen was some real anger in certain segments of society about what had happened. The view of Deng and the leadership was, we’ve got to establish control. But it resulted in anger.

And Deng Xiaoping’s response to that was fascinating. It was accelerate growth. Accelerate opening of markets. And so that, in my view of the world, is when you begin to see the growth that you just referred to, Michael.

So to me, the miracle of China, the economic miracle of China, is really only maybe 20 or 25 years old. 25 years in the making. In ’91, Deng goes to Shenzhen, goes down south, and signals that growth is important to him. The line, his famous quote is, "poverty is not socialism, to be rich is glorious."

And he drove the openings beyond the special economic zones, and he took risks. To me, that's very important. You're not going to drive the economy without taking some risks. His quote there is, "if you open the window to get fresh air, of course you're going to get some flies come in the window."

The real prosperity we see today was in my view catalyzed by Deng post Tiananmen. He then needs a successor. And interestingly, what he does is he looks at two mayors. He looks at the mayor of Tianjin, Li Ruihuan, and he looks at the mayor of Shanghai, Jiang Zemin. And why look at mayors? Because mayors have to deal with real issues and make the trains run on time.

He actually favored Li. There were many who favor Jiang. So you end up with the Jiang Zemin period. And what Jiang Zemin is he’s cosmopolitan Shanghai mayor. He's seeing a bunch of foreigners. He is very comfortable in the business world. And so he drives growth to the maximum.

And what you see during the era of Jiang are a couple of things. One is enormous growth, the creation of wealth that was virtually unimaginable. You had farmers who were becoming hugely wealthy. But what they needed was the chop of the local officials in order to generate that wealth. So with that came a couple of things.

One is more local control than national control out of Beijing. [INAUDIBLE], who you'll see tomorrow, talks about lawlessness in China in the sense of the center was unable to control some of the behaviors at the local level. And with that also came corruption. Because if you
need my chop, I’m going to share that wealth with you.

And so Jiang brought us through growth. He modernized Shanghai and sort of that part of the coastal area. And then you lead to Hu Jintao. And Hu, the way I think of it, was largely a continuation of Jiang Zemin. Although he ran into the Great Recession, and so he was not able to accomplish some of the things that you saw in the Jiang Zemin period.

So now let me roll back to where I started and give you some of my experiences-- I’m now wearing my Hyatt hat-- on how we navigated those areas, where we were trying to do business. That was our job.

I first went to China in 1976. Mao was still alive. And the most salient memory is the scale of China was inescapable. These broad avenues that you see today were filled with thousands of bicycles. It was just shocking to see what you got to see in 1976.

Michael mentions 1981. My scholarly interest is in a Tibetan kingdom from the 11th century, so I had always aspired to go to Tibet. They wanted to open it to tourism, and I raised my hand, and said, yeah, tourism, I’m one of those guys, let me go. And so Margot and I went to Tibet with [INAUDIBLE], and it was great.

They took us on tours and we kept waiting for the punchline-- when are we going to negotiate, when are we going to have a business experience. And you had the waiters in white Mao outfits each night serving us-- we stayed in military establishments outside of town.

Then the second to last night after dinner, the waiters took off the white coats, put on their gray Mao outfits, and said, OK, now, we’re going to negotiate. And so the negotiation was fantastic. It was, here’s what we’re willing to do. We will lease you a piece of land. You will build the hotel. And then you’ll give us the hotel five years after we lease you the land.

And so I thought about it, and I smiled at him, and I said, so is that your opening or your closing position? And they said, that’s what we want to do. And I used a little bit of Milton Friedman to show them behind door A was that with my $100, behind door B was put them in bonds, and where would I be at the end of five years. And it was very pleasant, it was very interesting. We, needless to say, didn't do a hotel.

But in 1984, we did do a hotel. We began negotiating with the mayor of Tianjin, Li Ruihuan. And in Hong Kong, we broke the color barrier. Hyatt was the first international chain to put a
Chinese guy in charge of the hotel. It was not for any liberal reasons. It's because the last guy left, and Larry was the best guy in the hotel, so we made him the general manager. He then percolated up and basically ran our Asia-Pacific operation for 40 years.

Lee calls Larry, come to Tianjin. Says, I need an International hotel. I got a deal you can't refuse. I promise you you will not lose a dollar, and I promise you you will not make a dollar. Please do this. So Larry called us in Chicago, and said, what do you want to do. We said, we have no friggin' idea, your decision. You make the decision. And Larry decided to go ahead.

What happened in that hotel was informative for us. basically we went in to manage it-- we don't own hotels, we manage them. And what they did was-- the owners, which was state owned-- they put in what we called a shadow cabinet. We had a general manager, they had a general manager. We had a food and beverage guy, they had a food and beverage guy. We had a chef, they had a chef.

Full dual leadership teams. The difference between it was the Chinese leadership team had zero experience in anything to do with hotels. But you needed their stamp to do anything. So our guys, not being fools, say, I got to be their best friend. So how do you become their best friend? You send them on conferences to Hong Kong, you arrange for their families to come for meals, you do anything you can to ingratiate yourself with these guys.

And the result was we got along. The hotel made no money, it lost money, because you were running ridiculous overheads. You paid them crazy amounts relative to people in China were earning, but not crazy relative to what our team was earning. And it helped inform us how to do business. Let's do it that way.

Then Jiang Zemin wants to establish Pudong. And nobody wants to go to Pudong. It is rice fields as far as the eye can see. And so someone comes up with the idea of let's build an iconic building, the Jin Mao building. And let's have all foreigners design it, operate it, all of that, and that will be the magnet. So the Jin Mao building was very important in the scheme of things.

And that was in 1995. So that's under Jiang Zemin. And we ended up operating it. And what we did is we said, we'll operate it, but no shadow cabinet. And so we said put in a deputy finance guy. Our deputy finance will be one of your guys, so you know we're not stealing from you. And then put in an owner's rep, who we'll report to, but that's it.
And Jin Mao was hugely successful. It's the Grand Hyatt in Pudong. And it was a profoundly different experience. And for me, what that does is it shows the learning curve that you saw in China in terms of how do you actually function-- in my case, in the tourism business, the hospitality business.

So that's 1995.

We then grow from two hotels, Jin Mao and Tianjin, to 20 hotels in probably eight years. Enormous growth for us, because now, we could point to Jin Mao, and say, here is the role of the owner, here's the role of the manager. Here's how you want to go about doing this stuff.

Actually, one other quick story. As they're building that Jin Mao building, which is enormously tall-- 100 stories, something like that-- Skidmore was the architect. And they kept having change orders. And the Chinese came to us, the owners, and said, this is outrageous, they keep charging us more money. You guys finish the building. We have no more ability to build a building or design a building than fly to the moon.

So we went to Skidmore. We said, Skidmore, estimate the amount of change orders you're going to have. Double it. And we'll go to them and say the price just went up by that amount, and there will be no more change orders. And it worked. Then everybody understood what was going to have to happen in order to complete the hotel.

One other quick story. An epiphany for me. So Larry, who I mentioned-- is Larry Chu, and we're very close-- we are now probably in the early 2000s, and we're doing a deal to manage a hotel-- I don't remember where. And we insist on a non-disturbance clause. Meaning if the lender takes over the hotel, they continue to use us as the manager. That the lender can't kick us out because we need a 20 year term.

And Larry says we can't get it. Two reasons. One is they don't understand it. And two is they aren't going to give it to you even if they understand it. We have this big debate about it. He finally looks at me, he says, Tom, let me put it this way. You get the non-disturbance agreement. The bank comes in. They take over ownership of the hotel, and they want to get rid of you. You show them the contract. They turn off the water and electricity. What's your move? And that one sort of opened my eyes to China.

So that's our experience of the learning curve of China. Today, it is completely modern. It is completely like doing business in all the other places we do business. Our problems are no
diff. They're different, but not of any more magnitude than we would see in the US, or in the Middle East, or in South America, or anywhere else.

So for me it's been fantastic to watch that learning curve of doing business in China.

MICHAEL GREENSTONE:

Thanks.

HANK PAULSON: First of all, thank you, thank Tom. I see so many friends in the audience, and so I am delighted to be here. And I feel better than I sound. I've been getting over a cold.

You're right. And my experience was primarily doing business with government leaders in the days when the government leaders really got involved in business. And so my first trip to China came much after Tom's. It was in 1992. And CH Tung, Tung Chee Hwa, who is one of the sponsors of this, was in Hong Kong. Goldman Sachs had a small operation in Hong Kong. And he took me in to Beijing to meet Jiang Zemin.

And he basically said to the president of China, this young man-- I was a lot younger at the time, '92-- is trying to decide whether Goldman Sachs should expand into the mainland. And so I brought him here to meet you. And so immediately, I got the charm offensive. He started speaking English, and I was a business man, so he was saying, GE, IBM, Boeing. You know, we tried all that out on me.

And when I smiled-- I was obviously amused-- he said to me in perfect English, Mr. Paulson, we need to learn US accounting. And then with a perfectly straight face he looked me in the eyes and said, assets equal liabilities plus equity. And I burst out laughing because I wasn't sure that-- Bill Clinton was our president at the time-- could have said that.

So I went back and I reported to my boss at the time, Bob Rubin-- he'll be here later-- I said, I think we should start looking to do more in China. I get the sense that they mean that they're going to do and they're going to wake up.
So now to put this in perspective, China at the time, the GDP was roughly $400 million. It was less than a billion dollars. So now fast forward. So now it's 1997, and we have our first assignment at Goldman Sachs, which is to take a telecom company, to take the cellular licenses out from a number of telecom companies, package them together, and take them public. And it was China Telecom at the time, it's now China Mobile.

And so there I was working with a man who's now a Vice president of China, Wang Qishan, directly for [INAUDIBLE]. So there was a lot of work with both of them. And when it came time to take the price of this deal, it was the day of the Asian financial crisis. It was a very tricky time to do something. And the deal was $4.2 billion.

But to show you the perspective of China at the time, I remember being with Wang Qishan when he got the call from his boss. And his boss said, how are things going. And he said, well, we priced the deal. And Zhou said, what does that mean. Do you have the $4 billion? And Wang Qishan said, yes, real gold and silver. The Chinese for that, which is real. And Zhou said, I'll believe it when I see it, right? So that just shows you $4 billion in 1997.

Of more relevance to me was the assignment. So China is relationship oriented. And if you worked with governments and other countries, often, if you're doing something for the French government you, had your turn, then they'd rotate it to someone else, and someone else. But in China, if you did a good job, you got a chance to do something else.

So we were given the opportunity to take PetroChina, which is a big oil and gas company, public. And put it in perspective, this company had a million and a half employees. BP, British Petroleum, at the same time-- it was roughly the same time-- had 90,000 employees.

But a million and a half only told part of the story, because there was another 4.5 million dependents that all were taken care of by the company. They bought the aid and the food there. They had their housing, they had their medical treatment, they had everything.

And when I took the team around, I had someone look at it and say, this is like a medieval village. I don't know how you take a medieval village public. But [INAUDIBLE] had a lot of guts. And China, to reform the state owned sector-- there were hundreds of thousands of people laid off. People were in the streets.

And I had seen statistics from 1990 to 2000, 40 million people were let go from state owned enterprises to try to make them efficient. And I think it would be relevant when we talk about
what's going on today, because I am 100% convinced that his objective was competition. He despised bureaucracy. He believed competition. He wanted to subject the state sector to competition. So that was a hallmark.

I'm going to go, because now I'm getting more relevant to the financial crisis. So China was having its own financial crisis. Their banks, the big banks, are all basically insolvent. And so they had quite a restructuring. The government put in like, 3% of the GDP. A lot of government funds in the banks. I had experience working with Zhou Xiaochuan, who is it just stepping down as head of the central bank, and Wang Qishan and others, working with the banks.

And so we worked on a couple. We took bank of China public. Made big investments in ICBC and so on. And to put that in perspective, the GDP of the economy was $400 million in 1992. When China Mobile went public, it was a billion. In 2002, it was a billion and a half when they restructured the banks.

So now, then I went to treasury. And when we were setting up the strategic economic dialogue, and I worked with Zhou Xiaochuan-- he was ambassador at the time-- to set that up. We surprised the Chinese because rather than going directly to Beijing to meet with Hu Jintao and Wen Jiabao, I went first to Hangzhou, where Xi Jinping was the party secretary.

And the reason I went there wasn't-- you know, I'd promised him I'd see him on my next trip there, and I'd known Xi. But the reason I went there was I really thought the future-- I was all for reform. I knew there were plenty of reformers in China. I thought the future was a private sector. There are a lot of private sector companies. I had dinner with the private sectors the night before.

And then we set up the strategic economic dialogue. And there is some revisionist history. We even have revisionist history in the United States that says that wasn't successful. When in essence, our big objective-- and I was dealing with Max Baucus, who was in Congress at the time-- was currency reform. And they moved the currency significantly. There was major currency reform.

And then we had the financial crisis. And I can tell you that if I had not had the relationships with Zhou Xiaochuan, and Wang Qishan, so I could get on the phone in all hours of the day and night and work with them. Because they owned huge amounts of US securities.

And I'm not going to take the time with various war stories, but I can just tell you, the world
would be a different place. It'd be a different place United States and in China because there was great cooperation. But out of that also came when the G20 was set up, and when George Bush was working to figure out what mechanism made most sense in the wake of the global financial crisis to coordinate economic policies. And there is a huge interest in having it be a G8. But he knew that the world-- the economy was now global.

But the key was to him-- would China be constructive. And so I called Wang Qishan, I got a very quick answer back from a friend from Hu. And they were eager participants.

And then the interesting thing in the wake of that, the Chinese banks, which had been insolvent in 2002, led a government lending and investment stimulus program, where they probably went too far. I think if you would give leaders in China truth serum, they're still paying for that today. But it went a long way to helping the world economy out of the great recession.

So it was very, very important to global growth. And so now, you have President Xi Jinping-- I'm just going to give you one major difference in terms of the party, and we'll get into this later, into economic in terms of Jiang Zemin relative to Xi Jinping.

So I saw it, and I spent a fair amount of time with Jiang Zemin. And I still see him from time to time when I go back. I still see [INAUDIBLE].

Jiang Zemin's view of the party was it was a big tent. And we're going to bring the elite in to the party. We're going to look to bring in business, academics, and so on. Xi Jinping says, no, no, no, the party is elite. And we're going to put the party into business and into academic institutions and so on. So that, to me, in terms of the role of the party, that's been the biggest change I've seen in recent history.

I've read all the ancient history that Tom talked about, I didn't live it. So my first time-- and I still remember some of the early trips, the train trips into Shenzhen when I was going in from Hong Kong and so, on and getting glimpses. There's been huge changes. But to me, that's just a snapshot of what I've seen in China.

And then the GDP numbers-- and I'm going to be roughly right here. So at the time, I went to Beijing, I went to Hangzhou in 2006-- I think the GDP had gone from a billion and a half in 2002 to it was just about 3 billion. And in 2009, we'd had a whole lot of issues. I think it was only like, 5 billion. And today, it's, what is it, 13, 14-- a trillion. 13, 14 trillion.

So my numbers were it was $400 billion in 1992. $1 trillion in 1997. And 1.5 trillion in 2002. 3
trillion in 2006. $5 trillion in 2009. And now close to $13 trillion.

**MICHAEL GREENSTONE:** Excellent. Thank you. So we could probably keep this conversation going all afternoon, And I have many questions, I fear some of which we're not going to get to. But one that I want to make sure we got to, and which will emerge in other parts of the conference, is that tensions between the US and China are high and seem to be escalating with tariffs and intellectual property at the center of it. I wondered if both of you could talk a little bit about how businesses are seeing that, what they see as a potential resolution, what will it take to end it, and what would be good for China, would be good for the US. There's not a lot to unpack there.

**HANK PAULSON:** I thought that Michelle did an excellent job-- I mean, in a very brief period of time-- summarizing the situation. I thought it was really accurate. And so I would start off by saying that she is right and *The Economist* is right about the view in Washington.

So although the vice president's speech, there's I think, not a whole lot of consensus agreeing to all the points, because some of the points were over the top. I do believe that the Republicans and Democrats are united in Washington that China is an increasing threat. There's no doubt about it. That's the view in Washington. And people make a mistake if they think that it should attribute that only to the Trump administration, number one.

And I should have stared off by saying something that Tom said at the beginning. I really believe that the way we deal with China and the way they deal with us is going to shape the geopolitical landscape for this century. And it is the most important bilateral relationship. And it's so it's highly important.

There is this view in Washington in terms of economic engagement. There had always been the view that economic engagement would help bridge and create linkages that would take some of the sting out of their security competition. And the security competition has now bled into the economic engagement, and made that more complicated. That's the second point I'd make.

The third point I'd make is that US business has changed their attitude. And I don't know if the Chinese see this as much, because when I'm in meetings in China with US CEOs, they're trying so hard to do business and ingratiate themselves. It's not like they're lying. The things you're saying are positive. But they're not saying all the negative things that they're saying into their feeling or they're saying when they talk to the US government.
The four things that I can think of have made US businesses. Many of them, have much less hope about their opportunities in dealing with China. And those aren't companies like a hotel company, which deals with consumers, and consumer spending, and travel.

I think Tom-- as complex as his business is, it's less complex than many other businesses where technology plays a bigger role. But I would say the four issues that concern US businesses, just very broadly, are, first of all, the party playing a greater role in companies and the state owned enterprises. And that makes people nervous as to whether there's ever going to be a level playing field. So I'd start with there.

The second thing I would say is that although reform has proceeded, opening up is. Stalled and so 17 years or whenever it is after WTO, there are still many sectors that aren't open. I mean, the financial services-- there's still joint ventures. 49%.

It's hard enough to run a bank or investment bank without running a joint venture. And there's no precedent for that any place else in the world. Where economies are playing the kind of role that China has played.

So there is that concern. And then the next issue is intellectual property, technology transfer. You can argue whether it's forced or not, but if you have to have a joint venture partner, it's pretty hard not to transfer technology and know how, and so on. So there's the technology transfer and then there's pervasive cyber theft. And so that's the next one.

And then the fourth issue, which is I think most discouraging to US companies that I talked to, is with what they view is-- Made in China 2025 may be the code for, but it's the indigenization of technology. I mean, many US companies believe that the ultimate goal is to be self-sufficient.

So there's no US company that I know of that wants a tariff war, right? Tariff wars-- no one wants trade wars. They don't benefit anyone. So they all want a resolution to that.

But even once the tariff war is behind, I think we're in for a longer period of tension in the economic area. It's going to be more complicated, it's going to be more tense. We could talk about it for a long time. There are structural changes in China.

And part of the complaints from US companies I think they result from the fact that there's a strong competition in China, right? China is developing its own powerful technologies, and
businesses are well-run there now.

I'm not trying to give the Chinese side here. You asked to talk about the relationship. I'm doing it from the standpoint of US companies. And I think the fact that that has eroded is contributing to the attitude in Washington. And so that's that.

And in terms of the other trade world, when is it going to end, or what are the prospects. It's going to end when President Donald Trump and Xi Jinping want to end it. And I'm convinced that there's enough that the Chinese side is willing to do that it can be ended. It's the beginning of a longer process of negotiation to deal with some of these really tough issues, which aren't going to be resolved in a matter of months. That there is going to take a good while to resolve them.

But I think the key thing is from my perspective, and I'm looking at it as an American now, from my perspective, the driver for all of this is China is being too slow in opening up. And I think if they opened up quicker to competition at a level playing field-- if they did that, it would be good for China, and good for the rest of the world.

MICHAEL GREENSTONE: Thanks. Tom, you're running businesses in China. Do you want to talk?

TOM PRITZKER: Yeah, quickly. I would reinforce everything that Hank has said. The business community has pivoted. They see it very differently than they did three, four years ago. A level playing field may not be achievable under China's system. And similarly in Washington, both the Republicans and the Democrats have pivoted to the views that Hank describes.

To me, a couple quick points. One, in a sense, this is inevitable. What you had before was a complementary set of economies where China produced goods cheaply and we're down to the benefit of our consumers. And so it's complementary. Now, China needs to go through the value added structure in order to avoid the middle income trap. And so we're naturally going to be competitors.

The problem is different histories, different values, different cultures, and different systems. And how do we compete-- how do we set up a framework where different systems can compete in the global economy.

So I'm super concerned. Business guys aren't policy guys, and we have conflicts. So we've got to be very cautious in how we go about this. But I will tell you in the private conversations,
there's no question. Hank is exactly right in terms of how business is thinking about China today.

MICHAEL GREENSTONE: Excellent. I think we have time for maybe one very quick question from the floor. The question, which is just picking what you're saying, Tom, is, does the business community have a role to play in reducing the rhetoric in US-China relations today? What constructive role can they play in pushing for policy?

TOM PRITZKER: So yes, I think rhetoric is a real danger for all sides. Leaders are driven by domestic politics. And true for Xi Jinping, true for President Trump, true for all our past presidents, et cetera. And so that public opinion is actually really meaningful, and public rhetoric is meaningful.

Business community, when we communicate within our businesses, can play a role in making sure that the rhetoric is accurate, well-articulated, and not emotional. But finally, It's the policy community that has to find-- in my view, I don't think we can find a solution. I think we can manage the relationship over a long period of time. This is more about navigating and managing than it is about finding the solution.

HANK PAULSON: Yeah, I agree with that. I would just simply say there is a role for rhetoric in private. And what I've noticed is this. That I have always found that in private meetings, as opposed to public in China, it can be very direct if you're not rude. You can be very, very direct. And I find that so many US companies are so reliant on their Chinese staffs, and the people that are on the staffs, and the country, that they don't push hard enough, and they're not direct enough, because they're afraid of offending, or afraid of hurting themselves somehow if they speak up.

And I think that's a mistake. I never found that that hurt anything I was doing in business. I found it worked. So I'm not sure that the business community--

There's a lot to be gained if you're a CEO for making speeches, and getting headlines, and saying inflammatory things if you're running a business. But I think in private, you can do it.

I think it's going to be increasingly difficult in today's world, in any country around the world, when you look at how fast things are changing, and you look at what's happening in terms of global governance, and in terms of different policies, and different regulations, in different countries, businesses are going to have to, as they look to manage, be very, very forceful in their discussions in clearing governance. And vice versa.
And just do a better job of risk management.

You know, if certain companies were talking to me and saying, is there a great opportunity for me in China 10 years out, I'm not sure I'd say, it is. Maybe they should be spending their time elsewhere. But those are the kinds of judgments still that I think are going to need to be made.

MICHAEL: OK. I think we have time for one 30 second question which came across. How many months until the first tariff reduction from either the US or China?

TOM PRITZKER: The first what?

MICHAEL: Tariff reduction.

TOM PRITZKER: No idea. I don't think it's any soon, actually. I don't think it's G20 meeting. I think it's a longer period of time than you might expect.

HANK PAULSON: Yeah. Since I know no more than any of you know, I sort of suspect it'll be sooner rather than later, just because when I look at things that I think are counterproductive, I always think that somehow or other they'll end.

But I'm not more optimistic in terms of what it means when they end, OK? And I don't know.

My point is eventually, they will end. But even when they do end, there is going to be significant structural economic issues to say nothing of all the security issues that are going to have to be ironed out.

MICHAEL: Please join me in thanking this incredible duo here.

GREENSTONE: [APPLAUSE]