Some would argue that China is booming because of its ability to use repression to keep wages and production costs down. What are your views?

China's leadership is focused on economic development and stability — those are two of the pillars and increasingly, China is not just a manufacturing center for the world but is also looking at its own domestic markets and I think they would like to see Chinese enterprises develop and establish more of a brand identity in the global market and become much more significant on the multinational or global stage. And for that to happen, that means labor costs have to go up, productivity needs to improve but the overall manufacturing cost has to go up as they invest in developing a brand. There will be costs associated with that and other countries will be able to take advantage on the labor side. For example, labour costs are going up on the eastern part of China. So I sense a change in direction here in China and where there leads I don't think we know for sure but I don't think the use of repression is in any country's interest and I don't think that's a general policy of the Chinese government — in my view there are some concerns in that regard, perhaps — but I think the reality is that China has been able to win on several fronts. One: They have been able to keep their labor costs very low and Two: The scale of their manufacturing is so enormous compared to any other country.

Has China made significant progress in the area of intellectual property rights?

The US Chamber has enormous effort underway in China to work with the Chinese government — the officials as well as Chinese private sector — in improving the practices at the local level. We have undertaken a multi-year commitment to work in key provinces in China like Jiangsu, Guangdong and elsewhere to enhance IP protection. This has been a very important issue as counterfeiting and piracy is rampant in China. Probably 60-65% of the fakes found in the world probably stems from the manufacturing taking place in China. In recent years, there has been improvements in terms of the policy, framework and laws but when it comes down enforcement in terms of the law, we need to see the energy and commitment of the central government figures and I think we've seen that but we also need to see it at the local level. We held a major international conference in China in March on innovation and IP and we were pleased the Chinese government leaders in the field of IP showed up for that conference, participated and recognised the challenges that are before the country. But what we want to see again is lower criminal thresholds, we want to see more resources for the police to make this a higher priority, we want to see a reduction of corruption at the local level that allows these illegal operations to exist and we want to see more prosecutions in the criminal system and all those elements are critical to creating a deterrent in the system that will reduce counterfeiting and piracy. And it's not just to help the foreign investors, it's to help the development of Chinese enterprises. It's in China's interest and ultimately as China grows its private sector, we're seeing a rise in the level of awareness of how this is negatively impacting Chinese enterprises. They want to be an innovative society — President Hu Jintao has said that. Well, in order to be an innovative society, you have to have IP, you have to respect the rule of law, and you have to have to take concrete steps to have a very strong judiciary system. These are still evolving concepts in China.