

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Third Meeting of the U.S.-China Strategic & Economic Dialogue Joint U.S.-China Economic Track Fact Sheet

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As special representatives of President Barack Obama and President Hu Jintao, U.S. Treasury Secretary Timothy Geithner and Chinese Vice Premier Wang Qishan concluded the meeting of the Economic Track in the third U.S.-China Strategic & Economic Dialogue in Washington today. They were joined by a high-level delegation of Cabinet members, agency heads, and senior officials from both countries.

The two countries reaffirmed the important commitments pledged by both countries during the state visit of President Hu to the United States in January 2011, as well as in previous Strategic and Economic Dialogues. The two countries released a "Comprehensive Framework for Promoting Strong, Sustainable and Balanced Growth & Economic Cooperation," as they committed to do in January, to elaborate principles for their work towards building a comprehensive and mutually beneficial economic partnership. In keeping with the principles set out in the Framework, the two countries announced further concrete measures, to be implemented through existing mechanisms, to promote strong, sustainable, and balanced growth; strengthen financial systems; and enhance trade and investment cooperation.

### I. Promoting Strong, Sustainable and Balanced Growth

Since the second meeting of the Strategic and Economic Dialogue in May 2010, the economic recoveries in the United States and China have strengthened due to continued forceful stimulus measures undertaken by both countries, contributing to an improving outlook for the global economy. The two countries have also made progress on their commitments to promote more sustainable and balanced growth. To secure these gains and address potential challenges to the global outlook, we pledge to enhance macroeconomic cooperation to ensure that the global recovery is durable and promotes steady job growth, and to firmly establish strong, sustainable, and balanced growth.

In order to promote a more balanced trade relationship, China will continue to take steps to expand domestic consumption and imports in accordance with the 12th Five-Year Plan; and the United States will increase domestic savings and exports, including through the National Export Initiative. China takes promotion of employment as the priority objective for economic development, and strives to achieve full employment. China strives to raise the proportion of residents' income in gross national income, increase the proportion of wages in the primary income distribution, and realize the increase of people's income in line with economic development and the increase of workers' pay in line with gains in labor productivity. China's minimum wage has steadily increased in recent years and will continue to do so in the future. China will raise the ratio of services value-added to Gross Domestic Product (GDP) by four percentage points over the next five years, with measures to develop the services sector including expanding areas open to foreign involvement, encouraging and guiding a variety of categories of capital into the services sector, and actively developing services enterprises with diversified forms of ownership.

The U.S. economy is rebalancing toward sustainable growth, emphasizing higher domestic savings, a commitment to improving long-term fiscal sustainability and productivity-enhancing investments. The personal savings rate was 5.8 percent in 2010, which is the highest rate since 1993 and well above the 2.7 percent average between 2000 and 2007. Thus, much of the transition on the private side to higher saving has already taken place. To increase public saving, the President's Budget freezes discretionary spending for five years, freezes government salaries for two years, and brings the deficit to three percent of GDP by the second half of this decade – a path consistent with the Administration's commitments to cut the deficit in half by 2013, and to stabilize or reduce the national debt as a share of the economy. To lay the foundation for future growth, including through greater U.S. exports, the United States will increase and improve investment in innovation, infrastructure, and education.

In accordance with economic recovery in the United States, the Federal Reserve will continue to adjust its monetary policy as appropriate to promote sustainable economic growth and price stability. The People's Bank of China will continue to adopt a mix of monetary policy tools to implement prudent monetary policy, in order to promote growth sustainability and price stability. The United States will maintain vigilance against excess volatility in exchange rates, and China will continue to promote RMB exchange rate flexibility.

The two countries reiterate their support for the G-20 Framework for Strong, Sustainable, and Balanced Growth, and reaffirm their commitments to improve the living standards of our citizens through strong economic and jobs growth, and use the full range of policies required to strengthen the global recovery and to reduce excessive external imbalances and maintain current account imbalances at sustainable levels. The two sides support a bigger role for the G-20 in international economic and financial affairs, and pledge to strengthen communication and coordination to follow through on the commitments of the G-20 summits and push for positive outcomes at the Cannes summit in November.

The two countries pledge to work together to strengthen the global financial system and reform the international financial architecture. The two countries will continue their strong cooperation to strengthen the legitimacy and improve the effectiveness of the International Monetary Fund (IMF) and the Multilateral Development Banks (MDBs). The two countries will continue to jointly promote efforts of the international community to assist developing countries, in particular the Least Developed Countries, to achieve the Millennium Development Goals (MDGs). The two sides will also, in partnership with the MDBs, explore cooperation that supports global poverty reduction and development, and regional integration including in Africa, to contribute to inclusive and sustainable economic growth.

The United States and China express their continued support for the government and people of Japan as they begin to rebuild from the tragic earthquake and tsunami, and affirmed their confidence in the health of Japan's economy. The two countries pledge to cooperate on efforts to ensure the smooth functioning of global energy markets and to avoid excess volatility in global commodity prices. The two countries reaffirmed support for efforts by European leaders to reinforce market stability and promote sustainable long-term growth.

The two countries recognize the value of initiatives that foster dialogue and cooperation on sustainable growth issues, and pledge to: continue to strengthen city-to-city and firm-to-firm communication, and explore new opportunities to promote enhanced local-level economic cooperation between the two countries, including through the U.S.-China Initiative on City-Level Economic Cooperation; work together under the Energy Working Group of Asia Pacific Economic Cooperation (APEC) to promote the Energy Smart Communities Initiative (ESCI); strengthen information exchange on energy saving and environmental protection technology, and promote cooperation in areas such as industrial energy efficiency; and explore opportunities to deepen cooperation on infrastructure development, including through technical exchange and the sharing of best practices and information.

### II. Strengthening Financial Systems and Improving Financial Supervision

The two countries reaffirmed their commitment to deepen bilateral and multilateral cooperation on financial sector investment and regulation, in order to enhance global regulation, establish stronger international coordination to prevent future crises, and ensure a level playing field. Recognizing the positive contributions that financial institutions from each country can play, the two sides pledged to support open environments for investment in financial services and cross-border portfolio investment, consistent with prudential and national security requirements.

The United States and China commit to further promote and strengthen financial sector reform.

Following the passage of the Dodd-Frank Act, the United States is implementing comprehensive financial reform that better serves households, workers, entrepreneurs, and businesses by reducing systemic risk, raising prudential standards, establishing a comprehensive regulatory framework for derivatives, ending the problem of "too big to fail" financial institutions, creating a Federal Insurance Office, and ensuring robust consumer financial protection.

China will continue to deepen the reform of its financial system, which has supported the process of transforming its economic development model, developing a financial system that is comprised of diverse institutions, provides efficient service, controls risks, and encourages financial innovation. China will increase the use of direct financing channels, including stocks, bonds and private equity, to better satisfy the diverse demands in its economy for investment capital and financing. In accordance with the medium- and long-term development perspectives, China will push forward the market-based reform of interest rates.

The two countries will, in accordance with progress by international standard setting bodies on enhancing financial sector reform, continue to strengthen their own regulatory systems, further improve oversight of systemically important financial institutions, strengthen supervision of shadow banking activities, continue to enhance compensation policy reform, and strengthen oversight of credit rating agencies. Both countries commit to continue to strengthen information sharing on financial regulatory reform and take effective measures to ensure that financial regulatory reforms are in line with the principles of national treatment and non-discrimination for financial institutions in like circumstances. The United States and China reaffirm their commitment to fulfill the G-20 pledge in Seoul to "work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision of hedge funds, OTC derivatives and credit rating agencies."

The United States welcomes foreign investment in all sectors, including the financial sector, and remains committed to apply the same prudential and regulatory standards to applications made by Chinese banks, securities, and fund management companies as it applies to other foreign financial institutions in like circumstances.

The U.S. Administration has laid out a plan to reform America's housing finance market. The Administration is committed to have strong oversight of Government Sponsored Enterprises (GSEs) and to ensuring the ability of the GSEs to honor their obligations, and to not pursuing any reforms or supporting any legislative actions which would act to the contrary. The Administration will request input from all stakeholders during the reform process.

China will amend relevant regulations to allow qualified locally-incorporated foreign banks that meet relevant prudential requirements to enjoy the same rights as domestic banks to distribute mutual funds and to obtain custody licenses for mutual funds. China will allow qualified locally-incorporated foreign banks that meet relevant prudential requirements to enjoy the same rights as domestic banks to act as Margin Depository Banks in Qualified Foreign Institutional Investors (QFII) futures transactions. China will actively study and push forward the opening of mandatory third party liability auto insurance to foreign-invested insurance companies.

The United States supports China's efforts to expand the use of the RMB in cross-border trade and investment, and to press ahead with making the RMB convertible under capital accounts. China will also research ways to develop more and wider channels for offshore RMB to come onshore.

The United States and China pledged additional measures to enhance financial regulatory cooperation, including: continuing to share supervisory information under the Memorandum of Understanding between the U.S. banking agencies and the China Banking Regulatory Commission through ad hoc written requests and supervisory meetings; strengthening communication and exchanging views on international insurance regulatory reform; and pursuing close cooperation and collaboration in the regulation of financial markets, including through self-regulatory organizations. The United States and China welcome continued dialogue between the bilateral competent authorities on the oversight of accounting firms providing audit services for public companies in the two countries, so as to enhance mutual trust and strive to reach agreement on cross-border oversight cooperation. Both countries agree to make joint efforts to accelerate the process.

The United States and China committed to further strengthen their respective financial systems against money laundering, counterfeiting, terrorism financing, and WMD proliferation financing activities. China will continue to develop and strengthen its regulatory framework for freezing terrorist assets. The two countries will continue to enhance both policy and operational cooperation on combating illicit finance. The two countries will also continue to work collaboratively in the freezing, seizing, and forfeiture of criminal proceeds. Both countries seek to rely on bilateral mutual legal assistance to implement forfeiture orders, and seek to avoid unilateral enforcement action of forfeiture orders to the extent possible.

### **III. Enhancing Trade and Investment Cooperation**

The two countries, recognizing the importance of open trade and investment in fostering economic growth, job creation, innovation, and prosperity, re-affirmed their commitment to take further steps to liberalize global trade and investment, and to oppose all forms of trade and investment protectionism. The two sides reaffirmed their commitment to work proactively to resolve bilateral trade and investment disputes in a constructive, cooperative, and mutually beneficial manner.

China will take stock of the results of the Special Campaign against IPR Infringement and Fake and Shoddy Products (Special Campaign), and improve on the high-level, long-term mechanism of IPR protection and enforcement, building on the Special Campaign currently in place. China will strengthen the government inspection mechanism so as to make sure that the software being used by the government agencies at all levels is legitimate. China and the United States will strengthen cooperation in the JCCT IPR Working Group on software legalization.

The United States commits to give full consideration to China's request that it be treated fairly as the United States reforms its export control system. The United States will continue discussions, including technical discussions, on the export control status of designated parts, components, and other items of interest. Both sides agree to work through the U.S.-China High Technology Working Group (HTWG) to actively implement the Action Plan for U.S.-China High Technology Trade in Key Sectors Cooperation, hold U.S.-China fora on high-tech trade on a regular basis, and discuss high-tech and strategic trade cooperation through the HTWG.

China will eliminate all of its government procurement indigenous innovation products catalogues in implementing the consensus achieved during President Hu's January 2011 visit to not link innovation policies to the provision of government procurement preferences. China will revise Article 9 of the Draft Regulations Implementing the Government Procurement Law to eliminate the requirement to link indigenous innovation products to the provision of government procurement preferences. The United States and China are cooperating intensively in the High- and Experts-Level Innovation Dialogue to ensure that their innovation policies are consistent with the 2010 S&ED principles of non-discrimination; support for market competition and open international trade and investment; strong enforcement of intellectual property rights; and, consistent with World Trade Organization (WTO) rules, leaving the terms and conditions of technology transfer, production processes and other proprietary information to agreement between individual enterprises. Both sides are committed to continuing the High- and Expert-Level meetings and to implementing the outcomes of those meetings.

The United States and China will consult through the JCCT in a cooperative manner to work towards China's Market Economy Status in an expeditious and comprehensive way. The United States pledges to give full and serious consideration to all "market oriented industry" claims made by Chinese parties in U.S. antidumping proceedings.

China and the United States reaffirm their prior SED outcomes on transparency. The United States welcomes China's statement that it will issue a measure in 2011, to implement the requirement to publish all proposed trade- and economic-related administrative regulations and departmental rules on the SCLAO website for a public comment period of not less than 30 days from the date of publication, except as specified in China's Protocol of Accession to the WTO or in public emergency situations. China will steadily increase its solicitation of public opinions on regulatory documents with a direct influence on the rights and obligations of citizens, legal persons, or other organizations. China welcomes the United States' commitment to implement measures in 2011, to enhance regulatory transparency, including by taking steps to ensure the online publication of the text of proposed regulations, as well as supporting technical and scientific information, at [www.Regulations.gov](http://www.Regulations.gov) for a public comment period of 60 days, and the United States' decision to strengthen the Office of Management and Budget's participation in the on-going Transparency Dialogue.

The United States and China recognize the importance of transparency and fairness in providing export credits. Both parties agree to exchange views on the importance of the export credit system.

The United States and China share a common concern regarding the difficulties confronting the Doha Development Agenda. We are committed to cooperating constructively, together with other WTO members, to explore productive next steps, in a way that underscores the strengths and the value of the World Trade Organization.

The United States and China agree on the importance of fostering an open, transparent and predictable investment climate. The United States and China affirm that the enforcement policies of their national competition agencies are not to discriminate on the basis of nationality.

The United States and China reaffirm their commitment to the ongoing bilateral investment treaty (BIT) negotiations, recognizing that a successful BIT negotiation would support an open global economy by facilitating and protecting investment, and enhancing transparency and predictability for investors of both countries.

China will continue to follow the generally accepted principles and practices of Sovereign Wealth Funds (SWFs). The United States reaffirms its commitment to upholding the open and non-discriminatory principles towards foreign investors, including SWFs as described in the Declaration on Sovereign Wealth Funds and Recipient Country Policies announced by the OECD in June 2008.

The two sides reviewed several case studies and agreed to continue to conduct the Joint Experts Dialogue on rules of origin (ROO) and to further exchange information and views on related laws, regulations, and practices in both countries.

The Civil Aviation Authorities of the United States and China will strengthen communication and cooperation in the field of aircraft airworthiness certification, through currently established channels, in order to promote reciprocal acceptance of civil transport category airplanes.

#### Annex:

#### I. Participants in the Economic Track of the Third Strategic and Economic Dialogue

##### U.S. Participants:

1. Timothy F. Geithner, Secretary of the Treasury
2. Thomas Vilsack, Secretary of Agriculture
3. Gary F. Locke, Secretary of Commerce
4. Hilda L. Solis, Secretary of Labor
5. Steven Chu, Secretary of Energy
6. Jacob J. Lew, Director of the Office of Management and Budget
7. Ronald Kirk, U.S. Trade Representative
8. Austen Goolsbee, Chair, Council of Economic Advisors
9. John P. Holdren, Director, Office of Science & Technology Policy
10. Gene Sperling, Director of the National Economic Council
11. Ron Bloom, Assistant to the President for Manufacturing Policy
12. Ben Bernanke, Chairman of the Federal Reserve
13. Sheila C. Bair, Chairman of the Federal Deposit Insurance Corporation
14. Mary Schapiro, Chairman of the Securities and Exchange Commission
15. Gary Gensler, Chairman of Commodity and Futures Trading Commission
16. Fred P. Hochberg, President of the U.S. Export-Import Bank
17. Leocadia Zak, Director, U.S. Trade & Development Agency
18. Lael Brainard, Department of Treasury, Under Secretary for International Affairs
19. Demetrios Marantis, Deputy United States Trade Representative
20. Robert Hormats, Department of State, Under Secretary for Economic, Energy, and Agricultural Affairs
21. Francisco Sanchez, Department of Commerce, Under Secretary for International Trade
22. Eric Hirschhorn, Department of Commerce, Under Secretary, Bureau of Industry and Security
23. Sandra Polaski, Deputy Under Secretary, Department of Labor
24. Charles Collyns, Department of Treasury, Assistant Secretary for International Finance
25. David Sandalow, Department of Energy, Assistant Secretary for International Affairs
26. Mike Froman, Deputy National Security Advisor for International Economic Affairs
27. David Lipton, Special Assistant to the President and Senior Director for International Economic Affairs, NSC
28. Chris Ledoux, Federal Insurance Office, Acting Director
29. Susan Voss, Iowa State Insurance Commissioner

##### Chinese Participants:

1. Vice Premier Wang Qishan
2. Minister of Finance Xie Xuren
3. Minister of Science and Technology Wan Gang
4. Minister of Commerce Chen Deming
5. Governor of the People's Bank of China Zhou Xiaochuan
6. Chairman of the China Banking Regulatory Commission Liu Mingkang
7. Chairman of the China Securities Regulatory Commission Shang Fulin
8. Chairman of the China Insurance Regulatory Commission Wu Dingfu
9. Chinese Ambassador to the United States Zhang Yesui
10. Vice Secretary General of State Council Bi Jingquan

11. Vice Minister of Foreign Affairs Cui Tiankai
12. Vice Chairman of the National Development and Reform Commission Zhang Xiaoqiang
13. Vice Chairman of the National Development and Reform Commission Liu Tienan
14. Vice Minister of Finance Zhu Guangyao
15. Vice Minister of Human Resources and Social Security Wang Xiaochu
16. Vice Minister of Railways Wang Zhiguo
17. Vice Minister of Agriculture Niu Dun
18. Vice Minister of Health Yin Li
19. Deputy Governor of the People's Bank of China Yi Gang
20. Vice Chairman of the State-owned Assets Supervision and Administration Commission Huang Shuhe
21. Chief Engineer of the Ministry of Industry and Information Technology Zhu Hongren
22. Director-General of the Department of Secretary and Administration of State Council Legislative Affairs Office Hu Keming

## II. Institutional Arrangements

Both sides reaffirm that deepening bilateral economic cooperation and exchange between relevant agencies will advance our common objectives of increasing prosperity and improving livelihoods for people in each country, taking full advantage of opportunities for mutually beneficial trade and investment, and strengthening our financial systems.

In support of these objectives, both sides commit to further economic cooperation through additional dialogues and initiatives, including:

- Committing to hold the 2nd U.S.-China Initiative on City-Level Economic Cooperation in China at an appropriate time;
- Establishing a regular senior level program for technical communication mechanism and exchange between Federal Railway Administration and Ministry of Railways, to enhance the safety, and efficiency of railway transportation through the exchange of safety and technological standards, laws and regulations on railway including high-speed railway;
- Renewal of the MOU between the Ministry of Science and Technology of China and the Department of Health and Human Services of the United States on Health and Medicine Sciences Cooperation;
- Signing a letter amending the 2007 Memorandum of Cooperation on Intellectual Property Rights Enforcement between Customs and Border Protection and the General Administration of Customs of the People's Republic of China;
- Carrying out discussions through the fourth U.S.-China Investment Forum on topics including the two-way investment environment and experiences in attracting foreign investment, investment experiences of enterprises in both countries, development of foreign investment policies, policies and practices affecting foreign mergers and acquisitions, foreign investment in services and emerging industries, and creating a level-playing field for all investors aimed at furthering bilateral investment cooperation;
- Signing a Memorandum of Understanding between U.S. Department of Labor (USDOL) and Ministry of Human Resources and Social Security (MOHRRS) to continue an annual USDOL-MOHRRS Dialogue; in addition, USDOL and the State Administration of Work Safety of China (SAWS) signed a Memorandum of Understanding Regarding Cooperation on Work Safety and Health, and will continue to develop exchange and cooperation on mine and occupational safety and health issues;
- Strengthening bilateral communication and cooperation on agricultural sciences and technologies;
- China during 2011 will send two interagency delegations to the United States for workshops addressing AML/CFT and anti-counterfeiting priority issues;
- China intends to reinforce its PBOC representative office in America;
- China participates in the Super-efficient Equipment and Appliance Deployment (SEAD) initiative and the Global Superior Energy Performance (GSEP) initiative as an observer. Both initiatives are International Partnership for Energy Efficiency Cooperation (IPEEC) Task Groups and were mentioned in the Clean Energy Ministerial;
- In addition, the two countries will hold the Fourth U.S.-China Transportation Forum (TF) in the United States; participate in the Sino-America symposium on health care reforms and in the U.S.-China forum of communication and cooperation on traditional Chinese medicine.