

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Remarks by Secretary Geithner at the Economic Track Opening Session of the 2012 Strategic and Economic Dialogue (S&ED)

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*As prepared for delivery*

**BEIJING, CHINA** - On behalf of my U.S. colleagues, I would like to thank you, Vice Premier Wang, and your colleagues from throughout China's government, for welcoming us back to Diaoyutai for the Economic Track of the fourth Strategic and Economic Dialogue.

I want to start by highlighting the progress we have achieved over the past three years.

- U.S. exports to China have doubled since early 2009, roughly twice as much as our exports to the rest of the world. And Chinese investment in the United States has increased five-fold from 2005-2010.
- China has committed to provide greater protection and enforcement for U.S. intellectual property rights and to improve market access for U.S. companies.
- China has continued to move toward a more market oriented exchange rate system and to reduce controls on capital movements, and the renminbi has appreciated by approximately 13 percent against the U.S. dollar in real terms over the past two years.
- The United States has increased its national savings rate.
- Both China and the United States have made progress reducing our external trade imbalances.
- We've worked together so the membership, governance, and senior management of institutions that support the global economy, such as the Financial Stability Board, IMF and World Bank better reflect the position of China and other major emerging economies in the global economy;
- We've worked to deepen ties among our Governors and Mayors to promote trade and investment in their states and cities;
- The United States has reduced significantly the time Chinese businessmen, students and tourists must wait for a visa;
- And we have built a valuable channel of communication that has enabled a very intensive and effective process of cooperation on the major challenges facing the global economy today.

Our challenge now is to build on that progress. I want to highlight our main objectives for these meetings.

We will exchange views on the outlook for economic growth in China and the United States, as we continue to face a challenging global economic environment.

We will review the economic reforms ahead of us, as we both work to strengthen the fundamentals for future growth. As part of this, we will review progress toward a more sustainable and balanced pattern of growth in China and the United States.

We will review progress on the most important trade and commercial challenges in our relationship, including intellectual property rights and trademark protection, government procurement preferences, barriers to investment and market access, official export finance, and other issues.

We will explore ways to strengthen the institutions and the standards and norms that help facilitate the economic and financial relations among nations.

We will discuss the risks to the global economy and our cooperation on Europe and Iran.

We will explore the main challenges ahead in our respective efforts to reform our financial systems and to improve global cooperation on financial reforms.

Both China and the United States face very significant economic challenges.

In the United States, we still have a ways to go in repairing the damage from our financial crisis and addressing a mix of long-term challenges. We are working to put in place reforms to improve our education system, to restructure and reform our financial system, to rebuild our public infrastructure, to invest more in scientific research and discovery, and to improve incentives for private investment and innovation.

These investments and reforms have to come as part of a carefully designed, balanced package of long-term reforms to restore fiscal sustainability, phased in gradually so as not to damage the economic recovery. These fiscal reforms will combine tax reforms for individuals and businesses with spending restraint across the government and reforms to slow the rate of growth in healthcare costs.

In China, you face a consequential transition ahead as you work to rebalance your economy and adjust to the prospect of slower growth in exports, the labor force and productivity.

We welcome the broad direction of reforms as outlined in your 12<sup>th</sup> Five Year Plan. We consider particularly important the emphasis on reforms to:

- take more decisive measures to shift away from exports and investment and toward consumption-led growth, including by reforming your tax system to reduce its burden on consumption and the service sector;
- develop a financial sector that will increase the return to Chinese household savings and reduce the financial advantages afforded state owned enterprises;
- support more market-oriented competition and innovation, by strengthening protection and enforcement of intellectual property rights and becoming more open to private competition, both foreign and domestic; and
- continue the appreciation of the renminbi against the dollar and the other major currencies.

A stronger, more market-determined renminbi will help reinforce China's reform objectives of moving to higher value-added production, reforming the financial system, and encouraging domestic demand. It will provide China the independence and flexibility to respond to future changes in growth and inflation.

Vice Premier Wang, I look forward to our discussions. I hope that we can build on the considerable progress we have made over the past three years and set out a path for further concrete improvements in our economic relationship.

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