

U.S. DEPARTMENT OF THE TREASURY

Press Center



UPDATED: U.S.-China Joint Fact Sheet Sixth Meeting of the Strategic and Economic Dialogue

7/11/2014

As the Special Representatives of President Barack Obama and President Xi Jinping, U.S. Treasury Secretary Jacob J. Lew and Chinese Vice Premier Wang Yang led the sixth meeting of the Economic Track of the U.S.-China Strategic and Economic Dialogue (S&ED) on July 9-10, in Beijing, China. They were joined by a high-level delegation of Cabinet members, ministers, agency heads, and senior officials from both countries.

The United States and China welcomed the growth in the breadth and depth of bilateral economic relations since the establishment of official diplomatic relations 35 years ago. The two countries further recognized that there is significant potential for continued progress in U.S.-China economic relations, especially as China fully implements the comprehensive economic agenda announced at the Third Plenum of the 18th CPC Central Committee, and as the U.S. economy continues to strengthen, creating jobs, improving fiscal sustainability, and making investments to support future productivity and growth. These developments are to provide new impetus for economic cooperation between the two countries. As such, the participants discussed new strategies for practical cooperation and for continuing to deliver concrete progress that is to benefit the citizens of both countries, our neighbors, and the world.

During the sixth meeting, the United States and China emphasized the importance of promoting a comprehensive U.S.-China economic relationship based on mutual respect and mutually beneficial cooperation. The two countries reaffirmed the commitments pledged by both countries in previous Dialogues and the importance of full implementation of these outcomes. The United States and China announced further concrete measures to support strong domestic and global growth, promote open trade and investment, enhance international rules and global economic governance, and foster financial market stability and reform. The two countries reached consensus to work expeditiously to implement the new commitments made and, as the Special Representatives of the Economic Track, Secretary Lew and Vice Premier Wang directed their respective economic teams to take concrete action before the next S&ED.

I. Strengthening Economic Policy Cooperation

Since the fifth meeting of the S&ED in July 2013, the United States and China have taken significant actions to strengthen growth and promote job creation in both countries, to continue to support a durable global recovery, and to ensure that their domestic growth supports strong, sustainable, and balanced global growth. The United States and China pledged to make further progress as well as committed to make new progress on the following:

- Both sides commit to implement our G-20 commitments to move more rapidly toward a more market-determined exchange rate system and greater exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignment, and refrain from competitive devaluation. Consistent with the reforms set out in the Third Plenum of the 18th CPC Central Committee, China is to continue market-oriented exchange rate reform; reduce foreign exchange intervention as conditions permit; and increase exchange rate flexibility.
- To enhance data transparency, China is making technical preparations with the International Monetary Fund for subscription to the Special Data Dissemination Standard.
- Consistent with its statutory mandate, the U.S. Federal Open Market Committee (FOMC) seeks to foster maximum employment and price stability. To support continued progress toward meeting its mandate, the FOMC has been pursuing a highly accommodative monetary policy, including the purchase of longer-term Treasury and agency mortgage-backed securities. In light of progress made toward improving labor market conditions, the FOMC has been reducing the pace of its asset purchases, but continues to anticipate that economic conditions will likely warrant maintaining the target range for the federal funds rate at its current low level for a considerable time after the purchase program ends. In determining the size, pace, and composition of its asset purchases, the FOMC continues to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives. The Federal Reserve is sensitive to the effects of its policies on the international financial system. A key goal of the Federal Reserve is to maintain financial stability both domestically and internationally.

- China is to continue to advance market-based interest rate reform and to let the market play a decisive role in the allocation of financial resources. China is to promote the issuance of certificates of deposit to enterprises and individuals to gradually expand the range of liability products of financial institutions priced by the market, and to improve its market-based benchmark interest rate system.
- The United States remains committed to putting public finances on a sustainable path over the medium term. The Administration's Fiscal Year 2015 budget would lower the federal budget deficit to about 2 percent of GDP by 2024 and put publicly held debt as a share of the economy on a declining path after 2015, including reducing federal health spending and improving the quality and efficiency of health care delivery, eliminating tax loopholes, and prioritizing investments in areas such as education and infrastructure to foster strong growth and job creation in the near term and enhance productivity over the long term. The United States and China commit to further strengthen macroeconomic communication and cooperation, and to discuss important economic policies with each other in a timely manner.
- The United States reaffirms its past S&ED commitments and continues to support moving toward a pattern of growth characterized by higher investment and national saving, including through reduction of the federal budget deficit, investments in education and training that promotes greater attachment to the labor force, measures to prevent abusive credit practices, and policies to increase employer-based and individual saving.
- China remains committed to making domestic demand the main engine in driving growth, and focusing on boosting consumption while working to increase domestic demand. Towards this end, China is to implement targeted fiscal and structural measures to increase household income in a comprehensive and balanced manner. China is to extend social insurance coverage to more people, and reduce social insurance premium rates, as appropriate and at the proper time. China is to improve the ability of farmers to exercise rural land property rights, perfect the secondary market for land leasing, transfer, and mortgage, and provide fair compensation to farmers in land acquisitions, taking location, employment, and the social security benefits associated with rural land into comprehensive consideration. China is to complete the business tax to Value-Added Tax reform, in order to eliminate double taxation and promote economic transformation.
- China is to deepen economic system reform by allowing the market to play a decisive role in the allocation of resources. China commits that economic entities under all forms of ownership have equal access to factors of production in accordance with the law and are able to compete on a level playing field. China is to accelerate the process of market-based price reforms in petroleum, electricity, and natural gas, to promote competition in energy markets, and to realize market-based prices in competitive sectors as soon as possible. The United States is to provide technical assistance to China to support China's efforts to promote energy reform.
- China commits to increase the share of the central State Capital Operating Budget (SCOB) funds transferred into the public finance budget for social security and people's welfare, with the proportion rising steadily, reaching 30 percent by 2020. China is to make public, through the budget process, the information regarding the transfer from the SCOB to the public finance budget.
- China remains committed to publishing relevant information on the SCOBs income and expenditures, according to the budget approved by the National People's Congress (NPC) and regulations on government information disclosure. China further commits to publish increasingly detailed budget information on SCOBs' income and expenditures according to the NPC's requirement to enhance budget transparency.

II. Promoting Open Trade and Investment

The United States and China underscored the importance of fostering an open, transparent, and non-discriminatory environment for trade and investment, recognizing that doing so is critical to economic growth and job creation in both countries and in the global economy. The United States and China committed to take the following measures to further enhance our bilateral trade and investment relationship, support an open and fair environment, and create greater opportunities for U.S. and Chinese companies and workers.

- United States and China held constructive discussions regarding the expansion of the Information Technology Agreement. Both sides commit to continue the discussion within the next few weeks, to create conditions to restart plurilateral negotiations.
- The United States and China welcome the progress made to date in the Bilateral Investment Treaty (BIT) negotiations, and affirm their commitment to intensify these negotiations toward a BIT with high standards, including non-discrimination, fairness, openness, and transparency. The two sides are working to narrow differences and to reach agreement on core issues and major articles of the treaty text by the end of 2014, and commit to initiate the "negative list" negotiation early in 2015 based on each other's "negative list" offers. Recognizing the positive role of investment in creating jobs and boosting economies, and the mutual benefit of open investment environments, the two sides support the expansion of two-way investment and commit, through the BIT negotiation, to ensure that foreign and domestic investors benefit from equal access to and treatment in the market, subject only to negotiated and transparent exceptions.
- China is to further deepen the reform of State Owned Enterprises (SOEs) (including State-Invested Enterprises), improve and standardize modern corporate governance structure, and reasonably increase the proportion of market-based recruitment of management personnel for SOEs. In mixed ownership enterprises, China is to improve the process for nominating and selecting personnel to serve on Boards of Directors in accordance with the Company Law and corporate governance principles. The United

States and China commit to establish an exchange mechanism with regard to improving the modern corporate system and corporate governance structure of SOEs.

- The United States and China recognize that the objective of competition policy is to promote consumer welfare and economic efficiency rather than promote individual competitors or industries, and that enforcement of their respective competition laws should be fair, objective, transparent, and non-discriminatory. China commits that its three Anti-Monopoly Enforcement Agencies (AMEAs) are to provide to any party under investigation information about the AMEA's competition concerns with the conduct or transaction, as well as effective opportunity for the party to present evidence in its defense.
- The United States reaffirms its commitment to give fair treatment to China in its export control reform process, and to encourage and facilitate export of high technology items to China for civilian end-uses and civilian end-users. The United States reaffirms its commitment to process and decide upon, in a timely manner, individual license applications once the United States receives all necessary information required under the Export Administration Regulations. Both sides commit to make joint efforts to actively implement the Action Plan for Cooperation in the Priority Areas of U.S.-China High Technology Trade. Both sides commit to hold High Technology and Strategic Trade Working Group meetings and conferences to exchange ideas and to listen to industry's concerns and recommendations regarding bilateral high-tech trade between the United States and China. Both sides further commit to discuss these and other export control issues in depth and in detail through the U.S.-China High Technology and Strategic Trade Working Group.
- The United States commits to inform China about the process required by the Natural Gas Act (NGA), which governs the evaluation of applications to export liquefied natural gas (LNG) export applications, to Free Trade Agreement (FTA) countries and to non-FTA countries such as China. The NGA directs the U.S. Department of Energy (DOE) to evaluate LNG export applications to non-FTA countries. DOE applies the same rules in every case. To date, DOE has granted six conditional long-term authorizations and one final authorization to export domestically-produced lower-48 LNG to non-FTA countries, and 26 non-FTA-applications are currently pending. The DOE is currently evaluating pending applications on a case-by-case basis. The DOE is evaluating changes to its procedures that would prioritize resources on the more commercially advanced projects and improve efficiency of the review process. The DOE is to update the National Energy Administration (NEA) of China of the status of the process in a timely manner. Any investment in U.S. or Chinese LNG facilities is to be consistent with the applicable law and commercial- and market- oriented principles. To the extent allowed by applicable law, the United States and China commit to provide information to interested companies about the process to participate in LNG infrastructure investment and construction in their respective countries.
- The United States and China affirm that they do not approve of trade secret theft for commercial advantage and that the protection and enforcement of trade secrets is essential to maintain fair competition and to develop an innovative economy. Both sides are to pursue criminal and other actions to deter the misappropriation of trade secrets, and make information available to the public about their actions, to the extent permitted by law. China has incorporated the protection and enforcement of trade secrets into its 2014 Priorities of the Nationwide Crack Down on Intellectual Property Infringement and Production of Counterfeit and Shoddy Products, published by the State Council on April 14, 2014. As its next step, China is to vigorously investigate and prosecute trade secret theft cases; ensure that civil and criminal cases are tried and the judgments are published according to law; and protect trade secrets contained in materials submitted by companies as part of regulatory, administrative, and other proceedings according to Chinese law. China is also to undertake publicity and education activities to improve the awareness of companies and the general public regarding the protection of trade secrets; to undertake studies and research on trade secrets law and related legislative and policy issues; and is to continue engaging in technical exchanges with the United States on these issues. China affirms that it is to continue prioritizing trade secrets protection and enforcement and is to take positive actions that are to be included in upcoming work plans.
- Building on the prior successful exchanges between the United States and China at the Joint Commission on Commerce and Trade (JCCT) Intellectual Property Rights Working Group and at meetings among relevant agencies, the United States and China are to continue to promote exchanges between respective Intellectual Property (IP) agencies, including judicial and administrative bodies, on topics of mutual interest, such as enforcement, transparency, and specialized IP courts. These discussions and any recommendations are to be reported to the JCCT and other bilateral meetings.
- China confirms that the *Deployment Standards for the Assets of the Office of General Software of Government Agencies* is a measure designed to strengthen the administration of spending and implement the CPC Central Committee's call for frugality. This measure was drafted with the intention to not have any purpose or effect of creating obstacles to international trade. The United States and China are to continue to engage on ways to address any obstacles to trade facing companies.
- The United States and China commit to discuss this year issues concerning China raised in the Consolidated Appropriations Act, 2014.
- In support of China's commitment to strong, sustainable, and balanced economic growth and the transformation of China's economic development pattern, and in recognition of the importance of fostering a more streamlined, efficient, and market-based business environment in which the market plays a decisive role in allocating resources, China commits to improve its Value Added Tax rebate system, including actively studying international best practices, and to deepen communication with the United States on this matter, including regarding its impact on trade.

- In support of China's efforts to rein in excess production capacity in key manufacturing sectors and to foster a business environment in which the market can play a decisive role in allocating resources, China is to establish mechanisms that strictly prevent the expansion of crude steelmaking capacity and that are designed to achieve, over the next five years, major progress in addressing excess production capacity in the steel sector.
- To advance the shared goal of ensuring access to safe and high-quality medicines for patients and protect supply chain integrity, to affirm the responsibilities of the manufacturers and regulators over the life-cycle of the drug to ensure product quality, and to fight against illegal actions to manufacture, distribute, and export counterfeit and substandard active pharmaceutical ingredients (APIs) and APIs used for counterfeit and substandard products, China commits, during the process of revising the Drug Administration Law (DAL), to develop and seriously consider amendments to the DAL requiring regulatory control of the manufacturers of bulk chemicals that can be used as APIs ("bulk chemicals"), including "export only" producers and distributors. To this end, China commits to hold a multi-ministerial work mechanism on a potential regulatory and enforcement framework to develop the oversight of bulk chemicals, and a roadmap for implementation, by the end of this year. The United States commits to continue to review its authority to exclude from consideration the import of bulk chemicals from firms that are not registered with China Food and Drug Administration (CFDA). In addition, the United States and China commit to deepen technical exchanges, trainings, and regulatory cooperation to enhance the safety of bulk chemicals traded between the United States and China, and to exchange views on the user fee programs at the upcoming pharmaceutical working group meeting of the JCCT.
- In order to foster the development of the services sector, China is to follow the guidance provided at the Third Plenum of the 18th CPC Central Committee, which is to promote the orderly opening-up of the finance, education, cultural, medical sectors, and other service areas, and to remove foreign investment access restrictions in child and old-age care, architectural design, accounting and auditing, commerce and logistics, electronic commerce, and other such service sectors, including accelerating the revision of the Catalogue Guiding Foreign Investment in Industries to further open up to foreign investment. China is to revise the related regulations on the administration of foreign-invested construction and engineering design enterprises to open these sectors to foreign providers of such services.
- The United States commits that the Committee on Foreign Investment in the United States (CFIUS) applies the same rules and standards to each transaction that it reviews, without regard to the investor's country of origin. The U.S. Treasury Department website contains links to the CFIUS statute, regulations, executive order, Guidance, and all Annual Reports, which fully, clearly, and publicly articulate the rules of the CFIUS process. CFIUS, in every case, is focused on whether the particular transaction, given the facts and circumstances unique to that transaction, raises national security concerns, not broader economic or policy concerns. When a transaction poses a national security risk, CFIUS works to resolve it as expeditiously as possible, including through targeted mitigation rather than prohibition whenever possible. In its public Guidance and Annual Reports, CFIUS describes, to the extent possible, illustrative examples of the national security concerns presented by transactions it has reviewed, as well as the perceived adverse effects of covered transactions on the national security or critical infrastructure of the United States. The United States and China commit to continue to discuss and explain concepts in the U.S. foreign investment review process.
- The United States welcomes investment from all countries, including China. The United States commits to maintain an open investment environment for Chinese investors, including SOEs, as with investors from other countries. The United States reaffirms its open investment policy and a commitment to treat all investors in a fair and equitable manner under the law.
- The United States reaffirms its commitment to open and non-discriminatory principles identified by the Organization for Economic Cooperation and Development in its June 2008 Declaration on Sovereign Wealth Funds and Recipient Country Policies. China reaffirms its commitment to follow the generally accepted principles and practices of Sovereign Wealth Funds.
- In any area open to foreign investment, consistent with Chinese law, China is to continue to improve procedures for foreign investment approval and record-filing by unifying domestic and foreign investment laws and regulations. To make it easier to invest, China is shifting from an approach of approval or verification to one based on record filing. The United States welcomes China's further efforts to improve the investment environment and maintain stability, transparency, and predictability of foreign investment policies and procedures. China has authorized the Shanghai Free Trade Pilot Zone to undertake trial work regarding pre-establishment national treatment plus negative list in order to accumulate replicable and expandable experiences for deepening reform.
- The United States welcomes China's efforts to improve the efficiency and transparency of its administrative licensing and approval processes and China's commitment to strictly implement its Administrative Licensing Law. The United States and China commit to treat applicants for administrative licenses and approvals under the same rules and standards of each side, with regard to the resources available to accept and process applications, and the number of applications permitted at one time from an applicant. Further, the United States and China commit to strictly implement existing laws and regulations to adequately protect any trade secret or sensitive commercial information provided by the applicant during the administrative licensing or approval process, consistent with laws.
- China welcomes the United States' commitment to reviewing existing regulations if needed and developing plans, in consultation with the public, to reform or eliminate those regulations that are obsolete, unnecessary, burdensome, or counterproductive, and where feasible, to modify regulations to increase their effectiveness, efficiency, and flexibility. The United States welcomes China's

actions to provide legal review of regulatory documents with a direct influence on the rights and obligations of citizens, legal persons, or other organizations, and to limit and reduce the number of regulatory documents in effect at both the central and sub-central levels of government. In support of these actions, the United States and China commit to hold seminars to discuss the types and effect of those documents existing in both countries.

- The United States and China reaffirm their past bilateral commitments on publication of trade- and economic-related administrative regulations and departmental rules. China confirms that the relevant State Council Legislative Affairs Office documents published on April 27, 2012 are legally binding.
- The Legislative Affairs Commission of the Standing Committee of the National People's Congress of the People's Republic of China periodically publishes translations into English of The Laws of the People's Republic of China. The Legislative Affairs Office of the State Council periodically publishes translations into English of The Laws and Regulations of the People's Republic of China Governing Foreign-Related Matters. China is to require all departments of the State Council to make available in a reasonable time, via a website or other cost-effective means, translations into English of trade-related departmental rules.
- The United States and China support efforts to promote infrastructure investment, including by increasing commercial investment in infrastructure through Public-Private Partnerships with domestic and foreign investors, and incorporating best practices and lessons learned from other countries. The United States and China recognize the potential value of having their respective enterprises play a positive role in infrastructure development in each country and commit to explore opportunities for deepening cooperation in this area.
- The United States and Chinese civil aviation authorities commit to enhance communication and cooperation, to undertake the Federal Aviation Administration's shadow evaluation of the Civil Aviation Administration of China's airworthiness certification capability of transport category airplanes that is based on the certification of the ARJ21 airplane, and work toward the reciprocal recognition of airworthiness certification systems between the United States and China.

III. Enhancing Global Cooperation and International Rules

The United States and China committed to enhance multilateral cooperation, including under the G-20, Asia Pacific Economic Cooperation (APEC), and other multilateral frameworks. The two sides recognized the importance of international rules governing trade and finance that reflect the evolving global economic system and committed to take the following concrete steps to deepen their cooperation in this area.

- The United States and China are committed to promoting economic growth and prosperity in the Asia-Pacific. Both sides reaffirm their commitment to work closely with other economies to make China's APEC host year a success. Both sides acknowledge the necessity of maintaining close communication and cooperation to achieve positive and meaningful results at the 2014 APEC Economic Leaders' Meeting and to advance regional economic integration; promote innovative development, economic reform, and growth; and strengthen comprehensive connectivity and infrastructure development.
- The United States and China commit to continue strengthening their cooperation in the IMF and G-20, improving the IMF's quota and governance structure, ensuring the completion of the 15th general quota review, reaching a final agreement on a new quota formula, and further enhancing the voice of emerging markets and developing countries. The United States commits to complete the domestic approval of the 2010 IMF quota and governance reforms as soon as possible. The two sides reaffirm the importance of maintaining a strong and adequately resourced IMF.
- Consistent with the commitments made by the World Bank's Governors in Istanbul in 2009, the United States and China reiterate their support for moving towards equitable voting power in the World Bank over time. Based on the interim result achieved by the 2010 voice reform, the two sides support the World Bank periodically reviewing its shareholding, based on a dynamic formula that primarily reflects the principles outlined in Istanbul in 2009, and look forward to the next review of voice in 2015.
- The United States and China support the World Bank's reform package addressing financial sustainability, which is intended to permit a significant increase in the Bank's lending capacity without undermining its financial soundness. Both sides recognize the importance of continued regular reviews of the Bank's financial sustainability.
- The United States and China are committed to strengthening communication and cooperation in the preparation of the "post-Bali" work-program so as to send a positive signal to advance Doha Round negotiations.
- The United States and China welcome the progress that has been made by the International Working Group on Export Credits (IWG) in negotiating new international guidelines for official export credit support, including at the fifth meeting of the IWG in May in Washington, D.C. Based on the progress made, the United States and China support the IWG actively pursuing and completing its work on guidelines for the two sectors as soon as possible. The United States and China reaffirm their shared commitment to develop a set of new horizontal international guidelines on official export credit support that promote international trade, and that, taking into account varying national interests and situations, are consistent with international best practices.

- The United States and China reaffirm their commitment to undergo fossil fuel subsidy peer reviews under the G-20 process. The two sides welcome continued technical communications and discussions among experts from the two countries to identify the scope of inefficient fossil fuel subsidies that encourage wasteful consumption. On this basis, the two sides finalized the peer review terms of reference in July 2014. The two sides are to update the G-20 in November on the progress to date on the fossil fuel subsidy peer review. The two sides urge more G-20 countries to commit to peer reviews at this year's G-20 Leader's Summit.
- The United States and China commit to cooperate on strategic petroleum reserves to improve their ability to address oil market supply disruptions and improve their collective energy security. Both countries commit to take part in information exchanges on policies, management, and technologies. The two sides welcome the signing of the Memorandum of Understanding regarding such information exchanges between the U.S. Department of Energy and the National Energy Administration.
- As the world's two largest energy consumers, the United States and China share a goal of working to ensure that global energy markets are well-supplied and resilient. China is to accelerate developing the capacity to publish more complete public energy statistics on a more frequent basis, which brings benefits to both China and the United States, and enables stronger cooperation with the Joint Organizations Data Initiative (JODI). This improves energy data transparency, which helps the functioning of global energy markets and reduces oil price volatility.
- The United States and China have each taken important steps to address air pollution and climate change impacts of conventional coal-fired power plants. The United States has recently proposed rules that would significantly limit carbon dioxide emissions from existing power plants and set high standards for new power plants, and has also ended public financing for new conventional coal-fired power plants except in the poorest countries. China has set a target to lower the percentage of coal consumption in total energy consumption, and set tighter standards on energy efficiency and carbon emission in new power plants and those in operation nationwide. Building on these important measures, the United States and China are to share views on the important role that official financing support policies can play to accelerate the transition to a global energy economy that is more energy efficient and less carbon intensive, taking into account relevant factors.

IV. Fostering Financial Stability and Reform

Both sides recognized the importance of strong, stable financial systems to achieve sustainable and balanced growth. Both sides committed to undertake the following measures to support further reforms and enhance supervision in their respective financial sectors, promote bilateral cooperation, and enhance cooperation under the G-20, Financial Stability Board, and other multilateral frameworks, so as to support global financial stability.

- China intends to continue the opening-up of the securities and futures sectors, and to actively study policies concerning the further expansion of the business scope of newly established securities joint ventures. China is actively studying further opening up of the banking sector (including equity participation by foreign investors) and securities sector, based on ongoing assessment and improvement of the prudential regulatory framework.
- China welcomes foreign companies to submit applications for approval of new internal branches under China's procedures, including the Administrative Measures for Market Access of Branch Offices of Insurance Companies, and commits to review and issue decisions on such applications within the timeframes set forth in such Measures.
- The United States reconfirms its transparent process for submission and consideration of requests to establish insurance subsidiaries and branches.
- To support the safe development of China's debt and derivatives markets, China intends to revise as soon as possible relevant laws and regulations to recognize the enforceability of close-out netting and collateral enforcement for securities, commodity, and derivatives contracts, and to clarify the rights of creditors in insolvency, consistent with such recognition. Chinese companies are allowed, subject to permission or registration requirements, to write enforceable guarantees on offshore bonds to foreign investors.
- The United States and China commit to enhance technical cooperation on the development and regulation of local government bond markets, including issuance structures, disclosure practices, tax issues and developing a broad investor base. The two sides welcome the mutual participation of investors and qualified financial firms from the United States and China in the local government bond market in accordance with the law and relevant regulations.
- To support more transparent and resilient market-based funding, the United States and China commit to an information sharing process on shadow banking risk and policy measures through the Financial Stability Board (FSB). The two countries intend to enhance bilateral cooperation and share experiences on the regulation of money market funds (MMFs) and internet finance in their respective jurisdictions. The United States and China also commit to participate in a peer review of national implementation of the FSB's shadow banking policy recommendations in 2015.
- China intends to accelerate the establishment of a deposit insurance system and improve the market exit mechanism for financial institutions, including through issuing regulations on bank resolution.
- The United States applies the Volcker Rule through implementing regulations that, consistent with statute, addresses concerns about the impact on foreign banking entities. The United States remains willing to meet with interested parties, including Chinese

entities, to discuss implementation of the Volcker Rule.

- The United States and China welcome the implementation of the G-20 commitment to centrally clear standardized Over-the-Counter (OTC) derivatives, to reduce systemic risk, improve transparency, and protect against market abuse, and subsequent international regulatory frameworks and standards. The United States and China are to accelerate relevant work by providing information regarding our respective processes and frameworks for making equivalence or comparability decisions, and to actively consider the establishment of equivalence or substituted compliance arrangements to assess whether relevant aspects of each other's OTC derivative market participants and infrastructures are regulated in a manner that achieves similar regulatory outcomes, subject to each of our respective laws, rules, and supervision and enforcement regimes, as well as core policy objectives.
- On the Foreign Account Tax Compliance Act, the United States and China welcome reaching an agreement in substance on an intergovernmental agreement (IGA) to fight tax evasion. As the two sides have reached the IGA in substance, the United States commits to treat Chinese financial institutions as deemed-compliant. The United States and China commit to continue strengthening communication and cooperation, and sign the IGA by the end of 2014.
- Both sides commit to hold discussions on requirements to avoid imposition of U.S. withholding tax on interest paid on renminbi-denominated bonds issued by U.S. issuers. In particular, the discussions are to focus on the requirements of the U.S. Internal Revenue Service's Qualified Intermediary Program, and the due diligence and documentation requirements to determine the eligibility of a payee for the portfolio interest exemption from U.S. withholding.
- The U.S. and Chinese supervisors commit to discuss broader supervisory frameworks and practices for multi-regional data processing servicers through their bilateral banking supervisory conference.
- Both the United States and China support the objective of one single set of high quality global accounting standards and reiterate their commitment to convergence on high quality accounting standards. Both sides commit to continue their efforts to ensure consistent application of accounting standards and to strengthen communication and cooperation on accounting.
- The United States and China continue to enhance cross-border cooperation on audit oversight of public companies. Based on mutual respect for the national sovereignty of each country, the two sides have committed to establishing a cooperation mechanism of audit oversight that is consistent with each other's domestic laws and regulations.
- The United States and China support continued progress in the cooperation between their competent authorities in the competent authorities' enforcement investigations in the securities sector through the use of information-sharing mechanisms pursuant to existing international cooperation arrangements.

ANNEX:

I. Participants in the Economic Track of the Sixth Strategic and Economic Dialogue

U.S. Participants

- Jacob J. Lew, Secretary of the Treasury
- Penny Pritzker, Secretary of Commerce
- Ernest Moniz, Secretary of Energy
- John Podesta, Counselor to the President
- Michael Froman, U.S. Trade Representative
- Max Baucus, U.S. Ambassador to China
- Janet L. Yellen, Chair, Federal Reserve
- Jason Furman, Chairman, Council of Economic Advisors
- John P. Holdren, Director, Office of Science and Technology Policy
- Fred P. Hochberg, Chairman and President, U.S. Export-Import Bank
- Krysta Harden, Deputy Secretary, Department of Agriculture
- Catherine Novelli, Under Secretary, Department of State
- Leocadia I. Zak, Director, U.S. Trade and Development Agency

- James R. Doty, Chairman, Public Company Accounting Oversight Board
- Diane Ellis, Director, Division of Research, Federal Deposit Insurance Corporation
- Paul Leder, Director, Office of International Affairs, Securities and Exchange Commission
- Warren Gorlick, Associate Director, Commodity Futures Trading Commission
- Michael McRaith, Director, Federal Insurance Office, Department of the Treasury
- Monica Lindeen, Montana Insurance Commissioner

Chinese Participants

- Wang Yang, Vice Premier
- Lou Jiwei, Minister of Finance
- Wan Gang, Minister of Science and Technology
- Gao Hucheng, Minister of Commerce
- Zhou Xiaochuan, Governor of the People's Bank of China
- Liu He, Director of the Office of Central Leading Group on Economic and Financial Affairs
- Shang Fulin, Chairman of the China Banking Regulatory Commission
- Xiao Gang, Chairman of the China Securities Regulatory Commission
- Xiang Junbo, Chairman of the China Insurance Regulatory Commission
- Zhang Yesui, Executive Vice Minister of Foreign Affairs
- Wu Xinxiong, Administrator of the National Energy Administration
- Cui Tiankai, Ambassador to the United States of America
- Bi Jingquan, Vice Secretary-General of the State Council
- Hu Zucui, Vice Chairman of the National Development and Reform Commission
- Zhu Guangyao, Vice Minister of Finance
- Niu Dun, Vice Minister of Agriculture
- Yi Gang, Administrator of the State Administration of Foreign Exchange
- Huang Shuhe, Vice Chairman of the State Assets Supervision and Administration Commission
- Gan Zangchun, Vice Minister, Legislative Affairs Office of the State Council
- Li Ruogu, Chairman and President of the Export-import Bank of China
- Zheng Zeguang, Assistant Minister of Foreign Affairs

II. Institutional Arrangements

The United States and China commit to continue to pursue economic cooperation through a range of additional dialogues and initiatives with the aim of enhancing the bilateral relationship and strengthening the global economy. These include:

- Safeguarding the Financial System from Illicit Finance Threats
- Anti-Counterfeiting Currency Cooperation
- Bilateral Banking Supervisors' Conference
- Prudential Insurance Cooperation
- Financial Consumer Protection

- G-20 Cooperation
- Cooperation on Consolidated Export Certificate for Wine Shipped to China between GACC, AQSIQ and U.S. Department of the Treasury
- Strengthening the Exchange of View on Key Regional and Multilateral Trade and Investment Issues
- Urbanization
- Cooperation in the Field of Quality and Safety of Agricultural Products
- Cooperation on Sino-U.S. Technical Exchange and Cooperation of Trade Statistics
- Ocean-related cooperation
- Traditional Chinese Medicine Cooperation
- U.S.-China Investment Forum
- Technical Cooperation on Competition Policy
- Technical Cooperation on Intellectual Property Rights
- Technical Cooperation on Standards Harmonization
- Cooperation between the Department of Labor of the United States of America and the Ministry of Human Resources and Social Security of China
- Cooperation between the Department of Labor of the United States of America and China's State Administration of Work Safety
- Cooperation between the Department of Labor of the United States of America and China National Coal Association
- Joint Liaison Group's IP Criminal Enforcement Working Group
- Cooperation on Customs Supervision and Enforcement over Cross-Border E-Commerce
- Cooperation on Customs Enforcement of Intellectual Property Rights Select Reverse Trade Mission Program
- U.S.-China Transportation Forum
- Transparency Dialogue
- Innovation Dialogue
- U.S.-China Small and Medium-sized Enterprises Policy Dialogue
- Cooperation on Rules of Origin

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