The two sides discussed issues spanning the full breadth of the U.S.-China economic relationship. The United States secured commitments from China to implement economic reforms and pro-market policies that will create new opportunities and a more level playing field for U.S. workers and firms. The two sides also made progress in working together to address climate change and other issues of global importance.

The Administration will continue to ensure that our economic relationship with China delivers concrete benefits for the American people, including by advancing our priorities when President Obama hosts Chinese President Xi Jinping for a state visit in September.


**Exchange Rate Liberalization:** The United States secured new and ambitious commitments from China to move towards a more flexible, market-determined exchange rate, limit foreign exchange intervention, and increase the transparency of its exchange rate policies. These reforms are vital to leveling the playing field for American exports, workers, and firms, and promoting China’s transition to consumption-led growth and away from exports. The Administration will continue to push for exchange rate reform and transparency as priorities in its engagement with China, building on the significant progress to date.

- China committed to increase exchange rate flexibility and move more rapidly toward a market-oriented exchange rate system. China pledged for the first time to intervene in foreign exchange markets only when necessitated by disorderly market conditions. Since June 2010, the RMB has appreciated by about 30 percent on an inflation-adjusted, trade-weighted basis, and China has greatly reduced foreign exchange intervention since last year’s S&ED meeting. It is critical that China continue to move to a more market-determined exchange rate and a more transparent exchange rate policy.

- China pledged to release economic data following the IMF’s Special Data Dissemination Standard (SDDS) by the end of the year, an important step in meeting international standards of transparency in foreign exchange reserve and other economic data. More broadly, China recognized that meeting the transparency standards of major reserve currencies will be important to its goal of increasing international use of the RMB.

**Expanding Opportunities for U.S. Firms Through Consumption-Led Growth:** China’s Third Plenum economic agenda, launched in November 2013, seeks to move China to a new, market-oriented growth model, based on household consumption rather than exports and investment. This transition will expand the market for U.S. goods and services in China and promote strong global growth. China committed to a number of reforms at the S&ED that will support its rebalancing objectives by further enhancing the role of the market, improving the business climate for private firms, and strengthening the earning power and economic security of households.

- **Increasing the Transparency of SOE Expenditures:** China pledged to provide more detailed information on the operation of its state capital budget, funded by state-owned enterprises (SOEs). China committed to disclose expenditures by budget item and detail how they are spent. Starting in 2015, China is to guide local governments to improve their state capital budgets at the local level. Greater transparency of state capital budgets will help ensure that China meets its commitment to increase the share of SOE income used to improve peoples’ livelihoods, with a goal of this share reaching 30 percent by 2020.

- **Market-Determined Interest Rates:** China committed to further advance market-based interest rates in the banking system, building on progress over the last year in increasing the flexibility of deposit interest rates and introducing certificates of deposit to individual investors and enterprises. Allowing interest rates to be set by the market will channel more financial resources to private firms rather than SOEs, while helping boost consumption by increasing the return that Chinese households earn on their savings.

- **Boosting Household Consumption and Macroeconomic Rebalancing:** China pledged to accelerate the establishment of its social security system to achieve universal coverage by 2020, which will promote greater consumption by increasing households’ income and confidence in their long-term economic security. China also committed to establish a unified real estate registration system by 2017 and take other measures to improve the transferability of rural and urban construction land at market-determined prices. These steps will provide Chinese rural residents with greater economic rights over their land, raising their wealth and their ability to consume and invest.

**Promoting An Open, Predictable, and Transparent Climate for U.S. Firms and Innovation:** Opening up China’s market and removing discriminatory trade and investment barriers is vital to ensuring that U.S. workers and firms benefit from China’s economic growth. We also secured China’s commitments to treat U.S. innovation in a transparent, fair, and nondiscriminatory manner, protecting a vital source of U.S. economic competitiveness.

- **Open Trade in Information and Communications Technology (ICT):** With regard to our strong concerns over China’s recently developed information and communications technology (ICT) regulations, including those governing the commercial banking sector, China committed to ensure that such bank ICT regulations will be nondiscriminatory, are...
not to impose nationality-based requirements, and are to be developed in a transparent manner. China committed to enhance policy transparency in its governance of the ICT sector, including providing opportunities for comment on draft regulations. The United States and China also committed to maintain ongoing consultations on these issues.

- **Bilateral Investment Treaty (BIT) Negotiations:** The United States and China reaffirmed their commitment to negotiate a high-standard BIT and agreed to intensify negotiations. China committed to provide an improved “negative list” that reflects a commitment to open investment environments by early September. We have made it clear to China that, to successfully conclude the negotiations, it will be critical for China’s negative list to be very limited and narrow, and to represent substantial liberalization. Successful negotiation of an ambitious BIT would create new markets for U.S. firms by opening up new sectors of China’s economy and increasing protections for U.S. investors.

- **Disciplining Export Financing:** Subjecting Chinese and other emerging market government export financing to international guidelines is critical to reining in such financing globally and helping to level the playing field for U.S. exporters. To this end, the Administration recently secured commitments from China and other members of the International Working Group on Export Credits to begin a significant new phase of work to negotiate horizontal guidelines that would discipline government export credit financing across generally all sectors. China further reaffirmed its support for guidelines that would apply to export financing provided by or on behalf of a government and that are consistent with international best practices. As we enter this new phase of work to discipline Chinese and other emerging market export financing, re-authorization of the U.S. Export-Import Bank will be extremely important to maintaining U.S. leverage and making further progress in the negotiations.

- **National Security Review:** The United States and China engaged in extended discussions regarding national security review approaches, during which we stressed our strong concerns that China’s national security review is too broad in its scope, considers numerous issues that go well beyond genuine national security concerns and expressly affords third parties an inappropriate role in the review process. We noted all of these factors significantly undercut China’s stated goal of investment liberalization. We also stressed the need for China to give investors regulatory certainty in the national security review process, including by providing a safe harbor and making explicit that their security review will not apply retroactively. We will continue to press China on these issues in the coming months.

- **Competition Law:** Ensuring that China implements its Antimonopoly Law (AML) in a transparent and non-discriminatory manner has been a top priority for the U.S. government. In this S&ED, China provided important clarity by specifying which courts are responsible for handling appeals of Antimonopoly Law (AML) decisions, including those involving intellectual property issues. China also provided additional clarity regarding administrative reconsideration of AML decisions by confirming that foreign and domestic parties to AML proceedings may seek administrative reconsideration in accordance with the same rules. China further committed that the law departments in the Ministry of Commerce (MOFCOM), State Administration for Industry and Commerce (SAIC), and the National Development and Reform Commission (NDRC) are to hold a meeting with the United States to discuss their agencies’ administrative reconsideration procedures.

- **Translating Trade Related Measures:** As sought by the United States in order to foster a more transparent and understandable business environment in China, China has issued a measure requiring Chinese agencies to publish English translations of all trade-related departmental rules, normally before their implementation. China also has committed to study concerns raised by the United States regarding the timeliness of China’s English translations of trade-related administrative regulations.

- **Promoting Regulatory Transparency:** Both China and the United States affirmed the importance of transparency in the development of all legal measures, in order to enhance predictability for companies. China has taken strides in the last few months to address problems posed by some legally binding measures that are developed non-transparently. Specifically on the transparency of measures called normative documents, China confirmed all such measures must be published in final form and that these measures can be invalidated by a court in the course of litigation against the government. In addition, the United States and China are to work together in the short term to explore solutions to problems posed by China’s normative documents, including by considering the topic of notice-and-comment rulemaking.

- **Industry Development Plans:** China affirmed that its policies to promote Strategic Emerging Industries, including industry development promotion guidelines and national and sub-national industry development funds, apply to and will be made available to foreign-invested enterprises on an equal basis. China also committed to enhance policy transparency by soliciting public comments on legally binding measures in this policy area.

- **Technology Licensing on a Commercial Basis:** In light of China’s rapidly evolving technological needs and its plans to reform its economy, China committed to conduct research on regulations governing technology licensing, with a major focus on the need of private parties to determine technology import and export licensing terms freely. The United States and China also committed to continue exchanges and dialogue on technology licensing issues, including a through a joint seminar convened by China’s Ministry of Commerce in the first quarter of 2016.

- **Theatrical Film Distribution:** China confirmed that any licensed film distributors in China can contract directly with U.S. film producers for the distribution of imported films (other than those distributed on a revenue-sharing basis) and further confirmed that these distributors can distribute these films entirely on their own, and without any involvement by China’s state-owned enterprises, including any China Film Group company. This freedom to contract should generate higher revenues for U.S. film producers and should lead to more ready access to China’s market for their films.

- **Enhancing Drug Quality and Supply Chain Security:** To enhance drug supply chain integrity and to ensure patient access to safe and high-quality medicines, China pledged to share with the United States its proposal to enact regulatory and enforcement oversight of the manufacturers of bulk chemicals that can be used as active pharmaceutical ingredients, and to consider necessary legislative changes requiring such oversight. China further committed to provide transparency by publishing its new Drug Administration Law in draft form for public comments and to take into account opinions from United States and other relevant stakeholders.

**Cooperating on Global Challenges:** As the world’s two largest economies, cooperation between the United States and China is vital for tackling many of today’s most pressing global challenges. The United States and China pledged to work together to prioritize efforts to provide public financing for low-carbon technologies, eliminate inefficient fossil fuel subsidies, and promote high standards for development finance in third countries.

- **Supporting the Green Climate Fund:** The United States and China pledged to work constructively together to support the effective operation of the Green Climate Fund (GCF), recognizing it as the main dedicated multilateral fund for climate finance. Securing financial resources to promote low-emission, climate-resilient economic development is critical to the overall success of global efforts to address climate change.

- **Promoting a Cleaner Global Economy:** The United States and China committed that their bilateral investments in other countries should support low-carbon technologies and climate resilience, and committed to a dialogue around the role of public finance in reducing greenhouse gas emissions. The United States and China reaffirmed their commitment in the G-20 to phase out inefficient fossil fuel subsidies, and pledged to complete the ongoing peer reviews of their subsidies under the G-20 process by the end of the year and publish the results.

- **Development Finance:** The United States and China committed to strengthen cooperation on development financing through the World Bank and other multilateral development institutions. Such cooperation will promote transparent, effective, and accountable development assistance to achieve sustainable growth and poverty reduction in third countries.

**Creating a More Open, Resilient Chinese Financial System:** An efficient, market-oriented financial system is critical to China’s economic rebalancing and its transition to consumption-led growth. At this year’s S&ED, China pledged measures to open up and strengthen the role of its capital markets and reduce its reliance on the state-dominated banking system. These steps, as well as ongoing
interest rate liberalization, will channel more financial resources to China’s private firms, create more stable funding for local governments, increase the return on savings for Chinese households, and expand opportunities for U.S. financial firms and investors.

- **Opening Up China's Capital Markets:** China committed to expand and streamline existing vehicles for foreign investment in its securities markets. In addition, China announced plans for two new programs to expand the access of foreign investors to China’s domestic bond market. Greater participation by foreign investors will help promote deeper, more efficient financial markets to support China’s private sector development and household consumption:
  - Foreign investors will have access to China’s **interbank bond market** (the largest segment of the Chinese bond market) with overall limits set at an aggregate level, rather than the current system of quotas allocated to individual firms or jurisdictions;
  - Foreign investors will be able to access the **listed bond market** through Free Trade Accounts established in the Shanghai Free Trade Zone;

- China also committed to steps that will allow foreign financial services firms to play a greater role in fostering development of the bond market, already the fourth largest in the world. China pledged to allow locally-incorporated foreign banks to obtain bond underwriting and settlement licenses on the same basis as domestic banks. China also affirmed that foreign credit rating agencies are permitted to issue credit ratings for bonds issued by local governments.

- **Expanding Opportunities for U.S. Financial Services Providers:** China committed to expand the scope of business permitted for foreign-invested securities firms. China also announced incremental measures that will allow foreign financial firms greater flexibility in operating in China through wholly-owned entities rather than joint ventures, including:
  - allowing 100 percent foreign-owned investment management firms to engage in private fund management, including secondary trading in China’s stock and bond markets, servicing a fast-growing market of Chinese firms and high net worth individuals; and allowing foreign brokers to establish futures companies within the Shanghai Free Trade Zone, and to trade specific products in the domestic futures market.

- **Strengthening Bilateral Cooperation to Safeguard Financial Stability:** Reflecting the increasing integration of our financial systems, U.S. and Chinese regulators committed to strengthen regulatory cooperation and information sharing in securities and derivative markets, including regarding Chinese companies listed in the United States. The U.S. Public Company Accounting Standard Board and China’s Securities Regulatory Commission committed to work toward joint inspections of audit firms in each country, which is important for protecting investors and promoting financial integrity in both markets. China is also to strengthen its domestic regulatory regime in key aspects, including the resolution of financial firms and supervision of financial conglomerates. The U.S. Office of Financial Research and the People’s Bank of China are to enhance cooperation in the area of financial statistics to monitor systemic risk. China is also preparing to report international banking statistics to the Bank of International Settlements, which will support financial stability by providing greater transparency on cross-border linkages to China’s financial system. Both sides are to continue to implement the G-20’s Over-the-Counter derivatives reforms.

# # #