

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Treasury Secretary Lew at the 2016 U.S.-China Strategic and Economic Dialogue Economic Track Opening Session

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As Prepared for Delivery

BEIJING – Thank you, Vice Premier Wang and your Chinese colleagues for hosting us this week in Beijing. We look forward to many productive discussions at this year's S&E Economic Track meetings.

We meet here today because our two countries recognize that we have an enormous shared interest in each other's economic prosperity, and as the world's two largest economies, the world has a stake in the success of our policies to foster strong, sustainable, and mutually beneficial growth. And a constructive bilateral relationship between the United States and China has never been more important.

Both of our nations must redouble our efforts to promote a global economy that is conducive to sustainable and inclusive growth. We can only achieve these shared goals if we continue to strengthen the engagement between American and Chinese officials across all levels and agencies of our governments. By deepening these ties we have become better-equipped to understand one another's priorities and concerns and to make progress toward making sustainable economic growth a reality.

Mr. Vice Premier, our regular communications have been an important method for keeping our teams focused on moving forward, even on difficult issues, and I have enjoyed our partnership. Let us continue to use these meetings to create economic opportunities for our citizens, and work together to address mutual challenges that face our respective nations and the global economy.

In the United States, we remain focused on policies that promote economic growth, job creation, productive investment, and economic stability. Over the coming days, I look forward to discussing the progress we have already made, as well as how we have built a foundation for continuing progress in the future.

China has also committed to important domestic reforms in recent years. The Chinese economy is undergoing a necessary but difficult transition, shifting from a dependence on investment to fuel growth toward household consumption, a more sustainable path to achieve economic growth.

This transition depends on reforms that lead to greater openness and give the market a decisive role in allocating resources – reforms that have been included in China's own five-year plan. But this is only effective if implemented well, and we look forward to hearing more about plans for implementation. We are also eager to learn about how China plans to pursue these ambitious and necessary reforms, while at the same time also pursuing a sustained and healthy pace of near-term growth.

Importantly, much of what we prioritize in our discussions aligns with China's own stated supply-side reform agenda. This notably includes reforming state-owned enterprises, where debt service capacity is weakening, opening up the Chinese economy to greater foreign investment, including in the services sector, and undertaking further measures to reduce excess industrial capacity in key sectors such as steel, aluminum, and coal.

As China has become more integrated with the global economy, its policies and economic management increasingly cause ripples and spillover into other markets and economies around the world. Last August and early this year, we saw volatility in Chinese markets trigger investor reactions from Europe to the United States. For this reason, it is increasingly important that China provides all observers the ability to better understand developments in its economy and policies. China's commitments to greater regulatory and data transparency, as well as a more accountable, open government are welcome steps. In addition to implementing these commitments, the events over the past year have underscored the importance of effective communication in both policy development and implementation.

This is especially true regarding foreign exchange policy. China has tools to support an orderly transition to a market-oriented exchange rate. A market-determined exchange rate with two-way flexibility will help foster a more efficient allocation of capital. And continued clear communication of foreign exchange policies and actions will build credibility with financial markets.

A vibrant and resilient financial sector will also be critical to China's economic transformation. Opening China's financial sector to full foreign participation will help promote competition and efficiency, increase funds available to small firms, boost household access to a broader range of financial products, and support rebalancing towards consumption-led growth. It is also important that China continue to reform its regulatory regime to bolster financial stability. This includes continuing to strengthen the cooperation between our financial regulators, to support investor protection and effective supervision, especially as Chinese firms and investors become more integrated into global financial markets. But it also has a price, and that is the ups and downs that markets go through from day-to-day.

Outside of the financial sector, we remain equally committed to pursuing a level playing field for American and Chinese investment and trade. We continue to call on China to open its markets by liberalizing its investment rules, including through a mutually beneficial, high-standard bilateral investment treaty, as well as through more immediate market openings. These important steps would go a long way to strengthening confidence in China's reforms. I hope to discuss means of advancing BIT negotiations to encourage continued support from stakeholders in both of our countries. High standards are hard to meet, but will pay off in stronger economic growth going forward. The United States stands ready to advance the ongoing bilateral investment treaty negotiations provided that China is prepared to move forward in negotiating a high-standard and mutually beneficial agreement.

As we have seen, concerns about the business climate in China have risen. Candidly, foreign businesses wonder if they are welcome, and find China's regulatory environment harder and harder to navigate. I hope that through this engagement, we can continue to make progress in resolving trade barriers and regulatory hurdles, and increasing transparency and openness. Producing significant outcomes will demonstrate the ongoing value of the S&E as an institution and build support for continuing these sessions in the future.

We also have the opportunity to demonstrate joint leadership on a number of fronts—in the G-20, in the multilateral development and climate finance institutions, and in working together to forge new rules and architecture in areas such as export financing. Building on the positive steps we took together during President Xi's visit to the United States last September, we

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will continue to support a growing role and voice for China within the international financial architecture as China takes on greater responsibility and joins us in upholding and advancing the system's high standards.

I look forward to exchanging ideas over the next two days on these and other important issues. Thank you for again welcoming us so graciously to your country, and for hosting this eighth round of the S&ED, a mechanism which has truly become the cornerstone of our bilateral economic relationship.

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