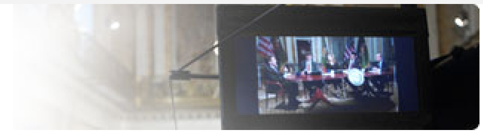

2016 U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet – Economic Track

6/7/2016

BEIJING – U.S. Treasury Secretary Jacob J. Lew and Chinese Vice Premier Wang Yang today concluded the economic discussions of the eighth U.S.-China Strategic and Economic Dialogue (S&ED). They were joined by leaders from 16 U.S. government agencies, and senior officials representing key Chinese ministries and agencies.

Since its establishment in 2009, the S&ED has served as a platform for the two sides to make progress on core issues in the economic relationship. Through the S&ED, the Administration has secured actions from China that level the playing field for U.S. workers and firms, deepen cooperation on global challenges such as a climate change, and promote critical market-oriented reforms in China.

At this year's S&ED, the Administration built on this foundation to secure new and strengthened commitments that will ensure China's economic growth continues to deliver concrete benefits for the American people, including through furthering China's exchange rate reforms; addressing excess industrial capacity; promoting non-discriminatory trade and investment measures; improving economic transparency; and advancing policies to shift China's growth model to one driven by household consumption rather than investment and exports.

Key Announcements in the S&ED Economic Track Include:

Exchange Rate Reform: *The United States secured a commitment from China to continue market-oriented exchange rate reform that allows for two-way flexibility and to refrain from competitive devaluation. Since June 2010, the RMB has appreciated 24 percent on an inflation-adjusted, trade-weighted basis. Building on the significant progress made to date, the Administration will continue to push for exchange rate reform and transparency as priorities in its bilateral engagement with China.*

- China committed to continue market-oriented exchange rate reform, allowing for two-way flexibility of the RMB, and stressed that there is no basis for sustained depreciation of the RMB.

- China also reaffirmed its G20 commitments to avoid competitive devaluation and not target the exchange rate for competitive purposes. These exchange rate commitments are vital in leveling the playing field for American exports, workers, and firms, and promoting China's transition to consumption-led growth.

Improving Economic Transparency: *At the S&ED, China committed to clearly communicate its economic policies and to improve the transparency and scope of economic and financial data. This will help U.S. firms and investors, in addition to the global economy and financial system, better anticipate and respond to developments in China.*

- **Economic and Financial Data:** To aid in assessing the extent of rebalancing toward consumption and services, China committed to publish in the near future a more inclusive monthly indicator of service sector activity as well as work toward improving its quarterly GDP accounting by expenditure. China committed to work toward G20 data standards for fiscal and financial data; and to report comprehensive international banking statistics data to the Bank for International Settlements, making available important information on the world's largest banking system.

- **Energy Data:** China committed to enhance the coverage, accuracy and timeliness of its submissions to the International Energy Forum's Joint Organizations Data Initiative, and also to make available more complete, reliable, and detailed publications of energy statistics on a more frequent basis, including for its Strategic Petroleum Reserve. More comprehensive and timely energy data from China is important for smooth functioning of global energy markets.

- **Financial Regulatory Transparency:** The United States and China also recognized the central importance of the availability of comprehensive and reliable information and transparent regulatory processes in promoting sound and efficient financial markets. Chinese financial regulatory authorities reaffirmed a commitment to publish rules and regulations impacting foreign financial institutions for 30-day comment periods.

Expanding Opportunities for U.S. Firms Through Consumption-Led Growth: *China committed to step up its efforts to rebalance its economy toward household consumption and services, while ensuring that investment is driven by the private sector. In the short-term, China stands ready to complement these reforms and adopt more proactive fiscal policies to expand domestic demand.*

- **Developing the Social Safety Net to Support Household Consumption:** China has committed to better align the incentives of all levels of government to support household consumption by improving local taxation so that local governments have the access to revenue to support their growing social welfare spending responsibilities. China committed to strengthen medical and pension benefits for all residents, build more sustainable social security funds, and lower insurance contribution rates.

- **Factor Price Liberalization:** China further committed to liberalize prices in the electricity, petroleum, natural gas, transport, post and telecommunications, and municipal public utilities sectors.

- **Expanding SOE Dividend Contributions and Transparency:** The United States obtained China's commitment to increase the number of state owned enterprises (SOEs) paying a portion of profits to the government and to report on how those funds collected from all SOEs are spent at every level of government. Increasing dividend payments from SOEs helps level the playing field for private and foreign firms and reduces excessive SOE investment.

Promoting An Open, Predictable, and Transparent Climate for U.S. Firms and Innovation: *Opening up China's market, removing discriminatory trade and investment barriers and addressing excess industrial capacity in sectors such as steel are vital to ensuring that U.S. workers and firms benefit from the U.S.-China trade relationship.*

- **Addressing Excess Capacity:** Addressing distortions in global markets is a top priority for the United States. Meaningful efforts by China, the largest producer and consumer of steel in the world, to foster an environment in which the market plays a decisive role in allocating resources, are paramount to efforts to reduce excess steel capacity. China committed to undertake further steps to resolve its domestic excess steel capacity and outlined a package of structural reform policies that would enable its steel industry to be more responsive to market forces. China committed to adopt measures to strictly contain steel capacity expansion, reduce net steel capacity, eliminate outdated steel capacity, and urge the exit of steel production capacity that falls short of environmental, energy, quality or safety standards. China is also to better align central government fiscal incentives for local governments with the objective of reducing excess capacity; to actively and appropriately wind down consistently loss-making "zombie enterprises" through a range of efforts, including bankruptcy and liquidation; and to ensure that its central policies, guidance, lending, and support do not target the net expansion of steel capacity. China also firmly committed to support international efforts to address excess capacity at the OECD and to engage with the

United States and others on a potential global steel forum. The United States and China will continue to communicate and exchange information on excess capacity issues, which will include in the aluminum sector, and plan to hold another Steel Dialogue meeting under the auspices of the U.S.-China Joint Commission on Commerce and Trade.

- **Improving the Approval Process for Agricultural Biotechnology Products:** China committed to revise its biotech regulations to be consistent with the outcomes on the administration of biotechnology from President Xi's State Visit to Washington in September 2015. China further committed to review applications of agricultural biotechnology products in a timely, ongoing and science-based manner, and to complete biotech approvals following the completion of assessments by the National Biosafety Committee. The United States committed to prepare a study on the global impact of asynchronous approvals, which both sides will discuss by the end of 2016.

- **Making the Aviation System More Efficient:** Recognizing the importance of an efficient aviation system to the safe and secure transport of people and goods, and the strategic role that air transport plays in overall economic development, the United States and China committed to enhance bilateral aviation cooperation through a strategic, whole-of-government, interagency approach, including through existing bilateral mechanisms, such as the U.S.-China Aviation Cooperation Program (ACP).

- **Corporate Information:** China committed to enhance the availability of enterprise information through public databases operated by the provincial Administrations for Industry and Commerce.

- **Industrial Policy:** Building upon previous commitments on semiconductor and Strategic Emerging Industries development plans, China committed that all of its industry development plans will treat foreign and domestic enterprises equally. China also committed to publish for public comment measures implementing the China Manufacturing 2025 Plan, as well as publish draft plans for industrial development funds. China will ensure that industrial development funds operate in a market-based manner. This commitment will help address industry concerns with the China Manufacturing 2025 Plan.

- **Open Trade in Information and Communications Technology (ICT):** China affirmed that access to a full range of global technology solutions ordinarily strengthens the cybersecurity of commercial enterprises, building on prior commitments to not impose nationality-based conditions on the purchase, sale, or use of information communications technology products, and reaffirmed other important commitments from President Xi's State Visit to Washington in September 2015 and the JCCT related to information communications technology cybersecurity policy.

***Expanding RMB Trading and Clearing Capacity in the United States**: The United States and China agreed on a policy framework for the private sector to further develop RMB trading and clearing capacity in the United States, building on President Xi's visit to Washington last fall. This will expand the ability of U.S. firms and investors to access and transact in China's currency, enhancing their competitiveness in capturing trade and investment opportunities with China. Both sides stressed the importance of maintaining a level playing field between Chinese and foreign financial institutions in RMB trading and clearing services.*

- **RQFII Quota:** Firms in the United States will have expanded access to China's onshore financial markets through an RMB Qualified Institutional Investor (RQFII) quota of RMB 250 billion ($38 billion), the largest in the world after Hong Kong.

- **Clearing Banks:** China will designate RMB clearing banks in the United States as an additional mechanism to clear RMB alongside correspondent bank relationships.

***Creating a More Open, Resilient Chinese Financial System**: An efficient, market-oriented financial system is critical to China's rebalancing to consumption-led economic growth. China announced measures that enhance transparency and predictability in China's financial markets, and expand opportunities for U.S. financial services providers and institutional investors. Supporting global financial stability as China becomes more integrated into global financial markets, U.S. and Chinese financial regulators reached important agreements on strengthening bilateral regulatory cooperation and information-sharing.*

- **Expanding Opportunities for U.S. Financial Services Providers:** Following its 2015 S&ED commitment, China is soon to issue regulatory and qualification requirements to allow wholly-foreign owned firms to engage in private securities fund management. China committed to gradually raise the permitted equity holding for foreign financial services firms in the securities and mutual fund sectors, recognizing the benefits of foreign participation in promoting competition in these sectors. China has decided to issue licenses to U.S. banks to underwrite corporate bonds and serve as bond settlement agents, a significant new opportunity as China expands the access of foreign investors to its bond market. China will amend regulatory measures to allow foreign futures exchanges to establish representative offices in China. China also committed to further simplify administrative and approval procedures in its securities markets.

- **Electronic Payment Services:** China announced that the People's Bank of China issued the Administrative Rules on Bankcard Clearing Institutions, which establish procedures for licensing domestic and foreign suppliers to provide electronic payment services for domestic currency payment card transactions in China.

- **More Open and Transparent Capital Markets:** China committed to measures that expand access of foreign institutional investors to its capital markets, and strengthen financial transparency and governance. Building on a 2015 S&ED commitment, China has issued implementing rules to allow direct access to its interbank bond market for foreign institutional investors, including hedging instruments to manage risk. China also committed to simplify the regulation and approval process for the QFII and RQFII programs. The U.S. and China committed to participate in a peer review on implementation of the G20/OECD Principles of Corporate Governance. China will strengthen its corporate governance code, including through measures to protect the rights of minority shareholders, and increase disclosure requirements. China also committed to strengthen creditor rights for foreign and domestic investors by improving and clarifying bankruptcy procedures.

- **Enhancing Financial Stability:** Building on its establishment of a deposit insurance system, China will accelerate regulations and implementation rules for resolution of commercial banks in line with international standards. A regime to allow for the orderly market exit of financial institutions will be important to promote competition in the banking sector, while also protecting financial stability. The United States and China also reaffirmed their commitments to meeting their respective conformance periods for the Financial Stability Board's total loss absorbing capacity (TLAC) standard for global systemically important banks (GSIBs), an essential part of addressing Too Big to Fail.

- **Strengthening Bilateral Regulatory Cooperation to Protect Investors and Promote Efficient Markets:** Reflecting the increasing linkages between our financial markets as China liberalizes capital flows, the U.S. and China committed to strengthen regulatory cooperation in the securities and derivative markets. The U.S. Securities and Exchange Commission (SEC) and the China Securities Regulatory Commission (CSRC) have instituted regular communication to facilitate cross-border enforcement cooperation and other information sharing arrangements. The Commodity Futures Trading Commission (CFTC) and the CSRC have initiated efforts to have direct and frequent dialogue regarding oversight of futures markets. The U.S. and China committed to make progress on information sharing related to the supervision and oversight of relevant clearing entities. China welcomed the CFTC's recent announcement of granting no-action relief to the Shanghai Clearing House. The Public Company Accounting Oversight Board (PCAOB) continues to work with Chinese authorities to advance cross-border cooperation on oversight of the audits of public companies.

***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. These include progress in the development of new international export credit guidelines and re-affirmation of the Paris Club's role as the principal international forum for restructuring official bilateral debt. The United States and China also pledged to work together to prioritize efforts to provide public financing for low-carbon technologies, and eliminate inefficient fossil fuel subsidies.*

- **Disciplining Export Financing:** China and the United States committed to enhancing the effectiveness of the International Working Group on Export Credits (IWG) by seeking reforms to the IWG structure, including the appointment of a Secretary General. China and the United States also committed to more effective intersessional communication to accelerate the pace of work in the IWG. Importantly, China committed to provide the IWG with comments on tabled "horizontal" guideline text at the Fall IWG meeting. These steps will help to advance progress on developing new international export credit guidelines.

- **Paris Club:** The United States and China re-affirmed the Paris Club's role as the principal international forum for restructuring official bilateral debt, noting that the Paris Club should keep pace with the changing landscape of official financing, including by expanding its membership to include emerging creditors. China announced its intention to play a constructive role, including discussions on potential membership.

- **Promoting a Cleaner Global Economy:** The United States and China committed to cooperate on a number of areas related to climate and energy, including using public resources to finance and encourage the transition toward low-carbon technologies, discussing the role of public finance in supporting low-carbon technologies, climate resilience, and in reducing greenhouse gas emissions internationally, and committing to rationalize and phase out inefficient fossil fuel subsidies by a date certain, strengthened by the commitment to complete a G20 peer review of inefficient fossil fuel subsidies by the G20 Leaders' Summit in September.

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