

## U.S. DEPARTMENT OF THE TREASURY

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### U.S. FACT SHEET

#### **First Cabinet-level Meeting of Economic Track of U.S.-China Strategic and Economic Dialogue**

The first cabinet-level meeting of the U.S.–China Strategic and Economic Dialogue addressed a range of critical bilateral and global economic, environmental and diplomatic issues. The Economic Track of the Dialogue, chaired by Treasury Secretary Timothy Geithner and China’s Vice Premier Wang Qishan, laid out a framework for U.S.-China cooperation to steer a course of sustainable and balanced global growth. That framework of cooperation has four pillars: macroeconomic and structural policies to achieve sustainable and balanced growth, promoting more resilient, open, and market-oriented financial systems, strengthening trade and investment ties, and strengthening the international financial architecture. Twelve U.S. Cabinet officials and agency heads joined Secretary Geithner for two days of economic discussions with Vice Premier Wang and a distinguished delegation of Chinese ministry and agency heads.

**Promoting a Strong Recovery and More Balanced Growth.** The most urgent issue for citizens of both nations is recovery from the global economic crisis and the resumption of sustained growth in jobs and incomes. The United States and China have responded to the global economic crisis with comprehensive stimulus measures and financial stability plans that have boosted confidence and supported demand. Both countries pledged to maintain their strong policy responses until recovery is secured.

The two sides noted that these economic programs are working. In the United States, confidence has returned, and there are signs that the economy has bottomed out and will start to grow in the second half of the year. China’s economy reached the bottom of its cycle in the first quarter and has already started to rebound. U.S. and Chinese external imbalances are declining.

Recognizing that continued close cooperation between the United States and China is critical to the health of the world economy, the two sides committed to policies that would lead to more sustainable and balanced growth in the future. U.S. policy will reinforce and sustain recent gains in private savings rates and will bring the fiscal deficit down to a sustainable level by 2013, which in turn means a smaller role for the U.S. consumer in driving global growth than in the past half decade. China’s policies in turn will aim to increase the contribution of domestic consumption to economic growth through measures such as strengthening and extending the social safety net, reform of the health care system, strengthening public and private pensions, and increasing minimum subsistence grants for the poor. China’s measures to develop the services sector and shift towards lighter industries will be an important part of this process. These policies will also shift China away from heavy industry towards a lower-carbon, less energy-intensive growth path over time.

*As U.S. savings rise, a Chinese economy that is powered by domestic demand growth and greater household consumption will contribute to stronger, more sustainable, and more balanced global economic growth.*

**Promoting More Resilient, Open, and Market-Oriented Financial Systems.** Achieving sustainable and more balanced growth in both economies will depend on more resilient and efficient financial systems. Although the two countries face different challenges in their financial systems, successful reform of both will be equally important to global financial resilience and rebalancing.

The United States is committed to stronger regulation and supervision of its financial system. China will take a series of measures to build a more market-based financial system. China will promote consumer finance; allow foreigners to invest more in China's capital markets by accelerating the allocation of Qualified Foreign Institutional Investor quotas to \$30 billion; increase the number of joint-venture securities companies that can participate in brokerage, proprietary trading and advisory services; allow foreign banks incorporated in China to underwrite corporate bonds on China's inter-bank market on the same basis as Chinese banks; and promote the listing of qualified overseas companies on Chinese stock markets and of Chinese companies on U.S. stock markets.

The United States welcomed China's plans to liberalize interest rates. Higher deposit interest rates will result in more efficient use of capital by firms, supporting the rebalancing of the economy away from investment in capital, resource and carbon intensive industries and towards household consumption.

*The United States is committed to strengthening its financial system. Further development and reform of the Chinese financial sector, including liberalizing interest rates and providing a wider variety of financial products and services, will promote the shift to a more domestic-demand and consumption-driven economy. It will also create new opportunities for U.S. financial services firms.*

**Strengthening Trade and Investment.** The United States and China are among the biggest beneficiaries of the global trading system and share a common interest in ensuring that global trade and investment remain open and rules-based. China and the United States reiterated their commitments in the G-20 to resist protectionist measures during this global economic crisis, complete an ambitious Doha trade round, and continue to dismantle barriers to trade and investment.

China intends to undertake several key measures that will create new opportunities for U.S. firms and workers through increased trade and investment over time. China announced its intention to further open its service markets more to private investment, and decentralize its foreign investment reviews, including by raising over time the dollar threshold of foreign investments that requires central government review. Chinese authorities also clarified that foreign-invested enterprises would be treated the same as domestic producers in qualifying for government procurement of goods and agreed to intensify efforts to join the WTO Government Procurement Agreement.

**Strengthening the International Financial Architecture.** The United States and China recognized the critical role that the international financial institutions play in responding to crisis and ensuring sustainable and balanced growth. The United States and China agreed to work together to ensure China's full engagement and representation in the design of the key multilateral agreements and groupings, such as the G20, the Financial Stability Board, and the international financial institutions, that will chart a course of more balanced and sustainable global growth into the future. Both countries agreed to work together constructively and cooperatively to promote reforms that strengthen the legitimacy of these institutions and to ensure that they have the resources and the effectiveness necessary to their task.

*The work of global rebalancing will require sustained cooperation bilaterally and multilaterally. The first meeting of the U.S.-China S&ED has established a strong framework for cooperation into the future.*