



April 25, 2012

The Honorable Timothy F. Geithner  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Re: U.S.-China 2012 Strategic & Economic Dialogue – U.S. Financial Services Sector  
Priorities

Dear Mr. Secretary,

In advance of the U.S.-China 2012 Strategic & Economic Dialogue (S&ED), the undersigned members of the **ENGAGE CHINA** coalition and **The U.S. Chamber of Commerce** write to respectfully urge you to ensure that continued financial reform and modernization in China – including greater foreign participation – will be a priority item on the S&ED's agenda. We are strongly of the view that a sharp focus on continued reform is highly appropriate, given the importance of ongoing reform to China's long-term growth prospects – and given the importance of a growing China to American manufacturers, service providers, and farmers.

The upcoming S&ED represents a particularly timely opportunity to re-emphasize financial reform because China's leadership has itself recently highlighted the importance of continued reform. In its 12th Five-Year Plan, approved by the National People's Congress last March, China's leadership acknowledged that its manufacturing-for-export economic model of the past three decades has left it vulnerable to slow-downs in external demand. China's leadership wisely seeks a more balanced economic model that relies less on exports and more on internal demand – primarily, a more active Chinese consumer. Financial services modernization will be an integral part of this process.

A more consumption-based Chinese economy is very much in the interest of the United States, as a more active Chinese consumer will significantly expand demand for U.S.-made products and services. Indeed, China's imports grew by nearly 40 percent in the year ending in February – twice the rate of China's export growth. According to *The Washington Post*, exports to China from almost every U.S. state and Congressional district have grown exponentially.

Accelerating the shift to a more consumption-based Chinese economy, however, requires a more modern and sophisticated financial sector. Specifically, activating the Chinese consumer requires the availability of financial products and services – personal loans, credit cards, mortgages, pensions, insurance products and services, and retirement security products – that will eliminate the need for precautionary savings and facilitate consumption.

The fastest way for any developing economy to acquire the modern financial sector it needs is to allow foreign financial institutions to establish in-country operations through the establishment of branches and subsidiaries, joint ventures with domestic institutions, and cross-border mergers and acquisitions. Foreign institutions bring world-class expertise and best practices with regard to products and services, credit analysis, risk management, internal controls, and corporate governance.

Given the importance of further financial sector reform to China's continued growth and diversification – and given the crucial importance of China's continued growth to American manufacturers, service providers, and farmers – it is essential that financial reform be restored as a central aspect of the S&ED. Specific core objectives include: (1) eliminating arbitrary caps on foreign investment in Chinese financial entities; (2) eliminating restrictions on corporate form, geographic expansion, and product offerings; (3) ensuring that foreign financial sector participants and investors receive the same treatment from regulators as domestic entities; (4) improving regulatory and procedural transparency; (5) developing a deeper and more liquid corporate bond market; and (6) allowing foreign companies and brokers to operate more efficiently and effectively and better enable them to support China's goals in other areas such as liability reform and emerging technologies.

As Chinese financial institutions expand abroad, U.S. financial institutions face an uphill struggle in China. We believe a continued and coordinated Administration strategy is critical if U.S. financial services firms are to achieve a level playing field and increased opportunities in China. We thank you very much for your leadership on these important issues and look forward to working with you further. We wish you success in Beijing next month and look forward to hearing of the outcomes of the S&ED upon your return.

Respectfully,

**The Engage China Coalition:**

American Bankers Association  
 American Council of Life Insurers  
 American Insurance Association  
 Council of Insurance Agents and Brokers  
 BAFT-IFSA  
 Insured Retirement Institute  
 Investment Company Institute  
 Property Casualty Insurers Association of America  
 The Financial Services Forum  
 The Financial Services Roundtable  
 The Futures Industry Association  
 The Securities Industry and Financial Markets Association

**U.S. Chamber of Commerce**