SECOND MEETING OF THE U.S.-CHINA STRATEGIC & ECONOMIC DIALOGUE
U.S. FACT SHEET – ECONOMIC TRACK

As the world's third largest and fastest growing major economy, China presents enormous opportunities for U.S. workers and firms but also considerable challenges. President Obama is committed to making our relationship with China more beneficial for the American people, and his goal of doubling exports in the next five years to support two million U.S. jobs will be achieved in part through expanded trade with China. Reducing Chinese trade and investment barriers that create an uneven playing field for U.S. workers and companies and rebalancing to ensure that major surplus economies like China depend more on their own domestic demand for growth are key components of our efforts to achieve the President's goal.

The Strategic and Economic Dialogue allows U.S. and Chinese officials at the highest level to work together to address these and other important challenges through candid and constructive engagement. Secretary Geithner led a delegation of 10 heads of U.S. government agencies to Beijing for discussions with President Hu, Premier Wen, Vice Premier Wang, and a delegation comprised of all key Chinese economic ministry and agency heads.

Creating New Opportunities for U.S. Workers and Firms: The United States and China are among the largest beneficiaries of open trade and investment. Ensuring a thriving and mutually beneficial bilateral trade and investment relationship between our two dynamic economies is a key priority. China has become the third largest export destination for U.S. goods and services -- and one of the fastest growing. U.S. exports to China are now growing faster than overall U.S. exports. Reducing Chinese barriers to U.S. exports will help the U.S. take full advantage of the many growing opportunities represented by trade with China and create jobs for U.S. workers We made progress on several key trade and investment goals at the S&ED, and will continue to pursue them:

Ensuring that innovation policies encourage the best ideas wherever they originate.

- China and the United States committed to innovation policies consistent with strong principles, including nondiscrimination, intellectual property rights protection, market competition, and no government interference in technology transfer.

- China agreed to launch expert and high-level bilateral innovation discussions with all relevant U.S. and Chinese agencies and to take into account the results of these discussions in formulating and implementing its innovation measures.

- China removed troubling elements of its product accreditation circular following extensive engagement with the U.S. government and business community and has delayed implementation to assess public comments.

Ensuring fair government procurement treatment for U.S. goods and services.

- China agreed to submit a robust revised offer by July 2010 to join the WTO's Agreement on Government Procurement and issued draft regulations for public comment containing a 50 percent local content provision.

Promoting U.S. exports through bilateral cooperation.

- China and the United States agreed to strengthen cooperation on inspections of soybeans to ensure the smooth flow of US soybean exports, which were more than $9 billion in 2009.

Reducing barriers to foreign investment.

- Since S&ED I, China met important commitments to triple the threshold for foreign investments that require central government approval. China also agreed to reduce barriers to foreign investment in services, high-technology goods, high-end manufacturing, and energy saving products and to accelerate and narrow the scope of foreign investment reviews.

These measures will create new opportunities for U.S. firms and workers through increased trade and investment over time.

Promoting a Strong Recovery and More Balanced Growth: The global economy is now recovering, due in part to timely and comprehensive stimulus policies in both the United States and China coordinated through the G-20. In the face of vulnerabilities in other parts of the global economy, it is more important than ever that the U.S. and China take strong policy actions to secure the recovery, create jobs and rebalance growth to make it more sustainable.

Promoting more home-grown, consumption-led growth in China.

- Following S&ED I, China implemented a range of measures to increase the contribution of consumption to its growth. In 2009, consumption accounted for 4.6 percentage points of China's real GDP growth, up from 4.1 in 2008. And, in the first quarter of 2010, consumption contributed 6.2 percentage points, the largest amount ever. The share of consumption in China's GDP though is still low; there is ample scope for the expansion of Chinese consumption to continue to support GDP growth over the years ahead.

- Strong growth in China has increased U.S. exports. U.S. exports to China are now 20 percent above where they were at this time two years ago – while U.S. exports to the world are still below their level two years ago. The rebound over the past year has been even stronger.

- China's current account surplus in 2009 fell by one-half from its peak, as a share of GDP and has declined further in the first quarter of 2010.

- To sustain this progress, at S&ED II China agreed to accelerate development of services and its social safety net, including by expanding its new rural pension system.

- Chinese workers are now earning more. Guangdong in China's industrial heartland raised its statutory minimum wage by 21 percent this month, and ten other provinces are following suit. As workers' earnings increase, their demand for imports will also rise.

- Moving to a more market-determined exchange rate will make an essential contribution to securing the global recovery and achieving more balanced global growth and was an important focus of the Dialogue. We will continue to have intensive discussions with China on this in the run-up to the G-20 Leaders' summit.

Reinforcing fiscal consolidation and private savings in the United States.

- The President proposed a number of important deficit-reduction steps to achieve fiscal sustainability in the medium and long term, including the creation of the National Commission on Fiscal Responsibility and Reform to reduce the deficit to about 3 percent of GDP by 2015 and stabilize the debt-to-GDP ratio at an acceptable level.

- U.S. policy will also reinforce and sustain post-crisis gains in household savings rates, which in turn will mean a smaller role than in the past for the U.S. consumer in driving global growth.

Working together on policies to eliminate fossil fuel subsidies.

- Inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources, and undermine efforts to deal with the threat of climate change. Through the G-20, the United States and China have agreed to rationalize and phase out inefficient fossil fuel subsidies over the medium term.

- As we do that, we recognize the importance of providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate compensation mechanisms. We have been working together to develop implementation strategies for the June G20 Leaders Summit.

A Chinese economy that is powered more by consumption will contribute to stronger and more sustainable global growth. China's measures to develop the services sector will also shift China away from heavy industry toward less energy- and carbon-intensive growth.

Promoting More Resilient, Open, and Market-Oriented Financial Systems: Although the United States and China face different challenges, reforming our financial sectors and strengthening regulation is critical to achieving both strong and sustainable growth. China's financial reforms should channel resources away from large state-owned banks, which lend mainly to large state-owned firms, and toward private and small and medium-sized enterprises, particularly in the service sector. Higher interest rates for deposits would help support household income and thus household consumption.

Cooperating on key financial regulatory issues to reduce regulatory arbitrage, contain systemic risks, protect small investors, create opportunities for U.S. financial service firms and make global financial markets more robust.

- Since S&ED I, China has agreed to support U.S. efforts to strengthen global financial regulation and supervision—by promoting higher, better quality, and counter-cyclical capital requirements, strengthened liquidity risk requirements, and the introduction of a leverage ratio as a supplementary measure to the Basel risk-based framework.

- In support of U.S. efforts to confront the "too big to fail" problem, the United States and China agreed at S&ED II to strengthen cooperation on the resolution of cross-border entities.

- The FDIC and China's central bank agreed to deepen their engagement to promote rural financial inclusion.

- The United States and China agreed to strengthen cooperation on insurance regulation including asset management.
- China has agreed to allow both foreign joint ventures in China and foreign investors, like pension funds, investing in China through the Qualified Foreign Institutional Investor (QFII) program to trade stock index futures.
- Since S&ED I, China has increased the quota for the QFII program (which allows foreigners to invest in Chinese stocks and bonds) from $15 billion to $17 billion and allowed foreign firms to establish consumer finance companies.

Strengthening the International Financial Architecture: The United States and China recognize that multilateral institutions and mechanisms have an important role to play in promoting a strong recovery and job creation, global standards of good governance, open trade and investment, poverty reduction, and an international financial system less prone to crisis.

Working together to promote reforms that strengthen the legitimacy of multilateral institutions and ensure that they have the resources to carry out their tasks.

- Since S&ED I, China agreed to contribute to the New Arrangements to Borrow that will supplement the IMF's financial capacity and to capital increases for the World Bank, African Development Bank, and Inter-American Development Bank.
- We have supported a shift in voting share in the World Bank to emerging markets.
- At S&ED II, China agreed to work together to replenish the Multilateral Development Banks' concessional facilities to lend to the poorest countries.
- China and the United States agreed that both countries would provide their full share of the financing necessary to cancel Haiti's debt to the Inter-American Development Bank.

Deepening Bilateral Engagement to Achieve Real Results: We are building a network of cooperative arrangements with China, from boosting access to trade finance facilities for small and medium-sized enterprises, and ensuring fair labor standards and strengthening protections for workers, to fighting money laundering and terrorist financing.

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