

## **The Fifth U.S.--China Strategic Economic Dialogue Joint U.S.—China Fact Sheet**

The United States and China held the fifth Strategic Economic Dialogue (SED) at the Beijing Diaoyutai Guest House on December 4 and 5, 2008. As special representatives of President George W. Bush and President Hu Jintao, Treasury Secretary Henry M Paulson, Jr. and Vice Premier Wang Qishan served as co-chairmen of the SED.

Discussions at the fifth SED meeting led to a number of results in areas of strategic importance that strengthen and deepen the bilateral economic relationship, including:

### **I: Macroeconomic Cooperation & Financial Services**

The United States and China agree to continue their close communication on systemically significant macroeconomic policies, and reaffirm their commitment to continue to take material measures as necessary to maintain financial market stability, promote sustained global growth, and continue their cooperation on issues related to global economic and financial stability, and consider ways to further enhance the exchange of information on regulatory issues. In this regard, the United States and China took the following actions and made the following commitments:

- China will allow foreign incorporated banks in China to trade bonds in the inter-bank market, both for their customers or their own accounts, on the same basis as Chinese-invested banks, and, in exceptional circumstances, allow qualified foreign banks to increase their liquidity either through guarantees or foreign currency loans from overseas affiliates on a temporary basis, notwithstanding short-term external debt quotas.
- The United States reaffirmed that it welcomes foreign investment, including in its financial sector and commercially-oriented investments made through China's foreign exchange reserves and sovereign wealth fund, and its commitments to: 1) the open and non-discriminatory principles for recipients of sovereign wealth fund investment identified by the Organization for Economic Cooperation and Development; 2) apply the same regulatory standards to all applications made by Chinese banks, securities and fund management companies, as they apply to U.S. or other foreign financial institutions in like circumstances; 3) process expeditiously Chinese financial institutions' applications and 4) ensure that the Committee on Foreign Investment in the United States (CFIUS) process accords consistent and fair treatment of all foreign investment without prejudice to the place of origin.
- The United States and China welcome the recent approval of Industrial and Commercial Bank of China's application to establish a U.S. bank branch, the announcement that China's

Industrial Bank will adopt the Equator Principles, and discussions and continued work on cooperation between relevant authorities on cross border auditor oversight, and agree to expand existing cooperation on risk management practices for agriculture insurance, and conduct technical cooperation on preferential tax treatment of defined contribution pension plans.

## **II: Cooperation on Energy and Environment**

The United States and China agree to continue their close communication and extensive collaboration in addressing the challenges of environmental sustainability, climate change, and energy security. In this regard, the United States and China took the following actions and made the following commitments:

- The United States and China announced consensus on action plans for each of the five goals under the Ten Year Energy and Environment Cooperation Framework (TYF), including: Clean, Efficient and Secure Electricity Production and Transmission; Clean Water; Clean Air; Clean and Efficient Transportation; and Conservation of Forests and Wetlands Ecosystems. The U.S. and China also announced the establishment of an Energy Efficiency goal, with the aim of completing the action plan by the next meeting of the Ten Year Framework Steering Committee.
- The United States and China signed the EcoPartnerships Framework under the Ten Year Framework. Statements of Intent for implementation of each EcoPartnership were signed between the following EcoPartners from the U.S. and China: Energy Future Holdings and Huadian Power (clean energy generation); Denver, Colorado and Chongqing (electric and plug-in hybrid vehicles); Wichita, Kansas and Wuxi, Jiangsu (clean water and air); Floating Windfarms and Caofeidian (wind energy); Port of Seattle and Dalian Port (“green” ports); Greensburg, Kansas and Mianzhu, Sichuan (post-disaster “green” reconstruction); and Tulane University and East China Normal University (wetlands research).
- The United States supports enterprises and academic institutions of both countries to conduct technology cooperation on gas hydrates exploration and development; and the U.S. agrees to work with China regarding the possibility of providing marine acoustics equipment for geophysical exploration.
- China notes U.S. support for China to join the International Energy Agency (IEA) as a non-OECD member and China intends to maintain a good cooperative relationship with the IEA and further enhance their dialogue and cooperation.
- The United States and China signed two memorandums of understanding (MOU) on energy conservation and environmental protection and clean water cooperation. Under the first MOU, the two sides will jointly support public private partnerships to address deficiencies in energy efficiency in Chinese enterprises. Among other things, USTDA and NDRC will jointly work to expand capacity within the Chinese national and provincial governments, and within industry, on conducting energy efficiency audits to promote pollution reduction and energy efficient enterprises. Under the framework of the above-mentioned MOU, both sides will jointly organize trade facilitation activities. The second MOU will establish a

partnership to leverage U.S. private sector expertise and resources in support of the TYF Clean Water Action Plan.

- The United States and China agreed to co-sponsor a sustainable forest management and forest rehabilitation training workshop before June 2009, under the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet); and agreed to jointly support a pilot project on wood charcoal alternatives in Central Africa.
- The United States and China agreed to support their efforts in combating illegal logging and associated trade by exchanging data including import and export data on wood and wood products bilaterally and review expanding the scope after a year; to continue to enhance our shared understanding of “illegal logging” and explore its practical applications; and to co-host an international workshop on “Policies on Trade in Timber and Timber Products” in December 2008.
- The United States and China agreed to enhance marine cooperation including data sharing/exchange and joint strategies concerning sea-air interaction and climate change, ecosystem-based management, marine conservation, ocean governance, and coastal resiliency. They also agree to convene in 2009 the Joint Working Group on the Protocol on Marine and Fishery Science and Technology Cooperation.
- The United States and China will strengthen their cooperation in addressing the mercury issue, building upon their cooperation under the United Nations Environment Program's Global Mercury Partnership.
- The United States and China agreed to continue technology cooperation on disaster prevention under the Framework of U.S.-China Joint Commission Meeting on Science and Technological Cooperation.

### **III: Trade and Investment**

Against the background of deteriorating economic conditions worldwide, the U.S. and China highlighted the importance of and their shared commitment to fighting protectionism and promoting open trade and investment. To this end, both countries:

- Held the second U.S.-China Investment Forum and exchanged views on how to create the conditions that will increase investment between our countries; agreed that Forum discussions were valuable to the bilateral investment relationship and should be continued.
- Jointly convened the first meeting of the Transportation Forum and signed a Joint Statement that included a commitment to establish working groups on new technologies in transport, urban congestion, innovative financing, transport of hazardous goods and disaster assistance coordination. These working groups will meet in the upcoming year to assess goals and objectives for the 2nd Transportation Forum.
- Conducted a joint Experts Dialogue on rules of origin issues, and agreed to hold another such Dialogue before the next SED to guide future cooperation.
- Jointly held the second U.S.-China Innovation Conference and will continue innovation cooperation and related initiatives , while coordinating with the work of the U.S.-China Joint

Commission Meeting on Science and Technology (JCM).

- Held three productive rounds of bilateral investment treaty negotiations. Our shared objective is to achieve an agreement of mutual benefit that facilitates and protects investment and enhances transparency and predictability for investors of both countries.
- Signed a Protocol on Cooperation in the fields of Metrology, Standards and Conformity Assessment.

#### **IV: Food and Product Safety**

Recognizing the vital importance of consumer product safety to bilateral trade and striving to safeguard consumers of both countries, the United States and China agreed to build upon the concrete progress made at SED III and SED IV in this area by enhancing dialogue and cooperation, improving information exchange, organizing technical training, and strengthening capacity to jointly address emergencies. To this end, both countries:

- Agreed to review our implementation of existing bilateral agreements, identify any gaps in performance, and prepare a corresponding progress report in advance of the next SED.
- Agreed that the U.S. Consumer Product Safety Commission will continue to consider in accordance with its procedures Chinese comments regarding the implementation rules of the 2008 U.S. Consumer Product Safety Improvement Act.
- Agreed to further promote implementation of the bilateral agreement on Food and Feed Safety.
- Agreed to further promote implementation of the MOU on Food Safety Information Notification to strengthen bilateral cooperation, jointly address emergencies, effectively protect consumers of both countries and promote the healthy development of bilateral trade.
- Agreed to participate in activities and capacity building of international organizations like the World Organization for Animal Health, International Plant Protection Convention, and Codex Alimentarius.
- Established a cooperation committee or working group on traditional Chinese medicine and identified the first round of cooperation projects. The alternatives to the use of endangered wildlife and derivative products in Traditional Chinese Medicine will be included on the agenda of this working group.

#### **V: International Economic Cooperation**

Following the cooperative spirit of discussions on international economic cooperation at the Summit on Financial Market and World Economy on November 15 in Washington, D.C. , the United States and China discussed ways to best utilize international financial institutions and economic organizations to promote global growth and stability, and to improve our capacity to jointly promote global economic development including tackling the challenges of food security, public health and poverty alleviation. Both sides:

- Agree that representation in international financial institutions should be adjusted to reflect better changing economic weights in the world economy.
- Support extending membership in the Financial Stability Forum to China and other

important emerging market economies.

- Agree to support the Asia Pacific Economic Cooperation (APEC) forum's ongoing work to expand the institutional investor base to encourage and promote capital market development in the APEC region.
- To maintain U.S. and Chinese trade, including with emerging and developing economies in the current difficult financial conditions, the United States Export-Import Bank and the Export-Import Bank of China agreed to make available additional resources for trade financing facilities. The U.S. Export-Import Bank is prepared to provide additional resources of \$12 billion, and the Export-Import Bank of China is prepared to provide additional resources of up to \$8 billion, if needed to assist in the financing of the export of U.S. and Chinese goods and services.

Both sides are satisfied with the positive achievements made over the course of five rounds of formal dialogue since the launch of the SED in September 2006.

In reviewing the SED process, the U.S. participants believe that cooperation with China is the foundation of a sustained and healthy bilateral relationship, which is vital to the economic futures of both countries and the global economy. Building on existing collaborative mechanisms, the SED has created constructive new ways to identify areas of mutual benefit and produce tangible results that advance simultaneously China's reform agenda and U.S. economic interests.

The Chinese participants view the SED as an important platform to enhance mutual strategic trust and strengthen mutually beneficial economic cooperation, which is an important building block for strengthened and enduring U.S.-China relations. Our close and frequent communication and cooperation in jointly confronting challenges in global financial markets is a concrete example of the value and effectiveness of the SED.

The SED process has achieved mutual benefits that can only arise through consistent, candid dialogue and consultation. It has become an effective framework for resolving differences and addressing challenges arising from fast-moving bilateral trade and investment issues, thereby advancing the fundamental interests of our countries and peoples.