Joint U.S. – China Fact Sheet
Fourth U.S.–China Strategic Economic Dialogue

At the U.S. Naval Academy in Annapolis, Maryland on June 17 and 18, the United States and China held the fourth Strategic Economic Dialogue (SED). 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 fourth 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 and Financial Services

The United States and China reaffirm their commitment to continue working together to achieve sustained growth, maintain price stability, and ensure the smooth and orderly functioning of their financial systems, and agree to continue their cooperative approach to information sharing on financial services issues of mutual interest, and to consider further how to deepen cooperation to safeguard global financial stability. Moreover, the United States and China took the following actions and made the following commitments:

- The United States published an assessment of the causes of the current global financial market turmoil and its recommendations for financial services firms and regulators to strengthen their operations and procedures and plans to issue a follow-up statement later this year that will assess progress towards implementation of these recommendations and consider whether further steps are needed;
- China will complete, by December 31, 2008, an assessment of foreign participation in China’s securities, futures, and fund management firms, and based on the results of its assessment, make policy recommendations on adjusting foreign equity participation in China’s securities market;
- The United States has proposed new regulations that are consistent with the International Organization of Securities Commissions revised Code of Conduct for Credit Rating Agencies, to strengthen their procedures to protect the integrity of the ratings process, help ensure that investors and issuers are treated fairly, and safeguard confidential material information provided;
- China will allow existing credit rating agency (CRA) joint ventures to apply to qualify for a securities-related credit rating business without a reduction in their existing percentage foreign equity stake, following entry into force of new U.S. CRA regulations, at which time registered CRAs must comply fully. CSRC will consider these applications in accordance with its prudential regulations;
• The United States reiterated its commitment to open financial markets, apply national treatment to Chinese banks and process expeditiously applications by Chinese banks to establish branches in the United States, in accordance with relevant prudential regulations and procedures, without undue delay;
• China allowed, on a pilot project basis, non-deposit taking foreign financial institutions to provide consumer finance to local retail customers in China; agrees to reduce the lockup period for the invested principal of Qualified Foreign Institutional Investors (QFII) to 3 months for insurance companies, government and monetary authorities, mutual funds, pension funds, charity funds, donations funds and open-end China funds established by QFII; and will allow qualified foreign companies to list on its stock exchanges through issuing shares or depository receipts in accordance with relevant prudential regulations and allow qualified foreign incorporated banks to issue subordinated RMB-denominated bonds;
• U.S. Department of Agriculture (USDA) will explore means to further cooperation on agricultural insurance with China, and will consider providing training for Chinese officials and industry representatives who seek to develop China’s insurance policies in the areas of insuring crops and livestock from damages, including those caused by natural disasters.; and
• China and the United States had positive discussions on the proposed regulation on “Administrative Method of the Equity Interest in Insurance Companies” during the comment period, and in particular, on the issue of the U.S. concern that foreign insurance institutions may invest in a new or existing domestic insurance company without regard to whether that institution has already invested in the same insurance sector in China. China will consider fully comments timely submitted from all parties, and continue to consult as appropriate. China recently issued regulations which specify relevant CIRC requirements to allow insurance companies in China (“Measure for the Overseas Investment with Insurance Funds”), including foreign-invested companies, to invest a certain proportion of their assets overseas.

II. Investing in People and Product Quality and Food Safety

The United States and China had substantive discussions on how best to work together to mitigate the economic risks associated with the aging populations in both countries and to provide better social services such as health care and retirement. In addition, building on the significant progress made at the third SED meeting on product quality and food safety, the United States and China committed to further strengthen our cooperative efforts. To this end, both countries:

• agree to continue discussing China’s export product quality and food safety control system and to strengthen cooperation on inspection, quarantine, and safety of designated products;
• will sign a 2008 work plan to implement the Memoranda of Agreement on the safety of drugs and medical devices between the Food and Drug Administration within the U.S. Department of Health and Human Services (HHS) and China’s State Food and Drug Administration (SFDA);
• signed a joint progress statement regarding the joint Five-Year Work Plan under the Agreement on the Safety of Food and Feed between HHS and China’s General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ);
• continue discussions to sign a Memoranda of Understanding between the U.S. Department of Agriculture and AQSIQ on food safety;
• signed a Memorandum of Understanding on Collaboration in Traditional Chinese Medicine; and
• commit jointly to explore cooperation in disaster preparedness, forecast and mitigation.
• agreed on the importance of improving consumer confidence in the safety of products and drugs and reached consensus that we should place U.S. Department of Health and Human Services/Food and Drug Administration personnel at the U.S. Embassy and the relevant Consulates General in China and General Administration of Quality Supervision, Inspection and Quarantine and State Food and Drug Administration personnel in the Chinese Embassy and the relevant Consulates General in the United States, and agreed to work out detailed arrangements.
III. Cooperation on Energy and the Environment

Recognizing that energy and environmental challenges represent two of the most important policy issues facing our two countries in the twenty-first century, and the importance of joint cooperation in addressing these challenges, the United States and China committed to strengthen long-term cooperation on energy and the environment. To this end, both countries:

- signed a Ten Year Energy and Environment Cooperation Framework and announced the first five goals to be addressed under the framework, established five task forces and launched action plans focused on concrete cooperation for each goal, with the aim of completing all of these action plans by SED V, and also initiated discussion on exploring the concept of EcoPartnerships by SED V;
- agreed on the critical relationship between energy security, economic growth, and environmental protection, and on the importance of exploring energy efficiencies, alternative fuels, and next generation technologies; and agree to recognize the importance of ensuring responsible and transparent energy exploration and development that minimizes the negative impact on the environment and through bilateral dialogue will give full effect to the energy security principles embraced at Aomori, Japan in the Joint Statement of the Five-Party Energy Ministers on June 7, 2008 and the Joint Statement of Energy Ministers by the G8 Plus 3 on June 8, 2008;
- agree to strengthen cooperation with the International Energy Agency (IEA) on areas of mutual interest to address energy security issues of common concern, including global energy markets, strategic oil reserve, energy diversification, energy efficiency and clean energy technology, and agree that in times of oil supply disruption, to consider voluntary participation in the joint action of IEA member countries, building on the previous commitments made at the third SED meeting and the Joint Statement of the Five-Party Energy Ministers on June 7, 2008 at Aomori, Japan;
- agree to share information and experiences on technologies and supervision methods related to waste utilization and disposal;
- agree to continue bilateral exchanges on the scope of product coverage and on the modalities for tariff reduction or as appropriate elimination, so as to facilitate achieving a comprehensive WTO agreement on environmental goods and services; and
- agree to explore establishing a mechanism for regular information exchange on timber and forest products trade and timber legality identification, to enhance legal trade in timber and forest products and global forest law enforcement and governance; agree to discuss in June the transfer to China applicable technology and equipment for forest fire prediction, warning, monitoring and suppression; agree to promote global sustainable forest management utilizing each side relative strengths.

IV. Trade and Competitiveness

The United States and China discussed the challenges of trade in the next decade and actions that should be taken to ensure that our economies remain competitive in an economic environment shaped by globalization. To this end, both sides:

- will work together with other WTO members to actively promote the conclusion of Doha Development Agenda negotiations, with the view to facilitating the development of the multilateral trading system;
- agreed to intensify cooperation on IPR protection through the IPR Working Group under the JCCT as soon as possible after the close of SED IV and prior to the 19th JCCT. Both sides agree to start the above mentioned cooperation with an introduction of China’s recently published “Outline of National Intellectual Property Rights Strategy” and “Plan for IPR Protection Initiatives in 2008,” and both sides may discuss issues that are not related to the claims of the current WTO dispute settlement;
• signed a Joint Declaration on Transportation Cooperation that establishes a forum for both countries to discuss challenges and future cooperation in transportation;
• further agreed to hold regular government-to-government meetings of U.S. and Chinese agencies responsible for government policies that relate to innovation, and host a public-private discussion between the fourth SED and fifth SED meetings and agree that there is mutual benefit in exploring cooperation on joint activities in research and development in science and technology;
• discussed China’s market economy status and the United States recognized the continued progress China has made in its market reforms, will earnestly consider China’s concerns, and will consult through the JCCT in a cooperative manner to work toward China’s Market Economy Status in an expeditious manner;
• agreed to continue consultation through the JCCT and other channels on trade remedy rules and procedures;
• will continue to conduct cooperative discussions on high-tech and strategic trade issues in the U.S.-China High Technology Working Group (HTWG) under the JCCT. The United States and China are committed to facilitating civilian high-tech trade as agreed in the “Guidelines for U.S.-China High Technology and Strategic Trade”;
• agreed to strengthen cooperation on Rules of Origin, Customs Trade Partnership Against Terrorism (C-TPAT), and the protection of cultural relics; and
• The United States and China recognize the significant steps both countries have taken to enhance transparency. Building upon their SED III transparency commitments, the United States and China agree to publish in advance for public comment, subject to specified exceptions, all trade and economic-related administrative regulations and departmental rules that are proposed for adoption and provide a public comment period of not less than 30 days from the date of publication. China agrees to publish such measures in the Chinese Government Legislative Information Website of the Legislative Affairs Office of the State Council, and the United States agrees to publish such measures in the U.S. Federal Register. The two sides also agreed to continue exchanges on transparency in administrative rule-making and licensing, and to invite representatives from their legislative and judicial organs to appropriate future meetings.

V. Investment

In light of the potential for a substantial increase in bilateral investment flows, the United States and China agreed to a number of steps to facilitate mutually beneficial investment between the two countries. To this end, both sides:

• agreed to launch negotiations on a bilateral investment treaty in the interest of facilitating and protecting investment and enhancing transparency and predictability for investors of both countries;
• agreed to a framework and work plan for the Investment Forum at their first meeting on June 16. The Forum will focus on practical investor concerns, such as the process of investment reviews and potential investment barriers; and
• agreed to create an Investment Promotion Initiative that features a series of investment activities in both countries that bring together interested parties.

In addition, the United States welcomes sovereign wealth fund investment, including from China. China stressed that investment decisions by its state-owned investment firms will be based solely on commercial grounds, and the United States will fully consider any written comments submitted by China on the proposed “Regulations Pertaining to Merger, Acquisitions and Takeovers by Foreign Persons,” and confirms the CFIUS process ensures the consistent and fair treatment of all foreign investment without prejudice to the country of origin.

The fifth SED will be held in Beijing in December 2008.