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Treasury Secretary Timothy F. Geithner's Strategic and Economic Dialogue Closing Statement

Timothy F. Geithner

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U.S. DEPARTMENT OF THE TREASURY

Press Center

Treasury Secretary Timothy F. Geithner's Strategic and Economic Dialogue Closing Statement

7/28/2009

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Today, we concluded the first meeting of the Strategic and Economic Dialogue launched by President Obama and President Hu. I want to thank Vice Premier Wang, who led a high level delegation from across China's government, as well as the twelve U.S. cabinet Secretaries and heads of financial and regulatory authorities who participated in a series of thoughtful and candid discussions over the past two days.

In the wake of a severe global financial crisis, we agreed it is vitally important for China and the United States to see through their commitments to repair the financial system and lay the foundation for recovery. At the G-20 Leaders meeting in London, we joined together to restore global confidence. The forceful policy responses by China and the United States have helped pull the global financial system back from the edge of failure and provided support for demand at a critical time.

Recognizing that cooperation between China and the United States will remain vital not only to the well being of our two nations but also the health of the global economy, we agreed to undertake policies to bring about sustainable, balanced global growth once economic recovery is firmly in place. To that end, we laid out a framework for cooperation in four key areas:

First, we will undertake macroeconomic and structural policies to ensure a more sustainable and balanced trajectory of global growth.

In the United States, the current account has fallen and private savings rates have risen to historical average levels, and we will take steps to sustain and reinforce these trends. President Obama has committed to lowering the federal deficit to sustainable levels once recovery is firmly established. The Administration is committed to investments in energy, education and health care that will rebuild the American economy on a firmer foundation going forward.

China will rebalance towards domestic demand-led growth and increase the share of consumption in GDP. Policies to enable adjustment of demand and relative prices will lead to more balanced trade and growth. Greater development of China's services sector and the shift away from dependence on exports and heavy industry will have a powerful effect not only on rebalancing but also supporting the transition to a green economy.

Second, we will work to build more resilient and market-oriented financial and regulatory systems. Although our challenges in financial reform may be very different, success on our respective reform agendas will be integral to achieving more stable and balanced growth globally.

In the United States, we will take actions to greatly strengthen financial system regulation, including higher capital requirements more broadly applied, robust consolidated supervision of the largest and most interconnected financial firms, and creation of an oversight council charged with monitoring emerging risks.

China has indicated its intention to move forward on financial sector reform to better allocate credit to domestic demand. China will liberalize interest rates over time and promote development of new consumer finance products. China will also open new opportunities for foreign participation in the financial services sector, including allowing foreign banks to underwrite bonds in China's rapidly growing bond market.

Third, we reaffirmed our commitment to open and rules-based trade and investment. We renewed our commitment to avoid protectionist measures and to bring about a successful conclusion of the Doha Round. China and the United States committed to treating firms with foreign ownership operating in our markets exactly as we do domestically-owned firms when it comes to government procurement of goods. We agreed to work together to facilitate China's accession to the WTO Government Procurement Agreement. And China will increase the dollar threshold for foreign direct investments that must obtain central government approval.

Fourth and finally, the United States and China recognized the critical role of the international financial institutions in preventing and responding to crisis and ensuring balanced global growth. The global economy has fundamentally changed since the historic gathering at Bretton Woods and so too must the global architecture that bears its name. We committed to work together to ensure the international financial institutions have the requisite resources and tools to address today's challenges. We will work together to ensure China's full

engagement and representation in the design of key multilateral agreements and groupings, such as the G20, the Financial Stability Board, and the international financial institutions.

We look forward to deepening this framework for cooperation as we prepare for the upcoming G20 leaders meeting in Pittsburgh and broadening it through additional important bilateral dialogues during the next year.

I want to again thank all of my colleagues, American and Chinese, for their candor and engagement over the past two days. I want to express special gratitude to Vice Premier Wang for his inspired and determined efforts to make this Dialogue a success.

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