

U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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REMARKS BY TREASURY SECRETARY LEW AT THE 2016 U.S.-CHINA STRATEGIC AND ECONOMIC DIALOGUE JOINT OPENING SESSION

As Prepared for Delivery

BEIJING – On behalf of President Obama, Secretary Kerry and I would like to thank President Xi and the entire Chinese delegation, in particular, Vice Premier Wang, Vice Premier Liu, and State Councilor Yang for hosting this eighth Strategic and Economic Dialogue. These discussions continue to raise the level of bilateral cooperation between our two nations, and we look forward to another successful event.

As co-chairs of this event for the past three years, Vice Premier Wang and I have worked closely to help strengthen our economic ties, and in the process have developed a close personal working relationship. It has been a true pleasure to serve alongside such a constructive counterpart. While at times we have different perspectives, and we do not always choose the same approach, we have always been able to make progress because our work together is guided by shared respect and a shared belief that it is vital to create tangible results for the citizens of our two countries.

The benefits of partnerships like these were apparent since the inception of this Dialogue. And although this will be the last S&ED of the Obama Administration, I believe our record demonstrates why it is so important that such productive bilateral engagement continues.

Working closely together has enabled us to better understand our differences, and to identify areas where we can expand cooperation, where common ground on compatible interests can be found. Equally important, our interactions have built a strong foundation so we are better able to narrow our differences and make progress, even on the more difficult issues where we disagree.

Our discussions over the next two days will cover a range of issues important to both the American and Chinese people. We will discuss ways to promote strong, sustainable, and balanced growth; how we can improve financial sector function and stability; create opportunities for our companies and workers in each other's markets; and uphold our joint responsibility of strengthening the international economic system and its high standards of governance.

We also look forward to efforts by the Chinese authorities to make progress on a number of priorities of the United States, including to reduce Chinese excess industrial capacity, improve data and regulatory transparency, and lower barriers to trade and investment.

Together, the United States and China account for a third of global GDP and nearly 40 percent of recent global growth. Our countries have an enormous stake in each other's economic success. And, as the world's two largest economies, our policies and economic management will not only shape the prosperity of our own peoples, they will structurally shape the health and development of the global economy as well.

The American economy continues on a path of steady growth. After seven years of sustained growth, key underlying economic indicators show that this positive trajectory will continue going forward. With the unemployment rate near an eight-year low, improved labor market conditions are boosting household incomes, and consumer confidence is near levels that prevailed prior to the Great Recession, but with considerably lower levels of household debt.

While slowing, China's economy continues to be among the fastest growing in the world. The successful implementation of China's economic reform agenda, which we will be discussing, will be essential for continued growth. As China undergoes a challenging economic transition, implementing reforms that lead to greater openness and give the market the decisive role in allocating resources will support a successful shift towards a more sustainable economic model in a better medium and long term economic outlook.

As China charts its course, we recognize our shared interest in the pursuit of policies that support sustainable growth. We see China's stated reform goals as complementary to the agenda for our bilateral economic engagement, and we hope to focus our plans to implement those reforms to achieve the potential benefit they promise for the future.

Consistent with China's reform agenda, the United States supports efforts to reduce excess capacity and leverage in the economy, and allow market forces to determine the allocation of resources. Excess capacity has a distorting and damaging effect on global markets, and implementing policies to substantially reduce production in a range of sectors suffering from overcapacity, including steel and aluminum, is critical to the function and stability of international markets.

We were pleased to see the reforms made last year, and the recognition of that progress in the IMF decision to include the Renminbi in the SDR basket. Again, in line with China's reform agenda, we also support development of Chinese capital markets, which create conditions to move further toward a market-determined exchange rate, and the adoption of prudent bankruptcy resolution standards. And as a broad policy matter, it is also important that China use its fiscal and lending policies to support stronger consumer demand, since growing consumer demand is essential for a successful economic transition.

China has benefited enormously from opening up to, and integrating with, the world economy. All sectors were instrumental in this successful integration, including non-governmental organizations. NGOs have served to strengthen our bilateral relationship and have made new forms of cooperation possible. They help to nurture innovation to address critical human needs, and their work allows for larger economic success.

We are very concerned that China's recently passed Foreign NGO Management Law will weaken that foundation by creating an unwelcome environment for foreign NGOs. President Obama and President Xi have discussed this issue, and addressing it will be important for our bilateral relationship.

China's G-20 presidency this year symbolizes its growing global economic standing. We support a greater role for China in the existing international economic architecture and expect that China will continue to take on more responsibility in maintaining and advancing the high-standards of existing multilateral institutions.

To those important ends, continued cooperation between the United States and China on the diverse set of issues covered in the S&ED is crucial.

Over the past ten years of this Dialogue, through candid engagement and debate, we have demonstrated and reaffirmed our ability to manage our differences effectively and make progress toward improving the livelihood of American and Chinese citizens. I am proud that we have made concrete progress with China in areas like promoting the rule of law, strengthening exchange rate transparency and regulatory transparency, upholding the high standards of the international financial architecture, opening markets in technology and environmental sectors and furthering economic and financial reforms. It is important that such progress continues in this eighth round of the S&ED and beyond and I would like to thank Vice Premier Wang for his partnership on these issues.

We look forward to productive discussions over the next two days as we work together to tackle the mutual challenges we face.

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