



## CONSENSUS VIEWS OF THE U.S.-CHINA TRACK II ECONOMIC DIALOGUE

JANUARY 7, 2014

NEW YORK CITY

- We applaud the comprehensive reform agenda proposed by the new Chinese leadership over the course of the Third Plenum. When fully enacted, these changes will yield enormous welfare gains to the Chinese economy, along with the U.S. and global economy.
- Following years of a weak post-crisis economic recovery, the outlook for near-term economic growth in the United States has improved.
- For China, the benefits from further opening up and the promotion of cross-border economic competition and integration should not be understated, including the substantial enhancement of governance and regulations. We propose concrete efforts to promote trade and expect significant benefits to economic growth.
- We urge both governments to seek a bilateral free trade agreement (FTA). As a first step, each government should establish a high-level working group to conduct a feasibility study for an FTA between the United States and China to take place in the context of the Strategic and Economic Dialogue. While negotiating an FTA may take years, the process of negotiation itself promotes trust.
- In the meantime, a variety of trade negotiations are currently under way. In some cases, however, continuing these negotiations along the current path is suboptimal. For example, the current path of the Trans-Pacific Partnership (TPP) negotiations without China and of the Regional Comprehensive Economic Partnership (RCEP) negotiations without the United States would generate substantial trade diversion, rather than trade creation. We agree with the U.S. National Security Advisor's recent comments welcoming Chinese participation in the TPP. We strongly recommend that China join TPP negotiations as soon as possible. We recommend that the U.S. administration seek trade promotion (fast-track) authority from the Congress that includes Chinese involvement in the TPP.
- China's progress towards implementation of the Third Plenum reform agenda is fully consistent with its participation in the TPP. These two projects are mutually enhancing. For example, the Shanghai Free Trade Zone highlights China's goal of a high-standard liberalization of the service sector. These high standards can serve as a platform to prepare for discussions to join the TPP. Rapid progress in implementing the reform agenda of the Third Plenum will encourage greater trust in China's willingness to further open up and reinforce the reform process at home. It is the right time for China to join the TPP negotiations.
- In this context, we applaud the progress made on the Bilateral Investment Treaty (BIT) discussions and strongly recommend that the two governments speedily conclude the BIT, which is fully consistent with the ongoing reform agenda from the Third Plenum. The China-U.S. BIT under discussion is in line with the investment chapter of the TPP under negotiation. We also urge both governments to promote a speedy Trade in Services Agreement (TISA), which would spur a potentially large increase in services trade. The

rapid conclusion of BIT and TISA would speed cross-border direct investment in both countries and promote greater integration of our economies. It would also build trust and encourage greater confidence in the success of the TPP negotiations with Chinese participation.

- Experts agree that U.S. long-term economic growth potential has slowed. Promoting trade – for services as well as for manufactured goods – with large, rapidly growing economies like China could be the key to improving long-run growth prospects in the United States.



National Committee on  
United States - China Relations



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### PARTICIPANTS

#### Chinese Participants

<b>QIN Xiao</b>	Chairman of the Board, Boyuan Foundation, <i>Dialogue Co-Chair</i> ; Former Chairman, China Merchants Group
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#### American Participants

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<b>Stephen A. Orlins</b>	President, National Committee on United States - China Relations
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