

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President,

Congratulations as you mark the first anniversary of your historic election last year. The undersigned members of the **ENGAGE CHINA** coalition offer our best wishes and look forward to working with the Administration as you work to secure our nation's economic recovery. The purpose of this letter is to call your attention to certain critical aspects of the U.S.-China economic relationship as you prepare for your trip to China on November 15<sup>th</sup>. Specifically, we write to you about the critical linkage between the need for reform and modernization of China's financial system, and the G20's call for a more balanced pattern of global economic growth.

As you and your economic team focus on reviving domestic demand and job creation, it is important to recognize that our trading relationships with the rest of the world are vitally important to U.S. economic growth and job creation. In recent years, trade has accounted for a quarter of our economic growth and the jobs of more than 12 million American workers.

The U.S.-China economic partnership is one of the world's most important bilateral relationships. China is now the world's 3<sup>rd</sup> largest economy, having grown at better than 9 percent annually for two decades. Since China joined the World Trade Organization (WTO) in December of 2001, trade between the United States and China has more than tripled, U.S. exports to China have grown at six times the pace of our exports to the rest of the world, and China has risen from America's 9<sup>th</sup> largest export market to its 3<sup>rd</sup> largest. Without question, how this critical relationship is managed will determine in large part the growth and vitality of the U.S. and global economies in the 21<sup>st</sup> century.

Our members are strongly of the view that continued reform and modernization of China's underdeveloped financial sector is essential if China is to achieve its own economic goals of maintaining high rates of growth and job creation, and building a more services-based, consumer-driven economy – goals very much in the interest of the United States. Such reform and modernization should be based on the following core principles: 1) eliminate equity limits on ownership in the financial services sector, and permit corporate form of choice; 2) ensure that foreign financial sector participants and investors are treated on the same basis as domestic investors; and 3) improve regulatory and procedural transparency. Such reforms are critical if the G20's call for a more balanced pattern of economic growth is to be met.

Opening its financial sector to greater participation by foreign financial services firms is the fastest way for China to develop the modern financial system it needs to achieve its goals. We believe the industry's presence in China will bring world-class expertise and best practices with regard to products and services, technology, credit analysis, risk

management, internal controls, and corporate governance, as well as contribute substantially to economic growth, job creation, and the further structural reforms China seeks. By helping to provide the financial products and services that China's citizens and businesses need to save, invest, insure against risk, raise standards of living, and consume at higher levels, foreign financial institutions can help China develop an economy that is less dependent on exports, and more services-based and consumption-driven.

Further, a more active Chinese consumer is a critical step toward addressing persistent trade imbalances. Moreover, fair and competitive access to China's fast-growing middle class and business sector represents an enormous commercial opportunity for American manufacturers, farmers, and service providers, with major implications for U.S. economic growth and job creation.

Again, we thank you for your leadership on this vitally important issue. We wish you success on your upcoming trip and look forward to working together to strengthen the relationship between our two countries – to the benefit of both the Chinese and American people.

Sincerely,