



ENGAGE CHINA COALITION: President Xi Jinping's Visit to the U.S.

April 5, 2017

President Donald J. Trump
1600 Pennsylvania Avenue NW
Washington DC
20500

Dear President Trump:

ENGAGE CHINA is a coalition of twelve U.S. financial services trade associations united in our view that pro-active engagement with China remains the most viable means of ensuring the citizens of both nations mutually benefit from the growing bilateral economic relationship.¹ Ahead of your meeting with President Xi, we encourage you to use this opportunity to begin re-defining the U.S./China relationship to reduce barriers to U.S. financial services exports to China to bolster America's economic growth.

While we recognize and welcome the progress on financial reform that has been made in China, barriers remain throughout China's financial market. For example, while China's banking sector overall has almost tripled in size since 2007, the market share of foreign banks has declined. A similar picture exists in China's capital markets: foreign investors currently hold only two percent of the onshore bond market and just three percent of the market capitalization of equity shares. At the same time, costs have increased for foreign entities. Chinese structural and regulatory provisions underlying these distortions do more than restrict competition from U.S. financial institutions; they also run counter to China's own economic objectives.

Some Chinese policy makers do support the idea of removing these restrictions, to not only remove unfair trade restrictions, but also to improve the financial products and services available to consumers. A prime target for liberalization at this time would be the removal of the fifty percent equity cap on foreign ownership of Chinese life insurance and private pension providers

¹ Coalition members are American Bankers Association, American Council of Life Insurers, American Insurance Association, Bankers Association for Finance and Trade, The Council of Insurance Agents & Brokers, The Financial Services Forum, The Financial Services Roundtable, The Futures Industry Association, Insured Retirement Institute, Investment Company Institute, Property and Casualty Insurers Association of America, and the Securities Industry and Financial Markets Association.

and the opening of the enterprise and group annuity markets to U.S. companies. We believe that announcement of the resolution of this issue by President Xi in the near future is a viable deliverable which would demonstrate a clear and positive show of goodwill by the Chinese.

More broadly, our Coalition represents the entire spectrum of the financial services industry so together we have many priorities and objectives. Amongst those are:

- Removing ownership limits and licensing moratoriums for financial service providers in China;
- Opening bond underwriting to foreign banks;
- Further expanding investment channels (QFII, RQFII and QDII);
- Improving regulatory and procedural transparency;
- Ensuring regulatory coherence and coordination with major jurisdictions;
- Reinforcing the need for a risk-based system for ICT regulation;
- Expanding business opportunities for foreign insurers and reinsurers.

Getting the U.S.-China relationship in a place that maximizes the benefits for both sides will be a process that will take time. We believe the U.S.-China Strategic and Economic Dialogue (S&ED) has offered a positive vehicle for discussion between the two countries. S&ED-style meetings can be excellent means for forging new opportunities while also providing a platform to constructively address risks and threats to existing access, as well as issues that undermine confidence in the investment climate. We therefore encourage the administration to continue with a platform like the S&ED or to establish a new platform for regular U.S./China engagement. At the same time, the U.S.-China Bilateral Investment Treaty (BIT) is the vehicle to lock in China's commitments reflecting these priorities. We encourage you to continue the BIT negotiations with China with a view to ensuring an open market for U.S. financial institutions.

We wish you all the very best for your meeting with President Xi and we look forward to future engagement on these important issues.

Respectfully,

The Engage China Coalition:

American Bankers Association

American Council of Life Insurers

American Insurance Association

BAFT

The Council of Insurance Agents and Brokers

The Financial Services Forum

The Financial Services Roundtable

The Futures Industry Association

Insured Retirement Institute

Investment Company Institute

Property Casualty Insurers Association of America

The Securities Industry and Financial Markets Association

cc:

The Honorable Steven Mnuchin, Secretary of the Treasury

Kenneth I. Juster, Deputy Assistant to the President for International Economic Affairs

Mathew Haarsager, Special Assistant to the President for Global Economics and Finance