

Joint Statement of the 8th China-India Financial Dialogue

Beijing, August 19, 2016

The eighth China-India Financial Dialogue (hereinafter the "Dialogue") was held in Beijing on 19th August, 2016, between the Ministry of Finance of the People's Republic of China (hereinafter "China") and the Ministry of Finance of the Republic of India (hereinafter "India").

The Chinese delegation was led by Mr. Shi Yaobin, Vice Minister, Ministry of Finance and the Indian delegation was led by Mr. Shaktikanta Das, Secretary, Economic Affairs, Ministry of Finance. The list of members of both delegations is appended to this Joint Statement.

Based on the MoU on 'Launching the Financial Dialogue between the Republic of India and the People's Republic of China' signed in April, 2005, the two sides have successfully held seven rounds of dialogues in April of 2006, December of 2007, January of 2009, September of 2010, November of 2011, September of 2013 and December of 2014.

During this Dialogue, the two sides held in-depth discussions on new challenges facing the global economy, macro-economic situations and policies in China and India, progress on structural reforms in both countries, cooperation under multilateral frameworks as well as bilateral financial cooperation. Both sides agreed to strengthen regular communication and coordination at various levels on macro-economic policies, major international economic and financial issues and bilateral financial cooperation.

1. Macro-economic situation and policy

1.1 Both sides recognize that global economic recovery is still fragile with downside risks remaining high. Volatility in financial markets has

also intensified. Under these circumstances, China and India call for greater international coordination on economic policies, particularly in the implementation of policy measures adopted by the G20 to boost growth and employment for promoting strong, sustainable and balanced growth of the world economy.

1.2 Both sides recognize the importance of sound macro-economic policies and sustained structural reforms for improving long-term growth prospects. On behalf of China, it is stated that China's economy is operating smoothly with steady progress in structural adjustment, improved corporate performance, and stable prices and employment. Positive achievements have been made in structural reforms with a sound momentum of the development of new economy, notably the recent overall implementation of VAT reform built on its earlier successful pilot. China will continue to carry out proactive fiscal policy including implementing tax cuts and fee reduction policies, ensuring public spending, and encouraging more private investment in real economy and weak areas. China will continue with its prudent monetary policy and to maintain moderate flexibility to create a neutral moderate monetary environment for structural reforms. China will further supply side structural reforms, deepen reforms in key areas such as public finance and taxation, finance and state-owned enterprises, comprehensively implement five key tasks, namely cutting overcapacity, destocking, de-leveraging, reducing costs, and improving weak links. China will improve efficiency of resource allocation and promote new drivers of growth through effective market competition.

1.3 On behalf of India, it is stated that notwithstanding the persistence of global economic meltdown, India's economic fundamentals remain strong. India has adopted bold macro-economic, fiscal management and structural reform policies that seek to attain the twin objectives of inclusive development and high, sustained economic growth. The Government has committed to maintaining fiscal responsibility while also taking measures aimed at boosting investments, controlling inflation,

creating high quality infrastructure and ensuring comprehensive social security for the poor. The Government has also taken initiatives to improve the performance of the manufacturing sector and liberalized several sectoral caps in FDI. Following enactment of a new Insolvency and Bankruptcy law in the Budget (2016-17) session of the Indian Parliament, the passage of the Goods and Services Tax (GST) Bill earlier this month by Parliament has given a major path-breaking boost to structural reforms in India. GST is one of the most significant tax reforms in the history of independent India. The effect of sequenced economic reforms undertaken in the last two years have started to reflect in pick up in growth and the full effect is expected to be seen at the end of the current financial year in the overall GDP growth. India remains committed towards strengthening and deepening its reform process.

1.4 The two sides agree to actively explore opportunities for cooperation in the process of their respective structural reforms.

2. Cooperation under multilateral frameworks

2.1 Both sides acknowledge the effectiveness of bilateral coordination under multilateral frameworks such as the G-20, BRICS and international financial institutions.

2.1.1 Both sides agree to work together to promote the implementation of the important consensus reached in the G-20 Summits, strengthen the momentum of global recovery, push for faster economic growth, generate better jobs, and build the foundation for long-term growth. Both sides commit to further collaborating towards a successful G20 Summit in Hangzhou this September.

2.1.2 Both sides stand ready to work with other BRICS member countries, to promote positive outcomes of the Goa Summit and next year's BRICS Summit, and to further improve the mechanism of BRICS Finance Ministers and Central Bank Governors Meeting, continuously advance BRICS cooperation and inject new impetus into economic and financial collaboration.

2.2 Both sides agree to jointly encourage Multilateral Development Banks (MDBs) to optimize their balance sheets, scale up capital base, increase lending capacity, support infrastructure investment, and promote south-south cooperation.

2.2.1 Both sides agree to encourage the World Bank Group (WBG) to implement its shareholding review according to the agreed roadmap and timeframe and achieve expected outcomes, to improve the voice and representativeness of the developing countries.

2.2.2 Both sides agree to strengthen coordination and cooperation under the framework of Asian Infrastructure Investment Bank(AIIB) and New Development Bank(NDB), and commit to build AIIB and NDB into 21st century new Multilateral Development Banks together with other members.

2.2.3 Both sides will continue to make progress on the Contingent Reserve Arrangement (CRA) to maintain financial stability.

3. Bilateral fiscal and financial cooperation

3.1 Both sides welcome the first meeting of the G20/OECD Inclusive Framework on BEPS held in Kyoto and call upon all relevant and interested countries and jurisdictions that have not yet committed to the BEPS package to do so and join the framework on equal footing. Both sides recognize the important role of tax policies in our broader agenda on strong, sustainable and balanced growth and of a fair and efficient international tax environment in diminishing the conflict among tax systems.

3.2 Both sides recognize the importance of strengthened economic cooperation in the expansion of bilateral trade and investment. The two sides agree to maintain close communication, and work for more opportunities and better environment to enhance bilateral economic cooperation. Financial regulators from both countries exchanged views

on market access regulation policies for foreign banks and agreed to continue the discussions on issues of infrastructure investment and financing.

3.2.1 Both sides agree to continue strengthening financial investment cooperation. The Chinese side requested that investment in listed Indian companies by distinct Chinese entities like China National Council for Social Security fund, China Investment Corporation and State Administration of Foreign Exchange is not clubbed for the purposes of defining beneficial ownership.

3.2.2 The Chinese side requested an increase in the cap for foreign institutional investors in Indian government bonds.

3.2.3 Both sides agree to continue to promote cooperation between financial institutions from the two countries and provide better financing services to facilitate substantial cooperation in the real economy. The Indian side noted the request from the Chinese side for an early resolution of the pending decision on the application by the Bank of China for establishing a branch in Mumbai.

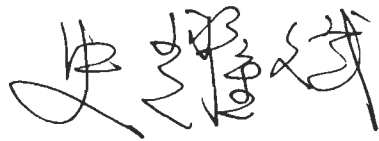
3.2.4 Both sides agree to strengthen communication and cooperation in infrastructure and industrial zones, by exploring investment/financing modes, and joint working mechanisms in this field.

3.2.5 The Indian side expressed concern over the problems being faced by the State Bank of India in invoking counter guarantees from some Chinese banks.

Both sides reiterate their commitment to strengthen the China-India Financial Dialogue, enhance mutual cooperation, deepen mutual trust, and promote bilateral communication and economic cooperation. Both sides agreed to hold the 9th India-China Financial Dialogue in 2017 in New Delhi.

Signed in Beijing on 19th August, 2016 in two originals, in the English language, all texts being equally authentic.

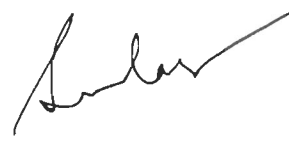
On behalf of the Government of
the People's Republic of China



Shi Yaobin

Vice Minister,
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On behalf of the Government of
the Republic of India



Shaktikanta Das

Secretary(Economic Affairs),
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