

Low bar, long horizon for U.S.-China talks

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Reuters

July 24, 2009

Talks not expected to yield specific agreements

* Experts say it could open up lines of communication

* Economic rebalancing critical to both states, world

WASHINGTON - China is bringing 150 senior officials, including nearly its whole Cabinet, to the United States next week for talks whose symbolic value is likely to trump concrete achievements.

The Strategic and Economic Dialogue on Monday and Tuesday may simply produce a broad outline on the way to deal with economic, security, diplomatic and environmental issues that divide the world's two most important economies.

That is enough for now, even according to critics of Chinese economic and trade policies and experts who have long lists of policy changes they want Beijing to implement in tandem with U.S. efforts to get its economic house in order.

"If it's successful, it will be successful by opening up lines of communications and a string of technical discussions, which hopefully will influence Chinese policy," said Steven Dunaway, an economist with the Council on Foreign Relations.

The first Obama administration dialogue with China expands bilateral economic talks started by the Bush administration in 2006 to include foreign policy and climate change issues.

Derek Scissors, a China trade expert at the conservative Heritage Foundation, said it will allow the Obama team to "get their feet wet" while they work out a strategy toward China.

"It's always nice to have senior officials, especially in countries that have a great deal of conflicting interests, talk to each other on a regular basis. I think that's pretty much all the talks are going to accomplish," he said.

David Loevinger, the U.S. Treasury Department's coordinator for the talks, spelled out a broad agenda that focused on the need for both countries to keep up their monetary and fiscal stimulus programs until their economies recover.

The United States also intended to again call on China to liberalize exchange rates so the yuan currency appreciates and China's exports stop undercutting competitors. [ID:nN23396905]

Currency is part of a mix of policies aimed at rebalancing China's economy toward more consumption and less savings and cutting a Chinese trade surplus with the United States that hit a record \$266 billion in 2008.

PAYING OFF OVER TIME

Washington also wants to talk about avoiding protectionism in government procurement, Chinese investment in the United States and ways to boost investment in China's service sector to create jobs to soak up surplus rural labor, Loevinger said.

The Alliance for American Manufacturing -- which seeks an end to Chinese industrial subsidies, a revalued Chinese currency and other steps -- is looking for "movement forward in very general terms," said executive director Scott Paul.

"What is reasonable to expect is some kind of broad statement that there needs to be a rebalancing of the trade relationship and that it can be beneficial to both countries."

Any U.S. economic rebound would be a "jobless recovery" if China's trade policies were not addressed, said Paul.

Dunaway, a former International Monetary Fund expert on China, said China's heavy reliance on exports to the United States is no longer sustainable in a weak U.S. economy.

"One of the key objectives of this Strategic and Economic Dialogue is to convince the Chinese that time has run out on this old approach to growth," he said.

A senior U.S. official underscored the long-term nature of the dialogue between the world's two biggest economies.

"It's a way to begin an interaction that we will see pay off over time," the official said. (Additional reporting by Deborah Lutterbeck; Editing by Doina Chiacu)