

US, China wrapping up high-level economic talks with plenty of disagreements remaining

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ANNAPOLIS, Md -- The United States and China, hoping to defuse simmering trade tensions, were cobbling together a set of modest achievements to cap two days of high-level economic talks.

However, the deals in such areas as boosting energy security, lowering global pollution and expanding food monitoring, were unlikely to still vocal U.S. critics.

Those critics contend that the United States' soaring trade deficit with China, which last year reached an all-time high of \$256 billion, is the result of unfair trade practices, including currency manipulation, and has contributed to the loss of 3 million U.S. manufacturing jobs since 2001.

The two sides were wrapping up their talks at the U.S. Naval Academy with a joint news conference Wednesday afternoon at the Treasury Department. The expectation was that a series of modest agreements would be announced, including fleshing out details of a 10-year cooperation agreement on energy and the environment that was initially announced in Beijing in December.

But it was clear that the fourth round of talks, known as the Strategic Economic Dialogue, would leave both nations far apart on a number of contentious subjects including U.S. unhappiness over the slow pace of China's economic reforms.

Treasury Secretary Henry Paulson, who is leading the large U.S. delegation from President George W. Bush's Cabinet, hoped that the discussions will produce enough results to persuade the next administration to continue the meetings.

The twice-a-year discussions, alternating between Beijing and Washington, were begun in 2006 at Paulson's urging.

Vice Premier Wang Qishan, the head of the Chinese delegation, on Tuesday urged patience going forward as China implements necessary reforms. He cautioned that the two countries needed to avoid "complicating and politicizing economic issues."

The Chinese have grown concerned about a number of bills introduced in the U.S. Congress that would impose economic sanctions on China unless the country moves more quickly to allow its currency to rise in value against the dollar.

"Our cooperation is an irreversible and unstoppable current," Wang said, speaking through an interpreter.

The talks also featured Federal Reserve Chairman Ben Bernanke and Zhou Xiaochuan, the head of China's central bank. Zhou said the Chinese were interested in learning from Bernanke's presentation about the regulatory mistakes that had been made that contributed to the subprime mortgage crisis.

Zhou said the weak dollar was not a specific topic of discussion, although Chinese officials have been making the point that the dollar's decline against other currencies has contributed to rising global prices for oil, food and other commodities.

Those comments were meant to send a message to the Bush administration to stop pressuring China so much to allow its currency to rise in value against the dollar, an action that makes the U.S. currency even weaker but is seen as critical by American manufacturers to narrow the U.S.-China trade gap.

While the Chinese have allowed their currency to rise in value by 20 percent against the dollar since July 2005, U.S. manufacturers contend that the yuan is still significantly undervalued, putting U.S. products at a competitive disadvantage.

The Bush administration wants the Chinese to open their financial system to foreign banks and investment houses. But that effort is meeting strong resistance from the Chinese, given the billions of dollars in losses suffered by U.S. financial giants in the credit crisis that erupted last August.

One of the areas the administration is touting as a success is in food safety, where the United States used the dialogue to press the Chinese to strengthen inspections after a series of high-profile recalls last year.

Health and Human Services Secretary Michael Leavitt said Tuesday that the United States expects to have food and drug inspectors placed in three Chinese cities — Beijing, Shanghai and Guangzhou — by the end of this year.

But Chinese officials said the approval is being held up until the U.S. grants a Chinese request for increased Chinese inspectors in the United States.