

U.S., China Make Gains On Investing

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The U.S. and China initiated talks about a bilateral investment agreement and finalized a 10-year plan to cooperate on energy and the environment, a relatively successful conclusion to two days of talks that were also marked by simmering economic tensions.

Treasury Secretary Henry Paulson said the agreements will lead to "significant progress," in prepared remarks to close the fourth Strategic Economic Dialogue between the two countries. Mr. Paulson said the investment agreement would "send a strong signal that our two nations welcome investment."

Mr. Paulson also said Chinese leaders remain committed to financial reforms. "They haven't at all moved away from the need to develop their capital markets more fully and to open them up," he said.

Whether the two countries will be able to come to a deal on the investment treaty isn't a certainty, with the U.S. concerned about issues such as market access in China. Private-sector representatives who have been following the talks have said any deal likely won't cover certain areas, such as the financial-services sector.

But U.S. officials say nothing is off the table. "We believe that we've got a reasonably good chance of being able to negotiate an agreement with China that will meet the high standards typical of U.S. bilateral investment treaties," an official told reporters on a conference call.

The U.S. has bilateral investment treaties with nearly 40 nations. They are designed to make it easy for one country to invest in the other through reciprocal rules governing basic issues such as arbitration. China has such treaties with more than 100 nations and it said the talks with the U.S. are a continuing effort.

China's huge trade surplus has become a thorny issue in U.S.-China trade relations. U.S. officials have urged China to continue to address the imbalance, particularly by allowing its currency to continue to appreciate against the dollar. Despite a 20% rise in the yuan since a dollar peg was removed in July 2005, some analysts think the appreciation is far from enough.

China's minister of commerce, Chen Deming, said China will continue to invest in other countries since the nation's long-term trade surplus has led to surging foreign reserves, already the world's largest. "Investing abroad is a way to address such trade surpluses,"

Mr. Chen said. China wants to play "a more responsible role in world economic stability."

Mr. Paulson, who helped launch the semiannual talks in mid-2006, has faced criticism that the talks haven't achieved much. Vice Premier Wang Qishan was leading the Chinese delegation for the first time.

There was little progress on two key U.S. concerns: currency and opening the financial sector in China. Mr. Paulson said he welcomed the recent accelerated appreciation of the yuan and urged the Chinese to continue moving toward greater currency flexibility.