

US, China seek to minimize differences

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WASHINGTON - The United States and China minimized their disputes over such issues as the huge trade gap between the two countries and America's soaring budget deficits and instead emphasized a commitment to work together to resolve the worst global financial crisis since the Great Depression.

Wrapping up two days of high-level talks on Tuesday, both countries sought to play down disagreements on trade, exchange rates, human rights and climate change in order to keep from upsetting global investors who have been monitoring the talks for any signs of a rift between the two economic superpowers.

Instead of disagreement, the two countries offered harmony with China pledging to work toward a key U.S. goal that it foster greater domestic-led growth to reduce its reliance on exporting to the United States.

For its part, the Obama administration pledged to tackle the budget deficit, which this year is projected to hit a record \$1.84 trillion. That flood of red ink has left the Chinese, the world's largest holder of U.S. Treasury securities, distinctly nervous about the safety of their investments.

The two sides were working to develop a plan to guide future talks between the two nations. The talks this week, which Obama opened Monday, represented a modification of discussions that were begun by the Bush administration. Those talks, led by then-Treasury Secretary Henry Paulson, focused primarily on economic issues.

However, Obama expanded the agenda of the renamed Strategic and Economic Agenda to include not just economic disagreements but also foreign policy issues such as efforts to develop a coordinated response to North Korea's nuclear ambitions.

Both sides stressed the importance of working in a cooperative manner to combat the severe economic downturn, which has pushed the U.S. unemployment rate up to a 26-year high of 9.5 percent and triggered heavy job losses in China and other countries around the world.

"The global financial crisis has made clear that the economic policy choices made by China and the U.S. are ... crucially important to the stability of the world economy as a whole," Treasury Secretary Timothy Geithner said during the final day's discussions.

In his comments Tuesday, Chinese Vice Premier Wang Qishan voiced support for a key U.S. goal that China shift to more domestic-led growth rather than depending so much on exports that drive up the U.S. trade deficit.

"China will focus on boosting domestic demand and in particular consumer demand," Wang said, speaking through a translator. He and Geithner sat at the head of a long conference table underneath massive chandeliers in Treasury's ornate Cash Room.

But Wang cautioned that this was "not an easy task" and would require "long-term and arduous efforts." U.S. officials have expressed concerns in the past that China was moving too slowly in making the changes needed such as building a better social safety net that would encourage its citizens to spend more and save less.

Geithner repeated the commitment that the administration would trim its budget deficits once the spending necessary to jump-start the economy and stabilize the financial system had been completed.

However, private economists are worried that the administration has yet to put forward a credible plan to meet Obama's pledge to cut the deficit in half by the end of his first term in office. This year's imbalance is projected to be more than four times the size of last year's.

The economic talks on Tuesday focused on the need to fight against erecting protectionist trade barriers during the economic downturn. Other economic issues on the final day were ways to achieve the goal of overhauling the International Monetary Fund and other global financial agencies to give emerging economies such as China greater say in the operation of the institutions.

"We can build upon our joint response to the global financial crisis by continuing to provide constructive leadership and support for the institutions underpinning global financial stability," Geithner said in the meetings being held at the Treasury Department.

Secretary of State Hillary Rodham Clinton was leading a separate set of discussions at the State Department focused on foreign policy concerns. The topics on Tuesday included assisting poor countries in fighting infectious diseases and efforts to improve the functioning of global energy markets.

The United States and China are the world's largest emitters of the gases blamed for global warming. While China did not signal any change in its refusal to agree to a specific cap on those emissions, the two sides did sign a document which Clinton said would create a platform for cooperation on climate change in the future.

U.S. Energy Secretary Steven Chu, who participated in the talks on this issue, said clean energy and climate change would be a critical part of the U.S.-Chinese relationship in coming years.

"The stakes could not be higher," Chu said. He said while he was heartened by the progress the two countries were making both nations "must do more." The discussions represented a lead-up to a global climate conference later this year in Copenhagen.

While officials on both sides struck a conciliatory tone in their public statements, they did raise some tough issues during the closed-door discussions.

China, worried about its huge investments in the United States, quizzed administration officials about budget deficits. The Obama administration pressed China on the need to

rebalance its economy to focus more on domestic-led growth rather than relying on exports to the United States, according to aides who briefed reporters.

Associated Press writers Foster Klug, Daniel Wagner and Matthew Lee contributed to this report.