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Analysis: Geithner's style less confrontational

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Rarely has a Cabinet agency seen such a dramatic change of style as the one that has occurred at the Treasury Department. Gone is Hank the hammer and in his place is Tim the mild bureaucrat.

That change was on display in abundant fashion during Timothy Geithner's first trip to China as Treasury secretary.

And judging from the reaction of the Chinese, Geithner may have struck on a winning formula that will reap more benefits for the United States than Henry Paulson's more belligerent style of operation during the Bush administration.

Paulson got his nickname during three decades of climbing the corporate ladder at Goldman Sachs where his blunt speaking style and take-no-prisoners approach to dealmaking pushed him to the pinnacle of success at Wall Street's premier investment bank.

Like many Cabinet officials before him, Paulson decided to use what worked for him in the private sector in his government job.

In no area was this more apparent than his approach to the Chinese. Paulson believed he could pressure China to deal with the chronic trade gap between the two nations.

Paulson got the Chinese to agree to a new high-level round of talks known as the Strategic Economic Dialogue. But in Paulson's approach, most of the talking went one way.

The Bush administration wanted the Chinese to attack the trade deficit by allowing its currency, the yuan, to rise in value against the dollar. There were other issues in the dialogue but it was the currency problem where Paulson directed his fire power, in part because the payout seemed to be so huge.

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With America's trade deficit with China running at record levels, the currency rate seemed like an inviting target. American manufacturers contended that the Chinese yuan was undervalued by as much as 40 percent, giving Chinese manufacturers a tremendous competitive advantage.

The trouble, however, was that the Chinese quickly grew to dislike the hectoring and for the last six months, the yuan hasn't appreciated at all against the dollar.

Geithner, the new Treasury secretary, has a background as a competent government bureaucrat, not a Wall Street wheeler-dealer.

Geithner's style on display in Beijing over the past two days was more cooperative and far less confrontational. He barely mentioned the currency issue, instead choosing to praise China for what it has done to help in the global financial crisis by putting forward a large economic stimulus package, second in size only to the United States.

Geithner, like Paulson before him, sought to impress on the Chinese his experience in dealing with China, but there, too, the difference was striking. Paulson emphasized all the dealmaking he had done with Chinese officials when he was at Goldman Sachs.

Geithner, on the other hand, framed his past ties with China as that of a student, first visiting nearly three decades ago as a college student studying Mandarin Chinese. He spoke a brief sentence in Chinese Tuesday in an interview on state television. The Chinese phrase translates to "We will make a joint effort in a concerted way."

In a major policy address on Monday and in a string of meetings with Chinese officials, Geithner purposely played down the old hot-button issues of currency and trade in favor of emphasizing areas of agreement.

Geithner's style seemed to fit much better with the traditional approach the Chinese prefer of de-emphasizing disagreements, at least in public.

Premier Wen Jiabao, who had shaken financial markets around the world by publicly worrying back in March about the soaring U.S. budget deficits, made no mention of that topic during Geithner's visit. Chinese officials told the U.S. delegation that they were satisfied with Geithner's assurances that the Obama administration was serious about tackling the deficits once the economy and the banking sector were on more sound footing.

Geithner's initial success doesn't mean all the economic tensions with China have suddenly gone away. The trade deficit is still at record levels, transferring even more billions of dollars in U.S. assets into the hands of the Chinese, who use the money to buy up Treasury securities and increasing their position as America's banker.

But the Obama administration is counting on a changed tone to produce results down the road. Geithner repeatedly stressed the long-term view, saying that the United States needs to start saving more and buying less as a way to reduce its trade deficits while China needs to switch from such heavy reliance on export-led growth to domestic growth by spurring its citizens to save less and spend more.

Administration officials concede that this will be hard for both countries to achieve but they stress that it is doable.

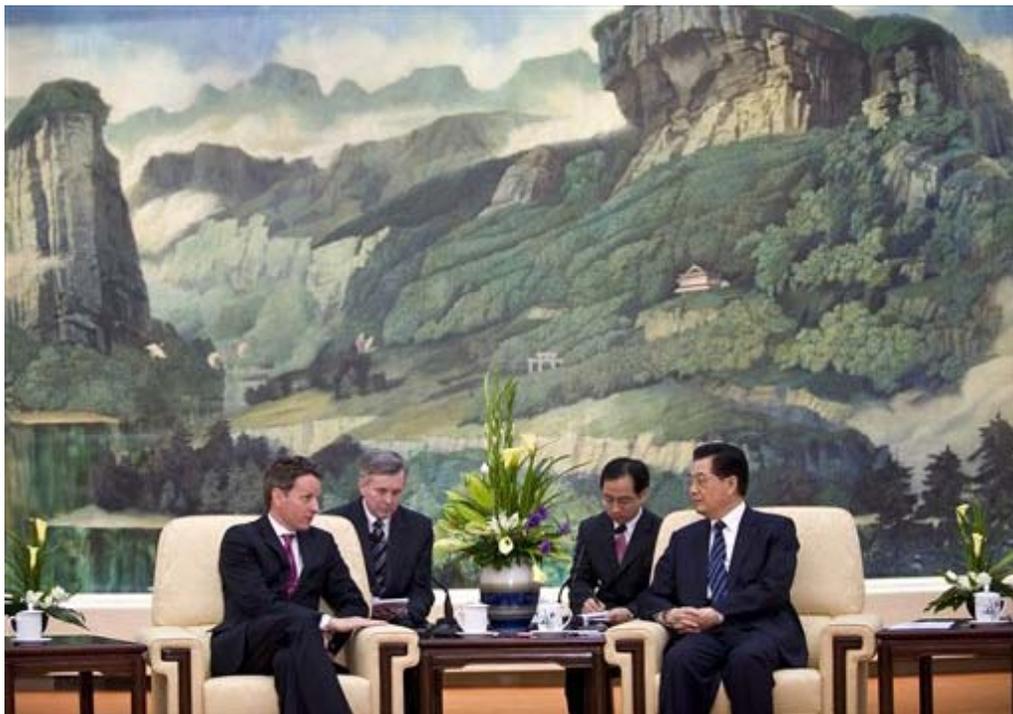
Private economists, who have been urging just such a switch to cure fundamental global imbalances, applauded Geithner's new low-key cooperative

style.

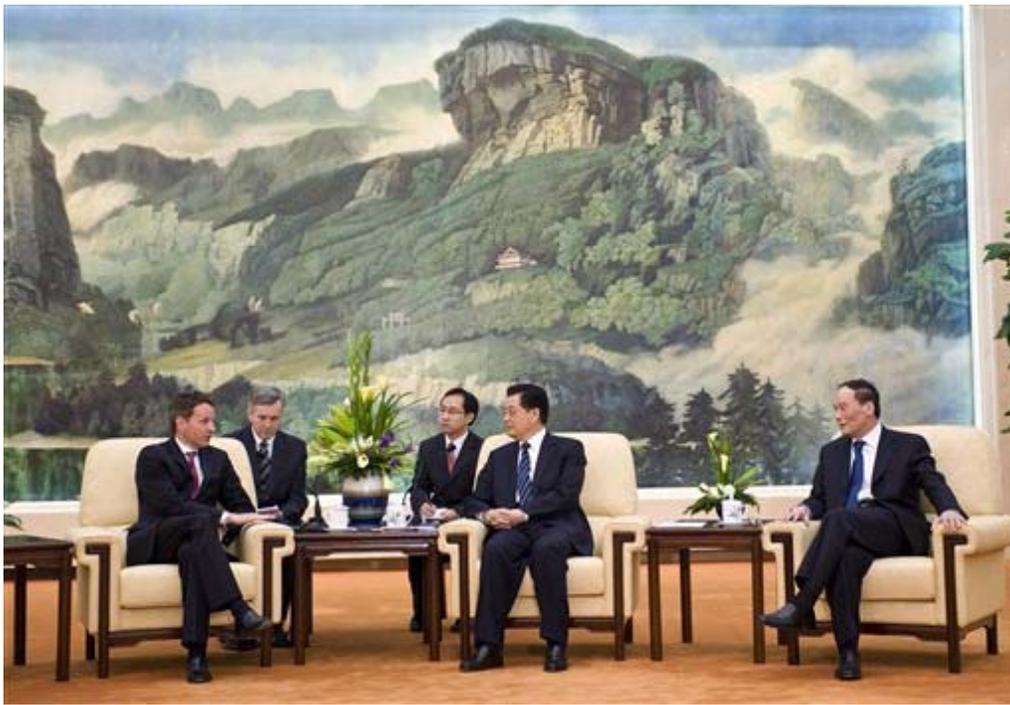
Eswar Prasad, a trade economist at Cornell University, said that Geithner had hit "all the right notes in Beijing" by being a "gracious guest" and saving tougher messages for private discussions.

Prasad said: "This is the way the Chinese like doing business."

Martin Crutsinger has covered economics for The Associated Press for 25 years.



U.S. Treasury Secretary Timothy Geithner, left, talks to Chinese President Hu Jintao during their meeting at the Great Hall of the People in Beijing Tuesday, June 2, 2009. Geithner said Tuesday that he had found strong support among Chinese officials for the strategy the United States is employing to combat the worst global downturn in decades. (AP Photo/Andy Wong, Pool)



U.S. Treasury Secretary Timothy Geithner, left, talks with Chinese President Hu Jintao, center, while Vice Premier Wang Qishan, right, look on during a meeting at the Great Hall of the People in Beijing Tuesday, June 2, 2009. Geithner said Tuesday that he had found strong support among Chinese officials for the strategy the United States is employing to combat the worst global downturn in decades. (AP Photo/Andy Wong, Pool)



U.S. Treasury Secretary Timothy Geithner, left, shakes hands with Chinese President Hu Jintao upon arrival for a meeting at the Great Hall of the People in Beijing Tuesday, June 2, 2009. Geithner said Tuesday that he had found strong support among Chinese officials for the strategy the United States is employing to combat the worst global downturn in decades. (AP Photo/Andy Wong, Pool)



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