

# Top US officials seek to reassure Chinese

By MARTIN CRUTSINGER (AP) – 1 day ago

WASHINGTON — President Barack Obama has rolled out top administration officials to try to reassure China that the U.S. will not let huge budget deficits or runaway inflation jeopardize the value of Chinese investments here.

Among the officials meeting with Chinese representatives Monday were Treasury Secretary Timothy Geithner, Federal Reserve Chairman Ben Bernanke, National Economic Council Director Lawrence Summers and Peter Orszag, Obama's budget director.

U.S. officials said all the officials stressed to the Chinese that the United States has a plan to bring the deficit down once the economic crisis has been resolved. Officials said Bernanke discussed the Fed's exit strategy from the current period of extraordinary monetary easing.

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WASHINGTON (AP) — President Barack Obama declared a new era of "cooperation, not confrontation" with China on Monday, even though two days of high-level talks were not expected to resolve differences over the two nations' yawning trade gap and China's unease over soaring U.S. budget deficits.

The Obama administration pledged to get control of the deficits once the economic crisis is resolved. It also pressed China to reshape its economy to rely more on domestic demand and less on exports that drive up the U.S. trade deficit.

Both sides sought to underscore the importance of the revamped Strategic and Economic Dialogue with Obama delivering a major policy address to welcome a sizable Chinese delegation of 150 diplomats.

"I believe that we are poised to make steady progress on some of the most important issues of our times," the president told officials from both countries assembled in the vast atrium of the Ronald Reagan Building.

"The relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world," Obama said.

The discussions in Washington represent the continuation of talks begun by the Bush administration. While the initial talks focused on economic tensions, Obama expanded the agenda to include foreign policy issues such as America's drive to get China's support for more international pressure to curb North Korea's nuclear ambitions.

Secretary of State Hillary Rodham Clinton and Treasury Secretary Timothy Geithner were leading the U.S. team. The Chinese delegation was led by Chinese State Councilor Dai Bingguo and Vice Premier Wang Qishan.

Geithner and Wang both spoke of hopeful signs that the global economy was beginning to emerge from its worst financial crisis since the Great Depression.

Geithner said the stimulus packages put together by Beijing and Washington had made a substantial contribution to fighting the global downturn and represented a milestone in economic cooperation between the two nations.

The United States, the world's largest economy, accounts for about 22 percent of global output, and China around 7 percent. The combined impact of the massive stimulus programs should make a difference, economists said, in cushioning a recession that appears to be



Map



bottoming out in the United States and some other countries.

"At present, the world economy is at a critical moment of moving out of crisis and toward recovery," Wang said, speaking through a translator.

Geithner traveled to Beijing last month to assure Chinese officials that federal budget deficits, which have ballooned because of government efforts to deal with the recession and stabilize the financial system, would be reined in once those crises have passed.

He said Americans were already moving to boost their personal savings rates. Economists have long argued that is necessary to controlling U.S. trade deficits because it means Americans are not consuming as much in imports from China and other countries.

"We are committed to taking measures to maintaining greater personal saving and to reducing the federal deficit to a sustainable level by 2013," Geithner said at the opening session of the talks.

Geithner did not spell out how the administration planned to accomplish those objectives. Many private economists have said the Chinese are right to worry about a U.S. budget deficit that is projected to hit \$1.85 trillion this year, four-times the previous record, and under the administration's estimates will not dip below \$500 billion over the next decade.

The Chinese, who have the largest foreign holdings of U.S. Treasury debt at \$801.5 billion, have expressed worries that soaring deficits could spark inflation or a sudden drop in the value of the dollar, thus jeopardizing their investments.

Chinese officials did not mention those concerns publicly during Monday's opening session. The United States did not publicly raise the issue of China's currency, the yuan, which American manufacturers contend is being kept at artificially low levels by Beijing to gain trade advantages against the United States.

These omissions were seen as an effort by both sides to emphasize areas of agreement, in part to avoid upsetting global financial markets during a period of stress for the world economy.

"U.S. and Chinese leaders are striving hard to emphasize their common goals and interests while downplaying substantive policy differences. Irritants in the bilateral relationship including human rights issues and China's currency policy have been shunted aside," said Eswar Prasad, a senior professor on trade at Cornell University.

Geithner did say that it would be a "huge contribution to more rapid, balanced and sustained global growth" if China shifted toward more domestic-led growth and away from the current extensive reliance on exports.

While Chinese officials have pledged to move in this direction, it was unclear that the changes would be fast enough or substantial enough to satisfy U.S. demands.

In his remarks, Obama said that the United States and China have a shared interest in clean and secure energy sources. The two nations are the world's largest emitters of the pollution blamed for global warming, but so far China has resisted calls to set specific caps on emissions or to eliminate tariffs on clean energy technology that the United States and other countries would like to sell them.

The administration did praise China for its help in the nuclear standoff with North Korea. Clinton said the administration was grateful for the "close cooperation" it received from China in response to Pyongyang's recent missile launches.

While the U.S. trade deficit with China has narrowed slightly this year, it is still the largest imbalance with any country. Critics in Congress say unless China does much more in the currency area, they will seek to pass legislation to impose economic sanctions on Beijing, a move that could spark a trade war.

Associated Press writers Foster Klug, Jeannine Aversa and Steven Hurst contributed to this report.

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