

U.S., China To Discuss Trade, Currency, Human Rights

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — America's massive trade deficit with China, currency rates and human rights concerns will all be on the agenda when top officials from the United States and China sit down for high-level talks this week.

The annual meetings will bring together top officials from both countries representing dozens of government agencies in the areas of trade and finance, and foreign policy.

While no major breakthroughs are expected, both sides hope to build on the progress made during a state visit by Chinese President Hu Jintao to Washington in January.

That visit helped smooth relations that had been strained in 2010 over such issues as U.S. military sales to Taiwan.

Treasury Secretary Timothy Geithner, Secretary of State Hillary Rodham Clinton and Federal Reserve Chairman Ben Bernanke will lead the U.S. team.

Both countries will, for the first time, bring top military leaders to the discussions in an effort to defuse military tensions that were heightened last year by the U.S. arms sales.

The Chinese team will be led by Vice Premier Wang Qishan, China's top economic policymaker, and State Counselor Dai Bingguo, a veteran diplomat.

The talks will begin with an opening session and then break into separate discussions on the economy and foreign policy. The U.S. and Chinese leaders are also scheduled to meet Monday with President Barack Obama. The talks wrap up on Tuesday.

China is facing threats of U.S. economic sanctions on goods shipped here to its largest foreign market unless it does more to end what U.S. manufacturers say are unfair trade practices, including currency manipulation, that have cost American jobs.

At the same time, China, America's biggest foreign creditor, wants assurances that its \$1.2 trillion in U.S. Treasury holdings are safe despite the impending congressional debate over raising the government's \$14.3 trillion borrowing limit.

"The Chinese are astounded that the U.S. government would let the debate get to the stage where there is even a remote possibility of a default," said Eswar Prasad,

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

a China expert at Cornell University.

The higher debt limit is needed to make sure America can keep paying the interest bill on the debt to China and other investors.

While Geithner said last week that the U.S. would press China to accelerate efforts to revalue its currency, the yuan, he also sounded a conciliatory tone. He noted that the yuan has risen in value by 5 percent since last June, and even faster once inflation was taken into account.

A softer approach on China's currency will not please American manufacturers. They contend that China's currency is undervalued by as much as 40 percent and they want Congress to approve economic penalties if Beijing doesn't move faster.

The U.S. trade deficit with China last year was a record \$273 billion, one-fifth more than in 2009. The administration is considering filing new trade cases against Chinese practices that U.S. companies contend are unfair.

U.S. officials say they want to see more progress on economic commitments made in January.

Those include closer monitoring of Chinese government purchases of software, a move intended to boost Beijing's buying of legal U.S. software and reduce its use of pirated software. American companies say such theft is costing them billions in lost sales.

The Chinese also pledged to revamp a policy that limits the ability of U.S. companies to compete for Chinese government projects unless the products are designed in China. American businesses regard this as an effort to force them to turn over their technology to China or be locked out of its government market.

On foreign policy, officials said Clinton will renew efforts to gain China's support in confronting nuclear threats from North Korea and Iran, and she will raise the issue of human rights.

China recently undertook the biggest security crackdown in years, apparently prompted by the communist leadership's fear of Middle East-inspired unrest migrating to China.

The high-level talks began in 2006 in the Bush administration and focused on economic issues. The Obama administration expanded the focus in 2009 to include foreign policy as well as economic concerns.

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Source URL (retrieved on 10/21/2014 - 2:57pm):

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