China Vows Change In Trade, Finance

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BEIJING (AP) — China agreed Friday to let foreigners own bigger stakes in its securities firms and promised to limit export subsidies after a high-level dialogue with the United States went ahead despite a standoff over a Chinese legal activist.

China's government also said it was implementing an earlier commitment to expand access to its auto insurance market and would allow greater foreign investment in Chinese stocks and bonds. It promised to pursue reforms of its controversial exchange rate controls but gave no timeline.

This week's Strategic and Economic Dialogue came as a weak global economy and pressure to generate jobs is fueling U.S. demands for Beijing to lower market barriers and scrap currency controls. Washington complains China's currency is undervalued, giving its exporters an unfair advantage and hurting foreign competitors and the global economy.

The dialogue was overshadowed by the tussle over legal activist Chen Guangcheng but went ahead as scheduled. He has made a high-profile plea for U.S. sanctuary after escaping house arrest. The annual talks are meant to head off trade disputes between the world's two biggest economies and promote cooperation in environmental and other issues.

Chinese officials agreed to raise the cap on foreign ownership of securities joint-ventures to 49 percent. That is above China's promise of 20 percent ownership as part of its World Trade Organization obligations.

The two governments said they would start negotiations this summer on limits to export credits. China's billions of dollars in loans and other support to exporters have been criticized as anticompetitive subsidies.

"These important steps do not resolve all of our concerns, or China's, but they do represent progress that translates into greater opportunities for U.S. workers and companies," said U.S. Treasury Secretary Timothy Geithner.

For its part, the U.S. promised to facilitate high-tech exports to China, responding to Beijing's complaints about restrictions on "dual-use" goods with possible military applications.

Chinese officials also announced plans to allow foreign and domestic auto financing companies to issue bonds regularly, a step that could give a boost to U.S. automakers relying on China — the world's biggest auto market — for growth. China said it had amended regulations to implement a previous commitment to allow foreign insurance companies to sell third-party auto insurance in the country.

Earlier Friday, Geithner said in a meeting with President Hu Jintao that China's plans to move toward a more market-based exchange rate are "very promising." Last month, Geithner complained that an undervalued yuan was a source of "unfair competition."

Chinese envoys made a "clear, sustained commitment" to more exchange-rate reform at this week's talks, said a U.S. official who had briefed reporters on condition of anonymity.

Chinese officials have said, however, that future gains in the yuan are likely to be limited. Trade Minister Chen Deming said Thursday that China's shrinking global trade surplus suggests the yuan is at an appropriate level.

Participants in this week's wide-ranging dialogue included U.S. Federal Reserve chairman Ben Bernanke, his Chinese counterpart Zhou Xiaochuan and trade, energy and finance officials from both sides.

U.S. officials are starting to see "real progress" in Chinese reforms aimed at making state companies more market-oriented and reducing support for them such as privileged access to bank loans, the U.S. official said.

Beijing is in the midst of a multiyear effort to boost domestic consumption and reduce reliance on exports and investment but change has been slow.

Still, foreign governments and business groups complain Beijing is hampering market access and trying to shield Chinese companies in promising industries such as renewable energy despite its market-opening pledges.

At a breakfast Friday attended by Geithner's Chinese counterpart, Vice Premier Wang Qishan, the chairman of Ford Motor Co.'s China unit appealed for clearer Chinese auto industry standards.

"We get mixed signals regarding electric vehicle requirements," said the executive, David L. Schoch.

The United States reported its trade deficit with China reached an all-time high of $295.5 billion last year, up 8.2 percent from 2010's previous record.

The U.S. Commerce Department announced last month it would impose new import fees on Chinese-made solar panels after concluding manufacturers received improper subsidies. Chinese authorities announced their own probe in November into whether U.S. support for renewable energy companies hurts foreign suppliers.

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