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U.S. Gains Little From China Trade Talks

By Audra Ang, Associated Press Writer

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BEIJING (AP) — China and the U.S. did little to deflate Washington's growing impatience over trade practices it says have led to massive trade deficits, as two days of economic talks came to an end Thursday.

China's top negotiator, Vice Premier Wu Yi, cited progress on food safety and environmental protection, calling the China-U.S. Strategic Economic Dialogue a "complete success," but acknowledged more must be done.

"Both sides need to discuss Sino-U.S. economic relations from a strategic point of view and map out a better blueprint for future U.S.-China economic trade relations and cooperation," Wu said.

U.S. Treasury Secretary Henry Paulson said in a statement, "We also both recognize the need to fight economic nationalism in our two nations."

Paulson met with Chinese President Hu Jintao and Premier Wen Jiabao, who told him "frictions and problems that have occurred in the process of economic cooperation are natural," according to Chinese Foreign Ministry spokesman Liu Jianchao.

Wen told Paulson that "compared with the huge benefits we have gained from this business relationship, they are less important," Liu told reporters.

Yet long-standing tensions over China's trade surplus and monetary policy remain entrenched.

Just hours after diplomatic sendoffs were exchanged at a resort outside Beijing, the U.S. Commerce Department said America's trade deficit with China jumped 9.1 percent to \$25.9 billion in October, a record for a single month.

So far this year, the U.S. trade imbalance with China is running at an annual rate of \$256 billion, on track to surpass last year's record high of \$233 billion, which is greater than in any other country.

The widening trade imbalance reflects record imports from China, led by shipments of toys and games and televisions for Christmas. Demand remains strong despite a string of high-profile recalls of Chinese products, from toys with lead paint to defective tires and tainted toothpaste.

The growing deficit has triggered a backlash in the U.S. Congress, with dozens of pending bills that would penalize China for what critics see as unfair trade practices that have led to the loss of 3 million U.S. manufacturing jobs since 2000.

U.S. Commerce Secretary Carlos Gutierrez cautioned against punitive measures, touting new agreements reached during the two-day talks to safeguard some food and drug imports, better access to midsize Chinese cities for U.S. exporters and relaxed rules for tourism to the United States.

"It's a tremendously complex relationship, and to think somehow that could be solved with a simple act of protectionist legislation I think is a mistake," he said.

But the modest agreements between the U.S. and China were in marked contrast to those reached during a visit last month by French President Nicolas Sarkozy and other EU officials. The delegations left with contracts for nuclear reactors and Airbus passenger jets worth nearly \$30 billion.

Wu said Beijing can't be blamed for America's appetite for inexpensive Chinese Goods and suggested Washington lift restrictions on high-tech exports to diminish the trade deficit. She also bristled over threatened protectionist legislation, warning that new trade barriers would be a double-edged sword.

Beijing officials also stood by current monetary policies, saying a slow valuation of the yuan is the best route.

Zhu Guangyao, China's assistant finance minister, said the yuan has appreciated by more than 12 percent since 2005, and 6 percent this year alone.

"The Chinese government has done its utmost," he told reporters.

Paulson reiterated calls for a faster yuan appreciation, saying it would help China deal more effectively with rising inflation and asset bubbles amid signs its economy was overheating.

The next round of the Strategic Economic Dialogue is set for Washington in June.