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Clinton and Geithner Face Hurdles in Talks With China

By **MARK LANDLER**

BEIJING — [China](#) and the United States opened three days of high-level meetings here on Monday meant to broaden and deepen the ties between the world's largest developed and developing economies.

But the opening session instead laid bare a recurring theme between Beijing and Washington: the United States came with a long wish list for China on both economic and security issues, while China mostly wants to be left alone to pursue policies that are turning it into an economic superpower without putting at risk its prized geopolitical stability.

President [Hu Jintao](#), welcoming the 200-strong American delegation in the Great Hall of the People, praised the "mutually beneficial and win-win cooperation" between the United States and China. Such coordination, he said, had helped speed the recovery from the 2008 [financial crisis](#).

But on the crucial issue of China revaluing its currency — something the Obama administration had pushed for — Mr. Hu said Beijing would move "under the principle of independent decision-making, controllability, and gradual progress." Translation: only when China is ready.

Economists said the deepening debt crisis in Greece, which came up immediately in the discussions on Monday, would make Beijing even more reluctant to allow its currency to appreciate in value.

Treasury Secretary [Timothy F. Geithner](#) did not mention China's currency in his opening remarks, and the United States did not broach it in the first working session. The administration has decided not to prod Beijing at this meeting, officials said, concluding that it would resist outside pressure.

The United States is hitting similar hurdles on security issues. Secretary of State [Hillary Rodham Clinton](#) pressed China to support measures against North Korea following the strong evidence that it torpedoed a South Korean warship in March. But China has been skeptical of North Korea's role and is reluctant to punish Pyongyang, with which it has close ties.

And while China agreed to a watered-down [United Nations](#) resolution on [Iran's nuclear program](#), it has not signed off on annexes against specific Iranian individuals and companies. With big

investments in Iran's oil and gas industry, China may well be in business with some of them.

In her speech to the opening session, Mrs. Clinton cited Iran and North Korea as issues in which Beijing and Washington must find common cause. "Today, we face another serious challenge provoked by the sinking of the South Korean ship," she said. "So we must work together, again, to address this challenge and advance our shared objectives of peace and stability."

A spokesman for the Foreign Ministry, Ma Zhaoxu, was noncommittal, saying of the Korea crisis, "We hope all the relevant parties will exercise restraint and remain cool-headed."

Some of this is cultural, to be sure. Chinese officials tend to speak far less directly than Americans. Mr. Hu did not mention Iran and North Korea at all, referring only to regional "hot spots." The fact that he frankly addressed the exchange rate of China's currency, [the renminbi](#), surprised some observers, and lent itself to varying interpretations.

For some experts, Mr. Hu's pledge to "steadily advance the reform mechanism of the RMB exchange rate," without repeating his previous references to the rate being "basically stable" was a sign of conciliation. "It's important, the fact they haven't mentioned it," said Ben Simpfendorfer, the China economist for the [Royal Bank of Scotland](#).

But others interpreted it as a pre-emptive move to take the issue off the table. Eswar Prasad, an economist at [Cornell University](#), noted that the crisis in Greece had rattled the Chinese on two levels. It was likely to curb their exports to Europe, and it had strengthened the renminbi relative to the swooning euro, which makes Chinese goods more costly in foreign markets.

"That double hit on China's exports almost certainly means that they're not going to move forward unless there is evidence of stabilization in the euro and stabilization in Europe's recovery," Mr. Prasad said.

A senior Chinese official said that Beijing would keep a "high alert and attention on the euro zone sovereign debt crisis." He noted that it could affect not only Europe's economic recovery but also Chinese exports. China exports more to the [European Union](#) than to the United States.

The United States needed a 48-vehicle motorcade to ferry its delegation to this second round of the so-called strategic and economic dialogue. Among the prominent names: the chairman of the [Federal Reserve](#), Ben A. Bernanke, the commander of the military's Pacific Command, Adm. Robert F. Willard, and the secretary of health and human services, [Kathleen Sebelius](#).

Some of the topics under discussion veered far from economics and security. Mrs. Clinton singled out Melanne Verveer, the State Department's ambassador-at-large for women's issues, who is meeting with Chinese women's groups to discuss their progress in women's rights.

Mr. Geithner lobbied against Chinese government procurement rules that give preference to

products with intellectual property developed in China. American businesses, particularly in technology, complain that this handicaps them and deprives China of state-of-the-art products.

“Innovation flourishes best when markets are open, competition is fair, and strong protections exist for ideas and inventions,” he said.

The Chinese have their pet issues as well: Beijing is pushing for the United States to loosen controls on exports of high-technology equipment with potential military applications. A raft of questions from reporters for state-run Chinese media organizations suggested a coordinated campaign.

If the United States seemed likely to leave Beijing with many of its wishes unfulfilled, there was one notable difference in this year’s meeting compared to the one last year in Washington: the American economy is growing again, which gave Mr. Geithner a rare chance to crow a bit.

Rather than identify the United States with the troubled economies of Europe, Mr. Geithner said America was holding its own with the big emerging economies like Brazil, India, and China.

“Economic growth in the U.S. and China is broader and stronger than many had anticipated, even a few months ago,” he said.

Michael Wines contributed reporting from Beijing, and Keith Bradsher from Hong Kong.