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U.S.-China talk trade in a time of transitions

By [Howard Schneider](#), Published: December 18

When U.S. officials hold the latest round of trade talks with China this week, they will make the usual case for better market access and protection for American firms, and expect the usual tempered Chinese concessions.

But more important, they'll be looking for some broader sense of how that country's new leadership plans to approach economic, financial and trade policy — a critical area where China's direction remains unsettled. [New leader Xi Jinping](#) has pledged to push toward a more open economy that relies less on exports to the United States, but he has yet to name his economic team. U.S. business leaders, officials and analysts say they are not expecting quick progress.

“One hears the right things from the new leadership . . . but little in the way of specifics,” said Eswar Prasad, a Cornell University economics professor who follows Chinese-U.S. economic relations. Appointments — including a new head of the People's Bank of China — will be an important indication of how Xi's promise of economic reform might translate into action, Prasad said.

The issue is of central importance to the United States, where the promised benefits of deeper economic relations with China have yet to be fully realized. Exports to China have grown drastically since the country joined the World Trade Organization just over a decade ago.

But the United States still runs a massive trade deficit with China, where the Communist Party retains control over a giant complex of state-owned businesses and banks. U.S. government and business officials say that China remains a place of conflicting signals — where high-level promises, for example about better protection of

intellectual property, seem to falter when it comes to implementation.

In a membership survey by the American Chamber of Commerce in Shanghai, two-thirds of businesses said intellectual property enforcement in China has not improved despite government pledges to crack down.

“We think it is safe to say that the transition . . . will not result in near-term economic policy reforms that would dramatically impact the business climate for U.S. companies in China,” said David Basmajian, a spokesman for the group.

The talks this week, the latest annual session of the U.S.-China Joint Commission on Commerce and Trade, comes with both nations undergoing political transition. President Obama approaches a second term focused on domestic fiscal issues and with his administration’s top economic posts in flux: Treasury Secretary Timothy F. Geithner and U.S. Trade Representative Ron Kirk are set to leave, and Rebecca Blank is serving as Commerce Secretary on an acting basis since the resignation in June of former secretary John Bryson.

On the Chinese side, Vice Premier Wang Qishan will be making his last trip as China’s chief contact with the United States on financial and trade policy, after nearly five years in that role. He has been [promoted in the Communist Party’s Politburo](#), put in charge of anti-corruption efforts. His successor won’t be announced until March.

Because of the turnover in both countries, the latest round of talks was almost postponed.

Further lowering expectations is an increasingly complicated global and regional landscape.

China’s economic growth has slowed, showing the downside of its dependence on exports to the United States and, more significantly, to Europe, where many countries have fallen back into recession.

That has emboldened some in China to push for a faster economic opening, but there are strong counterarguments in an unresolved debate about how much economic control the Communist Party should surrender.

The Obama administration’s “pivot” toward Asia is regarded with suspicion, as a ploy to contain China’s influence; Beijing also has complained about Washington’s aggressive use of the WTO and other methods to prosecute trade complaints. Although Chinese direct investment in the United States is expected to set a record in 2012, [a tense U.S. election season](#) saw China criticized frequently as an economic rival.

The actions of Chinese companies such as telecommunications giant Huawei and alternative energy firms have come under close scrutiny, and some investments have been rejected on national security grounds.

Although Wang has been considered a constructive figure, in close touch with Geithner and others, it may be several months before the new Chinese government’s direction becomes clear, said John Frisbie, president of the U.S.-China Business Council.

“They are in an interim period where their political leadership has been announced . . . but they have not done the government transition,” Frisbie said. “They are actively discussing economic reform. It is unclear if they will address the types of issues our members are encountering.”

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