



Preview of Treasury Secretary Paulson's Trip to China

Ambassador Alan Holmer, Special Envoy for China and the Strategic Economic Dialogue

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MODERATOR: Ladies and gentlemen, welcome to the Washington Foreign Press Center. We're extremely pleased today to have Ambassador Alan Holmer, who is the Special Envoy for the Strategic Dialogue with China. As many of you know, Treasury Secretary Paulson will be going at the end of this week to China for meetings and Ambassador Holmer, who is returning to us here at the Foreign Press Center, is going to make some brief remarks and then take your questions. He's on a bit of a tight schedule today, but we'll try to leave plenty of time for questions.

Ambassador.

AMBASSADOR HOLMER: Thank you. Thanks very much. As indicated, Secretary Paulson will travel to China over the weekend for meetings next week with government officials and to discuss the U.S.-China SED launched by President Bush and President Hu. He will meet in Beijing with President Hu and with Vice Premier Wu Yi. He will also have other meetings, but those are still being confirmed.

He plans to discuss a broad range of issues that are critical to the U.S.-China economic relationship. He will raise with the Chinese leadership issues of concern to the U.S. Congress, as well as to follow up on action items that were identified at the last meeting of the Strategic Economic Dialogue in May.

The Secretary's trip will begin with a visit to Qinghai Lake on Monday, July 30th, the largest lake in China, and an example of the environmental challenges faced in China as well as the global nature of those challenges. Collaborating on energy and environment is one of the key areas of focus of the SED, which was established to provide a focused and effective framework for addressing issues of mutual concern.

And I would like to point out, in particular, the quote from Secretary Paulson that was in the statement that came out from the Treasury Department on Tuesday. He said, "The only way to make progress on climate change is to engage all the large economies, developed and developing, to work toward embracing cleaner technology and reducing emissions. What's happening with the environment in the middle of China not only affects the local climate and economy, but also the global climate and economy. And that's why it's so important that we work together on these big issues where we have a common interest in finding solutions that will benefit us all." That's the end of the quote from Secretary Paulson.

Now if I could, just a few words to remind all of you about the Strategic Economic Dialogue. This was established by President Bush and President Hu in 2006. As two of the leading economies in the world, it is critical that we and China get our economic relationship right. The SED is not just an event that happens twice a year. It's an ongoing process to address long-term strategic issues in our bilateral relationship and it's a continuation of this dialogue that is the basis for Secretary Paulson's trip to China over the weekend and next week.

Our objectives for the SED are ambitious, but very clear. The first is to provide strategic management of U.S.-China economic relations, to catalyze the next major phase of China's economic reform after and beyond their accession to the WTO and to cultivate China as a responsible international economic actor. And this is -- because of those areas of focus, we have addressed, in the SED, issues like rule of law, transparency, open investment, innovation of intellectual property rights, rebalancing growth and energy and the environment.

We have also had, at the SED and at the margins of the SED meeting in May, extensive discussions on consumer protection and product safety. And what we're trying to do in this dialogue is to be able to address and discuss issues that are going to have the greatest impact on our substantial trade imbalance with China. So addressing those broad, long-range strategic issues are the purposes behind the SED. I'd be pleased to take your questions.

MODERATOR: All right. Ladies and gentlemen, as usual, please wait for the microphone and give your name and your media organization.

QUESTION: Thank you. Kaori Iida, I'm with NKH Japanese Public Television. One of the issues of concern to the U.S. Congress is food safety. I understand FDA officials will be in Beijing next week as well. To what extent do you think food safety will be a topic during the Secretary's trip? And on a separate note, on global climate change, the President earlier this year made a proposal to gather 10 to 15 of the biggest greenhouse gas emitters to a meeting. Do you think this will be a topic during his trip as well?

AMBASSADOR HOLMER: Good questions, both. I think those both will be agenda items for Secretary Paulson. I mean, first on the -- let me speak to the issue with respect to product safety. You know, understood that the American people have a reasonable expectation that the products that they buy are safe. And safety requires continuous improvement and the world is changing and we need to do all we can to adjust to those changes and to meet the changing demands of a global economy. And it's a global issue that requires common efforts.

I think one of the things that we'll be stressing is that it's important that any government policies in this area be based on sound science and best practices, that they should not be protectionist or retaliatory and should be consistent with international obligations. But yes, I do expect this will be an issue that will be discussed. And as you know, President Bush has created a product safety working group that's chaired by Secretary Levitt to be able to look into this entire issue and every aspect of the way that we import in the United States.



QUESTION: Yes, Rob Lever from the AFP French news agency. I'm just wondering why this is coming now. Is there some particular pressing issue now? And I'm just framing it in the context of you have legislative efforts that seem to be accelerating in Congress. There is a markup that seems to be going on right now or this week on what the Hill -- impose various kinds of sanctions on China and you have the product safety here.

Are those a couple of the things that may have prompted the Secretary to maybe accelerate and press these issues with a little more urgency now?

AMBASSADOR HOLMER: In terms of the timing of the trip, this is a trip that's been in the works for sometime now. It's not directly related to any specific markup in any committee or any particular axiom it might have taken with respect to food safety.

As I indicated in my opening comments, the SED is not an event that just happened, that happens twice a year. This is an ongoing dialogue, an ongoing discussion, and as you would expect, with people with the busy schedules of President Hu, Vice Premier Wu and Secretary Paulson, it's always a challenge to be able to find the best time when they could all meet. And it happened that this particular time, this week, was the best time for them to meet, but not in response to or related to any specific event that might be occurring now or might have occurred before.

QUESTION: I'm Kim Landers from Australian Broadcasting. I just wanted to pick up on the earlier point about climate change. Is the fact that the meeting is occurring at this large lake in China an indication the Chinese Government has indicated, if you like, that they are willing to attend that international meeting about climate change and imposing some sort of cap on emissions that the President has proposed?

AMBASSADOR HOLMER: I'm not aware that there has been any specific response on that yet. But I think the location at Qinghai Lake is important, in that this is a lake that has a fragile ecology and it's an important symbol of the environmental challenges that are posed by rapid economic development. And this is a lake that, over the past 30 years, has been shrinking as the surrounding deserts have expanded. And the Chinese have cited the expanding deserts as a major environmental challenge to sustainable development in the country.

And what we have found is that in the discussions we've had under the SED, the whole issue of energy and the environment, which has been one of the top four major issues that we've had from the start, is an area where there's tremendous commonality of interests between the United States and China. And that's why we are having this discussion at Qinghai Lake and also why it continues to be such a high area of focus for Secretary Paulson.

MODERATOR: Yeah, I was going to New York but I see that image is frozen, and so I'm not quite sure that they're connected with us. Here's the microphone here, please.

QUESTION: Hi. My name is Sonia Schott with Radio Valera, Venezuela and Selecta, Panama. Any possibility to include anything related to Latin America considering the increasing presence of China in the region?

AMBASSADOR HOLMER: I'm sorry. Could you say -- ask that question again?

QUESTION: If there is any possibility to include any issue related with Latin America, considering the increasing presence of China in the region?

AMBASSADOR HOLMER: Mm-hmm.

QUESTION: Thank you.

AMBASSADOR HOLMER: You know, there are many issues where there are common interests, I think, with respect to pursuing issues as it relates to Doha in trying to make sure that that is -- that that's done successfully. We've had discussions about that and trying to make sure that China is engaged there.

As you know, Secretary Paulson recently spent a week in Latin America and South America and has had a chance to pursue those issues there, but beyond where there are issues that would be of interest in Latin America, but also to the interest of the United States and China, those issues would -- you know, will be included, but in terms of a specific Latin American focus, I'm not aware of any such focus.

QUESTION: No concerns?

AMBASSADOR HOLMER: I'm sorry?

QUESTION: No concerns?

AMBASSADOR HOLMER: Well, yeah. The purpose of the strategic economic dialogue is to manage the bilateral economic relationship between the United States and China. And Secretary Paulson is intensely interested in Latin America and in South America and has evidenced that by his engagement and the recent trip that he took to that region of the world.

MODERATOR: I think New York is connected. Go ahead, New York. I'm not so sure whether he can hear me. New York, please go ahead.

QUESTION: Okay. Yeah, we know that environmental issues and energy concerns top the agenda of Secretary Paulson's visit. My question is, apart from discussions on strategic concerns, what are the concrete proposals the Secretary might bring? What actions should be taken after these -- you know, discussions? Thank you.

MODERATOR: New York, could you identify yourself, please?

QUESTION: Yeah. Okay. My name is Yang Fuqing with China Central TV, CCTV.

AMBASSADOR HOLMER: Yeah, we've had a broad range of issues that have been discussed. I think one in particular that is of very strong interest that we have had discussions in the past is at the Strategic Economic Dialogue meeting in May, there was agreement that we would pursue discussions regarding eliminating tariff and non-tariff barriers on environmental goods and services.

Around the world, average tariffs are between 2 and 26 percent. And we're all trying to do a better job in terms of energy efficiency and having the cleanest environment possible and to have a 2-to-26 percent disincentive to having the most up-to-date environmental goods and services doesn't seem to make sense from our perspective and, therefore, that's one issue, in particular, I know that Secretary Paulson will want to have a chance to pursue with his counterparts from China.

MODERATOR: Right here in the middle.

QUESTION: Hi, Dave Lawder with Reuters News Service. What is the message that the Secretary will be bringing about the actions in Congress? Will he be going to, sort of, head off some possible backlash about bills that are being considered?

AMBASSADOR HOLMER: He will -- clearly, the issue of currency is one that will be on the agenda of his discussions both with President Hu and with Vice Premier Wu Yi, and in terms of exactly what the message is going to be in that regard, I think I'll leave that to Secretary Paulson.

I would want to emphasize, though, that -- you know, the Administration does take the issue of the exchange rate between the dollar and the RMB very seriously. We have had an unprecedented level of engagement with the Chinese in urging them to move to a flexible market-determined exchange rate. The RMB has appreciated 9.4 percent since July of 2005, but it is our view that China needs to do more and to do it more quickly. And I'm confident that Secretary Paulson will be conveying to the Chinese, as he has in the past, about why it is so important as far as China's economic interest is concerned to be able to appreciate their currency and to do it more quickly.

MODERATOR: All the way in the back, please.

QUESTION: Mike McCarthy, DPA. The Chinese Government in the agreements with the United States has pressed to crack down on pirating and copyright issues. Is the U.S. so far satisfied with the Chinese Government in that regard?

AMBASSADOR HOLMER: You know, I would need to, I think, defer to the folks at the U.S. Customs Service regarding the specifics of what was agreed to at the meeting in May. For the benefit of those who may not have been paying as close attention to this as our questioner, one of the things that we had that came out of the May Strategic Economic Dialogue was that the U.S. and China signed an agreement to strengthen the enforcement of intellectual property laws and to maintain an exchange between our respective customs staff to share experiences on counterfeit goods and seizures.

And this is important because if you -- when you look at the total value of the seizures by the Department of Homeland Security, in 2006, of goods that violate -- that infringe upon intellectual property. Of all those seizures in 2006, 80 percent of those came from China and the value of the seizures in 2006 was nearly double the value in 2005. So this is a very important issue. The collaboration that we will be able to have between their customs service and our customs service, we believe, will be important. But as you know, there are also other issues with respect to China's meeting their obligations in the intellectual property area including, in particular, before the World Trade Organization. USTR has brought two cases before the WTO and USTR will continue to pursue those.

So it continues to be an important issue on the agenda, tremendously important to both sides, because we have our interests, but certainly, China has an interest in becoming an even more innovative society and strong intellectual property protection is a critical part of that.

QUESTION: Could I follow up to the question regarding the currency issue? So that -- you mentioned that (inaudible) Mr. Paulson to talk about the concern to the U.S. Congress regarding the China -- U.S.-China trade. So my question is: Do you expect any tangible result which will satisfy the U.S. Congress regarding the currency?

MODERATOR: I'm sorry, could you identify yourself?

QUESTION: Sorry. My name is Higuchi with Jiji Press, Japanese news press.

AMBASSADOR HOLMER: Well, again, the SED is strategic, it's economic and it's also -- the D in the SED is dialogue. It's -- you know, we want to be able to achieve tangible results as a result of that dialogue. But the D in SED doesn't stand for deliverable. This is a dialogue where we are trying to be able to better understand the perspectives of the others.

Now any time Secretary Paulson or any of the rest of us go to China or any other country, we do so for a purpose and we hope to be able to achieve results. I would not expect at this meeting that there is going to be a breakthrough. But these are important issues and the work of our Congress does reflect the views of the American people. And many feel that the benefits of trade with China are not spread evenly between our two countries or even between the U.S. -- or even within the U.S. And on both sides of the aisle, both Republicans and Democrats, there's an impatience with the pace of reform in China. And we understand that and we wish that the pace of the appreciation of the RMB would occur more rapidly. And we understand the pressure to legislate.

But it's also true, I think, that members of Congress understand how important it is that we get the economic relationship right with China. So I think, again, the message that Secretary Paulson will be conveying is the importance of faster appreciation, but also why that is so profoundly in the interest of China for that to occur.

MODERATOR: Okay, one or two more.

QUESTION: Kaori Iida with NHK again. Can you talk a little about the logistics? When exactly will the Secretary be meeting with President Hu and Wu Yi? Is that going to be one on Tuesday, one on Wednesday? And also, is there any possibility that Secretary Paulson will be meeting with Governor Zhou of the Central Bank?

AMBASSADOR HOLMER: There will be other meetings in addition to the meeting with President Hu and Vice Premier Wu. But the timing on those and -- I'm not aware that those have yet been solidified. In terms of the specifics with respect to the timing of any of those meetings, I'm not sure that we're in a position to be able to talk about that today. I can tell you that the trip starts on Monday at Qinghai Lake. But beyond that -- and then meetings in Beijing on Tuesday and Wednesday, but beyond that, I'm not able to provide any further details at the moment.

MODERATOR: I think one more.

QUESTION: Thank you. Kim Landers from Australian Broadcasting again. I wanted to pick up on that earlier point about the impatience of some here in the United States about reforms in China. There is some criticism that Secretary Paulson has been too much of a supplicant to China: He's giving them too much of a soft go, a firmer hand needs to be taken, and that he should not keep rewarding China with frequent visits when nothing very tangible is being achieved. What do you say to that?

AMBASSADOR HOLMER: I guess partly, I wish -- I can't arrange this, but, in a sense, to be able to respond to that question, I wish you could have an opportunity to see Secretary Paulson in individual meetings and to be able to listen in on the -- he'd be happy to do that -- and to be able to listen in on conversations that he has with his colleagues.

I mean, the last time he was in -- well, let's just kind of walk through it. December, he was in Beijing for meetings with the SED and then there was another trip in May, a very large Chinese delegation -- representatives, the heads of 21 different Chinese departments and agencies came here and now he's going back there.

The results that were achieved in May, we believe, were an important, meaningful step forward in terms of the bilateral relationship, in terms of opening up -- China's opening up, both with respect to civil aviation, with respect to financial services, liberalization, and also in the areas of the discussions that we had with energy and the environment.

And we are making important progress. We're doing it -- and we're also making that progress more quickly than would have been the case without the SED. I give you the example that the civil aviation agreement, which Secretary of Transportation Mary Peters has said and would tell you, that, from her perspective, it would not have happened had it not been for the Strategic Economic Dialogue.

The other thing is, as we took this on, we weren't trying to pick off, you know, two or three or five or ten easy issues where we'd be able to have instant results. We recognized we were taking on really hard, fundamental issues: financial services, liberalization, all the issues on energy and the environment, rebalancing their economy so it's focused more on domestic consumption and less on investment and exports.

And finally, I just can't emphasize enough how important dialogue is -- face-to-face dialogue is in and of itself. The -- I mean, as you can see in speeches or markups from congressional committees, this is a time where we have challenges in the bilateral economic relationship. Aren't we fortunate -- from the United States perspective and from the Chinese perspective, aren't we fortunate to be able to have a Strategic Economic Dialogue where leaders from both of our countries can have a chance to meet face-to-face and also to talk face-to-face so that we're able to keep this relationship on an even keel?

So that's a little bit long-winded, but I think the answer -- and I regret that we won't be able to have you on the plane with us going to Beijing so you could have a chance to hear it further person-to-person, but Secretary Paulson is direct and relentless in his advocacy, one, on behalf of U.S. economic interests, but also on behalf of making sure that we do maintain this relationship on an even keel. Thank you very much for your time.

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