

September 2, 2006

THE WEEK AHEAD

Policy

Paulson's Trip To Focus on China

By **DEBORAH SOLOMON**
September 2, 2006; Page A2

After nearly two months on the job, Treasury Secretary Henry Paulson is set to make his first official trip overseas this coming week when he heads to Vietnam to huddle with other finance ministers at the Asia-Pacific Economic Cooperation forum.


The trip to Hanoi will be closely watched -- both here and abroad -- for what Mr. Paulson has to say about China and the role it plays in global trade imbalances. Asian leaders, and financial markets around the world, are looking for clues to whether Mr. Paulson's approach to China will be different and, perhaps, more successful, than predecessor John Snow's. Mr. Snow sought to apply quiet diplomatic pressure on China rather than lecture the Chinese, and the Chinese did make a high-profile move to a more flexible currency on his watch.

Mr. Paulson, a former Goldman Sachs chief executive, has had extensive dealings with the Chinese, and is sure to fine-tune the Bush administration's approach. Indeed, with domestic economic policy on hold until after November's elections, Mr. Paulson is likely to make dealing with China one of his top priorities.

To date, Mr. Paulson has continued to assert the administration's position that China should work to strengthen its currency. While that position won't change, Mr. Paulson is likely to start advocating a more holistic approach to dealing with China -- focusing more on the country's macroeconomic picture and less on individual issues, such as exchange rates or intellectual-property rights.

The U.S. has a widening trade deficit with China, which has caused political angst among both Democrats and Republicans eager to find someone to blame for American workers' worries in an election year. But Mr. Paulson, who became the chief bond salesman for the U.S. government when he took the Treasury post, is aware that China has become one of the biggest holders of U.S. debt.

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

THE WEEK AHEAD



- **Broadcasting:** Couric Debuts on CBS News¹
- **Telecommunications:** Alcatel-Lucent Deal to Battle Obstacles²
- **Politics:** Wooing the Center Remains Important³

Although Mr. Paulson will see China's finance minister in Hanoi, he isn't expected to say much *publicly* about China while at the APEC meetings. He'll save that for later in the month when he visits China and attends the annual meetings of the International Monetary Fund and World Bank in Singapore.

APEC isn't "a signature venue for dealing with global finance issues," says former Clinton economic adviser Daniel Rosen, now a consultant with China Strategic Advisory, "but it has a lot of value as an informal caucusing among fellow finance officials from the region," which is increasingly important to the U.S. -- and the global -- economy.

Write to Deborah Solomon at deborah.solomon@wsj.com⁴

URL for this article:

<http://online.wsj.com/article/SB115715198422952315.html>

Hyperlinks in this Article:

- (1) <http://online.wsj.com/article/SB115715005810452188.html>
- (2) <http://online.wsj.com/article/SB115715144025652276.html>
- (3) <http://online.wsj.com/article/SB115715276196752332.html>
- (4) <mailto:deborah.solomon@wsj.com>

Copyright 2006 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.