

China airs fears on US debt, dollar: lawmaker



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Senior Chinese leaders have privately voiced fear over the soaring US budget deficit and are increasingly looking to diversify from the dollar, a Republican congressman said.

"We heard across the board -- in private -- substantial, continuing and rising concern," Representative Mark Kirk said after a trip to China that included talks with government officials and central bank chief Zhou Xiaochuan.

"It's clear that China would like to diversify from its dollar investments," the lawmaker said at the Center for Strategic and International Studies, a Washington think-tank.

Kirk's assessment differed with that of Treasury Secretary Timothy Geithner, who said last week on a separate visit that Chinese leaders had expressed "justifiable confidence" on the future of the recession-hit US economy.

Kirk traveled with Representative Rick Larsen, a member of President Barack Obama's Democratic Party, who also painted a less gloomy picture of Chinese officials' views.

China is the largest creditor to the United States with some 700 billion dollars invested in Treasury bonds. Zhou earlier this year floated the idea of replacing the dollar with a basket

of currencies as the benchmark global unit.

Kirk said that Chinese leaders were sharply critical in private of the US Federal Reserve's policy of "quantitative easing" -- a form of flooding the financial system with cash, which critics deride as printing imaginary money.

The United States has been running large budget shortfalls since the tenure of president George W. Bush.

Government officials estimate a deficit of 1.841 trillion dollars for the 2009 budget.

Kirk, a former diplomat who remains an active reservist in the US Navy, is seen as a rising star in the Republican Party and is eyeing a run next year for Obama's former US Senate seat in Illinois.

He said he told the Chinese that the budget deficit could be even bigger than predicted, due in part to the rising costs to the US economy of health care.

"One of the messages I had -- because we need to build trust and confidence in our number one creditor - is that the budget numbers that the US government has put forward should not be believed," Kirk said.

"Congress is actually going to spend quite a bit more," he said.

Larsen, a Democrat from Washington state who co-chairs the congressional US-China Working Group with Kirk, agreed that Chinese leaders were seeking a signal from the United States on taming the giant deficit.

But Larsen said the major lesson he took home was that China, contrary to some US critics' views, was not trying to dethrone the United States as a major world power.

"The Chinese leaders that we met with were very interested in seeing the United States be successful," Larsen said.

"They were not looking to themselves to lead the global economic recovery; they were looking to the United States to lead that recovery," he said.

Larsen and Kirk's trip was one of a series of high-profile US visits to China.

House Speaker Nancy Pelosi led a separate congressional delegation that discussed cooperation on climate change between the world's two biggest greenhouse gas emitters.

Pelosi, a longtime advocate of human rights, said she also pressed China to release human rights activists from prison.



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