

# U.S. declines to cite China for currency manipulation

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Associated Press

April 15, 2009

WASHINGTON — The Obama administration has declined to cite China as a country that is manipulating its currency to gain unfair trade advantages.

The finding in a semiannual Treasury Department report released Wednesday comes after Treasury Secretary Timothy Geithner said during his Senate confirmation hearings that President Barack Obama believed China was manipulating its currency.

Geithner's comments in January came in response to questions from the Senate Finance Committee and raised expectations that the new administration might take a tougher line in dealing with China than the administration of former President George W. Bush.

Geithner cited Obama's support as a senator of legislation that would have authorized a tougher enforcement process for currency manipulators.

Geithner said in January that Obama believed the process needed to be overhauled so that "countries like China cannot continue to get a free pass for undermining fair trade principles."

However, in a statement accompanying the new report, Geithner cited a number of actions China has taken in recent months to "enhance exchange rate flexibility."

Those actions included allowing its currency, the yuan, to rise in value against the dollar by 16.6% between the end of last June and the beginning of February.

American manufacturers, however, contend that the undervalued Chinese currency is the biggest cause for the huge trade deficit the U.S. runs with China.

U.S. manufacturers argue that even with the rise in the value of the yuan, it is still undervalued by between 20% and 40% against the dollar.

Still, Geithner noted the constructive role China has played in the current global economic downturn, including advancing an economic stimulus package that he said was second in size only to the program the U.S. is pursuing.

Geithner's statement did not mention recent comments by Chinese officials concerning their worries about the projected increase in America's federal budget deficit, or a suggestion that dollar's position as the world's top reserve currency should be reconsidered.