

Schumer Says China's Weak Yuan Should Prompt U.S. Trade Duties

By Mark Drajem
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Chinese exporters should be hit with stiffer U.S. tariffs to compensate for the unfair advantage they get from an undervalued currency, U.S. Senator Charles Schumer and 14 colleagues said yesterday.

The bipartisan group of senators wrote Commerce Secretary Gary Locke, urging him to side with NewPage Corp.'s contention that glossy paper imports from China are being subsidized by China's intervention in its currency market. A finding in that case could influence future complaints by other U.S. manufacturers, they said.

"China's mercantilist policies are undermining the health of many U.S. industries," the lawmakers said in a letter. "There can be no doubt that China's policy of large-scale intervention in the exchange markets and the significant undervaluation of its currency acts as a subsidy to Chinese exports."

Schumer, a New York Democrat, and Senator Lindsey Graham, a South Carolina Republican, were sponsors of a measure that would have slapped duties of 27.5 percent on all imports to compensate for the advantage they said China's weak yuan gives exports. They dropped that proposal in 2006 after analysts said it would violate the terms of the World Trade Organization.

The senators are now urging the Commerce Department to accept the arguments of closely held NewPage that China's intervention keeps the yuan's value below what would be determined by the market, providing its exporters an advantage. The case was brought under so-called countervailing duty laws, which protect domestic producers from imports of products that are subsidized. NewPage is based in Miamisburg, Ohio.

Administration's Response

The Obama administration hasn't decided if it will investigate that subsidy claim, Commerce Department spokeswoman Parita Shah said in an e-mail. "We share the senators' commitment to the continued rigorous enforcement of U.S. trade laws."

In 11 previous cases, the Commerce Department declined to investigate complaints that China's currency policy amounts to a subsidy, according to the letter.

This record “suggests that the department has prejudged the outcome,” the senators said in the letter yesterday.

While China supplanted Germany as the world’s biggest exporter last year, the Chinese government has kept its currency at about 6.83 to the dollar since July 2008 as the global economy faltered. China had allowed the yuan to appreciate by 16 percent over the previous three years.

U.S. President Barack Obama said in a Feb. 9 interview with Bloomberg BusinessWeek that China’s “currency policies are impeding the rebalancing that’s necessary” in the global economy, and also is leading to a bubble in the Chinese economy.

Wang Baodong, a spokesman for the Chinese embassy in Washington, didn’t return a telephone message.

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