Administration declines to cite China on currency

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

The Treasury Department did say it has "serious concerns" about a lack of flexibility in the value of China's currency against other currencies, and the country's rapid accumulation of foreign exchange reserves including U.S. dollars.

The latest finding was criticized by American manufacturers who contend that China is keeping its currency at artificially low levels against the dollar to gain unfair trade advantages. The critics say the weak Chinese currency has resulted in lost U.S. jobs.

"We think this is a missed opportunity," said Frank Vargo, vice president for international economic affairs at the National Association of Manufacturers.

Rep. Sander Levin, D-Mich., the chairman of the House Ways and Means subcommittee on trade, said that China's currency manipulation had contributed significantly to global imbalances. But he expressed the hope that an effort launched by President Barack Obama and other leaders of the Group of 20 major economies last month would address these imbalances in a meaningful way.

The administration's decision came in a report the Treasury is required to submit to Congress twice a year. Based on a 1988 law, the administration must designate countries judged to be manipulating their currencies to boost their exports to the United States or make U.S. products more expensive in overseas markets.

If China had been designated as a currency manipulator, it would trigger negotiations between the two countries and could lead to economic sanctions if the U.S. took a case before the World Trade Organization.

China was cited in five previous reports in the period from May 1992 through July 1994 during the administrations of Presidents George H.W. Bush and Bill Clinton. Those negotiations did not produce any major results and no country has been cited since 1994.

Treasury Secretaries John Snow and Henry Paulson, who served under President George W. Bush, also sought to increase pressure on China to allow its currency to rise in value against the dollar. However, the Bush administration refrained from actually designating China as a manipulator.

Obama promised to take a tougher stance against China on trade issues during the campaign for the White House last year. But in April and the current report, the administration said China's actions did not meet the legal requirements to be named a currency manipulator.
Obama in September did decide to impose punitive tariffs on Chinese tire imports, agreeing to demands of U.S. manufacturers and their unions that a flood of cheap Chinese tires were costing U.S. manufacturing jobs.

American manufacturers contend that China’s currency is undervalued by 20 to 40 percent against the dollar, giving the country a huge trade advantage. An undervalued Chinese currency means that Chinese products are cheaper for U.S. consumers and American products cost more in the Chinese market.

The U.S. trade deficit with China totals $143.7 billion through August, the largest imbalance with any country. Still, the figure is running 15.1 percent below the same period in 2008, a decline attributed to a recession that has depressed consumer demand.

China in mid-2005 did modify its currency regime, allowing its currency, the renminbi, to increase in value by about 21 percent against the dollar through last summer.

However, since that time the renminbi has not risen further. U.S. manufacturers contend that China has blocked further currency appreciation because of concerns that its trade surpluses were shrinking in the midst of the global economic downturn.

"Both the rigidity of the renminbi and the reacceleration of reserve accumulation are serious concerns which should be corrected to help ensure a stronger, more balanced global economy consistent with the G-20 framework," according to the Treasury report.

Obama and other leaders of the G-20 nations pledged at a meeting in Pittsburgh last month to develop a program to attack worrisome global imbalances, including America's huge trade deficits and soaring budget imbalances and China's large trade surpluses.

The finance ministers of the G-20 countries are scheduled to meet in Scotland next month to discuss ways to accomplish the goals of reducing global imbalances.