

U.S. lawmakers press for action on China currency

By Doug Palmer

Reuters

March 15, 2010

<http://www.reuters.com/article/idUSN1522417020100316?type=usDollarRpt>

WASHINGTON - President Barack Obama faced growing congressional pressure on Monday to get tough with China over its currency practices, one day after Chinese Premier Wen Jiabao brushed off accusations that Beijing was undervaluing its currency for an unfair trade advantage.

"The impact of China's currency manipulation on the U.S. economy cannot be overstated. Maintaining its currency at a devalued exchange rate provides a subsidy to Chinese companies and unfairly disadvantages foreign competitors," 130 lawmakers said in a letter to U.S. Treasury Secretary Timothy Geithner and Commerce Secretary Gary Locke.

House of Representatives Ways and Means Committee Chairman Sander Levin announced his panel would hold a hearing on March 24 to examine the impact of China's exchange rate policy on the U.S. and global economic recoveries and on U.S. job creation as well as "steps that could be taken to address the issue."

Senator Charles Schumer, a member of the Senate Democratic leadership, and Senator Lindsey Graham, a South Carolina Republican, have set a news conference on Tuesday to discuss legislation to prod China on the currency front.

Many economists estimate China's currency is undervalued by 25 percent to 40 percent, giving it a huge trade advantage by effectively subsidizing its exports and taxing its imports.

Wen on Sunday dismissed U.S. complaints about China's exchange rate, calling them counterproductive and saying he did not believe the country's currency was undervalued.

He also blamed Washington for a deterioration in U.S.-China ties because of U.S. weapon sales to Taiwan and Obama's meeting with Tibet's spiritual leader, the Dalai Lama, last month.

The White House said relations between the United States and China were in "good shape" but acknowledged some differences between the two countries.

But the lawmakers' letter showed the pressure Obama faces to push China to revalue its currency, which many U.S. lawmakers believe is to blame for lost manufacturing jobs and the huge U.S. trade deficit with China.

"If the administration fails to act on this issue it will hold back our economic recovery and hurt the ability of American small businesses and manufacturers to increase their production, keep their doors open, and create jobs," said Representative Michael Michaud, a Democrat.

White House adviser Jeff Bader said China's rising influence in the Asia-Pacific region would be on the agenda during Obama's trip to Indonesia and Australia next week.

"We're also looking to reshape the international regulatory system through the G20 in a way ... that new actors such as China are acting consistently with international norms," he said when discussing coming talks between Obama and Australian Prime Minister Kevin Rudd.

CURRENCY MANIPULATOR LABEL

A few years ago, Schumer and Graham offered legislation threatening to hit China with a 27.5 percent tariff unless it raised the value of its currency to address U.S. concerns.

Schumer and Graham are working this time with Senators Debbie Stabenow and Sherrod Brown, two Democrats who have been pressing for action on China's currency for years.

In their letter on Monday, lawmakers in the House of Representatives urged the Commerce Department to make a major policy change and agree to impose countervailing duties on a case-by-case basis against countries that manipulate their currency for an unfair trade advantage.

The department is already considering that possibility in a case involving coated paper imports from China.

The lawmakers also demanded the Treasury Department formally label China as a currency manipulator in an April 15 report on the currency practices of major trading partners.

Representative Tim Ryan, a Democrat, said in the letter that Obama should work with the International Monetary Fund and other countries to pressure China to revalue its currency.

If that pressure fails, they urged, the Obama administration officials should consider filing a complaint against China under the World Trade Organization.

Although Beijing has emerged from the global financial crisis more confident than ever, Dewey & LeBoeuf trade lawyer Alan Wolff said the "gold rush atmosphere" following China's entry into the WTO in 2001 has faded among governments and companies after years of tolerating discriminatory Chinese policies in the hope of winning market access.

"I think one is going to see a reexamination of China policy in a number of capitals," Wolff said.

(Additional reporting by Matt Spetalnick, Ross Colvin and Paul Eckert, Editing by Kenneth Barry, Gary Hill)