

US weighing China currency probe

By Doug Palmer

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Reuters

WASHINGTON - The U.S. Commerce Department is seriously considering investigating U.S. industry charges that China's "undervalued currency" is an illegal trade subsidy, Commerce Secretary Gary Locke said in a letter obtained by Reuters on Wednesday.

In two separate cases before the Commerce Department, U.S. producers have argued that China's currency, known as the yuan or the renminbi, is significantly undervalued against the dollar, giving Chinese companies an unfair price advantage.

The two cases involve imports of coated paper and a manufactured aluminum product from China.

China's currency practices have been an explosive trade issue, with many U.S. lawmakers calling for the Obama administration to brand China a currency manipulator. Such a finding would trigger increased pressure on Beijing to let the yuan rise, after having effectively pegged it to the dollar for the past 22 months.

"I assure you the allegation that China's undervalued currency constitutes an illegal subsidy is an important issue for the department, and we are giving it our full attention and consideration," Locke said in a May 13 letter to Representative Michael Michaud.

An investigation could occur only after confirming the petitioner's allegation meets the statutory requirements for a probe, Locke said.

"We are currently in the process of carefully analyzing the information and arguments on the records of these proceedings in order to make such determinations," he said.

Michaud, a Democrat, was one of 130 U.S. lawmakers who wrote to Locke and U.S. Treasury Secretary Timothy Geithner in March to complain about China's exchange rate practices.

In the letter, they called on the Obama administration to formally brand China a currency manipulator and to use U.S. countervailing duty laws to defend "American companies who have suffered as a result of the currency manipulation."

That message was reinforced on Wednesday in a separate letter sent by Senators Debbie Stabenow and Carl Levin, both Michigan Democrats.

"We urge you to promptly initiate an investigation of whether currency undervaluation is a subsidy" in both the coated paper and the aluminum product case, they said.

Geithner has tread carefully on whether China is a currency manipulator, delaying an April 15 semi-annual report on the issue until late June at the earliest.

During high-level talks last week in Beijing, Geithner welcomed Chinese President Hu Jintao's comment that China was committed to currency reform at its own pace.

China's currency practices are likely to be on agenda at this week's Group of 20 finance ministers meeting in South Korea.

With Western economists estimating that China's yuan is undervalued by as much as 40 percent, a gradual appreciation would not immediately satisfy U.S. industry concerns.

U.S. Commerce Department officials met with staffers from Michaud and other congressional offices on Tuesday to expound on Locke's May 13 letter.

They gave no indication how close they are to deciding whether to launch a countervailing duty currency probe, a Michaud spokesman said.

The Commerce Department's under secretary for international trade, Francisco Sanchez, also declined to say when a decision would come.

"I really can't comment other than to say it's under review," Sanchez told reporters after a speech on Wednesday to Washington International Trade Association.

In both cases, China's exchange rate policy is just one of many subsidies alleged by U.S. producers.

A final decision on all countervailing duties in the coated paper case is due Sept. 20, making it urgent the Commerce Department decide soon whether to investigate the currency allegation, said Gilbert Kaplan, an attorney at King & Spalding involved in both cases.