

Geithner: 'Very Concerned' About China's Currency Policy

By Michael R. Crittenden
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WASHINGTON --China's move toward a more flexible exchange rate has been "too slow," Treasury Secretary Timothy Geithner will tell U.S. lawmakers Thursday, calling on a more balanced relationship between the two powers.

"China needs to allow significant, sustained appreciation over time to correct this undervaluation and allow the exchange rate to fully reflect market forces," Geithner said in prepared remarks for a pair of appearances on Capitol Hill slated for Thursday.

While he stressed the important relationship between the two countries as trading partners, Geithner was critical of China's progress on currency valuation, intellectual property rights, and other economic policy issues. He cited "substantial challenges" between the two powers that must be dealt with going forward.

"We are very concerned about the negative impact of these policies on our economic interests, and are pursuing a carefully designed, targeted approach to address these problems," Geithner said.

The comments come at a sensitive time for currency markets, which were focused Wednesday on Japan's move to slow a rising yen with its first intervention in more than six years. Geithner did not comment on the Japanese intervention in his remarks, instead focusing on Beijing's efforts to manage its currency.

"Continued heavy intervention, in contrast, would support the judgment that the currency remains undervalued," he said.

Geithner's remarks and his appearances before two congressional panels on Thursday are likely to play a large role in determining whether U.S. lawmakers take action targeting China's policies in the coming weeks. There has been growing unrest on Capitol Hill about the slow appreciation of the yuan since June, when Chinese officials announced the move to a more flexible exchange rate.

"We're fools if we look the other way," Rep. Sander Levin (D., Mich.), who chairs one of the two panels Geithner will appear before, told reporters Wednesday.

Geithner said the Obama administration is using "all tools available" to address the concerns that have been raised. He noted that the U.S. on Wednesday filed two new cases against China with the World Trade Organization, and said the administration is "reviewing carefully" a recent petition filed by the United Steelworkers against a number of China's policies dealing with green-technology.

"We need a more balanced economic relationship. This is imperative for us, but it is important to China as well," Geithner said.

He also sought to cast China's valuation of its currency as a global issue, saying the U.S. expects the rebalancing of the yuan to be a "key part" of the agenda when the Group of 20 nations meet in Korea later this year.

"Chinese exchange rate adjustment is critical to removing a major distortion in the global economy, to rebalancing China's economy, and to ensuring strong, sustainable, and balanced global growth," he said.

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