

# Democrats Prod Bush on China's Currency as Legislation Fades

By Mark Drajem  
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U.S. House Democrats asked President George W. Bush to use his influence with international agencies to persuade China to revalue its currency, as prospects for congressional action on the issue fade.

House Ways and Means Chairman Charles Rangel and 14 other Democrats on the panel said the U.S. should use the World Trade Organization and International Monetary Fund to get China to revalue the yuan, which would lower the record trade surplus China is running.

“At this time of economic insecurity, American workers, farmers and businesses can ill-afford to allow China to continue to undervalue its currency,” the lawmakers wrote in a letter to Bush yesterday. The letter was released today.

The letter suggests that Democrats are bowing to Treasury Secretary Henry Paulson's request not take up legislation this year that forces the administration to take a harder line against China.

“Today's letter, in combination with the absence of any serious discussion of legislative options to date, is further proof that the majority has fallen well short on its promise to move China-related legislation,” Republican Representative Phil English wrote in a letter today to Rangel.

Fred Bergsten, director of the Peterson Institute for International Economics, said the issue will remain on the congressional agenda -- next year.

## ‘The Practical Issue’

“The issue is what happens a year from now, if you have a Democratic president plus a Democratic Congress with this attitude,” Bergsten said. “That's what the Chinese need to think about, and that's the practical issue.”

Bergsten, a critic of China's trade policies, has offered informal advice to the Democratic lawmakers on how to confront the issue.

The yuan has climbed 3.8 percent against the dollar since the start of the year and is up almost 16 percent since China dropped a fixed exchange rate in July 2005.

Paulson, who has labeled China legislation a "silly" idea that would harm the U.S. economy, will travel to China next week to discuss economic issues with members of Premier Wen Jiabao's new Cabinet. U.S. officials have been encouraging China to speed up the appreciation of its currency to reduce trade friction between the two countries.

## Canada

China passed Canada to become the largest source of products shipped into the U.S. last year, capping a six-year period when its exports to the U.S. more than tripled. Led by items such as flat-panel televisions and computers, household appliances, toys and clothing, imports from China surged to \$321.5 billion in 2007.

The U.S. trade deficit with China reached a record \$256 billion last year, the largest such gap in history.

A stronger Chinese currency would mean higher prices for Chinese goods in U.S. markets and cheaper prices for U.S. exports to China, one of the fastest growing U.S. export markets.

Rangel and the other Democrats called on Bush to hinge support for a greater voting stake for China at the IMF on a pledge to halt its currency manipulation. They also said that the administration should host a meeting of major industrial nations and emerging-market economies such as China to try to negotiate a way to address currency manipulation.

"If the administration is unable or unwilling to do so, Congress will take action," the letter concluded.

## 'Strong Track Record'

"We have a strong track record in terms of engagement and enforcement with China," said Sean Spicer, a spokesman for the U.S. Trade Representative's office.

Two Senate panels passed legislation last year aimed at pushing China to raise the value of its currency. Since then the Senate hasn't moved forward with a compromise piece of legislation.

As a result, unions and manufacturers are focusing their lobbying on Democratic presidential candidates Hillary Clinton and Barack Obama, who have a primary in the industrial state of Pennsylvania next month.

``We're pushing with the presidential campaigns," Bob Baugh, executive director of the industrial union council of the AFL-CIO said. ``This issue is not going away. Action is the name of the game here."

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