US proposes penalties on countries it accuses of manipulating currencies

Kai Pfaffenbach

May 24, 2019

The US Commerce Department has proposed a new rule to impose anti-subsidy duties on products from countries that Washington sees as undervaluing their currencies against the dollar to get an advantage in trade.

The rule could put goods from Japan, South Korea, India, Germany, and Switzerland, at risk of higher tariffs.

Those countries, along with China, were all listed on the Treasury Department's currency report's "monitoring list." The list tracks currency market interventions, high global current account surpluses and high bilateral trade surpluses.

The commerce department said its proposed rule would amend the normal countervailing duty process to include new criteria for currency undervaluation.

"This change puts foreign exporters on notice that the Department of Commerce can countervail currency subsidies that harm US industries," said Commerce Secretary Wilbur Ross.

He added that "Foreign nations would no longer be able to use currency policies to the disadvantage of American workers and businesses."

People familiar with the matter told Bloomberg that the move to include the new currency tool has been pushed by Ross and White House trade adviser Peter Navarro since the early days of the Trump presidency.

Ross explained it as a step toward implementing one of the campaign promises by President Trump to address unfair currency practices by US trade partners.

The move is "opening the door to additional tariffs on any goods from any country found to have an undervalued currency," said Scott Lincicome, an international trade lawyer and adjunct scholar at the Cato Institute.

Currency policy was central in trade deals that Trump struck with Mexico, Canada and South Korea. It remains a stumbling point in US-China trade relations. Trump has repeatedly labeled China a currency manipulator, accusing the country of using the yuan as a way to give Chinese exports an advantage over US-made goods. Beijing has denied the claims.