

October 02, 2011

US Senate to Consider Bill Targeting Chinese Currency Practices

Michael Bowman | Capitol Hill



Photo: AP

A view of the US Capitol in Washington (File Photo) America's extensive yet friction-laden economic relationship with China will be the focus of debate in the U.S. Senate this week, as it considers a bill to penalize Beijing for allegedly manipulating China's currency, the yuan, to benefit domestic exports and disadvantage foreign imports.

China's export strategy

U.S. officials have long complained that China intentionally maintains an undervalued yuan as part of an aggressive - some might say predatory - export promotion strategy.

"China's exchange rate policy is unfair, and hurts the interests of American producers," said Timothy Geithner, U.S. Treasury Secretary.

A bill garnering bipartisan support in the Senate would treat currency manipulation as a foreign subsidy, triggering U.S. tariffs on Chinese goods.

'Illegal' measures

“China illegally subsidizes their industries,” said Democratic Senator Charles Schumer of New York, who is a sponsor of the Currency Exchange Rate Oversight Reform Act.

“They underpay their workers. They skirt environmental regulations, and ignore the tenets of global trade rule after trade rule after trade rule. They get away with economic murder.”

Schumer says China’s currency practices have cost the United States more than two million jobs over the last decade.

Also backing the bill is Republican Senator Jeff Sessions of Alabama, who says it is time for the United States to defend its interests.

“During these tough economic times, we ought not to allow any of our trading partners to rig the game in their favor,” he said. “It is the job of American officials to defend the just and fundamental interests of the American workforce.”

Trade worries

Some U.S. industries squeezed by Chinese competition have welcomed the bill. But 50 trade groups representing many of America’s most vibrant export industries have written a letter to Senate leaders arguing the legislation would invite Chinese retaliation and should be rejected.

Trade expert Dan Ikenson of the Washington-based Cato Institute agrees.

“If we do something unilateral, we risk U.S. export sales to China and the jobs that go with it,” said Ikenson.

He says the World Trade Organization would likely reject an American bid to treat currency manipulation as a subsidy. Beyond that, Ikenson says, the bill before the Senate demonstrates a fundamental misunderstanding of trade in an inter-dependent, globalized economy.

“It used to be the case that it was our producers against their producers,” he added. “But now we have globalization, and there is a lot of value-added from different countries in products that we import from China, that are snapped together [assembled] in China, for example. So currency values cut in many different ways.”

Ikenson warns against sabotaging a vast and increasingly-lucrative export market for the United States, something highlighted by U.S. Treasury Secretary Geithner while testifying on Capitol Hill last year.

“China is now consuming more and importing more from the United States,” he said. “As a result, China’s overall trade surplus has fallen sharply, by roughly half as a share of its economy. U.S. exports to China have rebounded much more rapidly than overall U.S. exports to the world.”

Chinese currency

The Obama administration says China’s currency remains undervalued, but has not endorsed the Senate bill. Chinese officials argue against politicizing trade issues, and point out that, in fact, the yuan has gradually appreciated in value since 2005.

That slow appreciation does not appear to satisfy U.S. lawmakers. With the 2012 general election looming, some legislators seem eager for a fight that will allow them to point fingers and assign blame for America’s economic woes.

Should the bill pass in the Democratic-led Senate, its enactment is far from certain. The Republican-controlled House of Representatives has not indicated it will take up the legislation.

Find this article at:

<http://www.voanews.com/english/news/asia/east-pacific/US-Senate-to-Consider-Bill-Targeting-Chinese-Currency-Practices-130936123.html>

Check the box to include the list of links referenced in the article.
