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UPDATE:China's Yuan News Doesn't Deter US Lawmakers From Tariff Bill

(Updates with comment from Sen. Charles Grassley in the eighth paragraph.) By Corey Boles Of DOW JONES NEWSWIRES
WASHINGTON (Dow Jones)--Congressional Democrats were decidedly cool on China's announcement Saturday that it will allow its currency to gradually rise against the U.S. dollar, with several saying it was only a first step by the Asian country in normalizing its economic relations with the global community.

Both Sens. Sherrod Brown (D., Ohio) and Charles Schumer (D., N.Y.) pledged to continue to pursue legislative action to force the Obama administration to take steps to counter what the lawmakers believe is a deliberate policy to keep the value of the yuan low to boost Chinese exports.

The two introduced a bill that could lead to the administration branding China a currency manipulator--something it has been loath to do--and then taking steps that could lead to tariffs being applied to the country's exports.

Brown called the policy shift "a drop in a huge bucket," noting there was no way to know how rapidly China would let the yuan appreciate against the dollar, nor how much it would let the currency rise in value.

"We've seen China take actions like this before when the spotlight is on, and then revert back to old tricks," Brown said Monday. Brown went on to say that Congress must take action on Chinese imports until the yuan rises to its fair-market value.

Rep. Michael Michaud (D., Maine) said the policy change by China would be meaningful only if it is accompanied "by a true appreciation of China's currency."

Republican lawmakers welcomed the announcement by China but said they, too, would keep a close eye on the level of the yuan to make sure it did, in fact, increase in value in the coming months.

Sen. Charles Grassley (R., Iowa), the top Republican on the Senate Finance Committee, which oversees trade policy, said he favored a legislative approach to dealing with the Chinese currency situation.

He said he didn't believe the policy change would result in a significant increase in the yuan and said he believed the announcement was primarily a political move by China in the lead-up to the meeting of leaders from the Group of 20 developed and developing countries in Toronto later this week.

Grassley wouldn't say precisely action he thought Congress should take, but said he would be in discussions with his counterpart on the finance panel, its chairman Sen. Max Baucus (D., Mont.).

Some observers said that, until China makes clear what its new currency management policy would be, it was far too early to tell what the impact on global markets would be.

Dan Mitchell, a senior fellow at the Cato Institute, said one huge factor would be if China moved to peg the yuan to a basket of global currencies as opposed to the dollar.

Then, he said, the value of the euro would play a major determinative factor on the level of the yuan. The euro is under increasing pressure over fears that several of its member nations are facing the prospect of defaulting on their debts.

Due to the uncertainty as to what the actual impact will be, China's yuan policy announcement may ultimately have little impact on lawmakers' determination to go ahead with legislation that could result in tariffs being slapped on Chinese imports.

The legislative strategy was already seen as not having much chance of passage this year. This was because of a lukewarm attitude from the administration and senior House lawmakers and the shortened congressional calendar as a result of the autumn midterm elections.

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