

China To U.S.: Back Off Our Currency

Joe McDonald, AP Business Writer

BEIJING (AP) — China is sending a Cabinet official to Washington in a bid to defuse trade tensions, the government said Friday, as it called on U.S. leaders to cool the "politicization and emotionalization" of a currency dispute.

A deputy commerce minister, Zhong Shan, will go to Washington on Wednesday to meet with American trade, commerce and Treasury officials and members of Congress, the Commerce Ministry said. It said they would discuss the Sino-U.S. trade gap and trade disputes.

Beijing faces demands by some U.S. lawmakers for President Barack Obama to have China declared a currency manipulator in a Treasury Department report due out next month. That could set the stage for possible trade sanctions.

Critics say China's yuan is undervalued by up to 40 percent, giving its exporters an unfair advantage and swelling its trade surplus.

"A lot of problems can be properly solved so long as we can avoid politicization and emotionalization," a Commerce Ministry official, He Ning, told reporters. "It should not be one side pressing the other side."

He warned that dialogue with Washington might be harmed by "external disturbances" such as this week's letter from 130 American lawmakers calling on Obama to take action.

Premier Wen Jiabao on Sunday denied the yuan is undervalued and other officials have dismissed complaints that exchange-rate controls are the cause of China's multibillion-dollar trade surplus.

Wen promised reforms but said the yuan will be kept at a "stable and balanced" level.

Analysts expect Beijing to allow the yuan to rise gradually this year but say Chinese leaders might be reluctant to act if they might be seen as giving in to U.S. pressure.

Also Friday, China tried to put a human face on its resistance, warning that exporters might be driven out of business if the yuan rises further.

At a news conference organized by a state-authorized trade group, managers of four companies pleaded for Washington to back down.

"We are facing great pressure to survive," said Bai Ming, deputy general manager of Zhejiang Mingfeng Car Accesories Co., which employs 950 people and exports car covers to the Americas, Europe and South Korea.

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Labor costs rose almost 30 percent over the past year, while the cost of materials was up 17 percent, Bai said. He said the company has little bargaining power with its customers.

"If the yuan appreciates by 3 percent this year, this is almost unimaginable," Bai said. "For sure we'll have to scale back."

Other companies at the event export table lamps, industrial equipment, power generators, water pumps and electric motors.

Zhong, the commerce official, said in an interview with The Wall Street Journal published Friday that the profit margin for many Chinese exports was less than 2 percent. He said a rise in the yuan after 2005 forced some companies to close.

"A further rise in the yuan by a very small magnitude might cause fundamental changes" to Chinese exporters," Zhong said.

Beijing allowed the yuan to rise by about 20 percent beginning in 2005 but has held it steady against the dollar since late 2008 to help Chinese exporters compete abroad.

Obama vowed last month to "get much tougher" with China in trade disputes and to press for an end to currency systems that he said depressed export prices and hurt U.S. companies.

China's central bank governor, Zhou Xiaochuan, said this month that currency measures would be withdrawn "sooner or later" but said Beijing will act cautiously because the global outlook is still uncertain.

Associated Press researcher Bonnie Cao contributed to this report.

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