Senators Rally To 'Confront' Chinese Currency Manipulation

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — A group of 14 U.S. senators unveiled legislation Tuesday that seeks to increase pressure on China to let its currency to rise in value against the dollar, saying Chinese "currency manipulation" is hurting the U.S. economy.

The bill calls for stiff trade sanctions if China does not act.

Treasury Secretary Timothy Geithner says the legislation is a sign of how strongly China's trading partners feel about the issue. In an interview on Fox Business Network, Geithner said that he believes Chinese officials "ultimately will decide it is in their interests to move."

Geithner declined to respond directly to a question of whether the Obama administration would support the bill backed by Sens. Charles Schumer, D-N.Y., Lindsey Graham, R-S.C., Debbie Stabenow, D-Mich., and 11 other senators.

"We are sending a message to the Chinese government," Schumer said in a statement. "If you refuse to play by the same rules as everyone else, we will force you to."

He said the issue is of critical importance at a time of high unemployment in the United States.

"There is no bigger step we can take to promote U.S. job creation, particularly in the manufacturing sector, than to confront China's currency manipulation," Schumer said.

American manufacturers contend that China's currency is undervalued by as much as 40 percent and is a big reason for the huge U.S. trade deficit with China, which totaled $226.8 billion, last year, the largest imbalance with any country.

A stronger yuan versus the dollar would make American products less expensive in China, while making Chinese goods more expensive for American consumers.

The Obama administration is hoping China will resume allowing its currency to rise in value against the dollar as a way of narrowing that gap. China allowed its currency to appreciate until mid-2008 when the global recession began to cut sharply into its exports.

The Senate bill marks the latest escalation in tensions between the two nations.

Chinese Premier Wen Jiabao on Sunday rejected American pressure on China to

allow its currency to rise in value against the dollar, saying such efforts amounted to a kind of trade protectionism. His comments came after President Barack Obama in a trade speech last week said that China would make an "essential contribution" to rebalancing the global economy by moving to a more market-oriented currency regime.

On Monday, a group of 130 House members sent a letter to the administration urging the Treasury Department to cite China as a currency manipulator in a report that is scheduled to be released next month. The group also called on the Commerce Department to impose trade sanctions on China on the basis that its currency system is an unfair trade practice.

Asked about the upcoming currency report, which the administration is required to send Congress in mid-April, Geithner said it had not yet been decided whether to cite China as a currency manipulator.

Such a finding would trigger talks between the two nations with a threat of trade sanctions if the talks failed to resolve the issue. The Obama administration, following the lead of the Bush administration, has so far refused to cite China as a currency manipulator, believing that the more productive course would be to convince the Chinese that it is in their own interests to allow their currency to rise in value.

Geithner said he believes that China needs to realize its currency policy is "not just an issue between China and the United States, it's an issue for the world economy as a whole."

The issue is a complex one for the United States because China is the largest foreign holder of U.S. Treasury bonds. The United States must depend on foreign investors to keep purchasing those bonds at a time when it is running record federal budget deficits, including a $1.4 trillion imbalance last year.

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