U.S. Declines To Cite China As Currency Manipulator

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WASHINGTON (AP) — The U.S. government said Friday that China has made progress in allowing its currency to rise against the dollar and declined to accuse the nation of manipulating its currency to gain a trade advantage.

The decision issued by the Treasury Department Friday should help avert a potential trade dispute. But the department said China's currency is still undervalued and must rise further against the dollar.

The yuan has gained 8 percent against the dollar in the past two years. A lower-valued currency gives China a trade advantage by making its exports cheaper and U.S. imports more expensive.

If the department found that China was manipulating its currency, the Obama administration would have had to initiate negotiations with China. If those talks failed, the U.S. could impose trade sanctions.

Some U.S. manufacturers have urged the administration to take punitive steps to force China to allow the yuan to trade freely. The yuan currently trades within a narrow range against the dollar.

Mitt Romney, the presumptive Republican presidential nominee, has said that he would label China a currency manipulator on his first day in office.

Treasury said that China has made commitments in recent negotiations, including at high-level meetings earlier this month, to make its exchange rate more flexible.

"With the global economy continuing to face headwinds ... it is important that China follow through on these commitments," the department said.

In April, China widened the daily amount the yuan is allowed to fluctuate from 0.5 percent to 1 percent. That move came just before Treasury Secretary Timothy Geithner and Secretary of State Hillary Clinton met China's president Hu Jintao for high-level talks in early May in Beijing.

Geithner told Hu during those meetings that China's loosening of the range was "very promising."

The United States has urged China to let its currency appreciate for almost a decade. In 2005 China ended its tight peg of the yuan to the dollar and permitted the yuan to trade within a narrow range. Since then, the yuan has appreciated 40 percent in inflation-adjusted terms, the department said.

The U.S. trade deficit with China widened in March, the Commerce Department said earlier this month. The deficit with China this year is on pace to exceed last year's gap of $295.5 billion, which was an all-time high for any country.

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