U.S. Declines To Label China Currency Manipulator

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WASHINGTON (AP) -- The Obama administration on Friday declined to label China a currency manipulator, although it said that China's currency remains significantly undervalued.

The decision came in a twice-a-year Treasury report on whether any nations are manipulating their currencies to gain trade advantages.

The report noted that China has allowed its currency, the renminbi, to rise in value by 10 percent against the dollar since June 2010 and even more when inflation is taken into account. But the report said that the currency still remains undervalued and it needs to be allowed to strengthen further.

The report also cautioned Japan about its currency policies and said the administration will be closely monitoring Japan's actions. Japan's central bank has just launched a new effort to bolster the country's economy. That effort has weakened the value of the Japanese yen and could widen the US-Japan trade gap.

U.S. manufacturers have long contended that China is manipulating its currency to gain trade advantages and have recently stepped up their criticism of Japan's policies. A weaker Chinese renminbi and a weaker Japanese yen make goods from those two countries cheaper for American consumers and U.S. goods more expensive in those foreign markets.

"The Alliance for American Manufacturing continues to believe that countries like China and Japan will only take the U.S. government seriously if words are backed by action," said Scott Paul, president of the trade group. He called on Congress to pass pending legislation that would toughen economic sanctions on countries that manipulate their currencies for trade purposes.

The Obama administration has now declined to brand China as a manipulator for nine straight reports. It has argued that it was more likely that the United States will make progress on economic issues through negotiation rather than confrontation. Naming China as a currency manipulator would trigger talks that could lead eventually to U.S. economic sanctions against China.

Last year, America's trade deficit with China hit $315 billion, the largest deficit ever recorded with a single country.

Jacob Lew traveled in March to Beijing, his first trip abroad since being named Treasury secretary. During the trip, he discussed the need for China to do more to allow its currency to rise in value. He also addressed a number of other contentious economic issues between the world's two biggest economic powers, including a demand by Washington for China to do more to crack down on cyber-security threats to U.S. companies.

The last time the United States named any country as a currency manipulator was in 1994 during the Clinton administration when it made that accusation against China.

On Japan, the report noted that the Japanese yen has fallen in value against the dollar by 12.5 percent just this year. That's occurred as the Japanese government and its central bank have pledged to pursue an aggressive policy to drive interest rates lower to bolster the Japanese economy.

The U.S. government said it will continue to press Japan to use its economic policy to boost domestic consumer demand, and not as a trade weapon.

Similarly, the report singled out South Korea's currency actions for discussion. It noted that South Korea had intervened in currency markets in late 2012 and early 2013 to keep the value of its currency, the won, from rising in value.

The report said the administration would "continue to press the Korean authorities to limit their foreign exchange interventions" to exceptional circumstances such as when they might be needed to calm disorderly markets.