Stronger yuan 'would hurt world'

Three weeks before the US is to deliver a report on foreign exchange, China and the US are still bogging down the yuan dispute despite their war of words getting a little softened as senior Chinese trade officials launch a wave of diplomacy in Washington to defend China's currency policy.

Vice Commerce Minister Zhong Shan said in a speech Wednesday after meeting officials with the Treasury and Commerce Departments that the appreciation of the yuan was not "a good recipe" for solving the US-China trade deficit.

It's in nobody's interest to see big rises in the yuan or big declines in the dollar, which will upset the world economy, Zhong noted, adding that Beijing will not bend to "outside pressure."

During his brief 30-hour visit to the US to smooth bilateral tensions, Zhong contacted many government officials, congressmen, businessmen and media outlets. He expressed confidence that a long-term approach and open lines of communication can help solve the problems.

Speaking after the meeting, US Treasury Secretary Timothy Geithner said that he believed China would allow its currency to appreciate over time, but he admitted that the US "can't force them to make that change."

The Wall Street Journal said Thursday that the countries struck a more conciliatory tone, though they didn't offer immediate solutions for resolving their differences. The New York Times noted that the Chinese government is giving no indication that it will change its exchange rate policy.

The US Treasury Department will decide by April 15 whether to label China a currency manipulator as part of a semiannual report to Congress on the currency practices of major trading partners. A group of senators recently introduced legislation that would force the administration to take action, including applying tariffs to imports from China, if Beijing fails to act on its currency.

The Obama administration declined to take the move in 2009, as did the Bush administration. An analysis by the Financial Times said that "this time they look more serious," with "more willingness to unsheathe the saber rather than just rattle it."

Fred Bergsten, director of the Peterson Institute for International Economics, a Washington-based think tank, estimates a "trade correction," brought about by China allowing its currency to appreciate by 25 percent to 40 percent, would make the current-account deficit smaller by $100 billion to $150 billion and generate an additional 600,000 to 1.2 million US jobs.

Cao Honghui, director of the Financial Market Research Office of the Chinese Academy of Social Sciences, argued that Bergsten's estimation is mainly based on the China trade surplus to the US, which the US overrates by 30 percent.

"Moreover, against the background of globalization, the US is unable to produce the labor-intensive products such as toys, shoes and socks, even if the yuan is raised 100 percent," Cao said.

Zhong said China has actually created many jobs for the US, as many companies in trade, distribution and retailing hire a large number of employees when doing business with China, such as General Motors and retailer Wal-mart.

Joseph Brusuelas, chief economist at Brusuelas Analytics, warned in a research report that naming China a manipulator "will exacerbate economic tensions between the US and China, and could push the Obama administration to adopt a counterproductive set of policies that would endanger the nascent global economic recovery."

Source: Global Times