

## 05 Apr 2010 15:40 EDT **DJ Lawmakers Assail Geithner Decision On Yuan Report**

WASHINGTON -- Senate lawmakers criticized U.S. Treasury Secretary Timothy Geithner's weekend decision to delay a report that could potentially see the U.S. brand China as a currency manipulator.

Sens. Max Baucus (D., Mont.) and Charles Grassley (R., Iowa), the chairman and top Republican on the Senate Finance Committee, said the Obama administration should conclude that China is keeping the value of the yuan artificially low to benefit that country's exporters.

House Ways & Means Chairman Sander Levin (D., Mich.) said he was willing to give the administration time to see if a multi-lateral deal could be reached on the Chinese currency issue.

The lawmakers spoke after Saturday's announcement by the Treasury Department that it would delay publication of a biannual report on global currency concerns. Geithner said he would seek to use a series of upcoming international meetings to resolve the Chinese currency issue.

Next week's visit to Washington, D.C., by Chinese President Hu Jintao played some role in the announcement, analysts said. Hu is scheduled to attend a nuclear security conference.

The move defers an Obama administration decision on the matter but the U.S. will still have to make a determination over how aggressively to pursue China over the currency allegations.

Lawmakers, economists and pro-labor groups who favor Treasury action argue that an artificially depressed yuan boosts Chinese exports at the expense of U.S. manufacturers. They say that, if the yuan's value increases, it could significantly boost job creation in the U.S.

Sen. Charles Schumer (D., N.Y.) has introduced legislation that could lead to the U.S. slapping tariffs on Chinese imports unless the yuan increases in value.

The left-leaning Economic Policy Institute issued a report last month concluding that China's currency policy had cost the U.S. 2.4 million jobs.

"It's very strange to hear people denying the assertion that a 40% decrease in the cost of U.S. exports is not going to help U.S. companies," said Robert E. Scott, senior international economist at the Economic Policy Institute.

But other seasoned China-watchers say the U.S. could face serious economic and

geopolitical risks if it were to confront China directly.

"It's really the simplest kind of economic analysis that concludes that threatening the Chinese is a good thing for the U.S. economy," said Michael Moore, director of George Washington University's Institute for International Economic Policy. "It is not at all clear whether changing the [yuan's] value would have any impact on the overall employment situation in the U.S."

As of January, China owned \$889 billion in U.S. Treasuries, making it the largest foreign holder of American debt.

Were the Treasury to confront China over its currency value, the country could decide to stop purchasing U.S. debt or--even worse--start to unload the holdings it has amassed.

Similarly, if Chinese exports were to decline as a result of a rising yuan, Chinese business owners would be facing narrower profits and have less money to buy U.S. Treasury securities.

Eswar Prasad, a senior fellow at the Brookings Institution, a think tank, said the two countries are inexorably linked because of the currency and debt issues.

If China felt pressured, he said, it could react aggressively, even if that is damaging to its interests.

If China even declared its intention to reduce its Treasuries holdings, there could be a significant impact on U.S. currency and bond markets, pushing up interest rates in the U.S., he said.

Josh Green, chief executive of business intelligence firm Panjiva, said there would be limited positive jobs growth in the U.S. if Chinese exports were reduced.

"The U.S. really isn't competing with China," Green said. "China is churning out cheap goods that are in labor-intensive industries."

Clay Lowery, who was assistant secretary for international affairs at the Treasury during President George W. Bush's second term, said the Bush administration didn't feel that China's currency policy constituted an unfair trading practice.

Lowery, who now teaches economics at Georgetown University and who is a managing director of the public-relations firm Glover Park Group, said the currency issue is just one of a number of global economic imbalances, along with the savings glut in the U.S.

All three said that, apart from the economic consequences, the U.S. risks sparking a damaging trade war and losing out on China's cooperation on any number of major political issues ranging from agreeing on sanctions against Iran to combating global warming.

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