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Rmb discontents: where's Europe?

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The renminbi is back in the US political arena, with Mitt Romney vowing to call China a "currency manipulator" if elected president.

But a new FT interactive graphic illustrates that it is Europe and China's emerging market peers, not the US, that have the most reason to be upset over Beijing's currency regime.

This is clearest when looking at bilateral exchange rate changes since 2000, just before China's momentous ascension to the World Trade Organisation.

The renminbi has risen 29 per cent against the US dollar since then in real terms – that is, accounting for the different inflation rates between the two countries – according to the data series constructed by Eswar Prasad, Cornell University professor and Brookings Institution senior fellow.

Against the euro, though, the renminbi has actually fallen, dipping 0.7 per cent. The declines against the Indian rupee and the Brazilian real have been even starker as a result of higher inflation rates in these two countries. The renminbi is down 45 per cent against the real and 30 per cent against the rupee.

The Brazilian government has not been shy about branding China as a chief perpetrator in the global "currency war", while India has placed curbs on imports from China to limit what it sees as unfair competition.

But the Europeans have been reticent, which is especially odd when considering the economic troubles facing the continent. Surely Italy, Greece and other countries which could sorely use a lift from exports should be agitating for a stronger renminbi?

As Prasad writes on beyondbrics, "one would expect eurozone countries to be a lot more critical than the US about China's currency regime".

Perhaps it's down to the old adage of not looking a gift horse in the mouth. After all, eurozone debt isn't exactly buying itself.

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