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China's Bank Chief Says Currency Is Unlikely to Rise

By **MICHAEL WINES**

BEIJING — China's central bank governor indicated Saturday that the government was unlikely to detach the value of China's currency from that of [the dollar](#) anytime soon, echoing Prime Minister [Wen Jiabao's](#) statement on Friday that exchange rates would remain "basically stable" for now.

Many Western economists and leaders, including [President Obama](#), have called for China to let its currency, [the renminbi](#), appreciate against the dollar, arguing that an artificially cheap renminbi increases Chinese exports at the expense of the rest of the world's economies.

At a Saturday news conference, the central bank head, Zhou Xiaochuan, said China should be "very cautious" about revaluing its currency, also known as the yuan, as long as major economies remained mired in slow growth.

He called China's practice of pegging the renminbi to the dollar a "special foreign exchange mechanism" made to respond to the world financial crisis. Such mechanisms will be abandoned "sooner or later," he said, but "we must be very cautious and discreet in choosing the timing."

China had allowed its currency to slowly appreciate against the dollar until late 2008, when world economies sagged under the weight of the United States banking and securities collapse. Most economists say the Beijing government acted to maintain the price advantage of Chinese manufactured goods, a linchpin of the Chinese economy, at a time when exports were drying up.

A slowdown in exports did shave roughly four percentage points off the growth rate of China's gross domestic product last year, economists say. But the currency stabilization and a large stimulus program kept China's economy on track, so that it exceeded the 8 percent target that the government had set for economic growth in 2009.

Now that China's economy remains robust and its exports are recovering, Western governments have pressed Beijing to stop keeping the renminbi artificially low. President Obama and others say the Chinese currency policy helps keep Chinese exports cheap but depresses competing economies that cannot match the artificially low prices.

On Saturday, Mr. Zhou offered no timetable for allowing the renminbi to resume its rise against

the dollar, but he noted that it could take two or three years for global export markets to recover from the financial collapse.

China's decision to fix its exchange rate has been criticized by global financial institutions in recent months, and some economists echoed them on Saturday.

"Maintaining an undervalued exchange rate certainly benefits China, but at the expense of other countries that lose their relative competitiveness in foreign trade," Eswar S. Prasad, a [Cornell University](#) economist and former head of the [International Monetary Fund's](#) China branch, said in an e-mail message.

"It is encouraging that Governor Zhou's statement suggests that the move to a managed float of the renminbi will be resumed once the global recovery firms up," he added. "It would be even more helpful if, given its economic strength and solid recovery prospects, China's exchange rate policy could make a contribution to the global recovery rather than being frozen in place while other economies tend to their recoveries."