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Senate Jabs China Over Its Currency

By **JENNIFER STEINHAUER**

WASHINGTON — A bipartisan cross-section of Congress seems to agree that China manipulates its currency in ways that make it harder for many American manufacturers to compete. Where they cannot find alignment is on how best to address that problem, while maintaining America's relationship with its biggest lender and a major trading partner.

On Tuesday, the Senate passed a bill that would require the Treasury Department to order the Commerce Department to impose tough tariffs on certain Chinese goods in the event of a finding by the Treasury that China was improperly valuing its currency to gain an economic advantage.

The measure passed 63 to 35, with 16 Republican votes, an unusual dynamic in the Democrat-controlled Senate. It enjoyed rare support from members of both parties despite the strong disapproval of Senator Mitch McConnell of Kentucky, the Republican leader, who pressed his party colleagues to vote against it.

At the same time, House Republicans have made it clear they have no intention of bringing the currency measure to the floor, and the White House has given it a chilly reception, fearing it too blunt an instrument against China, which has slowly moved to increase its currency value.

This is a reverse of last year when a similar, though less stringent, measure passed the House and the Senate neglected to take it up, preferring its own bill. Democrats are now trying, against political headwinds, to force a vote on that same measure against the desires of Republican leaders.

The tennis ball volleying of the trade legislation underscores the vexing problem that China presents to Congress: Many members, especially those from manufacturing states, want to be seen as doing something about that nation's trade advantages, yet the White House and some leaders in both parties think it is far too risky to actually pull the trigger on a solution.

As a result, even as some Senate Republicans and many House Democrats pressure House Republicans to get on board, the Obama administration is counting on House Republicans to do what they want, which is to leave any bill to punish the Chinese government over its currency policies in a file cabinet. “Shifting political dynamics and changes in rhetoric about free trade tend to play out in unpredictable ways against the background of a bipartisan desire to get tough with China,” said Eswar S. Prasad, a professor of trade policy at Cornell University. “A lurking concern is that this bill won’t help the U.S. economy significantly and could instead hurt job growth if China retaliates aggressively and trade tensions compound economic uncertainty, setting back an already fragile recovery. I suspect both parties are a little concerned about supporting such legislation if it backfires. “

Regional politics, White House pressures and jurisdictional disputes have impeded a deal. Large multinational companies, especially those that have large investments in China, vehemently oppose the bill, while smaller manufacturers facing more import competition, tend to favor it.

The Senate bill would require the Treasury Department to determine whether China was manipulating its currency, and then order the Commerce Department to impose retaliatory tariffs on certain Chinese goods.

The People’s Bank of China, the country’s central bank, issued a response to the Senate vote early Wednesday, denying that China had manipulated the value of its currency, [the renminbi](#). “The renminbi exchange rate is gradually achieving a more balanced and reasonable level,” the central bank said in a statement.

But critics have pointed out that a narrowing of China’s broadly measured trade surplus mainly reflects surging imports of commodities like oil and iron ore, and that the renminbi has been rising gradually over the last year against [the dollar](#) but actually weakening against other currencies, including [the euro](#).

The House version of the China measure has 225 co-sponsors, and passed that chamber 348 to 79 while it was under Democratic control last year, with support from 99 Republicans.

House Democrats have been circulating what is known as a discharge petition, a measure used by the minority party to force the party controlling the chamber to bring the bill back to the floor. Such a petition would require 218 signatures; currently only 176 members have signed. Representative Hal Rogers of Kentucky, the chairman of the Appropriations Committee, was the only Republican to sign it but he withdrew his name. Getting further Republican support is unlikely since it puts the lawmaker in opposition with party leaders.

Republican House leaders, who openly criticize many Chinese policies, largely voted against the bill when it came to the floor last year. They oppose the measure because they are worry it would start a trade war with China, increase prices of American goods and pull at the threads of the gossamerlike relationship between the two countries. It is a view expressed by Senate opponents, too.

Senator Joe Lieberman, independent of Connecticut, said on the Senate floor, “During times of economic **recession** such as the one we are in now, over history nations have repeatedly become protectionists. But history also shows that **protectionist** policy makes the economic problems worse, not better.”

However, lawmakers from manufacturing-heavy states have pushed hard for it, and will pressure House Republicans to get on board. “I don’t believe you have a middle class in America without a vibrant manufacturing base,” said Senator Jeff Sessions, Republican of Alabama. “We’ll stand up and take our lumps and take our gains in a fair competition.”

Keith Bradsher contributed reporting from Hong Kong.

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