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Currency efforts stepped up as Obama heads to China

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WASHINGTON -- As President Obama travels to China this week, the Fair Currency Coalition is stepping up its efforts to revive currency manipulation legislation, though industry sources acknowledge that the chances for any significant breakthrough with the Chinese range from slim to none.

A revived effort is under way in Congress to gain wide bipartisan backing for the Currency Reform for Fair Trade Act, according to Charles Blum, executive director of the Fair Currency Coalition, which has strong representation from steel-related groups among its membership.

As a presidential candidate, then-Sen. Obama backed a crackdown on nations manipulating their currencies to gain unfair trade advantages. As President, however, Obama's Treasury Department twice has passed on the opportunity to label the Chinese as currency manipulators in its semi-annual reports to Congress on the issue.

"We don't fault the administration at all for their dedication to raising it (with the Chinese) at every meeting from the bilateral talks to the G-20," Blum told AMM. "Treasury Secretary (Timothy) Geithner has put a lot of effort into this.

"Our take on it is that the Chinese have gotten the message," Blum said. "They've gotten the message but they still are not responding to it. That's where our bill comes into it."

The House bill, HR 2378, which was formerly known as Ryan-Hunter is Ryan-Murphy this time around with Reps. Tim Ryan (D., Ohio) and Tim Murphy (R., Pa.) serving as the prime sponsors. Rep. Murphy co-chairs the Congressional Steel Caucus with Rep. Pete Visclosky (D., Ind.).

"We've been pushing the House the hardest because frankly it's the most vulnerable," said Blum, noting that dozens of Democrats elected by close margins last fall now may face stiff challenges from Republicans next November.

Forty-five steel caucus members signed a recent letter to President Obama expressing "extreme disappointment" about the Treasury's latest failure to act and throwing their support behind HR 2378. "This bill would target exchange rate misalignment between the U.S. dollar, Chinese yuan and other major trading partners in order to reduce the unnatural competitive advantage that command economies can use against market economies," they wrote.

The measure has wide support from the steel industry. "We here at AISI believe that the facts call for China to be named as a currency manipulator, given the massive damage that China's severely undervalued currency has done to U.S. manufacturing companies, their employees and their communities," Thomas J. Gibson, president and chief executive officer of the American Iron and Steel Institute, said in a statement.

The legislation essentially would make what the coalition sees as the "unfair trade practice" of currency manipulation actionable under U.S. anti-dumping and countervailing duty laws. "This is the only way to combat the job-destroying unfair trade practice of currency manipulation," Blum said.

Blum, heavily involved in steel issues since his stint as a top trade negotiator at the Office of the U.S. Trade Representative, noted that the currency issue is a rare instance of the entire steel sector being unified on what needs to be done. "It's not only the mills that are behind this, but also the service centers, a lot of the customer base and, course, the union. It's really one of the rare issues where we are all united," he said.

He also believes the current administration is considerably more focused on the currency issue than was the previous administration of George W. Bush. "We've met with top officials (in the Obama administration) several times, had lengthy meetings and the talks have been constructive even if we haven't been satisfied" with the end result, Blum said.

So far the currency reform measure has 76 co-sponsors in the House. The Senate bill, S 1027, has seven co-sponsors and several additional senators are expected to disclose their support within the next week or so.

Under the laws of "monetary physics," Blum said China's current account balance should have decreased if its currency were allowed to trade freely. Instead, China's cumulative current account balance between 2006-08 exploded to \$1.05 trillion, he asserted.

China's current account surplus is predicted to fall sharply this year. But even with the collapse in global trade due to the worldwide financial crisis, China is on a pace to run a current account surplus of \$268 billion this year, he added.

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