

China not manipulating currency but lacks transparency, US says

October 18 2018, by Douglas Gillison



US Secretary of the Treasury Steven Mnuchin has refrained from escalating a fight over China's currency

Washington on Wednesday again declined to call China a currency manipulator but said the yuan's fall and Beijing's exchange practices

were of "particular concern."

In putting Beijing and five other US trading partners on notice, the US Treasury once more refrained from escalating a fight over China's currency as US President Donald Trump had once pledged to do on the campaign trail.

"Of particular concern are China's lack of currency transparency and the recent weakness in its currency," US Treasury Secretary Steven Mnuchin said in releasing a twice-yearly report to Congress on how countries manage exchange rates and [trade](#).

"These pose major challenges to achieving fairer and more balanced trade and we will continue to monitor and review China's currency practices, including through ongoing discussions with the People's Bank of China."

In Wednesday's report, the Treasury also said Germany, India, Japan, South Korea and Switzerland remained on a "monitoring list" of countries whose currency practices required "close attention."

Washington has long argued Beijing keeps its currency artificially low to make its exports more competitive.

In recent years, however, the yuan or renminbi (RMB) has strengthened and economists now say it is more in line with China's economic fundamentals.

Still, as US interest rates have risen, the US dollar has strengthened further, which makes American exports more expensive. The dollar this year is up 6.6 percent against the RMB, which began to weaken substantially in June.



US Treasury Secretary Steven Mnuchin said he held constructive talks with People's Bank of China governor Yi Gang during the World Bank-International Monetary Fund annual meetings in Bali

PBOC 'effectively neutral' in 2018

"Recent movements in China's currency have not been in a direction that will help reduce China's large trade surplus," the report released Wednesday said.

"Treasury staff estimate that China's direct intervention in the foreign

exchange market to have been limited this year," it added, with net interventions by the People's Bank of China "effectively neutral."

During the World Bank-International Monetary Fund's annual meetings last week, Mnuchin said he had held constructive talks with PBOC Governor Yi Gang.

A growing US economy and falling unemployment have also whipped up demand among US consumers for imported goods, with 2017's record US-China trade deficit continuing to widen this year—swelling 3.2 percent to \$390 billion in the 12 months ending in June.

Citation: China not manipulating currency but lacks transparency, US says (2018, October 18) retrieved 17 April 2024 from

<https://phys.org/news/2018-10-china-currency-lacks-transparency.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.