

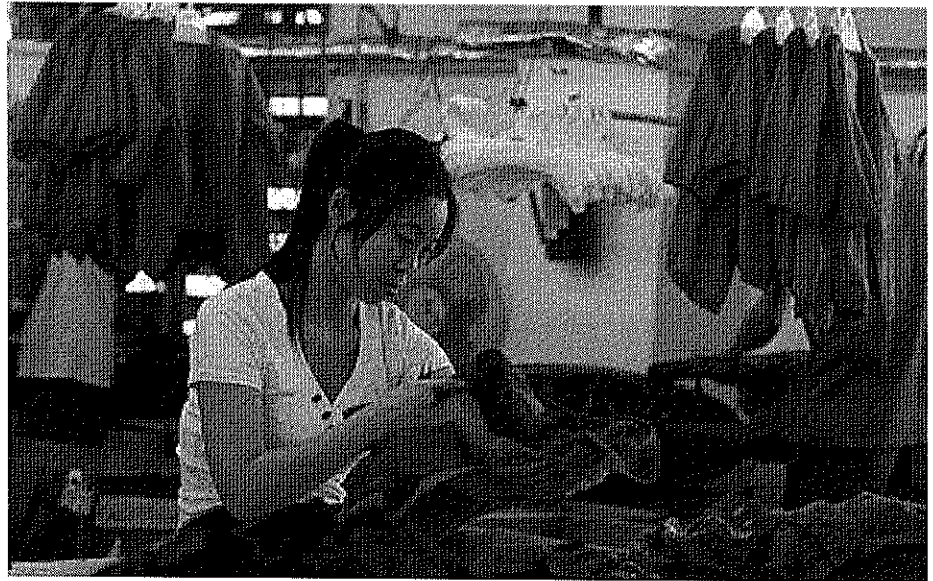
America threatens trade war with China

The United States government is planning to revive a bill that will punish China for artificially boosting its trade through "currency manipulation".

By Malcolm Moore in Shanghai
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Members of the US Senate and Congress believe that China deliberately undervalues its currency by as much as 40 per cent so that Chinese goods remain cheap to foreign buyers.

"By illegally subsidising its exports through the undervaluation of its currency, China has distorted their gains from trade, created barriers to free and fair trade, harmed US industries and destroyed millions of US jobs," said a press release from the sponsors of a new bill.



The US government believes that China undervalues its currency by as much as 40 per cent so that Chinese goods remain cheap to foreign buyers Photo: EPA

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The bill is likely to be introduced today by senators and congressmen from both the Republican and Democratic parties. In Congress, the bill has over 40 co-sponsors. The legislation could impose additional duties on Chinese goods until China allows the yuan to revalue.

Last year, while running for president, Barack Obama said he supported a Senate bill to tackle China's manipulation. "The Bush administration has failed to act on China's currency manipulation," he said, adding: "This is unacceptable." Hillary Clinton, the secretary of State, also supported the bill.

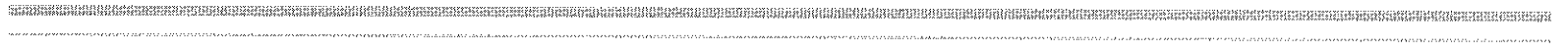
However, the legislation stalled last year and has been thwarted on a number of previous occasions.

Timothy Geithner, the Treasury secretary, labelled China as a "currency manipulator" repeatedly in his confirmation hearings before the Senate but has since backtracked in the face of strong pressure from Beijing.

A recent Treasury department trade report did not accuse China of artificially restraining the yuan, but merely said the currency was "undervalued". Since then, the yuan has weakened.

Mr Geithner is due to travel to Beijing at the end of this month and the new bill could prove an embarrassment.

The latest trade figures show that the US imported \$15.6 billion (£10.21 billion) more in goods and services from China in March than it exported. The trade gap increased even as Chinese exports fell in general and US imports to China increased.



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