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China Suggests It May Discuss Revaluing Currency

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China says it is open to discussing its currency at the coming meeting of G-7 finance ministers from the most industrialized nations. China's top economist suggests the country is ready to stop pegging its currency, the yuan, to the U.S. dollar.

Until now, China has been unwilling to commit to any adjustment of its currency exchange mechanism, despite pressure from the United States and other governments for it to do so. For a decade, the Chinese yuan has been pegged at about 8.28 to the dollar.

Chinese news media reports that the country's central bank Governor Zhou Xiaochun said that China would act gradually to ease its controls on the yuan. But he said Beijing is open to discussing currency matters with other nations.

A Chinese Foreign Ministry spokesman said Chinese officials will talk about the currency next week at a meeting of the G-7 leading industrialized nations in Britain. But he did not indicate that China was committed to making a change.

On Wednesday, China's leading economist Fang Gang told attendees at the World Economic Forum in Davos, Switzerland, that China no longer regards the U.S. dollar as a stable currency. He said the real issue now is how to switch the yuan's peg to a more flexible basket of currencies.

Some analysts question Mr. Fang's assessment of China's confidence in the U.S. currency. But some agreed that given China's economic and trade growth, it is time for Beijing to gradually start liberalizing its currency exchange regime.

Paul Coughlin is managing director for Asia-Pacific government and corporate ratings in Singapore for the Standard & Poor's credit rating agency. He says that piling up billions of dollars of reserves to maintain the yuan peg could become a problem as China grapples with other problems, such as over-investment in some sectors.

"China is approaching the point where the accumulation of U.S. dollars and foreign exchange generally is becoming more of a hazard than a help," said Mr. Coughlin. "And indeed the extent of the buildup of foreign currency is really very much complicating monetary management and maintaining control over inflation."

Some economists and many U.S. and European politicians say the yuan's exchange rate is kept artificially low, making Chinese products artificially cheap on world markets.

The U.S. dollar reached a low against the euro in December and has been falling against most major currencies during the past two years due to worldwide concerns about the U.S. trade and budget deficits.

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President Bush is renewing his effort to convince China to stop tying its currency to the U.S. dollar. At a news conference Wednesday, Mr. Bush said if China allowed its currency to trade on open markets, it would help reduce the U.S. trade deficit. China has fixed its currency, the yuan, at 8.28 to the dollar since 1994. Many U.S. manufacturers say this undervalues China's currency, giving Chinese-made imports an unfair price advantage. A member of the U...

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US Commerce Secretary Urges China to Adopt Flexible Currency

Outgoing U.S. Commerce Secretary Donald Evans is repeating the Bush Administration's call for China to switch to a more flexible system for valuing its currency. Mr. Evans made the remarks Wednesday in an address to the American Chamber of Commerce in Beijing. The U.S. says China's fixed peg of its currency to the U.S. dollar allows it to export its goods at much cheaper prices. Mr. Evans says Washington also wants Beijing to loosen regulations on direct...

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U.S. and Chinese military officials have met in Beijing for talks on building cooperation. the topic of Taiwan was high on the agenda. A delegation led by Richard Lawless, the U.S. deputy undersecretary of defense, met with Chinese military officials for what both sides described as a an "official policy dialogue." The talks started on Monday and touched on issues including counterterrorism, regional security, and rising tensions in the Taiwan Strait. China used the...



By **Luis Ramirez**

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