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# FAIR CURRENCY COALITION

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## FACT OF THE WEEK (December 8, 2009)

### WHAT OTHERS ARE SAYING ON THE CURRENCY ISSUE (PART I)

#### Barack Obama, President of the United States

*Reuters 11/09/2009 – Obama says will raise currency with China*

“Tim Geithner, my Treasury Secretary, has been talking extensively to his counterpart, not only about currency issues but the whole array of factors that have contributed to these imbalances.

That broader conversation will be at the center of our conversations with the Chinese delegation.”

“Currency, along with a host of other issues, will come up, and I’m confident that both the United States and China can arrive at a broad set of policies that encourages trade that benefits both countries, that allows ongoing economic growth.”

“It is particularly important for us when it comes to Asia as a whole to recognize that in the absence of a more robust export strategy it is going to be hard for us to rebuild our manufacturing base and employment base in this country.”

“They (China) have a huge amount of U.S. dollars that they are holding, so our success is important to them. The flipside of that is that if we don’t solve some of these problems, then I think both economically and politically it will put enormous strains on the relationship.”

#### Timothy Geithner, U.S. Secretary of the Treasury

*TIME – 11/16/2009 – Five Things the U.S. and China Still Disagree On*

During his confirmation hearings in January, U.S. Treasury Secretary Tim Geithner accused China of manipulating its currency, driving down the value of the renminbi to make Chinese exports cheap. That provoked a furious response

from Beijing, and since then Geithner has toned down his message. While he expressed a belief commonly held by economists, an official finding of currency manipulation by the U.S. government would trigger negotiations with China and possibly duties on Chinese imports. In October, the Treasury Department said that the renminbi was undervalued, but that China was not a currency manipulator.

### **Ben S. Bernanke, U.S. Federal Reserve Chairman**

*At the Federal Reserve Bank of San Francisco's Conference on Asia and the Global Financial Crisis, Santa Barbara, California 10/19/2009 -- Asia and the Global Financial Crisis – Speech by Chairman Ben S. Bernanke*

However, too great a reliance on external demand can also pose problems. In particular, trade surpluses achieved through policies that artificially enhance incentives for domestic saving and the production of export goods distort the mix of domestic industries and the allocation of resources, resulting in an economy that is less able to meet the needs of its own citizens in the longer term.

To achieve more balanced and durable economic growth and to reduce the risks of financial instability, we must avoid ever-increasing and unsustainable imbalances in trade and capital flows.

### **U.S.-China Economic and Security Review Commission**

*11/19/2009 – U.S. Economic and Security Review Commission 2009 Annual Report to Congress (p. 325)*

The Commission recommends that Congress urge the administration to press China to allow the renminbi (RMB) to become flexible and responsive to market forces, thereby contributing to the correction of global economic imbalances. The Commission further recommends that Congress consider legislation that has the effect of offsetting the impact of the U.S. economy of China's currency manipulation.

### **U.S. Senator Christopher Dodd (D-CT), Chairman of the Banking Committee**

*Bloomberg News 11/13/2009 -- Obama Can't Avoid Immovable Yuan as Dollar Sinks Asia (Update3)*

In Washington, Senator Christopher Dodd was less optimistic. Asked in a Nov. 11 Bloomberg Television interview whether Obama should discuss the yuan, the Connecticut Democrat and chairman of the Banking Committee responded: "He's

got to raise that issue. You can't give your competitor, your adversary in this case, a 40 percent advantage in global economies."

**U.S. Senator Charles Grassley (R-IA), Ranking Member of the Finance Committee**

*Reuters 11/20/2009 -- UPDATE 2-U.S. Treasury nominees to press China on yuan policy*

Sen. Charles Grassley, the finance committee's top Republican, complained to the nominees that the Obama administration had taken the same soft approach toward the yuan's value as the Bush administration did.

"I'm frustrated. I believe we should be calling a spade a spade. China is manipulating its currency in order to maintain its export advantage," Grassley said.

**U.S. Sen. Kent Conrad (D-ND), Chairman of the Budget Committee**

*Reuters 11/20/2009 -- UPDATE 2-U.S. Treasury nominees to press China on yuan policy*

Senator Kent Conrad said he agreed with Grassley that China was manipulating its currency to manage its economy and added, "It's an absolute obligation of ours to press back."