Geithner: China Must Lose Trade Barriers

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WASHINGTON (AP) -- Treasury Secretary Timothy Geithner faced a barrage of U.S. congressional complaints Thursday over what critics said was the administration's failure to take a tougher stance on Chinese trade issues.

Both Democrats and Republicans on the Senate Finance Committee warned Geithner that Congress' patience was wearing thin. One critic said if China does not move soon to allow its currency to rise in value against the dollar, Congress is likely to pass legislation that would impose tough trade sanctions on China.

"I am confident that this bill will pass the Senate with overwhelming support," Sen. Charles Schumer, a leading Democrat, told Geithner. "The issue here is not U.S. protectionism but China's flouting of the rules of free trade."

Schumer has said he hopes to get a Senate vote in the next two weeks.

Geithner was criticized by several lawmakers over his decision in April to delay release of a report Treasury is required to present to Congress every six months with the administration's findings on whether any country is manipulating its currency.

Sen. Jim Bunning, a Republican, accused Geithner of violating the law by delaying the currency report. He said the administration's inaction was "trading away' American jobs, citing one estimate that 2.4 million manufacturing jobs have been lost in the United States because of China's unfair trade practices including currency manipulation.

Geithner said that the Obama administration had delayed the report, as had previous administrations, in the belief that the delay would enhance the chances that Beijing will move to allow its currency to start rising in value against the dollar.

Sen. Charles Grassley, a Republican, said that it was past time for Treasury to brand China a currency manipulator, a designation that could eventually lead to U.S. trade sanctions against Chinese imports.

China did allow its currency, the yuan, to rise in value from July 2005 until the summer of 2008 by about 20 percent but then abruptly halted the practice with the onset of the global economic downturn out of concern about the impact a stronger Chinese currency would have on its exports.

Geithner indicated that the report would now come out sometime after President Barack Obama and other leaders of the Group of 20 major economies, which includes China, meet on June 26-27.

At the Senate hearing, various lawmakers sought to impress on the administration their growing frustration with China over a number of trade issues from the country's currency policy to its failure to crack down on copyright piracy of American products and a new Chinese policy on industrial innovation which foreign companies fear will require them to share their technology development with the Chinese.

The frustration in China has grown as the United States has lost more than 8 million jobs during the recession.

"We are not creating jobs. It is as simple as that and it is horrific," Sen. Olympia Snowe, a Republican, told Geithner in urging a tougher trade stance with China.

Geithner assured the committee that the administration was committed to engaging forcefully with China to make sure that American workers are competing on a level playing field with Chinese workers.

"We want future growth in China to result in more exports from the United States and more jobs in the United States," Geithner said. "We want China to change those policies that disadvantage American companies."

Geithner agreed with the complaints that China's currency system was a major problem. He said that distortions in China's currency policy were spreading far beyond China's borders and that reform in this area was critically important for the United States and the global economy. But he said that China was buying more U.S. exports.

Geithner said that as the United States emerges from the worst recession in decades, its exports to China have rebounded much more rapidly than exports to other parts of the world and are now running 20 percent above the pre-crisis levels. But he said that U.S. exports were still being held back by a number of Chinese trade practices including its currency system.

"China is fast on its way to becoming the world's second largest economy and could potentially become the largest foreign market for U.S. exports of goods and services," Geithner said in his testimony.

China is already the third biggest market for U.S. exports, up from 11th place just a decade ago. However, even with the big jump in U.S. exports, the United States still runs its largest trade deficit with China, one that last year totaled $226.9 billion.

American manufacturers contend that the Chinese currency is undervalued by as much as 40 percent against the dollar. That means that Chinese products are cheaper for U.S. consumers but American goods cost more in the Chinese market.

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