



China Currency Bill: A Boon or Bust for U.S. Manufacturers?

Manufacturers and industry groups divided on whether currency legislation would help U.S. manufacturing.

By [Jonathan Katz](#) Oct. 12, 2011

The U.S. Senate's passage Oct. 11 of a bill designed to punish China for manipulating its currency has been hailed as a positive step forward by many U.S. manufacturing and labor groups.

Shortly after the Senate voted 63-35 to approve the measure that now heads to the House of Representatives, the American Manufacturing Trade Coalition issued a statement calling the legislation "the best job-creation bill that Congress can pass this year."

The American Iron and Steel Institute has championed the bill as a means to fight back against unfair trade practices that have cost U.S. jobs.

But some manufacturers have expressed concern that punitive measures against Chinese goods could create a trade war.

Caterpillar Inc., which conducts a significant amount of business in China, has been a critic of policies that could ignite trade tensions between the United States and China.

"We are concerned that domestic unilateral action in the legislative branch is not the best or most appropriate way to address concerns over currency issues such as this," says Jim Dugan, Caterpillar chief corporate spokesman. "We are concerned that if such actions were to be taken, it could result in a full-scale trade fight with China."

The United States and China are the two largest economies in the world and if they became engaged in a broader trade dispute, the U.S. and global economy could suffer, Dugan says.

A more effective way to handle the currency situation in China is through diplomatic means, Dugan says.

"There has been movement on the Chinese currency," Dugan says. "The Chinese government has said they want the currency to appreciate. It has appreciated, and we

think that approach is a better approach as opposed to action being taken in the legislative branch."

But Alan Tonelson, a research fellow with the U.S. Business and Industry Council, says any past progress with China's currency has primarily come after the United States threatens action.

"As has happened so often before, whenever the American currency debate has heated up, yuan revaluation has been speeding up," Tonelson says. "Although Beijing employs many other market- and trade-rigging practices and has thrown foreign critics off the trail by frequently switching them on and off, that's the reaction of a country not girding for a trade war, but desperately trying to avoid one."

[Drew Greenblatt, president](#) of small-sized manufacturer [Marlin Steel Wire Products LLC](#), [has credited much of his company's success](#) to [demand from foreign countries](#).

Greenblatt, who also serves as a National Association of Manufacturers board member, said the World Trade Organization should be the primary enforcer of currency issues with China.

"Trade wars with the second-biggest economy in the world is a bad idea," Greenblatt says. "However, China must float their currency like the euro and the peso. Our economy will grow nicely if we have trading partners that adhere to WTO rules about currency manipulation."

Proponents of the bill, though, say the United States is already fighting with China.

"What China does is protectionist, and America is already in a trade war -- China is throwing rocks and President Obama is throwing words," wrote Peter Morici, a professor at the Smith School of Business, University of Maryland, in an editorial.

Tonelson says threats of retaliation are "silly and not seriously advanced."

"The current trade flows are so lopsidedly in favor of China that retaliation would amount to Beijing economically shooting itself in the head," Tonelson says. "I think they're simply talking points ginned up by the offshoring lobby -- by companies that produce so much of their products in China for export to the U.S., who therefore benefit from currency manipulation. They get the subsidy. The subsidy applies to any goods made in China, especially for export."

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