



Only export policy that matters: getting China to behave

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U.S. Trade Representative Ron Kirk, second from left, speaks to Drew Greenblatt, left, president of Marlin Steel Wire Products, during a tour of Marlin's manufacturing floor Monday, Sept. 20, 2010 in Baltimore. (Steve Ruark, BALTIMORE SUN / September 19, 2010)

Only 42 politicking days to go until elections, and the Obama administration has decided to get a little tougher on the single biggest distorting factor in the world economy.

[U.S. Trade Representative Ronald Kirk](#) says the timing of Washington's increased pressure on China over currency manipulation and other issues is a coincidence. Whatever the reason, it's welcome.

"We're going to have to engage China," Kirk said in an interview Monday.

"We're going to have to continually push, cajole and in some cases where that doesn't work, file suit to say: 'Look, we invited you into the [global trading community](#). By any objective measure China has benefited

marvelously from being able to access markets around the world. But the flip side of that is, you've got to open your markets.' "

Kirk was in Baltimore promoting President Barack Obama's campaign to increase U.S. exports, touring the port and visiting with business folks.

The visit comes less than a week after Kirk's office brought two new cases against China to the World Trade Organization. One accused the country of blocking access to Visa and other American credit-card companies. The other alleged that China unfairly impedes the import of certain kinds of steel.

Also last week, Treasury Secretary Timothy F. Geithner accused China of "rampant" and "unacceptable" violations. China's undervalued currency, he added in remarks to Congress, "encourages outsourcing" by U.S. companies and "makes it more difficult for goods and services produced by American workers to compete."

On Monday Obama, too, sounded off.

China's yuan "is valued lower than market conditions would say it should be," he said at a **CNBC**-televised town meeting, according to news accounts. The cheap yuan is "a real problem," he added, according to the **Wall Street Journal**.

That's understating it.

Thanks largely to Chinese currency shenanigans, the same **McDonald's Big Mac** hamburger that costs \$3.73 in the United States costs the equivalent of only \$1.95 in China, according to **The Economist** magazine's annual survey.

China doesn't export Big Macs. But it exports almost everything else. By depressing the yuan, China's central bank gives a huge advantage to Chinese exporters, letting them undercut foreign competitors. And it makes it very difficult for would-be importers into the Chinese market because their products are more expensive than they should be.

Many economists believe China has set the value of the yuan at least 25 percent lower than it would be if it were traded freely like other currencies. To maintain the low peg, analysts estimate that the Chinese central bank buys something like \$1 billion in dollars every day, raising the value of the dollar and decreasing that of the yuan.

If that's not currency manipulation — a word the Obama administration still can't bring itself to utter — then there's no such thing.

It's an enormous factor in the high U.S. unemployment rate and the slow recovery. A higher yuan would make Chinese goods more expensive for Americans, giving U.S. manufacturers a better shot at selling to

U.S. customers. And it would stop Chinese exporters from swiping international business from American exporters.

[Kirk's last Baltimore stop on Monday was Marlin Steel Wire](#), just off the Baltimore-Washington Parkway and a [formidable global marketer](#). More than one-fifth of the [steel baskets that Marlin makes for industrial use are sold from Singapore to Argentina and many places in between](#).

But the company keeps getting undercut by Chinese competitors. If the yuan were to rise in value by 25 percent, estimates [President Drew Greenblatt](#), Marlin could double its sales to \$8 million and increase employment from 30 to 60.

Imagine that kind of activity across the U.S. economy. A 20 percent to 25 percent increase in the yuan over the next two or three years would create 500,000 U.S. jobs, and substantially reduce the U.S. trade deficit, Fred Bergsten, director of the Peterson Institute for International Economics, told Congress last week.

Many in Congress and industry want Washington to formally declare China a currency manipulator and impose import duties or other penalties. Others worry about unleashing a trade war or retaliation by China on American companies doing business there.

Meanwhile Kirk and other administration officials are touting Obama's "National Export Initiative," which increases export financing, trade promotion and the like. But all the factory tours and trade missions in the world won't make nearly as much difference as getting China to play by the rules.

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