

The IMF was accused of "meddling" in China's affairs regarding exchange rates

The International Monetary Fund is "meddling" in China's affairs by saying the country needs a more flexible exchange rate policy, a state newspaper said in an editorial Tuesday.

While it was natural that the IMF discussed exchange rates at its recent Washington meeting, that did not mean its views on China and the yuan were welcome, the official China Daily said in a piece entitled "IMF Meddling Disturbing."

"But the insistence - rising, in some cases - of those advocating 'a more flexible exchange rate' for the Chinese currency is disturbing," said the newspaper, one of the government's English language mouthpieces.

The IMF reiterated Friday that China needs a more flexible yuan policy, saying such a move would help trim global imbalances while making it easier to slow investment and credit growth.

On Saturday, Beijing said it would make the yuan more flexible as part of a statement issued by five major economic players following meetings of the IMF's policy-setting committee in Washington, but it offered no timelines or targets.

China revalued the yuan by 2.1 percent in July 2005, when it also untethered the yuan from a decade-old dollar peg to allow it to float in tightly managed bands.

But since then, Beijing has kept the currency on a tight leash, only allowing it to rise about 5 percent further.

That has drawn fire from critics in countries such as the United States, who say China has been keeping the yuan artificially low to give its exporters a huge advantage in global markets.

Beijing has repeatedly said that it needs to tread cautiously on yuan reforms, partly given the fragile state of its financial system.

"Drastic moves regarding the flexibility of the renminbi could cause deflation and even a financial crisis, China argues," the newspaper said, referring to the currency's formal name.

"None of the flexibility proponents have provided convincing counter-arguments. Instead, they have been using classic economic dogma to support their idea and act as if they know better than China itself about what the country should do," it added.

U.S. criticism of the yuan was for political reasons, and it was a pity that some in the IMF shared the same views, the editorial said.

The IMF should instead look at its own woes and past mistaken advice to other countries, it said.

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