

Yuan Hits Milestone Against Dollar

David Barboza

China's currency, the yuan, rose against the dollar on Thursday, reaching a milestone that is just the latest sign of this country's growing economic power.

For the first time in more than a decade, the dollar bought less than 7 yuan, ending the day close to 6.9920, a situation that specialists say will probably make Chinese-made goods more expensive for American consumers and possibly contribute to inflation in the United States.

The gains for the Chinese currency have come after Beijing's decision to end a longstanding peg to the dollar in July 2005, when a single dollar bought about 8.3 yuan or renminbi.

Beijing lifted the peg after American and European officials had complained for years that the yuan was set artificially low, making Chinese goods cheaper than they would normally be and giving China an unfair trade advantage.

The result, many officials said, was massive trade surpluses for China and job losses for Americans and Europeans who could not compete.

But this year, partly because of soaring inflation at home and fears the Chinese economy could be overheating, China's leaders have allowed their currency to appreciate more quickly against the dollar.

The yuan has gained about 16 percent against the dollar since the peg ended in 2005, including about 4.5 percent this year.

Some analysts believe the yuan will continue to rise, possibly reaching 6.5 yuan to the dollar by the end of the year.

The changes are coming as dollar weakens against other currencies, including the euro, sapping American buying power overseas.

Indeed, despite the yuan's rise against the dollar, the Chinese currency has actually weakened against the euro in the last year. European officials continue to worry about growing trade deficits with China.

For China, though, the yuan's climb against the dollar is helping partially offset the rising cost of goods it imports — like oil, grains and raw materials — many of which are priced in dollars.

"China wants to slow down the pace of rising commodity prices, and curb inflation," says Li Daokui, an economist at Tsinghua University in Beijing. "Meanwhile, the appreciating renminbi is a signal the Chinese government is sending to the export companies to switch away from the U.S. and other overseas markets and turn toward the domestic market."

Many specialists believe the shifting fortunes of the yuan and the dollar are healthy for the global economy because they reflect the reality of a weakening American economy and China's growing wealth.

Before, many economists complained, America was consuming far too much and China was overproducing and not consuming enough.

"This is helping rebalance the global economy," an economist at Credit Suisse, Dong Tao, said. "But this is also very significant for China's export sector. We forecast that as many as one third of export manufacturers may close down over the next three years."

The closures, he said, may be the result of a loss of competitiveness for low-cost manufacturers in China, many of whom operate on thin margins and sell cheap goods to the United States.

For their part, American officials have largely welcomed the rise of the yuan, saying the gains could help dampen America's widening trade deficit with China and also make American goods more attractive to Chinese consumers.

The Treasury Secretary Henry M. Paulson Jr. applauded recent gains in the yuan during a visit to Beijing earlier this month, calling them "significant and welcome" but also saying he would like Beijing to allow its currency to float more freely.

Disponível em: <<http://www.nytimes.com>>. Acesso em 11/4/2008.

A utilização deste artigo é exclusivo para fins educacionais.