

## **US urges China to strengthen renminbi**

*Geoff Dyer and Edward Luce*

President Barack Obama on Tuesday urged China to strengthen its currency as tensions over exchange rates and trade broke through a carefully orchestrated show of co-operation between Washington and Beijing.

Mr Obama made his comments after a three-hour meeting on Tuesday in Beijing with President Hu Jintao, during which both leaders pledged to work together on a long list of pressing international issues.

However, the US president also joined in the growing chorus of international voices calling on China to allow the renminbi to appreciate.

"I was pleased to note the Chinese commitment made in past statements to move toward a more market-oriented exchange rate over time," he said at a joint appearance with Mr Hu in the Great Hall of the People. Such a move would "make an essential contribution to the global rebalancing effort".

The reference to "past" statements could imply that China did not make any new commitments on Tuesday. Mr Hu did not mention the currency issue in his own statement, although he did call on both governments to refrain from protectionism, a veiled criticism of recent US trade measures on Chinese steel pipes and tyres.

"I stressed to President Obama that under the current circumstances our two countries need to oppose all kinds of trade protectionism even more strongly," he said.

Coming at a time when Chinese prestige is growing and the US is facing enormous difficulties, Mr Obama's trip has symbolised the advent of a more multi-polar world where US leadership has to co-exist with several rising powers, most notably China.

Although the public appearance on Tuesday had been billed as a press conference, the two leaders did not take any questions from the media and made only prepared statements, adding to the impression that Mr Obama's visit has been one of the most tightly scripted in recent years and frustrating his hopes to speak more directly to the Chinese people.

In their comments and in a nine-page joint statement, the two governments spelled out a programme for ever-growing co-operation including stronger ties between their militaries, joint research initiatives on climate change and clean energy and even "a dialogue on human space flight".

On Iran, where the US has been pushing China to take a harder line against Tehran, Mr Obama spoke with stronger language.

"We agreed that the Islamic Republic of Iran must provide assurances to the international community that its nuclear programme is peaceful and transparent," he said. "Iran has an opportunity to present and demonstrate its peaceful intentions but if it fails to take this opportunity, there will be consequences." Mr Hu said it was important to try to resolve the issue through negotiations.

China's currency has been effectively pegged to the US dollar since the middle of last year and in recent weeks a number of international officials and governments have complained at the advantage this gives Chinese exporters, given the current weakness of the dollar.

Dominique Strauss-Kahn, managing director of the International Monetary Fund, called again on Monday at a conference in Beijing for a stronger renminbi "the sooner the better".

He Yafei, one of China's vice foreign ministers, defended China's exchange rate policy. "In the process of tackling the financial crisis, keeping the RMB stable not only was a contribution to fighting the crisis but also helped stabilise global financial markets," he said.

In recent days, several senior Chinese officials have criticised the US Federal Reserve, arguing that loose monetary policy in the US was creating bubbles in asset prices and endangering the global recovery. Yu Yongding, a researcher at one of China's leading government think-tanks and a former member of the central bank monetary committee, said on Tuesday that Europe and China "should play together and put pressure on the US to change its monetary policy". China and much of the world was being held "hostage" by US monetary policy, he said.

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