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**CHINA**

## **Trade surplus pressures yuan**

**China's trade surplus grew in August and has fueled demands by Washington and other trading partners for Beijing to raise the value of its currency, the yuan.**

By Joe McDonald

Associated Press

**BEIJING** - China's record trade surplus adds to currency pressure

China on Monday reported its trade surplus hit a new record high for a fourth-straight month in August, adding to pressure for the country to strengthen its currency as U.S. Treasury Secretary Henry Paulson prepares to visit Beijing next week.

The August surplus climbed to \$18.8 billion, the official Xinhua News Agency reported, citing data from the Chinese customs agency. That was well above the old record of \$14.6 billion set in July.

China's growing trade gap has fueled demands by Washington and other trading partners for Beijing to raise the value of its currency, the yuan. That would make Chinese goods more expensive for foreign buyers and might restrain surging exports.

Paulson hasn't said whether he will press Chinese officials to ease currency controls when he makes his first visit to Beijing as Treasury secretary since assuming the job in July. But the yuan has been a key issue for other Treasury envoys, and experts expect Paulson to raise it as well.

Critics say the yuan is undervalued and gives Chinese exporters an unfair price advantage, hurting their foreign competitors and threatening thousands of jobs abroad.

China ended the yuan's direct link to the U.S. dollar in July 2005, switching to a system that bases the exchange rate on a group of world currencies.

The yuan is allowed to fluctuate by a fraction of a percentage point daily and has risen by only 2 percent against the dollar since then, disappointing U.S. officials.

So far this year, China's global trade surplus has grown to \$95.6 billion, Xinhua said, nearly as large as the \$102 billion gap for all of 2005.

In August, exports jumped 32.8 percent from the same month last year to \$90.8 billion, while imports climbed 24.6 percent to \$72 billion, according to Xinhua.

For the eight months from January through August, exports jumped 25.9 percent from the same period last year to \$599.6 billion, and imports were up 21.6 percent to \$505 billion.

Chinese leaders say they plan eventually to let the yuan trade freely on world markets. But they say doing so too quickly could harm fragile Chinese banks and other financial industries.

Last week, Chinese Finance Minister Jin Renqing rejected complaints that Beijing's currency policies were to blame for trade imbalances.

"The global imbalance is more a result of globalization and macroeconomic policies taken by each country," he said in Hanoi at a meeting of regional finance ministers.

Paulson, at the same meeting, appealed for "more currency flexibility in East Asia and in China."

With the United States, China's trade surplus rose to a record of \$202 billion last year. That figure is bigger than China's global trade surplus because the country runs of deficits with some partners.