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NEGATIVE BRIEF: Currency Manipulation

NEGATIVE PHILOSOPHY / OPENING QUOTES

Just looking for scapegoats

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

When things are not going well, it is common to seek scapegoats. In this vein, populists of various stripes allege that China manipulates the value of its currency to favor its exports and undercut American workers, particularly in manufacturing. The reality is that the value of China's yuan in terms of dollars is not the major reason why China exports over three times as much to us as we do to them. Its exchange rate is a minor source of weak U.S. job growth.

Real issue should be US economic policy, not Chinese currency

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

But China's choice of exchange rate policy is not the source of China's export growth. Disappointing job and wage growth in the U.S. has much more to do with our economic policy than with the value of China's currency.

INHERENCY

1. Status Quo policies are solving for both China & Japan

US Treasury Secretary Jacob Lew 2015 Treasury Secretary Jacob J. Lew Sends Letter to Senate Finance Leadership 19 May 2015 <http://www.treasury.gov/press-center/press-releases/Pages/jl10053.aspx>

 From the start, this Administration has relentlessly pushed our trading partners to change unfair currency practices. Through direct one-on-one negotiations and multilateral platforms like the International Monetary Fund, the G-20, and the G-7, we have made substantial progress in moving countries towards more market-determined exchange rates and away from devaluing their currencies to gain a competitive advantage.  This approach has yielded direct results: China’s currency has appreciated by nearly 30 percent since 2010 and Japan has not intervened in the foreign exchange market in more than three years.

2. China is reforming in Status Quo

China Central Bank governor announced they are reducing currency intervention to meet IMF standards

Reuters news service 2015 (journalist Anna Yukhananov) 18 Apr 2015 China wants to follow rules on currency basket: IMF official <http://www.reuters.com/article/2015/04/18/us-imf-g20-china-idUSKBN0N90M220150418> (brackets added)

Chinese economic reform plans, including opening up its capital account and deepening its financial markets, have set Beijing on the path to inclusion in the SDR basket, IMF [International Monetary Fund] Managing Director Christine Lagarde said this week. And China's central bank governor said Beijing would accelerate reforms to the yuan to push for inclusion in the SDR, including reducing intervention in domestic currency markets, the official Xinhua news agency reported on Saturday.

Negotiations have persuaded China to stop currency manipulation

Jeanna Smialek & Ian Katz 2015 (journalist) Bloomberg news, 5 Feb 2015 Lew Says China Currency Policy Improved While Japan Playing Fair <http://www.bloomberg.com/news/articles/2015-02-05/lew-says-china-currency-policy-improved-while-japan-playing-fair> (brackets added)

He [US Secretary of the Treasury Jacob Lew] also said President Barack Obama’s administration has had some success encouraging China to stop exchange-rate manipulation. “We’ve pushed hard to have China stop intervening in ways that they had been,” Lew said. “We’ve actually made progress working through these issues.”

**END QUOTE. They go on to say later in the same context, QUOTE:**

“We have taken China on. The president’s taken the president on. I’ve taken the vice premier, the president and the finance minister on this issue. They have actually responded to our pressure,” Lew said. “They have changed their policy.”

3. Chinese currency is no longer undervalued

IMF declares Chinese currency is properly valued

CNN 2015. “China's yuan 'no longer undervalued': IMF“ 26 May 2015 <http://money.cnn.com/2015/05/26/news/economy/china-yuan-undervalued/>

For years, China has been criticized for keeping its currency from strengthening too much against the dollar. But those days may be over -- the International Monetary Fund has declared that the yuan is "no longer undervalued." "Appreciation over the past year has brought the exchange rate to a level that is no longer undervalued," according to an IMF statement. China's yuan, also called the renminbi, has risen about 0.5% against the U.S. dollar in the last year.

4. Japan isn’t manipulating currency

Japan stopped manipulating in 2011

John Brinkley 2015 (journalist, formerly worked for S.Korean embassy) 20 Jan 2015 Obama's Currency Manipulation Dilemma: Pay Me Now Or Pay Me Later, FORBES magazine <http://www.forbes.com/sites/johnbrinkley/2015/01/20/obamas-currency-manipulation-dilemma-pay-me-now-or-pay-me-later/>

Japan, Vietnam, Brunei, New Zealand and Malaysia are the TPP parties that don’t have FTAs with the United States. Japan, “has not intervened in the foreign exchange markets in three years,” the Treasury said in October 2014. Only one other member of that group, Malaysia, has a history of currency manipulation, according to the Peterson Institute.

Japan’s policies are no different than US monetary policies

Jeanna Smialek & Ian Katz 2015 (journalist) Bloomberg news, 5 Feb 2015 Lew Says China Currency Policy Improved While Japan Playing Fair <http://www.bloomberg.com/news/articles/2015-02-05/lew-says-china-currency-policy-improved-while-japan-playing-fair> (brackets added)

Japan’s central bank in 2013 began buying government debt in an effort to boost inflation and stoke growth in the world’s third-biggest economy, and the yen has declined about 21 percent in the past two years. The Fed has more than quadrupled its balance sheet to $4.5 trillion since the end of 2007, buying Treasuries and mortgage-backed securities in an effort to keep long-term interest rates low. [US Treasury Secretary Jacob] Lew said Japan “initiated monetary policies that were similar to those that our Fed put in place,” and that together with fiscal measures, they’ve served to improve the Japanese economy. “Japan has the right to use quantitative easing as well.”

HARMS/ SIGNIFICANCE

1. U.S. is Doing Same Thing

The US was doing the same currency devaluation a decade before China was, and China’s policy is simply a reaction to it

Dan Ikenson 2013. (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources (LITR), a consulting firm providing interactive information access and international trade consulting. M.A. in economics from George Washington University) 8 Jan 2013 Foreign 'Currency Manipulation' Does Not Warrant Washington's Attention <http://www.forbes.com/sites/danikenson/2013/01/08/foreign-currency-manipulation-does-not-warrant-washingtons-attention/>

The U.S. Federal Reserve has had an easy money policy almost continuously for more than a decade, in fact pre-dating China’s U.S. dollar purchasing and reserve accumulation policies. Might the Chinese have been concerned that loose Fed policies would create inflation and that their intervening to buy dollars was an insurance policy intended to protect the value of its dollar-denominated assets, particularly its now $1.2 trillion in U.S. Treasury securities? Might building some insulation from those and other ill effects of U.S. monetary policy have been a contributing factor to China’s currency interventions? Without question, the Fed’s quantitative easing has suppressed the value of the dollar, arguably giving U.S. exporters a competitive advantage and prompting some foreign governments to complain that the U.S. policy is akin to currency manipulation.

US government does the same thing and other countries have a right to react to it.

Dan Ikenson 2013. (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources (LITR), a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ.) 8 Jan 2013 Foreign 'Currency Manipulation' Does Not Warrant Washington's Attention <http://www.forbes.com/sites/danikenson/2013/01/08/foreign-currency-manipulation-does-not-warrant-washingtons-attention/>

For U.S. policymakers to single out currency manipulation as a primary concern for remediation (as the Peterson paper does), the United States should have clean hands. But is currency intervention a more aggressive distortion than U.S. pump-priming – or a reaction to it? The U.S. government engages in all sorts of market-distorting behavior, the consequences of which cut in many different directions: the Federal Reserve’s open market operations are distinct interventions that affect the supply and demand of money and credit; tax credits and other government subsidies to, say, green energy production are interventions into goods markets; “Buy American” and other buy local laws, minimum wage laws, and government-administered bankruptcy proceedings are interventions into labor and goods markets. The purchasing, production, and investment decisions of state-owned enterprises, nationalized industries, sovereign wealth funds, and other government-influenced actors all affect markets in ways that skew outcomes away from their optimums. So the argument that currency manipulation is somehow more odious or problematic than these other interventions, which all spill over into the real economy, is not all that compelling, particularly when it may be symptomatic of, or responsive to, problems caused by the U.S. savings gap.

2. Currency Values Not To Blame For Trade Deficit

No link between Chinese currency values and US/China trade deficit

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

The dollar-yuan exchange rate did not change from 1995 to 2005, and during this period China's exports to the U.S. increased sixfold, or at a rate of about 19.6% per year. Then, from 2005 to 2008, the value of the yuan relative to the U.S. dollar appreciated by about 21%. China's currency was "stronger" and its exports in dollars were more expensive—so Chinese exports to the U.S. should have fallen. Instead, China's exports to the U.S. continued to grow at about the same pace, averaging 18.2% per year.

Currency values don’t drive trade flows. While devalued currency helps exports, it raises the cost of imported products used to manufacture the exported product – the effects may cancel out

Dan Ikenson 2015 (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources, a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ) 26 Jan 2015 Currency Manipulation And The Trans-Pacific Partnership: What Art Laffer, Fred Bergsten, And Other Hawks Get Wrong <http://www.forbes.com/sites/danikenson/2015/01/26/currency-manipulation-and-the-trans-pacific-partnership-what-art-laffer-fred-bergsten-and-other-hawks-get-wrong/>

Fifth, currency hawks have exaggerated the impact of currency values on trade flows. Of course they matter, but with the proliferation of global supply chains and cross-border investment, the overwhelming majority of trade flows today are intermediate goods, so the effect of currency values on final prices cuts in different directions. That’s why, despite a 38 percent appreciation of the Chinese Renminbi vis-à-vis the dollar between 2005 and 2013, the bilateral U.S. trade deficit with China didn’t decrease, but rather increased by 46 percent. That’s why Yen depreciation, by increasing the cost of imported inputs priced in foreign currencies, raises the cost of production in Japan and can make Japanese producers less competitive in the global economy, not more. If only 50 percent of the value of a country’s exports reflects domestic value (and the other 50 percent reflects foreign value), as is the approximate case with China, a depreciating yuan cuts in both directions. Globalization is the best remedy for currency manipulation.

China / Euro trade pattern confirms: Currency value isn’t the driving factor for Chinese exports

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

The chart nearby shows Chinese exports to the U.S. (green line) and Chinese exports to Europe (red line). They move almost perfectly together over all periods, including those when the euro strengthened relative to the dollar and to the yuan. This is more evidence that export growth is determined primarily by factors other than exchange rates.

3. Devalued Chinese currency not harmful

Renee Haltom 2013 (Editorial Content Manager at Federal Reserve Bank of Richmond ) Sizing Up Currency Manipulation <https://www.richmondfed.org/publications/research/econ_focus/2013/q2/pdf/cover_story.pdf> (brackets added)

But there is more to the story. It is an open question how much demand we have lost to China’s currency policy rather than, for example, China’s rise as an efficient producer of consumer goods. There are even benefits to a cheap RMB, such as the discount it provides on the billions of dollars in Chinese goods that U.S. consumers buy each year.

4. No US manufacturing crisis

US manufacturing sector is doing fine

Dan Ikenson 2010. (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources (LITR), a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ.) 22 Apr 2010 China’s Exchange Rate Policy and Trade Imbalances, testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy <http://www.cato.org/publications/congressional-testimony/chinas-exchange-rate-policy-trade-imbalances>

Nefarious Chinese trade practices are often blamed for the decline of U.S. manufacturing. But the first problem with that presumption of causation is that U.S. manufacturing is simply not in decline. Until the onset of the recent recession (when virtually every sector in the economy contracted), U.S. manufacturing was setting new performance records year after year in all relevant statistical categories: profits, revenues, investment returns, output, value-added, exports, imports, and others. In absolute terms, the value of U.S. manufacturing has been growing continuously, with brief hiccups experienced during recessions over the past several decades. As a percentage of our total economy, the value of manufacturing peaked in 1953 and has been declining since, but that is the product of rapid growth in the services sectors and not - as evidenced by its absolute growth - an indication of manufacturing decline.

5. Trade deficits have no impact

No problem because 1) historically job growth happens when trade deficits are higher; 2) the money comes back to the U.S. as invested capital and creates jobs

Dan Ikenson 2015 (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources, a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ) 26 Jan 2015 Currency Manipulation And The Trans-Pacific Partnership: What Art Laffer, Fred Bergsten, And Other Hawks Get Wrong <http://www.forbes.com/sites/danikenson/2015/01/26/currency-manipulation-and-the-trans-pacific-partnership-what-art-laffer-fred-bergsten-and-other-hawks-get-wrong/>

Finally, the claims of Bergsten, Laffer and others that currency manipulation, through a persistently high current account deficit, has led to lower GDP and fewer jobs belies the facts of a strongly positive relationship between deficits and jobs and between deficits and GDP. Why is it that in times of rising trade and current account deficits we tend to see faster economic growth and job creation? It must have something to do with the fact that a current account deficit is matched by a capital account surplus, which means that the net outflow of dollars that occurs when Americans buy more goods and services from abroad than they sell to foreigners is matched by a net inflow of dollars from foreigners who invest more in the United States than Americans invest abroad. In other words, there is no “leakage” of economic activity. Foreign investment in the United States (direct, equity, debt) contributes to U.S. economic activity and job creation here.  So, for those who claim that foreign currency manipulation drains the economy through a persistent trade deficit, the problem would seem to be self-regulating through the capital account surplus and global supply chains.

SOLVENCY

1. China currency devaluation won’t change exports

China’s currency has already devalued, but no change in US exports to China resulted.

**Analysis: In essence, we’ve already tried the intended results of the AFF plan and found that it doesn’t accomplish the intended goal**

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

From 1995 to 2005, China pegged its currency, holding it steady at slightly over eight yuan to the dollar. Then, in late 2005, China allowed its currency to appreciate relative to the dollar until July 2008. The rate held steady again for the two years following that date at 6.8 yuan to the dollar. In 2010, gradual appreciation occurred again. The current exchange rate now stands at about 6.2 yuan per dollar, which means that a yuan is worth about 16 cents. If currency movements were the key factor in determining trade patterns, one would expect that exports to the U.S. from China would bear a strong relation to currency movements. They have not.

2. Free-market Chinese currency would look about like today’s currency

Prof. Edward Lazear 2013. (former chairman of the President's Council of Economic Advisers from 2006-2009; professor at Stanford University's Graduate School of Business and a fellow at the Hoover Institution) Edward Lazear: Chinese 'Currency Manipulation' Is Not the Problem 7 Jan 2013 WALL STREET JOURNAL <http://www.wsj.com/articles/SB10001424127887323320404578213203581231448>

The demand that China align its currency more closely to market forces is, in its purest form, a demand that Beijing allow the yuan to float. What would occur if China did this? Well, consider that China has throughout recent history tied its currency to the U.S. dollar, but because the dollar floats relative to other currencies, the yuan as a consequence also floats relative to other currencies, and in particular, relative to the euro. So if floating exchange-rates affected trade differently from fixed rates, then trade patterns should also have been different. Yet as the chart shows, exports to the Europe and to the U.S. move together very closely. Apparently, having a currency that floats relative to another is not the most important factor in determining exports.

3. No increase in US manufacturing

Manufacturing production would not increase in the US even if China’s currency were solved

Renee Haltom 2013 (Editorial Content Manager at Federal Reserve Bank of Richmond ) Sizing Up Currency Manipulation <https://www.richmondfed.org/publications/research/econ_focus/2013/q2/pdf/cover_story.pdf> (brackets added)

He [Joseph Gagnon] found that the effect of currency interventions on trade is large: On average, between 60 and 100 cents of every dollar of currency intervention shows up in the trade balance. But that doesn’t necessarily mean ending China’s currency policy would send that demand back to American firms. For many goods, particularly the labor-intensive ones that China excels at producing, “if we don’t buy them from China, they’re still not going to be produced here,” [Harvard University economist Jeffrey] Frankel says.

Cutting China imports doesn’t raise US manufacturing: Often there is no US substitute for the Chinese product

Dan Ikenson 2010. (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources (LITR), a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ.) 22 Apr 2010 China’s Exchange Rate Policy and Trade Imbalances, testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy <http://www.cato.org/publications/congressional-testimony/chinas-exchange-rate-policy-trade-imbalances>

On the import side, recent experience is even more troubling for those who seek deficit reduction through currency revaluation. The evidence that an appreciating RMB deters the U.S. consumption of Chinese goods is not very compelling. During the period of a strengthening RMB from 2005 to 2008, U.S. imports from China increased by $94.3 billion, or 38.7 percent. Not only did Americans demonstrate strong price inelasticity, but they actually increased their purchases of Chinese imports. One reason for continued U.S. consumption of Chinese goods despite the relative price increase is that there may be a shortage of substitutes in the U.S. market for Chinese-made goods. In some cases, there are no domestically produced alternatives. Accordingly, U.S. consumers are faced with the choice of purchasing higher-priced items from China or foregoing consumption of the item altogether.

4. No clear definition of currency manipulation. The Plan can’t take action on something it can’t define clearly

Plan advocate Bergsten admitted in 2014 it was too hard to effectively measure currency manipulation to be able to take remedial action

Dan Ikenson 2015 (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources, a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ) 26 Jan 2015 Currency Manipulation And The Trans-Pacific Partnership: What Art Laffer, Fred Bergsten, And Other Hawks Get Wrong <http://www.forbes.com/sites/danikenson/2015/01/26/currency-manipulation-and-the-trans-pacific-partnership-what-art-laffer-fred-bergsten-and-other-hawks-get-wrong/> (first and last brackets added, second brackets in original)

This endorsement comes after Bergsten all but rejected the idea in a Peterson Policy Brief in January 2014: [quoting Bergsten] Determining the existence and extent of currency misalignment, especially as a possible trigger for remedial action [i.e., specifically, the application of countervailing duties under the Countervailing Duty law], has proven enormously difficult, however, both intellectually and politically. Numerous conceptual approaches to defining and measuring currency “misalignment” have been attempted. The IMF uses three different measures that often produce very different results. Most official discussions, and even many academic efforts, have foundered at this initial level.[end Bergsten quote]

Currency manipulation is hard to spot, and there are lots of subjective ways to define it

Renee Haltom 2013 (Editorial Content Manager at Federal Reserve Bank of Richmond ) Sizing Up Currency Manipulation <https://www.richmondfed.org/publications/research/econ_focus/2013/q2/pdf/cover_story.pdf>

Currency manipulation is hard to spot, however. Exchange rates are meant to reflect the attractiveness of holding one currency versus another. If investment opportunities, purchasing power, or stability become greater in one country relative to another, its currency will probably rise. Since those are subjective concepts, there are different ways to define the equilibrium rate of exchange between two currencies. According to some theories, equilibrium is the exchange rate that balances trade or maintains a stable trade surplus. In others, it’s the rate that equalizes prices or labor costs across countries. And those are just the conceptual issues; picking the appropriate measures for costs is another challenge in quantifying manipulation.

No way to know the “true” value of the currency, and economists’ estimates vary widely

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Many economists believe that the Renminbi is undervalued, but there is disagreement about the magnitude. Disagreement is to be expected. After all, nobody can know the true value of the RMB unless, and until, it is allowed to float freely and restrictions on China’s capital account are removed. Short of that, economists produce estimates of undervaluation - and those estimates vary widely. So that begs a practical question: How will we know when we are there? That question is important because Congress is once again considering legislation to compel the Chinese government to allow RMB appreciation under the threat of sanction. Regardless of whether sanctions take the form of an across-the-board surcharge or are the product of a countervailing duty investigation or are manifest in exchange rate conversions in antidumping calculations, a precise estimate of the market value of the Renminbi would have to serve as the benchmark. But respected economists from reputable institutions have produced a range of undervaluation of approximately 10 to 40 percent.

DISADVANTAGES

1. Harm to US consumers

Cheaper Chinese currency provides discounts to US consumers

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An undervalued RMB would provide American consumers with a lot of artificially cheap goods. Our top consumption imports from China include small electronics — like telephones, monitors, and ADP equipment — as well as clothing, furniture, and toys, all effectively subsidized by the Chinese government. The size of that subsidy depends on how much the RMB is undervalued, says Mark Perry, an economist at the University of Michigan-Flint and the American Enterprise Institute. The United States imported $425 billion in goods from China in 2012. If the RMB was undervalued by 5 percent — and it has most likely been undervalued by much more than that in the last decade — U.S. consumers and businesses saved $21.3 billion, or about $68 per person. But Perry emphasizes that’s a rough estimate because fewer Chinese goods would be purchased if the subsidy were no longer present.

Raising Chinese currency value would reduce effective incomes of Americans

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It is doubtful that members of Congress, who support action to compel Chinese currency appreciation, would proudly announce to their constituents that they intentionally reduced their real incomes. But that is the effect of relative dollar depreciation.

2. Trade competition turn: Chinese companies become more competitive

Link: Higher Chinese currency would make the materials they import for their manufacturing process relatively cheaper, thus making Chinese exports cheaper and more competitive

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RMB appreciation not only bolsters the buying power of Chinese consumers, but it makes China-based producers and assemblers even more competitive because the relative prices of their imported inputs fall, reducing their costs of production. That reduction in cost can be passed on to foreign consumers in the form of lower export prices, which could mitigate entirely the effect desired by Congress, which is to reduce U.S. imports from China. That process might very well explain what happened between 2005 and 2008, and is probably a reasonable indication of what to expect going forward.

Impact: Turn the Affirmative’s harms. US manufacturers suffer if Chinese firms are more competitive

3. World Trade Organization (WTO) Retaliation

Link: Applying countervailing duties for currency manipulation would violate WTO rules and invite retaliation

Jeffrey Schott 2015 (master’s degree in international relations; senior fellow working on international trade policy and economic sanctions with Peterson Institute; former official of the US Treasury Department in international trade and energy policy ) “[A Big Step Forward for the US Trade Agenda](http://blogs.piie.com/trade/?p=243)” 16 Apr 2015 <http://blogs.piie.com/trade/?p=243> (brackets added)

Fourth, [US Secretary of the Treasury Jacob] Lew strongly opposed new bills tabled in the House and Senate that would define currency manipulation as a subsidy subject to countervailing duties under US unfair trade laws. He argued the bills could violate US obligations under the World Trade Organization (WTO). As one of the early authors of the global subsidy rules, I strongly agree. Lew also noted that those bills could invite foreign retaliation if there is an adverse WTO finding against the new US practice. It also could encourage other WTO countries to emulate the unilateral rulemaking on currencies in a way that targets US policies.

Impact: WTO retaliation can cost billions of dollars and lots of jobs. Example: Canada & Mexico retaliating over US violation of WTO rules on meat imports

Mary MacArthur 2015. (journalist ) WTO sides with Canada and Mexico: COOL protectionist, discriminatory 18 May 2015 <http://www.producer.com/2015/05/wto-sides-with-canada-and-mexico-cool-protectionist-discriminatory/>

North American Meat Institute president and chief executive officer Barry Carpenter said: ” Any action other than repeal invites retaliation from Canada and Mexico that could cost the U.S. economy billions of dollars.” Ron Prestage, president of the National Pork Producers Council said retaliation by Canada and Mexico would be a “death sentence for U.S. jobs and exports.”

4. China & Japan stop buying US Treasury debt

Link: US currency intervention plan could boomerang: They may stop buying US government debt to retaliate

NEW YORK TIMES 2015 (journalist Jonathan Weisman) Currency Battle Is Tethered to Obama Trade Agenda 15 Feb 2015 <http://www.nytimes.com/2015/02/16/business/economy/obamas-trade-agenda-may-hinge-on-attacking-currency-manipulation.html?_r=1>

The Obama administration fears that prohibitions on currency intervention could boomerang on Washington, allowing trading partners to challenge policies of the independent [Federal Reserve](http://topics.nytimes.com/top/reference/timestopics/organizations/f/federal_reserve_system/index.html?inline=nyt-org) Board and possibly even basic fiscal policies, like stimulus spending in times of recession. Officials also worry about other forms of potential retaliation, including reducing purchases of government debt, which help keep long-term interest rates low.

Link: Affirmative plan would force China to stop buying US debt. China buys our debt to hold down the value of their currency, so AFF plan would stop it

WALL STREET JOURNAL 2014 (journalist Min Zeng) 16 July 2014 “China Plays a Big Role as U.S. Treasury Yields Fall“ <http://www.wsj.com/articles/china-plays-a-big-role-as-u-s-treasury-yields-fall-1405545034>

The world's most-populous nation boosted its official holdings of Treasury debt maturing in more than a year by $107.21 billion in the first five months of 2014, according to the U.S. government data. The buying has been fueled by China's efforts to lift its export-driven economy by weakening its currency, the yuan, against the dollar, market analysts said, a strategy that encompasses hefty purchases of U.S. assets.

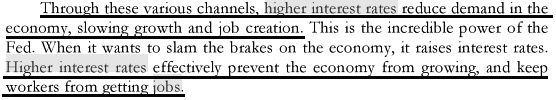
Link: China and Japan are the biggest holders of US Treasury debt. If they stop buying, interest rates will go up

Gordon Chang 2013. (journalist; lived and worked in Shanghai and Hong Kong for almost two decades) FORBES magazine What If China Stops Buying U.S. Government Debt? 6 Oct 2013 <http://www.forbes.com/sites/gordonchang/2013/10/06/what-if-china-stops-buying-u-s-government-debt/>

 If the Chinese don’t continue buying Treasury securities, the Federal government will have to find others to take up the slack.  Many, including the respected Congressional Research Service, [argue](http://www.fas.org/sgp/crs/row/RL34314.pdf) that Treasury may then have to pay substantially more for borrowed funds and higher interests rates could result in lower long-term growth. China is by far the largest foreign holder of U.S. Treasury securities.  At the end of July, the last month for which official statistics are available, it had[stockpiled](http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt) $1.2773 trillion in Treasuries.  The country is way in front of second-place Japan, whose portfolio was $141.9 billion smaller.  If you add in the Treasuries of autonomous Hong Kong, the hoard of the People’s Republic increases by $120.0 billion.

Impact: Higher interest rates kill jobs

Dr. Dean Baker 2006 (PhD economics) The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer <https://books.google.fr/books?id=i_jyKcVbCw0C&pg=PA30&lpg=PA30&dq=%22higher+interest+rates%22+affect+jobs&source=bl&ots=LSaxB27ygh&sig=8fnPdg7ZNNt67oiHQZz12XlR1mo&hl=en&sa=X&ved=0CEAQ6AEwBTgKahUKEwidtcGvl4PGAhXFtBQKHQhCAKU#v=onepage&q=%22higher%20interest%20rates%22%20affect%20jobs&f=false>



5. Masking DA. Focus on the wrong thing (currency values) distracts us from real problems of the US economy

Dan Ikenson 2013. (director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies; former director of international trade planning for an international accounting and business advisory firm; co-founded the Library of International Trade Resources (LITR), a consulting firm doing international trade consulting. M.A. in economics from George Washington Univ.) 8 Jan 2013 Foreign 'Currency Manipulation' Does Not Warrant Washington's Attention <http://www.forbes.com/sites/danikenson/2013/01/08/foreign-currency-manipulation-does-not-warrant-washingtons-attention/> (brackets added)

Ed Lazear reminds us that foreign currency policies would be the wrong focus. If restoring the U.S. economy to “full-employment” output is the objective, then there are plenty of domestic foci [things to focus on] for policymakers to incentivize economic growth.  Regulations are estimated to cost U.S. business about $1.75 trillion per year.  Many of them are superfluous or deleterious.  Overhaul them.  U.S. Customs collects over $30 billion per year in import duties, raising U.S. costs of production and costs of living.  Eliminate them.  We have recently begun deploying new technologies to extract vast reserves of natural gas, which is relatively expensive abroad.  Liquify and export it.  Many smart, productive, entrepreneurial people who happen to be from foreign countries, want to come here to learn, work, and create, but our restrictions limit their (and our) prospects.  Fix the immigration system.  By agreeing to a more fiscally responsible government and establishing the rules of the road for the next several years, policymakers could introduce a greater degree of certainty, which would spark greater investment, hiring, output, and trade. Do it. Let’s not encourage policy that effectively scapegoats others for our economic problems. They are homemade.  So should be our solutions.