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Obama pushes China on yuan, Hu silent

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By [Alister Bull](#)

WASHINGTON (Reuters) - Calls by U.S. President Barack Obama on China to speed up currency revaluation got a cool reception on Wednesday from visiting President Hu Jintao who gave no hint that Beijing would heed the call.

Obama, in blunt language for a formal state visit, made clear Washington remained unhappy with the pace at which Beijing has allowed the yuan to rise against the dollar, a bone of contention between Washington and Beijing for years.

"I told President Hu that we welcome China's increasing the flexibility of its currency. But I also had to say that the renminbi (yuan) remains undervalued, that there needs to be further adjustment in the exchange rate," he said at a news conference with Hu.

"The currency is a part of the problem. The renminbi is undervalued. The Chinese government has intervened very forcefully in the currency markets," Obama said. "There has been movement, but it's not as fast as we want."

Hu said nothing about the yuan at the news conference. But a subsequent joint statement issued by both countries suggested that private discussions had yielded more from China.

In the statement, China said it will "continue to promote (yuan) exchange rate reform and enhance RMB exchange rate flexibility."

That language was in line with recent policy pronouncements from Chinese officials. But it contrasted with a statement issued at the end of the last bilateral summit between Hu and Obama in November 2009 which did not mention the yuan at all.

U.S. DEFICIT

Wednesday's joint statement said the United States would focus on controlling the budget deficit and will "maintain vigilance against excess volatility in exchange rates."

China has pushed back at Washington's criticisms of its currency system by pointing to the huge U.S. budget deficit and ultra-loose monetary policy which it claims represents the biggest risk to the world economy and undermines the dollar.

U.S. lawmakers have threatened trade retaliation for Chinese intervention that they say keeps the yuan artificially cheap against the dollar at the expense of U.S. jobs.

Democrat Obama, like his predecessor George W. Bush, has resisted this pressure, mindful of China's status as the single biggest U.S. creditor. But he signaled at the start of the press conference, unprompted by reporters' questions, that the currency issue remained pressing.

Hu is due to meet U.S. lawmakers in Washington on Thursday and many of them have protested loudly about the yuan.

Expectations had been low for any summit breakthrough on the currency. Washington wants it to rise faster against the dollar and lift Chinese demand for U.S. exports, boosting the still fragile recovery of the world's biggest economy.

China enters a leadership transition in 2012 and officials are seen as having little incentive to push policy changes that could disrupt their vital export sector -- a concern Obama said Hu had voiced at their meeting and was understandable.

The Chinese president's only direct remarks on the international economy were to note that global growth had resumed but uncertainties remained, referring to the financial crisis that Beijing says was caused by the United States.

OWN TERMS

"Hu was largely conciliatory in tone but was very clear ... that China did intend to make progress on the issues that Obama raised, but on its own terms and at its own pace," said Eswar Prasad, a former head of the IMF's China division who is now a professor at Cornell University.

A senior U.S. official told reporters that Obama and Hu had a "substantial" discussion on the currency issue and the U.S. president emphasized the need for China to move faster.

The yuan has risen about 3.7 percent against the dollar since it was de-pegged from the U.S. currency in June. It closed on Wednesday at 6.5824 per dollar, close to a record high.

Analysts say the pace of appreciation may slacken once the pressure from the U.S. state visit eases.

"Past experience has been that when the pressure is stepped up, China has moved, so perhaps they will continue to be accommodating in the months ahead," said Steven Dunaway, an adjunct senior fellow at the Council on Foreign Relations.

For full coverage of US-China summit click on [\[nUSACHINA\]](#).

(Additional reporting by [Steve Holland](#), [David Morgan](#) and [Patricia Zengerle](#); editing by [Anthony Boadle](#))



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