

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Releases Semi-Annual Report to Congress on International Economic and Exchange Rate Policies

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WASHINGTON - The U.S. Department of the Treasury today released the Semi-Annual Report to Congress on International Economic and Exchange Rate Policies that is required under Sections 3004 and 3005 of the Omnibus Trade and Competitiveness Act of 1988. The Report covers international economic and foreign exchange developments in the second half of 2012 and, where pertinent and available, data through early April 2013.

Among major emerging market economies, many, especially in Asia, have more tightly managed exchange rates, with varying degrees of active management. The Report highlights the need for greater exchange rate flexibility and transparency in these economies, most notably in China.

Among other content, the report outlines the actions taken by China to appreciate its currency and move to a more market determined exchange rate. As of early April 2013, the renminbi (RMB) has appreciated 10.0 percent against the U.S. dollar since China moved off its exchange rate peg in June 2010. In real terms, after adjusting for relative changes in domestic prices, the RMB appreciated by 16.2 percent from June 2010 through February 2013.

China's current account surplus has declined from a peak of 10.1 percent of GDP in 2007 to 1.9 percent of GDP in 2011 and 2.3 percent in 2012. China has taken a series of steps to liberalize controls on capital movements, as part of a broader plan to move to a more flexible exchange rate regime. In light of these developments, Treasury has concluded that the standard identified in Section 3004 of the Act of manipulating the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade during the period covered in this Report has not been met with respect to China. Nonetheless, the available evidence suggests the RMB remains significantly undervalued, intervention appears to have resumed, and further appreciation of the RMB against the dollar is warranted.

Treasury will continue to monitor closely exchange rate developments in all the economies covered in this report and push for concrete adherence to recent G-7 and G-20 commitments. Treasury will closely monitor Japan's policies and the extent to which they support the growth of domestic demand. In addition, Treasury will pay particular attention to the pace of RMB appreciation, and press for further policy changes that yield greater exchange rate flexibility, improve transparency, level the playing field for American workers and businesses, and support a strong, sustainable, and balanced global economy.

The Report, along with past Reports, can be found at <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Pages/index.aspx>.

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