

CAPITOL REPORT

China parries Bush's currency thrust Bilateral working group seen as largely an empty gesture

By Greg Robb, CBS.MarketWatch.com

WASHINGTON (CBS.MW) -- President Bush is coming home with little to show for his efforts to convince China to strengthen the yuan and end the Chinese currency's peg to the U.S. dollar, analysts said.

Bush went to the Asia Pacific Economic Cooperation summit in Bangkok hoping to bring back some concrete results to protect U.S. jobs from what he called unfair currency manipulation.

"Bush got nothing," said Robert Brusca, chief economist at Ecobest.

In a meeting Sunday with Bush, Hu Jintai, the Chinese president, ruled out any quick revaluation of the yuan, White House officials said.

Hu did agree to establish a working group of experts to see how China may ultimately move toward a floating exchange rate, the officials said.

"It looks to me like a classical Chinese victory," Brusca said. "Bush comes back parading around his working group -- and if the Chinese want to be nice to him and it looks like he is going to win re-election, maybe they even make it sound like the working group is going to produce results as we get closer to the election."

At most, the president will be able to tell ailing manufacturers in key Midwest battleground states that he tried to get China to move toward a floating exchange rate, analysts said. China has become a focal point for anger over the more than 2.7 million jobs lost in the U.S. manufacturing sector during the past three years.

"My impression is that trip was aimed more at political events, rather than economic ones," said Brian Fabbri, chief economist at Paribas Capital Markets.

"It was really more about electioneering at home (in the U.S.) rather than making an important policy point," Fabbri said.

"We see the Bush administration highlighting the exchange rate as basically a way to court manufacturing," agreed Alex Kazan, emerging market currency analyst with the G7 Group.

'Real Solidarity'

"A lot of other countries in Asia are increasingly seeing this as a political move, and that is why they are feeling more comfortable staunchly opposing this," Kazan said.

"There was real solidarity at the APEC summit. All the comments of all the countries finance ministers undercut the U.S. position," Kazan said.

The working group "is a symbolic step to alleviate some of the political pressure from the U.S.," he said.

“I don’t anticipate any near-term changes in foreign-exchange policy in China,” he said.

Back at home, Bush might not be able to make much political headway with the issue.

AFL-CIO President John Sweeney blasted Bush’s performance in Asia, saying he failed to get any meaningful commitment from the Chinese.

“It has become painfully clear that responding to the needs of U.S. manufacturers and working families is nowhere near the top of the Bush agenda on his trip to Asia,” Sweeney said.

Greg Robb is a senior reporter for CBS MarketWatch based in Washington.