Press Release

Understanding the U.S.-China Currency Battle

ANDREW EVANS | AUGUST 13, 2019

After the value of China’s currency dipped last week, the Trump Administration labeled China a currency manipulator — the first time any administration has taken this step in over two decades. Yet China likely is not actively depreciating its currency, contends AAF’s Director of Trade and Immigration Policy Jacqueline Varas. China may be far from an ideal trade partner, but its currency right now is fluctuating in precisely the way it would be expected to after the announcement of new tariffs on its goods.

An excerpt:

This recent depreciation could be the Chinese central bank actively buying dollars or dollar-denominated assets to force a relative renminbi (RMB) depreciation. The more likely scenario, however, is that China did not actively intervene to keep the value of the RMB stronger than it would be naturally – a departure from its recent, more interventionist monetary policy strategy of purchasing RMB to keep its value from falling. Economic forces resulting from President Trump’s tariffs on China are naturally putting downward pressure on the RMB, as the tariffs reduce demand for the RMB. The fact that the RMB’s depreciation occurred shortly after the United States’ latest tariff announcement, given that the RMB floats within a band, is no coincidence.

Read the analysis.