

BUSINESS

Dow Jones
Industrial Average
10,627.77

↓
-61.38
↓
-8.16

Nasdaq
Composite Index
2,178.60

↓
-9.97
↑
+\$3.70

S&P
500 Index
1,227.04

Gold
New York Merc.
\$425.40

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LINDSEY GRAHAM'S GOAL OF FREE-FLOATING CURRENCY

China takes 'significant step' with fluctuation plans

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WASHINGTON — China's announcement that it will allow its currency to fluctuate based on the market is a "significant step" but only a small step toward Sen. Lindsey Graham's goal of a free-floating Chinese currency, the South Carolina senator said.

Since 1994, China has maintained a fixed exchange rate of 8.28 RMB to the U.S. dollar. Thursday the RMB value moved 2 percent and is now 8.11 to the dollar.

The RMB will now be valued based on a "basket of currencies," the People's Bank of China reported. The daily trading price of the dollar against the RMB will be allowed to float no more than 0.3 percent daily.

But the hope is that slow daily movement will move the RMB to a more accurate position against the dollar.

"The Chinese have chosen to revalue their currency in a small way, but with the opportunity to let it

continue to be revalued eventually to float," Graham said.

Graham has sponsored a bill with Sen. Chuck Schumer, D-N.Y., to impose a tariff on Chinese imports if the Chinese government didn't properly value its currency. Graham said the RMB has been undervalued between 15 and 40 percent.

Due to Thursday's events, the bill is now at a "wait and see" stage.

Because the value of China's money has been substantially lower than the dollar, there is a built-in discount on its products, Graham has said. The South Carolina Republican has emphasized how this "discount" puts American manufacturers at a disadvantage. "(China's announcement) is a major step in international commerce, and it will help American manufacturing," Graham said. "... A ripple effect will occur. Other Asian nations are already begin-



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LINDSEY GRAHAM, on Chinese currency plans

ning to revalue their currency in light of the dollar's gaining value."

American products will, therefore, become more competitive, he said.

Graham congratulated the Chinese government Thursday for its move toward a "21st-century way of thinking" rather than emphasizing, as he has said in the past, China's "unfair trade manipulation."

"This is a significant step for the Chinese government," Graham said. "... I think it will be a win-win for the Chinese economy and a win-win for the United States."