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A Coming Sino-U.S. Currency Battle? Obama Speaks Out about the Renminbi

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By Maura Elizabeth Cunningham

On November 19, 2009, I posted a story here at *China Beat* that I titled “[The Good, the Bad, and the Boring](#).” The article was a review of Barack Obama’s first presidential visit to China, during which he held a somewhat bland town hall meeting in Shanghai, performed the de rigueur tours of the Great Wall and the Forbidden City, and met with Hu Jintao and other Chinese leaders behind closed doors. All in all, Obama’s trip seemed to be little more than an icebreaker, a quick and innocuous introduction to one of America’s most important strategic partners. But that was last year.

Fifty-one weeks later, Obama again made a November visit to Asia, though his itinerary on this four-country trip didn’t include a stop in China. That isn’t to say, however, that China wasn’t on the president’s mind as he traveled—a fact that was quite clear at several points, never more so than during a news conference at the conclusion of the G-20 meeting in Seoul on Friday. On this occasion, Obama showed none of the restraint that characterized his trip to China last year; instead, he spoke out against Chinese undervaluation of the renminbi and criticized unnamed “countries with large surpluses” that rely on an export-oriented growth strategy. Here’s the section of Obama’s remarks that’s been getting the most attention:

I’ve been very clear and persistent since I came into office that we welcome China’s rise; we think the fact that China has grown as remarkably as it has, has lifted millions of people out of poverty, and that is ultimately good for the world and good for America—because it means that China has the opportunity to be a responsible partner. It means that China can be an enormous market for the United States, for Korea, for countries throughout Asia and around the world. And it’s just good to get people out of poverty and give them opportunity.

What I’ve also said is that precisely because of China’s success, it’s very important that it act in a responsible fashion internationally. And the issue of the RNB [sic] is one that is an irritant not just to the United States, but is an irritant to a lot of China’s trading partners and those who are competing with China to sell goods around the world. It is undervalued. And China spends enormous amounts of money intervening in the market to keep it undervalued.

(Full text of Obama’s remarks is available [here](#).)

Obama actually spent relatively little time on the topic of China during the press conference, but his newly assertive tone regarding the renminbi has been the among most [attention-getting](#) aspects of the entire 10-day trip. Obama met with warm receptions in both India and Indonesia before traveling on to Seoul for the G-20, where tensions quickly arose over not only the renminbi but also questions such as global trade imbalances and American stimulus plans. [As Louisa Lim of NPR notes](#), Obama’s outspokenness in the press conference contrasts with his inability to get such strong language about the currency issue into the communiqué the G-20 hammered out during the summit. In the end, Lim says, “This trip was designed to reward America’s natural allies in Asia; it’s served to highlight the limits of American power.” It also served to highlight the growing importance of Chinese strength in Asia; that’s certainly not a new development, but the looming presence of the PRC during Obama’s trip made many of his actions in both India and Indonesia appear specifically calibrated to counter Chinese influence in the region (see [this report](#) at McClatchy and “[The elephant outside the room](#)” at *The Economist* for more).

Despite Obama’s strong words in Seoul, the U.S. and China are clearly not going to shut each other out any time soon. This was the message of a music video circulating online last week, the “[US-Sino Currency Rap Battle](#)” produced by Taiwan’s Next Media Animation. In the words of the song’s annoyingly catchy chorus, “They’re not enemies / They’re frenemies / With co-dependent economies.” But these “frenemies” seem to be moving toward a rough patch in their relationship—one that could make Hu Jintao’s scheduled January visit to the U.S. anything but boring.

