Who is the real currency manipulator?

KINGSHUK NAG

In late 2008, when China started devaluing its currency, the US labeled China of using "Beggar thy neighbour policy" to boost its exports. Fast forward to June 9 this year, IMF's acting managing director John Lipsky said that China's currency remains undervalued although China set the yuan's rate at 6.49 to the dollar in April this year, the highest official level relative to the dollar since 1994. On the other hand, the greenback has been debased by 8 percent in the last six months and lost one-third of its value against major currencies in the last decade. The Fed's policy to pursue a zero interest rate policy has caused the dollar to reach its lowest levels in a decade and its reduced yield has dissuaded foreign investors from stacking up the greenback in favour of other currencies.

Be it forcing China to appreciate their currency to its highest levels and still call it undervalued a month later or implement round 2 of Quantitative Easing, US has clearly gained at the expense of China and others. A weaker dollar and an expensive renminbi have led to reversal of fortunes for the US and China. In a report published this July by the US Commerce Department, figures show that the US notched record exports of $175 billion and lowest trade deficit of $43 billion in April this year. On the other hand, China hit record imports of $400 billion and notched a trade deficit of $1 billion in the first quarter this year. This is China's first trade deficit since 2004 and only last year China had a trade surplus of $192 billion.

With dollar yields down to near zero levels and an record appreciation of the renminbi along with the debasement of the dollar to record levels, China which holds close to $1 trillion worth of US treasury or US debt will severely erode in value and may be labeled as toxic assets. QE2 which has led the Fed to inject $900 billion in buying US treasuries and lowering interest rates in the hope to spur the US economy will have a major inflationary pressure on the Chinese economy due to renminbi pegged against the dollar. China has already been offloading its US debt but if the US wants to purchase more long term paper, China needs to be convinced to buy more of the US long term paper. As China realises that a US recovery is essential for a global recovery it is giving into US persuasion but back home in Beijing, soaring inflation due to QE2 is already pushing many below the poverty line. As Tyler Cowen, a popular economist puts it that "QE2 is better than trade war with China".

Be it forcing China to appreciate their currency to its highest levels and still call it undervalued a month later or implement round 2 of Quantitative Easing, US has clearly gained at the expense of China and others

AFP

US Federal Reserve Chairman Ben Bernanke prepares to deliver the keynote address during the Committee for a Responsible Federal Budget's annual conference in Washington, DC, on June 14.

The argument made by the Americans since 2008 is that the Chinese have not appreciated their currency enough as a result of which Chinese exports were cheaper than the American products. However according to the Bank of International Settlements (BIS) the Chinese currency rose by 10.7 percent between February 2007 and January 2010 while the US dollar was devalued 8 percent. The Chinese was also accused of meddling into the foreign exchange markets by selling renminbi and purchasing dollars to artificially keep the yuan low between 2005 and 2010. As a result, the People's Bank of China (PBOC) built massive foreign exchange reserves of $2.6 trillion which it used to fund its voracious appetite in financing US debt.

Its not the first time that the US has used "Beggar thy neighbour policy "to protect its own interests at the expense of other surplus countries. In 1985, the Plaza Accord was signed between France, UK, USA, Japan and Germany where the US dollar would be depreciated relative to the Japanese yen and the German Deutsche Mark. The reason outlaid by James A Baker III of the US was to reduce the US current account deficit and resuscitate the US economy. The Japanese yen was revalued from 250 to 160 per dollar in 1985 and also reached a high of 100 per dollar during the 1990s. The Plaza Accord subsequently saw the US regain its economic momentum but Japan collapsed into a serious recession and the Japanese economy witnessed a "Lost Decade".

Due to the appreciation in the currency, stock and real estate prices were seriously inflated on the back of easy credit available. This coupled with a loose monetary policy crashed the Japanese economic bubble and the Bank of Japan followed a tightening policy although the economy was spiraling downwards. By then the real fears of a "stronger yen" surfaced when the central bank had no more cards left to exercise in bringing back the Japanese economy to its former glory. Till date, Japan continues to linger from the ill effects of a decision made about a quarter of a century back.

The US on the back of a rising fiscal deficit and a trade deficit with China has coaxed the Chinese into appreciating the yuan against the dollar. It is estimated that if China undergoes a 10 percent appreciation of its currency, the US will stand to reduce its trade deficit with China by $100 billion. China could be giving in as it understands a stronger US is crucial to a global economic recovery. However from the yuan revaluation, the US gets stronger at the expense of Chinese $100 billion. In effect, does the US think that a weaker China would be beneficial to the global economic recovery?

The US Treasury last year also set a deadline for the Chinese to respond by undertaking a yuan appreciation and if it fails to do so would be labeled as a "currency manipulator". In reality the US itself has tweaked its interest rates several times in the past and manipulated the value of the dollar which is the world's reserve currency. On the other hand, the Americans would find it a lot cheaper to repay back the debts worth $1 trillion it owes to the Chinese if the dollar devalues and the Chinese yuan revalues. The Chinese is faced with a double whammy where all the surplus money it earned from its trade is eroded significantly to the US in currency manipulation. As a result of Fed's QE2 policy China has already recorded its highest inflation rate in three years and risk of an asset bubble is highly likely. I wouldn't be surprised if the US continues its loose monetary stance, China could face a Lost Decade similar to that Japan.

The writer is a banker and can be reached at kingshuk_nag001@yahoo.com

Tweet your way to a new career

MARK MILLER

Most older job hunters are comfortable with basic business technology -- computers, the Web, email and smart phones. But we still have some Luddites out there -- you know who you are -- trying to squeak by, hoping to finish their working years without getting fluent in technology.

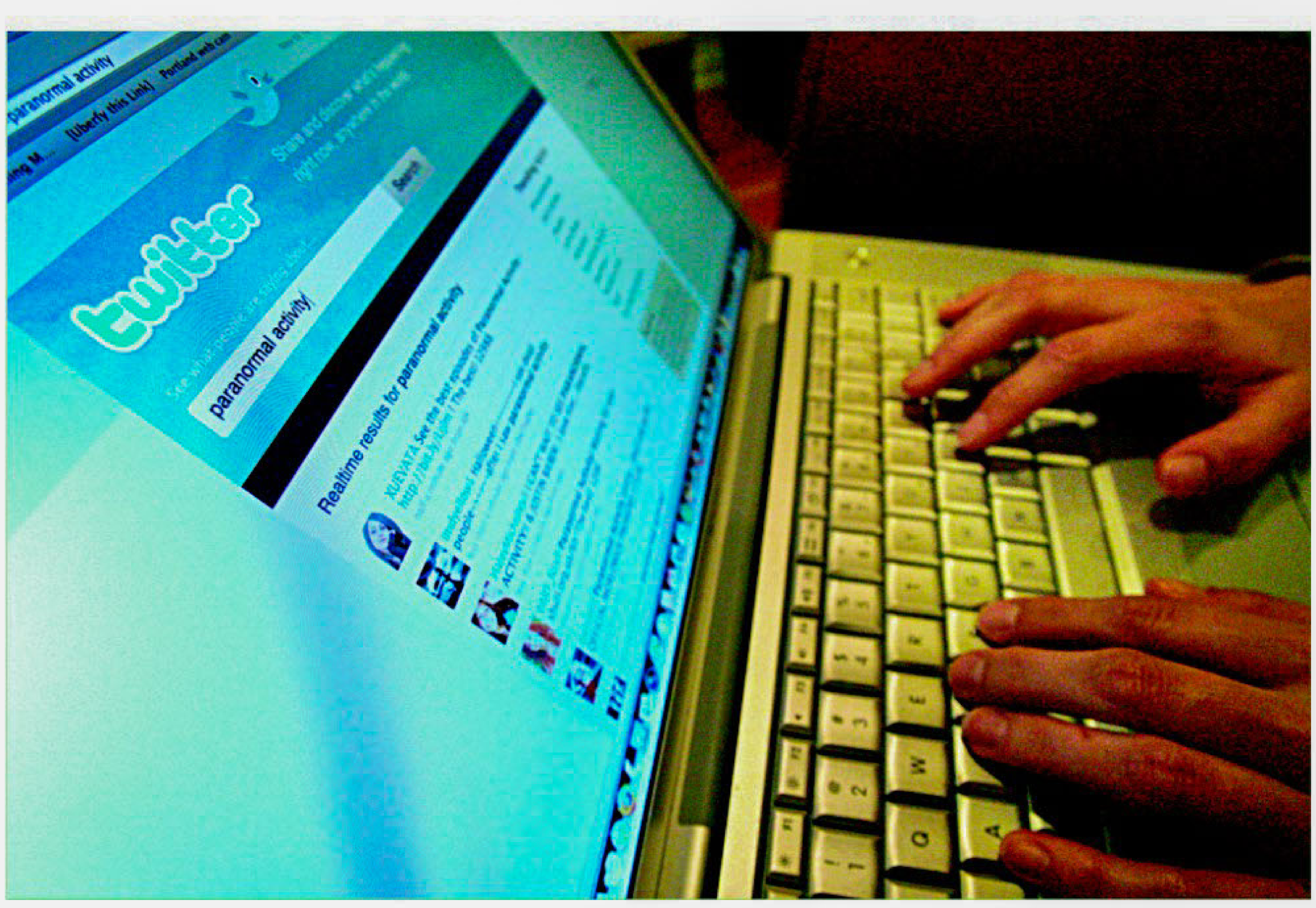
That's especially true of social media tools like LinkedIn and Twitter, which can play a big role in helping job hunters find new work in a hard-times economy.

"The first time I looked at Twitter, I thought 'what is this thing?'," says Lee Silverstein, who is transitioning to a new career at age 50, following 29 years in management jobs with major department stores -- most recently Macy's, where he focused on training and leadership development.

Silverstein didn't think of himself as a writer with something to say online, but he jumped in anyway with a blog and Twitter account.

"When I started the blog, I saw that I did have something to say, and I started sharing my thoughts," he says. In a short time, Silverstein has built an audience of 600 followers for his tweets and blog posts on leadership development and mentoring. "It's about making yourself findable," he says. "Just sitting and going through the job boards won't get you where you want to be. You've got to give people a reason to discover you."

In a tough job market, it's hard to overstate the importance of networking, differentiating yourself and highlighting the value you can bring to an employer. Social media platforms offer some important means to those ends through sharing expertise and making new connections. But older job hunters can be at a competitive disadvantage.



REUTERS

Social media platforms offer important tools of sharing expertise and making new connections in career.

"I don't think it's a factor of age alone -- it's a comfort level using the tools," says Miriam Salpeter, a job search and social media coach, and author of Social Networking for Career Success: Using Online Tools to Create a Personal Brand. "People who don't enjoy social media don't want to feel they will be sucked in, and tied down by it all the time. And with Twitter, some just don't think they can communicate a full thought in 140 characters. I find that it helps to have targets and goals to use these things well."

Sharing expertise can be as simple as sharing a link to a relevant article or webpage alongside your own comment, or answering a question in a LinkedIn forum.

But at a more basic level, using social media can help you to get past doubts hiring managers may have about you as an older applicant. "If you are using LinkedIn, have a blog and you're on Twitter, it's going to be hard for people to assume that you can't learn new things," Salpeter says.

Silverstein -- a coaching client of Salpeter's -- agrees. "There's a perception out there that once you hit a certain age you give up on technology. People over 50 looking to transition into a new career or grow a business need to shake that off. Take the time to make yourself relevant."

Salpeter views LinkedIn as the "must have" tool for every job seeker, but Twitter is her favourite platform -- mainly because its networking features aren't built around personal introductions or recommendations. "It's so open," she says. "You find out things about people, mentors and colleagues without needing an introduction. "You don't need an intermediary to find out what people are doing.

Salpeter likes to tie it all together via a "social resume" -- a personal website with your name in the domain name that showcases expertise and hubs together all your social media profiles.

She also encourages job hunters to jump into Twitter chats to share ideas and tips with other job hunters and experts, and to expand networks. A current favourite is the hashtag #jobhuntchat, one of the largest regular chat groups on Twitter devoted to job search. The group convenes every Monday evening at 10pm EST.

Salpeter cautions job seekers that social media won't necessarily produce immediate results. "It's not an overnight endeavour," she says. "But sometimes it just takes one person to land a job."

People who don't enjoy social media don't want to feel they will be sucked in, and tied down by it all the time. And with Twitter, some just don't think they can communicate a full thought in 140 characters

Mark Miller is a journalist and author who writes about trends in retirement and aging.