**Citation:**

Raj Bhala, *Virtues, the Chinese Yuan, and the American Trade Empire*, 38 H.K. L. J. 183 (2008).

**Other Sources:**

<http://ssrn.com/abstract=1432367>

**Abstract:**

The relative foreign exchange valuation of the yuan, or renminbi, against the dollar is one of the longest-running and highest profile battles between the United States and China. What does the dispute, and America’s reactions to it, say about America’s trade empire? Specifically, what do the reactions say about the character and values America historically holds dear, and proclaims to the world through its trade empire?

America’s reactions emanate from the government, particularly Congress, and are largely unilateral and invariably loud. One reaction is to demand a quick, dramatic revaluation (if not free flotation) of the yuan. A second reaction is to threaten punitive tariffs on the order of 27.5 per cent against merchandise originating in China. A third reaction is to change rules about designating a country a currency manipulator. A fourth reaction is to expand America’s ability to impose antidumping duties, by requiring an adjustment in the dumping margin calculation to Export Price (or Constructed Export Price) for currency undervaluation. A fifth reaction is to ease rules on imposing countervailing duties against goods from non-market economies like China by deeming a misaligned currency a countervailable subsidy. Oddly, perhaps, a sixth potential reaction - America waivers on testing existing trade rules, such as in GATT Article XV:4 on exchange rate action, that would frustrate the purpose of multilateral trade rules.

Do these responses - none of which has yet been implemented formally in American trade law or policy - to yuan-dollar misalignment befit a great trade empire? Or, if greatness and virtue are at all connected, then do they evince a lack of virtue? Do American’s responses reveal its lack of practice of the Four Cardinal Virtues of prudence, moderation, courage, and justice?

The thesis here is that the China currency dispute arguably reveals the lack of virtue in the manner in which America presides over its trade empire. Far from displaying the Four Cardinal Virtues in its proposed legislative and policy responses to the challenge of yuan undervaluation, does the United States display their opposites or near-opposites: imprudence, gluttony, irresolution, and ineptitude?

On balance, the responses of the American trade empire to the challenge of the Chinese yuan seem to merit barely passing marks in respect of prudence and courage, and failing grades on moderation and justice. This evaluation is advanced as a proposition, not intended as a judgmental imposition. The key point about the assignment of marks is to provoke questions for thought and debate, not impose dark or definitive conclusions.