

Davos**Mnuchin backs weaker dollar in break with tradition**

Dollar falls nearly 1% against other major currencies after Treasury chief's remarks



Steven Mnuchin, the US Treasury, at the World Economic Forum in Davos, Switzerland © AP
Chris Giles in Davos and Michael Hunter in London
YESTERDAY

US Treasury secretary Steven Mnuchin has broken with tradition by declaring a weaker dollar is good for American trade in comments that have fuelled market speculation that Washington is seeking to depress the currency to boost the economy.

The dollar came under further pressure following the comments at a news conference on Mr Mnuchin's arrival at the World Economic Forum in [Davos](#) on Wednesday, which represented a shift from previous US administrations where Treasury secretaries have resolutely extolled a strong dollar policy.

The index tracking the US currency against six peers fell to fresh three-year lows in early New York trading, down nearly 1 per cent to 89.26. The fall left it 2.6 per cent weaker over January, adding to a 10 per cent slide in 2017. Against the euro, the dollar was 0.75 per cent weaker at €0.81, a 2.8 per cent decline over January

On the US dollar weakness in recent weeks, the Treasury secretary said: "The dollar is one of the

most liquid markets. Where it is in the short term is not a concern for us at all.

“A weaker dollar is good for us as it relates to trade and opportunities. Longer term, the strength of the dollar is a reflection of the strength of the US economy and that it is, and will continue to be, the primary reserve currency.”

In an subsequent interview with the FT, Mr Mnuchin said his earlier comments were “completely consistent with what I’ve said before.” He insisted he had said many times that the dollar market is large, liquid and that it was a “factual statement” that a weaker dollar would help the US on trade in the short term.

Marc Chandler of Brown Brothers Harriman said: “While Mnuchin was only stating the obvious, Treasury secretaries since Robert Rubin have never deviated from the strong dollar mantra. That mantra has never really meant much, but to deviate from it suggests that US policymakers desire a weaker dollar.

“Rubin started this ‘policy’ after his predecessor Lloyd Bentsen used the exchange rate to pressure Japan into opening its markets. Mnuchin’s comments pack an even bigger punch coming after the US trade actions announced this week.”

Koon Chow, strategist at UBP, said that by welcoming the fall Mr Mnuchin was changing the market perception “on the policy bias, which clearly invites more depreciation”.

Mr Mnuchin brought an uncompromising message that the Trump administration’s America First policies, which include a more protectionist attitude towards trade, were good for the US and the rest of the world.

His words, ahead of president [Donald Trump’s speech](#) at the forum on Friday, marked the arrival of a huge US delegation to Davos with 10 cabinet members present, which is intended to show American strength and what the Treasury secretary called the “success that we’ve had in the first year under President Trump of the economic programme”.

Mr Mnuchin said: “This is about an America First agenda, but America First does mean America working with the rest of the world.”

He added: “What’s good for the US is what’s good for the rest of the world given we are one of the largest trading partners for the world, one of the largest investment opportunities . . . We are open for business.”

Wilbur Ross, the US commerce secretary who shared the platform with Mr Mnuchin, took a characteristically tough line on the trading policies of other countries including China, the day after the US imposed higher tariffs on washing machines and solar panels.

Mr Ross said: “Trade wars are fought every single day . . . And, unfortunately, every single day there are also various parties violating the rules and trying to take unfair advantage. So trade wars have been in place for quite a little while; the difference is the US troops are now coming to the ramparts.”

The commerce secretary criticised European finance ministers who have complained that aspects of the Trump administration’s corporate tax plans are anti-competitive and violate international rules. “You may have noticed that both the French and German finance ministers were raising the question about whether our new lower tax rates for corporations were actually trade barriers. That’s a funny concept that someone would complain about a tax reduction is somehow impeding trade.”

In conciliatory remarks, Mr Mnuchin said he was working with his European counterparts to resolve disputes over some details in the tax plan but not the overall tax rates.

He promised there would be more trade actions to come and said decisions were pending in the fields of intellectual property, steel and aluminium. “What has provoked a lot of the trade actions is inappropriate behaviour of our trading counterparts. Many countries are good at the rhetoric of free trade, but in fact actually practise extreme protectionism,” he said.

In a swipe at Justin Trudeau, the Canadian prime minister who at Davos on Tuesday urged a successful [renegotiation of Nafta](#), Mr Mnuchin said the US needed to ensure its opportunities were equal to those of Mexico and Canada. He criticised Mr Trudeau for using the platform at Davos “to put a little pressure on the US in the Nafta talks”.

The tough US stance met with a robust response from China at the World Economic Forum. Liu He, who is President Xi Jinping’s most trusted economic adviser, reiterated his country’s “firm support” for economic globalisation.

“China has stood firm against all forms of protectionism,” he said in his speech as he praised “initiatives to increase imports” and China’s declared willingness to protect intellectual property.

Mr Liu stressed that China was seeking to open up the financial sector, manufacturing and some services, this year to mark the 40th anniversary of its economic reform programme. But he insisted the country would not act alone. “Opening up is not only for China but also for the whole world. Let’s advance economic globalisation together.”

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Davos

Theresa May appeal to investors to tackle internet hate

Be prepared to sell stocks in tech groups that host extremist content, PM to tell Davos



Snow bound: Theresa May leaves Downing Street on the day she heads to Davos © Reuters

Prime minister Theresa May will on Thursday urge investors in technology companies to use their financial muscle to stop internet platforms being a home to terrorists and paedophiles.

Mrs May will spend the day at [the World Economic Forum](#) privately reassuring business

push groups to take more action to tackle extremist or illegal content.

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