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## Viewpoint

## China isn't a manipulator of currency, U.S. Congress is

ANYTHING LAWMAKERS DO TO get a flexible exchange rate in China will be counterproductive



CAROLINE BAUM

CHINA MAY NOT QUALIFY as a currency manipulator, according to the terms set out in Section 304 of the Omnibus Trade and Competitiveness Act of 1988. Not to worry: The U.S. Congress is happy to fill those shoes.

In its semiannual report on International and Exchange Rate Policies last week, the U.S. Treasury declined to tag China, which manages its currency, the yuan, to the dollar, with a scarlet "M."

"Treasury was unable to determine that China's exchange rate policy was carried out for the purpose of preventing effective balance of payments adjustment or gaining unfair competitive advantage in international trade," according to the report.

Was unable to determine or didn't see the point?

On the same day that Treasury was punting on name calling—preferring, instead, a Strategic Economic Dialogue between the two countries—four U.S. senators picked up the ball, introducing legislation that would make it easier for American companies to seek redress under anti-dumping laws.

"For too long our currency policy has left American workers and businesses unprotected from foreign governments seeking an unfair financial advantage," said Senate Finance Committee Chairman Max Baucus, D-Mont., one of the bill's sponsors.

In case the good senator hasn't noticed in his 32 years in Congress, the U.S. has no currency policy. And as for getting China to adopt a more flexible exchange rate, anything Congress does will probably be counterproductive. Sovereign nations don't like to

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Cafe Tu Tu Tango is just one spot in Buckhead's East Village Square to have already shut down in preparation for a new development.

SHAUN KRISHER

## Closing time for Buckhead opens talk of new hot spot

WHILE BARS AND CLUBS START to relocate to new areas, neighborhood associations fear noise and crime problems will come with them

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ANDY KOEHLER AND his 5-year-old son, Drew, were among 10,000 revelers who packed the streets last weekend for a final night of partying in Buckhead Village.

"For me, Buckhead was an icon," said Koehler, drinking beer from a plastic cup while Drew ran through mist-spraying machines cooling off the crowds. Koehler said he met his wife, Lisa, at the Three Dollar Café, which closed last year as part of the redevelopment plan for eight city blocks along Pharr and Peachtree roads and Grandview Avenue.

Now 42 and a sales manager in the wireless network industry, Koehler said he brought Drew to the Buckhead block party because, "I wanted to show him where Daddy used to hang out."

Where people will hang out once developer Ben Carter starts making room for his \$500 million mixed-use development Buckhead Avenues is an important question—and not just for bar hoppers.

Given the thousands who paid \$10 or \$15 just to attend last weekend's Bye-Bye Buckhead party, there is a lot of money to be made in the business.

Some of the Buckhead bar owners are making plans to start or buy similar spots in other areas, such as Midtown, Virginia Highland or Little Five Points. But neighborhood associations fearing the noise and crime problems that were harbingers to the Buckhead bar district's demise want Atlanta's partying district to be in downtown's Underground Atlanta—or anywhere else.

"Underground is the perfect place, and they want the clubs," said Peggy Denby, president of the Midtown Ponce Security Alliance. She said Underground is a contained area that would be easy to police, with everyone on foot, eliminating the problems of traffic-

jam-inducing cruisers.

Kenny's Alley in Underground Atlanta has six venues ranging from restaurants, pubs and nightclubs. In total downtown has about 10 nightclubs, said Whitney Rusert of the Atlanta Downtown Neighborhood Association.

Despite noise ordinances and no-cruise zones along 10th and Peachtree streets and Piedmont Avenue, Midtown residents have noticed increases in noise, trash, traffic, crimes and parking problems since the area's nightlife began expanding 10 years ago, said resident Dana Persons.

She expects her neighborhood will get busier—with Buckhead business heading to Midtown, plus the construction of the Trump Towers and 12th & Midtown condominium projects.

"Could we push Vinings?" Persons asked.

A 20-year resident of Virginia Highland, Doris Betz, who lives on North Highland Avenue, loves her neighborhood but said it can be quite noisy at night when people visit the local restaurants and taverns.

"Living right behind a bar, I've been up close to how disrupted it can be," said Betz, adding that parking also is an issue. "We're telling people to discover East Atlanta."

Once a Native American trading post and, more recently, home to movie theaters, five and dime stores and other businesses, the Buckhead bar district was created 20 years ago when the Atlanta City Council designated it as Atlanta's nightlife area, recalled Sam Massell, president of the Buckhead Coalition. The council eliminated parking restrictions in Buckhead, and more than 100 alcohol establishments—and their patrons—arrived.

"It worked. It worked too well," said Massell, who said Carter's mixed-use property is "the highest

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## 60 seconds

### Delta weighs replacing 767s with 787s, Airbus jets

Delta Air Lines Inc. will likely decide by the end of the year on whether to go with Boeing Co. or European rival Airbus to replace its fleet of Boeing 767 jets, its chief operating officer said Tuesday.

Speaking from the Paris Air Show in Le Bourget, France, Jim Whitehurst said the Atlanta-based airline was deciding between Boeing's new 787 Dreamliner and the Airbus A350.

"We're not placing an order," Whitehurst said. "It's in the assessment phase."

Whitehurst did not give specific numbers but said the order would be for "well over 100" new planes.

"Obviously, it would be a massive order when we make that decision," he said.

Whitehurst spoke with The Associated Press after *The Wall Street Journal* reported Whitehurst told the newspaper Delta may order as many as 125 of Boeing's 787 Dreamliners by the end of the year.

Whitehurst told the *Journal* the order is still being negotiated while Delta considers seat configurations and how much the planes would cost to operate and maintain.

The move to replace its fleet of 104 767s comes as Delta looks to expand its international service.

Since emerging from bankruptcy on April 30, the airline has outlined plans to cut domestic capacity and increase internationally. The airline said most of its international growth would be based in Africa, the Middle East and Asia, and an air route to China would be key to the plan.

The 787 Dreamliner, the first commercial jet made of light, sturdy, carbon-fiber composites instead of aluminum, has been a big seller for Chicago-based Boeing.

### Humana to spend \$360M on CompBenefits Corp.

Health insurer Humana Inc. said Tuesday it has agreed to purchase CompBenefits Corp. in a \$360 million deal aimed at broadening its dental care offerings and allowing it to directly provide vision-care benefits.

Atlanta-based CompBenefits—which posted 2006 revenues of about \$345 million—offers dental and vision benefit plans to more than 4.8 million members nationwide. It has about 700 employees, mostly in the Atlanta area, according to Humana.

"It's too early to say what the impact of the announcement will be on the work force," said Humana spokesman Dick Brown.

—Compiled from *The Associated Press*

## Closing time for Buckhead opens talk of new hot spot

**Buckhead**, from page 1  
benefit to the neighborhood.”

Carter has bought buildings and leases that moved about 20 retailers out of the area—at a cost he estimated would be around \$200 million. His project, expected to start construction this fall, will include 500,000 square feet for retail and restaurants, two or three hotels, and two or three buildings for apartments and condominiums. Only one bar—Fadó Irish Pub—is scheduled to return once Carter's development is completed.

The future for the other bars ranges widely.

A banner hung from the balcony at the Havana Club announcing the club's plans to reopen in August a few blocks east at 3112 Piedmont Road.

The owners of CJ's Landing have purchased two night spots—Star Community

Bar in Little Five Points and Tin Roof Cantina on Briarcliff Road in DeKalb County—that each feature part of CJ's Landing's offerings, including musicians playing original tunes and bands playing familiar cover tracks.

“There is every intention on our part to have a CJ's Landing again in the next two or three years some place,” said H. Gilman Hudnall, a partner in the law firm Hudnall, Cohn & Abrams and a co-owner of CJ's Landing with his two sons, Jack and Stephen.

Hudnall wouldn't disclose specific details about their relocation agreement, but did say they struck a deal to terminate the remaining seven years in their lease and leave.

Other owners appear to be scrambling to find new locations, Hudnall said.

The owner of Steamhouse Lounge, known for its annual Oysterfest, located at East Village Square, hasn't publicly announced plans to open new locations. July 29 is Steamhouse Lounge's last day of operation. Other night spots such as Café Tu Tu Tango and Frequency, also located at East Village Square, already have shut

their doors.

Veteran nightclub owner Michael Krohngold, who with partner Scott Strumlauf owns Tongue & Groove and Jack Rabbit Lounge, said they haven't inked a deal to open new locations for the two venues. But he said they have been talking with the developers of a new hotel project in Midtown for several months about opening a boutique nightclub.



**Midtown seems to have pockets of clubs but it's not like a district or anything like Buckhead was. I don't know if Atlanta will ever have anything like that again.**

—Michael Krohngold,  
bar owner

“I hope it goes through,” said Krohngold, who wouldn't disclose the project's name or its developer. “We're looking to do a new concept with them. We are still in negotiations.”

Jack Rabbit Lounge and Tongue & Groove's last nights of business are July 4 and July 7, respectively.

When asked how much money they received from their deal to relocate, Krohngold said “enough to make it worth our while.”

Like Hudnall, Krohngold wouldn't discuss the details about his deal but did say he was bought out of the remaining seven years of his leases and received relocation expenses.

Krohngold said he wasn't sure if Atlanta's club scene will be manufactured, like Buckhead, or happen organically.

When asked what area he thinks will be the next spot, Krohngold mentioned Virginia Highland, with its restaurants and pubs, and also pointed to Underground Atlanta, which is catching momentum, and parts of Midtown.

“It's a little sad,” he said. “Midtown seems to have pockets of clubs but it's not like a district or anything like Buckhead was. I don't know if Atlanta will ever have anything like that again.”

## China isn't a currency manipulator, U.S. Congress is

**Currency**, from page 6  
be seen caving in to pressure from other countries.

### Win-win situation

“What country has changed as much as China in the last 30 years in terms of opening its markets?” said Dan Griswold, director of the Cato Institute's Center for Trade Policy Studies in Washington. “And how much has the U.S. benefited? The whole debate is based on a false notion of mercantilism. You can't realize real gains through currency manipulation.”

In the Asian financial crisis in 1997, “some currencies practically dropped 40 percent overnight,” Griswold said. “It didn't create prosperity.”

China was singled out and praised for maintaining its peg to the U.S. dollar.



**A large number of people in both parties got the China issue wrong. To intentionally weaken the dollar to gain some illusory trade advantage is a fool's errand.**

—Dan Griswold, trade analyst

Two of the other sponsors of the Currency Exchange Rate Oversight bill, Republican Lindsey Graham of South Carolina and Democrat Chuck Schumer of New York, are back for their second China go-round. Last year, the duo sponsored legislation that would have slapped tariffs of 27.5 percent on Chinese imports. They withdrew the bill when it became clear that it wasn't compliant with World Trade Organization rules.

### Strong-arm tactics

“Our previous legislation got China's attention,” Schumer boasted at a June 13 press conference. “The purpose of this legislation is to require them to change.”

Schumer's “elegant solution” to the

China conundrum involves identifying “fundamentally misaligned currencies” for “priority action” in 180 and 360 days if the misaligned country fails to adopt “appropriate policies” to realign itself. The final step would require the Treasury and Federal Reserve Board to consult with other central banks and consider “remedial intervention in currency markets.”

As a practical matter, how would that work? Schumer's elegant solution seems to have some inelegant operational difficulties. For example, how exactly would the Fed sell dollars and buy yuan, a currency that isn't freely traded in the open market?

### Policy or politics?

Graham's protectionist motivations derive from the fact that South Carolina competes, so to speak, with China in textile and apparel manufacturing. At the top echelons of that competition is billionaire Roger Milliken, head of a multinational textile empire based in Spartanburg and a major Graham supporter. It wouldn't be a huge leap to assume a connection between Milliken's contributions and Graham's trade positions.

Critics of China's currency-management policy claim the yuan is undervalued by as much as 40 percent, giving the country's exports a competitive advantage.

You never hear much about the disadvantages, about China paying artificially inflated prices for the capital goods and intermediate materials it imports. It overpays for vast amounts of raw materials, everything from oil to copper to steel.

At the same time, do American consumers want to pay 40 percent more for underwear and other low-end apparel from China? (China's lost market share would be other emerging countries' gain, but it would still mean higher import prices for Americans.)

### League of its own

China still has a long way to go to reform its domestic financial system and move from a managed to a flexible exchange rate. Because it lacks developed capital markets and a monetary policy of its own, China has to resort to various administrative measures to manage its booming economy.

The People's Bank of China raised its one-year benchmark rate by 100 basis points in the last two years, hardly an onerous increase in an economy that continues to barrel ahead at 11 percent. It increased reserve requirements five times this year.

In addition, China cut tax breaks for exporters, imposed limits on real-estate investment and land use, implemented environmental controls and tripled the stock transfer tax.

Change doesn't happen overnight, especially in a country impoverished by decades of state control of the economy. Congress

seems to have run out of time.

Schumer said there's broad bipartisan support for the currency bill in the House and the Senate, and he expects it to pass with a veto-proof majority.

“A large number of people in both parties got the China issue wrong,” Griswold said. “To intentionally weaken the dollar to gain some illusory trade advantage is a fool's errand.”

Now there's a challenge Congress won't be able to resist.

*Bloomberg News columnist Caroline Baum can be reached at cbaum@bloomberg.net.*

## real estate auctions

Starting Mon., Jun. 25th



119 Johns Creek Lane, Stockbridge

STOCKBRIDGE, GA  
• **119 Johns Creek Lane**  
4BR 2.5BA 2,553sf+/- . Built 2000.

**Opening Bid: \$50,000**

• **50 Melissa Drive**  
3BR 3BA 2,292sf+/- . Built 1980.

**Opening Bid: \$25,000**

LAKE CITY, GA  
• **1546 Ontario Avenue**  
3BR 1.5BA 1,675sf+/- . Pool.

**Opening Bid: \$10,000**

• **3700 N Goodard Rd**  
5BR 4BA Built 2002.

**Opening Bid: \$50,000**

MORROW, GA  
• **5382 Victory Boulevard**

**Opening Bid: \$1,000**

**Inspections for above properties:** 1-4pm Sat. Jun. 23rd and 2hrs prior to sale.

\$50,000 opening bids also open Sat. Jun. 16th

**Above properties sell:** 2:15pm, Mon., Jun. 25th at 119 Johns Creek Lane, Stockbridge

DACULA, GA

• **679 Pathview Ct**  
4BR 3.5BA 3,125sf+/- .

**Opening Bid: \$50,000**

**Inspections:** 1-4pm Sat. Jun. 16th & 23rd and 2hrs prior to sale.

**Sells:** 3:00pm, Tue., Jun. 26th

MARIETTA, GA

• **716 N Saint Marys Ln NW**  
4BR 3.5BA 3,627sf+/- .

**Opening Bid: \$50,000**

ROSWELL, GA

• **121 Courtyard Terrace**

**Opening Bid: \$10,000**

RÔME, GA

• **201 Forsyth St NE**

**Opening Bid: \$10,000**

NORCROSS, GA

• **5150 Rockborough Trail**

**Opening Bid: \$10,000**

**Inspections for above properties:** 1-4pm Sat. Jun. 23rd and 2hrs prior to sale.

\$50,000 opening bids also open Sat. Jun. 16th

**Above properties sell:** 5:00pm, Tue., Jun. 26th at 716 N Saint Marys Ln NW, Marietta



126 Pickens Drive, Newnan

NEWNAN, GA

• **126 Pickens Drive**  
5BR 4.5BA 4,975sf+/- . Two-story brick home w/multiple fireplaces. Built 1990. Approx .54ac lot. Fertherston Heights subdivision.

**Opening Bid: \$100,000**

FRANKLIN, GA

• **1342 Five Notch Road**

**Opening Bid: \$10,000**

DOUGLASVILLE, GA

• **2816 Aunt Pitty Pat**

3BR 2BA 1,100sf+/- .

Fireplace. Built 1988. .

**Opening Bid: \$10,000**

VILLA RICA, GA

• **9253 High Point Road**

3BR 2BA 2,048sf+/- .

**Opening Bid: \$10,000**

**Inspections:** 1-4pm Sat. Jun. 23rd and 2hrs prior to sale.

\$50,000 Opening bids also open Sat. Jun. 16th

**Above properties sell:** 11:30am, Wed., Jun. 27th at 126 Pickens Drive, Newnan

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