Ana Swanson writes: China surprised the world by devaluing its currency, in a move likely to boost Chinese exports and support the country's flagging economic growth. The change to the currency's value was the most dramatic one-day change in two decades.

The move is likely to stir intense concern, as political leaders, especially in the United States, have long complained that China leaves its currency at a lower value to boost its domestic industries.

Over the past decade, China has let the value of the currency, known as the yuan or renminbi, rise, but the announcement by China's central bank Tuesday is sure to reignite debate over whether the country is giving an unfair advantage to its businesses.

Stephen Roach, a fellow at Yale University who formerly served as a non-executive chairman for Morgan Stanley in Asia, said the move raised the “possibility of a new and increasingly destabilizing skirmish in the ever-widening global currency war.”

The Chinese economy slowed to 7 percent year-over-year growth in the first quarter, the slowest pace in six years. Exports plummeted 8.3 percent year-over-year in July, according to data released last weekend.

But the Chinese central bank argued on Tuesday that its goals were more mundane than spurring exports and growth. Rather, the bank said that the change was a one-time event to allow it to set exchange rates in line with free market practices. And in their initial responses, many analysts agreed.

Like many things in China’s economy, the country’s currency is controlled by a mix of market forces and government decree. Every morning, Beijing sets a target for the trading of its currency against the U.S. dollar, then allows investors to buy and sell the currency for 2 percent more or less. Tuesday's change
relaxes the government's control over setting that rate,

instead setting the midpoint around the market's closing rate for the previous day.

In some ways, the move to make the exchange rate more market-oriented follows what American officials have wanted. U.S. politicians have been pushing for China to adopt a more market-oriented exchange rate for years, with the assumption that China’s currency is undervalued. In April, the Treasury Department praised China’s recent efforts to allow the renminbi to rise but said the currency remained “significantly undervalued.”

China's decision could actually be a negative for U.S. economic growth, at least in the short term. The International Monetary Fund said that China’s currency was no longer undervalued. Now, market forces could pressure the currency to depreciate rather than appreciate, making Chinese products cheaper compared to American goods.

China keeps its currency loosely pegged to the U.S. dollar, whose value has surged this year. That has left the Chinese yuan looking relatively overvalued compared to currencies in Japan, the European Union, and Asia, analysts say.

Those who believe the currency change will be large enough to affect the economy say it will be a boon for exporters and heavy industry, but bad news for companies that depend on imported goods. Shares of Chinese airlines plummeted on Tuesday, as analysts predicted that the higher cost of oil in U.S. dollars would weigh on their earnings.

The move could also mean increased competition for China's neighbors. A cheaper yuan would make Chinese goods more competitive with other exporting countries in the region, perhaps spurring them to devalue their currencies.

In the United States, a cheaper yuan could weaken American exports to China, widening the already large trade deficit with China. And it will add fuel to the arguments of American politicians and businesses who claim the yuan is undervalued. It also might add pressure on the Federal Reserve to delay raising interest rates, as a rate hike would put upward pressure on the dollar and make U.S. exports even less competitive.

Efforts to print more currency and spur economic growth in Japan and Europe have already pushed the U.S. dollar to seven-year highs against those currencies. Now, with China, Japan and Europe all trying to devalue their currencies and spark growth through exports, the value of the U.S. dollar could rise enough to put breaks on the U.S. recovery, Diana Choyleva, chief economist at Lombard Street Research, said in an emailed response.

Even so, some analysts argued that the move was not primarily directed at boosting Chinese export competitiveness. Michal Meidan of China Matters, a London-based consultancy, wrote in a note on Tuesday that weak trade data supported the central bank's decision "but was not the main driver."

According to GaveKal Dragonomics, the primary goal was longer-term reforms aimed at internationalizing the Chinese currency. The International Monetary Fund recently announced that it would delay a decision until the end of the year on whether the yuan would be included in its special drawing rights -- a reserve asset that includes the dollar, euro, yen and pound.

Of course, there's also a chance that that explanation could just be political cover for weakening the value of the renminbi to boost exports. In 2013, Beijing intervened in the market to stop investors from pushing the value of the renminbi up. With the inscrutable Chinese leadership, it’s always hard to tell.