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FACT OF THE WEEK

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Action from Congress and Commerce Decisive on China Currency, Not Statements from Treasury or Complaints Filed by USTR

Americans desperately need more jobs. With one American worker in six either unemployed or underemployed, it is long past time for the two actors who have the most power to intervene to do so and combat China's currency manipulation that has sent so many U.S. jobs to foreign soil. Every day the U.S. Congress and the Department of Commerce fail to counter China's unfairly undervalued currency saddles Americans with more lost jobs, more foreign debt, reduced investment, reduced industrial capacity, and fewer available research and development funds for the U.S. economy.

The U.S. Constitution empowers Congress to regulate foreign trade and Congress has delegated to Commerce the powers to enforce our trade laws. Inaction by these decisive players on the China currency issue is no longer an option.

That is why the Fair Currency Coalition (FCC) strongly supports Senators Charles Schumer (D-NY), Debbie Stabenow (D-MI) and Lindsey Graham (R-SC), and Congressmen Tim Ryan (D-OH) and Tim Murphy (R-PA), in their call for Congress to act. Legislation pushed by these Members signals the dissatisfaction of the American people with China's currency policy and would make explicit the authority Commerce already has to countervail the illegal export subsidy of China's undervalued currency.

Moreover, a favorable decision by Commerce on the coated paper petition alleging that China's practice of undervaluing its currency constitutes a countervailable export subsidy would trigger an investigation into the amount of the subsidy. A final determination in that case is due by September 20. Once all subsidies are determined and injury has been found, importers of those products would be forced to post a bond in the same amount.

Now those are two actions with real teeth that could be implemented in a few short months!

Unlike Congress and Commerce, the U.S. Treasury Department has no authority to sanction China and initiate a remedy to China's illegal undervalued currency subsidy and trade barrier. It is important to understand that even if Treasury had named China as a manipulator yesterday, the law authorizing the report mandates only that Treasury initiate consultations, an activity already taking place for seven years. In other words, naming China in the Treasury report carries no meaningful sanctions, just more talk – something that does not help U.S. producers and their workers directly, as trade

remedies would. Thus the practical outcome of Treasury's failure to cite is no different than if Treasury did make an affirmative determination.

As for action taken by the Office of the U.S. Trade Representative, filing a complaint with the World Trade Organization (WTO) would take years to adjudicate. While there are good grounds under the WTO's agreements to support the conclusion that China's enforced undervaluation of its currency violates various legal obligations China has assumed at the WTO, the filing of such a complaint would not guarantee a favorable decision. And even if the United States won the case, there is no guarantee that China would implement the prescribed remedy either at all or in a timely manner. China already flaunts WTO prohibitions on export subsidies. Furthermore, China's economy would certainly grow stronger while the U.S. economy would continue to shed jobs and lose manufacturing capability and investment as the complaint process winds to a conclusion several years down the road. Thus, if a WTO case were to be filed, it should not be done as a standalone action. It would only be marginally useful after Congress and Commerce had acted to countervail China's currency subsidy.

The bottom line is this:

- Treasury has missed every opportunity to exercise its legal right to cite China (and others) for their currency practices since 1994.
- USTR has missed every opportunity since 2004 to initiate WTO dispute resolution proceedings on China's currency.
- The Commerce Department has missed every opportunity over four years to launch a CVD investigation into China's currency.
- The Congress has missed every opportunity since 2005 to enact legislation to end China's currency misalignment.
- The Chinese have *not* missed any opportunity to steal U.S. jobs by perpetuating their two-way trade advantage, stuffing foreign exchange into State Administration for Foreign Exchange (SAFE), and padding the investment slush funds of state-owned enterprises (SOEs).

It is time for the Congress and the Obama Administration to stop waiting for each other to act and start working together to halt China's U.S. job-destroying persistent undervaluation of the renminbi (RMB) that is so damaging to the U.S. economy. That means Congress must pass Schumer-Stabenow-Graham (S. 3134) / Ryan-Murphy (H.R. 2378) currency legislation and Commerce must initiate a CVD investigation on undervalued currency in the coated paper case.

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