

The Honorable Sander M. Levin, Chairman

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Contact: Matthew Beck (202) 225-8933

September 22, 2010

Ways and Means to Consider Amended China Currency Bill

Chairman Levin Statement on the urgent need for legislative action

WASHINGTON – Ways and Means Committee Chairman Sander M. Levin (D-MI) issued the following statement today in conjunction with an announcement that the Committee will meet at **9:30 AM on Friday, September 24, 2010** to consider a Chairman’s Amendment in the Nature of a Substitute to H.R. 2378, legislation to address China’s fundamental undervaluation of its currency:

“At the two hearings held by the Ways and Means Committee last week, as reinforced at the Senate hearing, these critical points were very clear:

- 1. “China’s mercantilist exchange rate policy places a drag on U.S. economic growth and job creation. It is a major distortion in the international marketplace. For years, U.S. workers, businesses and farmers have been held to a competitive disadvantage because of China’s intervention to keep the price of Chinese goods to the U.S. artificially low and of U.S produced goods to China artificially high.**
- 2. “Efforts to date have not worked to correct the imbalances. They have basically relied on discussions between the parties. Their failure to be effective was illustrated by the rationale given by Secretary Geithner for why China will not be designated as a manipulator in the forthcoming October 15 currency report—the “act of designating alone only requires that we go talk....and issuing a report that requires us to consult accomplishes nothing”.**
- 3. “Additional measures are necessary.**

“The legislation the Ways and Means Committee will consider on Friday clarifies that countervailing duties can be imposed to offset the effects of an undervalued currency. Countervailing duties would be available to any U.S. industry that could demonstrate that it has been ‘materially injured’ by imports from the country with the undervalued currency. By doing so, the bill will help to provide meaningful relief to those who are harmed by China’s exchange rate policy.

“The bill, as considered by the Ways and Means Committee, will modify the original

legislation introduced by Representatives Tim Ryan (D-OH) and Tim Murphy (R-PA) to make it fully consistent with World Trade Organization (WTO) rules. WTO rules allow for the application of countervailing duties to offset or neutralize export subsidies. To date, Commerce has refused to find currency manipulation a countervailable export subsidy, for the sole reason that non-exporters (e.g., U.S. tourists in China) benefit from the undervalued currency as well. Commerce's policy is more restrictive than WTO rules, and is at odds with WTO Appellate Body rulings that a subsidy can be considered an export subsidy even if it is available in some circumstances that do not involve export. The revised bill overrides existing Commerce practice by precluding Commerce from dismissing a claim for the sole reason that the subsidy is available in circumstances not involving export; instead, Commerce will be required to consider all facts before it. Importantly, the bill, as amended, preserves Commerce's authority – and responsibility – to consider each case on its facts and make a determination as to whether all the necessary legal elements of an export subsidy are met.

“This bill is being advanced in the absence of effective action on a multilateral basis.

I have joined with others to urge such action—so far to no avail. On three different occasions, beginning six years ago, we filed a petition with the Bush Administration that they seek a remedy under the WTO agreements but each time the request was summarily dismissed. Hopefully the concrete step of this bill can spur efforts leading to the kind of multilateral structure needed to address major currency imbalances.

“Some argue against action, whether unilateral or multilateral, for fear of retaliation by China. Such retaliation itself would be inconsistent with the rules of the WTO. WTO inconsistent retaliation is not a reason to delay pursuit of WTO consistent action. To those who would argue against this legislation because of a fear of retaliation: Do you believe we should remain silent with respect to China's ‘indigenous innovation’ measures, or to its policies pertaining to intellectual property rights (IPR)?

“To those who would raise the specter of ‘protectionism,’ this legislation is indeed the opposite. Dr. Fred Bergsten testified at the first Ways and Means hearing that China's currency policy is the most protectionist measure today in the global economy – and this bill is one antidote to remedy the effects of China's protectionist measure.

“In 1999, I supported China's entry into the WTO because of the importance of the rule of law in international trade and competition and of bringing China into a global economic structure in a way which would hold China accountable. This bill is consistent with the goals set forth under China's accession to the WTO and is in the best interest of the U.S. and all trading partners who have been placed at a competitive disadvantage due to China's undervalued currency.

“As Chairman of the Ways and Means Committee, I have heard from scores of my

colleagues, Democrats and Republicans alike, who have urged action to address China's currency manipulation. Most recently, I received a letter signed by 101 of my colleagues, 30 of whom are Republicans, urging the Committee to consider and pass bipartisan legislation introduced by Representatives Tim Ryan (D-OH) and Tim Murphy (R-PA). The legislation to be considered by the Ways and Means Committee on Friday builds off the basic purpose of the Ryan-Murphy bill, carefully brings about compliance with our international obligations, provides enough flexibility in the implementation and enforcement of the bill and gives the Administration further impetus to pursue the issue in the international community. This is a responsible and necessary step toward addressing the persistent imbalance created by China's undervalued currency.

“At the outset of our hearings I said that the status quo was unacceptable and unsustainable. Clearly, China has a strategy as to how it competes in an increasingly globalized economic world. The American people want the assurance that our nation has a strategy. Most know that means ready acceptance that economic globalization is here to stay and that it can be beneficial if our nation has a strategy. That strategy must include many facets, not just one. But our citizens sense that for us to compete effectively it cannot include acceptance of a structure, or the lack of one, that allows the important nation of China to artificially tilt the playing field by 15 to 30 percent through how it manipulates its currency.”

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