



FAIR CURRENCY COALITION

Media Inquiries: Lloyd Wood•202.452.0866•press@faircurrency.org
Other Inquiries: Charles Blum•202.904.2475•execdir@faircurrency.org

Support Proposed Schumer-Stabenow-Graham China Currency Legislation

June 30, 2010

Dear Senator:

The June 30 letter sent by the U.S. Chamber of Commerce and other spokesmen for offshore production opposes an amendment based on the Currency Exchange Rate Oversight Act (S. 3134). We are writing to urge you to do just the opposite, for reasons that the Chamber's letter makes abundantly clear.

The China import lobby letter starts with more or less the right premise: "China needs an exchange rate that better responds to global trade flows." However, it offers no practical, logical path to reach its conclusion that America needs a "comprehensive and coordinated strategy using all appropriate mechanisms" to confront the challenges posed by China's state capitalism and mercantilist currency policies. Indeed, the letter is riddled with internal inconsistencies, a disregard for experience, a willful ignorance of China's stated objectives, and vaguely worded objections to the only available policy tool — the application of WTO-sanctioned trade remedies to offset the unfair, trade distorting advantage arising from currency subsidies.

The basic point of the letter seems to be an argument to "continue to work multilaterally and bilaterally to press China to allow market forces to determine the value of its currency." This is, of course, the very approach that the United States has followed since 2003. During that time, China's cumulative trade surplus with the world has reached \$1.1 trillion. Its trade surplus with the US has exceeded \$1.5 trillion, and its acknowledged official reserves have risen by \$2.2 trillion. The cost of inaction has been staggering. Certainly, this is a strategy that has outlived its usefulness.

The letter wants China to "move quickly" but there's no reason to expect that. In fact, ranking Chinese officials including President Hu have emphatically stated that the yuan is close to its "fair value" and that no significant change should be expected from the renewed, torturously slow appreciation.

The letter asserts that use of WTO-sanctioned trade remedies against subsidies might violate our WTO obligations. In a departure from previous rounds of this argument, the letter makes no attempt to justify this argument. Which provisions of which WTO agreement would be violated? This time, their answer is silence. When it comes to applicability of anti-subsidy remedies to non-market economy countries such as China, on the other hand, the letter makes a completely spurious argument. It suggests that the Commerce Department's use of surrogate country data to derive a fair or normal value for each element of the cost of production corrects for any currency undervaluation. The currency subsidy affects the price of the exported good, however, not its cost of production. This argument is beside the point.

Finally, the letter tries to argue that there is "no agreed method" for calculating undervaluation. In fact, the IMF has a long history of doing just that. Those calculations lay the groundwork for annual consultations with members, including China. The Currency Exchange Rate Oversight Act (S. 3134) adopts the same methods of quantification and the same data sources as the IMF uses in those calculations. Moreover, the data and the calculations that would be used by the Department of Commerce under S. 3134 to compute the extent of any undervalued misalignment of a foreign currency would all be public and subject to judicial review.

The Chamber and other signatories are arguing for a continuation of the status quo. More offshoring. More job losses. More time and effort wasted in negotiating without leverage.

To argue that the United States needs to use "legally-based trade remedies" and then attack the only one that fits that description is illogical, disingenuous and counterproductive. The Senate should ignore the spurious arguments advanced in the Chamber's letter and boost U.S. job creation by doing the right thing now – passing an effective, WTO-consistent trade remedy without further delay.

###



FAIR CURRENCY COALITION

Media Inquiries: Lloyd Wood•202.452.0866•press@faircurrency.org

Other Inquiries: Charles Blum•202.904.2475•execdir@faircurrency.org

FAIR CURRENCY COALITION: MEMBERS (As of February 19, 2010)

1. Allegheny Technologies Incorporated
2. American Corn Growers Association (ACGA)
3. American Cotton Shippers Association
4. American Federation of Labor Industrial Union Council
5. American Foundry Society
6. American Iron and Steel Institute
7. American Manufacturing Trade Action Coalition
8. American Mold Builders Association
9. Bakery, Confectionary, Tobacco Workers and Grain Millers International Union (BCTGM)
10. Coalition for a Prosperous America
11. Communication Workers of America (CWA)
12. F & L Metal Finishes, Inc.
13. The Copper & Brass Fabricators Council, Inc.
14. International Association of Machinists and Aerospace Workers (IAM)
15. International Brotherhood of Boilermakers (IBB)
16. International Brotherhood of Electrical Workers (IBEW)
17. International Federation of Professional Employees (IFPTE)
18. Lapham-Hickey Steel Corporation
19. Manufacturers Association of Central New York (MACNY)
20. Metals Service Center Institute
21. National Council of Textile Organizations
22. National Textile Association
23. National Tooling and Machining Association
24. North American Die Casting Association
25. Nucor Corporation
26. Organization for Competitive Markets
27. Penn United Technologies, Inc.
28. Precision Machined Products Association
29. Precision Metalforming Association
30. Sheet Metal Workers International Association (SMWIA)
31. Specialty Steel Industry of North America
32. Spring Manufacturers Institute
33. Steel Dynamics, Inc.
34. Steel Manufacturers Association
35. Tooling & Manufacturing Association
36. Tooling, Manufacturing, and Technologies Association
37. United Automobile Workers (UAW)
38. Universal Electric Corporation
39. United Mineworkers of America (UMWA)
40. United States Business & Industry Council
41. United Steelworkers of America (USW)
42. US Industrial Fabrics Institute
43. Wisconsin Paper Council
44. Wood Machinery Manufacturers of America (WMMA)

45. Vanadium Producers & Reclaimers Association
46. Xcel Mold and Machine, Inc.