

COMMITTEE TO SUPPORT U.S. TRADE LAWS

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FOR IMMEDIATE RELEASE

Trade Remedy is Essential Step to Address Misalignment of Foreign Currencies, Says CSUSTL

(WASHINGTON, D.C., April 7, 2010) – The Committee to Support U.S. Trade Laws today reiterated the need for passage of H.R. 2378, bipartisan legislation that would counter the problem of protracted undervaluation of foreign currencies. This proposed legislation would implement in U.S. law existing rules of the World Trade Organization, treating prolonged undervaluation of foreign currencies as a prohibited export subsidy and authorizing imposition of offsetting duties on injurious imports into the United States.

“China and other countries must not be allowed to continue undervaluing their currencies unchecked – the impact would be seriously harmful to economic recovery from the current recession. We must take action to stem the tide of U.S. job losses and debt to countries that engage in protectionist currency policies,” said David A. Hartquist, executive director of CSUSTL.

He went on to propose, “We already have an approach under the WTO’s multilateral agreements that can help to deter this practice. The United States and other WTO-member countries need to enforce existing rules. The most far-reaching subsidy that a government can bestow is persistent undervaluation of its country’s currency. It is imperative, therefore, that all reasonable measures available be taken to neutralize the adverse effects of that subsidization.”

In CSUSTL’s judgment, it is unlikely that China unilaterally will meaningfully revalue the renminbi, making action now on the part of other countries, including the U.S., critical. On April 5, 2010, Morgan Stanley released a report on China’s currency, predicting that China will permit the renminbi to appreciate from its current level of 6.82 renminbi/\$1 to 6.17 renminbi/\$1 by the end of 2011. While a prediction of modest appreciation of the renminbi may sound encouraging, this 9.5 percent increase would be about the same pace over the next 21 months that China set between July 2005 and July 2008. During that same period, however, China’s foreign reserves rose from \$711 billion to \$1.8 trillion, indicating that nominal appreciation was not effective. If that previous experience is any guide, similar movement of the renminbi in the future would likewise be inadequate.

CSUSTL considers passage of H.R. 2378 as not just vital to sustaining the United States’ modest recovery – it also would benefit China’s national interests. China’s currency policy is creating instability by way of increasingly dangerous economic and monetary imbalances on an unprecedented scale. It undercuts and prevents a sustainable flow of trade and investment across national boundaries. In the end, as the International Monetary Fund has advised, China’s best

chance of stimulating jobs and achieving stability without excess production and inflation will be through balanced and sustainable growth.

About CSUSTL

The Committee to Support U.S. Trade Laws is an organization of companies, trade associations, labor unions, workers, and individuals committed to preserving and enhancing U.S. trade laws. CSUSTL's members span all sectors, including manufacturing, technology, agriculture, mining and energy, and services. CSUSTL is dedicated to ensuring that the unfair trade laws are not weakened through legislation or policy decisions in Washington, D.C., in international negotiations, or through dispute settlements at the World Trade Organization and elsewhere.

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