

Senator Sherrod Brown

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Sens. Brown, Snowe Send Letter to Senate Leadership Urging Vote on Chinese Currency Bill

Senators Say China's Currency Manipulation Undermines American Competitiveness, Costs Jobs

November 29, 2010

WASHINGTON, D.C. - U.S. Sens. Sherrod Brown (D-OH) and Olympia Snowe (R-ME) today sent a letter to Senate Majority Leader Harry Reid and Senate Minority Leader Mitch McConnell urging action before the Senate adjourns this year on legislation –the *Currency Reform for Fair Trade Act*–that would address China's unlawful practice of currency manipulation. In the letter, Brown and Snowe ask Senate leadership to schedule a vote on the bill, which was passed by the U.S. House of Representatives in September.

"The Chinese government is exporting at a record pace, but manufacturers and workers in Ohio and elsewhere across America are struggling to compete against a country that refuses to play by the rules when it comes to trade," Brown said. "Addressing Chinese currency manipulation is vital to getting our economy back on track, which is why the Senate should act quickly to pass the *Currency Reform for Fair Trade Act*."

"Manufacturers and workers in trade-sensitive industries - such as paper production in Maine - have been harmed by China's mercantilist trade practices and, unfortunately, the silence of our government on currency manipulation has become the silence of our factories," said Senator Snowe. "Amid current economic tumult facing our domestic trade industry today, this vital legislation will provide our government the necessary tools to address and penalize violators of global trade rules, whose distortions and inequities have undercut the ability of our nation's industry to thrive and compete both nationally and world-wide."

In the letter, Brown and Snowe write that China's illegal currency manipulation undermines American competitiveness and hurts American businesses and their employees. "The problems facing workers and manufacturers due to currency manipulation are growing more severe with each passing day. China is by far the leading violator of international trade rules and its actions continue to harm America's workers, farmers, industry, and manufacturing," the senators wrote. "The American people are demanding legislation to stop our trading partners from rigging the game to undercut true market competition. It is time for the Senate to meet that demand and take action by voting on the House-passed bill."

The *Currency Reform for Fair Trade Act* directs the U.S. Department of Commerce to treat currency undervaluation as a prohibited export subsidy, which would open the door for the U.S. government to respond by imposing import duties.

The full letter to Senate leadership is below.

November 29, 2010

The Honorable Harry Reid

Majority Leader

S-221

United States Capitol

The Honorable Mitch McConnell

Minority Leader

S-230

United States Capitol

Dear Leader Reid and Leader McConnell:

We are writing to ask that a Senate vote be scheduled on the Currency Reform for Fair Trade Act (H.R.2378), which addresses an abusive practice that is thwarting free market competition in the global trade arena. Currency manipulation is undermining the ability of American companies to compete in the global marketplace and hire American workers. It is in the national interest to address this issue before the Senate adjourns.

The problems facing workers and manufacturers due to currency manipulation are growing more severe with each passing day. China is by far the leading violator of international trade rules and its actions continue to harm America's workers, farmers, industry, and manufacturing. Federal Reserve Chairman Ben Bernanke has said that China's currency undervaluation provides "an effective subsidy for Chinese exporters." Leading economists estimate that the renminbi is undervalued by as much as 40 percent. Our nation's trade deficit with China reached \$227 billion last year, which represents a 170 percent increase since 2000. According to the Economic Policy Institute, currency manipulation - along with other factors - has caused the United States to lose more than 2.4 million jobs to China over the past decade.

The United States has been pressing China to allow the renminbi to appreciate for more than seven years. In 2004, the Treasury Department expressed concern when China's foreign exchange reserves rose to \$346 billion. Today, those reserves exceed \$2.4 trillion. Repeated efforts by the administration to address Chinese government currency manipulation through diplomacy have yielded no meaningful results. The American people are

demanding legislation to stop our trading partners from rigging the game to undercut true market competition. It is time for the Senate to meet that demand and take action by voting on the House-passed bill.

Under existing laws, tariffs can be imposed on imports benefitting from government subsidies, if the subsidized exports from foreign countries threaten the well-being of American companies and workers. In the past, the Department of Commerce has refused to designate currency manipulation as illegal because its benefits are not deemed to be "limited exclusively to circumstances of export."

The Currency Reform for Fair Trade Act is a measured approach that would direct the Department of Commerce to treat currency undervaluation as a prohibited export subsidy. This designation would ensure the government is equipped to respond on behalf of American workers and manufacturers by imposing countervailing duties on subsidized exports from China.

The challenges facing our nation's working families, including those who depend on trade-sensitive manufacturing jobs in Ohio and Maine, increase with each passing week. The House of Representatives passed the Currency Reform for Fair Trade Act in September with overwhelming, bipartisan support. It is time to take action to help rebuild the economic foundation of the middle class. It is time to move this legislation forward in the Senate for a vote.

Thank you for your consideration of this important matter.

Sincerely,

Senator Sherrod Brown

Senator Olympia Snowe

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