The Honorable Sander M. Levin, Ranking Member

The Honorable Jim McDermott, Ranking Member, Subcommittee on Trade

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Levin Contact: Lauren Bloomberg, 202-226-3354
Josh Drobnyk, 202-225-4961
Brown Contact: Meghan Dubyak, 202-224-3978
Snowe Contact: Kathryn Bruns, 202-224-5344
Murphy Contact: Brad Grantz, 202-225-8828
Ryan Contact: Heather McMahon, 330-373-0074
McDermott Contact: Kinsey Kiriakos, 202-226-1936
Michaud Contact: Ed Gilman, 202-225-6306
Dingell Contact: Betsy Barrett, 202-225-4071

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Bipartisan, Bicameral Group of Lawmakers Call for Action on China Currency Manipulation

Currency Reform for Fair Trade Act of 2011 Introduced in House, Senate

WASHINGTON – Ways and Means Committee Ranking Member Sander Levin (D-Mich.) today is introducing legislation in the U.S. House to hold China accountable for the manipulation of its currency. U.S. Sen. Sherrod Brown (D-Ohio) is introducing companion legislation in the Senate. A bipartisan group of members from the House and Senate announced the introduction at a press conference today. The House legislation has 101 Republican and Democratic co-sponsors.

The Currency Reform for Fair Trade Act of 2011 seeks to level the playing field for American workers and businesses by giving the administration additional tools to address China's fundamental undervaluation of its currency. A nearly identical bill passed the House last September with broad bipartisan support. (Background and details of legislation below).

"**China has been given free rein to manipulate its currency for far too long, with hundreds of thousands of American jobs lost and unsustainable global trade imbalances as a result,"** said Ways and Means Ranking Member Levin, D-Mich. "**Those imbalances contributed to the global economic crisis, and most experts expect the imbalances will worsen in the coming years unless there is a significant change in the status quo. The measures included in this bill provide the Administration with additional tools for enforcing the rules of trade and are consistent with our WTO obligations. It will also bolster the Administration's efforts to bring about a multilateral framework for addressing this global issue."**

"**China's unfair currency manipulation has gone on for far too long. With factory doors continuing to close across my state, Ohio workers and small businesses can't afford to wait any more,"** said Sen. Sherrod Brown, D-Ohio. "**The Chinese government has taken small steps to allow the yuan to appreciate, but it is not enough. Congress must take action immediately to address**

Chinese currency manipulation and pass legislation that will empower our government to combat this illegal trade subsidy. By combating currency manipulation, we can help level the playing field for American manufacturers and speed up our economic recovery."

"**One significant contributing factor to the withering of our country's once-unparalleled manufacturing base is the fact that China's government deliberately suppresses the renminbi's value, making Chinese imports artificially cheaper when competing against U.S. products,"** said Sen. Olympia Snowe, R-Maine. "**I am pleased to introduce the *Currency Reform for Fair Trade Act* to ensure the government is equipped to respond to this manipulation on behalf of our nation's workers by imposing countervailing duties on subsidized exports from countries that continue to undervalue their currency at the expense of competing American businesses. I look forward to working with my colleagues to enact these vital provisions into law to prevent our trading partners from further undercutting true market competition and undermining American innovation."**

"American manufacturing has the chance to not just repair our economy, not just lead us out of debt and deficit, but create hundreds of thousands of new, well-paying, high-quality jobs," said Rep. Tim Murphy, R-Pa. **"The Currency Reform for Fair Trade Act gives the Administration the tools to fight back against countries that won't live up to their obligations under international agreements. Because in matters of diplomacy, we can still speak softly, but it sure is nice to have in your back pocket a big stick."**

"**Today, I join my colleagues in reintroducing legislation that will provide tremendous relief to our manufacturers. China's unfair trade policies have destroyed millions of good-paying American jobs, and jeopardized the future of the American middle-class. We can no longer expect these companies to compete against a country that flouts international trade laws,"** said Rep. Tim Ryan, D-Ohio. "**It is the duty of this Congress to move forward with currency reform legislation and continue to fight on behalf of American jobs and our manufacturing industry."**

"**For too long the Chinese have not been playing fairly in the international trade arena – and this Congress has to send a clear message that China must become a responsible player in multi-lateral trade,"** said Ways and Means Trade Subcommittee Ranking Member Jim McDermott, D-Wash. **"This bill is a crucial first step we must take towards leveling the playing field – it addresses the egregious imbalance between China's currency and our own."**

"For too long we've watched Democratic and Republican administrations talk tough about addressing currency manipulation but do little to nothing about it," said Rep. Mike Michaud D-Maine, Chairman of the House Trade Working Group. "**This bill will give us the tools to make China play by the rules. It will defend our manufacturing sector from China's illegal trade practices, and it will put Americans back to work. I strongly urge House and Senate leaders to bring it to the floor immediately. Our economic recovery and growth depends on it."**

"**I proudly support the Currency Reform for Fair Trade Act of 2011. We must ensure the administration has the capacity to duly hold our trading partners responsible for currency manipulation,"** said Rep. John Dingell D-Mich. "**This bill will make it easier for the administration to go after countries that manipulate the value of their currencies and hold them accountable for this most unfair of trade practices. I wholeheartedly support efforts such as**

these to ensure our trading partners play by the rules and preserve domestic competitiveness."

The impact of China's currency manipulation has been widely documented by economists:

- **Paul Krugman**, winner of the 2008 Nobel Prize in Economics, estimates that China's exchange rate policy reduces U.S. GDP by 1.4 to 1.5 percentage points annually and **reduces U.S. employment by 1.4 or 1.5 million jobs.**[1]
- **Fred Bergsten**, Director of the Peterson Institute for International Economics, estimates that a 20-40% appreciation of the RMB would result in $100-$150 billion improvement in the U.S. trade deficit and would **generate 700,000 to 1 million jobs in the United States.**[2]
- **Steven Dunaway**, a former IMF official and senior fellow at the Council on Foreign Relations, has noted that some analysts expect an appreciation would add **half a percentage point to GDP** in the United States and other developed countries."[3]

Background

China suppresses the value of its currency (the RMB), making China's exports cheaper than they would be if China allowed its currency to be set by the market. China's currency policy places a drag on U.S. economic growth and job creation. As a general matter, under the U.S. countervailing duty law, remedial tariffs can be imposed on imports benefitting from foreign government subsidies for export, if it is shown that imports benefitting from such subsidies cause or threaten injury to a U.S. industry producing the same or similar products. To date, however, the Department of Commerce has declined to investigate foreign government currency practices as a countervailable subsidy.

The most important element of the bill reverses a long-standing Commerce practice that is far more restrictive than required under U.S. law and WTO disciplines. Specifically, in the past, Commerce has resisted finding an export subsidy if the subsidy is not limited exclusively to circumstances of export (i.e., when non-exporters may benefit). The Currency Reform for Fair Trade Act precludes Commerce from imposing this bright-line rule and, instead, requires Commerce to consider all the facts in making its determination of export contingency.

The Currency Reform for Fair Trade Act also provides important guidance to Commerce in assessing whether a "benefit" exists in circumstances involving material currency undervaluation resulting from government intervention. Specifically, Commerce is directed to assess "benefit" in terms of the additional currency the exporter receives as a result of the undervaluation and to use widely-accepted IMF methods for determining the level of undervaluation.

The bill includes minor technical changes to legislation introduced in the 111th Congress.

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