

July 22, 2010

The Honorable Nancy Pelosi  
Speaker of the House

The Honorable Steny Hoyer  
Majority Leader  
US House of Representatives  
Washington, DC 20515

Dear Speaker Pelosi and Majority Leader Hoyer:

On behalf of the undersigned organizations, we write to urge you to reject the inclusion of legislation to address concerns regarding the value of China's currency in the package of manufacturing bills you plan to bring before the House of Representatives next week. H.R. 2378, the Currency Reform for Fair Trade Act, will not bring manufacturing jobs back to the United States. Instead, the bill will likely result in the loss of jobs and market share in many competitive US agricultural, manufacturing and service industries that either operate in, or export to China, and/or rely on global supply chains for importing and exporting – all of which are vital to US business and the US economy.

We agree that China needs an exchange rate that better responds to global trade flows now, and believe that China should implement concrete measures to move toward the eventual goals of a fully convertible currency and a market-determined exchange rate. We strongly disagree that legislation is the best means to achieve that goal. Instead, we believe the United States should continue to work multilaterally and bilaterally to press China to allow market influences to be better reflected in the value of its currency and, thereby, aid in the global economic rebalancing that it has called for along with the other members of the G-20.

Among its most serious problems, the Currency Reform for Fair Trade Act would require an increase in antidumping duties for the estimated amount of currency undervaluation and grant authority to the Department of Commerce to investigate other nations' currency undervaluation as a trade subsidy eligible to be offset by countervailing duties (CVDs). We strongly oppose legislation that would allow the use of either the antidumping or countervailing duty law to address currency concerns for several reasons. Estimations of the "correct" currency value would be inherently subjective and potentially politicized since there is no agreed upon method to determine what a country's exchange rate should be in the absence of a market-based determination. The proposed legislation would also likely violate the United States' commitments under World Trade Organization (WTO) rules governing the calculation of antidumping duties and the types of subsidies that are subject to countervailing duties. Furthermore, the United States' non-market economy antidumping methodology already adjusts for currency undervaluation, as margins are calculated using market-based values from a third country, and does not use Chinese costs or prices.

China should move more quickly toward a market-driven exchange rate, but legislating antidumping duties or CVDs to remedy currency policies will not get us closer to that goal. China is unlikely to proceed more quickly with currency reforms if threatened with this action. Additionally, China could mount a successful challenge to US actions in the WTO, which would shift the international community's focus from China's trade policies to ours, and potentially threaten US exports into our fastest-growing foreign market. Export-oriented companies are among the strongest in the United States, but reduced access to a significant market like China will clearly hurt those companies' sales – and likely their ability to hire and retain workers in the United States.

There are indeed major trade challenges that the United States faces with China – in our own market, in the Chinese market and in third-country markets. We have made progress in some areas over time, but not near enough in many others. These critical issues need to be addressed but will not be resolved through the type of counterproductive, currency-adjusting legislation proposed.

To address our economic and commercial challenges with China, the United States government, in close coordination with the private sector, must develop a comprehensive and coordinated strategy using all appropriate mechanisms, including aggressive and effective bilateral and multilateral initiatives; existing, legally-based trade remedies; and international dispute settlement, such as WTO cases, when well-defined and winnable. We must actively coordinate with other like-minded countries in addressing these issues with China, an approach that has had success in a number of areas. We should not, however, undermine or violate the international rules that help our economy prosper in an attempt to achieve those goals.

For all of the reasons above, we urge you to reject legislation that sanctions the application of antidumping and countervailing duties to address the US-China exchange rate.

Sincerely,

Advanced Medical Technology Association (AdvaMed)  
AmCham-China  
AmCham Shanghai  
AmCham South China  
American Apparel & Footwear Association (AAFA)  
American Meat Institute  
Business Roundtable  
Coalition of New England Companies for Trade (CONNECT)  
Coalition of Service Industries  
Consumer Electronics Association  
Distilled Spirits Council of the United States  
Emergency Committee for American Trade (ECAT)  
Fashion Accessories Shippers Association (FASA)  
Financial Services Forum  
Financial Services Roundtable  
National Foreign Trade Council  
National Retail Federation  
Pacific Coast Council of Customs Brokers and Freight Forwarders (PCC)  
Retail Industry Leaders Association  
Securities Industry and Financial Markets Association  
Sporting Goods Manufacturers Association  
TechAmerica  
Travel Goods Association (TGA)  
United States Association of Importers of Textiles and Apparel (USA-ITA)  
U.S. Chamber of Commerce  
US-China Business Council  
U.S. Council for International Business  
USA Poultry & Egg Export Council

cc: The Honorable John Boehner  
Minority Leader