

September 28, 2010

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
H-232, U.S. Capitol  
Washington, DC 20515

The Honorable Steny Hoyer  
Majority Leader  
U.S. House of Representatives  
H-107, U.S. Capitol  
Washington, DC 20515

The Honorable John Boehner  
Republican Leader  
U.S. House of Representatives  
H-204, U.S. Capitol  
Washington, D.C. 20515

Dear Speaker Pelosi and Leaders Hoyer and Boehner:

Like Congress and the Administration, we agree that China needs a yuan exchange rate that responds to trade flows and that China should move rapidly towards a market-determined exchange rate. In addition to continuing U.S. government efforts, our organizations support strong, coordinated and enhanced multilateral pressure, including at the early October Finance Ministers' Meeting in Washington and continuing at the November G20 Leaders' Meeting in Seoul, to achieve concrete progress on China's currency and exchange rate policies.

We do not agree, however, that H.R. 2378 as reported by the Committee on Ways and Means can help achieve that goal. To the contrary, we believe that passage of this legislation is counterproductive not only to the goals related to China's exchange rate that we all share, but also to our nation's broader goals of addressing the many and growing challenges in the U.S.-China economic relationship, including inadequate protection of intellectual property, restrictions on market access, financial services liberalization, export of commodities such as rare earths, discriminatory indigenous innovation and other industrial policies. Above all this legislation will do more harm than good to job creation and economic growth at a time when we need both dearly.

Unilateral legislation, which seeks to increase tariffs on imports from China, is unlikely to incentivize China to move expeditiously to modify its exchange policies. Rather, it would likely have the opposite effect and could engender retaliation against U.S. exports into the Chinese market, currently the fastest-growing market for U.S. exports. Our companies do not fear retaliation – if it were based on WTO-consistent actions that would achieve the desired result, with benefits outweighing the costs. But counterproductive tariff legislation will not get us closer to the goal of a market-driven exchange rate and will shift the focus away from the core issue of China's currency and onto U.S. unilateral action. Such an action would embolden PRC retaliation and undermine U.S. government efforts to address a growing number of discriminatory Chinese policies, weakening our economy by harming American exports of manufactured goods and farm products.

Despite efforts to make H.R. 2378 consistent with the rules of the WTO, it is not clear that the legislation meets the WTO's standards for the application of countervailing duties (CVDs). The legislation would require the Commerce Department to estimate what the "true" exchange rate is, a process that will be highly subjective and potentially politicized. Since application of CVDs to imports from China on the basis of this legislation is of questionable WTO legality, China would almost certainly challenge this action as violative of U.S. WTO obligations, which would focus the world's attention on the United States and WTO technicalities, and away from China's exchange-rate policies.

We share Congress' desire to have China act more quickly to adopt a market-determined exchange rate. But the proposed unilateral measure is not going to achieve that result. We urge you to oppose H.R. 2378 and instead work with and vigorously call on the Administration to develop a robust bilateral and multilateral approach to achieve tangible results not only on China's exchange-rate policies, but also on other Chinese policies that are harming American businesses, workers and farmers.

Sincerely,

Advanced Medical Technology Association (AdvaMed)  
American Chamber of Commerce in China  
American Chamber of Commerce in Shanghai  
American Chamber of Commerce in South China  
American Apparel & Footwear Association (AAFA)  
American Soybean Association  
American Meat Institute  
Business Roundtable  
Coalition of New England Companies for Trade (CONNECT)  
Coalition of Service Industries  
Consumer Electronics Association  
Corn Refiners 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  
International Dairy Foods Association  
Los Angeles Customs Brokers and Freight Forwarders Association  
National Cattlemen's Beef Association  
National Customs Brokers and Forwarders Association of America (NCBFAA)  
National Fisheries Institute  
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  
Toy Industry Association  
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  
Washington State China Relations Council