

June 30, 2010

Dear Senator:

On behalf of the undersigned organizations, we write to urge you to oppose an amendment that may be offered to pending legislation to address concerns regarding the value of China's currency. Sponsors of the Currency Exchange Rate Oversight Reform Act have indicated they will seek to add the bill as an amendment to moving legislation as early as this week.

We agree that China needs an exchange rate that better responds to global trade flows, and believe that China should implement concrete measures to move toward 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 forces to determine 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 including at this past weekend's meeting. Furthermore, we need to see if China's recent policy shift to allow greater exchange rate flexibility will lead to meaningful movement in its currency value.

Among its most serious problems, the Currency Exchange Rate Oversight Reform Act of 2010 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, unilateral 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 appear to 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 U.S. actions in the WTO, which would shift the international community's focus from China's trade policies to ours, and potentially threaten U.S. exports into our fastest-growing foreign market.

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 unilateral, 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 some 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 U.S.-China exchange rate.

Sincerely,

Advanced Medical Technology Association (AdvaMed)
AmCham-China
AmCham Shanghai
AmCham South China
American Apparel & Footwear Association (AAFA)
American Council of Life Insurers
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 Chicken Council
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