

September 14, 2010

The Honorable Sander Levin  
Chairman

The Honorable Dave Camp  
Ranking Member  
Committee on Ways & Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman and Ranking Member Camp:

On behalf of the undersigned organizations and their members, we write to express our strong opposition to H.R. 2378, the Currency Reform for Fair Trade Act, which seeks to address concerns regarding the value of China's currency. We understand that this measure will be discussed at the Ways & Means Committee's September 15<sup>th</sup> hearing on China's exchange rate policies.

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.

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, 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 do not use Chinese costs or prices.

Legislating antidumping duties or CVDs to remedy currency policies will not get us closer to the goal of market-driven exchange rates. 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 nearly enough in many others. These critical issues need to be addressed to achieve the real goal—a healthy and sustainable trading relationship with China. But this goal will not be achieved through a singular focus on currency or the type of damaging and unilateral 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 US-China exchange rate.

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 Council of Farmer Cooperatives  
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  
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  
Washington State China Relations Council