

# U.S. Coalition Identifies China's Undervalued Currency as Unfair Subsidy

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*Washington, DC--* A U.S. industry/worker coalition today presented a strong case that China's policy of maintaining an undervalued currency constitutes a prohibited, and therefore countervailable, export subsidy as determined by the rules of the World Trade Organization (WTO).

China Currency Coalition counsel from Kelley Drye presented a sequence of typical transactional events that occur when goods are exported from China and that satisfy the criteria for a prohibited export subsidy. "Unfortunately, there is no way to compel China to revalue," he continued, "and the International Monetary Fund (IMF) has no dispute settlement mechanism or effective means at its disposal to sanction China ." Moreover, he explained, while the WTO has a dispute-settlement mechanism, the WTO's Director-General Pascal Lamy recently said that to his knowledge currency manipulation does not belong to the WTO legal order. He respectfully disagreed with this assessment.

"The imposition of countervailing duties to offset injury caused by imports subsidized by undervaluation of a foreign currency would be unprecedented, but can be appropriately and forcefully defended as consistent with U.S. and international law," he stated. He noted that the Chinese Currency Act of 2005 (H.R. 1498) is the most practical vehicle available that would enable U.S. workers to take corrective steps against the injurious, subsidized imports. "We hope the legislation would give China and other countries engaged in currency undervaluation pause to reconsider the value and wisdom of exchange schemes that skew international trade and cause dangerous imbalances globally." The bill currently has 158 co-sponsors and extensive bipartisan support.

China's undervaluation of its currency is playing a significant role in a series of worrisome developments for the United States. "Shutting down companies and letting go workers in critical industries, selling assets, relocating to China, and investing in China rather than in the United States, while borrowing excessively to consume low-priced, dollar-denominated imports from China are not sustainable or desirable actions," he said. "This short-sightedness already has been very costly and, if allowed to continue, almost certainly will exact a greater and greater toll on the economy and security of the United States."

The hearing assessed China's compliance with its WTO accession agreement on subsidies, examined what constitutes China's subsidy regime, evaluated the level of transparency of China's economic planning process, and identified how China's industrial subsidies negatively or positively affect U.S. companies, investors, and workers. Joining on the panel were C. Fred Bergsten of the Institute of International Economics and Robert Baugh, Executive Director of the Industrial Union Council of the AFL-CIO.

The China Currency Coalition is an alliance of industry, agriculture, and worker organizations whose mission is to support U.S. manufacturing by seeking an end to Chinese currency manipulation. AFL-CIO Secretary-Treasurer Richard L. Trumka and Doug Bartlett, Chairman of Bartlett Manufacturing Company, Inc., in Cary , Illinois , serve as co-chairs of the coalition.

For more information on the coalition and the complete statement to the commission, visit [www.chinacurrencycoalition.org](http://www.chinacurrencycoalition.org).