China's Currency Manipulation And American Jobs

Washington, DC — New research released on the eve of the one-year anniversary of China's announcement that it would adopt a more "flexible" exchange rate policy reaffirms the need for Congress to pass tough legislation to address currency manipulation, said the Alliance for American Manufacturing (AAM) and the sponsors of the *Currency Reform for Fair Trade Act*.

"A year has passed since China made a phony pledge to let the yuan appreciate," said **Scott Paul,** executive director of the Alliance for American Manufacturing (AAM). "If the Administration will not get tough and demand that China play by the rules, Congress will have no option but to pass tough bipartisan legislation to counter the artificial and unfair advantage that China enjoys on trade. Doing so would be a deficit-reducing, job-creating, no-cost stimulus that is desperately needed."

According to a new report released today by Robert E. Scott of the Economic Policy Institute, The Benefits of Revaluation *[1]*, if China were to revalue the yuan to its equilibrium level — and other Asian countries were to follow suit — the benefits for the U.S. economy would be significant:

- U.S. GDP would increase by as much as $285.7 billion (1.9 percent);
- As many as 2.25 million American jobs would be created, enough to increase total U.S. employment by 1.6 percent; and
- The U.S. budget deficit would be lowered by up to $71.4 billion per year —

or between $621 to $857 billion over ten years, if sustained.

A year ago, on June 18, 2010, Chinese leaders vowed to “allow the country's currency to float more freely against the dollar and other foreign currencies.” Yet, U.S. trade deficit with China reached a record $273 billion in 2010, and according to research by the Peterson Institute for International Economics [2], the yuan is even more undervalued today against the dollar (28.5 percent) than it was a year ago (24.2 percent) and also more undervalued against a basket of currencies (the “effective” exchange rate) than it was a year ago (17.6 percent vs. 15.3 percent).

The report also comes on the heels of an announcement that a discharge petition is now circulating in an attempt to force a House vote on the *Currency Reform for Fair Trade Act.* The House and Senate sponsors of the legislation called for prompt action to bring the measure to a vote:

“One year later, Chinese currency manipulation is still hurting American manufacturing and American job creation efforts. China’s unfair currency manipulation has gone on for far too long. And with up to 2 million jobs hanging in the balance, Congress must take action immediately,” said **Senator Sherrod Brown (D-OH)**, the Senate sponsor of the Currency Reform for Fair Trade Act. “Our straightforward, bipartisan bill would empower the U.S. government to combat this illegal trade subsidy in trade cases. By combating currency manipulation, we can help level the playing field for American manufacturers and speed up our economic recovery.”

“China’s trade practices have undercut true market competition and its currency devaluation is suppressing the ability of American businesses to grow and compete on a global playing field,” said **Senator Olympia Snowe (R-ME)**, a member of the Senate Finance Committee and the lead Senate Republican on the Currency Reform for Fair Trade Act. “Unfortunately, in its reluctance to impose countervailing duties on subsidized exports from countries that continue to undervalue their currency, the Commerce Department has contributed to the loss of thousands of American jobs to our foreign competitors. I urge my colleagues to pass the bipartisan legislation I have introduced with Senator Brown to ensure the government is equipped to respond to this manipulation on behalf of our small businesses and job creators.”

“Recent studies indicate China’s currency is even more undervalued today than it was a year ago, when China promised us progress,” said **Ways and Means Ranking Member Sander M. Levin (D-MI)**, House sponsor of the Currency Reform for Fair Trade Act. “Eight years of quiet diplomacy have yielded meager results. It is time for Congress to provide relief to U.S. companies and workers injured by China’s practices, and to provide U.S. officials greater leverage in their negotiations with China. The same legislation that passed the House last fall by a vote of 348 to 79, with majorities of both parties voting in support, should be taken to the House floor without further delay.”

Congressman Tim Murphy (R-PA), Chairman of the Congressional Steel Caucus and the lead House Republican sponsor of the Currency Reform for Fair Trade Act,

said, “There's a reason why other countries seek ways to bend international trade laws to their favor. It's because the American manufacturing sector is the most sophisticated and highly skilled workforce in the world. One of the most damaging tactics other countries use to undermine the American manufacturing sector is to undervalue their currency so foreign manufacturers build an automatic price discount into their products in the international marketplace, giving them an unfair competitive advantage. The end result costs us jobs back home. As Congress works on a strategy to revitalize our domestic manufacturing sector and get more Americans back to work, the first and most needed step in this strategy is getting the Currency Reform for Fair Trade Act signed into law. This legislation stops the practice of currency manipulation and ensures all our trading partners follow established rules of fair play.”

Currency manipulation effectively acts as a subsidy for Chinese-made products entering our market and as a tax on our exports to China. In his run for President, then-Senator Barack Obama had harsh words about China's economic practices [3] at an AAM candidate forum in Pittsburgh on April 14, 2008, saying, “Here’s the bottom line, you guys keep on manipulating your currency, we are going to start shutting off access to some of our markets.” However, his Administration has passed on numerous opportunities to even name China as a currency manipulator in its semiannual report to Congress on the currency practices of America's major trading partners.

The *Currency Reform for Fair Trade Act* would allow the Department of Commerce to take currency manipulation into consideration when calculating subsidies in unfair trade investigations brought by U.S. manufacturing companies and/or U.S. workers. The bill would utilize existing trade laws and has been carefully crafted to meet international trade obligations. S. 328, sponsored by Sens. Brown and Snowe, has 12 cosponsors. H.R. 639, sponsored by Reps. Levin and Murphy has 156 cosponsors and passed in the 111th Congress by a vote of 348-79 with broad bipartisan support, including 99 Republicans and nearly all Democrats.

“It’s in the interest of both United States and China to let the yuan appreciate,” said EPI’s **Robert Scott**, author of the report. “From the U.S. point of view, it would mean increased GDP, more jobs, lower unemployment and deficit reduction. For China it will lower inflation, raise the purchasing power of Chinese workers, and help rebalance their economy. Chinese revaluation is a win-win scenario for the global economy.”

Read the full EPI report at: www.epi.org [4].

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The Alliance for American Manufacturing (AAM) is a unique non-partisan, non-profit partnership forged to strengthen manufacturing in the U.S. AAM brings together a select group of America’s leading manufacturers and the United Steelworkers to promote creative policy solutions on priorities such as international trade, energy security, health care, retirement security, currency manipulation, and other issues of mutual concern. For more information, please visit

www.americanmanufacturing.org *[5].*

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