

# **Congress Takes Up China, Free Trade, Jobs**

Jim Abrams, Associated Press

WASHINGTON (AP) — Congress is embarking on a flurry of votes to show it is trying to do something about creating jobs. The prospects for legislative success, however, are spotty.

One exception is in the area of trade. Congress is expected to approve free trade agreements with South Korea, Colombia and Panama that have been pending since the presidency of George W. Bush. Supporters of the treaties — the first completed in the Obama administration — say the pacts could boost exports by \$13 billion a year and foster tens of thousands of American jobs.

The House takes up the three agreements on Tuesday, along with legislation pushed by Obama and Democrats to help workers displaced by foreign trade. Both chambers could sign off on the measures by Wednesday night.

The Senate on Tuesday evening is also holding a procedural vote on the \$447 billion plan to promote job growth, which Obama proposed in a slightly different form a month ago. Republicans appear united in opposition and Democrats, with 53 votes in the Senate, face a difficult task in coming up with the 60 votes needed to keep the bill alive.

The Senate on Tuesday is also expected to pass legislation to impose tariffs on Chinese exports if the Beijing government continues to keep its currency undervalued. Supporters say the measure will make American producers more competitive and bring jobs back home.

The bill enjoys broad bipartisan support from senators who for years have been hearing complaints from constituents blaming unfair competition from China for shuttering U.S. factories and putting Americans out of work.

But the bill faces an uncertain future.

House Speaker John Boehner, R-Ohio, opposes it and may never bring it to the House floor. Obama and the White House, while avoiding a position on the bill, have warned against unilateral action that might violate international trading rules. American companies doing business in China warn that it could spark a trade war.

But with the trade deficit with China hitting \$273 billion last year and heading toward \$300 billion this year, senators said it was time to get tough.

"If China continues its predatory practices, the future for our children and grandchildren in this country will not be bright," said Sen. Charles Schumer, D-N.Y. who has tried numerous times in past years to slap sanctions on the Chinese.

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Economists say China's currency, the yuan, is undervalued by about 25 to 30 percent, and possibly by as much as 40 percent against the dollar. That means that Chinese goods sold in the United States have a 25 to 30 percent price advantage, and U.S. goods exported to China face a disadvantage of that same amount.

The Fair Currency Coalition, a group pushing for changes in China's exchange rate, gives the example of a steel mill that might cost 4 billion yuan to build in China. It says that at an equitable currency rate that would mean a price tag of about \$900 million, but at current rates it would cost only \$600 million, creating a bigger incentive to abandon factories at home and relocate.

Democratic Sen. Sherrod Brown, whose state of Ohio has been hit hard by Chinese competition, cited a tool and die shop in Brunswick, Ohio, that was about to sign a \$1 million contract until the Chinese came in at the last moment with a bid 20 percent lower.

"That meant I don't know how many jobs that didn't stay in America but went to China and that 20 percent was given to them because of currency," said Brown, a chief sponsor of the bill.

The legislation does not specifically mention China but would make it easier for the Treasury Department to declare a currency misaligned. It would require action if the offending country does not address the problem, or allow individual industries to petition the Commerce Department for redress if a competitor nation is using its currency as an export subsidy.

The Chinese government has insisted that the trade imbalance is a result of U.S. economic policy and not the currency exchange, and warned that a unilateral U.S. move to punish China would damage economic relations. There's also concern about the impact on other aspects of U.S.-China relations, including China's massive buying of U.S. government bonds, continuing efforts to get China to protect intellectual property rights and China's importance in easing tensions on the Korean peninsula.

"In the end, such unilateral action would very likely cause retaliation by China and ultimately damage the U.S. economy, including exporters, investors, workers and consumers," U.S. Chamber of Commerce vice president for government affairs Bruce Josten wrote in a letter to senators.

Opponents argue that the currency sanctions would do little to help the U.S. job market because more expensive Chinese goods would simply be replaced by goods from other low-wage countries such as Vietnam and Bangladesh. They say companies such as Wal-Mart would continue buying Chinese items because they are deeply involved in investment in China, a fast-growing export market.

But the Alliance for American Manufacturing, a labor-management partnership that supports the bill, says a 28.5 percent appreciation in the yuan would create 2.25 million American jobs and reduce the annual trade deficit by \$190.5 billion.

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"China responds to consequences, and this legislation will make a real difference for American workers and businesses," the group's executive director, Scott Paul, said.

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