

September 21, 2011

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

Dear Leaders Reid and McConnell:

We understand the Senate may take up legislation this fall that is intended to pressure China to accelerate the appreciation of its currency against the dollar. We urge you to oppose such a bill.

We agree with many in Congress and the Administration that China needs a yuan exchange rate that responds to trade flows and that China should move steadily towards a market-determined exchange rate. In addition to continuing U.S. government efforts, our organizations support strong, coordinated and enhanced multilateral pressure through international organizations such as the G-20 and APEC to promote China's adoption of market-determined currency and exchange rate policies.

However, unilateral legislation on this issue would be counterproductive not only to the goals related to China's exchange rate that we all share, but also to our nation's broader objectives of addressing the many and growing challenges that we face in China. These issues include inadequate protection of intellectual property, restrictions on market access, the need for financial services liberalization, restrictions on the export of commodities such as rare earths, discriminatory indigenous innovation and other industrial policies. Above all, such legislation would threaten job creation and economic growth at a time when the United States dearly needs both.

Legislation that would increase tariffs on imports from China is unlikely to create any incentive for China to move expeditiously to modify its exchange policies. Rather, it would likely have the opposite effect and result in retaliation against U.S. exports into China – currently the fastest-growing market for U.S. exports. Tariff legislation would not get us closer to the goal of a market-driven exchange rate. Instead, it would highlight US unilateral action, thereby shifting the focus of the international community away from the core issue of China's currency.

Moreover, it is doubtful that U.S. action to countervail undervalued currency could meet the WTO's standards for the application of countervailing duties (CVDs). Any legislation that requires the Commerce Department to estimate the "true" exchange rate would create a process that will be highly subjective and potentially politicized.

Most importantly, such a measure will not create significant new jobs here at home. As many economists have noted and trends already show, cost increases in China due to RMB appreciation and other factors will shift production to other low-cost manufacturing countries, not back to the United States.

We urge you to oppose currency legislation and instead work with and vigorously call on the Administration to develop a robust bilateral and multilateral approach to achieve tangible results, not only on China's exchange-rate policies, but also on other Chinese policies that are harming American economic interests.

Sincerely,

Advanced Medical Technology Association
(AdvaMed)
Aerospace Industries Association
Agriculture Transportation Coalition
American Apparel & Footwear Association (AAFA)
American Association of Exporters and Importers
(AAEI)
American Chamber of Commerce in China
American Chamber of Commerce in Shanghai

American Chamber of Commerce in South China
American Chamber of Commerce in Southwest
China
American Chemistry Council
American Import Shippers Association
American Meat Institute
American Pyrotechnics Association
American Soybean Association
Business Roundtable

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Coalition of New England Companies for Trade
(CONNECT)
Coalition of Service Industries
Columbia River Customs Brokers and Freight
Forwarders Association
Consumer Electronics Association
Customs Brokers and Forwarders Associations of
Northern California
Customs Brokers and International Freight
Forwarders Association of Washington State
(CBIFFAWS)
Direct Selling 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
Footwear Distributors and Retailers of America
Los Angeles Customs Brokers and Freight
Forwarders Association
National Customs Brokers and Forwarders
Association of America
National Fisheries Institute

National Foreign Trade Council
National Meat Association
National Retail Federation
Oriental Rug Importers Association
Outdoor Industry Association
Pacific Coast Council of Customs Brokers and
Freight Forwarders (PCC)
Pacific Northwest Asia Shippers Association
Retail Industry Leaders Association
Securities Industry and Financial Markets
Association (SIFMA)
Sporting Goods Manufacturers Association
Telecommunications Industry Association
Toy Industry Association
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
US Meat Export Federation
USA Poultry & Egg Export Council
Washington State China Relations Council