

September 21, 2006

Dear Senator:

In anticipation of possible Senate consideration before the end of September, we are writing to reiterate our strong opposition to S. 295, the Schumer-Graham bill, which would impose an across-the-board 27.5 percent tariff on imports from China if China's currency is not revalued by a similar amount.

Concerns with the exchange rate between China's currency and the dollar cannot be resolved through arbitrary tariffs that violate the rules of the World Trade Organization and could destabilize the U.S. and global economies. Imposing a massive tax on an estimated \$200 billion of American purchases will likely result in similarly significant retaliatory measures being taken against U.S. exports to China, thereby undermining, not enhancing, U.S. competitiveness. This legislation will also hurt the pocketbooks of ordinary Americans and drive up production costs for U.S. companies. In short, such a policy will not help the U.S. economy, U.S. exporters, or U.S. consumers.

While some might want to send a signal to China's government expressing frustration with its currency practices, Senate passage of the Schumer-Graham legislation, even if the legislation is not enacted, would in fact be highly counterproductive. Indeed, such an action would derail the progress that has been made to date on China's exchange rate policies and on broader financial sector reforms that are the essential element of a long-term solution, as well as the many other issues on which the U.S. government is seeking progress. Moreover, our other trading partners would interpret the Senate's adoption of S. 295 as a rejection of America's commitment to the principles of the World Trade Organization, at the same time our trade negotiators are striving to restart negotiations to enhance the international trade system.

We support the goal of China responsibly introducing more market forces in the determination of its exchange rate. Not only does the Schumer-Graham legislation not advance us toward that goal, it jeopardizes U.S. economic interests. We urge you to oppose S.295.

Sincerely,

AeA

American Bakers Association
American Chamber of Commerce in Shanghai
American Apparel & Footwear Association (AAFA)
Bankers' Association for Finance and Trade Business Roundtable
Coalition for Employment Through Exports (CEE)
Coalition of New England Companies for Trade (CONNECT)
Coalition of Service Industries
Computing Technology Industry Association
Consumer Electronics Association (CEA)
Distilled Spirits Council of the United States
Emergency Committee for American Trade (ECAT)
Footwear Distributors and Retailers of America (FDRA)

Grocery Manufacturers Association
Information Technology Association of America
National Electronic Manufacturers Association (NEMA)
National Foreign Trade Council
National Retail Federation
Oriental Rug Importers Association
Pacific Coast Council of Customs Brokers and Freight Forwarders Association (PCC)
Retail Industry Leaders Association
Toy Industry Association
Travel Goods Association (TGA)
United States Association of Importers of Textiles and Apparel (USA-ITA)
US Chamber of Commerce
US-China Business Council
US Council for International Business