

**Senator Orrin G. Hatch**  
**Before the United States Senate**  
**Regarding Amendment #680 to S.1619, An Amendment to**

**REQUIRE TREASURY AND USTR TO ENTER NEGOTIATIONS TO MITIGATE ADVERSE TRADE AND  
ECONOMIC EFFECTS OF FUNDAMENTALLY MISALIGNED CURRENCIES**

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Mr. President, I rise in support of amendment 680. I am concerned that the bill before us will have only marginal effects on China's manipulation of its currency. My amendment offers a different approach; one which I believe will be more effective over the long-term. Let me first say that I strongly agree with the sponsors of this bill about the need to send a strong signal to China, and other currency manipulators, that massive intervention in the currency markets to gain trade advantage will no longer be tolerated. For the international economic system to work, every country, including China, needs to play by the rules.

Like many of my colleagues, my frustrations with China's trade and economic practices go far beyond currency manipulation. China's failure to protect intellectual property rights, China's industrial policies, their limitations on American investment, and their unfair support and subsidization of State-owned and State-assisted enterprises are all very serious problems that we need to address. So, while today we are focused on currency manipulation, I look forward to working with Senator Baucus to examine potential solutions to these problems through Finance Committee Hearings on China, which I hope we will hold soon.

The sponsors of this bill assure us that their approach is WTO consistent and will not result in a trade war with one of our largest trading partners. Given the importance of these questions, I wrote Secretary Geithner and Ambassador Kirk to request the Administration's views. While they assured us that they are reviewing the bill, to date they have not publically weighed in one way or the other. Given that they know the Senate is debating the legislation this week, this is very unfortunate. If the Administration is going to have any impact on this debate, I would urge them to comment soon.

Even though I have supported similar legislation in the past, I have continuing reservations about the approach. Fundamentally, we must remain focused on one question - will this legislation actually solve the currency problem with China. After careful consideration I have come to the conclusion that it will not. While well-intentioned, the bill is too focused on unilateral remedial actions. As a result, I fear that the bill will have only a marginal effect on China's practices while at the same time potentially targeting many U.S. exporters for trade retaliation by China.

For example, the Congressional Budget Office scored this bill as generating \$61 million dollars in revenue over ten years. To put this in context, in 2010 alone the United States imported almost \$365 billion of goods from China. Given the scope of the problem, I find it difficult to believe that unilaterally imposing an additional \$6 million dollars in antidumping and countervailing duties a year on Chinese imports will compel China to changes its currency policies or have any meaningful impact on our trade deficit with China.

Many of the other remedial provisions in this bill require the United States government to take other unilateral actions against China, many of which may actually harm U.S. exporters directly or expose them to potential retaliation by the Chinese. To succeed over the long-term, I think we must go in a different direction.

My amendment does just that.

My amendment strikes the unilateral provisions while retaining the core of the bill that actually advances our shared goal of combatting Chinese currency practices. I agree with my colleagues that the Exchange Rates and International Economic Policy Coordination Act of 1988 is simply not working. Administration after administration refuses to exercise its authority and deem China a currency manipulator. This is enormously frustrating, especially since candidate Obama campaigned against China's currency practices and, after being elected, had his own Treasury Secretary testify before Congress that China is manipulating its currency. Yet, they refuse to act.

So I agree that Congress must tighten the criteria and establish a more objective approach to identifying fundamentally misaligned currencies and designating fundamentally misaligned currencies for priority action. I have supported this goal in the past and continue to today. I also agree that we need to hold the Secretary of Treasury, and the U.S. Trade Representative, accountable, so I have retained the requirements under this bill that they report to and testify before Congress on their progress.

But to succeed over the long-term we need to adopt a fundamentally different approach. We have had some success in the past. For example, during the Bush Administration from 2005 to 2008 negotiations pushed China to appreciate its currency by 20 percent. Unfortunately the Obama Administration has had no such success.

My amendment builds on this successful model but also takes it a step further.

First, my amendment directs the Secretary of the Treasury and the U.S. Trade Representative to initiate negotiations in the World Trade Organization and the International Monetary Fund to develop effective remedial rules and actions that will mitigate the adverse trade and economic effects of fundamentally misaligned currencies designated for priority action under this bill, and that will encourage priority action countries to adopt appropriate policies to eliminate the fundamental misalignment of their currencies.

The WTO and the IMF were designed to handle complex issues like currency – so we should start there and work with our allies to devise long-term and effective solutions. Working with like-minded countries we should be able to agree that when individual Members advance their nationalistic interests so aggressively through currency manipulation, they threaten the global economy and their own long-term interests and that their actions need to be addressed.

Now many of you may argue that negotiations in the WTO and the IMF will not work. My amendment addresses that potential problem in its second section. It provides that, if the Secretary of the Treasury and the U.S. Trade Representative cannot make progress to effectively mitigate the adverse effects of fundamentally misaligned currencies within the WTO and the IMF in 90 days, then the Administration shall enter into plurilateral negotiations outside the WTO and the IMF to develop agreements with our friends and allies who are also committed to open and fair currency policies. These negotiations will seek to develop mechanisms to mitigate the adverse effects of priority action country currency policies and to encourage those priority action countries to abandon their interventions into their currencies. We have seen multilateral approaches work in the past in combatting some of China's unfair trade and economic practices.

For example, China changed course on both its aggressive indigenous innovation policies and on efforts to hoard its rare earth materials primarily due to multilateral pressure against the Chinese. These important issues have not been solved and require additional efforts, but by working with our friends and allies we effectively convinced the Chinese government to take a more constructive approach. Let's build on the successes we have witnessed in recent years, and let's work together to counter in a systematic and comprehensive way the efforts of those priority action countries that derive trade advantages through currency policy.

To be clear, I am not suggesting that the United States violate any of its international obligations, and that point is made clear in the Amendment, but I am suggesting that the solution to this currency problem cannot be achieved unilaterally, and our negotiators must reach out to our allies to aggressively counter the behavior of China and others. So far the Administration has failed to lead on the currency issue – my Amendment requires that they do.

The third section of my amendment helps maintain pressure on the Administration to take concrete action. It requires the Treasury Department and USTR to report to congress every 180 days following enactment of this bill. In these reports the Administration must identify: one, the countries with which the United States is conducting negotiations to mitigate the adverse effects of priority action currencies and in what international fora or negotiating configurations those negotiations are taking place; two, the remedial rules and actions under discussion in those negotiations; three, any remedial rules that have been adopted and any remedial actions that have been taken pursuant to those negotiations; and four, what, if any, additional authority the Secretary or the U.S. Trade Representative needs from Congress to conduct these negotiations and to

effectively mitigate the adverse trade and economic effects of fundamentally misaligned currencies or to implement coordinated actions with other countries.

Finally, my Amendment sets up a process to immediately take advantage of on-going international trade negotiations by establishing a new priority negotiating objective of the United States for ongoing and future trade agreements. This new objective requires that each party agree to not fundamentally misalign its currency in a manner that would result in a priority action designation and agree to work together to mitigate the adverse trade and economic effects of fundamentally misaligned currencies by non-parties, such as China.

For example, if the Trans-Pacific Partnership negotiations are to tackle 21<sup>st</sup> Century trade and investment issues, as the USTR continues to promise, I think this plurilateral negotiation would be a great place to start to address the challenges of fundamentally misaligned currencies. Working with this group of like-minded countries, we should be able to agree amongst all 9 parties, that no party will fundamentally misalign its currency. We should also be able to agree to work together to counter the actions of other countries whose interventions in currency markets destabilize the global economy.

We have also seen multilateral engagement work in other areas. If we are truly going to solve this currency problem, we need to look at what other efforts have actually produced some results in moving the Chinese off a mercantilist policy course and improved the conditions for American businesses and workers competing against the Chinese.

We can all agree that China's massive interventions in its financial sector and currency have disrupted global trade, and that its efforts to benefit China at the expense of others has harmed many countries and workers, including many here in the United States. But I believe that, rather than merely "send a message" to China, we must try and find real long-term solutions, and empower and direct our negotiators to reach out to our friends and allies around the world to finally solve this problem. If existing institutions are not working, we must modify them. If that is not possible, we must look to create new effective international arrangements. The challenged that China's currency interventions present are not just to the United States, but to the international economic community. We the Congress must demand that the Administration launch these critical negotiations so we can avert further damage by the currency policies of countries like China.

So I call on my colleagues to join me, and to not just send a message, but to take actions that could in fact produce results. For in the end, China itself, as well as its neighbors and trading partners, will all benefit from a more open, transparent, and fairly exchanged currency regime. What is at stake is far more than making a statement; we need to actually alter the international agreements and the rules of the game to address the problems of today and tomorrow.

I urge my colleagues to support this amendment.