

## Q & A on Chinese Currency and U.S. Exports with U.S. Senator Chuck Grassley

Written by Sen Charles Grassley  
Monday, 03 October 2011 13:01

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Q: What's the effect on Americans when China undervalues its currency?

A: China's policy of intervening in its currency markets to limit or halt the appreciation of its currency, the yuan, against the U.S. dollar or other currencies has the effect of keeping Chinese exports cheap and imports expensive, putting some U.S. businesses at a disadvantage. That has a negative effect on U.S. jobs. It's also an unfair and unlawful trade advantage for China to subsidize its exports. New market opportunities are needed for job creation here at home, and market-based currency policy is an important factor in free and fair trade relationships. Iowa has long been an exporting state, with good-paying jobs related to exports in manufacturing and agriculture. One in every three tractors made in John Deere's plant in Waterloo is sold to customers overseas. One in every three acres planted on Iowa farmland heads to the international marketplace. Ag exports account for one-quarter of farm cash receipts in Iowa. U.S. exporters deserve a level playing field with China's exporters.

Q: What can be done?

A: By law, the Treasury Department is required to name any country it suspects of manipulating the value of its currency to gain an unfair advantage in international trade. Unfortunately, for too long, presidential administrations of both parties haven't done what the law allows. The current debate in Congress over China's currency policy draws from more than five years of legislative proposals that would induce China, and other countries manipulating their currencies, to reform its currency policy or to address the effects of that policy on the U.S. economy. I've introduced bipartisan legislation in the past, and this fall there

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is a proposal with bipartisan support to increase U.S. oversight of currency manipulation. The measure would trigger meaningful consequences for countries that fail to adopt appropriate policies to eliminate currency misalignment and make sure U.S. trade laws may be used to counter the economic harm to U.S. manufacturers caused by currency manipulation, in accordance with international trade laws.

The executive branch also can and should prepare a case against China's currency manipulation in the World Trade Organization, the 153-member organization (made up mostly of sovereign nations) that governs international trade. The framework for World Trade Organization policies is based on the principles of non-discrimination, reciprocity, binding and enforceable commitments, transparency, and safety valves. In joining the World Trade Organization ten years ago, China committed to adhering to the trade rules of the global marketplace. If China is not willing to live up to its obligations, the behavior should be challenged under the international rule of law.

September 30, 2011