Committee On Finance

Max Baucus, Ranking Member

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(WASHINGTON, D.C.) U.S. Senator Max Baucus today joined Sens. Tom Daschle (D-S.D.), Paul Sarbanes (D-Md.), and others in sending a letter to President Bush calling on the Administration to initiate negotiations with countries such as China and Japan to end the manipulation of their currencies.
Full text of the letter follows:

October 14, 2003

President George W. Bush
The White House
Washington, D.C. 20500

Dear Mr. President:

We are concerned that China, Japan, and other countries are intervening in currency markets to keep the values of their currencies low. By doing so, they artificially depress the prices of their exports and raise the prices of their imports, thereby harming the competitiveness of U.S. goods. This practice is injuring the U.S. manufacturing sector. We are deeply concerned that 2.5 million Americans have lost manufacturing jobs since 2001. We urge you to take action to stem any further manufacturing job losses.

As you know, Section 3004 of the Omnibus Trade and Competitiveness Act of 1988 requires the Secretary of the Treasury to determine on an annual basis whether any trading partners manipulate the values of their currencies to gain an unfair trade advantage for their products. If such a determination is made, the Secretary is required to initiate negotiations on an expedited basis for the purpose of ensuring that such countries regularly and promptly adjust the rate of exchange between their currencies and the dollar to eliminate the unfair trade advantage. Section 3005 of the 1988 Trade Act requires the Secretary to report on his actions pursuant to Section 3004 as part of his annual report to Congress on international economic and exchange rate policy. We expect this report to be delivered tomorrow, October 15, as required by law.

Given Secretary Snow's visit to China to discuss its currency manipulation, his statements at the G-7 meeting in Dubai last month, and your public statements on the matter, we expect the report to find that certain countries, including China and Japan, are indeed manipulating the values of their currencies to gain unfair trade advantages. We urge Secretary Snow to make such a determination. This finding will trigger the requirement that Secretary Snow initiate negotiations with these countries to end the manipulation of their currencies. We believe that such negotiations are the best course for addressing this issue in a timely manner.

We also urge you to initiate an investigation under Section 302(b) of the Trade Act of 1974, which empowers the United States Trade Representative to investigate whether the actions of any country violate a trade agreement with the United States. In this case, it is clear that currency manipulation violates the General Agreement on Tariffs and Trade.

A country acceding to the WTO agrees that it "shall not, by exchange action, frustrate the intent of the provisions of this Agreement." GATT 1994 Art. XV, & 4. When a country intervenes in currency markets to depress the value of its currency to keep the prices of its exports low and the prices of its imports high, a country in effect provides an export subsidy, a practice explicitly forbidden in Article XVI. The actions of China, Japan, and others in purposefully depressing their currency values therefore frustrate the intent of the GATT and violate Article XV, & 4.

We implore you to take prompt and forceful action to address this issue. The United States has lost some 3.2 million private sector jobs since early 2001, including 2.5 million manufacturing jobs. More American jobs are in jeopardy. Doing nothing puts these jobs, our economy, and our future at risk.

Sincerely,

Senator Tom Daschle
Senator Paul Sarbanes
Senator Max Baucus
Senator Charles Schumer
Senator Debbie Stabenow
Senator Evan Bayh
Senator James Jeffords

cc: Secretary Snow