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FINANCE PANEL PASSES BIPARTISAN CURRENCY LEGISLATION

By vote of 20-1, committee approves Currency Exchange Rate Oversight Reform Act of 2007

Washington, DC – By a vote of 20-1, the Senate Finance Committee today approved legislation to address misalignments of foreign currency that can put American workers and manufacturers at a significant competitive disadvantage. Introduced by U.S. Senators Max Baucus (D-Mont.), Chuck Grassley (R-Iowa), Charles Schumer (D-N.Y.), and Lindsey Graham (R-S.C.) on June 13, the Currency Exchange Rate Oversight Reform Act of 2007 restructures the U.S. government's methods for dealing with the trade implications of undervalued foreign currencies that threaten the U.S. economy. The bill eliminates the outdated and politically charged designation of "manipulation" from the U.S. framework. Instead, it requires the Treasury Department to consult with countries with fundamentally misaligned currencies, and imposes new trade consequences on nations that fail to take corrective action.

"For far too long, American workers and business have been hurt by foreign governments that seek an unfair competitive advantage by undervaluing their currency," said Baucus. **"This bipartisan, WTO-consistent legislation will ensure that America cracks down on currencies that are significantly out of sync with the U.S. dollar. The U.S. government must do all that it can to protect America's economic interests from misaligned currencies, and this bill gives it the tools to do just that."**

Grassley said, **"We need something new, and something that will work. This bill is it. It sets consequences for countries that want to access the U.S. market but don't play fair. This enforcement structure isn't country-specific. It could apply to any trading partner with out-of-whack currency. It gives a good chance for self-correction before penalties ramp up. It's a velvet glove with a steel fist inside."**

"We believe this legislation threads the needle because it is both tough and WTO-compliant," Schumer said. **"The days of saber rattling are over. It is time to pass legislation that will have a real effect, and this bill will. A vote of 20-to-1 signals veto-proof support and shows the Chinese it is time to start playing by the rules."**

"This is a wake-up call," said Graham. **"No longer will the United States sit on the sidelines and allow other nations to gain an unfair advantage. Our legislation is a much-needed and long overdue change. There is no doubt that China and other nations have been undervaluing their currency to give themselves an advantage. For too long the game has been rigged against American business. Working together we will change currency practices to put American business on a level playing field."**

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The bill requires the U.S. Treasury to identify “fundamentally misaligned” currencies to Congress twice a year, classifying some countries for “priority action” if the misalignment is clearly caused by a foreign government’s economic policies. Treasury will be required to consult with countries found to have fundamentally misaligned currencies. The legislation imposes a number of immediate consequences for countries designated for “priority action,” including accounting for currency undervaluation in determining whether a country should graduate from non-market economy status for purposes of U.S. antidumping rules. If a country fails to take appropriate action within three months, Treasury must take currency undervaluation into account when making antidumping calculations for products exported from the designated country. Other consequences include suspension of U.S. government procurement from the designated country, requests for special consultation by the IMF, and suspension of financing and insurance from the Overseas Private Investment Corporation and multilateral development banks for projects in the designated country.

If the designated county fails to take appropriate action to address its misaligned currency within one year, the legislation requires the U.S. Trade Representative to begin WTO dispute settlement proceedings regarding the currency problem, and requires the Treasury Secretary to consult with the Federal Reserve Board and other central banks on taking remedial intervention.

The President may waive the bill’s consequences if those actions pose a threat to national security or U.S. economic interests. The bill also increases congressional input by giving members of Congress the ability to override the Presidential waiver, and by creating a new body – appointed by the President and the leaders of relevant congressional committees – with which Treasury must consult as it identifies misaligned currencies.

Baucus and Grassley are Chairman and Ranking Republican and Schumer is a member of the Senate Finance Committee, which has jurisdiction over U.S. trade policy.

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