# *United States Senate Committee on Finance*

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## SENATORS TACKLE CURRENCY, TRADE ISSUES IN NEW BILL

***Legislation from Grassley, Baucus will push China, other nations to deal fairly with U.S.***

***Washington, DC*** – U.S. Senators Chuck Grassley (R-Iowa) and Max Baucus (D-Mont.), Chairman and Ranking Member of the Senate Finance Committee, today introduced legislation aimed at resolving contentious currency and trade enforcement issues between the U.S. and other countries worldwide. The U.S. Trade Enhancement Act of 2006 would give the U.S. government new rules and new tools to encourage all nations, including China, to value their currency appropriately and to abide by international trade agreements. Currency imbalances and trade violations can harm the U.S. economy, and cost Americans workers their jobs.

**"In drafting this bill, we had to look at what to do when a trading partner isn't meeting its commitments,"** Grassley said. **"Trade is mutually beneficial when both trading partners play by the rules. If that relationship is out of whack, then we need to bring it into alignment. If we try and fail, then we have to look at the consequences. But it's better not to throw the baby out with the bath water. A good system of engagement on currency mechanisms and enforcement options can help us bring around a trade partner to meeting the norms expected of a mature economy and keep the trading relationship mutually beneficial. That's our goal with this bill."**

**"Congress needs to make smart choices about all the countries with which we have harmful currency imbalances and trade problems. We need to engage China and other nations firmly, but with an eye to economic opportunities as well as economic concerns."** said Baucus. **"I know the American public is nervous about China, and there is a temptation to respond harshly to the economic challenge that China poses, but we need to resist that urge and make responsible policy.**"

The Senators' legislation requires the Treasury Department to engage the International Monetary Fund and other countries to resolve major currency imbalances with the dollar. It promises specific consequences for nations that refuse to adopt appropriate policies that facilitate the fair valuation of their currency, namely:

- Disapproval of Overseas Private Investment Corporation (OPIC) insurance for projects in those countries
- Disapproval of international financing (at the Asian Development Bank, for instance)
- Opposition to additional voting power in the IMF
- Retention of non-market economy status for purposes of U.S. antidumping law

**-- more --**

The bill will also create a new Assistant Secretary of the Treasury to focus more directly on currency issues and exchange rates.

The U.S. Trade Enhancement Act also gives the U.S. Trade Representative (USTR) new tools and new authority to tackle specific trade enforcement problems prioritized by Congress. It requires USTR to produce, with Congress, an annual report identifying the most significant market access barriers to American exporters. It does so by creating a new, Senate-confirmed trade enforcement officer, who will be supported by a task force drawn from numerous Federal agencies.

**"There is a very real sense among Americans that our trading partners – China in particular – do not play by the rules. People also understand that the U.S. government is not doing all that it can to make sure that China and other countries do,"** said Baucus. **"This legislation will let our farmers and businesses take advantage of global opportunities, knowing the U.S. government will do what it takes to make sure that our trading partners do not cheat."**

Grassley said, **"Trade is a two-way street. China is the focus today. A few years ago it was Japan. Tomorrow it could be somebody else. We need a good system in place with real teeth and hard triggers for action when our trading partners haven't lived up to their end of the bargain. This bill establishes that system, and it shores up some weaknesses in current law. For example, under current law, if the United States finds that another country is manipulating its currency at the expense of the U.S. economy, we don't have a lot of options. Current law essentially asks 'now what?' Our bill says, 'do this.'"**

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