Committee On Finance

Max Baucus, Ranking Member

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Baucus Comments on Treasury Report on Currency Manipulation

U.S. Senator Max Baucus, Ranking Member of the Senate Finance Committee, issued the following statement concerning a Department of Treasury report released to Congress today on international exchange rate policies. The report, mandated by the Omnibus Trade and Competitiveness Act of 1988, requires an analysis of the exchange rate policies of foreign countries and whether our trading partners are manipulating the value of their currencies. Where manipulation is identified, the Treasury Secretary must initiate negotiations with the country to end the manipulation.

The Treasury report does not identify any major United States trading partner as a currency manipulator. The statement follows:

"Today, the administration has once again failed to face up to the challenges of the international economy. As our current account and trade deficits soar to record levels, as our foreign borrowing skyrockets, and as our foreign debts pile up, this administration's response has been to ignore that we even have a problem.

"The massive imbalances we see in our economy require real concerted action. An important part of the solution is for China to move away from its policy of pegging its currency to the U.S. dollar. China has been intervening massively in currency markets for years to maintain the peg and keep its currency from rising against the dollar, keeping the price of Chinese exports to the United States artificially low. This has allowed China to export more to the United States, and our trade deficit and American competitors have suffered because of it. China's Asian neighbors now also try to keep their currencies from rising against the U.S. dollar in an attempt to compete with China for exports to the United States.

"In the last five years, China's trade with the world has nearly tripled, and its trade surplus with the United States has nearly doubled. Its economy has grown by over 9 percent for nearly a quarter century. These successes have driven China's economy to a point where the currency peg – established over a decade ago – is harmful both to China and its trading partners. China's Central Bank intervention in currency markets distorts the rational market signals and responses that are key to a stable international economy.

"I was a principal advocate of securing permanent normal trade relations for China. I know how important international trade and investment are for our economic growth, and I recognize that China is a tremendous opportunity. But China must play by the rules of the international economy. This means adhering to its obligations to protect intellectual property rights. This means removing non-transparent barriers to agriculture and services trade. And this means China must move to a responsible, market-based approach for its exchange rate.

"The time is long past when the administration should take this problem seriously. Just as we embrace the opportunities China offers, we must face up to the challenges China poses. Today's Treasury Department report has failed to do so."

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