

# CHINA CURRENCY

## Impact on American Jobs and Economy

- China's currency manipulation makes its exports to the United States cheaper and makes U.S. exports to China more expensive – contributing significantly to our unprecedented trade imbalances with China.
- Paul Krugman estimates that China's policy reduces U.S. GDP by 1.4 to 1.5 percentage points annually and reduces U.S. employment by **1.4 to 1.5 million jobs.**
- Fred Bergsten of the Peterson Institute estimates that the elimination of China's undervalued currency would create **a million jobs**, “mainly in manufacturing and with above-average wages, over the next couple of years. The budget cost ... would be zero.” He calls China's manipulation “**by far the largest protectionist measure adopted by any country since the Second World War – and probably in all history.**”

## Lack of Progress to Date

- China has allowed only very modest appreciation of its currency over the past year (roughly 6%).
- In fact, according to a recent estimate (from economists at the Peterson Institute for International Economics), China's currency is even more undervalued today than it was a year ago (28.5% against the dollar vs. 24.2% last year), when all factors are taken into consideration.
- In the first quarter of this year, China accumulated an additional \$197 billion in foreign exchange reserves (more than \$2 billion each day), including the purchase of U.S. Treasury bills, in its effort to prevent its currency from appreciating. China now holds \$3.2 trillion in reserves.
- The Senate on Oct. 3 voted overwhelmingly (79-19) to move forward on legislation that includes that major components of H.R. 639, the Currency Reform for Fair Trade Act of 2011
- It is time for the House to take action.

## **H.R. 639: Currency Reform for Fair Trade Act of 2011**

- The Currency Reform for Fair Trade Act will help American businesses compete on a more level playing field, by allowing for the imposition of “countervailing” import duties to offset the undervalued currency where imports have caused “material injury” to a U.S. industry.
- Last year, the House passed a virtually identical bill by a vote of 348 to 79, with a majority of both parties voting in support.
- The bill would help strengthen the Administration’s hand in its negotiations with China and is fully consistent with WTO rules.
- The bill currently has 218 co-sponsors (156 Democrats, 62 Republicans).

