

**Testimony of Congressman Tim Ryan**  
**Committee on Ways and Means, Subcommittee on Trade**  
**Hearing on Legislation Related to Trade with China**  
**August 2<sup>nd</sup>, 2007**

Good Morning. I would like to thank Chairman Levin and Ranking Member Herger for holding this important hearing and for allowing me to provide this testimony. As you know, I have expended significant time and staff resources over the last several years to educate members and the public on this issue, and craft legislation that many believe will go a long way to leveling the playing field.

Let me begin by saying that I believe that free and fair trade relationships are critical to our nation in today's global economy. The United States must continue to develop strong trade relationships to ensure that our industries can compete in the global marketplace and provide jobs and economic growth for our local communities. However, U.S. trade law must provide a level playing field and must not unfairly cripple U.S. industries at the hands of foreign governments by their illegal practices.

Currency exchange-rates are a central element of the global trade process, and significantly misaligned or artificially undervalued currencies have a devastating impact on domestic manufacturing and create an unacceptable trade relationship. There is ample evidence that various foreign governments undertake practices that result in their currencies' artificial undervaluation relative to the U.S. dollar, and the United States

cannot allow our trading partners to continue this illegal practice without providing remedies for injured industries.

As you know, Representative Duncan Hunter and I have recently introduced the Currency Reform for Fair Trade Act of 2007. This bill is an updated version of the Fair Currency Act of 2007, which attracted 112 bipartisan cosponsors. Mr. Hunter and I believe this new bill, H.R. 2942, is a stronger piece of legislation that provides greater, necessary relief for U.S. industries being harmed by unfair currency practices. As such, we believe this legislation will appeal to an even greater number of members. Let me quickly review some of the key features of H.R. 2942:

The bill applies countervailing duty law to currency undervaluation, and defines “fundamental and actionable misalignment” as an undervaluation that exceeds 5 percent on average for an 18-month period prior to the date of determination.

This bill continues to require the use of public data to compute the extent of currency undervaluation, but adds a specific approach for determining the level of undervaluation, based on the simple average of three standard economic methodologies.

This bill also contains the application of the anti-dumping law to currency undervaluation by amending the current antidumping law, requiring the Commerce Department to adjust the price of an import from a country whose currency is found to be fundamentally misaligned, in order to achieve a “fair comparison.”

This bill also applies countervailing duty law to non-market economy countries, while describing methodologies to construct the non-market economy price.

This bill holds countries accountable if they maintain a misaligned currency by requiring certain monetary and trade steps by the Secretary of the Treasury, including commencement of dispute settlement at the World Trade Organization and consideration of remedial intervention, when a country fails to eliminate its currency's misalignment.

Finally, this bill creates an 'Advisory Committee on International Exchange Rate Policy' to advise the Secretary of Treasury and the President on international exchange rates and financial policies. This panel is to be made up of non-government employees appointed by the House, Senate, and President.

It is essential that this Congress pass strong legislation to ensure action is taken on the part of the U.S. industries, and that each of these elements of our legislation is critical to ensuring a fair trade environment. As you know, the Senate has also been recently engaged in the issue of currency misalignment. Yesterday, S.1677 was marked-up and passed out of the Senate Banking Committee and, last week, S.1607 was marked-up and passed out of the Senate Finance Committee. I will take just a moment to point out some of the key differences between H.R. 2942 and S.1607, the Baucus-Grassley-Schumer-Graham bill.

First of all, while the Senate bill S. 1607 addresses anti-dumping laws in relation to currency, it does not allow for the application of countervailing duty laws to undervalued currency. This will not provide sufficient relief.

Second, this bill provides far too much flexibility to the Treasury Department in determining when a petition can be filed under the antidumping statute at the Commerce Department and the U.S. International Trade Commission, only allowing petitioners to seek antidumping relief after Treasury has made a determination of misalignment and designated the currency for priority action. This approach makes Treasury a strong gatekeeper and provides far too great a barrier to industries in need of relief. Under H.R. 2942, U.S. industries can directly petition the Commerce Department and the U.S. International Trade Commission, as they can under existing trade law, without waiting for Treasury determinations. Blocking this ability to directly petition their government on currency matters is a step backwards in the process and is not acceptable.

Finally, the Senate bill is too vague in its definition of “fundamental misalignment.” As I previously stated, H.R. 2942 requires the use of standard economic methodologies to determine whether a specific level of misalignment has occurred for a specific period of time. S. 1607 defines misalignment as “significant and sustained” without providing any guidance as to what constitutes significant or sustained. Again, this provides far too much leeway and will lead to continued inaction. We don’t have the time to get bogged down with weak legislation. Small and medium sized American manufacturers need help now.

While I applaud the efforts of this Committee and of the Senate to address the critical issue of currency misalignment, I believe that any action taken must be strong and end this devastating practice that threatens to destroy our industrial base. Passage of a weak bill will only lead to many more years of inaction by the administration, loss of jobs, and loss of critical U.S. manufacturing capability. We need legislation that will lead to action.

The American workforce and the manufacturing industry have as much ingenuity, know-how, and spirit to be competitive with any nation in today's global economy, but they cannot compete with the central banks of foreign governments. Again, I want to thank the Chairman and Ranking Member for this opportunity and I hope that as you move forward in your efforts to address the currency issues, you will consider the Ryan-Hunter bill as part of the solution critical to U.S. industries.