FEB 28 2012

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp:

Thank you for your letter regarding China's exchange rate policies, and, in particular, the upcoming seminar in the World Trade Organization (WTO). We share your concerns; addressing the undervaluation of China's currency is a top priority for the Administration.

In addition to our intensive bilateral engagement, including at the most senior levels, we also have pursued this issue with our allies and partners around the world and through multilateral channels, including the International Monetary Fund, the G-20, and the WTO. To that end, we welcome the WTO seminar as an opportunity to emphasize the importance of market-determined exchange rates in supporting growth and trade. At the seminar, the United States intends to underscore the importance of flexible exchange rates in promoting more balanced global trade and faster and more efficient global adjustment of external imbalances. While the primary focus of the seminar is the impact of exchange rates on trade, rather than a review of countries' exchange rate policies *per se* or the WTO rules, we expect that those issues will continue to be discussed in the WTO, informed in part by the results of next month's seminar. We will keep you and your staff informed as these discussions unfold.

As you noted in your letter, the United States has been the leading advocate in pressing all G-20 members to commit to market-determined exchange rates. At the November 2011 G-20 Leaders Summit in Cannes, G-20 members, including China, committed to "move more rapidly toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies." China also stated that its efforts to move to a growth model that relies less on exports and more on domestic demand "will be reinforced by ongoing measures to promote greater exchange rate flexibility to better reflect underlying economic fundamentals, and gradually reduce the pace of accumulation of foreign reserves."

Since the Chinese authorities decided in June 2010 to allow the exchange rate to appreciate, in large part because of our efforts, the renminbi (RMB) has appreciated by about 8 percent against the dollar. Taking into account the higher rate of domestic inflation in China than in the United States, the RMB has appreciated against the dollar on a real, inflation-adjusted basis by over 12 percent since June 2010, and about 40 percent since China first initiated currency reform in 2005.

While progress has been made, it is insufficient. We will continue to monitor closely the pace of RMB appreciation and press at every opportunity for policy changes that yield greater exchange rate flexibility, level the playing field, and support a pronounced and sustained shift to domestic demand-led growth in China. This will mean more opportunities for U.S. workers and firms to export to China.

We look forward to continuing to work closely with you and all members of Congress to enable U.S. workers and firms to benefit more fully from our economic engagement with China.

Sincerely,

Timothy F. Geithner
Secretary of the Treasury

Ronald Kirk
United States Trade Representative

Identical letter sent to:
The Honorable Max Baucus