U.S. Bill on China Has Shot at Passing

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Wall Street Journal
SEPTEMBER 15, 2010

With U.S.-China tensions rising on Capitol Hill, industry and labor groups are scrambling to shape the one bill aimed at China's currency policy that has a chance of success this election year.

The bipartisan bill, which has 143 co-sponsors, would allow the U.S. to impose tariffs and other penalties on countries that undervalue their currency—with China a main target. Many U.S. businesses, policy makers and economists argue that the country keeps its currency artificially low against the U.S. dollar, giving its exports an unfair price advantage on the global market.

The legislation, spearheaded by Rep. Tim Ryan (D., Ohio) and Rep. Tim Murphy (R., Pa.), was a focus of a House Ways and Means committee hearing Wednesday, one of three this week on China's exchange-rate policy. Treasury Secretary Timothy Geithner is slated to testify in two other hearings on Thursday.

China is fast becoming an election-year issue with anger running high among voters over continued economic weakness and high unemployment. Many lawmakers and their constituents blame what they view as China's unfair trade practices, including its currency policy.

Several bills addressing China's currency policy have emerged in Congress in recent years but have made little headway. But both supporters and detractors of the Ryan-Murphy bill say it could have a real shot at passage this year.

"This is a very emotional issue for a lot of members and there is a great deal of frustration over whether China is playing fair," said Erin Ennis of the U.S.-China Business Council, a group representing U.S. companies that do business in China, which opposes the bill. "It wouldn't surprise me if a measure like this would pass as a reflection of the frustration."

Some 100 lawmakers, including 30 Republicans, sent a letter to the House leadership on Wednesday calling for a House vote on the bill.

Nadeam Elshami, a spokesman for House Speaker Nancy Pelosi, said a decision on how to proceed would be made after the hearings.

Business groups and labor unions have lined up on both sides of the measure. The Fair Currency Coalition—aWashington-based group representing manufacturers, labor and farmers—which backs the bill, has held summits to discuss the issue and raised the subject at candidate forums.

The AFL-CIO, a coalition member, has coordinated meetings between manufacturing executives and members of Congress in Washington and members' home districts. "Our goal is to have the Chinese take our government seriously, and they understand action. This is action," said Bob Baugh, executive director of the AFL-CIO's industrial union council.

Meanwhile, the U.S.-China Business Council and 35 other major business groups, including the U.S. Chamber of Commerce, sent a letter Tuesday to House Ways and Means Committee Chairman Rep. Sander Levin (D., Mich.) and ranking member Rep. Dave Camp voicing opposition to the measure. The letter contends said the bill would violate the U.S. commitments under World Trade Organization rules, and that in any case there are better ways to address China's trade practices.

Prospects for similar legislation in the Senate appear uncertain, with time tight in both chambers. Lawmakers head back to their home districts in October to campaign ahead of November's mid-term elections.

Terence Stewart, a Washington attorney who often works with the United Steelworkers union on trade cases, said another factor driving support for the bill was the Department of Commerce's perceived inaction on the currency issue. In the past four years, petitioners in 12 cases alleging China violations of both antidumping and countervailing duty laws urged the department to investigate whether Chinese currency policies could be considered an illegal subsidy. In each case, the department declined.

On Wednesday, the U.S. filed two new trade cases against China at the WTO, claiming discrimination against U.S. steel makers and credit-card companies. The cases target import duties that China has imposed on electrical steel used in the power sector, as well as restrictions in providing electronic payment services in the country.

The U.S. opted earlier this year not to brand China a currency "manipulator" and instead worked through diplomatic channels to get the Asian giant to move to a more-flexible exchange rate. China in June (EDS: JUNE 19) signaled that it would gradually let its exchange rate start to reflect market forces. The yuan has appreciated by only 1.7% against the dollar since then, to 6.7250 yuan Wednesday.

A Treasury Department spokesperson said Mr. Geithner shared lawmakers' concerns over China's currency policy and sense of urgency, but "we haven't taken a position on any proposed legislation."

—-- *Michael Crittenden and Tom Barkley contributed to this article.*