

Statement of Senator Sherrod Brown  
Hearing, Senate Banking Committee  
The Treasury Department's Report on International Economic and Exchange Rate Policies  
September 16, 2010

Thank you, Chairman Dodd. Thank you, Secretary Geithner, for being here today.

I just attended the first meeting of the President's Export Council, of which I'm a member.

We discussed how increasing exports is key to our economic recovery.

The President discussed the National Export Initiative and the goal to double exports over the next five years.

This is a goal I think we all share.

And it couldn't be more relevant to today's hearing, because unless we confront trade-related barriers to export success, it will be like paddling upstream with one oar in the water.

We must not acquiesce to corrupt trade tactics that render legitimate competition impossible. And China's currency manipulation is at the top of the list of those trade tactics.

By keeping the value of the RMB artificially low, China provides an incentive to foreign corporations to shift production there, because it reduces the price of investing in China and makes Chinese exports cheaper.

This continued undervaluation – which most economists agree is in the range of 25 to 40 percent – has caused serious harm to the U.S. economy and has cost American jobs.

Right now, Chairman Dodd, down the street from the Capitol, there is a hearing going on at the International Trade Commission (ITC) on coated paper from China.

Workers in my state and dozens of other states are affected by the unfair subsidies the Chinese government gives this industry – including a virtually insurmountable currency advantage.

Despite businesses in the coated paper industry and the aluminum extrusions industry presenting a solid case for why currency manipulation should be included in this investigation, the Commerce Department has chosen not to include it.

If currency manipulation is a subsidy – and it certainly is -- then our workers and producers deserve a trade remedy. It's not just a matter of fairness; it's a matter of pragmatism.

Competition that is skewed by currency manipulation is not really competition – it's actually just a monopoly waiting to happen.

U.S. corporations can out-compete their foreign counterparts on efficiency, on innovation, on quality, on productivity, on marketing strategy...the list goes on and on.

But it's not realistic to expect them to overcome false price discounts deriving from currency manipulation and huge government subsidies.

Still, this Administration has chosen not to include currency manipulation in the coated paper case.

This is despite the facts being clear and the law being on their side.

Senator Schumer, Graham, Snowe, Stabenow, and I have a bill to make the law even more straightforward and clarify the process for taking action against countries that manipulate their currency.

To not act is unjustifiable. It costs American jobs.

Dr. Fred Bergsten of the Peterson Institute, one of our witnesses on today's second panel, estimates that eliminating this subsidy would result in the creation of half a million U.S. jobs and a reduction in the U.S. global current account deficit by \$50-\$120 billion.

Paul Krugman estimates that China's currency policy - and resulting large trade surpluses - might end up costing about 1.4 million jobs in the U.S. in the next couple of years.

I appreciate Secretary Geithner's work to address trade imbalances through the G20 and bilaterally with the Chinese.

I agree we should continue to talk with the Chinese on this issue.

But we cannot just talk when we have tools to address the imbalance caused by currency manipulation. We must act.

I look forward to the testimony of Secretary Geithner and our second panel witnesses.

Thank you.