



July 31, 2007

The Honorable Tim Johnson  
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Washington, DC 20510  
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Re: Currency Misalignment – Bunning/Bayh Amendment support requested

Dear Senator Johnson:

We write to urge your support for an amendment to S.1677 - to be offered by Senators Bunning and Bayh - which will apply the countervailing duty/antidumping (CVD/AD) remedy to currency manipulation by any trading partner. U.S. agriculture and industry need a direct remedy independent of political Treasury Department findings regarding whether our trading partners are engaging in currency manipulation, or have misaligned currencies.

It is our understanding that this amendment may be offered during tomorrow's Senate Banking Committee hearing. The amendment will allow both countervailing and antidumping duties to neutralize intentional or unintentional currency misalignment and be a major first step towards decreasing the U.S. trade deficit.

Asian nations, including China, prevent their currency values from responding to market forces. For 13 years, the U.S. Treasury Department has reported that neither China nor any other country manipulates currency for the purpose of achieving unfair trade advantages. That position is not generally deemed credible. The distinction between intentional currency manipulation and unintentional currency misalignment is rooted in diplomatic concerns. The distinction should be eliminated because the effect is the same.

It is generally agreed that China devalued its currency (renminbi) in relation to the U.S. dollar by about 40% in 1995, and has pegged the renminbi value to the dollar since that time. China's economy has seen explosive growth in size, and in exports, since 1995 which, in a flexible currency regime, would cause the renminbi to gain in value. But the renminbi value has stayed relatively constant, in a gravity-defying feat. The result is a 12 year period in which all China products have a 40% (estimates vary between 9% and 57%) export price advantage. Conversely, U.S. exports to China are 40% more expensive than they should be.

This affects the entire U.S. economy, including agriculture. U.S. farmers and ranchers cannot compete with other governments, but can compete with producers in other countries given a

level playing field. The U.S. is now a net food importer, in large part because of unfair international trade practices.

Agriculture and industry should have the opportunity to bypass diplomacy and Administrative discretion when harm occurs. This is a question of mathematics, and neutralizing trading partner incentives to game the system. Other countries are free to take action to adjust their currency valuation, but we are free to respond to neutralize the effect.

The Bunning/Bayh Amendment to S.1677 will expand the antidumping remedy contained within a bill approved by the Senate Finance Committee, and include countervailing duties, while taking the Treasury persuasion and diplomacy requirement out of the mix. Farmers and ranchers in South Dakota and across the country request objectively effective action to reduce and ultimately eliminate the trade deficit. We therefore ask you to support this Amendment.

Thank you for your hard work on behalf of farmers, ranchers and manufacturers.

Signatory organizations:

Coalition for a Prosperous America ([www.prosperousamerica.org](http://www.prosperousamerica.org))

Organization for Competitive Markets ([www.competitivemarkets.org](http://www.competitivemarkets.org))

Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America ([www.r-calfusa.com](http://www.r-calfusa.com))

Dakota Rural Action ([www.dakotarural.org](http://www.dakotarural.org))