

## H.R. 2942: THE CURRENCY REFORM FOR FAIR TRADE ACT OF 2007

- On June 28, 2007, Representatives Tim Ryan (D-OH) and Duncan Hunter (R-CA) introduced H.R. 2942, the “Currency Reform for Fair Trade Act of 2007.” Known as the Ryan-Hunter bill, H.R. 2942 gives U.S. manufacturers harmed by China’s undervalued currency access relief under U.S. trade remedy laws. H.R. 2942:
  - ❑ Defines “fundamental exchange-rate misalignment” by **any** U.S. trading partner as grounds for relief under the U.S. anti-subsidies and anti-dumping laws. These provisions are not directed solely at China.
  - ❑ Directs the Commerce Dept. to apply the U.S. anti-subsidies statute to non-market economies, such as China and Vietnam.
  - ❑ Directs the Treasury Department to identify and take action against those trading partners whose currencies are “fundamentally misaligned” with general macroeconomic conditions.

The Ryan-Hunter bill, which clarifies that exchange-rate manipulation is an unfair trade practice under U.S. law, was introduced in Congress with bi-partisan support. All the while that Congress does not act on this bill, U.S. manufacturers continue to grapple with the adverse impact of China’s undervalued currency with no access to relief. Diplomatic pressure from the Bush Administration has not yielded meaningful results, and Congress has been silent for too long.

### ➤ WHY SHOULD YOU SUPPORT THE RYAN-HUNTER BILL?

- ❑ ***It is the only bill that provides comprehensive and meaningful relief to foreign currency manipulation*** – the Ryan-Hunter bill provides U.S. manufacturing with an effective remedy to misaligned currencies by requiring the U.S. Department of Commerce (“Commerce”) to (1) treat prolonged and substantial currency manipulation as a prohibited export subsidy that is countervailable under countervailing duty law; and (2) adjust normal value to account for currency undervaluation and, in turn, ensure a fair comparison between normal value and export prices in anti-dumping margin calculations. The bill also reaffirms Commerce’s ability to conduct countervailing duty investigations involving products from non-market economies.
- ❑ ***The plastics industry feels the negative impact of the undervalued yuan*** – The U.S. plastics industry is currently experiencing a very strong negative impact of the continuing undervaluation of the Chinese currency. This effect is particularly strong on U.S. plastics processors, which faced a \$6.5 billion trade deficit with China in 2006. SPI views China’s undervalued currency as an unfair subsidy conferred on Chinese manufacturers, which severely disadvantages U.S. plastics producers.
- ❑ ***Enhanced enforcement of China’s trade commitments is needed*** - U.S. plastics companies confront severe import pressure from subsidized Chinese products. Numerous problems remain with the implementation of China’s WTO commitments, including its undervalued exchange rate, *de facto* discriminatory tax treatment of foreign producers, and continuing subsidization of Chinese manufacturers. The Ryan-Hunter bill will allow the U.S. government to counteract the effects of this subsidization by imposing countervailing duties. Additionally, this legislation will generate sharper focus on China’s trade practices within the U.S. government.
- ❑ ***U.S. industry needs strong commitment to trade enforcement*** – The U.S. plastics industry supports international trade and has benefited from global trade opportunities. However, U.S. producers are also often disadvantaged by unfair foreign trade practices and strongly feel that U.S. trade enforcement must be strengthened. The Ryan-Hunter bill would send a clear message to U.S. trade partners that the U.S. government is committed to fair trade.