COMMITTEE ON FINANCE
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Max Baucus, Chairman
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For Immediate Release
July 26, 2007

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Opening Statement of Senator Max Baucus (D-Mont.)
Markup of Currency Exchange Rate Oversight Reform Act of 2007

In July 1944, delegates from 45 nations convened at the Mount Washington Hotel in Bretton Woods, New Hampshire. For two weeks, these delegates considered the devastating economics that contributed to the Second World War. They crafted policies that would sustain growth, foster peaceful relations, and endure for decades.

Those two weeks in Bretton Woods laid the foundation of today's global economy. And since that meeting, the global economy has grown to nearly 10 times the size that it was then.

China has grown steadily for three decades. Some of today's fastest growing economies didn't even exist in 1944.

Today's economy is one of globally accessible financial markets. Today's economy holds nearly limitless potential for new markets and jobs. Yet today, as in 1944, our economic growth is only as good as the policies that guide it.

Over the past few years, many of us have given renewed scrutiny to the policies that guide today's economy. We recognized that some international currency exchange rate policies can be disruptive. We recognized that when a country's policies keep its currency undervalued, those policies make that country's products unfairly cheap here. And we recognized that those policies also make American products unduly expensive there.

Today, China's renminbi is the focus of our concerns. Tomorrow, another economy's currency may threaten even more devastating effects.

These are serious issues. They have real consequences. Many of my Colleagues on this Committee have thought long and hard about solutions. Senators Bunning and Stabenow have dedicated a great deal of energy to this issue. Senators Snowe and Rockefeller have long made it an important priority. And this issue has been a centerpiece of Senator Schumer's international economic policy.

All of us share the same goal. We want our trading partners to play by the rules. We want a level playing field for American workers. On that we can agree.

And I expect that we can also agree that we want a durable solution. We want a solution that will strengthen our rules-based economy. And we want a solution that will protect American workers.

The solution that we consider today is a compromise. It has been nearly one year in the making. The Currency Exchange Rate Oversight Reform Act bridges differences between Senators Grassley, Schumer, and Graham. I have very much enjoyed working with all three of my Colleagues in drafting this bill.

The solution that we offer and consider today is a good one. It is firm. But it is fair.

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It doesn't single out any one country. It is consistent with World Trade Organization rules and International Monetary Fund standards, giving national and international credibility. It establishes a new framework that responds to the imperatives of today's global economy. And it is designed to address not just today's crises, but the challenges of tomorrow and decades to come.

This bill abolishes the pejorative "currency manipulation" formulation. That formulation has outlived its usefulness.

Instead, the bill requires the Treasury Department to focus on objective economic indicators. Treasury must identify what we call "fundamentally misaligned" currencies. Where explicit government policies drive the fundamental misalignment, Treasury must designate that currency for "priority action."

Then, if the offending country does not mend its ways, the bill establishes tough consequences. The bill ratchets up the pressure on the U.S. administration. And the bill ratchets up the pressure on the offending country.

Most significantly, the bill requires that the Commerce Department adjust its antidumping calculation to account for currency undervaluation. This adjustment would apply to both future investigations and existing orders. This adjustment would be the most cost-effective and quickest way to use our trade remedies to help our workers and companies. And this adjustment would not violate our trade law obligations.

The bill also sets out other penalties for countries that fail to do the right thing. Those penalties include a procurement ban and possible remedial intervention.

Reaction to this bill has been strong. Some see this bill is too harsh and accuse us of China-bashing. Others see this bill as too weak and believe that we have given the administration too much discretion. I think that we have struck the appropriate balance.

I believe this legislation finds the right equilibrium between the policy role of Congress and role of the administration on currency issues.

I am especially pleased that after productive consultations with my colleagues, we have made further improvements to this legislation to broaden Committee support and sharpen this legislation's effectiveness.

This bill is no magic bullet to solve our trade deficit. But it is part — and an important part — of the solution. We should act on it today.

In so doing, let us move to a more durable solution. Let us strengthen our rules-based international economy. And let us protect American workers.

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