

Congress of the United States
Washington, DC 20515

January 31, 2012

The Honorable Timothy Geithner
Secretary of Treasury
U.S. Department of Treasury
1500 Pennsylvania Ave, N.W.
Washington, D.C. 20520

The Honorable Ron Kirk
United States Trade Representative
Office of the United States Trade Representative
600 17th St, N.W.
Washington, D.C. 20508

Dear Secretary Geithner and Ambassador Kirk:

As you both know from your appearances before our Committees, the list of our concerns with China is long. Among other things, China continues to undervalue its currency, providing an unfair advantage to Chinese exporters and harming U.S. manufacturers and their workers. Today we write to focus on one aspect of this issue: the opportunity in the World Trade Organization (WTO) to discuss the role of exchange rate practices in trade policy.

Specifically, we support ongoing efforts at the WTO to understand the impact on trade of exchange rate policies. The WTO Secretariat's recently concluded literature survey is a positive first step towards understanding the relationship between trade and exchange rate policies. The upcoming symposium in March, hosted under the auspices of the WTO Working Group on Trade, Debt, and Finance, will provide an important venue to deepen and broaden the discussion.

These steps should form the basis for further discussion by the WTO of existing WTO/GATT rules and how those rules could be used to address distortive currency practices. For example, GATT Article XV(4) provides that "parties shall not, by exchange action, frustrate the intent of the provisions of this Agreement." While there may be debate about whether that provision – or others – can form the basis for a WTO dispute against China, further discussions would benefit the United States.

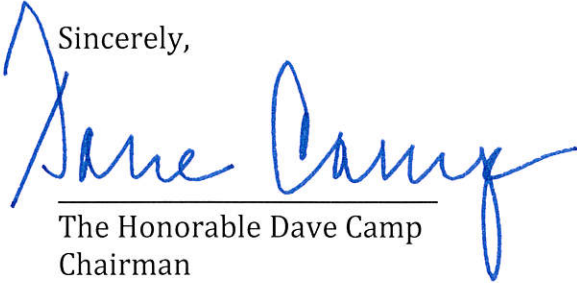
China has actively blocked any discussion of existing WTO/GATT rules in the WTO Working Group on Trade, Debt, and Finance. We encourage the Administration to strongly promote discussion of existing WTO/GATT disciplines through the Working Group and in other appropriate forums at the WTO.

Addressing China's currency policy in a multilateral manner holds the greatest promise for an effective and meaningful solution. The Administration's efforts at the G20 have helped

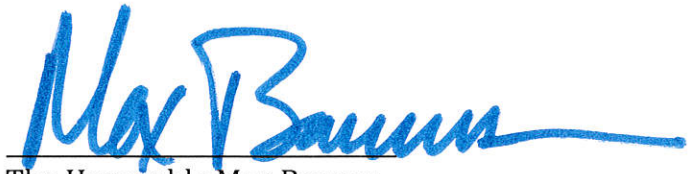
to develop an international consensus about how important it is for China to rebalance its economy and allow its currency to more accurately reflect market forces. China will not end its currency undervaluation unless the U.S. seizes opportunities like this to insist it does. Expanding and intensifying discussions at the WTO can further this effort and bring significantly more pressure to bear on China.

We look forward to continuing to consult with both of you on this issue and the full range of other economic issues we face with China.

Sincerely,

A handwritten signature in blue ink, reading "Dave Camp". The signature is fluid and cursive, with a long horizontal stroke at the end.

The Honorable Dave Camp
Chairman
Committee on Ways & Means
U.S. House of Representatives

A handwritten signature in blue ink, reading "Max Baucus". The signature is bold and cursive, with a long horizontal stroke at the end.

The Honorable Max Baucus
Chairman
Committee on Finance
U.S. Senate