

Alliance for American Manufacturing
727 Fifteenth St. NW Suite 700
Washington, DC 20005
202-393-3430
Fax 202-628-1864
www.americanmanufacturing.org



January 6, 2012

Honorable Timothy Geithner
Secretary, U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

In advance of your travel to Beijing and Tokyo next week on the state of the global economy and other economic issues, I strongly urge you to press Chinese and Japanese officials to adhere to the rules of international trade, especially with respect to their undervalued currencies that create dangerous global imbalances and continue to dampen our economic recovery.

It would be difficult to overstate the disappointment shared by U.S. manufacturers and their workers with your most recent Treasury report on the currency exchange rate policies of our major trading partners. For the sixth time since President Obama took office, you have issued a report that does *not* label China as a currency manipulator, despite unmistakable evidence to the contrary. This report was due to Congress on October 15, 2011, but was delayed to give the department a chance to assess progress made at several international conferences. Mr. Secretary, where is the progress?

China has intervened massively in foreign exchange markets, buying \$1 billion every day to keep the dollar strong and its own currency weak. China has accumulated \$3.2 trillion in foreign-exchange reserve holdings (\$2.2 trillion are USD). According to a November 2011 Peterson Institute for International Economics report, the yuan remains significantly undervalued against the dollar (23.5 percent). The result of this continued intervention in the currency markets has been massive job loss for American manufacturing. According to research by the Economic Policy Institute (EPI), 2.8 million net jobs were lost over the last decade due to our massive and growing trade deficit with China. Since Beijing entered the World Trade Organization in 2001, our bilateral trade deficit has increased from \$83 billion to a record \$273 billion in 2010.

Yet, your department recently stated that the yuan had appreciated nearly 12 percent since last June and roughly 40 percent since 2005. Clearly, the criteria by which you determine whether a trading partner is manipulating its currency are flawed. Moving forward, we urge you to employ objective, measurable criteria and to outline clear consequences of inaction from China and Japan during your visits.

We also urge you to work with leaders in Congress to pass common-sense legislation that would impose reasonable penalties against China or any other nation that manipulates its currency to undercut American workers. The bottom line is that there are no other policy options that would yield economic benefits on the same scale while also significantly reducing the deficit. None. According to EPI, bringing the yuan to its equilibrium level would yield significant economic benefits over the next 18 to 24 months:

- 2.25 million American jobs created (1.6 percent increase in total employment)
- \$285.7 billion (1.9 percent) increase in our GDP
- \$190.5 billion reduction in our annual trade deficit
- \$71.4 billion reduction in our annual budget deficit (\$621 to \$857 billion over ten years)

American manufacturing companies and their workers will be watching closely as you visit with Chinese and Japanese officials. Again, we urge you to press for a level playing field, free of market distortions like currency manipulation that stand in the way of job creation. Thank you for your attention to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with the first name "Scott" and last name "Paul" clearly distinguishable.

Scott N. Paul
Executive Director