

NAM - China Activities

Members repeatedly have told me that their most significant trade and global challenge is China. In an effort to meet this challenge, the NAM has been seeking to build a positive agenda that deals firmly with unacceptable trade and currency practices while also putting trade with China on a sustainable path toward building a strong economic future for both countries. In developing this agenda, I have met with Board members and with Washington representatives of member companies.

A key element in our agenda, agreed upon at both meetings, is ensuring a level playing field that includes having a market-determined exchange rate that reflects its true value. The Chinese currency has been estimated to be undervalued by as much as 40 percent against the dollar, and is perhaps the major factor in the growing trade imbalance. We have been extremely active on this issue, and I wanted to give you an update of where we are.

To begin with, in recent weeks, Federal Reserve Board Chairman Greenspan, Treasury Secretary Snow, and Commerce Secretary Evans have all stated their view that the Chinese currency should increase in value. This is an extremely important development and I do believe they have been influenced by NAM's hard work.

I have had several discussions with Treasury Secretary Snow, most recently last week. I reiterated the NAM's view that currencies should be free to float and should reflect economic fundamentals. I particularly emphasized the scope of the problem with the Chinese currency. I do believe the Secretary understands the importance of an adjustment in the Chinese yuan.

Senators Schumer (D-NY), Dole (R-NC), Bayh (D-IN) and Graham (R-SC) have just sent a letter to Secretary Snow asking him to act on revaluing the Chinese currency.

Rep. Aderholt (R-AL) led a successful effort in the Treasury Dept. appropriations process directing the Treasury to investigate the effect the Chinese currency is having on U.S. manufacturing and to act to fix that effect. House Small Business Committee Chairman Don Manzullo (R-IL) has told us he will be seeking a House resolution asking the Administration to act on the currency. We understand that House Ways

and Means Chairman Thomas (R-CA) is also planning hearings on China in the fall. And we expect that this will only be the beginning of more Congressional activity on China in the run-up to the 2004 elections.

In addition, we have seen a rising degree of concern abroad regarding China's currency. The Bank for International Settlements, the World Bank, the Governor of the Bank of Canada, the Chairman of the European Central Bank and others have criticized China's maintenance of its currency at a fixed, undervalued level. The NAM has begun approaching our counterpart organizations in other countries to discuss organizing a coordinated effort aimed at fixing the Chinese currency problem.

I also have met on several recent occasions with Commerce Secretary Evans. He is fully committed to finalizing and implementing a manufacturing initiative that will address the fundamental factors affecting manufacturers - especially smaller firms. Part of this initiative is ensuring that China lives up to its WTO trade obligations, including avoiding subsidized exports and stopping piracy and counterfeiting of U.S. products. The Secretary is well aware of China's unfair trade practices.

The Advisory Committee on Trade Policy and Negotiations (ACTPN), of which I am the Vice-Chairman, has just formed a special task force on China's product counterfeiting. Chaired by Fisk Johnson, Chairman of S.C. Johnson, the task force is working on recommendations to the President's Trade Representative, Ambassador Zoellick, to deal effectively with the rising problem of the production of counterfeit products in China.

We have also been active with the Congress. We have worked with Frank Wolf (R-VA), Chairman of the Commerce, State, and Judiciary Appropriations Subcommittee, and are very pleased that the House has just voted to devote funds for a new China Compliance Office in the Commerce Department and has allocated \$2 million for a China WTO compliance effort at USTR. We are urging the Senate to agree with this as well.

We have much to do, but I believe you will agree that our success to date in raising the visibility of this issue is extremely impressive. (To view the op-ed published in The Washington Times, please click this link: <http://documents.nam.org/IS/ChinaEditorialJasinowski.doc>) I also expect that you will hear a great deal more from the Administration about China in the months ahead.

