

CHINA CURRENCY COALITION
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November 5, 2008

The Honorable Barack Obama
Obama for America
P.O. Box 8210
Chicago, Illinois 60680

Re: Action Concerning Fundamental Misalignment of Other Countries' Currencies

Dear President-Elect Obama:

On behalf of the China Currency Coalition ("CCC"), please accept our congratulations on the occasion of your historic victory yesterday. The many serious challenges confronting the United States call for everyone's best efforts. The CCC's members (listed in the enclosure) are very hopeful that with your leadership our economy and national security will be strengthened.

Among the critical problems that need to be addressed promptly is the mercantilist practice by China and other countries of undervaluing their currencies. This policy is taking a terrible toll on U.S. manufacturers, workers, and service and agricultural organizations. As the CCC's Co-Chairmen, we are writing to express the China Currency Coalition's desire to work with you and your Administration on this matter.

Especially in this time of global financial and economic turmoil, it is imperative that misalignment of the renminbi and similarly undervalued currencies end immediately. As long as exchange rates do not reflect market forces, dangerous imbalances will worsen, and the U.S. economy will become weaker and more unstable to the detriment of companies, workers, and farmers in the United States. The road to economic recovery will also be much longer and more painful.

In all candor, the strategy of negotiations with China that President Bush began in 2003 has been a failure. It has been fully fourteen years now since the Chinese government started the massive, ongoing interventions in the exchange markets that support its domestic manufacturing industries at the expense of companies and their employees in other countries, especially the United States. Virtually all economists agree that this policy has caused substantial undervaluation of the renminbi. The CCC estimates that the renminbi remains undervalued in real terms relative to the U.S. dollar by 35 percent. The renminbi's nominal appreciation of approximately 17 percent against the U.S. dollar since China's modest revaluation of the renminbi in July 2005 is grossly inadequate, as China's enormous and growing foreign exchange

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reserves, now in excess of \$2 trillion, and its annual trade surplus of roughly \$250 billion with the United States attest.

At this stage, it seems clear that diplomatic efforts alone will not persuade China's leadership to change its policy of manipulating the renminbi. Chinese officials are convinced that this approach is a sustainable way to provide employment and prosperity for China and to curb social unrest in China. After years of fruitless talks with China by both the Bush Administration and the International Monetary Fund, it is not surprising that China has not changed course.

Earlier this year, you joined a bipartisan group in co-sponsoring the Bunning-Stabenow-Bayh bill, S. 796, The Fair Currency Act of 2007. In keeping with the obligations and rights of the United States under public international law, that bill realistically and appropriately recognizes that undervalued exchange-rate misalignment is hybrid in nature, a monetary measure with far-reaching and adverse consequences for international trade. S. 796 accordingly provides for countervailing duties to be imposed on imports into the United States that benefit from undervalued currencies and that injure U.S. industry, whether those imports are from China or any other country that fundamentally misaligns its currency. Swift passage of this legislation would be a constructive, WTO-consistent means to deter countries from indulging in such unacceptable subsidization and to assist those who are hurt by that manipulation.

In the present crisis, Chinese governmental officials have been stressing that the best way China can contribute to international stability is to continue on its current course. In fact, however, the renminbi's rigid undervaluation is a significant factor in the unstable conditions that are currently being experienced. As the U.S. Treasury Department's Harry Dexter White observed shortly after Bretton Woods in 1944, "The difference between stability and rigidity in exchange rates is the difference between strength and brittleness. It is the difference between an orderly adjustment, if conditions warrant it, and eventual breakdown and painful adjustment."

At last month's annual meeting of the IMF, the gathered finance ministers did not say anything publicly on this topic. Especially under the circumstances, the upcoming conference of the G-20 on November 15th presents an opportunity for the international community to focus upon this issue. China and other countries should understand that the United States is prepared to apply countervailing duties to injurious imports that are unfairly subsidized due to undervalued, misaligned currencies.

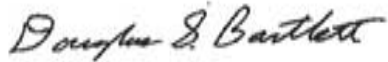
The CCC's members sincerely trust that with your backing and leadership this legislation will quickly become law in the new Congress. U.S. companies and workers cannot compete with undervalued exchange-rate misalignment and should not be expected to. The damaging effects of this practice are a huge drag on the economy and undermine the national security of the United States. There is a genuine urgency here.

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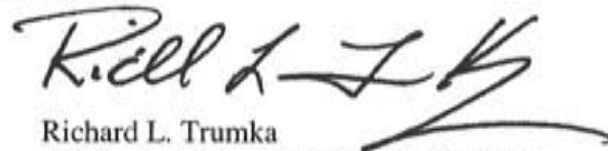
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We appreciate what we are certain will be your thoughtful consideration of our views and would welcome a meeting with your trade and economic advisors during the transition to discuss this very important subject.

Respectfully,



Douglas S. Bartlett
Co-Chairman, China Currency Coalition
Chairman, Bartlett Manufacturing Co., Inc.



Richard L. Trumka
Co-Chairman, China Currency Coalition
Secretary-Treasurer, AFL-CIO

Enclosure

CHINA CURRENCY COALITION

The China Currency Coalition is a group of U.S. industrial, service, agricultural, and labor organizations that seek immediate elimination of the Chinese currency's undervaluation, which is estimated at 35 percent or more.

Members include:

- The IUC AFL-CIO
- American Iron and Steel Institute
- Chicagoland Circuit Association
- Coalition for a Prosperous America
- The Committee on Pipe and Tube Imports
- The Copper & Brass Fabricators Council, Inc.
- EXEL Industrial
- Forging Industry Association
- Graphics Communications International Union (GCIU)
- The Industrial Union Council (composed of Bakery, Confectionary, Tobacco Workers and Grain Millers International Union (BCTGM))
- International Union of Electrical Workers/Communication Workers of America (IUE/CWA)
- International Association of Machinists (IAM)
- International Brotherhood of Boilermakers (IBB)
- International Brotherhood of Electrical Workers (IBEW)
- International Brotherhood of Teamsters (IBT)
- Paper Allied-Industrial Chemical & Energy Workers International Union (PACE)
- Manufacturers for Fair Trade
- Metal Treating Institute
- Metals Service Center Institute
- National Council of Textile Organizations
- National Tooling and Machining Association
- Nucor Corporation
- Precision Machined Products Association
- Precision Metalforming Association
- Rescue American Jobs
- Sheet Metal Workers International Association
- Society of the Plastics Industry
- Specialty Steel Industry of North America
- Spring Manufacturers Institute
- Steel Dynamics
- Steel Manufacturers Association
- Tooling & Manufacturing Association
- U.S. Business and Industry Council
- United Automobile Workers (UAW)
- United Food and Commercial Workers (UFCW)
- United Mine Workers of America (UMWA)
- United States Business & Industry Council
- United States Printed Circuit Alliance
- United Steelworkers (USW)
- Union of Needletrades Industrial and Textile Employees (UNITE)
- Vanadium Producers & Reclaimers Association
- Wood Machinery Manufacturers of America