



July 26, 2007

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Charles Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley:

On behalf of the Board of Directors of Consumers for World Trade (CWT), I am writing to express our concerns over 1607, *The Currency Exchange Rate Oversight Reform Act of 2007* that is scheduled for a markup today before the Committee on Finance. We are concerned that this bill that calls on the Department of Commerce to recalculate anti-dumping margins in regards to imports from a country whose currency the Treasury Department has determined is misaligned may adversely impact American consumers. We are also concerned that possible amendments to this bill to allow the Department of Commerce (DOC) to apply countervailing duty law against non-market economies, such as China, may adversely impact many hard working American families by inflating the price of many consumer products and potentially exposing the United States to a challenge before the World Trade Organization.

Provisions of S 1607 concerning the calculation of anti-dumping margins to take into account the extent of currency manipulation could be inconsistent with our trade agreements. Article 2.4.1 of the World Trade Organization (WTO) Agreement on Anti-dumping clearly states that dumping margins must be calculated using currency conversions set by the currency markets and not arbitrary determinations. Today, there is not a widely established and accurate benchmark to determine the extent by which a currency deviates from its market value. Calculating anti-dumping margins to take into account currency manipulation could be determined as in violation of international trade rules and the U.S. could be taken before the WTO's dispute settlement panel.

We also urge you to oppose any amendment offered that proposes to apply countervailing duty law against non-market economies. Such an amendment could be inconsistent with our international trade agreements if it permits the benefit of a subsidy to be offset twice – through concurrent antidumping and countervailing duty cases on the same product – unless the provision contains language preventing such double-counting. WTO rules prohibit the imposition of more than one remedy in such instances. Once again, the U.S. could be taken before the WTO's dispute settlement panel. If the panel finds that these provisions violate WTO rules, many U.S. exporters could face high retaliatory tariffs from our trading partners, including China, our fastest growing export market.

We recognize that U.S. trade remedies law is designed to protect domestic U.S. manufacturers from unfair foreign subsidies through higher duties placed on these foreign goods. However, those remedies must be applied in a way that conforms to U.S. obligations under international trade rules. In addition, it must be recognized that the import taxes imposed in these cases are frequently passed on to consumers through higher prices. Were S 1607 to essentially allow petitioners in these cases two bites at the apple, the result would be that consumers would very likely pay a grossly inflated price. Over the past decade, a wide variety of consumer products have been sourced from non-market economies such as China and Vietnam. These imported products have allowed the neediest of Americans to afford a variety goods for their families. In the event that both anti-dumping and countervailing duties are applied to the same imported

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product without correcting the double-counting problem, the resulting increase in price paid by U.S. consumers could erode these benefits through an unwarranted trade tax imposed on many hard working Americans.

We thank you for providing us with the opportunity to provide you with our comments on S 1607.

Sincerely,

Robin Lanier
Executive Director

CC: Committee on Finance Members