

# United States Senate

WASHINGTON, DC 20510

October 11, 2018

The President  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President:

I write to you today to raise concerns about the depreciation of the Chinese yuan against the U.S. dollar. Since your Administration's tariff actions began in the spring, the Chinese yuan has fallen nine percent. On October 15, 2018, the Treasury Department will release its bi-annual report that identifies currency manipulators. You said that on "day one" of your Administration you would designate China a currency manipulator, but in three previous reports you have failed to do so.<sup>1</sup> I am concerned that China's currency actions amount to manipulation, in violation of World Trade Organization (WTO) rules. I ask that you use your upcoming report to make good on your promise to name China a currency manipulator and begin the statutorily-required process to encourage China to correct its undervaluation.

The current misalignment makes Chinese exports nine percent cheaper in dollar terms while also making U.S. exports to China nine percent more expensive. This combined import tariff and export subsidy amounts to a roughly \$59 billion total trade impact—almost double the approximately \$32.5 billion of tariffs the U.S. has levied against Chinese imports under Section 301 of the Trade Act of 1974—even before accounting for the retaliatory tariffs implemented by China to counteract U.S. tariffs.

Since China joined the WTO in 2001, the U.S. trade deficit with China has more than quadrupled.<sup>2</sup> Between 2001 and 2008, Chinese competition cost the U.S. 2.4 million manufacturing jobs<sup>3</sup> and has driven down wages for almost *all* production workers in the private-sector workforce.<sup>4</sup> This year, the United States Trade Representative found that Chinese companies, often sponsored by the Chinese government, steal up to \$600 billion annually in valuable intellectual property from U.S. companies.<sup>5</sup>

Naming China a currency manipulator would set off bilateral talks required under the Trade Facilitation and Trade Enforcement Act of 2015—intended to encourage China to adopt policies to correct the undervaluation. If the talks fail, the Trade Facilitation and Trade Enforcement Act of 2015 provides additional authorities for the President to take remedial action. Given the lack

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<sup>1</sup> <https://www.wsj.com/articles/ending-chinas-currency-manipulation-1447115601>

<sup>2</sup> <https://www.census.gov/foreign-trade/balance/c5700.html>

<sup>3</sup> <https://seii.mit.edu/wp-content/uploads/2013/11/Autor-Dorn-Hanson-The-China-Syndrome-Local-Labor-Market-Effects-of-Import-Competition-in-the-United-States-American-Economic-Revi.pdf>

<sup>4</sup> <https://www.epi.org/publication/bp260/>

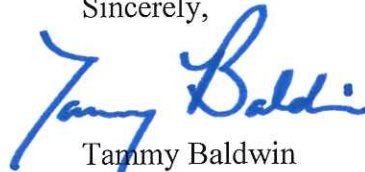
<sup>5</sup> <https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>

of productive trade talks with China over the last year, I believe this step could be necessary to bring China to the negotiating table.

Further, I ask that you consider additional options to unilaterally bring the U.S. – China exchange rate into balance, including those in the Fair Trade With China Enforcement Act, S.3361, which I introduced with Senator Rubio on August 21, 2018. The bill includes a provision to make American exports more competitive by eliminating the tax exemption the People's Bank of China enjoys on the sale of U.S. financial assets.

I appreciate your attention to this issue and stand ready to work with you in Congress should further authority be needed to address Chinese unfair trade and ensure a level playing field for American workers.

Sincerely,

A handwritten signature in blue ink, reading "Tammy Baldwin". The signature is fluid and cursive, with the first name "Tammy" and last name "Baldwin" clearly distinguishable.

Tammy Baldwin  
U.S. Senator