

United States Senate

WASHINGTON, DC 20510

May 19, 2005

HELP STOP FOREIGN GOVERNMENT CURRENCY MANIPULATION

Dear Colleague:

On May 10, we introduced legislation that takes a strong stand on foreign currency manipulation, an unfair trade practice that puts American businesses, particularly manufacturers, at a competitive disadvantage with other nations. Companion legislation was introduced in the House by Congressman Donald Manzullo.

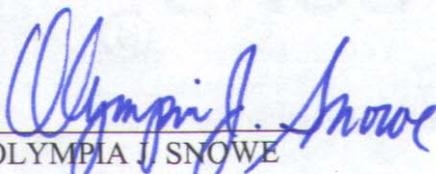
A country that manipulates its currency for the purposes of gaining an advantage in foreign markets violates many of the basic rules of the international monetary system established after World War II. However, despite repeated evidence that numerous countries are not letting market forces determine the value of their currency, current law sets an unnecessarily high threshold for us to take any effective action against other nations that intervene heavily in currency markets. For instance, regrettably, the U.S. Treasury Department again neglected to designate China as a currency manipulator in its May 2005 report to Congress on International Economic and Exchange Rate Policies, despite China's suspect exchange rate practices.

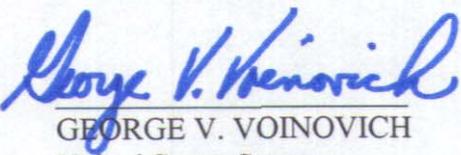
The *Fair Currency Practices Act of 2005* (S. 984, H.R. 2208) would strengthen the tools available to the U.S. Treasury Department to (a) formally designate offending countries as currency manipulators; and (b) enter into negotiations to force offending nations to live up to their international obligations and stop undervaluing their currencies.

All nations, most particularly China, must let the free market determine the value of their currencies, not use government resources to artificially depress the value of their currency to boost their economic growth. Such actions cost U.S. manufacturers billions of dollars each year in lost exports and lost market share in the U.S. while putting American workers on the unemployment lines. American businesses stand ready to compete with anyone in the world. But the competition must be fair. The legislation we have introduced will give our government the tools necessary to hold all nations of the world accountable for currency manipulation, including China, and level the playing field for our workers.

Please see the back of this Dear Colleague for a section-by-section analysis of the bill. To cosponsor S. 984, please contact Matt Walker at the Committee on Small Business and Entrepreneurship at 202-224-5175.

Sincerely,


OLYMPIA J. SNOWE
United States Senator


GEORGE V. VOINOVICH
United States Senator