

# Congress Poised to Act on China Currency

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China is the largest supplier of textiles and apparel to the U.S.

Photo By Kevin Lee/Bloomberg/Getty Images

**WASHINGTON** — The fashion industry is closely watching the Congressional agenda this fall as momentum appears to be building for legislation targeting China's undervalued currency and approving a free trade agreement with South Korea.

With just seven weeks until midterm elections on Nov. 2 — and Republicans seeking to take control of the House with all 435 seats, as well as one-third of the Senate up for grabs — Democratic congressional leaders are promoting a domestic manufacturing and small business agenda they hope will sway voters disenchanted because of the troubled economy.

“Going into the election, I think the Democrats will look for issues that say ‘we are protecting the American consumer,’” said Kevin Burke, president and chief executive officer of the American Apparel & Footwear Association. He noted many AAFA members manufacture in China and the organization opposes bills that would impose punitive measures regarding China's currency policies.

Critics argue China's currency is undervalued by as much as 40 percent, which makes Chinese exports cheaper and puts U.S.-produced goods at a competitive disadvantage.

House Democratic leaders are touting a “Make it in America” agenda, with trade as a component of the legislative package set for the preelection session. President Obama outlined a six-year, \$50 billion proposal last week to overhaul the nation's roads, railways and runways and create jobs.

“House Democrats have made a firm commitment to the U.S. manufacturing industry...and evaluating the effects of China's undervalued currency is essential to reviving this sector of our economy and to create good-paying manufacturing jobs,” House Majority Steny Hoyer (D., Md.) said last month.

Leaders have scheduled two House Ways & Means Committee hearings to consider China currency bills that will include testimony from Treasury Secretary Timothy Geithner.

"[Hoyer's statement on China currency] is a very strong sign that increases the likelihood we'll see the currency bill move through the House," said Cass Johnson, president of the National Council of Textile Organizations, which supports the legislation as a way to help the troubled U.S. textile industry. "Hoyer hasn't been willing to touch that issue until now."

Erik Autor, vice president and international trade counsel at the National Retail Federation, said the push by House Democrats could "open the door potentially" to moving such legislation, which the NRF opposes.

"It's got political momentum and if it ever were to come up for a vote I expect it would pass the House pretty handily," he said. "But it's got a host of problems and it would undermine our effort to work with the Chinese on a variety of issues, including foreign policy."

Sens. Charles Schumer (D., N.Y.) and Lindsey Graham (R., S.C.) have vowed to press their own China currency bill in the Senate.

Another trade issue that could gain traction is a trade pact with South Korea, which Obama supports. But some industry lobbyists were skeptical because the accord has been stalled in Congress over trade barriers South Korea has imposed against U.S. auto exports.

"In the short term, there seems to be more of a focus being put on the South Korean agreement, but there is certainly a chance once they are able to get that through that could create momentum for the other agreements to be considered, as well," said Bryan Riley, senior policy analyst at the Heritage Foundation, a conservative think tank.

A bill that has bipartisan support in the Senate would extend copyright protection to "unique and original" designs for a period of three years. The Council of Fashion Designers of America and American Apparel & Footwear Association last month reached a compromise on the stalled legislation that had divided the industry. The measure faces some opposition from retailers.

Disastrous flooding in Pakistan may jump-start pending legislation that would create duty-free manufacturing zones that include some apparel in war-torn Afghanistan and Pakistan border areas.

Legislation allocating \$5 million for the Justice Department to set up an organized retail crime task force could advance in the House. It is unclear whether the Senate will have enough time to consider it.

"It is not all we wanted but it is a good first step," said John Emling, senior vice president for government affairs for the Retail Industry Leaders Association.