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Manufacturing groups want to file complaint against China on currency

October 22, 2003

BY JAMES TYSON

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More than 40 U.S. manufacturing groups have pooled funds and begun searching for a law firm to bring a complaint against China for holding down its currency's value and boosting exports at what they claim is the expense of U.S. profits.

The Fair Currency Alliance will file a so-called 301 Petition against China with the U.S. Trade Representative's Office, said Frank Vargo, vice president of the National Association of Manufacturers, a member of the alliance representing General Electric Co., 3M Corp. and 14,000 other companies.

The complaint is the first step in a process that can lead to a request by the United States for sanctions against China by the World Trade Organization.

"China is by far the biggest culprit" in the loss of 220,000 textile jobs, or one-third of industry employment, since 1997, said Robert Dupree, vice president at the American Textile Manufacturers Institute, a member of the alliance. "People in the industry are angry. They see job loss, and the government has been all talk and not much action."

U.S. lawmakers, including Senate Democratic Leader Tom Daschle, have called on President Bush to shield U.S. manufacturers from cheap imports by intensifying efforts to stop China, Japan and other nations from "manipulating" their currencies. Bush is trying before the 2004 presidential election to increase exports and reverse the loss since 2000 of 2.6 million manufacturing jobs.

Members of the alliance, which also includes the Steel Manufacturers Association and American Iron and Steel Institute, said the U.S. trade deficit with China is likely to rise beyond the 2002 record of \$103 billion because of China's foreign exchange policy. China has pegged the yuan at 8.3 per dollar since 1995.

"Under current trends we'll see a continued deterioration, and even the most efficient of us could see problems in access to capital," said Tom Danjczek, president of the Steel Manufacturers Association.

The U.S. trade deficit with China rose 3.5 percent in August to a record \$11.7 billion from \$11.3 billion in July. The deficit through this year's first eight months is \$77 billion.

Bloomberg News

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