



FAIR CURRENCY COALITION

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REMARKS BY CHARLES BLUM ON BEHALF OF THE FAIR CURRENCY COALITION MAY 13, 2009

ON BEHALF OF EVERY MEMBER OF THE FAIR CURRENCY COALITION, I WANT TO THANK SENATORS STABENOW AND BUNNING AND REPRESENTATIVES RYAN AND MURPHY, AS WELL AS THE DOZENS OF OTHER MEMBERS OF CONGRESS WHO HAVE ALREADY SIGNED ON TO THE NEW BILL. YOUR LEADERSHIP, POLITICAL JUDGMENT AND ABILITY TO WORK TOGETHER IN A TRULY BIPARTISAN WAY ARE AN INSPIRATION TO US ALL.

THERE'S BEEN A LOT OF LOOSE TALK RECENTLY ABOUT THE THREAT OF A NEW GLOBAL DEPRESSION. IF YOU STUDY THE HISTORY OF THE GREAT DEPRESSION, IT BECOMES PLAIN THAT THERE WERE AT LEAST THREE FACTORS THAT PUSHED THE WORLD ECONOMY INTO THE DARKNESS OF THE 1930S. IT BEGAN WITH A FINANCIAL CRISIS, SMALL AT FIRST BUT THEN COMPOUNDED BY COUNTERPRODUCTIVE FISCAL AND MONETARY POLICIES AROUND THE WORLD. IT WAS MADE WORSE BY THE COMPETITIVE RAISING OF TARIFFS IN AN EFFORT TO BLOCK IMPORTS. WE ALL KNOW THAT MUCH.

BUT A THIRD DYNAMIC IS OFTEN OVERLOOKED. MANY GOVERNMENTS AROUND THE WORLD ENGAGED IN BEGGAR-THY-NEIGHBOR CURRENCY DEVALUATIONS. BY ARTIFICIALLY PEGGING THEIR CURRENCIES AT A LOWER THAN MARKET VALUE – COMPETITIVE PRICE-FIXING IN ITS MOST FUNDAMENTAL FORM – GOVERNMENTS SOUGHT TO GAIN A TWO-WAY TRADE ADVANTAGE BY MAKING THEIR EXPORTS CHEAPER AND THEIR IMPORTS MORE EXPENSIVE. COMPARED TO IMPORT RESTRICTIONS, CURRENCY PROTECTIONISM IS FAR MORE POTENT, AS A SINGLE MEASURE AFFECTS THE PRICE OF ALL EXPORTS AS WELL AS ALL IMPORTS.

AFTER WORLD WAR II, THE WORLD COMMUNITY DEVELOPED A SYSTEM OF RULES – THE GENERAL AGREEMENT ON TARIFFS AND TRADE – TO DISMANTLE THE PROTECTIVE TARIFFS OF THE 1930S. IMPORTANTLY, THE GATT SET UP A SYSTEM OF RULES DESIGNED TO PREVENT A REPETITION OF IMPORT PROTECTIONISM. THEY ARE BACKED BY REMEDIES IN NATIONAL TRADE LAWS AS WELL AS MULTILATERAL DISPUTE SETTLEMENT. OVER THE PAST SIX DECADES THOSE RULES HAVE PROVED TO BE GENERALLY EFFECTIVE AND ENFORCEABLE.

BY CONTRAST, THE RESPONSE ON THE MONETARY SIDE HAS BEEN WEAKER AND INCOMPLETE. ARTICLE 4 OF THE IMF DOES OBLIGATE ITS MEMBERS IN EFFECT TO AVOID USING EXCHANGE RATES TO PREVENT MARKET FORCES FROM CORRECTING IMBALANCES IN TRADE FLOWS AND CURRENT ACCOUNTS. THERE IS A RULE, BUT THERE IS NO REMEDY.

THAT'S WHY WE NEED THIS PARTICULAR BILL. IT IS BASED ON, AND CONSISTENT WITH, WTO AND IMF RULES. IT SEEKS TO SUPPLY ONE OF THE MISSING REMEDIES TO A SYSTEM THAT HAS GENERALLY WORKED WELL TO DAMPEN THE THREAT OF TRADE PROTECTIONISM. PROPERLY UNDERSTOOD, WHAT WE PROPOSE IS NOT PROTECTIONIST, BUT WOULD BE AN ANTIDOTE TO PROTECTIONISM. IT IS NOT A THREAT TO ECONOMIC RECOVERY HERE OR ABROAD, BUT A NECESSARY CONTRIBUTION TO IT. IT FOCUSES ON NO PARTICULAR COUNTRY, BUT ESTABLISHES A RULE TO BE APPLIED EQUALLY TO ALL COUNTRIES AT ALL TIMES.

NO LESS A FREE TRADER THAN RONALD REAGAN WOULD WELL UNDERSTAND THE ARGUMENT I JUST LAID OUT. IN THE MID-1980S, HE RESPONDED TO A GLOBAL EXCHANGE RATE MISALIGNMENT BY NEGOTIATING THE PLAZA ACCORD. MAJOR CURRENCIES UNDERWENT SUBSTANTIAL UPWARD ADJUSTMENT AGAINST THE DOLLAR, AND THE WORLD ECONOMY CONTINUED TO GROW. AFTERWARDS, REAGAN LAID OUT PRINCIPLES FOR TRADE POLICY THAT ARE STILL RELEVANT TODAY. I HAVE CALLED THEM HIS "THREE RS."

FIRST, WE NEED RECIPROCITY IN OUR TRADE RELATIONS. HE CALLED FOR "FREE AND FAIR TRADE WITH FREE AND FAIR TRADERS."

SECOND, HE URGED RESPECT FOR THE RULES. WHEN WE VIOLATE THE RULES, IT IS PROTECTIONISM. WHEN WE LIVE WITHIN THEM, IT'S NOT. AND, BY HIS FIRST PRINCIPLE OF RECIPROCITY, THESE STANDARDS ARE AS APPLICABLE TO EACH OF OUR TADING PARTNERS AS THEY ARE TO THE UNITED STATES.

THIRD, TRADE POLICY NEEDS TO PRODUCE RESULTS – EQUITABLE TREATMENT FOR AMERICAN PRODUCERS AND A SOUND BASIS FOR ECONOMIC GROWTH AT HOME AND ABROAD.

RECIPROCITY. RESPECT FOR THE RULES. RESULTS. THAT'S WHAT THIS BILL IS ABOUT. THAT'S WHY IT DESERVES THE SUPPORT OF EVERY MEMBER OF CONGRESS. THAT'S WHY THE ADMINISTRATION SHOULD WELCOME THE BILL AND USE IT AS PART OF THE PROMISED STRATEGY TO REALIGN CURRENCIES SO THAT THEY REFLECT MARKET VALUES AND PUT THE WORLD ECONOMY ON A SOUND BASIS.

THAT IS WHAT WE SEEK. THAT IS WHAT WE WORK FOR. WE ARE EXTREMELY PLEASED THAT ON DAY ONE OF THIS EFFORT WE CAN COUNT ON SO MUCH CONGRESSIONAL SUPPORT.