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SCHUMER DETAILS NEW PLAN TO GET TOUGH ON CHINA TO HELP STRUGGLING ULSTER COUNTY APPLE FARMERS

Apple farmers in the Hudson Valley are losing hundreds of thousands each year in revenues because of competition from cheap Chinese apple juice concentrate

Schumer's tough approach tells Chinese government to stop manipulating its currency or risk being slapped with large tariffs on the produce it exports

Standing with Hudson Valley apple farmers at Dressel Farms in New Paltz, US Senator Charles E. Schumer today detailed a new plan to get tough with China and help local farmers compete against cheap Chinese apple juice concentrate.

Schumer detailed his new bipartisan effort to get the Chinese government to stop manipulating the value of its currency, a practice that gives the Chinese an unfair edge in making and exporting products.

â€œIt's time to put some muscle into our trade relationship with China," Schumer said. "For too long, the Chinese government has been playing games with the value of its currency in order to get a competitive edge. As a result, our apple farmers are getting hurt by cheap chinese apple juice concentrate imports. We can't afford to let any more time go by without taking concrete and strong action."

The yuan's undervaluation has played a major role in the loss of revenue to apple farmers in New York, particularly in the Hudson Valley. The undervaluation of the yuan makes China's exports â€" such as apple juice concentrate â€" relatively less expensive for foreigners, and makes foreign products relatively more expensive for Chinese consumers and discourages imports. The effective result is a significant subsidization of China's exports and a virtual tariff on foreign imports. This practice also makes it easier for the Chinese to engage in unfair trade practices that allow its apple juice concentrate to undercut domestic producers.

Schumer's plan would apply a "symmetrical" tariff of 27.5% in line with China's currency undervaluation that would be applied across the board to products from China. It would allow the President to remove sanctions once he certifies that China has begun moving towards revaluing its currency upwards. The tariffs would kick in after a negotiating period of 180 days to ensure that Treasury officials have adequate time to work with the Chinese government to institute reforms.

The yuan -- sometimes known as renminbi -- has been tightly pegged to the U.S. dollar since 1994 (approximately 8.28 yuan to the dollar). During that period of time, Chinaâ€™s economy has grown dramatically, averaging over 8% per year. If Chinaâ€™s currency freely floated in the market, as is the case with virtually all major world currencies, it would have appreciated substantially reflecting China's underlying economic strength. However, it has remained at the same pegged value, and the result is that many economists estimate that the yuan is now undervalued by between 15 and 40 percent.

As a result, China has enjoyed enormous export success â€" exports grew 22% in 2002 to $125 billion, they were $62 billion in 1997 â€" and a much more modest increase in imports â€" Chinaâ€™s imports from the U.S. have increased to $19 billion from $13 billion in 1997. The result is that Chinaâ€™s trade surpluses are at record highs, and its economic growth continues unabated, even in the aftermath of the SARS health crisis.

"The Chinese want to have it both ways: On one hand they want free trade and want membership in the WTO and other international trade organizations. But on the other hand, they don't want to play by the rules of those organizations. The Chinese actions endanger American and world commitment to free trade and weaken the support in Congress for free trade," Schumer said. "This legislation is a tough-love effort to get the Chinese to stop playing games with their currency in order to level the playing field for our apple farmers trying to compete with produce coming from China."

In order to hold the value of the yuan within its tight and artificial trading band, the Chinese government has intervened in its foreign exchange markets. This practice has resulted in enormous growth in Chinaâ€™s dollar reserves, estimated to be over $345 billion as of June 2003. China's increase in reserves over the past twelve months exceeded that of any other country in the world.

However, the practice of â€œcurrency manipulationâ€ to gain a trade or competitive advantage violates World Trade Organization and International Monetary Fund agreements, of which China is now party. Chinaâ€™s emergence as a manufacturing powerhouse at the expense of the United States raises significant economic security concerns and the question of whether a country that loses its ability to produce tangible products will long remain an economic power.

Schumer was joined by apple growers including Rod Dressel, Sr and Rod Dressel, Jr.; and Peter Barton, president of the Hudson Valley Fruit Growers Association.

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