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H. R. 3269

To require certain actions to be taken against countries that manipulate their currencies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 2003

Mr. DINGELL introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To require certain actions to be taken against countries that manipulate their currencies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Currency Manipulation Prevention Act''.

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) The growth of the United States economy over the last century has largely been a function of the success of the manufacturing sector. 30 percent

of the economic growth during the 1990s was attributable to manufacturing.

(2) Manufacturers conduct 60 percent of all research and development for new products and technologies in the United States. Manufacturing jobs also provide 26 percent higher wages than jobs in the service sector.

(3) Since July 2000, more than 2,700,000 jobs have been lost in the manufacturing sector. That accounts for more than 90 percent of the jobs lost during the economic downturn.

(4) One of the difficulties faced by United States manufacturers in providing jobs is their disadvantage in competing against low cost foreign products.

(5) The low cost of products produced abroad can be caused by the intervention of governments of other countries in the currency markets in order to maintain their own currencies at artificially low valuations.

(6) This practice, in effect, subsidizes the exports of those countries while erecting a cost barrier to goods imported into those countries.

(7) United States trading partners, such as the People's Republic of China, Japan, South Korea,

and Taiwan have amassed more than $1,200,000,000,000 in foreign currency reserves, the vast majority of which are United States dollars. In particular, the intervention by the People's Republic of China in the currency market has led to an undervaluation of the renminbi by as much as 40 percent. This creates a 40 percent subsidy for goods of that country.

(8) The United States trade deficit with China increased from $57,000,000,000 in 1998 to $103,000,000,000 in 2002.

(9) The United States has the right and power to redress unfair competitive practices in international trade that involve currency manipulation.

(10) Section 3004 of the Omnibus Trade and Competitiveness Act of 1988 (22 U.S.C. 5304) requires the Secretary of the Treasury to undertake multilateral or bilateral negotiations if it is found that a country is manipulating its currency, and Article IV of the Articles of Agreement of the International Monetary Fund prohibits currency manipulation.

(11) Article XV of the GATT 1994, as defined in section 2 of the Uruguay Round Agreements Act (19 U.S.C. 3501), and the Agreement on Subsidies

and Countervailing Measures referred to in section 101(d)(12) of that Act (19 U.S.C. 3511(12)) both suggest that currency manipulation in order to gain an unfair trading advantage would violate the intent of those agreements.

SEC. 3. TRADE NEGOTIATING OBJECTIVE.

Section 2102(b) of the Trade Act of 2002 (19 U.S.C. 3802(b)) is amended by adding at the end the following:

"(18) EXCHANGE RATE POLICY.—The principal negotiating objective of the United States with respect to currency exchange rates is to ensure that governmental intervention in currency markets to stabilize short-term disruptive market conditions is of limited duration and is carried out in consultation with countries with major economies.".

SEC. 4. REPORT ON CURRENCY MANIPULATION.

The Secretary of Commerce shall, not later than 6 months after the date of the enactment of this Act, and not later than the end of each 6-month period thereafter, submit to the Congress, the President, the United States Trade Representative, and the Secretary of the Treasury, a report—

(1) describing actions by foreign governments to manipulate the currencies of their countries in order to increase exports from those countries to the

United States or to limit imports of United States products into those countries, and describing the extent of such currency manipulation;

(2) analyzing whether, and to what extent—

(A) currency manipulation described under paragraph (1) affects the manufacturing sector in the United States; and

(B) reduction of the manipulation and of the accumulation of United States dollars by foreign governments might affect United States monetary policy; and

(3) setting forth all remedies against such currency manipulation that are available under applicable trade agreements and international institutions such as the World Trade Organization and the International Monetary Fund.

SEC. 5. PROCEEDINGS.

(a) ACTION BY THE PRESIDENT.—In any case in which the Secretary of Commerce, in a report under section 4, identities a government of a foreign country that is manipulating the currency of that country, the President, within 45 days after the report is issued, shall initiate negotiations with that country for the purpose of ending the currency manipulation. If the President, within 45 days after the report under section 4 is issued, is unable to reach an agreement with that country to end the currency manipulation, the President shall take the necessary steps to initiate proceedings under the applicable trade agreements or under the auspices of the World Trade Organization or other applicable international institutions, and under applicable United States law, including section 301 of the Trade Act of 1974, against that country on account of that currency manipulation.

(b) COMPENSATION.—

(1) IN GENERAL.—In the course of, or in addition to, action taken under paragraph (1) with respect to a country, the President shall seek compensation from that country equivalent to the damages incurred by United States manufacturers and other adversely affected parties in the United States on account of the currency manipulation of that country. The President is not required to seek such compensation if he determines that to do so would not be in the national interests of the United States.

(2) REPORT IF COMPENSATION NOT SOUGHT.—In any case in which the President does not seek compensation under paragraph (1), the President shall transmit to the Committee on Energy and Commerce and the Committee on Ways and Means of the House of Representatives, and to the Com-

mittee on Commerce, Science and Transportation and the Committee on Finance of the Senate a detailed explanation of the President's determination of national interest.

SEC. 6. CURRENCY MANIPULATION DEFINED.

In this Act, the term ''currency manipulation'' means—

(1) manipulation of exchange rates by a country in order to gain an unfair competitive advantage as stated in Article IV of the Articles of Agreement of the International Monetary Fund;

(2) sustained currency intervention by a country in one direction, through mandatory foreign exchange sales at a country's central bank at a fixed exchange rate; or

(3) other mechanisms used by a country to maintain its currency at at fixed exchange rate relative to the currency [of another country].

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