

108TH CONGRESS
1ST SESSION

S. 1758

To require the Secretary of the Treasury to analyze and report on the exchange rate policies of the People's Republic of China, and to require that additional tariffs be imposed on products of that country on the basis of the rate of manipulation by that country of the rate of exchange between the currency of that country and the United States dollar.

IN THE SENATE OF THE UNITED STATES

OCTOBER 20, 2003

Mr. VOINOVICH (for himself and Mr. DEWINE) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To require the Secretary of the Treasury to analyze and report on the exchange rate policies of the People's Republic of China, and to require that additional tariffs be imposed on products of that country on the basis of the rate of manipulation by that country of the rate of exchange between the currency of that country and the United States dollar.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Currency Harmoni-
3 zation Initiative through Neutralizing Action Act of
4 2003”.

5 **SEC. 2. FINDINGS.**

6 (a) FINDINGS.—The Congress finds as follows:

7 (1) The benefit of trade concessions can be ad-
8 versely affected by misalignments in currency.

9 (2) Misalignments in currency caused by gov-
10 ernment policies intended to maintain an unfair
11 trade advantage nullify and impair trade conces-
12 sions.

13 (3) Under article XV of the GATT 1994, a
14 country is considered to be manipulating its cur-
15 rency to obtain an unfair trade advantage if—

16 (A) its currency manipulation has a sub-
17 sidy-like effect;

18 (B) its currency manipulation constitutes a
19 nullification and impairment of the benefits of
20 the GATT 1994; or

21 (C) its currency manipulation results in a
22 contravention of the intention of the GATT
23 1994.

24 (4) The International Monetary Fund also pro-
25 hibits the use of currency manipulation as a method
26 of gaining unfair trade advantage. The International

1 Monetary Fund defines such manipulation as large-
2 scale and protracted intervention in one direction to
3 gain an unfair trade advantage.

4 (5) Sections 301 through 309 of the Trade Act
5 of 1974 contain the authority under United States
6 law to take retaliatory action, including import re-
7 strictions, to enforce the rights of the United States
8 against any unjustifiable, unreasonable, or discrimi-
9 natory practice or policy of a country that burdens
10 or restricts United States commerce.

11 (6) In 2002, the United States trade deficit
12 with the People's Republic of China exceeded
13 \$103,000,000,000, the largest bilateral trade deficit
14 in the world. Based on the first four months of
15 2003, the United States trade deficit with the Peo-
16 ple's Republic of China is estimated to reach more
17 than \$120,000,000,000 in 2003.

18 (7) United States imports from the People's
19 Republic of China have been growing at more than
20 twice the rate of United States exports to that coun-
21 try.

22 (8) The People's Republic of China is accumu-
23 lating foreign currency reserves, mostly United
24 States dollars, at a rate of more than
25 \$6,000,000,000 per month; this intervention has

1 kept the Chinese renminbi (RMB) from appreciating
2 despite large trade surpluses and investment flows.
3 China's total foreign currency reserves currently
4 stand at almost \$300,000,000,000.

5 (9) The People's Republic of China has kept its
6 currency pegged at approximately 8.3 RMB to the
7 dollar since 1994.

8 (10) The large and growing trade surplus of the
9 People's Republic of China with the United States
10 strongly suggests that the RMB is undervalued
11 against the dollar. Recently, economists have esti-
12 mated that the RMB is undervalued against the
13 United States dollar by as much as 40 percent.

14 (11) Import tariffs of the People's Republic of
15 China currently average about 15 percent. Assuming
16 the recent estimates of Chinese RMB undervaluation
17 against the dollar are correct, the effect of a free
18 and open currency market would be more than twice
19 as large as the effect of eliminating every tariff that
20 the People's Republic of China imposes on United
21 States goods.

22 (12) In the long run, revaluation of the RMB
23 by the Government of the People's Republic of
24 China would mitigate the ever increasing United
25 States trade deficit with that country.

1 (13) The President should formally initiate ac-
2 tion against the People’s Republic of China, on ac-
3 count of the manipulation of its currency, pursuant
4 to article XV of the GATT 1994, the rules of the
5 International Monetary Fund, and sections 301
6 through 309 of the Trade Act of 1974.

7 (b) DEFINITION.—In this section the term “GATT
8 1994” has the meaning given that term in section 2 of
9 the Uruguay Round Agreements Act (19 U.S.C. 3501).

10 **SEC. 3. ANALYSIS OF AND REPORT ON EXCHANGE RATE**
11 **POLICIES OF CHINA.**

12 (a) ANALYSIS.—The Secretary of the Treasury shall,
13 upon the enactment of this Act and annually thereafter,
14 analyze the exchange rate policies of the People’s Republic
15 of China in order to determine whether that country ma-
16 nipulates the rate of exchange between the currency of
17 that country and the United States dollar for purposes
18 of preventing effective balance of payments adjustments
19 or gaining an unfair competitive advantage in inter-
20 national trade.

21 (b) COMPUTATION OF RATE OF MANIPULATION.—If
22 the Secretary of the Treasury makes an affirmative deter-
23 mination under subsection (a), the Secretary shall com-
24 pute the rate of manipulation against the dollar in the
25 form of a percentage.

1 (c) REPORTS TO CONGRESS.—The Secretary of the
2 Treasury shall submit to the Committee on Ways and
3 Means of the House of Representatives and to the Com-
4 mittee on Finance of the Senate a report on the Sec-
5 retary’s analysis and findings under subsection (a), and
6 any rate computed under subsection (b). The report shall
7 be submitted—

8 (1) with respect to the analysis conducted upon
9 the enactment of this Act, not later than 60 days
10 after the date of the enactment of this Act; and

11 (2) with respect to each subsequent analysis, at
12 the end of each 1-year period thereafter.

13 **SEC. 4. ADDITIONAL TARIFFS.**

14 (a) ADDITIONAL TARIFF.—In any case in which a re-
15 port of the Secretary of the Treasury submitted under sec-
16 tion 3(c) includes a rate of manipulation under section
17 3(b), the Secretary shall, not later than 30 days after the
18 report is submitted, impose on all products of China that
19 enter the customs territory of the United States, in addi-
20 tion to any duty that otherwise applies, a tariff equal to
21 the applicable percentage of the appraised value of the
22 product at the time of entry. For purposes of this sub-
23 section, the “applicable percentage” is the percentage
24 equal to the rate of manipulation.

1 (b) ANNUAL MODIFICATION.—Any tariff imposed
2 under subsection (a) shall be modified annually to the ex-
3 tent necessary to comply with the most recent report of
4 the Secretary of the Treasury under section 3(c).

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