

108TH CONGRESS
1ST SESSION

S. RES. 219

To encourage the People's Republic of China to establish a market-based valuation of the yuan and to fulfill its commitments under international trade agreements.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 9, 2003

Mr. GRAHAM of South Carolina (for himself, Mr. SCHUMER, Mr. VOINOVICH, Mr. CHAMBLISS, Mr. LIEBERMAN, Mr. ALLEN, Mr. SPECTER, Mr. ENZI, and Mr. KYL) submitted the following resolution; which was referred to the Committee on Foreign Relations

RESOLUTION

To encourage the People's Republic of China to establish a market-based valuation of the yuan and to fulfill its commitments under international trade agreements.

Whereas the currency of the People's Republic of China, the yuan or renminbi, has been tightly pegged to the United States dollar at the same fixed level since 1994;

Whereas the undervaluation of China's currency makes exports from China less expensive for foreigners and makes foreign products more expensive for Chinese consumers, an effective subsidization of China's exports and a virtual tariff on foreign imports;

Whereas the Government of the People's Republic of China has significantly intervened in its foreign exchange mar-

kets in order to hold the value of the yuan within its tight and artificial trading band, resulting in enormous growth in China's dollar reserves, estimated to be over \$345,000,000,000 as of June 2003;

Whereas the practice of "currency manipulation" to gain a trade or competitive advantage is a violation of the spirit and letter of the World Trade Organization and International Monetary Fund agreements, of which the People's Republic of China is now party;

Whereas the undervaluation of China's currency has had and continues to have a negative impact on the United States manufacturing sector, contributing to significant job losses and business closures;

Whereas the undervaluation of China's currency also has had and continues to have a negative impact on the economies of its neighbor nations, the European Community, Mexico, and Latin America;

Whereas the free fluctuation of currencies is a key component to the health of global trade, and the stability of the world economy; and

Whereas China's central bank governor has stated that the value of the yuan will eventually be determined by market forces rather than pegged firmly to the dollar: Now, therefore, be it

- 1 *Resolved*, That the Senate of the United States—
- 2 (1) supports the Secretary of the Treasury's
- 3 work with regard to the Secretary's discussions with
- 4 the Government of the People's Republic of China
- 5 leading to a market-based valuation of the yuan; and

1 (2) encourages the People's Republic of China
2 to continue to act on its commitments to the trade
3 rules and principles of the international community
4 of which it is now a member.

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