

108TH CONGRESS
1ST SESSION

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

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Currency Manipulation
5 Prevention Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress makes the following findings:

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

1 of the economic growth during the 1990s was attrib-
2 utable to manufacturing.

3 (2) Manufacturers conduct 60 percent of all re-
4 search and development for new products and tech-
5 nologies in the United States. Manufacturing jobs
6 also provide 26 percent higher wages than jobs in
7 the service sector.

8 (3) Since July 2000, more than 2,700,000 jobs
9 have been lost in the manufacturing sector. That ac-
10 counts for more than 90 percent of the jobs lost dur-
11 ing the economic downturn.

12 (4) One of the difficulties faced by United
13 States manufacturers in providing jobs is their dis-
14 advantage in competing against low cost foreign
15 products.

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

21 (6) This practice, in effect, subsidizes the ex-
22 ports of those countries while erecting a cost barrier
23 to goods imported into those countries.

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

1 and Taiwan have amassed more than
2 \$1,200,000,000,000 in foreign currency reserves, the
3 vast majority of which are United States dollars. In
4 particular, the intervention by the People's Republic
5 of China in the currency market has led to an
6 undervaluation of the renminbi by as much as 40
7 percent. This creates a 40 percent subsidy for goods
8 of that country.

9 (8) The United States trade deficit with China
10 increased from \$57,000,000,000 in 1998 to
11 \$103,000,000,000 in 2002.

12 (9) The United States has the right and power
13 to redress unfair competitive practices in inter-
14 national trade that involve currency manipulation.

15 (10) Section 3004 of the Omnibus Trade and
16 Competitiveness Act of 1988 (22 U.S.C. 5304) re-
17 quires the Secretary of the Treasury to undertake
18 multilateral or bilateral negotiations if it is found
19 that a country is manipulating its currency, and Ar-
20 ticle IV of the Articles of Agreement of the Inter-
21 national Monetary Fund prohibits currency manipu-
22 lation.

23 (11) Article XV of the GATT 1994, as defined
24 in section 2 of the Uruguay Round Agreements Act
25 (19 U.S.C. 3501), and the Agreement on Subsidies

1 and Countervailing Measures referred to in section
2 101(d)(12) of that Act (19 U.S.C. 3511(12)) both
3 suggest that currency manipulation in order to gain
4 an unfair trading advantage would violate the intent
5 of those agreements.

6 **SEC. 3. TRADE NEGOTIATING OBJECTIVE.**

7 Section 2102(b) of the Trade Act of 2002 (19 U.S.C.
8 3802(b)) is amended by adding at the end the following:

9 “(18) EXCHANGE RATE POLICY.—The principal
10 negotiating objective of the United States with re-
11 spect to currency exchange rates is to ensure that
12 governmental intervention in currency markets to
13 stabilize short-term disruptive market conditions is
14 of limited duration and is carried out in consultation
15 with countries with major economies.”.

16 **SEC. 4. REPORT ON CURRENCY MANIPULATION.**

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

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

1 United States or to limit imports of United States
2 products into those countries, and describing the ex-
3 tent of such currency manipulation;

4 (2) analyzing whether, and to what extent—

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

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

12 (3) setting forth all remedies against such cur-
13 rency manipulation that are available under applica-
14 ble trade agreements and international institutions
15 such as the World Trade Organization and the
16 International Monetary Fund.

17 **SEC. 5. PROCEEDINGS.**

18 (a) ACTION BY THE PRESIDENT.—In any case in
19 which the Secretary of Commerce, in a report under sec-
20 tion 4, identifies a government of a foreign country that
21 is manipulating the currency of that country, the Presi-
22 dent, within 45 days after the report is issued, shall ini-
23 tiate negotiations with that country for the purpose of
24 ending the currency manipulation. If the President, within
25 45 days after the report under section 4 is issued, is un-

1 able to reach an agreement with that country to end the
2 currency manipulation, the President shall take the nec-
3 essary steps to initiate proceedings under the applicable
4 trade agreements or under the auspices of the World
5 Trade Organization or other applicable international insti-
6 tutions, and under applicable United States law, including
7 section 301 of the Trade Act of 1974, against that country
8 on account of that currency manipulation.

9 (b) COMPENSATION.—

10 (1) IN GENERAL.—In the course of, or in addi-
11 tion to, action taken under paragraph (1) with re-
12 spect to a country, the President shall seek com-
13 pensation from that country equivalent to the dam-
14 ages incurred by United States manufacturers and
15 other adversely affected parties in the United States
16 on account of the currency manipulation of that
17 country. The President is not required to seek such
18 compensation if he determines that to do so would
19 not be in the national interests of the United States.

20 (2) REPORT IF COMPENSATION NOT SOUGHT.—

21 In any case in which the President does not seek
22 compensation under paragraph (1), the President
23 shall transmit to the Committee on Energy and
24 Commerce and the Committee on Ways and Means
25 of the House of Representatives, and to the Com-

1 mittee on Commerce, Science and Transportation
2 and the Committee on Finance of the Senate a de-
3 tailed explanation of the President's determination
4 of national interest.

5 **SEC. 6. CURRENCY MANIPULATION DEFINED.**

6 In this Act, the term "currency manipulation"
7 means—

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

12 (2) sustained currency intervention by a coun-
13 try in one direction, through mandatory foreign ex-
14 change sales at a country's central bank at a fixed
15 exchange rate; or

16 (3) other mechanisms used by a country to
17 maintain its currency at at fixed exchange rate rel-
18 ative to the currency [of another country].

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