H. Res. 414

In the House of Representatives, U.S.,

October 29, 2003.

Whereas United States investors and exporters to the People's Republic of China recognize the opportunity of doing business with China but have raised serious concerns that many of the commitments China made upon joining the World Trade Organization have not yet been implemented or implementation has been inadequate;

Whereas market barriers and unfair trade practices continue to exist, including high tariffs, subsidies, technical trade restrictions, counterfeiting, tied trade, violations of intellectual property rights, and nonmarket-based industrial policies that limit United States exports;

Whereas increases in global trade will lead to faster growth of the United States economy and an improved quality of life for workers in the People's Republic of China;

Whereas China is one of the fastest-growing economies in the world and an important expanding market for United States exports;

Whereas China has made progress in implementing the commitments that it made upon joining the World Trade Organization, including the required reduction of its tariffs on many industrial goods of importance to United States manufacturers;

Whereas China must move more quickly to implement its World Trade Organization commitments fully and to remove many market access barriers;

Whereas the currency of the People's Republic of China, the renminbi, has been fixed relative to the United States dollar since 1994;

Whereas a systemically misvalued currency by any large country can have damaging trade-distorting effects on both that country and its trading partners by decreasing the price of exports of products of that country and increasing the price of imports to that country;

Whereas China's trade liberalization will cause economic imbalances in its market and world markets unless China also implements capital account liberalization;

Whereas the market-based valuation of currencies is a key component to resilient global trading systems by enabling smoother transitions to reflect underlying economic fundamentals in a country;

Whereas China's substantial foreign reserves reduce China's susceptibility to currency crises and, therefore, the need for continued use of a fixed currency;

Whereas the International Monetary Fund (IMF) has advised China to adopt a more flexible exchange rate policy, and has indicated that such a change would not have serious adverse consequences for that country, although IMF officials have expressed concern about the weakness of China's banking system and that it may not have the ability to move quickly towards a floating rate;

Whereas the Joint Ministerial Statement in September 2003 of the Asia-Pacific Economic Cooperation Finance Ministerial Meeting "emphasized the importance of accelerating structural reform, adopting macroeconomic policies that promote sustainable growth, supported by appropriate exchange rate policies that facilitate orderly and balanced external adjustment . . . [and] noted a view expressed at the meeting that more flexible exchange rate management, in some cases, would promote this objective'';

Whereas the Group of Seven Finance Ministers and Central Bank Governors in their September 2003 Communique have emphasized that ''more flexibility in exchange rates is desirable for major countries or economic areas to promote smooth and widespread adjustments in the international financial system, based on market mechanisms'';

Whereas China's central bank governor has stated that the value of the renminbi will eventually be determined by market forces rather than be fixed to the dollar but has not given any indication of when this change in policy will occur;

Whereas China recognizes that it is in its own interest to reform its exchange rate regime and its banking system in order to establish a resilient economy and control its rate of economic expansion;

Whereas China is taking concrete steps to move to a more flexible exchange rate regime by increasing private ownership of its banking system and by establishing a technical working group on a range of financial sector issues, including exchange rate policy;

Whereas manufacturing is important to the health of the United States economy, generating high quality products, personal opportunity, productive careers, wealth, high standards of living, and economic growth;

Whereas the manufacturing sector is the leading source of new patents and innovation in the United States economy, which helps drive economic growth at home and abroad;

Whereas the manufacturing sector faces the most intense global competition in United States history, making it difficult for many firms to operate profitably and earn a sufficient return on capital invested, and manufacturing costs continue to increase for many reasons, including governmental actions; and

Whereas the manufacturing sector in the United States seeks a global level playing field for competition and markets: Now, therefore, be it

Resolved, That—

(1) the House of Representatives commends the President and his Administration for continued efforts to engage the Government of the People's Republic of China directly and to encourage China to fulfill its commitments as a member of the World Trade Organization;

(2) the House of Representatives encourages the People's Republic of China to meet its commitments to the trade rules and principles of the international community of which it is now a member;

(3) the Chinese economy would benefit from an exchange rate determined by the market in order to avoid artificial rates that can lead to market and trade distortions;

(4) the House of Representatives will continue to monitor closely and work with the Administration to encourage China's efforts to modernize its financial system, establish a more flexible exchange rate, and comply with its trade agreement obligations;

(5) the House of Representatives urges the Administration to continue its intensive discussions with officials from the Government of the People's Republic of China to facilitate moves towards a market-based valuation of the renminbi, relaxation of capital controls, and reform of its banking sector; and

(6) manufacturing is an important sector to the United States economy and, therefore, the United States Government should intensify efforts to promote innovation, reduce costs, and level the international playing field for this sector.

Attest:

Clerk.