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

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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.

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 Harmonization Initiative through Neutralizing Action Act of 2003".

SEC. 2. FINDINGS.

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

(1) The benefit of trade concessions can be adversely affected by misalignments in currency.

(2) Misalignments in currency caused by government policies intended to maintain an unfair trade advantage nullify and impair trade concessions.

(3) Under article XV of the GATT 1994, a country is considered to be manipulating its currency to obtain an unfair trade advantage if—

(A) its currency manipulation has a subsidy-like effect;

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

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

(4) The International Monetary Fund also prohibits the use of currency manipulation as a method of gaining unfair trade advantage. The International

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

(5) Sections 301 through 309 of the Trade Act of 1974 contain the authority under United States law to take retaliatory action, including import restrictions, to enforce the rights of the United States against any unjustifiable, unreasonable, or discriminatory practice or policy of a country that burdens or restricts United States commerce.

(6) In 2002, the United States trade deficit with the People's Republic of China exceeded $103,000,000,000, the largest bilateral trade deficit in the world. Based on the first four months of 2003, the United States trade deficit with the People's Republic of China is estimated to reach more than $120,000,000,000 in 2003.

(7) United States imports from the People's Republic of China have been growing at more than twice the rate of United States exports to that country.

(8) The People's Republic of China is accumulating foreign currency reserves, mostly United States dollars, at a rate of more than $6,000,000,000 per month; this intervention has

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

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

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

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

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

(13) The President should formally initiate action against the People's Republic of China, on account of the manipulation of its currency, pursuant to article XV of the GATT 1994, the rules of the International Monetary Fund, and sections 301 through 309 of the Trade Act of 1974.

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

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

(a) ANALYSIS.—The Secretary of the Treasury shall, upon the enactment of this Act and annually thereafter, analyze the exchange rate policies of the People's Republic of China in order to determine whether that country manipulates the rate of exchange between the currency of that country and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining an unfair competitive advantage in international trade.

(b) COMPUTATION OF RATE OF MANIPULATION.—If the Secretary of the Treasury makes an affirmative determination under subsection (a), the Secretary shall compute the rate of manipulation against the dollar in the form of a percentage.

(c) REPORTS TO CONGRESS.—The Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate a report on the Secretary's analysis and findings under subsection (a), and any rate computed under subsection (b). The report shall be submitted—

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

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

SEC. 4. ADDITIONAL TARIFFS.

(a) ADDITIONAL TARIFF.—In any case in which a report of the Secretary of the Treasury submitted under section 3(c) includes a rate of manipulation under section 3(b), the Secretary shall, not later than 30 days after the report is submitted, impose on all products of China that enter the customs territory of the United States, in addition to any duty that otherwise applies, a tariff equal to the applicable percentage of the appraised value of the product at the time of entry. For purposes of this subsection, the ''applicable percentage'' is the percentage equal to the rate of manipulation.

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

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