

108TH CONGRESS
1ST SESSION

S. RES. 262

To encourage the Secretary of the Treasury to initiate expedited negotiations with the People's Republic of China on establishing a market-based currency valuation and to fulfill its commitments under international trade agreements.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 6, 2003

Ms. SNOWE (for herself, Mrs. DOLE, Mr. BAUCUS, Mr. GRAHAM of South Carolina, and Mr. BAYH) submitted the following resolution; which was referred to the Committee on Finance

RESOLUTION

To encourage the Secretary of the Treasury to initiate expedited negotiations with the People's Republic of China on establishing a market-based currency valuation and to fulfill its commitments under international trade agreements.

Whereas the currency of the People's Republic of China has been tightly pegged to the United States dollar at the same fixed level of 8.28 yuan to the dollar since 1994;

Whereas the Government of the People's Republic of China has significantly intervened in foreign exchange markets in order to hold the value of their currency within its tight and artificial trading band, resulting in enormous growth in China's dollar reserves, estimated to be over

\$346,000,000,000 as of June 2003, an increase by 43 percent from June 2002;

Whereas the People's Republic of China has seen significant increases in production capability, productivity, and foreign direct investment since initially pegging the yuan to the dollar, which would generally lead toward upward pressure on the currency value;

Whereas this peg, in the face of growing pressure, clearly represents a manipulation of China's currency;

Whereas the undervaluation of China's currency distorts the value of exports from China and the price of foreign products for Chinese consumers;

Whereas the value 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 G-7 Finance Ministers and Central Bank Governors in September of this year stated 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."; and

Whereas the market-based valuation of currencies is a key component to the health of global trade and the stability of the world economy: Now, therefore, be it

1 *Resolved*, That the Senate—

2 (1) urges the Secretary of the Treasury to ini-
3 tiate expedited negotiations with the Government of
4 the People's Republic of China, bilaterally or
5 through the International Monetary Fund, for the

1 purpose of ensuring a market-based exchange rate
2 valuation to permit effective balance of payments ad-
3 justments and to eliminate the unfair advantage;
4 and

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

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