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109TH CONGRESS
1ST SESSION

H. R. 3004

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 HOUSE OF REPRESENTATIVES

JUNE 21, 2005

Mr. ENGLISH of Pennsylvania (for himself, Mr. GREEN of Wisconsin, Mr. CHOCOLA, Mr. HAYES, Mr. REYNOLDS, Mr. PLATTS, Mr. WICKER, Mr. NORWOOD, Mr. GERLACH, Mr. UPTON, Mr. EHLERS, Mr. SHERMAN, Mr. SHUSTER, Mrs. MYRICK, Mr. ETHERIDGE, Mr. MCHUGH, Mr. WALSH, Mr. GILLMOR, Mr. GOODLATTE, Mr. MURPHY, and Mr. DOYLE) introduced the following bill; which was referred to the Committee on Ways and Means

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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 2005''.

SEC. 2. 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) Article XV of the GATT 1994 prohibits WTO members from, by exchange rate action, frustrating the intent of the provisions of that Agreement, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

(4) The International Monetary Fund 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) The United States trade deficit with the People's Republic of China was $162,000,000,000 in 2004, the largest bilateral trade deficit in the world.

(7) United States imports from the People's Republic of China have been growing faster than 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. In 2004, reserves increased by more than 40 percent, reaching a cumulative total of more than $600,000,000,000.

(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 accumulation of foreign currency reserves by the People's Republic of China strongly suggests that the RMB is undervalued against the dollar. 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) 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, sections 122 and 301 through 309 of the Trade Act of 1974 (19 U.S.C. 2132 and 2411 through 2419), and section 3004 of the Omnibus Trade and Competitiveness Act of 1988 (22 U.S.C. 5304).

(13) The President should, without weakening or impairing existing trade remedies, clarify and improve World Trade Organization rules with regard to currency manipulation for trade advantage to reflect modern day monetary policy not envisioned at the time current rules were adopted in 1947, and report to Congress on ways to increase oversight and input opportunities for Congress in the interaction

of the United States in the World Trade Organization.

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, within the meaning of article XV of the GATT 1994.

(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).

SEC. 5. DEFINITIONS.

In this Act, the terms ''GATT 1994'' and ''WTO member'' have the meanings given those terms in section

2 of the Uruguay Round Agreements Act (19 U.S.C. 3501).

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