

109TH CONGRESS
1ST SESSION

S. 295

To authorize appropriate action if the negotiations with the People's Republic of China regarding China's undervalued currency are not successful.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 3, 2005

Mr. SCHUMER (for himself, Mr. GRAHAM, Mr. BUNNING, Mr. DURBIN, Mr. REID, Mr. KOHL, Mrs. DOLE, Ms. STABENOW, Mr. DODD, Mr. LEVIN, Mrs. CLINTON, Mr. BAYH, and Mr. DeWINE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To authorize appropriate action if the negotiations with the People's Republic of China regarding China's undervalued currency are not successful.

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. NEGOTIATIONS REGARDING CURRENCY VALU-**
4 **ATION.**

5 (a) FINDINGS.—Congress makes the following find-
6 ings:

7 (1) The currency of the People's Republic of
8 China, known as the yuan or renminbi, is artificially
9 pegged at a level significantly below its market

1 value. Economists estimate the yuan to be under-
2 valued by between 15 percent and 40 percent or an
3 average of 27.5 percent.

4 (2) The undervaluation of the yuan provides the
5 People's Republic of China with a significant trade
6 advantage by making exports less expensive for for-
7 eign consumers and by making foreign products
8 more expensive for Chinese consumers. The effective
9 result is a significant subsidization of China's ex-
10 ports and a virtual tariff on foreign imports.

11 (3) The Government of the People's Republic of
12 China has intervened in the foreign exchange mar-
13 kets to hold the value of the yuan within an artificial
14 trading range. China's foreign reserves are estimated
15 to be over \$609,900,000,000 as of January 12,
16 2005, and have increased by over \$206,700,000,000
17 in the last 12 months.

18 (4) China's undervalued currency, China's trade
19 advantage from that undervaluation, and the Chi-
20 nese Government's intervention in the value of its
21 currency violates the spirit and letter of the world
22 trading system of which the People's Republic of
23 China is now a member.

24 (5) The Government of the People's Republic of
25 China has failed to promptly address concerns or to

1 provide a definitive timetable for resolution of these
 2 concerns raised by the United States and the inter-
 3 national community regarding the value of its cur-
 4 rency.

5 (6) Article XXI of the GATT 1994 (as defined
 6 in section 2(1)(B) of the Uruguay Round Agree-
 7 ments Act (19 U.S.C. 3501(1)(B))) allows a member
 8 of the World Trade Organization to take any action
 9 which it considers necessary for the protection of its
 10 essential security interests. Protecting the United
 11 States manufacturing sector is essential to the inter-
 12 ests of the United States.

13 (b) NEGOTIATIONS AND CERTIFICATION REGARDING
 14 THE CURRENCY VALUATION POLICY OF THE PEOPLE'S
 15 REPUBLIC OF CHINA.—

16 (1) IN GENERAL.—Notwithstanding the provi-
 17 sions of title I of Public Law 106–286 (19 U.S.C.
 18 2431 note), on and after the date that is 180 days
 19 after the date of enactment of this Act, unless a cer-
 20 tification described in paragraph (2) has been made
 21 to Congress, in addition to any other duty, there
 22 shall be imposed a rate of duty of 27.5 percent ad
 23 valorem on any article that is the growth, product,
 24 or manufacture of the People's Republic of China,

1 imported directly or indirectly into the United
2 States.

3 (2) CERTIFICATION.—The certification de-
4 scribed in this paragraph means a certification by
5 the President to Congress that the People’s Republic
6 of China is no longer acquiring foreign exchange re-
7 serves to prevent the appreciation of the rate of ex-
8 change between its currency and the United States
9 dollar for purposes of gaining an unfair competitive
10 advantage in international trade. The certification
11 shall also include a determination that the currency
12 of the People’s Republic of China has undergone a
13 substantial upward revaluation placing it at or near
14 its fair market value.

15 (3) ALTERNATIVE CERTIFICATION.—If the
16 President certifies to Congress 180 days after the
17 date of enactment of this Act that the People’s Re-
18 public of China has made a good faith effort to re-
19 value its currency upward placing it at or near its
20 fair market value, the President may delay the im-
21 position of the tariffs described in paragraph (1) for
22 an additional 180 days. If at the end of the 180-day
23 period the President determines that China has de-
24 veloped and started actual implementation of a plan
25 to revalue its currency, the President may delay im-

1 position of the tariffs for an additional 12 months,
2 so that the People's Republic of China shall have
3 time to implement the plan.

4 (4) NEGOTIATIONS.—Beginning on the date of
5 enactment of this Act, the Secretary of the Treas-
6 ury, in consultation with the United States Trade
7 Representative, shall begin negotiations with the
8 People's Republic of China to ensure that the Peo-
9 ple's Republic of China adopts a process that leads
10 to a substantial upward currency revaluation within
11 180 days after the date of enactment of this Act.
12 Because various Asian governments have also been
13 acquiring substantial foreign exchange reserves in an
14 effort to prevent appreciation of their currencies for
15 purposes of gaining an unfair competitive advantage
16 in international trade, and because the People's Re-
17 public of China has concerns about the value of
18 those currencies, the Secretary shall also seek to
19 convene a multilateral summit to discuss exchange
20 rates with representatives of various Asian govern-
21 ments and other interested parties, including rep-
22 resentatives of other G-7 nations.

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