

110TH CONGRESS
1ST SESSION

H. R. 1002

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2007

Mr. SPRATT (for himself and Mrs. MYRICK) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To authorize appropriate action if the negotiations with the People's Republic of China regarding China's undervalued currency and currency manipulation 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. FINDINGS.**

4 Congress makes the following findings:

5 (1) The currency of the People's Republic of
6 China, the yuan, is artificially pegged at a level sig-
7 nificantly below its market value. Economists esti-

1 mate the yuan to be undervalued by between 15 per-
2 cent and 40 percent or an average of 27.5 percent.

3 (2) The undervaluation of the yuan makes ex-
4 ports from the People's Republic of China less ex-
5 pensive for foreign consumers and makes foreign
6 products more expensive for Chinese consumers. The
7 effective result is a significant subsidization of Chi-
8 na's exports and a virtual tariff on foreign imports,
9 leading the People's Republic of China to enjoy sig-
10 nificant trade surpluses with its international trad-
11 ing partners. The United States trade deficit with
12 China has widened from \$83,800,000,000 in 2000
13 to \$213,548,600,000 in 2006, resulting in an aggre-
14 gate deficit with China of more than
15 \$971,093,600,000 for that 7-year period.

16 (3) China's undervalued currency and the
17 United States trade deficit with the People's Repub-
18 lic of China is contributing to significant United
19 States job losses and harming United States busi-
20 nesses. In particular, the United States manufac-
21 turing sector has lost more than 3,009,000 jobs
22 since January 2001.

23 (4) The Government of the People's Republic of
24 China has intervened in the foreign exchange mar-
25 kets to hold the value of the yuan within an artificial

1 trading range. China's foreign reserves are estimated
2 to be more than \$1,066,000,000,000 as of January
3 1, 2007, and have increased at a level higher than
4 that of any other country.

5 (5) China's undervalued currency and the Chi-
6 nese Government's intervention in the value of its
7 currency violates the spirit and letter of the world
8 trading system of which the People's Republic of
9 China is now a member.

10 (6) The Government of the People's Republic of
11 China has failed to promptly address concerns raised
12 by the United States and the international commu-
13 nity regarding the value of its currency.

14 (7) Article XXI of the GATT 1994 (as defined
15 in section 2(1)(B) of the Uruguay Round Agree-
16 ments Act (19 U.S.C. 3501(1)(B)) allows a member
17 of the World Trade Organization to take any action
18 which it considers necessary for the protection of its
19 essential security interests. Protecting the United
20 States manufacturing sector is essential to the secu-
21 rity interests of the United States.

1 **SEC. 2. NEGOTIATIONS AND CERTIFICATION REGARDING**
2 **THE CURRENCY VALUATION POLICY OF THE**
3 **PEOPLE'S REPUBLIC OF CHINA.**

4 (a) IN GENERAL.—Notwithstanding the provisions of
5 title I of Public Law 106–286 (19 U.S.C. 2431 note), on
6 and after the date that is 180 days after the date of enact-
7 ment of this Act, unless a certification described in sub-
8 section (b) has been made to Congress, there shall be im-
9 posed a rate of duty of 27.5 percent ad valorem on any
10 article that is the growth, product, or manufacture of the
11 People's Republic of China and is imported directly or in-
12 directly into the United States, in addition to any other
13 duty that would otherwise apply to such article.

14 (b) CERTIFICATION.—The certification referred to in
15 subsection (a) is a certification by the President to Con-
16 gress that the People's Republic of China is no longer ma-
17 nipulating the rate of exchange between its currency and
18 the United States dollar for purposes of preventing an ef-
19 fective balance of payments and gaining an unfair com-
20 petitive advantage in international trade. The certification
21 shall also include a determination that the currency of the
22 People's Republic of China is valued in accordance with
23 accepted market-based trading policies.

24 (c) NEGOTIATIONS.—Beginning on the date of enact-
25 ment of this Act, the Secretary of the Treasury, in con-
26 sultation with the United States Trade Representative,

1 shall begin negotiations with the People's Republic of
2 China to ensure that the People's Republic of China
3 adopts a process that leads to a market-based system of
4 currency valuation.

