benefit is currently subject to taxation. Families of patriots should not be penalized on a benefit meant to show the nation's gratitude for their sacrifice. We must restore the original intent of this benefit and not unduly burden families with an unexpected tax bill. The death benefit paid to the survivor of a military member has historically been exempt from taxation. An oversight in the tax code after the gratuity was increased to $6,000 in 1991 left half of this payment subject to taxation. Only the passage of H.R. 3566/H.R. 3019 (Renzi/McGovern) will remedy this unfair taxation problem for our military families.

I commend my colleagues Representatives MCGOVERN and RENZI for sponsoring this important measure, and I look forward to supporting this bill and supporting our troops.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I rise today in support of H.R. 3365, the Fallen Patriots Tax Relief Act. It is important that we get this bill enacted into law right away. It is unconscionable that a knock at the door by a military chaplain is followed by a knock on the door from the tax man. But sadly, this is the case.

I had the distinct honor of serving my country in the Air Force for about 29 years. So my family and I know something about military life. And my wife, Shirley, has said that one of her worst moments was when the military chaplain pulled up in front of the house after I was shot down in Vietnam, and her heart just stopped. She didn't know what they were going to say, but she knew it was not going to be good.

I can't imagine the unspeakable despair of a family who just lost a loved one in service of their country, only to be followed up by the horror of a visit from the taxman. That is just wrong. So this bill fixes that. Let us change this law today.

This bill permits the entire amount of the death benefit gratuity to be tax free. It also increases the amount of the death benefit to $12,000, which is more in line with the value of these benefits when they were initially created. This is a clean bill. There is absolutely no good reason for it to get fouled up in the same legislative backwater that has stalled three previous versions of this bill.

You know, there a lot of good stories out there that don't get reported. For example, I've heard of a company of marines that left Iraq this summer without one casualty. That's great news. But, more common is the news we see on T.V. As President Bush says, ''Iraq is still a dangerous place.''

Sadly, nearly every day we hear of deaths in Iraq and other military hot spots around the globe. In the two years since 9/11 it has been increasingly important that we eliminate the unfair, immoral tax on the death benefit a service member's loved ones receive from the Armed Forces. In fact, this bill reaches back to that terrible day and also applies to families who will be receiving a visit from a chaplain in the future. I find it shameful that we continue to tax one-half of the death benefits paid to families.

This must change before the end of the year. It is the least we can do. These families have given the ultimate sacrifice for our country. We must not take any more from them.

Ms. SOLIS. Mr. Speaker, I rise in strong support of H.R. 3365, the Fallen Patriots Tax Relief Act.

The Fallen Patriots Tax Relief Act is a positive step in honoring the men and women of the Armed Services, who have made the ultimate sacrifice and given their lives while serving our country.

Unfortunately, the current death gratuity paid to the survivors of a military member is not adequate to cover funeral expenses, leaving them with the extra burden of covering these unexpected costs. The vast majority of the men and women in uniform come from hard working low-income backgrounds, whose families should not be expected to cover these costs.

On October 13, 2003, Private Jose Casanova, Jr. became the second constituent of mine to lose his life in Iraq.

The financial assistance provided to the Casanova family for burial expenses was not sufficient. The family still had to pay money from their own funds despite having the funeral home and the local police department waive numerous fees and provide some services for free.

This situation is not acceptable. Military families, like the Casanova family, deserve to be relieved of unnecessary financial costs associated with their fallen family members' deaths. This is the least we can do as a country.

In honor and in memory of our fallen patriots, I strongly urge my colleagues to support this bill.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. TERRY). The question is on the motion offered by the gentleman from Texas (Mr. SAM JOHNSON) that the House suspend the rules and pass the bill, H.R. 3365.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. SAM JOHNSON of Texas. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

GENERAL LEAVE

Mr. SAM JOHNSON of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 3365.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

ENCOURAGING PEOPLE'S REPUBLIC OF CHINA TO FULFILL COMMITMENTS UNDER INTERNATIONAL TRADE AGREEMENTS, SUPPORT UNITED STATES MANUFACTURING SECTOR, AND ESTABLISH MONETARY AND FINANCIAL MARKET REFORMS

Mr. ENGLISH. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 414) to encourage the People's Republic of China to fulfill its commitments under international trade agreements, support the United States manufacturing sector, and establish monetary and financial market reforms.

The Clerk read as follows:

H. RES. 414

Whereas United States investors and exporters to the People's Republic of China recognize the opportunity of doing business with China but have raised serious concerns that many of the commitments China made upon joining the World Trade Organization have not yet been implemented or implementation has been inadequate;

Whereas market barriers and unfair trade practices continue to exist, including high tariffs, subsidies, technical trade restrictions, counterfeiting, tied trade, violations of intellectual property rights, and non-market-based industrial policies that limit United States exports;

Whereas increases in global trade will lead to faster growth of the United States economy and an improved quality of life for workers in the People's Republic of China;

Whereas China is one of the fastest-growing economies in the world and an important expanding market for United States exports;

Whereas China has made progress in implementing the commitments that it made upon joining the World Trade Organization, including the required reduction of its tariffs on many industrial goods of importance to United States manufacturers;

Whereas China must move more quickly to implement its World Trade Organization commitments fully and to remove many market access barriers;

Whereas the currency of the People's Republic of China, the renminbi, has been fixed relative to the United States dollar since 1994;

Whereas a systemically misvalued currency by any large country can have damaging trade-distorting effects on both that country and its trading partners by decreasing the price of exports of products of that country and increasing the price of imports to that country;

Whereas China's trade liberalization will cause economic imbalances in its market and world markets unless China also implements capital account liberalization;

Whereas the market-based valuation of currencies is a key component to resilient global trading systems by enabling smoother transitions to reflect underlying economic fundamentals in a country;

Whereas China's substantial foreign reserves reduce China's susceptibility to currency crises and, therefore, the need for continued use of a fixed currency;

Whereas the International Monetary Fund (IMF) has advised China to adopt a more flexible exchange rate policy, and has indicated that such a change would not have serious adverse consequences for that country, although IMF officials have expressed concern about the weakness of China's banking system and that it may not have the ability to move quickly towards a floating rate;

Whereas the Joint Ministerial Statement in September 2003 of the Asia-Pacific Economic Cooperation Finance Ministerial Meeting ''emphasized the importance of accelerating structural reform, adopting macroeconomic policies that promote sustainable growth, supported by appropriate exchange rate policies that facilitate orderly and balanced external adjustment . . . [and] noted a view expressed at the meeting that more flexible exchange rate management, in some cases, would promote this objective'';

Whereas the Group of Seven Finance Ministers and Central Bank Governors in their September 2003 Communique have emphasized 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'';

Whereas China's central bank governor has stated that the value of the renminbi will eventually be determined by market forces rather than be fixed to the dollar but has not given any indication of when this change in policy will occur;

Whereas China recognizes that it is in its own interest to reform its exchange rate regime and its banking system in order to establish a resilient economy and control its rate of economic expansion;

Whereas China is taking concrete steps to move to a more flexible exchange rate regime by increasing private ownership of its banking system and by establishing a technical working group on a range of financial sector issues, including exchange rate policy;

Whereas manufacturing is important to the health of the United States economy, generating high quality products, personal opportunity, productive careers, wealth, high standards of living, and economic growth;

Whereas the manufacturing sector is the leading source of new patents and innovation in the United States economy, which helps drive economic growth at home and abroad;

Whereas the manufacturing sector faces the most intense global competition in United States history, making it difficult for many firms to operate profitably and earn a sufficient return on capital invested, and manufacturing costs continue to increase for many reasons, including governmental actions; and

Whereas the manufacturing sector in the United States seeks a global level playing field for competition and markets: Now, therefore, be it

Resolved, That—

(1) the House of Representatives commends the President and his Administration for continued efforts to engage the Government of the People's Republic of China directly and to encourage China to fulfill its commitments as a member of the World Trade Organization;

(2) the House of Representatives encourages the People's Republic of China to meet its commitments to the trade rules and principles of the international community of which it is now a member;

(3) the Chinese economy would benefit from an exchange rate determined by the market in order to avoid artificial rates that can lead to market and trade distortions;

(4) the House of Representatives will continue to monitor closely and work with the Administration to encourage China's efforts to modernize its financial system, establish a more flexible exchange rate, and comply with its trade agreement obligations;

(5) the House of Representatives urges the Administration to continue its intensive discussions with officials from the Government of the People's Republic of China to facilitate moves towards a market-based valuation of the renminbi, relaxation of capital controls, and reform of its banking sector; and

(6) manufacturing is an important sector to the United States economy and, therefore, the United States Government should intensify efforts to promote innovation, reduce costs, and level the international playing field for this sector.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from Michigan (Mr. LEVIN) each will control 20 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. ENGLISH).

Mr. ENGLISH. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, currently before the House is House Resolution 414, to urge China to live up to its international obligations which it has agreed to undertake upon joining the World Trade Organization in 2001. We consider this with a sense of urgency as we are running an historically large trade deficit and an enormous bilateral trade deficit with China.

Mr. Speaker, our trade deficit with China has doubled since 1998, and is likely to exceed $120 billion this year. It has become the single largest bilateral trade deficit in the world. And the most conspicuous feature of our lopsided trade partnership with China is China's state-sponsored mercantilism which has cost this country millions of manufacturing jobs.

When the Clinton administration embraced China's entry into the WTO, many of us hoped that China would adopt the disciplines of the global rules-based trading system. Unfortunately, we have been sorely disappointed. China continues to flout global trade rules at the expense of our manufacturers and workers. This cannot be allowed to stand. Americans can compete with any economic power in the world, provided there is a level playing field.

Mr. Speaker, our resolution would: One, show broad support for the administration's efforts to get China to abide by its international trade obligations; two, put Congress on record urging China to follow global trade rules; three, commit to working with the administration to encourage China to modernize its financial system and allow a flexible exchange rate; four, urge the administration to continue intensive discussions with Chinese leaders towards establishing a market-based valuation of their currency; and, five, state that the United States Government should intensify efforts to promote innovation, reduce costs, and level the playing field for the manufacturing sector.

Mr. Speaker, here are the facts, the IMF, APEC, and the group of seven finance ministers all have stressed the importance of allowing for greater flexibility in exchange rates. In the last month, every top official in the administration's economic and trade team, including President Bush himself, has visited China and implored its leaders to bring its trading practices up to global standards and allow their currency value to be dictated by the market.

Still, China's leaders have continued to stall. Our message today is the same as the administration's. They have told China time and time again if they want to have a healthy trade relationship with the United States, then they must be prepared to follow the rules. The message we are carrying today is among the most important that Congress will communicate this year. It is essential for the economic future of the next generation, for the future of good paying jobs in places like my home in northwestern Pennsylvania where we make things for a living, that we get this right.

Mr. Speaker, I reserve the balance of my time.

Mr. LEVIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this resolution is a weak resolution. It does not suggest any specific actions, and this is consistent with the way that this administration, the Bush administration, has approached trade issues with China.

It is not as if these issues suddenly appeared. They have existed, they have persisted for several years. And there have been some specific tools available for the administration to use. They have not used some of these tools, and others they have not used well.

These are the tools. First, the annual review process within WTO, this annual review process was called for in the U.S. PNTR resolution. It was specifically called for. It was worked for within the WTO, and it was in the final agreement with China when they acceded to the WTO. But the U.S., in this process, did not press China to act on major issues. China said that they did not need to respond in writing to the issues that were raised in the annual WTO review. This has diminished the importance of this significant mechanism.

Secondly, the PNTR legislation that we passed also required an annual report by the administration on China's compliance with its WTO commitments. That report was weak, and it did not press China on the key issues of trade.

Third, the USTR has not used, at any point, formal consultations in any of the sectors or on any outstanding problem, either through use of section 301 or directly in the WTO, whether the outstanding issues related to agriculture, for example, corn or cotton or fertilizers; in the manufacturing sector, whether it was semiconductors, heating and air conditioning, auto or auto parts; or whether it was services, including financial services. There was really little effort, in fact none, in formal consultations relating to the distribution requirements that were clearly laid out in China's WTO accession. And there has not been use of the formal consultation process relating to China's undervalued currency, and there has been none relating to intellectual property.

This administration has not used the specific China safeguard that we worked so hard to place in the China PNTR legislation. Instead, the administration turned down the first two cases that were brought before it. So in a word, instead of taking the lead, getting out in front of the rising concern

about China, the Bush administration left a vacuum, and this vacuum has been filled by rhetoric, including that coming from the administration.

Mr. Speaker, this resolution is essentially rhetorical. It does not call for any specific action. It talks instead about commending the administration when I think that there were serious omissions of opportunity, and then it says it encourages in the second paragraph. And then as to currency, it says the Chinese economy would benefit. In the fourth, it says the House of Representatives will continue to monitor. In the fifth it says the House of Representatives urges the administration to continue intensive discussions. So as I said, this resolution does not call for special or specific action.

Mr. Speaker, I just want to say to the gentleman from Pennsylvania (Mr. ENGLISH), and especially to the administration, that no one should interpret a vote for this resolution as an endorsement of the way this administration has handled the growing issues with China.

I hope there will be other resolutions. We are going to have a hearing in the Committee on Ways and Means beginning tomorrow on China, and I guess it will continue over to Friday. This will be an opportunity for us to probe the places where there have been missed opportunities, the places where there need to be specific actions, the place where we can substitute, for rhetoric, something very specific which will lead, I hope, to actions relating to the trade relationships between our two large and important economies.

Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield myself 15 seconds.

First, to respond to the gentleman, I point out that this administration has been willing to take on China on these issues, particularly on the currency manipulation, in a way that the last administration certainly did not. At a time like this, when the administration is directly involved with negotiations with the Chinese, this is precisely the kind of resolution that is not only appropriate, but is important to provide to show support.

Mr. Speaker, I yield 2½ minutes to the gentleman from North Carolina (Mr. BALLENGER) who has been a leader in the fight on Chinese trade issues.

□ 1430

Mr. BALLENGER. I thank the gentleman for yielding me this time.

Mr. Speaker, I believe that the Chinese currency is undervalued by some 40 to 50 percent and has been for years. A 40 percent discount for China is unacceptable. American companies deserve a chance to fairly compete on a level playing field. Chinese companies do not have governmental regulations like EPA or OSHA, they do not have minimum wage laws or workplace safety mandates, and they do not have to make a profit.

It goes without saying that China has emerged as the biggest threat to our manufacturing base, and it is not because they make things better than we can, because they cannot. It is because China is cheating the system. China ships textile and apparel goods through Vietnam to avoid textile quotas. That is cheating. China's cheating is scaring all textile producing countries. In 2005, textile quotas disappear. Central American nations are worried. The South Korean hosiery industry is worried. Everybody is worried because we all know about China's cheating and predatory pricing practices.

This cannot continue. That is why we are standing up for our textile workers against China. The Chinese are ignoring international rules and putting millions of hardworking Americans out of jobs. We are standing up for U.S. workers by calling on China to fulfill its commitments under international trade agreements and to establish monetary and financial market reforms. Other countries and international institutions are calling on China to adopt a more flexible exchange rate policy. The market-based valuation of currencies is a key component in the global trading system.

As Secretary Evans said earlier this week on his travels in China, ''We expect the markets to reflect the true value of currency.'' I applaud the administration for their efforts to help U.S. companies better compete, for calling on China to quicken the relatively slow pace of reforms thus far. Further action must follow.

In closing, I urge my colleagues to support H. Res. 414 as a means of putting the Chinese on notice that the Congress is tired of the $103 billion trade surplus. We will expect them to live up to their commitments and to open their markets to U.S. goods and services.

Mr. LEVIN. Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. KILDEE).

Mr. KILDEE. Mr. Speaker, working families in my home State of Michigan and our Nation continue to face mounting job losses and a sagging economy. Our international trade deals have left our workers behind. Nowhere is this more obvious than with China. Since March of 2000, we have lost 2.6 million manufacturing jobs while at the same time our trade deficit with China has ballooned.

While House Resolution 414 is a step, we need real action from Congress and this administration. We need to revoke PNTR with China and start over. We need legislation encouraging American companies to keep jobs here rather than sending them overseas. We are at the crossroads to determine our Nation's place in the world. Do we stand by and watch while our jobs go overseas, while our families suffer at home and while our trade deficits rise? Or do we support our working families' needs, keep good manufacturing jobs in our industrial heartland, and get our economy back on its feet? I think the answer is very clear, Mr. Speaker.

Mr. ENGLISH. Mr. Speaker, I yield 1¼ minutes to the gentleman from Georgia (Mr. GINGREY), a distinguished advocate of the interest of American workers.

(Mr. GINGREY asked and was given permission to revise and extend his remarks.)

Mr. GINGREY. Mr. Speaker, I want to thank my colleague from Pennsylvania for introducing H. Res. 414. I think it is a positive step in addressing our trade discrepancies with the People's Republic of China.

My district of western Georgia has a rich history of manufacturing textiles, from Milliken and Company, Incorporated, and Bon L. Manufacturing in LaGrange, Georgia, to Mount Vernon Mills in Trion, Georgia, which has been in business since the 1840s. The textile industry has provided good-quality jobs for the citizens of Georgia's 11th Congressional District, with good health care benefits and good retirement. I make this point because people in my district have established a culture and a community around the textile industry.

I am deeply concerned that our country is not properly enforcing our trade policies which are slowly eliminating an entire way of life. When ratifying trade agreements, it is important to encourage both free and fair trade. China is not playing fair because they are manipulating their currency in order to gain an unfair advantage. This currency manipulation is costing people jobs. Between March 2002 and March 2003, 50 textile plants have closed and 40,000 people have lost their jobs, including 100 jobs just last week in Trion, Georgia.

We cannot afford to lose jobs, especially due to the unfair practices of currency manipulation by the Chinese Government. Mr. Speaker, I encourage the passage of House Resolution 414 to encourage China to comply with their trade obligations.

Mr. LEVIN. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. I thank my friend from Michigan for yielding me this time.

Mr. Speaker, I rise in support of this legislation, but I have to say that I think it will not do much good and that I think in many ways it deflects attention from the most important issue, which is not asking the Chinese to make changes in their currency but in fact asking the United States Congress and the President of the United States to make changes in our disastrous trade policies.

The bottom line is that right now in America, manufacturing is in a state of collapse. We have lost almost 3 million manufacturing jobs in the last 3 years. We are seeing our economy move from a General Motors economy to a Wal-Mart economy where workers are now earning poverty wages with minimal

benefits. There are a number of reasons for that, but one of the reasons is that our trade policy with China, with Mexico and other countries has failed. It is time to understand that and it is time to redo that.

The bottom line is that American workers should not and cannot be asked to compete against desperate people in China who work for pennies an hour. Does anyone here think that it makes sense to tell a manufacturing worker in America who earns $16 an hour, who has decent benefits, that he has got to compete against someone in China who makes 30 or 40 cents an hour, who if that person stands up and tries to form a union might get thrown in jail?

Is it fair to ask American manufacturers to compete against companies in China where there are virtually no environmental regulations and in a country which is becoming one of the most polluted countries in the world?

The reality now is that in the midst of a $435 billion overall trade deficit, we have a $120 billion trade deficit with China alone. The National Association of Manufacturers tells us that in the next 5 years that trade deficit could well grow to over $300 billion. Yes, we make exports to China but for every $1 that we export, we import $6.

The reality now is that we are hemorrhaging decent-paying jobs because, to a large degree, of a failed trade policy. The Republican leadership and many Democrats are going to have to own up to it. You have got to come forward and say to the American people, yeah, you think it is great for American workers to compete against people who make 30 cents an hour. You are going to have to tell small American manufacturers who want to do business in this country, who are patriotic, who want to employ American workers, that they are no longer going to have to compete against those companies who sell their products back in this country for a fraction of the price that American manufacturers can produce that product for.

So I say to my friend from Pennsylvania, your idea has some merit, but you are not getting to the root of the problem. The root of the problem is that one of the reasons that we are hemorrhaging decent-paying jobs is because of a failed trade policy, and that is why I have introduced legislation, H.R. 3228, which is winning bipartisan support, which says once and for all let us repeal permanent normal trade relations with China, let us develop a new trade relationship with that country which works not just for the large multinationals but works for the average American workers.

I very well remember the debate, as many of you do, about all of the advantages that PNTR with China would bring. We are going to bring some of those quotes back onto the floor of the House, because they were wrong. All of those people who told us about the jobs that were created were wrong. We are losing jobs. We have got to repeal PNTR with China.

Mr. ENGLISH. Mr. Speaker, it is a privilege for me to yield 2 minutes to the gentleman from Michigan (Mr. ROGERS).

Mr. ROGERS of Michigan. Mr. Speaker, I thank the gentleman from Pennsylvania (Mr. ENGLISH) for his efforts on this.

Coming from a State that depends on manufacturing, and we have lots of small manufacturing in our great State, this is one hurdle that they cannot get over. They are frequently talkers. When I get these small manufacturers, 50, 75, 100 folks in these small manufacturing facilities who talk about and embrace the ideas of free trade, they do not want to back away from that. They think it is good and it is helpful and it will produce jobs in America. But it has to be fair.

One of the things that we have seen is that China is not willing to embrace the tenets of fair trade. Currency manipulation is the greatest of all of its evils standing up front. What it does is it artificially leaches off the value of the dollar, automatically making any deal put together by an American manufacturer uncompetitive. That is unfair. What they are saying is, hey, don't do away with free trade, but let's embrace the tenets of fair trade and help us eliminate those artificial barriers, and we will compete with our great labor force.

Mr. SANDERS. Mr. Speaker, will the gentleman yield?

Mr. ROGERS of Michigan. I yield to the gentleman from Vermont.

Mr. SANDERS. Mr. Speaker, the gentleman talks about the advantages of free trade. Does he think American workers can and should compete against people who make 40 cents an hour and go to jail when they try to form a union?

Mr. ROGERS of Michigan. As the gentleman may understand, there is a greater circumference of competition in every business and it means more than just labor costs. It is all of the costs that go in, including the quality of the production. When you talk to American manufacturers, they will tell you they can compete if these artificial barriers are gone. We ought to stand tall. I appreciate the administration's efforts to this point. We appreciate the things that they are doing. This resolution is an important step, by saying, we are going to give you every tool in the tool box. We are not going to tell you which one, but we are going to give you all of the tools to go after unfair barriers, just like currency manipulation.

Let us stand tall for what the administration is doing and what we can do when we stand together for embracing jobs and competitiveness in American manufacturing.

Mr. LEVIN. Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield 1½ minutes to the gentleman from North Carolina (Mr. HAYES), a distinguished advocate of fair trade.

Mr. HAYES. I thank the gentleman from Pennsylvania for his excellent leadership and guidance here.

Mr. Speaker, today I rise in strong support of this resolution. This legislation is going to send a much-needed and unmistakable signal to China that we expect to see trade and monetary reforms and that we expect them now. This will make it clear that there will be retribution and retaliation if China does not abide by the rules. We have lost too many jobs and too many companies have been hurt because of unfair Chinese trade practices and China's fixed currency structure.

Since 1994, China has devalued its currency 30 percent despite enormous economic growth. It is clear they continue to peg their currency to the U.S. dollar to create an unfair advantage for China at the expense of our American manufacturers and our own workforce. This Congress and the administration must continue to stress to China that their economy will benefit from a market-based exchange rate. It is in China's best interest to create a more flexible currency in order to create a strong and stable economy for the future.

Specifically, this resolution states that this body urges the administration to require that China honor the commitments they made upon joining the WTO, move toward a more flexible rate of exchange, and the U.S. Government should focus on efforts to create fairness and equity in the manufacturing sector. Manufacturing and textile jobs specifically have taken a massive hit in both loss of jobs and businesses due to unfair trade practices by China and their fixed currency. In fact, during the past decade, the U.S. textile sector has been particularly hard hit, losing 700,000 jobs. Without fairness for our workers, businesses, textiles and manufacturing, the demise of our manufacturing sector will continue to take place all over the country.

I am pleased to see that Secretary Snow has brought up the issue during his recent visit to China. I am also encouraged by reading that Secretary Evans has gone to China and made a speech there saying the American market will not remain open to Chinese exports unless China's markets are equally open to our markets.

Mr. Speaker, I urge the passage of the resolution.

Mr. LEVIN. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. BECERRA), a gentleman who is very active on these issues as a member of the Committee on Ways and Means and its Subcommittee on Trade.

□ 1445

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, House Resolution 414 sends a message to China. But if this is as strong a message that we can send to China, we are in trouble. We could

do much better than this. We can send a message that is very clear and very responsible about what we would expect of any trading partner, of anyone who wishes to be treated with dignity when it comes to trade with us as well.

In the last 3 years, Mr. Speaker, Americans have lost 3.2 million jobs; 2.5 million of those 3.2 million jobs have come from the manufacturing sector.

Now, if it does not hurt enough, let me just give you some numbers. California, almost 300,000 Americans without jobs as a result of the manufacturing sector losing them; Illinois, 125,800 jobs lost in the last 3 years, according to the September 2003 job numbers; Indiana, 67,000; Michigan, 127,000 Americans who have lost their jobs; New York, 132,000; North Carolina, 145,000 Americans without jobs in the manufacturing sector; Ohio, 151,000 jobs lost for Americans; Pennsylvania, 132,000 jobs lost; Wisconsin, 73,000 jobs lost to Americans in the manufacturing area, many of these going to countries like China.

On top of that, today we are saddled with a national debt of more than $3.3 trillion. This year's budget deficit alone, $370 billion. Next year, we are told our budget deficit will probably reach $500 billion. In each case, these are record deficits for this country.

Our trade deficit, just in what we do globally in trade with other countries, $482 billion in 2002. That is how much we were spending more by buying goods from other countries than they were buying from us. And if we keep on that same pace in 2003, we are going to have an even larger trade deficit with the world.

How much of that comes from China? Well, this past year alone, $103 billion in deficit trading with China, and at the end of this year it will probably be at about $115 billion that we will have spent more in purchasing goods from them than they will have spent in purchasing goods from us.

This week Warren Buffet, one of the wealthiest men in America, said our country is like a rich family that possesses an immense farm. ''In order to consume 4 percent more than we produce,'' which is in essence what our trade deficit means, we are consuming more than we are producing, ''we have been both selling pieces of the farm and increasing the mortgage on what we still own.''

Mr. Buffet said that our trade deficit has worsened to the point that our country's net worth is being transferred abroad at an alarming rate. He predicts that foreign ownership of America's assets will grow by about $500 billion a year. That translates to about 1 percent annually of our wealth being placed in foreign hands.

Mr. Speaker, something needs to be done, and H. Res. 414 is not enough. It is time for us to investigate what the Chinese are doing, it is time for us to take safeguards to protect American industries and American jobs, and it is time for us to use the powers that we have under the Trade Act to investigate whether China is complying with its obligations under the World Trade Organization's regime. It is time to do it. Just talking about it will not make it happen. Let us take some action. House Resolution 414 may be a start, but it certainly is not enough.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. DREIER), the chairman of the Committee on Rules and one of the most distinguished advocates of free trade in the Chamber.

Mr. LEVIN. Mr. Speaker, I yield 1 minutes to the gentleman from California.

The SPEAKER pro tempore (Mr. TERRY). The gentleman from California (Mr. DREIER) is recognized for 4 minutes.

(Mr. DREIER asked and was given permission to revise and extend his remarks.)

Mr. DREIER. Mr. Speaker, I rise in strong support of H. Res. 414. I want to congratulate my good friend, the gentleman from Pennsylvania (Mr. ENGLISH), with whom I have had the privilege of working for nearly a decade on the very important relationship between the United States and the People's Republic of China.

Now, I have heard a lot of things said, and my friend from Vermont says that he is going to take the opportunity to bring back some comments about our debate on PNTR. You do not have to do it, because I am going to talk about them right now and the benefits that has created, Mr. Speaker.

I believe that it is very important for us to realize again that the single most powerful force for positive change in the 5,000 year history of Chinese civilization has been economic reform, and I believe that we need to do everything that we possibly can to continue to encourage that kind of economic reform, and this resolution does help us down that road.

Passage of permanent normal trade relations did, in fact, allow the People's Republic of China to move into a rules-based trading system by becoming a member of the World Trade Organization. It is obvious we still have very serious challenges as we continue down that road. But, Mr. Speaker, I am a glass-half-full sort of guy, and I happen to believe that what we need to do is realize that encouraging these reforms, as this resolution offered by my friend from Pennsylvania will do, is the right thing for us to do.

We also need, Mr. Speaker, to realize the benefits of imports. We obviously can talk about stuffed animals and furniture, and we are on the verge of Halloween, Halloween costumes, a wide range of very important consumer products that are available to children in this country.

The fact that products come from China in fact play a role in enhancing the economic standing of the 1.3 billion people of China. And what does that create? It creates for them an opportunity to become consumers of U.S. goods and services.

Mr. Speaker, I think it is very important for us to note that as we look at the challenges that exist for us today, anything that would undermine that route that is being taken toward greater economic reform would be wrong. That is why, Mr. Speaker, I encourage my colleagues to support this resolution, and to do everything that we possibly can to make sure that even greater reform does take place in the future.

Mr. SANDERS. Mr. Speaker, will the gentleman yield?

Mr. DREIER. I am happy to yield to my friend, the gentleman from Vermont.

Mr. SANDERS. Mr. Speaker, I thank my friend very much.

My friend talks about the importance of economic reform in China, and I agree with him. But do you not think we also should be talking about the loss of millions of decent paying jobs?

Mr. DREIER. Mr. Speaker, if I might reclaim my time, I will answer by saying yes, I do believe it is very important for us to focus on the manufacturing base in this country, and that is why with the tax and regulatory legislation that we are looking at here, we will play a role in encouraging that.

My view, Mr. Speaker, is that rather than simply pointing the finger at economies that are growing to the point where they can consume U.S. goods and services, we need to encourage reform right here at home, as well as encouraging reform there.

Mr. SANDERS. Mr. Speaker, if the gentleman will yield further, my friend ignores the fact that all of the projections are that the trade deficit with China is going to grow wider and wider, which means more and more job loss in the United States.

I ask my friend, what do you say to your corporate buddies, who throw American workers out on the street, move to China and hire people there, for 30 cents an hour?

Mr. DREIER. Mr. Speaker, reclaiming my time, that kind of hyperbole, ''corporate buddies,'' that is absolutely ridiculous. I am as concerned about American workers as anyone, and I know the corporate leaders in this country are concerned about American workers.

Mr. Speaker, let me say in response to my friend that we need to do everything that we can to realize that we are in a global economy. If we, as the United States of America, do not shape the global economy, we will be shaped by the global economy. That is why it is correct for us to pursue these reforms, do everything that we possibly can to make sure that it happens, and, at the same time, to look at policies which can encourage the expansion of our manufacturing base right here at home.

Mr. ENGLISH. Mr. Speaker, it is a great privilege for me to yield 2 minutes to the gentleman from Wisconsin

(Mr. RYAN), a distinguished member of the Committee on Ways and Means.

Mr. RYAN of Wisconsin. Mr. Speaker, I thank the gentleman from Pennsylvania for his leadership on this issue and for bringing this resolution, to which I am a cosponsor, to the floor.

Mr. Speaker, this is a dire issue for America. I come from Wisconsin, which arguably has the most manufacturing jobs lost per capita to any other State in the country.

There is a fact that the economic recovery that is under way in America is not necessarily going through manufacturing. We have bled manufacturing jobs, especially over the last couple of years. And when you boil it down and look at what is going on in manufacturing, there are two areas we have to focus on.

Number one, we have to stop pushing jobs overseas. We have to lower health care costs, lower the tax rates on American manufacturers, cut down the regulatory and lawsuit costs, make energy costs cheaper and more affordable and more reliable. But we also have to work at stopping countries from unfairly taking jobs overseas. That is what this resolution is all about.

What this resolution does is express what we in Congress think needs to happen, and what we believe needs to happen is, number one, I am glad that China is in the WTO, because before a year-and-a-half ago, we did not have China signing up to a treaty to play by fair trade rules, we did not have the means to hold China accountable.

Now that China is in the WTO, they have signed on the dotted line, they have said they would play fairly, they would obey international fair trade standards, and they are not doing that. What this resolution does is it says enough. Congress is serious. China needs to obey and play by the rules that they themselves signed up to play by just a year-and-a-half ago.

Now, in Congress, we cannot change China's laws; only they can do that. But we can speak with unity here in this body, Republicans and Democrats, saying that we need to make sure that China upholds their commitments, that they need to play by the rules they themselves signed up to, that we urge and encourage our administration to hold them accountable with our trading partners who are similarly affected by devaluing their currency, pegging their currency at a discount, stealing our intellectual property rights, subsidizing their business sectors.

This is an opportunity for Congress to speak with one voice against these abuses that need to change, and change today.

Mr. Speaker, I thank the gentleman from Pennsylvania for his leadership on this issue.

Mr. LEVIN. Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. GREEN), a very distinguished advocate of American workers.

(Mr. GREEN of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. GREEN of Wisconsin. Mr. Speaker, I thank the gentleman for yielding me time.

I stand in strong support of this resolution, H.R. 414 and urge its immediate passage.

The previous speaker, my good friend and colleague the gentleman from Wisconsin (Mr. RYAN), said in Wisconsin we have lost over 77,000 manufacturing jobs in just the last 3 years. We have suffered the loss of some of our most distinguished, some of our oldest companies. We have thrown small communities into turmoil. We have created an uncertain future for too many families. I think it is time for us to fight back.

There are a lot of factors that have led to the loss of manufacturing jobs, anticompetitive tax policies, burden of regulation. We have to address all of those. But better trade policies, more fair trade policies, are clearly something we need to do.

Let us make no mistake, the passage of this resolution is not a substitute for taking definitive steps to level the playing field on trade. However, this resolution is a growing sign, a growing recognition, that there is a problem. I think it does create a higher profile for this issue. I think it lets the Chinese know that we are serious in protecting our economy and protecting manufacturing jobs; that we will not sit by as they ignore their long-term obligations. It is long past time, long past time, for China to follow through on its commitments.

Getting China to reform its currency and trade policies is going to require a full court press that includes more than just Congress. That is why I want to commend the Bush administration for the efforts they have made recently. I know that President Bush has taken this message to China. I know that Secretary Evans is currently in China further driving home this point. I hope the Secretary will use this vote today as leverage in his negotiations. It shows that our Congress is unified in saying that we will take steps to protect our economy.

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This is only a first step, though. If China does not comply with its WTO obligations, we need to do much more. I will call on this body, if they do not follow through, I will call on this body to consider legislative efforts like those that I have authored with my good friend and colleague, the gentleman from Pennsylvania (Mr. ENGLISH), called the China Act. We do need to take steps. Today is a good start.

Mr. LEVIN. Mr. Speaker, I yield 1½ minutes to the gentleman from California (Mr. BECERRA).

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding me this time. I think we have to make sure we clarify a couple of things.

First, I do not think anyone would propose that our country become China when it comes to its manufacturing base and how we treat our workers and the type of product we put out. Certainly we have to do a number of things to continue our competitiveness with countries abroad, but there is no way that America will ever get to compete with countries that are paying 50 cents an hour for wages. And I hope that no one is recommending here that we spiral downward to try to compete; in other words, this become a race to the bottom in order to be able to compete and manufacture products abroad.

My good friend, the gentleman from California (Mr. DREIER), mentioned that we are about to celebrate Halloween and all of those costumes that our kids are going to be wearing, if you take a look at the label, most have been made in places like China. They were made in America before. But I do not believe anyone is suggesting that we now pay Americans 50 cents an hour to manufacture and fabricate garments like that in order to be able to compete with China.

At the same time, look at the bill. The only thing it calls for, well, first it commends the President and his administration for continued efforts to engage the government of the People's Republic of China and to encourage China to fulfill its commitments. Encourage. And then it continues to say the House of Representatives encourages the People's Republic of China to meet its commitments. We encourage. We encourage. We closely monitor. There is nothing this does.

We should investigate. We have the power under statute to investigate the trade violations committed by countries like China. That is what this bill should say, not that just we encourage the Chinese to do something better.

Mr. ENGLISH. Mr. Speaker, I have no further speakers beyond reserving the right to close.

Mr. LEVIN. Mr. Speaker, I yield myself the remaining time.

Mr. Speaker, it is interesting. I listened to the two gentlemen from Wisconsin, and one said it is a dire situation, and the other said that rhetoric is not a substitute for specific steps. And that is the shortcoming in this resolution. It is a weak one.

I want to emphasize, there are specific steps that the administration should have taken and some that it can still take. I want to be very clear about that. First, the annual review, WTO, I believe it is now going on. The administration should use that as an opportunity to press China on its shortcomings as to its commitments when it went into the WTO. It did not press last time. It needs to this time.

Secondly, the annual report. It was weak. It should have been much stronger.

And there are also specific steps under our statutes that can be taken and under WTO regulations when China does not live up to its obligations. We

can use section 301 to start an inquiry, or we can go directly into the WTO.

So there are these specific steps and they have not been taken, for example, article 15 of WTO relating to currency. So what I am saying is, and I hope this message also goes out in addition to the message in the English resolution. His message is essentially more rhetoric, more jaw-boning. The message I hope that also goes when we vote for this is, go beyond this. Use the specific provisions in our law and in the WTO regulations and in those provisions. We need to press China to live up to its obligations that were so clearly laid out, and we have to do more than send a Secretary over to China to give speeches. We need to use the mechanisms that exist so that we have a certainty that as we trade with China, and it is more than Halloween costumes, it is increasingly in electronics, that they live up to the obligations they promised to abide by when they joined the WTO.

Mr. ENGLISH. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, this has been an edifying debate. I particularly want to salute my colleague, the gentleman from Michigan on the other side of the aisle, who has been attentive to the issue of China trade for a long time and has been an example to many of us, including many of us on my side of the aisle.

I must say, though, I think the record needs to be made clear and this resolution needs to be put in context. It is more than a weak exhortation; it is an expression of support for the administration's efforts at a very critical time to challenge China and encourage them to float their currency and liberalize their trading regime. We sent Secretaries over to China to do more than give speeches. They have delivered a very powerful message, and it appears that the Chinese are beginning to listen. But I agree with the people on the other side: more needs to be done.

Our message today, Mr. Speaker, is that Congress will not stand on the sidelines while our industrial base is eroded and manufacturing jobs are lost forever.

Some adopt the rhetorical convention that criticism of China's trade policies amounts to protectionism. But Adam Smith himself would not have recognized China as a free market bulwark. The term that he would have used to describe China's economic policies is mercantilistic, and mercantilism has no place in today's global marketplace which is guided by a rules-based system where ''beggar thy neighbor'' is not part of the equation.

The goal of this resolution today is to encourage the leveling of the playing field in our trade relationship and create fair opportunities for both our employers and our employees.

This is a resolution that should ultimately unite Members with diverse districts and diverse philosophical backgrounds. It has drawn support from the National Association of Manufacturers, the U.S. Chamber of Commerce, the United Steelworkers of America, and the American Iron and Steel Institute.

Mr. Speaker, this is precisely why I strongly encourage all of my colleagues to send a message to the administration, send a message to China, and send a message to the world that we are watching and we are proceeding from here, starting with this resolution, proceeding with hearings in the Committee on Ways and Means later this week, and proceeding from here with a much stronger trade policy that is determined to fight for our industrial base.

Mr. THOMAS. Mr. Speaker, China is now a member of the World Trade Organization (WTO). The WTO is not a club that just anyone can join—a country must be deemed ready and economically mature. China's accession signifies that it is expected to meet the obligations that come with its stronger presence within the global economy. It is our role, as one of China's major trading partners, to make sure that china fulfills its WTO commitments. However, I am concerned that many of China's commitments have not yet been implemented or implementation has been inadequate. I join the many cosponsors of this resolution in urging the Administration to continue to engage China on compliance, as well as use the dispute settlement mechanism where necessary to enforce our rights.

In addition to seeking WTO compliance, I support the Administration's efforts to encourage China to establish a more flexible exchange rate. At the same time, China's financial system is in desperate need of modernization. I urge the Administration to continue to work with China to modernize its fiscal structure and relax its capital controls.

On Thursday and Friday of this week, the Committee on Ways and Means is holding a hearing to explore China's expanding role in the global economy, its currency management and its progress in meeting its new trade commitments. The insights we will gain in this hearing will give us more guidance as we develop a tough policy to promote a healthy and strong trade relationship with China.

Finally, today's resolution is yet another foray in the battle to support U.S. manufacturers. We must create more jobs at home and preserve existing jobs by promoting innovation, reducing costs and making U.S. companies more competitive. Yesterday, the Ways and Means Committee approved the American Jobs Creation Act, legislation to foster job creation through comprehensive tax relief for domestic manufacturers, small businesses and other employers. It is my hope that the House will take swift action on this legislation. American workers need help now.

Mr. SMITH of Michigan. Mr. Speaker, I rise to support H. Res. 414. Recently, I met with a delegation of Chinese parliamentarians. China is undergoing huge changes that will alter relations between the United States and the People's Republic of China for decades to come.

Trade was high on our agenda. Total U.S.-China trade rose from $5 billion in 1980 to $147 billion in 2002. China is a huge potential market for U.S. goods and services. However, last year China sold us $103 billion more in goods than we sold to them. This trade deficit is caused by the political and social difficulties of doing business in China, by China's restrictive trade and investment practices and by the enormous American appetite for low-priced Chinese goods. In seemingly good news for farmers, China has been dramatically increasing its protein consumption, which means our agricultural trade should improve.

Many, including Treasury Secretary John Snow, contend that China also tilts the playing field by manipulating the value of its currency to keep it low. This lowers the price of Chinese goods in the United States and raises the price of our exports to China. Depending on whether you buy or sell, this makes Americans better or worse off in the short run. For the long run, such a large trade deficit makes America vulnerable. We presented our concerns to the parliamentarians about agricultural and industrial quotas and arbitrary Chinese biotechnology standards. We will press for a market in China that is fair.

China's large potential market should not blind us to the oppressive and aggressive nature of the regime. It remains a Communist system with dictatorial control over politics and business. Communist party leadership fills the top positions, but the military, with the world's largest standing army, also wields great influence in state industries and politics. China still represses Tibetan and Muslim minorities, and has been working to reduce free political expression in Hong Kong, sparking huge rallies in defiance of proposed anti-sedition laws. While enterprise flourishes in certain zones, it is a privileged capitalism operating under government favor. China still tries to dictate the terms of Taiwan's existence and has traditionally backed North Korea's reprehensible regime.

Yet, China is changing. Economic growth and competition in the free world economy will tend to bring social and political change, though probably not as quickly as we would like. Experts on China like Ross Terrill (author of The New Chinese Empire—and What it Means for the United States) predict that the Communist party-state will crumble under the pressures of foreign trade and international obligations for transparent trade laws. Encouraging this transparency will be to our advantage.

We need to welcome Chinese participation in the society of nations when it chooses to play a constructive role. However, we must be firm when we disagree. We should not soft-pedal our commitment to fundamental human rights or our demands for trade agreements that don't put us at a disadvantage. We must recognize China's ambitions to challenge U.S. interests at the United Nations, in Asia and around the world. We have to be aware of and resist Chinese encroachments on our national security and that of our allies. Firm discussions of differences, like those we had with the parliamentarians, are one way to push forward U.S. engagement with this great nation in pursuit of interests we have in common. I commend the gentleman from Pennsylvania, Mr. ENGLISH, for his leadership.

Mr. MANZULLO. Mr. Speaker, our manufacturing base is slowly evaporating before our very eyes. Just last week, Rockford, Illinois—the main city I represent—lost 3 facilities. Over 1,200 workers in a town of 150,000 lost their job last week. Over 2.8 million manufacturing jobs have been lost since July 2000. Manufacturing now just makes up 14 percent of our

Gross Domestic Product. Yet, few people in Washington, D.C. are truly aware of this problem because this town doesn't produce much except paper.

There are many causes to the problems facing manufacturing: high health care and energy costs; legal liabilities; a staggering tax and regulatory burden; an outdated export control system; a government procurement system that thinks that it is OK to buy abroad; and an unfair global trading system.

I am proud to stand with Representative PHIL ENGLISH today in trying to bring about some relief in the trade area. The United States faces huge challenges with China. We all recognize and appreciate the difficulties the Chinese face as they integrate into the world economy. China is to be commended for going down a path towards more free markets and away from a planned economy. They have over 1.2 billion people and tens of millions of people enter their workforce each year. China must grow about eight percent a year just to keep even as they try to integrate new workers into the economy and also provide real employment for former workers at failed state-owned enterprises.

However, while acknowledging these challenges, we also must not allow the nations of the world to expect the United States to be the only global economic growth engine. It is in China's long-term best interest to address the real problems contained in this resolution. It is time for China to promote economic growth within their country mainly by selling the products made in their nation to their own people—not using the United States as a pressure relief valve.

Plus, China should take a cue from one of our great industrialists—Henry Ford—and pay their workers sufficient wages so that they can afford the products they are making for U.S. consumers.

Yes, China has honored many of its WTO commitments. But it has also not lived up to all of its commitments to the WTO. We have given China the benefit of the doubt for too long. While we are grateful for China's willingness to buy more U.S. products, this is not enough. Now is the time to ratchet up the pressures and if necessary bring a trade case through the WTO process to force full compliance of China's commitments. Our manufacturers have taken it on the chin for too long now.

For example, having very low taxes imposed on Chinese semi-conductor manufactures but taxing imported semi-conductors at a much higher rate is outrageous. We're struggling to replace our Foreign Sales Corporation/Extraterritorial Income tax regime due to a WTO challenge from Europe; however, this Chinese tax discrimination policy hasn't been challenged in the WTO system yet. Does that make any sense? The National Association of Manufacturers has many more examples, which I ask unanimous consent to include in the RECORD.

I'm also grateful to Representative ENGLISH for including a good deal of the language in H. Res. 414 dealing with Chinese currency manipulation from the legislation I authored along with my good friends and colleagues Representatives MIKE ROGERS, of Michigan, CHARLIE STENHOLM of Texas, and BARON HILL of Indiana. I am especially pleased that the House of Representatives will go on record today in opposition to these policies that place up to a 40 percent tax on U.S. exports to China and up to a 40 percent discount on Chinese imports into the United States. Is it any wonder why our manufacturers are crying out for relief? This resolution is a good first step towards final action on H. Con. Res. 285, which, if diplomacy fails, calls for initiating a Section 301 trade case to impose trade sanctions against nations that manipulate their currencies for a trade advantage.

Let me also remind my colleagues that China is not the only nation that deliberately undervalues its currency. Japan, Korea, and Taiwan also vigorously intervene in currency markets to prevent their currency from strengthening against the U.S. dollar. Passage of this resolution today should not undermine our resolve to combat the problem of unfair foreign currency manipulation of other nations.

Prior to his departure for the Asia Pacific Economic Council conference, President Bush said we must make sure that ''currency policies of a government don't disadvantage America. Fair trade means currency policies [are] fair.'' We should strongly support passage of H. Res. 414 today. But we should also work towards ensuring passage of H. Con. Res. 285 if timely progress is not made towards accomplishing the goals set out in this resolution and if countries including Japan, Korea, and Taiwan do not halt the practice of undermining the value of their currency to boost their export potential.

Again, Mr. Speaker, I urge my colleagues to support H. Res. 414.

NATIONAL ASSOCIATION
OF MANUFACTURERS,
September 10, 2003.

REVIEW OF CHINA'S COMPLIANCE WITH ITS WTO ACCESSION COMMITMENTS

AREAS OF CONCERN

Currency undervaluation;
Subsidized exports;
Counterfeiting and IPR violations;
Discriminatory VAT taxes;
Unjustified product labeling requirements;
Inappropriate standards and concerns about CCC mark procedures;
Restrictions on trading rights;
Lack of action on auto financing regulations;
Problems with Tariff Rate Quotas; and
Slow progress on transparency.

OVERVIEW

The National Association of Manufacturers (NAM) welcomes the opportunity to comment on China's compliance with obligations accepted as a WTO member and commitments made in conjunction with accession to open its internal market to foreign products and services. The NAM supported China's membership on the condition that it would take meaningful steps to adhere to these obligations and commitments and become a responsible participant in the international trading system.

Trade with China is of immense importance to many U.S. manufacturers. The Chinese market is set to become one of the largest in the world within the next several years. Chinese imports are expected to exceed $380 billion in 2003, making China the world's third largest importer after the United States and Germany. At the same time, China is rapidly becoming a major exporter of industrial goods, and the range of industrial products exported has continued to grow at a rapid pace. China's expanded participation in the global marketplace, then, offers both important new commercial opportunities as well as challenges resulting from increased competition in the U.S. and foreign markets.

NAM members want the United States to have a positive trade relationship with China. However, they also want a level playing field for competition. In that regard, we are hearing increasing concerns about unfair Chinese trade and currency practices and China's failure to provide the same kind of access to U.S. goods and services in the Chinese market that Chinese goods and services enjoy in the U.S. market.

As China concludes its second year as a WTO member, its compliance record is decidedly mixed. While U.S. exports to China continue to increase (by 24 percent in the Jan.–June 2003) and a growing number of U.S. companies are trading and investing there, the NAM has also received far more complaints about unfair Chinese practices than in the previous year.

NAM members recognize that China is still in transition to a market economy and in the process of phasing in certain WTO market-opening commitments. However, because China has quickly becomes such an important global importer and exporter, it is vital that the United States work to ensure that China complies as fully as possible with all WTO obligations and particularly those that have a significant impact on U.S. economic interests.

NAM member companies and affiliated organizations have reported the following concerns regarding China's WTO compliance.

CURRENCY MANIPULATION

By far, the NAM has received the greater number of complaints about China's deliberate policy of undervaluing its currency to gain unfair competitive advantage over U.S. producers and those of other WTO member countries. Economists have estimated that China's currency could be undervalued by 40 percent or more. The Chinese yuan has remained pegged to the dollar at 8.28 for the past eight years despite an extended period of robust economic growth, continuing trade surpluses and a large build-up in foreign exchange reserves, which exceeded $350 billion in July 2003.

Chinese officials have acknowledged that the pegging of the yuan to the dollar is part of a deliberate strategy to support Chinese industry and boost exports. This kind of currency undervaluation for commercial gain goes against the intent of the General Agreement on Tariffs and Trade (GATT), which seeks to remove trade barriers and allow markets to determine trade flows. Article IV, for examples, states that ''Contracting Parties shall not, by exchange action, frustrate the intent of the provisions of this Agreement . . .'' China's undervalued currency, in effect, acts as an additional trade barrier to U.S. exports and an unfair subsidy for all Chinese exports. We believe that Chinese exchange rate policies do not comply with WTO obligations.

SUBSIDIZED EXPORTS

We continue to receive reports from different industries (e.g., tool-and-die, metal forming, steel and chlorinated isocyanurates) that Chinese products are being sold in the United States at prices so low that they could not even cover the cost of raw materials and shipping much less full production and marketing costs. A tool-and-dye company, for example, reports that a Chinese competitor was selling a product similar to one made in the United States for $40,000, compared to the U.S. producer's price of $100,000. The U.S. company maintains that the cost of the raw materials alone would amount to $40,000, not including shipping, duties and other costs. A U.S. producer of chlorinated isocyanuratrs, which is used as a cleaning agent in swimming pools, reports a similar situation. As a result of pricing which appears to be below cost, Chinese exporters are expected to increase exports of

this product by 400 percent in 2003 over 2002 levels.

These reports suggest the likelihood of widespread use of subsidies, either direct or indirect, to help Chinese exporters gain unfair competitive advantage in the U.S. market. They merit further investigation by USTR and the Department of Commerce. One source of indirect subsidy is continued bank leading to money-losing and insolvent Chinese manufacturers, often state-owned or state-controlled enterprises. Since the Chinese banks providing these loans are either state-owned or state-controlled, the Chinese government bears responsibility for their lending practices. U.S. steel producers note that the Chinese steel industry is the largest-recipient of interest-rate subsidies authorized by the national government. Since many of the companies that benefit from either directed bank lending or subsidized interest rates are engaged in international trade, they have an unfair competitive advantage vis-à-vis U.S. based companies, which must rely on private financing at market rates.

COUNTERFEITING AND INEFFECTIVE ENFORCEMENT OF IPR PROTECTION

While Chinese laws on intellectual property rights (IPR) have improved considerably, the lack of effective enforcement of the IPR protection remains a serious problem. Violations of trademarks through product counterfeiting is rampant and on a massive scale. The violations involve a wide range of products, including consumer hygiene and health care products, athletic footwear, pharmaceuticals, food and beverages, motorized vehicles and even entire automobiles. Pharmaceutical counterfeiting is now, according to U.S. industry representatives, a serious public health concern in China. We believe that the lack of criminal penalties for counterfeiting, including jailing, prevents effective enforcement of trademark and labeling violations.

We are also concerned about reports that local government authorities are actually promoting the expansion of local industry dedicated principally to counterfeiting. At a minimum, local authorities are knowledgeable of counterfeit production and taking no action to halt it. There appears to be no mechanism for the national government to prevent local governments from aiding and abetting counterfeiting by local industry. In addition, the Chinese customs service has not cooperated in blocking exports of counterfeit products even when solid evidence of counterfeiting was provided. It is claimed that, since the ''exporting'' of counterfeit products does not constitute a ''sale'' of the products, the relevant Chinese law did not apply.

Other IPR violations are also common. They include unauthorized duplication of computer software, music films; copying of designs; unauthorized use of patented technology; and unauthorized use of U.S. product certification logos. The makers of air conditioning and refrigeration equipment note that the ARI (Air-Conditioning and Refrigeration Institute) certification symbol was being used without authorization by a Chines company. Efforts to have the Chinese government stop this unauthorized use proved ineffective.

The pharmaceutical industry does, however, also report improvements in intellectual property protection, notably by the promulgation of a new regulation on data exclusivity for clinical trials, as required in TRIPS and committed in China's accession package.

MANIPULATION OF VAT AND OTHER TAXES

We have reports that China is manipulating the application of taxes, notably the Value-Added Tax (VAT), to both restrict imports and indirectly subsidize exports. For example, the scrap recycling industry has told us that Chinese users of imported copper and other scrap metals are deliberating undervaluing their invoices to pay less VAT on the imported metal. When the finished metal products are exported, however, Chinese producers claim a rebate of the VAT based on the metals' real import price. This results in a substantial subsidy for the exported product that translates into lower prices in the U.S. market. It also enables Chinese scrap metal users to pay higher prices for scrap metal than their U.S. competitors. Chinese customs and tax authorities have not taken action to investigate these practices.

A major U.S. producer of semiconductors has also expressed concern about continuing Chinese discrimination in the application of the VAT on imported and domestically produced semiconductors. China levies a 17 percent VAT on imported integrated circuits. Domestically designed and produced integrated circuits are taxed at VAT rates ranging from 3–6 percent. Integrated circuits produced in China but designed abroad are taxed at 11 percent. This discriminatory treatment of domestic and foreign ''like'' products violates Article 3 of the GATT.

UNJUSTIFIED LABELING REQUIREMENTS

In 2002 the Chinese Ministry of Health promulgated a new regulation mandating the labeling of all genetically modified (GM) food products. While the implementation of the regulation was subsequently suspended indefinitely, the fact that it remains on the books is already having significant adverse economic effects and creating barriers to trade. Some producers have ceased shipping these products in anticipation of the regulation going into effect.

U.S. food producers have questioned whether the Health Ministry's action was in conformity with China's WTO obligations. The ministry did not provide a justification for the labeling requirement based on an assessment of health risks, which is a requirement of the Agreement on Sanitary and Phytosanitary Measures. The Technical Barriers to Trade Agreement (TBT) also suggests inadequate attention to the treatment of ''like products,'' the question of whether the labeling requirement addresses a ''legitimate objective'' and the requirement to base technical regulations on ''performance'' rather than ''design'' characteristics.

INAPPROPRIATE STANDARDS AND CONCERNS ABOUT CCC MARK SYSTEM

Several NAM members have raised concerns about application of technical standards and the CCC Mark system. With regard to standards, China is requiring that certain products (e.g., electrical products) be manufactured only to ''international standards'' as determined in the ISO or IEC. Other ''international standards,'' notably those developed in the United States and widely used in the global marketplace, are not allowed. This does not conform with the WTO TBT Committee interpretation that ''international standards'' need not be limited to ISO or IEC standards.

A second set of standards concerns relates to the CCC mark system. China introduced the CCC mark system to comply with WTO requirements for a single mark for like domestic and imported products. It is, in that sense, a step forward on standards and mark requirements. However, the inconsistent, non-transparent and inflexible application of the CCC Mark on a variety of products (e.g., electrical products, air conditioning and refigeration equipment, and tires) has created market access barriers and needlessly raised the cost of importing products into China.

Generic problems include: the high cost of having Chinese inspectors audit factories in the United States and other foreign countries on compliance with the standards; continued delays in allowing U.S. testing and certifying bodies to certify compliance for the CCC mark; and lengthy delays and relatively high cost of obtaining testing and certification for the CCC mark in China.

Several other specific problems were noted. A major tire company reported that several types of its bus tires that are standard sizes in countries around the world cannot obtain the required CCC mark because these sizes are not listed in the Chinese National Standards. Another type of tire widely on Chinese trucks is also not on the list and thus cannot be sold by the U.S. company in China. Efforts to resolve this problem with Chinese standards authorities and Chinese customs have thus far been unsuccessful. In addition, the company reports that local inspection offices appear to be abusing their authority by requiring the re-inspection of the company's Chinese-produced tires and confiscating tires which they determine to be ''non-complaint'' with the CCC mark standards.

RESTRICTIONS ON TRADE RIGHTS OF JOINT VENTURES

China is not fulfilling its commitment to allow foreign joint ventures to import and sell products (e.g., tires, automobiles, auto parts and industrial equipment) in China, which was to have gone into effect on Dec. 10, 2002. A major tire company, for example, reports that the Chinese government has imposed additional restrictions on its trading rights that were not anticipated when this concession was negotiated. They include allowing only new joint ventures to have this right and requiring the Chinese and foreign partners to have separately done U.S. $30 million in trade with China over each of the three preceding years.

LACK OF ACTION ON AUTO FINANCING REGULATIONS

The Chinese government has committed to publish new regulations governing the financing of automobile purchases. Several NAM member companies have expressed concern about slow progress on the regulations that were explicitly promised in China's accession agreement. The U.S. government should press for their prompt issuance to comply with WTO obligations.

PROBLEMS WITH TARIFF RATE QUOTAS AND IMPORT CERTIFICATES

Complications in implementing tariff rate quotas (TRQs) are creating non-tariff trade barriers to U.S. feed products, notably corn and wheat. Chinese authorities have delayed issuance of regulations on the administration of the TRQ system and introduced unreasonable licensing procedures. There has also been a lack of transparency in the process which makes it difficult to know which companies are granted quotas. China has also violated its accession agreement by redirecting quotas reserved for non-state companies to state-owned companies.

A related problem that has affected soybean exporters is the narrow window for using import permits under the AQSIQ permit system. U.S. exporters have only 90 days to purchase, transport and unload their products in China. These restrictions are not only limiting U.S. commodity exports sales but also restricting the operation of soybean processing plants in China.

LACK OF TRANSPARENCY IN TRADE REGULATORY PROCESS

Many companies complain about the lack of transparency in the trade regulatory process and the difficulty in obtaining current laws and regulations governing trade and

business operations. This is a continuing problem that should lend itself to solutions in a relatively short time frame. The U.S. government should press for concrete steps that improve transparency at all levels.

WILLIAM PRIMOSCH,
Director, International Business Policy, National Association of Manufacturers.

Mr. OXLEY. Mr. Speaker, I am pleased to rise today in support of H. Res. 414, a resolution which I am co-sponsoring and which encourages China to move to a more flexible exchange rate. As Chairman of the Financial Services Committee, which has jurisdiction over domestic and international monetary policy as well as economic growth and stabilization, I believe that this is an important measure which deserves the support of the House.

I commend Mr. ENGLISH for his leadership in introducing this important resolution, which seeks to encourage China to continue taking concrete steps to reform its economy and move towards a more flexible exchange rate mechanism. I note that the U.S. Chamber of Commerce, the National Association of Manufacturers, the United Steelworkers of America, and the American Iron and Steel Institute all support this resolution.

I also want to commend the gentleman from New York (Mr. KING) who chairs the Subcommittee on Domestic and International Monetary Policy, Trade, and Technology, which held the first House hearing on this subject.

I support this resolution because it helps signal to the Chinese government that this House is monitoring closely the efforts of both the Chinese and U.S. governments to position China to develop a more appropriate exchange rate and infrastructure to support that exchange rate. The goal is to ensure that serious progress continues to be made.

For some time now, our own dynamic economy has been undergoing a dramatic shift towards services sector jobs. It is unclear how the Chinese exchange rate regime contributes to, or accelerates, this trend. However, the trend should not be confused with the notion that the U.S. economy will someday outsource all production of physical goods.

The manufacturing sector in this country is a significant source of innovation, patent development and, therefore, economic growth. We cannot permit potentially unfair competition to undercut this important activity. We should not accept that possibly unfair competition will require hard-working Americans doing a good job to be unemployed.

China is the world's most populous country. It is becoming one of the United States' most important trading partners. It has recently served as a source of strength in Asia, as well as an engine of economic growth globally. U.S. companies and consumers benefit from a strong and growing China, but only if that growth is based on a fair system.

China's economic growth and potential should lead it to adopt 21st Century exchange rate policies as well. If China is going to be serious about its WTO commitments, it must also recognize that fair competition requires market-determined exchange rates in addition to opening its markets to foreign companies.

It is true that such large changes cannot occur overnight, especially in a command economy. It is also true that a financial system must be strong and resilient in order to absorb the kind of capital market volatility that accompanies floating exchange rates. Finally, it is true that China's fragile banking system needs to be strengthened if a floating rate system is to be launched successfully. Change is needed for the good of China's own economy.

Mr. Speaker, these facts should underscore the importance of China moving clearly and unambiguously towards banking sector reform. They cannot serve as an excuse for delaying these necessary reforms.

I urge all of my colleagues to support the resolution.

Mr. ENGLISH. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. TERRY). The question is on the motion offered by the gentleman from Pennsylvania (Mr. ENGLISH) that the House suspend the rules and agree to the resolution, H. Res. 414.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. ENGLISH. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

GENERAL LEAVE

Mr. ENGLISH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the subject of H. Res. 414, the resolution just debated.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

CONGRATULATING THE FLORIDA MARLINS FOR WINNING THE 2003 WORLD SERIES

Ms. ROS-LEHTINEN. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 415) congratulating the Florida Marlins for winning the 2003 World Series.

The Clerk read as follows:

H. RES. 415

Whereas Pro Player Stadium, located in the City of Miami Gardens and Miami-Dade County, is the home field for the Florida Marlins;

Whereas Major League Baseball is celebrating the 100th anniversary of the World Series this year;

Whereas on October 25, 2003, the Florida Marlins won the 2003 World Series in a six game series;

Whereas by defeating an excellent New York Yankees team—the American League Champions and the latest team in a storied franchise which, with 26 World Series victories, dominated professional baseball's first 100 years—the Florida Marlins have captured their second World Series title in the brief ten year history of the team;

Whereas, during the World Series, Marlins pitcher Josh Beckett struck out 19 Yankee batters in two games, maintained a 1.10 earned run average, including a 2–0 shutout during the crucial 6th game, and was named the 2003 World Series Most Valuable Player;

Whereas the Marlins won 91 games during the regular season to earn a playoff berth by clinching the National League Wild Card slot;

Whereas the Marlins have never lost a post-season series;

Whereas the Marlins defeated the Western Division Champion and defending National League Champion San Francisco Giants in the National League Divisional Series;

Whereas the Marlins defeated the Central Division Champion Chicago Cubs in the National League Championship Series;

Whereas, during the National League Championship Series, Marlins catcher Ivan Rodriguez batted .321 with 2 home runs and ten runs batted in while playing stellar defense, and was named the 2003 National League Championship Series Most Valuable Player;

Whereas the Marlins team of skilled players, including Josh Beckett, Ivan Rodriguez, Juan Pierre, Jeff Conine, Mike Lowell, Luis Castillo, Alex Gonzalez, Miguel Cabrera, Derek Lee, Juan Encarnacion, Brad Penny, Carl Pavano, Mark Redman, Dontrelle Willis, Ugueth Urbina, Braden Looper, Chad Fox, Michael Tejera, Nate Bump, Rick Helling, Mike Redmond, Brian Banks, Lenny Harris, Mike Mordecai, Todd Hollandsworth, Armando Almanza, Toby Borland, Blaine Neal, Kevin Olsen, Tommy Phelps, Tim Spooneybarger, Justin Wayne, Ramon Castro, Josh Willingham, Andy Fox, Kevin Hooper, Jesus Medrano, Wilson Valdez, Josh Wilson, Chad Allen, Chip Ambres, Abraham Nunez, Gerald Williams, and A.J. Burnett, contributed extraordinary performances during the regular season, the playoffs, and the World Series;

Whereas Manager Jack McKeon, who was hired on May 11, 2003, provided strong and wise leadership and bold strategy for a young and resilient baseball team during the regular season and in the postseason and, in the words of one columnist, ". . . recapture[d] much of what baseball once was, how tangy it tasted, what a field of honor it celebrated and how its central emotion should be joy";

Whereas the Marlins coaching and support staff, which included Pitching Coach Wayne Rosenthal, Bench Coach Doug Davis, Hitting Coach Bill Robinson, First Base and Infield Coach Perry Hill, Third Base Coach Ozzie Guillen, Bullpen Coaches Pierre Arsenault and Jeff Cox, Team Physician Dr. Daniel Kanell, Trainer Sean Cunningham, Assistant Trainer Mike Kozak, Equipment Manager John Silverman, Assistant Equipment Manager Mark Brown, Visiting Clubhouse Manager Bryan Greenberg, Clubhouse Attendant and Umpire's Room Assistant Michael Hughes, and Visiting Clubhouse Assistant Michael King, exhibited exemplary leadership and guidance to the team;

Whereas Jeffrey Loria purchased the Florida Marlins franchise on February 12, 2002, and stated: "Our goal is to restore the organization to championship form.";

Whereas Jeffrey Loria, Chairman, CEO, and Managing General Partner of the Florida Marlins, David Samson, President of the Florida Marlins, and Larry Beinfest, Senior Vice President and General Manager of the Florida Marlins, have shown a positive commitment to the Marlins franchise by successfully acquiring, assembling, and maintaining a team of high-quality, winning players;

Whereas the dedicated Marlins fans supported their team with joy and enthusiasm; and

Whereas the Marlins captivated the United States with their "never-say-die" playing style during this historic performance: Now, therefore, be it

Resolved, That the House of Representatives—

(1) congratulates—