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H. CON. RES. 285

Expressing the concern of the Congress regarding the detrimental impact on the United States economy of the manipulation by foreign governments of their currencies.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2003

Mr. MANZULLO (for himself, Mr. STENHOLM, Mr. ROGERS of Michigan, Mr. HILL, Mr. GREEN of Wisconsin, and Mr. HINOJOSA) submitted the following concurrent resolution; which was referred to the Committee on Ways and Means

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CONCURRENT RESOLUTION

Expressing the concern of the Congress regarding the detrimental impact on the United States economy of the manipulation by foreign governments of their currencies.

Whereas manufacturing is critical to the health of the United States economy, generating high quality products, personal opportunity, careers, wealth, high standards of living, and economic growth that together enable the American Dream;

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

Whereas in July 2000 the manufacturing sector slipped into recession and since has lost 2,700,000 high paying manufacturing jobs, while the rest of the economy has actually added 623,000 jobs;

Whereas industrial trade experts estimate that at least half of these manufacturing job losses have been due to adverse trade movements, principally due to the effects of an overvalued United States dollar;

Whereas exports of United States manufactured goods have fallen by $100,000,000,000 from their peak in 2000, and account for up to 40 percent of the total decline in production and jobs;

Whereas manufacturing remains the most trade sensitive sector of the United States economy, with one sixth of all United States manufacturing jobs, and almost one quarter in durable goods production, attributable to exported products;

Whereas the primary objective of the international monetary system should be to facilitate international trade and investment by helping to ensure that exchange rates realistically reflect the relative level of prices and costs in different countries, and that they be flexible enough to respond to changes, over time, in such relationships;

Whereas currency manipulation by the People's Republic of China, Japan, South Korea, and Taiwan, the major Asian trading partners of the United States, has contributed significantly to the loss of United States manufacturing jobs since July 2000;

Whereas these 4 countries hold, in the aggregate, $1,210,000,000,000 of currency reserves, half of which have been bought since 1999;

Whereas currency manipulation effectively subsidizes all exports to the United States, and places additional de facto tariffs on all imports of goods and services from the United States;

Whereas in its 2003 annual report, the globally respected Bank of International Settlements criticized those currency practices of Asian countries that seek to maintain large trade surpluses;

Whereas the International Monetary Fund has also criticized the buildup of Asian currency reserves as destabilizing and advocated a floating exchange rate for the People's Republic of China;

Whereas for decades the International Monetary Fund and the General Agreement on Tariffs and Trade have proscribed trade-distorting currency manipulation;

Whereas Article IV, Section 1(iii) of the Articles of Agreement of the International Monetary Fund cautions members to ''avoid manipulating exchange rates . . . in order . . . to gain an unfair competitive advantage over other members'', and a related provision defines manipulation to include ''protracted large-scale intervention in one direction in the exchange market'';

Whereas Article XV of the General Agreement on Tariffs and Trade 1994 (as defined in section 2 of the Uruguay Round Agreements Act), which is binding on members of the World Trade Organization, states that members ''shall not by exchange rate action frustrate the intent of the provisions of this Agreement'', and the objective of that Agreement, as stated in broad terms in its preamble, is "entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce";

Whereas China has been manipulating the value of its currency by pegging its exchange rate to the United States dollar;

Whereas China has refused to make any changes to its currency peg;

Whereas United States manufacturers doing business in China continue to face other market barriers and unfair trade practices, including high tariffs, subsidies, technical trade restrictions, counterfeiting, tied trade, violations of intellectual property rights, and nonmarket-based industrial policies that limit United States exports and increase import competition;

Whereas the International Monetary Fund has advised China to adopt a more flexible exchange rate policy, and has judged that such a change would not have serious adverse consequences for that country;

Whereas China's current dollar accumulations now exceed $350,000,000,000 and are growing at the rate of $120,000,000,000 each year—an amount that approximates China's trade surplus with the Unites States;

Whereas China is engaged in massive currency intervention, through huge purchases of United States dollars, to keep the yuan from appreciating, despite large trade surpluses and investment inflows;

Whereas this intervention has maintained the Chinese yuan at its artificially low 1994 value—which by some estimates is 40 percent below its market value; and

Whereas the magnitude of the distorting effects are clear: unless addressed immediately, China's currency manipulation and unfair trading practices could further weaken the manufacturing sector in the United States and spawn (1) massive United States trade deficits, and (2) calls for protectionism, which would undermine the global economy: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That—

(1) the Congress declares that manufacturing is an industry critical to the future well-being and national security of the United States and, therefore, the United States Government should make greater efforts to promote innovation, reduce manufacturing costs, and level the international playing field for this sector;

(2) the Congress believes that the clear intention of the manipulation by Asian countries of their currencies is to increase exports and restrict imports, that is, to introduce an artificial element that assures that there will not be a level playing field for international trade;

(3) the Congress further believes that the manipulation by the People's Republic of China of its

currency violates Article XV (4) of the General Agreement on Tariffs and Trade 1994 (as defined in section 2 of the Uruguay Round Agreements Act), and is unjustifiable and unreasonable, and burdens and restricts United States commerce, under section 301 of the Trade Act of 1974;

(4) in order to help achieve greater equity in competitive conditions and international trade practices, the Congress calls on the President—

(A) to vigorously enforce United States laws that provide remedies to counteract the unfair foreign practice of currency manipulation; and

(B) to encourage the harmonization of an international exchange rate policy of freely floating exchange rates based on market forces, where government currency intervention is kept to a minimum;

(5) the executive branch should take steps that enable the dollar and other major currencies to move toward their equilibrium rates by correcting market imperfections, countering foreign currency manipulation, and seeking cooperation among major countries in taking appropriate coordinated actions;

(6) the Congress commends the recent actions and statements by the President and the Secretary of the Treasury that have delivered a strong message from the United States Government that the United States expects its trading partners to treat the people, producers, workers, farmers, and manufacturers of the United States fairly;

(7) the Congress believes that—

(A) the currency of a country should be controlled by the market and should reflect the true values of the economy of that country; and

(B) the management of currencies at unnatural rates distorts markets and encourages protectionism;

(8) the Congress has directed the General Accounting Office to undertake an ongoing review of currency manipulation practices worldwide and their impact on the agriculture and manufacturing sectors in the United States;

(9) the Secretary of the Treasury should ensure that each semiannual report due to the Congress on international economic and exchange rate policies addresses the full range of currency manipulation practices of foreign governments;

(10) the Congress strongly urges the United States Trade Representative to take action under section 301 of the Trade Act of 1974 to combat unfair currency manipulation practices in order to protect United States commerce and to gain access to foreign markets for United States goods and services, should negotiations fail to produce meaningful results; and

(11) the Congress encourages the President to review all other tools to level the playing field with respect to currency manipulation.