

108TH CONGRESS
1ST SESSION

S. 1586

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

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 5, 2003

Mr. SCHUMER (for himself, Mr. BUNNING, Mrs. DOLE, Mr. DURBIN, Mr. GRAHAM of South Carolina, and Mr. BAYH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. FINDINGS.**

4 Congress makes the following findings:

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

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

3 (2) The undervaluation of the yuan makes ex-
4 ports from the People's Republic of China less ex-
5 pensive for foreign consumers and makes foreign
6 products more expensive for Chinese consumers. The
7 effective result is a significant subsidization of Chi-
8 na's exports and a virtual tariff on foreign imports,
9 leading the People's Republic of China to enjoy sig-
10 nificant trade surpluses with its international trad-
11 ing partners. The United States trade deficit with
12 China has widened from \$57,000,000,000 in 1998
13 to \$103,000,000,000 in 2002, resulting in an aggre-
14 gate deficit with China of over \$396,000,000,000 for
15 that 5-year period.

16 (3) China's undervalued currency and the
17 United States trade deficit with the People's Repub-
18 lic of China is contributing to significant United
19 States job losses and harming United States busi-
20 nesses. In particular the United States manufac-
21 turing sector has lost over 2,600,000 jobs since
22 March 2001, which accounts for approximately 90
23 percent of the total United States job losses.

24 (4) The Government of the People's Republic of
25 China has intervened in the foreign exchange mar-

1 kets to hold the value of the yuan within an artificial
2 trading range. China's foreign reserves are estimated
3 to be over \$345,000,000,000 as of June 2003, and
4 have increased at a level higher than that of any
5 other country.

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

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

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

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

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

13 (b) **CERTIFICATION.**—The certification described in
14 this subsection means a certification by the President to
15 Congress that the People's Republic of China is no longer
16 manipulating the rate of exchange between its currency
17 and the United States dollar for purposes of preventing
18 an effective balance of payments and gaining an unfair
19 competitive advantage in international trade. The certifi-
20 cation shall also include a determination that the currency
21 of the People's Republic of China is valued in accordance
22 with accepted market-based trading policies.

23 (c) **NEGOTIATIONS.**—Beginning on the date of enact-
24 ment of this Act, the Secretary of the Treasury, in con-
25 sultation with the United States Trade Representative,
26 shall begin negotiations with the People's Republic of

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

