

the Appropriations Committee and sections 402 and 403 of the 2005 budget resolution relating to emergency legislation and overseas contingency operations.

First, any appropriation for 2005 that is not designated as an emergency or as an overseas contingency would be subject to a 302(f) point of order because appropriations enacted to date have already exceeded the allocation provided for 2005.

Second, of the total amount designated as an emergency in H.R. 1268, \$74.763 billion in budget authority is designated as an emergency for defense activities, which is exempt from the emergency designation point of order. Section 403 of the 2005 budget resolution provided that \$50 billion was assumed in the resolution for 2005 appropriations for overseas contingency operations, which would not even require an emergency designation. The same law that gave effect to sections 402 and 403 of the 2005 budget resolution also provided \$25 billion for overseas contingency operations that were designated an emergency, but the funds were provided in 2004. One way to think about the \$74.763 billion in emergency defense funds provided in this bill is that it exceeds by almost \$25 billion in the amount contemplated for overseas contingency operations for fiscal year 2005 in the 2005 budget resolution.

Third, the remaining amount that is designated as an emergency in H.R. 1268—\$6.829 billion—is all for non-defense activities. As a result, any member of the Senate may use the emergency designation point of order under section 402 of the 2005 budget resolution to question, or strike, the emergency designation attached to each individual nondefense appropriation item in the bill or an amendment thereto. Such a point of order can be waived with 60 votes. If the point of order is not waived, the designation would be struck from the bill or amendment, leaving only the appropriation, which, absent its emergency designation, which would have prevented the item from “counting” for budget enforcement purposes, would then count against the committee’s allocation, meaning a 302(f) point of order would lie against the bill or amendment.

May I also point out to my colleagues that the emergency designation point of order requires that if “a provision of legislation is designated as an emergency requirement . . . the committee report and any joint explanatory statement of managers accompanying that legislation shall include an explanation of the manner in which the provision meets the criteria,” which are defined as follows: “Any such provision is an emergency requirement if the underlying situation poses a threat to life, property, or national security and is—(I) sudden, quickly coming into being, and not building up over time; (II) an urgent, pressing, and compelling need requir-

ing immediate action; (III) . . . unforeseen, unpredictable, and unanticipated; and (IV) not permanent, temporary in nature” with the proviso that an “emergency that is part of an aggregate level of anticipated emergencies, particularly when normally estimated in advance, is not unforeseen.” I note that the committee report does not include any discussion of how each individual item in this bill that is designated as an emergency meets all of these criteria.

This supplemental appropriations bill has been requested by the President, and the Congress has responded. It will be conferenced quickly and signed by the President. I know the temptation is strong, almost irresistible, for my colleagues to attempt to amend the bill with extraneous items that may be quite important—but this is not the place for them. I will strongly object to making this supplemental appropriations bill “Christmas in April” for various nondefense discretionary items and for new or expanded mandatory spending.

I commend the distinguished Chairman of the Appropriations Committee for bringing this legislation before the Senate, and I ask unanimous consent that a table displaying the Budget Committee scoring of the bill with comparisons to the House-passed bill and the President’s request be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

H.R. 1268, 2005 EMERGENCY SUPPLEMENTAL—SPENDING COMPARISONS—SENATE-REPORTED BILL

[Fiscal year 2005, in millions of dollars]

| | Defense (050) | Non-Defense | Total |
|--|---------------|-------------|--------|
| Senate-reported bill: | | | |
| Budget authority | 74,763 | 5,819 | 80,582 |
| Outlays | 31,605 | 1,185 | 32,790 |
| House-passed: | | | |
| Budget authority | 77,175 | 4,166 | 81,341 |
| Outlays | 31,497 | 685 | 32,182 |
| President’s request: | | | |
| Budget authority | 75,315 | 6,566 | 81,881 |
| Outlays | 31,219 | 902 | 32,121 |
| Senate-reported bill compared to: | | | |
| House-passed: | | | |
| Budget authority | -2,412 | 1,654 | -759 |
| Outlays | 108 | 500 | 608 |
| President’s request: | | | |
| Budget authority | -552 | -747 | -1,299 |
| Outlays | 386 | 283 | 669 |

Note: Details may not add to totals due to rounding. Totals adjusted for consistency with scorekeeping conventions.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. VOINOVICH. Mr. President, I ask unanimous consent to speak as in morning business for up to 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXCHANGE RATE OF CHINESE CURRENCY

Mr. VOINOVICH. Mr. President, I rise today to discuss last Wednesday’s vote against tabling the Schumer amendment. The Schumer amendment would call on China to move toward a flexible rate or face corrective tariffs

on their exports to the United States. Passing the amendment would be a responsible way for the Senate to address the significant problems caused by China fixing the exchange rate of its currency, known as the renminbi or yuan, to the United States dollar.

I have been concerned about China’s trade policies for some time. I am particularly concerned about the undervaluation of the Chinese currency caused by China’s currency peg. Presently, the yuan is undervalued between 15 and 40 percent. This systematic undervaluation of China’s currency makes China’s exports less expensive and puts United States workers at a severe disadvantage. As a result, the United States has lost thousands of manufacturing jobs due to the unfair competition with China’s exports with prices that are artificially low on account of the undervaluation of the yuan. This is both unfair and it is unacceptable.

China’s undervalued currency also harms China’s economy. The Chinese people pay much higher prices for their imports and China is presently forced to keep its interest rates artificially low to support the currency peg, which is causing inefficient investment and excessive bank lending in China. Moreover, this undervaluation of the Chinese currency is fueling the dramatic rise of the United States trade deficit with China and distorting trade relationships around the globe.

Currently, we have a \$162 billion trade deficit with China, the largest that we have with any country in the world. Accordingly, supporting efforts to get China to move forward toward a flexible exchange rate is consistent with supporting a more open and efficient global marketplace.

I was recently in China and had the opportunity to meet with Premier Wen Jiabao, member of the Politburo Standing Committee and the Chinese Communist Party’s Central Committee. I made precisely these points to him: That it is in China’s best interest to move toward a flexible exchange rate, and that the Chinese currency peg benefits neither China nor the United States. I urged him to support moving China toward a flexible exchange rate.

One of the primary arguments Chinese officials made to defend China’s currency peg is the banking system is not sufficiently developed for a flexible exchange rate, an argument that Secretary of the Treasury John Snow makes on occasion when he gives reasons why he is not pushing them harder for them to stop fixing their currency.

I have an article from The Economist that helps explain in detail why exchange rate flexibility is in China’s best interest, along with the best interest of the United States. The title of the article from March 19, 2005 is: “China Ought to Allow More Flexibility in Exchange Rate, Sooner Rather Than Later.”

I ask unanimous consent to have it printed in the RECORD.

There being no objection, the material was ordered to be printed in the Record, as follows:

[From the Economist, Mar. 19, 2005]

ECONOMICS FOCUS—PUTTING THINGS IN ORDER
CHINA OUGHT TO ALLOW MORE FLEXIBILITY IN
ITS EXCHANGE RATE, SOONER RATHER THAN
LATER

The Chinese government says that it intends, eventually, to make its exchange rate more flexible and to liberalise capital controls. In the past year or so, it has already eased some controls on capital outflows and officials have said recently that they will open the capital account further this year. On the exchange rate, much less has been done. The yuan has been pegged to the dollar for a decade; and the government is loath to change much until the country's banking system is in healthier shape: this week the prime minister, Wen Jiabao, said that a shift would be risky. But is China putting the cart before the horse? Other countries' experience suggests that it is, and that it is better to loosen the exchange rate before, not after, freeing capital flows.

Most commentary on the Chinese yuan tends to focus on the extent to which it is undervalued. It has been pegged to the dollar for a decade, and there is a widespread belief that it is unfairly cheap. In fact, this is not clear-cut. For instance, the increase in China's official reserves is often held up as evidence that the yuan is undervalued. Yet this largely reflects speculative capital inflows lured by the expectation of a currency revaluation. Such inflows could easily be reversed. Given the huge uncertainty about the yuan's correct level, it makes more sense for China to make its currency more flexible than to repeg it at a higher rate. Greater flexibility would be in China's interest: it would afford the country more independence in monetary policy and a buffer against external shocks. By fixing the yuan to the dollar, China has been forced to hold interest rates lower than is prudent, leading to inefficient investment and excessive bank lending.

The problem is that Chinese officials, along with many foreign commentators, tend to confuse exchange-rate flexibility and capital-account liberalisation. A commonly heard argument is that China cannot let its exchange rate move more freely before it has fixed its dodgy banking system, because that could encourage a large outflow of capital. A recent paper* by Eswar Prasad, Thomas Rumbaugh and Qing Wang, all of the International Monetary Fund, argues that, on the contrary, greater exchange-rate flexibility is a prerequisite for capital-account liberalisation.

Flexibility does not necessarily mean a free float. Initially, China could allow the yuan to move within a wider band, or peg it to a basket of currencies rather than the dollar alone. The authors first knock on the head the notion that the banking system must be cleaned up before allowing the exchange rate to move. Although financial reform is certainly essential before scrapping capital controls, the authors argue that with existing controls in place the banking system is unlikely to come under much pressure simply as a result of exchange-rate flexibility. Banks' exposure to currency risks is currently low and flexibility alone is unlikely to cause Chinese residents to withdraw their deposits or provide channels for them to send their money abroad.

The authors argue that it is also not necessary to open the capital account to create a proper foreign-exchange market. Because China exports and imports a lot, with few restrictions on currency convertibility for such transactions, it can still develop a deep,

well-functioning market without a fully open capital account. A more flexible currency would itself assist the development of such a market. For example, firms would have more incentive to hedge foreign-exchange risks, encouraging the development of suitable instruments. The experience of greater exchange-rate flexibility would also help the economy to prepare for a full opening of the capital account. While capital controls shielded the economy from volatile flows, China would have time for reforms to strengthen the banking system.

China instead seems intent on relaxing capital controls before setting its exchange rate free. This ignores the history of the past decade or so: the combination of fixed exchange rates and open capital accounts has caused financial crises in many emerging economies, especially when financial systems are fragile. China would therefore be wise to move cautiously in liberalising its capital account, but should move more rapidly towards greater exchange-rate flexibility.

YUAN AT A TIME

The Chinese have tried to offset the recent upward pressure on the yuan by easing controls on capital outflows, for instance by allowing firms to invest abroad. While this is in line with the eventual objective of full capital-account liberalisation, it runs the risk of getting reforms in the wrong order. An easing of controls on outflows may even be counterproductive if it stimulates larger inflows. By making it easier to take money out of the country, investors may be enticed to bring more in.

Capital controls are not watertight. So although China will continue to be protected from international flows, its controls can be evaded through the under- or over-invoicing of trade. Multinationals can also use transfer prices (the prices at which internal transactions are accounted for) to dodge the rules. Despite extensive controls, a lot of capital left China during the Asian crisis in the late 1990s; recently, lots of short-term money has flowed in. Controls are likely to become even more porous as China becomes more integrated into the global economy. Thus, waiting for speculative and other inflows to ease before changing the exchange-rate regime might not be a fruitful strategy.

China ought to move to a flexible exchange rate soon, while its capital controls still work. Experience also suggests that it is best to loosen the reins on a currency when growth is strong and the external account is in surplus. China should take advantage of today's opportunity rather than being forced into change at a much less convenient time.

Mr. VOINOVICH. I also urge my colleagues to read a paper by the staff of the International Monetary Fund entitled "Putting the Cart Before the Horse: Capital Account Liberalization and Exchange Rate Flexibility in China." That is a January publication by the IMF. I would have asked it be printed in the RECORD, but it is 30 pages long and I do not want to burden the CONGRESSIONAL RECORD with 30 pages. If my colleagues are interested in getting a copy of that article, I would be more than happy to supply it.

These papers show how exchange rate flexibility will facilitate economic development in China and why China does not have to wait until its banking system is more fully developed to move toward a flexible exchange rate.

Moreover, they note that China does not need to immediately float its cur-

rency to remedy the problems caused by an undervalued currency. All China needs to do is take steps in that direction, such as adopting a wider exchange rate band or pegging the exchange rate to a basket of currencies instead of the dollar alone, for example, a basket of currencies in the ASEAN countries, including Japan. Either of these policies would likely cause an upward revaluation of the yuan. Unfortunately, the Bush administration has refused meaningful action to get China to move toward a flexible exchange rate.

Last year—I remember it well—on September 8—that happens to be my wedding anniversary—four of our leaders in this country summarily said there is no problem in terms of the exchange rate and they refused to go forward with something called a 301 investigation. The 301 investigation is allowable under the WTO. That is the way you bring into question whether somebody is following the rules. They said, no, we are not going to do it. Imagine what kind of a message that sent to the leaders of the Chinese Government, that we were not even willing to look at a 301 investigation. That was a mistake.

The United States-China Economic and Security Review Commission, a bipartisan commission established by Congress to examine China's trade policies, has concluded that China's exchange rate policy violates both its International Monetary Fund and World Trade obligations. That was a bipartisan commission that came together and issued this report. The commission said China is intentionally manipulating its currency for trade advantage in violation of its trading agreements. Yet the administration refuses to act. Unless the United States exerts direct pressure on China, however, it is unlikely that China will address the undervaluation of its currency. When I asked the question of Premier Wen, he said, We know there is a problem, but we are not sure when we will do it.

I can say they will not do it unless we continue to put pressure on them to do it and convince them that, again, it is not only in our best interest but their best interest if they want to be a player in the global marketplace.

That is why Wednesday's vote was important. It showed the Senate is willing to take matters into its own hands and take effective steps to address the serious problem if the administration continues to refuse to do so. No one wants to see tariffs imposed on Chinese exports, but the United States needs to take action to address China's unfair exchange rate policy. I hope Wednesday's vote will motivate the administration to do more to get China to address the serious market distortions caused by the undervaluation of China's currency.

I believe in fair trade and improving our trading relationship with China. I was one of the leaders in the Senate to

approve normal trade relations with China. I wrote articles in Ohio magazines. In fact, I gave a copy of an article to Premier Wen to prove to him I am not a protectionist, I am a free trader.

But I also believe in fair trade. It represents a huge potential market for our exports. If we want to have trade with China, though, China must be a better trading partner, starting with its exchange rate policies. Furthermore, if we want to have a free and fair global trading system, China must take actions to move toward a flexible exchange rate. I, therefore, believe Wednesday's vote was a responsible step aimed at advancing global trade and, in particular, America's long-term trading relationship with China.

I say to the Presiding Officer, as you know, there was an agreement made that it would be pulled down from the foreign relations authorization bill, and this is going to be considered again. There is an agreement, in the form of a UC, that we will be bringing it up again. I hope before the Senate considers voting on that amendment with an up-or-down vote the administration will get the message that they have to do something to show a little bit of spirit and indicate to us that they understand and know that the Senate and the House of Representatives are serious about moving forward to deal with this problem.

I also think the vote on this particular amendment sends a strong signal, a signal to Premier Wen and to President Hu that we are concerned about this issue. I know they are concerned about jobs. We are concerned about jobs. They have to understand that. I am hoping instead of the administration looking at this as some kind of a negative action on the part of the Senate, that they will see that we are helping them communicate the message to the people over there that we are serious about a problem.

Mr. President, I suggest the absence of a quorum.

THE PRESIDING OFFICER (Mr. CHAMBLISS). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. INHOFE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

THE PRESIDING OFFICER. Without objection, it is so ordered.

Mr. INHOFE. Mr. President, I ask unanimous consent that I be recognized for up to 30 minutes as in morning business.

THE PRESIDING OFFICER. Without objection, it is so ordered.

GLOBAL CLIMATE CHANGE

Mr. INHOFE. Mr. President, today I continue my series of talks on the four pillars of climate alarmism. Last week I showed the first pillar, the 2001 climate change report by the National Academy of Sciences. It was really a

farce, and we documented it very well. The same is true of the 2001 report of the IPCC. That is the Intergovernmental Panel on Climate Change. It supposedly provides irrefutable evidence of the global warming consensus. Simply put, it does not, as my speech today will demonstrate.

The media greeted the release of the IPCC's Third Assessment Report with the predictable hysteria with which they normally respond to things such as this. From the Independent newspaper of London:

In a report published today by the United Nations Intergovernmental Panel on Climate Change (IPCC), hundreds of the world's leading scientists give their unqualified support to the view that global warming is real and that the release of manmade greenhouse gases is largely responsible.

It continues:

The latest three-volume report, amounting to 2,600 pages of detailed analysis, leaves the reader in little doubt that the scientific uncertainties of the previous decade are being resolved in favor of an emerging, and increasingly pessimistic consensus.

The preceding quotes, and many that followed in the Independent's report, came from the Third Assessment's "Summary for Policymakers." In fact, the media based much, if not all, of its reporting on the summary itself. It did this even though in some respects the summary distorted the actual context of the full report.

The National Academy of Sciences, in its 2001 report, criticized both how the summary was written and how the media portrayed it, as in this chart No. 1:

The IPCC Summary for Policymakers could give an impression that the science of global warming is settled, even though many uncertainties still remain.

This clearly contradicts the claim of the Independent that there is little doubt that the scientific uncertainties in the previous decade are settled.

Another claim the media featured prominently was that temperature increases over the last century are unprecedented, at least when considered on a time scale of the last 1,000 years. According to the IPCC, the 1990s were the warmest decade on record, and 1998 was the warmest year since temperature records began in 1861. The basis for this claim is a so-called hockey stick graph, shown in chart No. 2. This is an interesting one because this plots out the temperatures over a period of time and then shows the blade, when it gets to be the 19th century, coming up.

The graph was constructed by Dr. Michael Mann of the University of Virginia and his colleagues using a combination of proxy data and modern temperature records. The hockey stick curve showed a gradual cooling period around 1400 A.D., which is the hockey stick handle—that is the horizontal line—then a sharp warming starting about 1900, the hockey stick blade. Its release was revolutionary, overturning widespread evidence adduced over many years confirming significant national variability long before the ad-

vent of SUVs. The IPCC was so impressed that the hockey stick was featured prominently in its Third Assessment Report of 2001.

As Dr. Roy Spencer, the principal research scientist at the University of Alabama, noted:

This was taken as proof that the major climate event of the last 1,000 years was the influence of humans in the 20th century. One of its authors, Dr. Michael Mann, confidently declared in 2003 that the hockey stick "is the indisputable consensus of the community of scientists actively involved in the research of climate variability and its causes."

The hockey stick caused quite a stir, not just in the scientific community but also in the world of politics. It galvanized alarmists in their push for Kyoto. It is supposedly ironclad proof that manmade greenhouse gas emissions are warming the planet at an unsustainable degree. But here again, one of the essential pillars of the alarmists appears to be crumbling.

Two Canadian researchers have produced the most devastating evidence to date that the hockey stick is bad science. Before I describe their work, I want to make a prediction. The alarmists will cry foul, saying this critique is part of an industry conspiracy. And true to form, they will avoid discussion of the substance and engage in personal attacks. That is because one of the researchers, Stephen McIntyre, is a mineral exploration consultant. Dr. Mann already has accused them of having a conflict of interest. This is nonsense.

First, Stephen McIntyre and his colleague, Ross McKittrick, an economist with Canada's University of Guelph, received no outside funding for their work. They are both very well recognized professional people. Second, they published their peer-reviewed critique in geophysical research letters. This is no organ of big oil, but an eminent scientific journal, the same journal, in fact, which published the version of Dr. Mann's hockey stick that appeared in the IPCC's Third Assessment Report. Apparently the journal's editor didn't see much evidence of bias. The remarks of one editor are worth quoting in full:

S. McIntyre and R. McKittrick have written a remarkable paper on a subject of great importance. What makes the paper significant is that they show that one of the most widely known results of climate analysis, the "hockey stick" diagram of Mann [and company], was based on a mistake in the application of a mathematical technique known as principle component analysis.

Further, he said:

I have looked carefully at the McIntyre and McKittrick analysis, and I am convinced that their work is correct.

What did McKittrick and McIntyre find? In essence, they discovered that Dr. Mann misused an established statistical method called principal components analysis, PCA. As they explained, Mann created a program that "effectively mines a data set for hockey stick patterns." In other words, no matter what kind of data one uses, even if it is random and totally meaningless, the Mann method always produces a hockey stick. After conducting