

110TH CONGRESS  
1ST SESSION

# H. R. 2942

To provide for identification of misaligned currency, require action to correct the misalignment, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2007

Mr. RYAN of Ohio (for himself and Mr. HUNTER) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services and Foreign Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide for identification of misaligned currency, require action to correct the misalignment, and for other purposes.

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. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Currency Reform for Fair Trade Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title and table of contents.

TITLE I—REMEDIES TO ADDRESS IMPORTS SUBJECT TO  
FUNDAMENTALLY MISALIGNED CURRENCIES

- Sec. 101. Findings.  
 Sec. 102. Application of countervailing duties to nonmarket economy countries.  
 Sec. 103. Clarification to address fundamental misalignment of a currency under title VII of the Tariff Act of 1930.

TITLE II—INTERNATIONAL MONETARY AND FINANCIAL POLICY

- Sec. 201. Definitions.  
 Sec. 202. Findings.  
 Sec. 203. Report on international monetary policy and currency exchange rates.  
 Sec. 204. Identification of fundamentally misaligned currencies.  
 Sec. 205. Negotiations and consultations.  
 Sec. 206. Actions with respect to countries with fundamentally misaligned currencies designated for priority action.  
 Sec. 207. Actions with respect to countries that persistently fail to eliminate fundamentally misaligned currencies designated for priority action.  
 Sec. 208. International financial institution governance arrangements.  
 Sec. 209. Advisory Committee on International Exchange Rate Policy.  
 Sec. 210. Repeal of the Exchange Rates and International Economic Policy Coordination Act of 1988.

1 **TITLE I—REMEDIES TO AD-**  
 2 **DRESS IMPORTS SUBJECT TO**  
 3 **FUNDAMENTALLY MIS-**  
 4 **ALIGNED CURRENCIES**

5 **SEC. 101. FINDINGS.**

6 Congress makes the following findings:

7 (1) The economy and national security of the  
 8 United States are critically dependent upon a vi-  
 9 brant manufacturing and agricultural base.

10 (2) The good health of United States manufac-  
 11 turing and agriculture requires, among other things,  
 12 unfettered access to open markets abroad and fairly  
 13 traded raw materials and products in accord with  
 14 the international legal principles and agreements of

1 the World Trade Organization and the International  
2 Monetary Fund.

3 (3) The International Monetary Fund, the  
4 Group of Eight (G-8), and other international orga-  
5 nizations have repeatedly noted that exchange-rate  
6 misalignment can cause imbalances in the inter-  
7 national trading system that could ultimately under-  
8 cut the stability of the system, but have taken no  
9 concrete action to redress such misalignments and  
10 imbalances.

11 (4) Since 1994, the People's Republic of China  
12 and other countries have repeatedly intervened in  
13 currency markets and taken measures that have sig-  
14 nificantly misaligned the values of their currencies  
15 against the United States dollar and other cur-  
16 rencies.

17 (5) This policy by the People's Republic of  
18 China, for example, has resulted in substantial  
19 undervaluation of the renminbi, by up to 40 percent  
20 or more.

21 (6) Evidence of this undervaluation can be  
22 found in the large and growing annual trade sur-  
23 pluses of the People's Republic of China; substan-  
24 tially expanding foreign direct investment in China;

1 and the rapidly increasing aggregate amount of for-  
2 eign currency reserves that are held by China.

3 (7) Undervaluation by the People's Republic of  
4 China and by other countries acts as both a subsidy  
5 for their exports and as a nontariff barrier against  
6 imports into their territories, to the serious det-  
7 riment of United States manufacturing and agri-  
8 culture.

9 (8)(A) As members of both the World Trade  
10 Organization and the International Monetary Fund,  
11 the People's Republic of China and other countries  
12 have assumed a series of international legal obliga-  
13 tions to eliminate all subsidies for exports and to fa-  
14 cilitate international trade by fostering a monetary  
15 system that does not tend to produce erratic disrupt-  
16 tions, that does not prevent effective balance-of-pay-  
17 ments adjustment, and that does not gain unfair  
18 competitive advantage.

19 (B) These obligations are most prominently set  
20 forth in—

21 (i) Articles VI, XV, and XVI of the GATT  
22 1994 (as defined in section 2(1)(B) of the Uru-  
23 guay Round Agreements Act (19 U.S.C.  
24 3501(1)(B));

1 (ii) the Agreement on Subsidies and Coun-  
2 tervailing Measures (as described in section  
3 101(d)(12) of the Uruguay Round Agreements  
4 Act (19 U.S.C. 3511(d)(12)); and

5 (iii) Articles IV and VIII of the Inter-  
6 national Monetary Fund's Articles of Agree-  
7 ment.

8 (9) Under the foregoing circumstances, it is  
9 consistent with the international legal obligations of  
10 the People's Republic of China and similarly situ-  
11 ated countries and with the corresponding inter-  
12 national legal rights of the United States to amend  
13 relevant United States trade laws to make explicit  
14 that exchange-rate misalignment by any country is  
15 actionable as a countervailable export subsidy.

16 **SEC. 102. APPLICATION OF COUNTERVAILING DUTIES TO**  
17 **NONMARKET ECONOMY COUNTRIES.**

18 (a) IN GENERAL.—Paragraph (1) of section 701(a)  
19 of the Tariff Act of 1930 (19 U.S.C. 1671(a)) is amended  
20 by inserting “(including a nonmarket economy country)”  
21 after “country” each place it appears.

22 (b) USE OF ALTERNATE METHODOLOGIES.—Sub-  
23 paragraph (E) of section 771(5) of the Tariff Act of 1930  
24 (19 U.S.C. 1677(5)) is amended by adding at the end the  
25 following: “With respect to a nonmarket economy country,

1 for purposes of identifying and measuring a subsidy ben-  
2 efit described in clause (i), (ii), (iii), or (iv), or otherwise  
3 conferred upon a recipient, the administering authority  
4 shall use methodologies that take into account the possi-  
5 bility that prevailing terms and conditions in that country  
6 might not be available or might themselves be inappro-  
7 priate benchmarks due to market distortions. In such cir-  
8 cumstances, unless it is demonstrated that the nonmarket  
9 economy country's prevailing terms and conditions prac-  
10 ticably can be adjusted to serve as appropriate bench-  
11 marks, the administering authority shall use as bench-  
12 marks appropriate terms and conditions prevailing outside  
13 the nonmarket economy country. When the party in pos-  
14 session of the information necessary to identify and meas-  
15 ure the benefit of a subsidy does not timely and completely  
16 submit that information for the record, the administering  
17 authority shall use for that purpose the facts otherwise  
18 available and shall, as warranted, draw adverse infer-  
19 ences.”.

20 (c) ADJUSTMENTS FOR EXPORT PRICE AND CON-  
21 STRUCTED EXPORT PRICE.—Subparagraph (C) of section  
22 772(c)(1) of the Tariff Act of 1930 (19 U.S.C.  
23 1677a(c)(1)) is amended by inserting before the end  
24 comma the following: “, whether the subject merchandise

1 is from a country with a market economy, a nonmarket  
2 economy, or a combination thereof”.

3 (d) EFFECTIVE DATE.—The amendments made by  
4 subsections (a), (b), and (c) apply with respect to a coun-  
5 tervailing duty proceeding initiated under subtitle A of  
6 title VII of the Tariff Act of 1930 before, on, or after  
7 the date of enactment of this Act.

8 (e) ANTIDUMPING PROVISIONS NOT AFFECTED.—  
9 The amendments made by subsections (a), (b), and (c)  
10 shall not affect the status of a country as a nonmarket  
11 economy country for the purposes of any matter relating  
12 to antidumping duties under the Tariff Act of 1930.

13 **SEC. 103. CLARIFICATION TO ADDRESS FUNDAMENTAL MIS-**  
14 **ALIGNMENT OF A CURRENCY UNDER TITLE**  
15 **VII OF THE TARIFF ACT OF 1930.**

16 (a) FUNDAMENTAL AND ACTIONABLE MISALIGN-  
17 MENT OF A CURRENCY.—Section 771 of the Tariff Act  
18 of 1930 (19 U.S.C. 1677) is amended by adding at the  
19 end the following:

20 “(37) FUNDAMENTAL AND ACTIONABLE MIS-  
21 ALIGNMENT OF A CURRENCY.—

22 “(A) IN GENERAL.—The term ‘funda-  
23 mental and actionable misalignment’ means the  
24 situation in which an exporting country’s pre-  
25 vailing real effective exchange rate is under-

1 valued relative to the exporting country's equi-  
2 librium real effective exchange rate, and the ad-  
3 ministering authority determines that—

4 “(i) the amount of the undervaluation  
5 exceeds 5 percent and has consistently ex-  
6 ceeded 5 percent on average in the 18-  
7 month period preceding the date of the cal-  
8 culation of the amount of the undervalu-  
9 ation; and

10 “(ii) the undervaluation is the result  
11 of—

12 “(I) protracted, large-scale inter-  
13 vention in the currency exchange mar-  
14 kets;

15 “(II) excessive reserve accumula-  
16 tion;

17 “(III) restrictions on, or incen-  
18 tives for, the inflow or outflow of cap-  
19 ital, that is inconsistent with the goal  
20 of achieving currency convertibility; or

21 “(IV) any other policy or action  
22 by the country that issues the cur-  
23 rency.

24 “(B) CALCULATION OF UNDERVALU-  
25 ATION.—In calculating the amount of an under-



1 valuation described in subparagraph (A), the  
2 administering authority shall—

3 “(i) rely upon data that are publicly  
4 available, reliable, and compiled and main-  
5 tained by the International Monetary Fund  
6 or, if the International Monetary Fund  
7 cannot provide such data, by other inter-  
8 national organizations or by national gov-  
9 ernments;

10 “(ii) use inflation-adjusted, trade-  
11 weighted exchange rates; and

12 “(iii) use the simple average of the  
13 macroeconomic-balance approach, the re-  
14 duced-form-real-exchange-rate approach,  
15 and the purchasing-power-parity approach.

16 “(C) METHODOLOGIES DEFINED.—For  
17 purposes of subparagraph (B)(iii)—

18 “(i) the term ‘macroeconomic-balance  
19 approach’ means a methodology under  
20 which the level of exchange rate misalign-  
21 ment is defined as the change in the real  
22 effective exchange rate needed to achieve  
23 equilibrium in the balance of payments;

24 “(ii) the term ‘reduced-form-real-ex-  
25 change-rate approach’ means a method-

1           ology under which the level of exchange  
 2           rate misalignment is defined as the dif-  
 3           ference between the observed real effective  
 4           exchange rate and the real exchange rate  
 5           predicted by an econometric model using  
 6           explanatory variables, including measures  
 7           of the rate of productivity growth, terms of  
 8           trade, and net foreign asset position; and

9           “‘(iii) the term ‘purchasing-power-par-  
 10          ity approach’ means a methodology under  
 11          which the level of exchange rate misalign-  
 12          ment is defined as the difference between  
 13          the observed real exchange rate and the  
 14          real exchange rate that would equalize  
 15          prices for a basket of goods across coun-  
 16          tries, once prices have been converted into  
 17          a common currency.

18          “(D) REAL EFFECTIVE EXCHANGE RATE  
 19          DEFINED.—For purposes of this paragraph, the  
 20          term ‘real effective exchange rate’ means an in-  
 21          flation-adjusted, trade-weighted exchange  
 22          rate.”.

23          (b) AMENDMENTS TO DEFINITION OF  
 24          COUNTERAVAILABLE SUBSIDY.—

1           (1) FINANCIAL CONTRIBUTION.—Paragraph  
2 (5)(D) of such section is amended—

3           (A) by striking “The term” and inserting  
4 “(i) The term”;

5           (B) by redesignating clauses (i) through  
6 (iv) as subclauses (I) through (IV), respectively;  
7 and

8           (C) by adding at the end the following new  
9 clause:

10           “(ii) A currency that is in fundamental  
11 and actionable misalignment (as defined in  
12 paragraph (37)) shall constitute a financial con-  
13 tribution for purposes of this subparagraph.”.

14           (2) BENEFIT CONFERRED.—Paragraph (5)(E)  
15 of such section, as amended by section 101(b) of  
16 this Act, is further amended—

17           (A) in clause (iii), by striking “and” at the  
18 end;

19           (B) in clause (iv), by striking the period at  
20 the end and inserting “, and”; and

21           (C) by inserting after clause (iv) the fol-  
22 lowing new clause:

23           “(v) in the case of currency that is in  
24 fundamental and actionable misalignment  
25 (as defined in paragraph (37)), if the price

1 of exported goods in United States dollars  
2 is less than what the price of such goods  
3 would be without the misalignment.”.

4 (3) SPECIFICITY.—Paragraph (5A) of such sec-  
5 tion is amended by adding at the end the following  
6 new sentence:

7 “For purposes of this paragraph, a currency that is  
8 in fundamental and actionable misalignment (as  
9 such term is defined in paragraph (37)) shall be  
10 deemed to be specific.”.

11 (c) CLARIFICATION UNDER ANTIDUMPING LAW.—

12 (1) IN GENERAL.—For purposes of an anti-  
13 dumping investigation or review under title VII of  
14 the Tariff Act of 1930 (19 U.S.C. 1671 et seq.), the  
15 administering authority shall ensure a fair compari-  
16 son of the export price or the constructed export  
17 price with the normal value by adjusting the price  
18 used to establish export price or constructed export  
19 price to offset any fundamental and actionable mis-  
20 alignment of the currency of the exporting country.

21 (2) DEFINITIONS.—For purposes of paragraph

22 (1)—

23 (A) the term “administering authority”  
24 has the meaning given the term in paragraph

1 (1) of section 771 of the Tariff Act of 1930;  
2 and

3 (B) the term “fundamental and actionable  
4 misalignment” has the meaning given the term  
5 in paragraph (37) of such section (as added by  
6 subsection (a)).

7 (3) ADJUSTMENTS FOR EXPORT PRICE AND  
8 CONSTRUCTED EXPORT PRICE.—Paragraph (2) of  
9 section 772(c) of the Tariff Act of 1930 (19 U.S.C.  
10 1677a(c)) is amended—

11 (A) in subparagraph (A), by striking  
12 “and” at the end;

13 (B) in subparagraph (B), by striking the  
14 period at the end and inserting “, and”; and

15 (C) by adding at the end the following new  
16 subparagraph:

17 “(C) the amount of any fundamental and  
18 actionable misalignment (as defined in section  
19 771(37)).”.

20 (d) AMENDMENTS TO DEFINITION OF NONMARKET  
21 ECONOMY COUNTRY.—Subparagraph (B) of section  
22 771(18) of the Tariff Act of 1930 (19 U.S.C. 1677(18))  
23 is amended—

24 (1) in clause (v), by striking “and” at the end;

1           (2) by redesignating clause (vi) as clause (vii);

2           and

3           (3) by inserting after clause (v) the following

4           new clause:

5                         “(vi) whether in the view of the ad-  
6                         ministering authority the currency of the  
7                         foreign country is in fundamental and ac-  
8                         tionable misalignment (as defined in para-  
9                         graph (37)), and”.

10           (e) APPLICATION TO CANADA AND MEXICO.—Pursu-  
11           ant to article 1902 of the North American Free Trade  
12           Agreement and section 408 of the North American Free  
13           Trade Agreement Implementation Act (19 U.S.C. 3438),  
14           the amendments made by this section shall apply with re-  
15           spect to goods from Canada and Mexico.

16           **TITLE II—INTERNATIONAL MON-**  
17           **ETARY AND FINANCIAL POL-**  
18           **ICY**

19           **SEC. 201. DEFINITIONS.**

20           In this title:

21                         (1) ADMINISTERING AUTHORITY.—The term  
22                         “administering authority” has the meaning given the  
23                         term in section 771(1) of the Tariff Act of 1930.

24                         (2) FUNDAMENTAL MISALIGNMENT OF A CUR-  
25                         RENCY.—

1 (A) IN GENERAL.—The term “funda-  
2 mental misalignment” means the situation in  
3 which a country’s prevailing real effective ex-  
4 change rate is undervalued relative to the coun-  
5 try’s equilibrium real effective exchange rate,  
6 and the Secretary determines that the amount  
7 of the undervaluation exceeds 5 percent and has  
8 consistently exceeded 5 percent in the 18-month  
9 period preceding the date of the calculation of  
10 the amount of the undervaluation.

11 (B) CALCULATION OF UNDERVALU-  
12 ATION.—In calculating the amount of an under-  
13 valuation described in subparagraph (A), the  
14 Secretary shall—

15 (i) rely upon data that are publicly  
16 available, reliable, and compiled and main-  
17 tained by the International Monetary Fund  
18 or, if the International Monetary Fund  
19 cannot provide such data, by other inter-  
20 national organizations or by national gov-  
21 ernments;

22 (ii) use inflation-adjusted, trade-  
23 weighted exchange rates; and

24 (iii) use the macroeconomic-balance  
25 approach, the reduced-form-real-exchange-

1 rate approach, and the purchasing-power-  
2 parity approach.

3 (C) METHODOLOGIES DEFINED.—For pur-  
4 poses of subparagraph (B)(iii)—

5 (i) the term “macroeconomic-balance  
6 approach” means a methodology under  
7 which the level of exchange rate misalign-  
8 ment is defined as the change in the real  
9 effective exchange rate needed to achieve  
10 equilibrium in the balance of payments;

11 (ii) the term “reduced-form-real-ex-  
12 change-rate approach” means a method-  
13 ology under which the level of exchange  
14 rate misalignment is defined as the dif-  
15 ference between the observed real effective  
16 exchange rate and the real exchange rate  
17 predicted by an econometric model using  
18 explanatory variables, including measures  
19 of the rate of productivity growth, terms of  
20 trade, and net foreign asset position; and

21 (iii) the term “purchasing-power-par-  
22 ity approach” means a methodology under  
23 which the level of exchange rate misalign-  
24 ment is defined as the difference between  
25 the observed real exchange rate and the



1 real exchange rate that would equalize  
2 prices for a basket of goods across coun-  
3 tries, once prices have been converted into  
4 a common currency.

5 (3) FUNDAMENTALLY MISALIGNED CUR-  
6 RENCY.—The term “fundamentally misaligned cur-  
7 rency” means a foreign currency that is in funda-  
8 mental misalignment.

9 (4) REAL EFFECTIVE EXCHANGE RATE.—The  
10 term “real effective exchange rate” means an infla-  
11 tion-adjusted, trade-weighted exchange rate.

12 (5) SECRETARY.—The term “Secretary” means  
13 the Secretary of the Treasury.

14 **SEC. 202. FINDINGS.**

15 Congress makes the following findings:

16 (1) Since the Exchange Rates and International  
17 Economic Policy Coordination Act of 1988 (22  
18 U.S.C. 5302(3)) was enacted the global economy has  
19 changed dramatically, with increased capital account  
20 openness, a sharp increase in the flow of funds  
21 internationally, and an ever growing number of  
22 emerging market economies becoming systemically  
23 important to the global flow of goods, services, and  
24 capital. In addition, practices such as the mainte-

1 nance of multiple currency regimes have become  
2 rare.

3 (2) Exchange rates among major trading na-  
4 tions are occasionally manipulated or fundamentally  
5 misaligned due to direct or indirect governmental  
6 intervention in the exchange market.

7 (3) A major focus of national economic policy  
8 should be a market-driven exchange rate for the  
9 United States dollar at a level consistent with a sus-  
10 tainable balance in the United States current ac-  
11 count.

12 (4) While some degree of surpluses and deficits  
13 in payments balances may be expected, particularly  
14 in response to increasing economic globalization,  
15 large and growing imbalances raise concerns of pos-  
16 sible disruption to financial markets. In part, such  
17 imbalances often reflect exchange rate policies that  
18 foster fundamental misalignment of currencies.

19 (5) Currencies in fundamental misalignment  
20 can seriously impair the ability of international mar-  
21 kets to adjust appropriately to global capital and  
22 trade flows, distorting trade flows and causing eco-  
23 nomic harm to the United States.

24 (6) The effects of a fundamentally misaligned  
25 currency may be so harmful that it is essential to

1 correct the fundamental misalignment without re-  
2 gard to the purpose of any policy that contributed  
3 to the misalignment.

4 (7) In the interests of facilitating the exchange  
5 of goods, services, and capital among countries, sus-  
6 taining sound economic growth, and fostering finan-  
7 cial and economic stability, Article IV of the Inter-  
8 national Monetary Fund's Articles of Agreement ob-  
9 ligates each member of the International Monetary  
10 Fund to avoid manipulating exchange rates in order  
11 to prevent effective balance of payments adjustments  
12 or to gain an unfair competitive advantage over  
13 other members.

14 (8) The failure of a government to acknowledge  
15 a fundamental misalignment of its currency or to  
16 take timely and effective steps to correct such a fun-  
17 damental misalignment, either through inaction or  
18 mere token action, is a form of exchange rate ma-  
19 nipulation and is inconsistent with that govern-  
20 ment's obligations under Article IV of the Inter-  
21 national Monetary Fund's Articles of Agreement.

22 **SEC. 203. REPORT ON INTERNATIONAL MONETARY POLICY**  
23 **AND CURRENCY EXCHANGE RATES.**

24 (a) REPORTS REQUIRED.—

1           (1) IN GENERAL.—Not later than March 15  
2           and September 15 of each calendar year, the Sec-  
3           retary, after consulting with the Chairman of the  
4           Board of Governors of the Federal Reserve System  
5           and the Advisory Committee on International Ex-  
6           change Rate Policy, shall submit to Congress, a  
7           written report on international monetary policy and  
8           currency exchange rates.

9           (2) CONSULTATIONS.—On or before March 30  
10          and September 30 of each year, the Secretary shall  
11          appear, if requested, before the Committee on Bank-  
12          ing, Housing, and Urban Affairs and the Committee  
13          on Finance of the Senate and the Committee on Fi-  
14          nancial Services and the Committee on Ways and  
15          Means of the House of Representatives to provide  
16          testimony on the reports submitted pursuant to  
17          paragraph (1).

18          (b) CONTENT OF REPORTS.—Each report submitted  
19          under subsection (a) shall contain—

20               (1) an analysis of currency market develop-  
21               ments and the relationship between the United  
22               States dollar and the currencies of major economies  
23               and trading partners of the United States;

24               (2) a review of the economic and monetary poli-  
25               cies of major economies and trading partners of the

1 United States, and an evaluation of how such poli-  
2 cies impact currency exchange rates;

3 (3) a description of any currency intervention  
4 by the United States or other major economies or  
5 trading partners of the United States, or other ac-  
6 tions undertaken to adjust the actual exchange rate  
7 relative to the United States dollar;

8 (4) an evaluation of the domestic and global  
9 factors that underlie the conditions in the currency  
10 markets, including—

11 (A) monetary and financial conditions;

12 (B) accumulation of foreign assets;

13 (C) macroeconomic trends;

14 (D) trends in current and financial ac-  
15 count balances;

16 (E) the size, composition, and growth of  
17 international capital flows;

18 (F) the impact of the external sector on  
19 economic growth;

20 (G) the size and growth of external indebt-  
21 edness;

22 (H) trends in the net level of international  
23 investment; and

24 (I) capital controls, trade, and exchange  
25 restrictions;

1           (5) a list of currencies designated as fundamen-  
2           tally misaligned currencies pursuant to section  
3           204(a)(2), and a description of any economic models  
4           or methodologies used to establish the list;

5           (6) a list of currencies designated for priority  
6           action pursuant to section 204(a)(3);

7           (7) a description of any consultations conducted  
8           or other steps taken pursuant to section 205, 206,  
9           or 207; and

10          (8) a description of any determination made  
11          pursuant to section 208(a).

12          (c) CONSULTATIONS.—The Secretary shall consult  
13          with the Chairman of the Board of Governors of the Fed-  
14          eral Reserve System and the Advisory Committee on  
15          International Exchange Rate Policy with respect to the  
16          preparation of each report required under subsection (a).  
17          Any comments provided by the Chairman of the Board  
18          of Governors of the Federal Reserve System or the Advi-  
19          sory Committee on International Exchange Rate Policy  
20          shall be submitted to the Secretary not later than the date  
21          that is 15 days before the date each report is due under  
22          subsection (a). The Secretary shall submit the report to  
23          Congress after taking into account all such comments re-  
24          ceived.

1 **SEC. 204. IDENTIFICATION OF FUNDAMENTALLY MIS-**  
2 **ALIGNED CURRENCIES.**

3 (a) IDENTIFICATION.—

4 (1) IN GENERAL.—The Secretary shall analyze  
5 on a semiannual basis the prevailing real exchange  
6 rates between the United States dollar and foreign  
7 currencies.

8 (2) DESIGNATION OF FUNDAMENTALLY MIS-  
9 ALIGNED CURRENCIES.—As a result of the analysis  
10 conducted under paragraph (1), the Secretary shall  
11 identify any foreign currency that is in fundamental  
12 misalignment and shall designate such currency as a  
13 fundamentally misaligned currency.

14 (3) DESIGNATION OF CURRENCIES FOR PRI-  
15 ORITY ACTION.—The Secretary shall designate a  
16 currency identified under paragraph (2) for priority  
17 action if the country that issues such currency is—

18 (A) engaging in protracted large-scale  
19 intervention in the currency exchange market;

20 (B) engaging in excessive reserve accumu-  
21 lation;

22 (C) introducing or substantially modifying  
23 for balance of payments purposes a restriction  
24 on, or incentive for, the inflow or outflow of  
25 capital, that is inconsistent with the goal of  
26 achieving full currency convertibility; or

1 (D) pursuing any other policy or action  
2 that, in the view of the Secretary, warrants des-  
3 ignation for priority action.

4 (b) REPORTS.—The Secretary shall include a list of  
5 any foreign currency designated under paragraph (2) or  
6 (3) of subsection (a) in each report required by section  
7 203.

8 **SEC. 205. NEGOTIATIONS AND CONSULTATIONS.**

9 (a) IN GENERAL.—Upon designation of a currency  
10 pursuant to section 204(a)(2), the Secretary shall seek bi-  
11 lateral consultations with the country that issues such cur-  
12 rency in order to facilitate the adoption of appropriate  
13 policies to address the fundamental misalignment.

14 (b) CONSULTATIONS INVOLVING CURRENCIES DES-  
15 IGNATED FOR PRIORITY ACTION.—With respect to each  
16 currency designated for priority action pursuant to section  
17 204(a)(3), the Secretary shall, in addition to the consulta-  
18 tions with the country described in subsection (a)—

19 (1) seek the advice of the International Mone-  
20 tary Fund with respect to the Secretary’s findings in  
21 the report submitted to Congress pursuant to section  
22 203(a); and

23 (2) encourage other governments, whether bilat-  
24 erally or in appropriate multinational fora, to join  
25 the United States in seeking the adoption of appro-





1 designated for priority action pursuant to section  
2 204(a)(3).

3 (c) MULTILATERAL BANK FINANCING.—The Sec-  
4 retary shall instruct the United States Executive Director  
5 at each multilateral bank to oppose the approval of any  
6 new financing (including loans, other credits, insurance,  
7 reinsurance, or guarantee) to the government of a country,  
8 or for a project located within a country, that issues a  
9 currency designated for priority action pursuant to section  
10 204(a)(3).

11 (d) REPORTS.—The Secretary shall describe any ac-  
12 tion or determination pursuant to subsections (a) through  
13 (c) in the first semiannual report required by section 203  
14 after the date of such action or determination.

15 **SEC. 207. ACTIONS WITH RESPECT TO COUNTRIES THAT**  
16 **PERSISTENTLY FAIL TO ELIMINATE FUN-**  
17 **DAMENTALLY MISALIGNED CURRENCIES**  
18 **DESIGNATED FOR PRIORITY ACTION.**

19 (a) ACTIONS REQUIRED.—Not later than 360 days  
20 after the date on which a currency is designated for pri-  
21 ority action pursuant to section 204(a)(3), the Secretary  
22 shall determine whether the country that issues such cur-  
23 rency has eliminated the fundamental misalignment. The  
24 Secretary shall promptly notify Congress of such deter-  
25 mination and shall publish notice of the determination in

1 the Federal Register. If the Secretary determines that the  
2 country that issues such currency has failed to eliminate  
3 the fundamental misalignment, in addition to the applica-  
4 tion of the provisions of subsections (a) through (c) of sec-  
5 tion 206, the following shall apply with respect to the  
6 country until a notification described in subsection (b) is  
7 published in the Federal Register:

8           (1) ACTION AT THE WTO.—The United States  
9           Trade Representative shall request consultations in  
10           the World Trade Organization with the country re-  
11           garding the consistency of the country’s actions with  
12           its obligations under the WTO Agreement.

13           (2) REMEDIAL INTERVENTION.—

14           (A) IN GENERAL.—The Secretary shall  
15           consult with the Board of Governors of the  
16           Federal Reserve System to consider under-  
17           taking remedial intervention in international  
18           currency markets in response to the funda-  
19           mental misalignment of the currency designated  
20           for priority action, and coordinating such inter-  
21           vention with other monetary authorities and the  
22           International Monetary Fund.

23           (B) NOTICE TO COUNTRY.—At the same  
24           time the Secretary takes action under subpara-  
25           graph (A), the Secretary shall notify the coun-

1           try that issues such currency of the consulta-  
2           tions under subparagraph (A).

3           (b) NOTIFICATION.—The Secretary shall promptly  
4 notify Congress when a country that issues a currency des-  
5 ignated for priority action pursuant to section 204(a)(3)  
6 eliminates the fundamental misalignment, and publish no-  
7 tice of the action of that country in the Federal Register.

8           (c) REPORTS.—The Secretary shall describe any ac-  
9 tion or determination pursuant to subsection (a) or (b)  
10 in the first semiannual report required by section 203  
11 after the date of such action or determination.

12 **SEC. 208. INTERNATIONAL FINANCIAL INSTITUTION GOV-**  
13 **ERNANCE ARRANGEMENTS.**

14           (a) INITIAL REVIEW.—Notwithstanding any other  
15 provision of law, before the United States approves a pro-  
16 posed change in the governance arrangement of any inter-  
17 national financial institution, as defined in section  
18 1701(c)(2) of the International Financial Institutions Act  
19 (22 U.S.C. 262r(c)(2)), the Secretary shall determine  
20 whether any member of the international financial institu-  
21 tion that would benefit from the proposed change, in the  
22 form of increased voting shares or representation, has a  
23 currency that was designated a currency for priority action  
24 pursuant to section 204(a)(3) in the most recent report

1 required by section 203. The determination shall be re-  
2 ported to Congress.

3 (b) SUBSEQUENT ACTION.—The United States shall  
4 oppose any proposed change in the governance arrange-  
5 ment of the international financial institution (as defined  
6 in subsection (a)), if the Secretary renders an affirmative  
7 determination pursuant to subsection (a).

8 (c) FURTHER ACTION.—The United States shall con-  
9 tinue to oppose any proposed change in the governance  
10 arrangement of the international financial institution, pur-  
11 suant to subsection (b), until the Secretary determines  
12 and reports to Congress that the proposed change would  
13 not benefit any member of the international financial insti-  
14 tution, in the form of increased voting shares or represen-  
15 tation, that has a currency that is designated a currency  
16 for priority action pursuant to section 204(a)(3).

17 **SEC. 209. ADVISORY COMMITTEE ON INTERNATIONAL EX-**  
18 **CHANGE RATE POLICY.**

19 (a) ESTABLISHMENT.—

20 (1) IN GENERAL.—There is established an Ad-  
21 visory Committee on International Exchange Rate  
22 Policy (in this section referred to as the “Com-  
23 mittee”). The Committee shall be responsible for—

24 (A) advising the Secretary in the prepara-  
25 tion of each report to Congress on international

1 monetary policy and currency exchange rates,  
2 provided for in section 203;

3 (B) advising the Congress and the Presi-  
4 dent with respect to—

5 (i) international exchange rates and  
6 financial policies; and

7 (ii) the impact of such policies on the  
8 economy of the United States; and

9 (C) submitting to Congress and publishing  
10 in the Federal Register a statement of disagree-  
11 ment if a majority of the members of the Com-  
12 mittee disagree with—

13 (i) a determination of the Secretary—

14 (I) to designate or not to des-  
15 ignate a foreign currency as a fun-  
16 damentally misaligned currency pur-  
17 suant to section 204(a)(2); or

18 (II) to designate or not to des-  
19 ignate a foreign currency for priority  
20 action pursuant to section 204(a)(3);

21 or

22 (ii) a determination of the admin-  
23 istering authority under title VII of the  
24 Tariff Act of 1930—

1 (I) to designate or not to des-  
2 ignate a foreign currency as a cur-  
3 rency in fundamental and actionable  
4 misalignment (as such term is defined  
5 in section 771(37) of such Act (as  
6 added by section 103(a) of this Act));  
7 or

8 (II) with respect to the amount  
9 of any fundamental and actionable  
10 misalignment of a foreign currency  
11 designated as a currency in funda-  
12 mental and actionable misalignment.

13 (2) MEMBERSHIP.—

14 (A) IN GENERAL.—The Committee shall be  
15 composed of seven members as follows, none of  
16 whom shall be from the Federal Government:

17 (i) CONGRESSIONAL APPOINTEES.—

18 (I) SENATE APPOINTEES.—Three  
19 persons shall be appointed by the  
20 President pro tempore of the Senate,  
21 upon the recommendation of the  
22 Chairmen and Ranking Members of  
23 the Committee on Banking, Housing,  
24 and Urban Affairs and the Committee  
25 on Finance of the Senate.

1 (II) HOUSE APPOINTEES.—Three  
2 persons shall be appointed by the  
3 Speaker of the House of Representa-  
4 tives upon the recommendation of the  
5 Chairmen and Ranking Members of  
6 the Committee on Financial Services  
7 and the Committee on Ways and  
8 Means of the House of Representa-  
9 tives.

10 (ii) PRESIDENTIAL APPOINTEE.—One  
11 person shall be appointed by the President.

12 (B) QUALIFICATIONS.—Persons shall be  
13 selected under subparagraph (A) on the basis of  
14 their objectivity and demonstrated expertise in  
15 finance, economics, or currency exchange.

16 (3) TERMS.—Members shall be appointed for a  
17 term of 4 years or until the Committee terminates.  
18 An individual may be reappointed to the Committee  
19 for additional terms.

20 (4) VACANCIES.—Any vacancy in the Com-  
21 mittee shall not affect its powers, but shall be filled  
22 in the same manner as the original appointment.

23 (b) DURATION OF COMMITTEE.—The Committee  
24 shall terminate on the date that is 12 years after the date  
25 of the enactment of this Act unless renewed by the Presi-



1 dent pursuant to section 14 of the Federal Advisory Com-  
2 mittee Act (5 U.S.C. App.) for a subsequent 12-year pe-  
3 riod. The President may continue to renew the Committee  
4 for successive 12-year periods by taking appropriate action  
5 prior to the date on which the Committee would otherwise  
6 terminate.

7 (c) PUBLIC MEETINGS.—The Committee shall hold  
8 at least two public meetings each year for the purpose of  
9 accepting public comments. The Committee shall also  
10 meet as needed at the call of the Secretary or at the call  
11 of two-thirds of the members of the Committee.

12 (d) CHAIRPERSON.—The Committee shall elect from  
13 among its members a chairperson for a term of 4 years  
14 or until the Committee terminates. A chairperson of the  
15 Committee may be reelected chairperson but is ineligible  
16 to serve consecutive terms as chairperson.

17 (e) STAFF.—The Secretary shall make available to  
18 the Committee such staff, information, personnel, admin-  
19 istrative services, and assistance as the Committee may  
20 reasonably require to carry out its activities.

21 (f) APPLICATION OF FEDERAL ADVISORY COM-  
22 MITTEE ACT.—

23 (1) IN GENERAL.—The provisions of the Fed-  
24 eral Advisory Committee Act (5 U.S.C. App.) shall  
25 apply to the Committee.

1           (2) EXCEPTION.—Except for the annual public  
2 meeting required under subsection (c), meetings of  
3 the Committee shall be exempt from the require-  
4 ments of subsections (a) and (b) of sections 10 and  
5 11 of the Federal Advisory Committee Act (relating  
6 to open meetings, public notice, public participation,  
7 and public availability of documents), whenever and  
8 to the extent it is determined by the President or the  
9 Secretary that such meetings will be concerned with  
10 matters the disclosure of which would seriously com-  
11 promise the development by the United States Gov-  
12 ernment of monetary and financial policy.

13 **SEC. 210. REPEAL OF THE EXCHANGE RATES AND INTER-**  
14 **NATIONAL ECONOMIC POLICY COORDINA-**  
15 **TION ACT OF 1988.**

16       The Exchange Rates and International Economic  
17 Policy Coordination Act of 1988 (22 U.S.C. 5301–5306)  
18 is repealed.

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