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HOUSE OF REPRESENTATIVES

REPORT
118–291

CHINA EXCHANGE RATE TRANSPARENCY ACT OF 2023

DECEMBER 1, 2023.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MCHENRY, from the Committee on Financial Services, submitted the following

R E P O R T

[To accompany H.R. 839]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 839) to require the United States Executive Director at the International Monetary Fund to advocate for increased transparency with respect to exchange rate policies of the People's Republic of China, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "China Exchange Rate Transparency Act of 2023".

SEC. 2. FINDINGS.

The Congress finds as follows:

(1) Under Article IV of the Articles of Agreement of the International Monetary Fund (IMF), the People's Republic of China has committed to orderly exchange rate arrangements, the avoidance of exchange rate manipulation, and cooperation with the IMF to ensure "firm surveillance" of the exchange rate policies of the People's Republic of China. Pursuant to Article VIII of the Articles of Agreement of the IMF, the IMF may require the People's Republic of China to furnish data on gold and foreign exchange holdings, including assets held by non-official agencies of the People's Republic of China.

(2) In its November 2022 report, entitled "Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States", the Department of the Treasury concluded, "China provides very limited transparency regarding key features of its exchange rate mechanism, including the policy objectives of its exchange rate management regime and its activities in the offshore RMB market.". The Department continued: "China's lack of transparency and use of a wide array of tools complicate Treasury's ability to assess the degree to which official actions are designed to impact the exchange rate.".

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(3) In that report, the Department further noted that "China's failure to publish foreign exchange intervention and broader lack of transparency around key features of its exchange rate mechanism make it an outlier among major economies and warrants Treasury's close monitoring.".

SEC. 3. ADVOCACY FOR INCREASED EXCHANGE RATE TRANSPARENCY FROM CHINA.

The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund (in this Act referred to as the "IMF") to use the voice and vote of the United States to advocate for—

(1) increased transparency from the People's Republic of China, and enhanced multilateral and bilateral surveillance by the IMF, with respect to the exchange rate arrangements of the People's Republic of China, including any indirect foreign exchange market intervention through Chinese financial institutions or state-owned enterprises;

(2) in connection with consultations with the People's Republic of China under Article IV of the Articles of Agreement of the IMF, the inclusion of any significant divergences by the People's Republic of China from the exchange rate policies of other issuers of currencies used in determining the value of Special Drawing Rights; and

(3) during governance reviews of the IMF, stronger consideration by IMF members and management of the performance of China as a responsible stakeholder in the international monetary system when evaluating quota and voting shares at the IMF.

SEC. 4. SUNSET.

This Act shall have no force or effect on or after the date that is 30 days after the earlier of—

(1) the date that the United States Governor of the IMF reports to the Congress that the People's Republic of China—

(A) is in substantial compliance with obligations of the People's Republic of China under the Articles of Agreement of the IMF regarding orderly exchange rate arrangements; and

(B) has undertaken exchange rate policies and practices consistent with those of other issuers of currencies used in determining the value of Special Drawing Rights; and

(2) the date that is 7 years after the date of the enactment of this Act.

PURPOSE AND SUMMARY

Introduced on February 6, 2023, by Representative Dan Meuser, H.R. 839, the *China Exchange Rate Transparency Act of 2023*, requires the U.S. Executive Director at the International Monetary Fund (IMF) to advocate for greater transparency in China's disclosure of its exchange rate policies. The bill is particularly important as it requires the Department of Treasury (Treasury) to push the IMF to publish divergences between Chinese policies and those of other major economies. The bill also requires Treasury to urge IMF members to take China's lack of transparency into account when considering increases to its shareholding at the Fund.

BACKGROUND AND NEED FOR LEGISLATION

The IMF's Articles of Agreement (Articles) require member countries to "collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates." According to the Articles, IMF members shall "avoid manipulating exchange rates or the international monetary system to order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members."[1] While Treasury does not consider China to be a currency manipulator under current legal standards, it has expressed concerns that Beijing's exchange rate practices are opaque, challenging the Department's abilities to monitor the economy effectively. Ac-

[1] Article IV, Section 1.

cording to Treasury's November 2022 foreign exchange report: "China's lack of transparency and use of a wide array of tools complicate Treasury's ability to assess the degree to which official actions are designed to impact the exchange rate."[2] IMF reports are similarly limited in their insights, undermining the Fund's ability to "exercise firm surveillance over the exchange rate policies of its members," as laid out in its Articles.

HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop H.R. 839: The Committee on Financial Services held a hearing on February 7, 2023, titled "Combatting the Economic Threat from China."

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 28, 2023, and ordered H.R. 839 to be reported favorably to the House as amended by a recorded vote of 36 ayes to 0 nays (Record vote no. FC–20), a quorum being present. Before the question was called to order the bill favorably reported, the Committee adopted an amendment in the nature of a substitute offered by Mr. Meuser by voice vote.

[2] *Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States,* Department of the Treasury, November 2022, p. 21.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. H.R. 839 was ordered reported favorably to the House as amended by a recorded vote of 36 ayes to 0 nays (Record vote no. FC-20), a quorum being present.

Record vote no. FC- 20

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X			Ms. Waters			
Mr. Hill	X			Mrs. Velázquez			
Mr. Lucas	X			Mr. Sherman	X		
Mr. Sessions				Mr. Meeks			
Mr. Posey	X			Mr. Scott			
Mr. Luetkemeyer	X			Mr. Lynch			
Mr. Huizenga				Mr. Green	X		
Mrs. Wagner	X			Mr. Cleaver			
Mr. Barr	X			Mr. Himes	X		
Mr. Williams (TX)				Mr. Foster	X		
Mr. Emmer				Mrs. Beatty	X		
Mr. Loudermilk				Mr. Vargas	X		
Mr. Mooney	X			Mr. Gottheimer			
Mr. Davidson				Mr. Gonzalez	X		
Mr. Rose				Mr. Casten	X		
Mr. Steil				Ms. Pressley	X		
Mr. Timmons	X			Mr. Horsford	X		
Mr. Norman	X			Ms. Tlaib	X		
Mr. Meuser	X			Mr. Torres	X		
Mr. Fitzgerald	X			Ms. Garcia			
Mr. Garbarino	X			Ms. Williams (GA)	X		
Mrs. Kim	X			Mr. Nickel	X		
Mr. Donalds	X			Ms. Pettersen	X		
Mr. Flood	X						
Mr. Lawler	X						
Mr. Nunn	X						
Ms. De La Cruz	X						
Mrs. Houchin	X						
Mr. Ogles	X						

COMMITTEE OVERISGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 839 is to create greater transparency in China's disclosure of its exchange rate policies.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(d)(1) of House rule XIII, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

H.R. 839, China Exchange Rate Transparency Act of 2023
As ordered reported by the House Committee on Financial Services on February 28, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act, the Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Sec. 1: Short title

This Act may be cited as the "China Exchange Rate Transparency Act of 2023".

Sec. 2: Findings

This section sets out a number of findings regarding the People's Republic of China's (PRC) opaque policies surrounding its exchange rate.

Sec. 3: Advocacy for increased exchange rate transparency from China

This section instructs the U.S. Director at the IMF to use the voice and vote to advocate for greater transparency in China's disclosure of its exchange rate policies.

Sec. 4: Sunset

This section holds that the policies in the bill expire no later than 30 days after the earlier of the following: the PRC is in compliance with the IMF Articles of Agreement and has undertaken exchange rate policies consistent with other countries, or seven years.

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