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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

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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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FINDINGS.

Congress makes the following findings:

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

mate the yuan to be undervalued by between 15 percent and 40 percent or an average of 27.5 percent.

(2) The undervaluation of the yuan makes exports from the People's Republic of China less expensive for foreign consumers and makes foreign products more expensive for Chinese consumers. The effective result is a significant subsidization of China's exports and a virtual tariff on foreign imports, leading the People's Republic of China to enjoy significant trade surpluses with its international trading partners. The United States trade deficit with China has widened from $57,000,000,000 in 1998 to $103,000,000,000 in 2002, resulting in an aggregate deficit with China of over $396,000,000,000 for that 5-year period.

(3) China's undervalued currency and the United States trade deficit with the People's Republic of China is contributing to significant United States job losses and harming United States businesses. In particular the United States manufacturing sector has lost over 2,600,000 jobs since March 2001, which accounts for approximately 90 percent of the total United States job losses.

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

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

(5) China's undervalued currency and the Chinese Government's intervention in the value of its currency violates the spirit and letter of the world trading system of which the People's Republic of China is now a member.

(6) The Government of the People's Republic of China has failed to promptly address concerns raised by the United States and the international community regarding the value of its currency.

(7) Article XXI of the GATT 1994 (as defined in section 2(1)(B) of the Uruguay Round Agreements Act (19 U.S.C. 3501(1)(B)) allows a member of the World Trade Organization to take any action which it considers necessary for the protection of its essential security interests. Protecting the United States manufacturing sector is essential to the interests of the United States.

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

(a) IN GENERAL.—Notwithstanding the provisions of title I of Public Law 106–286 (19 U.S.C. 2431 note), on and after the date that is 180 days after the date of enactment of this Act, unless a certification described in subsection (b) has been made to Congress, in addition to any other duty, there shall be imposed a rate of duty of 27.5 percent ad valorem on any article that is the growth, product, or manufacture of the People's Republic of China, imported directly or indirectly into the United States.

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

(c) NEGOTIATIONS.—Beginning on the date of enactment of this Act, the Secretary of the Treasury, in consultation with the United States Trade Representative, shall begin negotiations with the People's Republic of

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

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