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

IN THE SENATE OF THE UNITED STATES

February 3, 2005

Mr. Schumer (for himself, Mr. Graham, Mr. Bunning, Mr. Durbin, Mr. Reid, Mr. Kohl, Mrs. Dole, Ms. Stabenow, Mr. Dodd, Mr. Levin, Mrs. Clinton, Mr. Bayh, and Mr. DeWine) 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 are not successful.

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

SECTION 1. NEGOTIATIONS REGARDING CURRENCY VALU-
ATION.

(a) FINDINGS.—Congress makes the following find-
ings:

(1) The currency of the People’s Republic of
China, known as the yuan or renminbi, is artificially
pegged at a level significantly below its market
value. Economists estimate 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 provides the People’s Republic of China with a significant trade advantage by making exports less expensive for foreign consumers and by making 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.

(3) The Government of the People’s Republic of China has intervened in the foreign exchange markets to hold the value of the yuan within an artificial trading range. China’s foreign reserves are estimated to be over $609,900,000,000 as of January 12, 2005, and have increased by over $206,700,000,000 in the last 12 months.

(4) China’s undervalued currency, China’s trade advantage from that undervaluation, 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.

(5) The Government of the People’s Republic of China has failed to promptly address concerns or to
provide a definitive timetable for resolution of these concerns raised by the United States and the international community regarding the value of its currency.

(6) 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.

(b) NEGOTIATIONS AND CERTIFICATION REGARDING THE CURRENCY VALUATION POLICY OF THE PEOPLE’S REPUBLIC OF CHINA.—

(1) 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 paragraph (2) 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.

(2) Certification.—The certification described in this paragraph means a certification by the President to Congress that the People’s Republic of China is no longer acquiring foreign exchange reserves to prevent the appreciation of the rate of exchange between its currency and the United States dollar for purposes of 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 has undergone a substantial upward revaluation placing it at or near its fair market value.

(3) Alternative Certification.—If the President certifies to Congress 180 days after the date of enactment of this Act that the People’s Republic of China has made a good faith effort to revalue its currency upward placing it at or near its fair market value, the President may delay the imposition of the tariffs described in paragraph (1) for an additional 180 days. If at the end of the 180-day period the President determines that China has developed and started actual implementation of a plan to revalue its currency, the President may delay im-
position of the tariffs for an additional 12 months,
so that the People’s Republic of China shall have
time to implement the plan.

(4) NEGOTIATIONS.—Beginning on the date of
enactment of this Act, the Secretary of the Treas-
ury, in consultation with the United States Trade
Representative, shall begin negotiations with the
People’s Republic of China to ensure that the Peo-
ple’s Republic of China adopts a process that leads
to a substantial upward currency revaluation within
180 days after the date of enactment of this Act.

Because various Asian governments have also been
acquiring substantial foreign exchange reserves in an
effort to prevent appreciation of their currencies for
purposes of gaining an unfair competitive advantage
in international trade, and because the People’s Re-
public of China has concerns about the value of
those currencies, the Secretary shall also seek to
convene a multilateral summit to discuss exchange
rates with representatives of various Asian govern-
ments and other interested parties, including rep-
resentatives of other G–7 nations.