Addressing Today's Trade Concerns: The United States Trade Enhancement Act of 2006

Senators Chuck Grassley and Max Baucus, Chairman and Ranking Member of the Senate Finance Committee, will introduce legislation on March 28, 2006, to significantly enhance the trade relations of the United States. The bill has two key elements. One, it addresses sustained imbalances in currency exchange rates that harm the U.S. economy. The bill represents the most significant overhaul of U.S. legislation to monitor currency practices since 1988. It puts more teeth in the enforcement process and imposes hard triggers for action to address misaligned currencies that hurt the U.S. economy. Two, the legislation bolsters U.S. trade enforcement capabilities to focus on trade barriers of greatest significance to U.S. manufacturers, farmers, ranchers, innovators, and service providers. The bill will improve trade enforcement in the Office of the United States Trade Representative and will enhance congressional oversight of such efforts. To accomplish these objectives, the Act would:

- ***Replace current currency provisions with a new regime*** to give the United States additional tools to address currencies whose imbalance harms the U.S. economy;

- ***Require the Secretary of the Treasury to identify fundamentally misaligned currencies*** that adversely affect the U.S. economy;

- ***Provide new tools to address such currencies*** – including negotiation, consultations with the International Monetary Fund (IMF), and opposition to loans and governance changes in international financial institutions – and create a new Assistant Secretary at the Treasury Department to improve oversight of currency issues and exchange imbalances;

- ***Disallow non-market economy countries with harmful, fundamentally misaligned currencies*** from achieving market economy status under U.S. antidumping law;

- ***Require the United States Trade Representative (USTR) to work more closely with Congress to identify and resolve*** the most significant market access barriers;

- ***Create at USTR a Senate-confirmed official*** to enforce trade commitments; and

- ***Close the loophole in U.S. trade remedy law*** that permits new shippers to evade antidumping and countervailing duties.

<u>Provisions of the Act include</u>:

- **Identification of Currencies in Fundamental Misalignment**. The Act repeals the outdated 1988 Exchange Rates and International Economic Policy Coordination Act and provides a new mechanism to address fundamentally misaligned currencies that adversely affect the U.S. economy. These new provisions would require the Secretary of the Treasury to issue a semi-annual report that identifies such currencies and take real action to address the imbalance.

- **New Levers to Promote Currency Adjustment**. For any fundamentally misaligned currency that adversely affects the U.S. economy, the Act requires negotiation with the country concerned. Should these fail, the Act authorizes the appropriate U.S. agency to oppose multilateral bank financing, disapprove loans from the Overseas Private Investment Corporation, refuse to increase an offending country's voting share in the IMF, and consider such currency in determining whether to grant the relevant country market economy status.

- **Identification of Priority Foreign Country Trade Practices**. The Act requires USTR, in close consultation with Congress, to identify annually the most significant market access and investment barriers to U.S. companies.

- **Other Trade Enforcement Measures**. The Act elevates the USTR General Counsel to a Senate-confirmed position with statutory authority to investigate and resolve trade enforcement cases. It also suspends the ability of new shippers to post bonds in lieu of cash deposits for the entry of goods covered by antidumping or countervailing duty orders.