

Senator Schumer's Concern about Currency Manipulation Could Sink TPP

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Senators Tell USTR That Asia Trade Pact Is In Jeopardy Without Currency Provisions

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Despite hundreds of requests from members of Congress, U.S. Trade Representative Michael Froman has not included currency manipulation in negotiations for the Trans-Pacific Partnership (TPP). When asked at a hearing of the Senate Finance Committee the first time by Sen. Charles Schumer (D-N.Y.) if currency manipulation has been discussed in the current TPP negotiations, Froman replied: "We agree that currency is a critically important issue." President Obama has raised the issue directly with China's top leaders, Froman said (though China is not a party to the TPP). He noted that China's currency has "moved 18 percent in real terms" since June 2010, after President Obama pressed China on the issue. "Not fast enough, not far enough, but we have made a certain degree of progress there, and through the G-7 and G-20, we make sure. . ."

Schumer interrupted him. "My time is running out," he said. "Has it been discussed in the TPP negotiations as of yet?"

Froman's reply: "Not as of yet."

Schumer: "I regret that it hasn't been discussed yet given its level of importance." The TPP will likely not pass the Senate without it, Schumer added. Getting "strong and enforceable currency manipulation language in any type of TPP language is a vital first step to getting Democratic [Party] support to passing TPP in the Senate. . . Nothing can give TPP a fighting chance to pass more than strong current reforms. Japan and other countries regularly distort their exchange rates to push up trading surpluses with us."

Sen. Debbie Stabenow (D-Mich.) picked up the charge, stating that she was "a little surprised" that currency manipulation has not been raised in the trade negotiations. "I thought that this was something that was being discussed."

She then lectured Froman: "We have 60 senators in a bipartisan way asking that we have inclusion of strong and enforceable disciplines in all future trade agreements -- 60 members who feel very strongly about that. So when we talk about trying to pass TPP, I'm not sure how that passes."

Sen. Sherrod Brown said he had a "yes or no question" for Froman. "Are you prepared to risk defeat of the TPP by not including meaningful currency provisions in this agreement?"

Froman replied: "I'm sorry, I can't answer that yes or no. All I can say is we are continuing to work -- Treasury Department and ourselves -- on this issue and to see how best to address the underlying concerns."

That wasn't good enough for Brown. "I'll ask you this way, yes or no: Do you plan to include strong currency provisions -- as strong as the letters you have received that you have not answered yet -- about currency?"

Froman: "Again, we continue to consult with you and other members and stakeholders on how best to address the issue."

Brown replied. "That's the best I'm going to get."

Both Schumer and Stabenow told Froman that the Japanese government has been driving the yen lower against the dollar, allowing Japanese companies to gain a 25 percent price advantage over American products via its currency. "It provides a massive advantage of \$5,700 for every vehicle for Japanese automakers," Stabenow told Froman. "It's a windfall in operating profits that may end up in advertising, R&D, cutting prices and cutting prices on vehicles in other markets where U.S. automakers are directly competing with the Japanese. Are you concerned about the competitive trade advantage that these kinds of numbers show?"

Froman said he was concerned about "making sure there is a level playing field," But then he defended Japan's practices. "It's been important to the world that Japan get back on the path toward economic growth," he told the committee (not mentioning that the U.S. has a similar problem). "It's the third largest economy in the world and its growing means there is a market there for our products as well. It is important that the G7 has expressed to Japan the importance of them pursuing domestic demand-led growth and them to focus on the domestic part of their economy. It is something that the Treasury Department, which has the lead in this area, engaged Japan on and something we monitor very carefully."

Schumer said it was important to take a stand against Japan, since China is interested in either joining the TPP or negotiating its own trade pact with the United States. "If we did this, it is a warning shot that if they want into TPP they will have to reform their currency as well and might even move on their own if they saw that we made a real stand [in the TPP]. What vehicle do we have at our disposal to combat this type of activity, which everybody says is wrong, if not agreements like TPP? I want to make it very clear: I cannot and will not support a TPP agreement that does not include objective criteria to define and enforce against currency manipulation. You wouldn't agree to play a game of baseball where your team only got two strikes at bat and their team got four. If we enter into a TPP agreement without strong currency language, then no matter what else is in it, that is exactly how we would be hamstringing ourselves."

On the House side, Rep. Michael Michaud (D-Maine), responded to the Froman testimony by writing a letter to President Obama in which he said: "It is outrageous that while the USTR is touting all the many hours of 'consultation' with Congress, he hasn't bothered to raise currency manipulation during over a year of trade negotiations. When 60 Senators and 230 Members of the House tell you that currency manipulation is a pivotal issue, it is expected that the Administration might actually pay enough attention to such a show of unity as to do something about it. All the 'consulting' in the world doesn't mean a thing if you are simply going to ignore what Congress is telling you, and it certainly is not the way to convince Congress to give you Trade Promotion Authority."

New Senate Finance Committee Chairman Ron Wyden (D-Ore.) wanted Froman to assure him that there will be full transparency with the Trans Pacific Partnership agreement. He insisted that the text of the agreement be made available to the public with enough time for it to view before it is signed. "The public should be able to go to the USTR's website and find out what's going on and not hear about it through leaks and what amounts to a rumor mill," Wyden told Froman. "Will you pledge to provide a clear and comprehensive description in plain English that is posted online promptly within 30 days -- can you commit to that?"

Froman: "Yes, Mr. Chairman, we believe it is important to have public information out there. We have been experimenting. We have put out blog posts. We have published descriptions of all our negotiations. We Tweet from the negotiating rounds."

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