

---

---

## **EXCHANGE RATES AND THE INTERNATIONAL AUTOMOBILE MARKET**

### ***BACKGROUND***

Charges have been made that Japan is manipulating its currency to gain an unfair competitive advantage in the United States, creating a subsidy for automobile companies. In its most recent *Report to Congress on International Economic and Exchange Rate Policies* (4/15/2014) the U.S. Treasury stated:

“Japan has not intervened in the foreign exchange markets in over two years, although the authorities did issue numerous public statements regarding their desire to “correct the excessively strong yen” in the weeks following Prime Minister Abe’s election on December 16, 2012. Shortly thereafter, in the G-7 statement of February 2013, Japan joined the other G-7 countries in pledging to base its economic policies on domestic objectives using domestic instruments, and to avoid targeting exchange rates. Japan was also part of the subsequent G-20 consensus and statement at the February 2013 Finance Ministers and Central Bank Governors Meeting in Moscow that countries would not target exchange rates for competitive purposes. These statements were affirmed by G-20 Leaders in September 2013 at the St. Petersburg Summit. Since the February 2013, G-7 and G-20 statements, Japanese officials have clearly ruled out purchases of foreign assets as a monetary policy tool, and public comments by Japanese officials on the exchange rate have notably diminished.”

### ***POSITION***

The American International Automobile Dealers Association supports the findings of the United States Treasury.

### ***MORE ABOUT THE ISSUE***

- Free trade and open investment policies have significantly strengthened and benefited the U.S. automobile industry. During the past 50 years international manufacturers and dealers have put down deep roots in American soil – investing a total of \$64 billion in 380 plants and other major facilities and employing 100,000 Americans directly and purchasing nearly \$73 billion in parts and materials with a payroll of more than \$9 billion. This investment has produced more than 5 million vehicles (45% of all U.S. production), that were sold at nearly 10,000 dealership franchises that employ more than 500,000 Americans with a total combined average payroll of \$4.8 billion. Additionally, nearly 800,000 of those U.S. –built vehicles were exported to more than 60 countries around the globe.
- Currency is an international issue more properly addressed on a multilateral basis, such as with the G-7 or G-20 and the International Monetary Fund. Including currency provisions in selected free trade agreements to which only signatory countries are subject will adversely affect a fair and competitive global economic environment for the United States.
- ✓ In the G-7 statement of February 2013, Japan joined the other G-7 countries in pledging to base its economic policies on domestic objectives using domestic instruments, and to avoid targeting exchange rates.
- ✓ Japan was also part of the subsequent G-20 consensus and statement at the February 2013 Finance Ministers and Central Bank Governors Meeting in Moscow that countries would not target exchange rates for competitive purposes.
- ✓ These statements were affirmed by G-20 Leaders in September 2013 at the St. Petersburg Summit.