AmericanInternational AutomobileDealers®

POSITION PAPER

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* (4/9/2015) the U.S. Treasury stated:

> "Japan maintains a floating exchange rate regime and has not intervened in foreign exchange markets in over three years. In the G-7 statement of February 2013, Japan joined the other G-7 countries in pledging to base 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 G-7 and G-20 statements, Japanese official have ruled out purchases of foreign assets as a monetary policy tool."
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> "Based on the analysis in this report, Treasury has concluded that no major trading partner of the United States met the standard of manipulating the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade as identified in Section 3004 of the Act during the period covered in the Report. Treasury continues to closely monitor developments and policy implementation in economies where growth is weak and exchange rate adjustment is incomplete, and continues to push for comprehensive adherence to all G-7 and G- 20 and IMF commitments."

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 $72 billion in 425 plants and other major facilities and employing 123,000 Americans directly and purchasing nearly $104 billion in parts and materials with a payroll of more than $9.3 billion. This investment has produced more than 5.3 million vehicles (46% 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 $25 billion. Additionally, nearly 900,000 of those U.S. –built vehicles were exported to more than 72 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.
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