

18 February 2015

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Subject: Inclusion of Currency Manipulation Prevention Measures to TPP Agreement

I write to draw to your attention a recently published paper by the US Economic Policy Institute analysing the role and impact of currency manipulation on the present US-Japan trade deficit.¹ The paper considers and assesses the impact of direct and sustained currency intervention by Japanese authorities and concludes this practice has resulted in a lop-sided goods trade imbalance due to an artificially devalued yen relative to the US dollar. This has led to a significant loss of US employment and investment opportunities, in turn constraining further and future economic growth.

Ford Australia, like its parent the Ford Motor Company, is a strong supporter of the inclusion of clear and enforceable provisions which prohibit currency manipulation by signatory / member countries to trade agreements. With media reports of the Trans-Pacific Partnership Agreement negotiations approaching a conclusion, it is of critical importance that this issue be raised and addressed by lead negotiators prior to any agreement being struck. As TPP-participating countries account for nearly one-third of global trade it is imperative that transparent and binding currency manipulation provisions together with appropriate dispute settlement mechanisms and remedies be included up-front to any completed deal.

The resulting distortion from currency manipulation practices to exchange rates has the very real potential to eliminate any market access benefits gained from the agreed removal of import tariffs. The potential impact of currency manipulation on trade competitiveness has escalated significantly in recent years as the traditional barriers to trade – tariffs, import licensing, quotas – have been increasingly removed in developed economies as trade liberalisation has taken hold. Currency now has a substantially higher relative weighting as a trade influencer.

Australia, as a global leader in trade liberalisation, has a particular vulnerability to instances of currency manipulation. There is a high level of risk that its industries can be quickly damaged. It is clearly in the national interest to ensure future trade agreements incorporate appropriate and enforceable disciplines to deal with any instances of currency manipulation. If left unaddressed, currency manipulation has the ability to seriously compromise the economic benefits and outcomes projected to flow to Australia as a result of a concluded TPP Agreement.

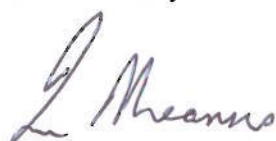
¹ Economic Policy Institute Briefing Paper No. 387, "Currency Manipulation and the 896,600 US Jobs Lost Due to the US-Japan Trade Deficit", Robert E. Scott (4 February 2015)

Joining the many organisations and sectors – including the American auto industry – in calling for action on this crucial issue, US Congressman Sandy Levin proposes a solution in a recently published article.² This comprises building upon existing IMF guidelines already prohibiting currency manipulation and subsequently supported by the establishment of an enforcement mechanism through the TPP. In principle, Ford Australia is supportive of the inclusion of such a proposal to the text of the finally concluded Agreement.

The TPP's sheer enormity of scope and significance of reach require that this important issue be appropriately addressed for the facilitation of genuine and unhindered future trade opportunities for the member countries – five of which are among Australia's top 10 trading partners – under this historic and comprehensive trade pact.

Ford Australia urges the Australian Government to take a leadership position on currency manipulation to ensure the TPP, as a high quality, comprehensive, twenty-first century agreement, includes WTO-compliant provisions to eliminate currency manipulation practices.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Ian Mearns', written in dark ink.

Ian Mearns
Government Affairs Director

² Article may be accessed at <http://www.huffingtonpost.com/rep-sander-/the-need-to-address-currency-manipulation-6631514.html>