

# The Trans-Pacific Partnership Currency Manipulation

**S**ome countries use their state treasuries to artificially lower the value of their currency against the dollar. They do this to make their exports cheaper. This is known as “currency manipulation.”

The Trans-Pacific Partnership (TPP) currently includes three known currency manipulators: Japan (the second largest currency manipulator in the world), Singapore and Malaysia. China, the world’s largest currency manipulator, could join the TPP in the future.

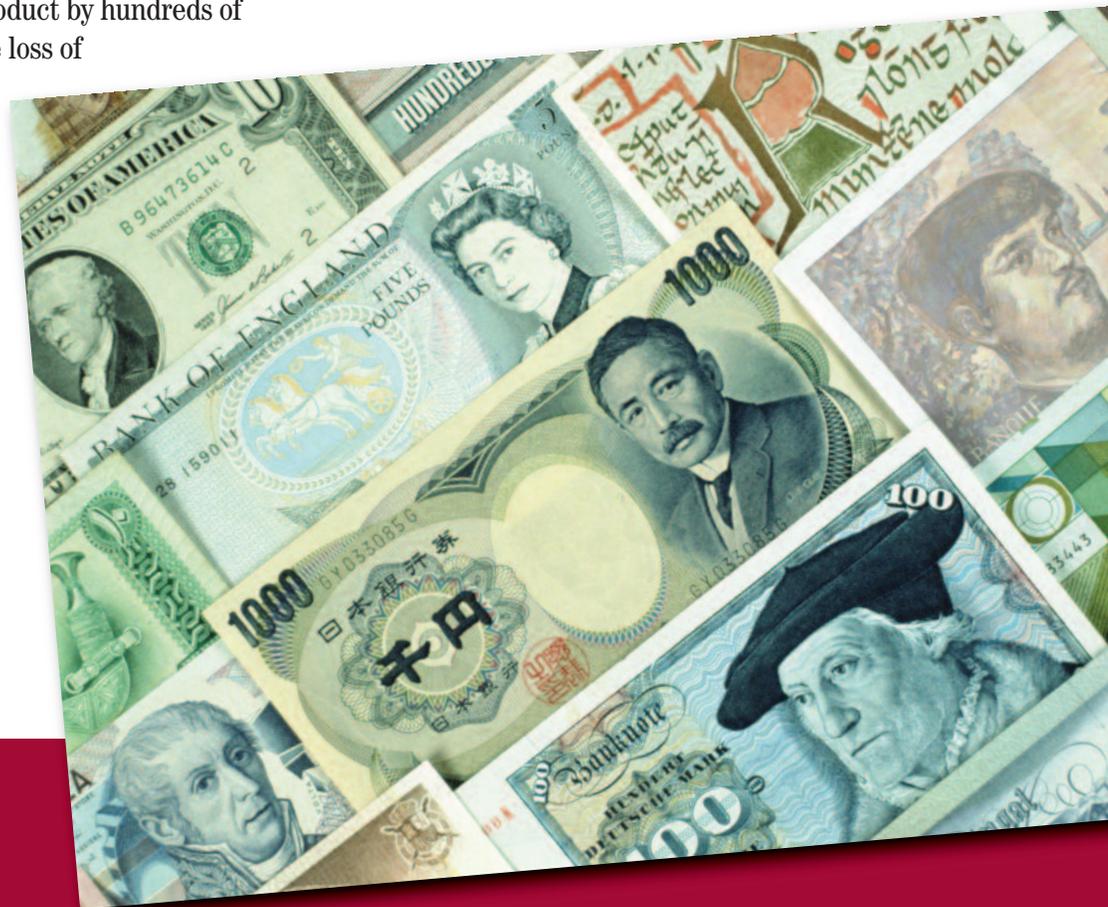
Currency manipulation drives up our trade deficit, reduces our Gross Domestic Product by hundreds of billions of dollars, results in the loss of millions of jobs, and increases the U.S. federal deficit.

A bi-partisan majority in the Senate and the House has called on the President’s trade team to address this issue in TPP negotiations. So far, the administration has refused to do so.

## **China and Japan: the Biggest Currency Manipulators**

Countries like Japan and China manipulate the currency exchange market so that their currencies stay cheap and the U.S. dollar stays expensive. How do they do this? They artificially reduce the value of their currencies and increase the value of the U.S. dollar by having their state-owned banks, pension funds and other funds buy up U.S. dollars.

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For example, from December 2012 to June 2014, *China* purchased \$ 681 billion in U.S. dollars.

As a result of this currency manipulation, the Chinese yuan is at least 20 percent undervalued, compared to the U.S. dollar. That gives Chinese exports to the U.S. an automatic 20 percent price reduction and an added competitive advantage over U.S. produced goods. U.S. goods exported to China cost 20 percent more. As a result, the U.S. trade deficit in goods with China ballooned from \$83 billion in 2001 (the year China was allowed to join the World Trade Organization) to \$343 billion in 2014. This trade deficit with China has cost the U.S. 3.2 million jobs, mainly because of China's currency manipulation.

China wants to keep its currency cheap to stimulate its export sector and to encourage more off-shoring of jobs and investment from the U.S. and other countries. That's exactly what's been happening since 2001.

Over the past four years, *Japan* bought \$445 billion U.S. dollars. As a result of Japan's currency manipulation, over the past 18 months, there has been a decline of 35 percent in the Japanese yen, relative to the U.S. dollar. That makes Japanese exports like automobiles to the U.S. cheaper and U.S. exports to Japan 35 percent more expensive.

## **Winners and Losers**

Currency manipulation – and a more expensive U.S. dollar – produces winners and losers.

*Winners* are multinational corporations that offshore investment and jobs to countries with devalued currencies, and the export sector of countries that engage in currency manipulation.

*Losers* are U.S. workers and communities hit with the loss of some 5.8 million jobs as a result of countries that manipulate their currency.

If currency manipulation by our trading partners was eliminated, the Gross Domestic Product (GDP) would increase by billions of dollars. The U.S. trade deficit, now at a record high, would go down, and millions of jobs would be created.

## **Members of Congress Want to Address Currency Manipulation**

A bi-partisan letter from 230 members of the House of Representatives to President Obama stressed that, "as the U.S. continues to negotiate the Trans-Pacific Partnership, it is imperative that the agreement address currency manipulation." A similar, bi-partisan letter to the President was signed by 60 of 100 Senators