Chairman Dingell, Subcommittee on Commerce, Trade, and Consumer Protection hearing entitled "Currency Manipulations and Its Effects on U.S. Business and Workers"

Statement of Congressman John D. Dingell, Chairman
Committee on Energy and Commerce

SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION HEARING ENTITLED â€œCURRENCY MANIPULATIONS AND ITS EFFECTS ON U.S. BUSINESS AND WORKERSâ€•
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Chairman Levin, I want to thank you, Chairmen Rangel and Frank, and also Subcommittee Chairmen Rush and Gutierrez, for agreeing to hold this joint hearing on currency manipulation. I also thank our distinguished witnesses for their testimony and willingness to participate.

Currency manipulation stifles the intention of free trade and must be dealt with decisively. For too long, the U.S. Department of Treasury has been reticent to cite countries such as Japan, China, and Korea for currency manipulation, in spite of evidence that they have used such policies to gain an unfair trade advantage against the Untied States. These countries -- and others -- must not be allowed to continue in this illegal and trade-distorting practice.

Since 1994, the Treasury Department has not cited a single country for currency manipulation. Japan, however, was estimated in 2006 alone to have a current account surplus of $167 billion and a bilateral trade surplus with the U.S. that exceeded $88 billion. Strong evidence exists that Japan has manipulated its currency in order to facilitate an export-led growth strategy, to the detriment of the United States economy. Although Japan ceased direct currency interventions in 2004, its government has engaged in verbal interventions in order to keep the value of the yen artificially low. Additionally, it has encouraged banks and pension funds to buy great numbers of U.S. treasury bonds. This, in combination with historically low Japanese interest rates, and other practices artificially decreases the yen's value.

By maintaining a current account surplus and bilateral trade surplus with the U.S., and also manipulating its currency for the purpose of gaining an unfair trade advantage vis-a-vis the United States, Japan fulfills the three necessary and sufficient criteria for currency manipulation as outlined in the 1988 Omnibus Trade and Competitiveness Act.

Nowhere in U.S.-Japanese trade are the effects of a weak yen more pronounced than in the automotive industry. The weak yen provides Japanese automakers, who now enjoy a 35 percent market share in the United States, with record profits. Indeed, the manipulated yen-dollar exchange rate results in what amounts to a $2,400 price advantage for Japanese automakers on a $20,000 vehicle. Some might term this an export subsidy. In light of this, it should come as no surprise that Toyota's 2006 third quarter profits were bolstered by $250 million as a result of the yen-dollar exchange rate.

As I represent a part of Michigan that has seen tens of thousands of auto manufacturing jobs disappear in the last decade, this trend is most troubling to me. I am further concerned by the Treasury Department=s continuing reluctance to cite Japan as a currency manipulator despite the fact that Japan seems to have fulfilled all of the necessary criteria outlined in law. Thus, I am forced to conclude that it is incumbent upon this Congress to pass legislation that would require the Administration to monitor and address unfair foreign currency practices more adequately, so as to allow for more effective adjustments in international balances of trade.

I hope that our panelists will speak to my concerns and suggest solutions to amend current law pertaining to currency manipulation in order to give our Nation the tools it needs to combat this trade-distorting practice.

Thank you.
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