DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

May 19, 2015

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Hatch:

I am writing to thank you for your work advancing the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. Completing TPA legislation will allow us to reach agreements that support more high-quality American jobs, promote economic growth both at home and abroad, and ensure that our trading partners adopt and implement strengthened labor and environmental protections.

As you know, we share the concerns expressed by many in Congress that unfair currency practices by some governments hurt our workers, businesses, and farmers. From the start, this Administration has relentlessly pushed our trading partners to change unfair currency practices. Through direct one-on-one negotiations and multilateral platforms like the International Monetary Fund, the G-20, and the G-7, we have made substantial progress in moving countries towards more market-determined exchange rates and away from devaluing their currencies to gain a competitive advantage. This approach has yielded direct results: China's currency has appreciated by nearly 30 percent since 2010 and Japan has not intervened in the foreign exchange market in more than three years.

As the President has said, the upcoming trade debate is an historic opportunity to develop new tools to hold our trading partners accountable. That is why we supported the bipartisan Bennet-Hatch-Carper amendment to trade facilitation legislation, which would provide us with reporting, monitoring, and engagement tools, as well as the ability to levy meaningful penalties to complement our efforts to press countries to address unfair currency practices. The amendment includes objective standards that clearly target unfair currency practices to better protect American workers and firms, while avoiding the risks that would come from other more rigid alternatives that would strip the United States of essential tools to manage our economy.

We also support your efforts on a strong bipartisan amendment to the TPA currency objective. I am confident that by working closely with our partners on the Hill and our trading partners, we can develop mechanisms that will effectively hold trading partners accountable for their currency practices. Holding our trading partners accountable for their currency practices has always been important to this Administration.

We have an opportunity to push our trading partners to increase their transparency and reporting, which will shed new light on country exchange rate practices, permitting us to better monitor what is going on and to take action to protect American businesses and workers. Many countries fail to publish intervention information, and this is a substantial barrier to holding nations accountable. With that in mind, we are reaching out to our potential trading partners in the Trans-Pacific Partnership (TPP) to establish new approaches to addressing unfair currency practices that will build on and complement the progress we have already made.

At the same time, there are currency proposals that we believe would be harmful to TPA, our workers, and our economy. For example, enacting a TPA currency discipline that requires an enforceable negotiating objective would likely derail our efforts to complete the TPP and cause us to lose ground on holding countries accountable on currency. We are also concerned about the consequences of an enforceable currency provision in a trade agreement since it could actually hurt the United States. An enforceable currency provision in our trade agreements could give our trading partners the power to challenge legitimate U.S. monetary policies needed to ensure strong employment and a healthy robust economy, an outcome we would find unacceptable.

Our trading partners have made it clear that they will not join a trade agreement that includes enforceable currency provisions. They fear an approach that could ultimately block their central banks from applying appropriate monetary tools to maintain economic stability, and to respond when they, like our Federal Reserve Board, need to address macroeconomic challenges that threaten their domestic, and sometimes the global, economy.

For these reasons the Obama Administration cannot support the inclusion of amendment 1299 on TPA. In 2008, Congress, the President, and the Federal Reserve took decisive steps to avert a second Great Depression. Many countries, inaccurately, claimed that these polices amounted to so called currency manipulation. Implementing amendment 1299 could put at risk our ability to take steps needed to protect the U.S. economy in the future, and would be counterproductive to our broader efforts to address unfair currency practices. These are risks we cannot afford to take. That is why I would recommend the President veto legislation with a currency amendment that would jeopardize our ability to protect the U.S. economy.

For the past six years, we have been focused on pulling our economy out of the worst recession of our lifetimes and laying a new foundation for prosperity and opportunity for the future. To keep this progress going, we must promote open trade and investment opportunities abroad for our workers, businesses, and farmers. We now have a unique opportunity to do that. It is an historic moment, and Congress has the chance to seize it and make significant and constructive progress.

Sincerely

Jacob J. Lew

Identical letter sent to:

The Honorable Ron Wyden

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

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Ranking Member
Committee on Finance
United States Senate
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