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Trans-Pacific Partnership & Currency Manipulation

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As prepared for delivery

I represent Ford Motor Company, a global automobile company headquartered in Dearborn, Michigan. For more than 100 years, Ford has been among the first rank of American manufacturing, producing world class vehicles with quality and design in markets around the world.

Ford has been a vocal advocate for policies that will make the United States as competitive as any market in the world as a destination to continue to invest, innovate and build future of generations of vehicles. We do not focus simply on the next quarter, or the next year. Our vision stretches decades, across the next century.

The Ford Motor Company of 2016 is a global manufacturer with plants in more than 20 countries around the world. And while we are a global company, by far we make far more vehicles in the United States than in any other country around the world. At the end of last year, we announced plans to invest an additional $9 billion in our U.S. plants, adding 8,500 jobs over the next four years.

I am acutely aware, that when I sit here today, I am testifying on behalf of the 79,000 American women and men – and families – who look to Ford Motor Company for their livelihood. And it is why it is so important that we get our nation's trade policies right.

Ford is not only a major American manufacturer, we are also a top U.S. exporter, and as such, trade issues are hugely consequential to us, our employees, and our 5,200 U.S. suppliers and their employees who support our global production.

Globally, the automobile industry is undergoing an enormous expansion – much of it driven by rapidly growing vehicle markets in Asia Pacific. That region represents a critically important opportunity for American automakers and their workers, and that is why Ford is especially supportive of getting TPP right.

We at Ford Motor Company support free trade. As a major exporter and importer of automobiles and parts, we see the practical benefits of lower trade barriers in allowing the industry to remain competitive in every market. But, despite our support for previous free trade agreements, Ford respectfully recommend that the Congress not approve TPP in its current form. Instead, we are asking the Administration to renegotiate TPP, as so many in Congress have demanded over the past several years, to include strong and enforceable rules prohibiting currency manipulation.

This does not require a wholesale reinvention of the global economic order. Our proposed revisions are based on existing IMF commitments by all TPP member countries but add an effective dispute settlement mechanism and penalties to hold currency violators accountable. All we are asking is that our free trade partners abide by the commitments that they have already made, and if they do not, that they are held accountable.

Despite longstanding rules in place at the IMF and WTO to prohibit currency manipulation**,** no multilateral enforcement actions have been taken in the almost 70 years that this global economic system has been in place. Not one single enforcement action.

Because an overly weak yen severely erodes the competitiveness of importers, currency manipulation has been a useful tool in support of Japanese government policies to keep its market closed to automobile imports. And it has been very, very effective, as seen in the fact that Japan today – and for decades running, remains the most closed auto market among developed economies. But, inasmuch as TPP will do nothing to open the Japanese market to increased auto imports, the more urgent challenge from currency manipulation is the effect that is having on other markets.

Here in the United States, imported vehicles with the benefit of a manipulated currency can render American manufacturing less competitive relative to Japanese imports – putting additional pressure on manufacturers and suppliers to move lower margin vehicles to lower cost jurisdictions. Likewise, vehicles manufactured in the United States and exported to other markets often times compete head-to head with Japanese products benefitting from a yen subsidy. We can and will compete in any market around the world with Japanese manufacturers, but no manufacturer can compete with the Bank of Japan.

And while this is certainly about Japan, it is not only about Japan. This TPP agreement purports to set the rules for trade in the Asia Pacific region for the next century. How can it stake this claim if it fails to address one of the most important and pernicious trade barriers utilized today in the region? Already USTR is openly discussing adding new markets to TPP like Korea, Thailand, Philippines, Indonesia, China and Taiwan. Are we seriously going to consider this without enforcing the already agreed global rules against currency manipulation?

In fairness, the Treasury Department – perhaps recognizing that complete unresponsiveness to Congresses demands on this issue would not win over critics – has proposed separately a currency forum with our TPP trading partners.

The currency forum – which I would note falls outside of TPP – may improve data sharing and transparency between TPP members, but it fails its most important test: providing enforcement mechanisms or penalties against transgressors. It simply recreates the same, unenforced mandate that for 70 years has seen global trade rules against currency manipulation ignored to the deep disadvantage of American manufacturers. Simply put, this currency forum does nothing to change the status quo.

How do we know this? Shortly after it was announced, when asked if the forum would affect further interventions by the Bank of Japan, Japanese Finance Minister Taro Aso said it was no, "there [wouldn't] be any change" in Japan's currency policies as a consequence of the forum.

As I have said, ultimately, this is not about Japan market access. In TPP, the Japanese government made no meaningful concessions – and the U.S. government made no effort to make them do so. By our assessment, this TPP would lock in place a $50 billion annual auto trade deficit with Japan. We do not expect that any global automaker will meaningfully increase exports to Japan as a result of this TPP agreement.

And this is not just our conclusion. In 2009, Korean auto companies recognized market access would not improve and pulled out of Japan completely. It appears they knew earlier than most that nothing would change.

Asia Pacific represents a huge opportunity for American-made cars and trucks, and we will continue to advocate for the inclusion of 21st century rules that were the original promise of TPP. We believe it is critically important for the U.S. to get TPP right to ensure a level playing field for American manufacturers and autoworkers to compete.

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