

October 8, 2014

The Honorable Jacob J. Lew  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Lew:

On behalf of the Alliance for American Manufacturing, I am writing to urge you to designate China and Japan as currency manipulators in your department's forthcoming Report to Congress on International Economic and Exchange Rate Policies. Market-distorting currency interventions contribute to persistently high trade deficits, which are the primary reason U.S. manufacturing has recovered only 31 percent of the factory jobs lost during the Great Recession.

With respect to China, in the last semi-annual report, Treasury observed:

“China has continued large-scale purchases of foreign exchange in the first quarter of this year, despite having accumulated \$3.8 trillion in reserves, which are excessive by any measure. This suggests continued actions to impede market determination.”

Yet, for the eleventh time under this administration, Treasury declined to name China as a currency manipulator or take concrete measures to deter this manipulation.

The situation has, if anything, grown worse over the last six months. The dollar/yuan exchange rate is essentially the same this week as it was 17 months ago and China's aggressive intervention has caused the yuan to fall 1.63 percent below its high-water mark in January 2014. China continues to amass major trade surpluses with the United States — reaching a single-month record in July 2014. Through August 2014, the U.S. goods trade deficit with China was \$10 billion higher than in the same time period the previous year. Currency manipulation has helped fuel China's flood of cheap and unfairly priced products into our market and diminished our potential to export more of our products to China's consumers.

China is not alone in its market distortions. Government officials in Japan have publicly acknowledged efforts to weaken the yen, which has lost 30 percent of its value against the dollar over the past 18 months. The U.S. goods trade deficit with Japan is the second highest among our trading partners.

These massive trade deficits are unsustainable and have profound consequences for the U.S. economy. Manufacturing job growth in the United States has weakened over the past three years. New manufacturing jobs peaked in 2011 at 206,000; the U.S. added only 88,000 new manufacturing jobs in 2013.

We appreciate that Treasury has noted some of these factors in past reports and, from time to time, engages the governments of China and Japan in dialogue on currency manipulation. We

fully expect you to engage your international colleagues this week during the annual International Monetary Fund meetings. Those words, however, mean little to the millions of U.S. manufacturing workers who expect a level playing field but have grown disenchanted with America's inadequate response. That is why we urge you to designate China and Japan as currency manipulators in your October 2014 report to Congress.

It is essential for U.S. industry and workers—and Congress—to know that Treasury is willing to step forward to deter currency manipulation, as it is authorized to do under the law, and to ensure that action against injury is possible.

As the President often asserts, the success of America's manufacturing sector is key to securing economic growth and creating family-supporting jobs. But when foreign governments manipulate their currencies to gain a trade advantage, market-based competition is undermined. Under current law, the exchange rate report and subsequent Treasury responses are our workers' last line of defense. We hope these facts will guide you as you prepare the exchange rate report.

Thank you for your attention to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with a large initial "S" and a long, sweeping tail.

Scott N. Paul  
President