

# TPP : The Failure to Include Enforceable Disciplines Against Currency Manipulation

The Obama administration has been frank in explaining why the final text of the Trans-Pacific Partnership (TPP) does not include the enforceable disciplines against currency manipulation that hundreds of congressional Democrats and Republicans demanded: key TPP nations refused such terms. Several TPP countries are infamous for devaluing their currencies to subsidize their exports and price U.S. goods out of their markets. When they chose to have no TPP rather than face limits on such conduct, the administration completed a TPP that fails to combat the trade barrier that many economists, U.S. firms and unions consider a major contributor to the huge U.S. trade deficit and related manufacturing job loss.

Instead, when the final TPP text was released, the administration also issued a "[Joint Declaration](#) of the Macroeconomic Policy Authorities of Trans-Pacific Partnership Countries." Japan's Finance Minister, Taro Aso, announced that the joint declaration would not have binding power on Japan's monetary and currency policies. "[There won't be any change](#)" in Japan's currency policy, he declared.

Ford Motor Company concurred: "The currency forum does nothing to change the status quo. It falls outside of TPP, and it fails to include dispute settlement mechanisms to ensure global rules prohibiting currency manipulation are enforced," said Ford's Ziad Ojakli.

Improbably, the Obama administration has tried to sell the Joint Declaration as providing meaningful redress to some current and many prospective TPP countries' currency manipulations practices.

## *What Does the TPP Joint Currency Declaration Require?* **Nothing New... And, It's Not Enforceable**

- ◆ **Each country reaffirms its *existing* International Monetary Fund (IMF) obligations to avoid manipulating exchange rates or the international monetary system to gain unfair competitive advantage. *All of the TPP countries, including Japan, already have this obligation.*** The Joint Declaration is not connected to the TPP nor does it have its own enforcement mechanism. Thus, when countries continue to ignore their longstanding obligations, there is no recourse.
- ◆ **Each country agrees to publicly disclose the information it already must provide to the IMF as well as some additional data** on foreign reserves, currency market interventions, balance of payments portfolio capital flows, domestic "broad" money stock, and quarterly exports and imports. Access to this information would be useful to identify problematic currency practices, even if the Joint Declaration provides no disciplines against it. **But, the five TPP nations in the G-20, including Japan, already are required to provide this data. If any country fails to publish this data, there is no recourse.**
- ◆ **Countries commit to have an annual meeting to discuss currency.** The Declaration establishes a "Group of TPP Macroeconomic Officials" but gives it no direction or goals, except that it is "to conduct its meetings in a mutually respectful manner and may consider appropriate modalities for the conduct of the meetings from time to time."