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## Hatch: Responsible Currency Amendment will Strengthen TPA Bill without Threatening Trade Deals

*Utah Senator Pushes for Smart Approach to Curb Currency Manipulation*

WASHINGTON – In a speech on the Senate floor today, Finance Committee Chairman Orrin Hatch (R-Utah) outlined how the [Congressional Trade Priorities and Accountability Act of 2015](#) (TPA 2015) addresses concerns with currency manipulation and explained how the Hatch-Wyden currency **amendment** would further enhance those measures in a smart manner that would not pose a risk to the health of the American economy.

*"I do not believe we should ignore currency manipulation, which is why, for the very first time, our TPA bill would elevate currency practices to a principal negotiation objective," Hatch said. "This is important. It means that, if the administration fails to make progress in achieving this or any other objectives laid out in the bill, then the relevant trade agreement is subject to a procedural disapproval resolution and other mechanisms that would remove procedural protections."*

Hatch went on to outline how his **amendment** with Finance Committee Ranking Member Ron Wyden (D-Ore.) would further strengthen currency provisions in TPA 2015 in a workable way that would not threaten America's efforts bring home high-standard trade agreements.

*"The Hatch-Wyden Amendment would strengthen our hand by providing a workable set of tools to counteract currency manipulation in a way that will protect our interests and achieve real results," Hatch continued. "And, most importantly, it will preserve our ability to enact TPA so that we can negotiate strong trade agreements that will help grow our economy and create jobs."*

**The complete speech, as prepared for delivery, is below:**

*Mr. President, I want to take some time today to talk about proposals to include a currency manipulation negotiating objective in trade negotiations and the impact this issue is having on the debate over renewing Trade Promotion Authority, or TPA.*

*Currency manipulation has, for many, become the primary issue in the TPA debate. It has certainly gotten the focus of the media and other outside observers. Indeed, I suspect that everyone who has an interest in the outcome of the TPA debate – both for and against – is watching closely to see how the Senate will address this matter.*

*Let me begin by saying that I recognize the frustrations that many have regarding exchange rate policies of some of our trading partners, and I have committed to working with my colleagues to arrive at ways to improve currency surveillance and mechanisms for responding to problems.*

*However, I want to be as plain as I can be on this issue: While currency manipulation is an important issue, it is inappropriate and counterproductive to try to solve this problem solely through free trade agreements.*

*Nonetheless, I do not believe we should ignore currency manipulation, which is why, for the very first time, our TPA bill would elevate currency practices to a principal negotiation objective. This is important. It means that, if the administration fails to make progress in achieving this or any other objectives laid out in the bill, then the relevant trade agreement is subject to a procedural disapproval resolution and other mechanisms that would remove procedural protections.*

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*Of course, I understand that a number of my colleagues want to see more prescriptive language, which would limit the range of tools available and require that trade sanctions be used to keep monetary policies in line.*

*Most notably, we have the Portman-Stabenow Amendment, which would create a negotiating objective requiring enforceable currency standards among parties to a trade agreement. The amendment goes on to say that these standards must be subject to the same dispute settlement procedures and remedies as all the other elements of the trade agreement.*

*While this approach may sound reasonable on the surface, there are a number of serious and complex policy issues to consider. I'll address those specific concerns in some detail here in just a few minutes.*

*But, first, I think we need to step back and take a look at the big picture. I think I can boil this very complicated issue down to a single point: The Portman-Stabenow Amendment will kill TPA.*

*I'm not just saying that, Mr. President. It is, at this point, a verifiable fact.*

*Yesterday, I received a letter from Treasury Secretary Lew outlining the Obama Administration's opposition to this amendment. The letter addresses a number of issues, some which I'll discuss later. But, most importantly, at the end of the letter, Secretary Lew stated very plainly that he would recommend that the President veto a TPA bill that included this amendment.*

*That's pretty clear, Mr. President. It doesn't leave much room for interpretation or speculation. No TPA bill that contains the language of the Portman-Stabenow Amendment stands a chance of becoming law.*

*Now, I want to be clear. I have great respect for the authors of this amendment. They are my friends and I believe they are well intentioned. They have spent a lot of time making their case on their amendment and I respect their points of view.*

*But, at this point, it is difficult – very difficult, in fact – for anyone in this chamber to claim that they support TPA and still vote in favor of the Portman-Stabenow Amendment. The two, as of yesterday, have officially become mutually exclusive.*

*For me, Mr. President, this issue is pretty cut and dried. However, I do recognize that, perhaps, not everyone will view these developments the same way I do. But, regardless of what you think of Secretary Lew's letter, the Portman-Stabenow Amendment raises enough substantive policy concerns to warrant opposition on its own.*

*Offhand, I can think of four separate consequences that we'd run into if the Senate were to adopt this amendment, and all of them would have a negative impact on U.S. economic interests.*

*First, the Portman-Stabenow negotiating objective would put the Trans Pacific Partnership, or TPP, agreement at grave risk, meaning that our farmers, ranchers, and manufactures – not to mention the workers they employ – would not get access to these important foreign markets, resulting in fewer good, high-paying jobs for American workers.*

*We know this is the case, Mr. President.*

*Virtually all of our major negotiating partners, most notably Japan, have already made clear that they will not agree to an enforceable provisions like the one required by the Portman-Stabenow Amendment. No country that I am aware of, including the United States, has ever shown the willingness to have their monetary policies subject to potential trade sanctions. Adopting this amendment will have, at best, an immediate chilling effect on the TPP negotiations, and, at worst, it will stop them in their tracks.*

*If you don't believe me, then take a look at the letter we received from 26 leading food and agriculture organizations, from the American Farm Bureau to the National Pork Producers Council to the Western Growers Association, urging congress to reject the Portman-Stabenow amendment because it will, in their words, "most likely kill the TPP negotiations"*

*Put simply, not only will this amendment kill TPA, it will very likely kill TPP as well.*

*Second, the Portman-Stabenow Amendment would put at risk the Federal Reserve's independence in its ability to formulate and execute monetary policies designed to protect and stabilize the U.S. economy. While some in this chamber have made decrees that our domestic monetary policies do not constitute currency manipulation, we know that not all of our trading partners see it that way.*

*Requiring the inclusion of enforceable rules on currency manipulation and subsequent trade sanctions in our free trade agreements would provide other countries with a template for targeting U.S. monetary policies, subjecting our own agencies and policies to trade disputes and adjudication in*

*international trade tribunals.*

*We have already heard accusations in international commentaries by foreign finance ministers and central bankers that our own Fed has manipulated the value of the dollar to gain trade advantage. If the Portman-Stabenow language is adopted into TPA and these rules become part of our trade agreements, how long do you think it will take for our trading partners to enter disputes and seek remedies against Federal Reserve quantitative easing policies?*

*Not long, I'd imagine.*

*If the Portman-Stabenow objective becomes part of our trade agreements, we will undoubtedly see formal actions to impose sanctions on U.S. trade, under the guise that the Federal Reserve has manipulated our currency for trade advantage. We'll also be hearing from other countries that Fed policy is causing instability in their financial markets and economies and, unless the Fed takes a different path, those countries could argue for relief or justify their own exchange-rate policies to gain some trade advantage for themselves.*

*While we may not agree with those allegations, the point is that, under the Portman-Stabenow formulation, judgments and verdicts on our policies will be taken out of our hands and, rather, can be rendered by international trade tribunals.*

*Now, I'm well aware that, in an attempt to address this concern, the latest version of the Portman-Stabenow amendment states that their enforceable rules don't apply to "the exercise of domestic monetary policy." But, for those of us living here in the U.S., that clarification doesn't provide much comfort.*

*After all, the U.S. dollar is a global currency. In fact, it is the primary reserve currency in the world and its value has an impact on markets everywhere. So, for the United States, the question as to what is a domestic monetary policy and what is not is open to a lot of debate. And, I don't think any of us want those debates being resolved in some international trade tribunal.*

*Moreover, contrary to what many of my colleagues seem to be arguing, no one in international trade – not the U.S. Treasury, not the IMF, not the G7, not the G20, not anyone in the world – has accurate tools in place to measure what is and what is not currency manipulation or what is purely domestic policy and what is intended to be international. Even if we demanded enforceable currency standards in our trade agreements, this simple fact will not change.*

*Basing trade sanctions on existing methods, which have, thus far, proven to be unreliable, is fraught with risks.*

*For example, IMF models recently showed that, in 2013, Japan's currency was anywhere between around 15 percent undervalued and 15 percent OVERvalued.*

*Given that range, what is an international trade tribunal to do if asked to set trade sanctions based on allegations of currency manipulation? Who knows?*

*But, if we insert these standards into our trade agreements, we would not only subject our trading partners to possible trade sanctions based on indefinite standards, the U.S. would face similar risks.*

*This is a recipe for trade and currency wars, something I think we'd all like to avoid.*

*Third, under this amendment, the traditional role of the U.S. Treasury in setting U.S. exchange rate policies would be watered down and potentially overruled in international trade tribunals. Thus, adoption of the Portman-Stabenow negotiating objective cedes independence and full authority over, not only monetary policy for the Federal Reserve, but also exchange rate policy for the Treasury.*

*Fourth, the Portman-Stabenow Amendment would create incentives for our trading partners to evade regular reporting and transparency of exchange rate policies. If currency standards become enforceable and immediately subject to sanctions under a trade agreement, parties to that agreement would almost certainly start withholding full participation in reporting and monitoring mechanisms that would otherwise enable us to identify exchange rate interventions and work against them.*

*Put simply, we cannot enforce rules against unfair exchange rate practices if we do not have information about them. Under the Portman-Stabenow Amendment, our trading partners are far more likely to engage in interventions in the shadows, hiding from detection out of fear that they could end up being subjected to trade sanctions.*

*Mr. President, for these reasons and others, the Portman-Stabenow Amendment is the wrong approach. Still, I do recognize that currency manipulation is a legitimate concern, and one that we need to address in a serious, thoughtful way.*

*Toward that end, Senator Wyden and I have filed an amendment that would expand on the*

*currency negotiating objective that is already in the TPA bill to give our country more tools to address currency manipulation without the problems and risks that would come part and parcel with the Portman-Stabenow Amendment.*

*The Portman-Stabenow Amendment would provide a single tool to address currency manipulation: enforceable rules subject to sanctions. As I think I've demonstrated, this, for a variety of reasons, is a pretty blunt, unreliable, and imprecise instrument, given the realities of the global economy.*

*By contrast, the Hatch-Wyden Amendment would put a number of tools at our disposal. Specifically, the amendment calls for enhanced transparency, disclosure, reporting, monitoring, cooperative mechanisms, as well as enforceable rules. Our amendment, which would provide maximum flexibility, is a better alternative for addressing currency manipulation for a number of reasons.*

*First, it would preserve the integrity of our current trade negotiations. Once again, if we insert an absolute requirement for enforceable currency rules and required sanctions into the ongoing TPP negotiations, many if not all of our negotiating partners will almost certainly walk away. The Hatch-Wyden Amendment would pose no threat to the TPP negotiations or any other trade deals.*

*Second, our amendment would not threaten the independence of the Federal Reserve or subject our own monetary and exchange-rate policies to possible sanctions based on indefinite standards. Unlike the Portman-Stabenow Amendment, it does not give other countries a roadmap to accuse the U.S. of using its policies intended for domestic growth and stability as tools for currency manipulation.*

*Third, it would increase transparency and accountability of our trading partners' currency practices.*

*This is absolutely crucial. Put simply, you cannot counteract practices that you cannot readily observe.*

*The Portman-Stabenow Amendment would tell our trading partners that, if you engage in full reporting and transparency, you run the risk of having an international tribunal detect your actions in ways that will generate trade sanctions. The incentive, then, is for countries NOT to be transparent and, instead, to put their currency policies further in the shadows, hiding away information that could end up being used in trade disputes.*

*Our trade agreements should provide incentives for countries to go the opposite direction: full disclosure and accountability of currency practices. The Hatch-Wyden Amendment would provide a more effective incentive structure.*

*Finally, and, in the current context, most importantly, the Hatch-Wyden Amendment will not result in a veto of the TPA bill. It is, in fact, supported by Obama Administration, not to mention business and agriculture stakeholders across the country.*

*I suppose you could say that we've come full circle, Mr. President. After what I hope has been an interesting discussion of important policy considerations, we're back at the simple, uncomplicated truth. If nothing I've said here today about the complexities of currency and monetary policies has resonated with my colleagues, this fact remains: A vote for the Portman-Stabenow Amendment is a vote to kill TPA.*

*I'm sure that sounds good to some of my colleagues who are fundamentally opposed to what we're trying to do here. But, for those who support free trade, open markets, and high-paying jobs for American workers, this truth is ultimately inescapable.*

*But, once again, this doesn't mean that we should stand by and do nothing about currency manipulation.*

*The Hatch-Wyden Amendment will provide an effective path to improve transparency, measurement, and monitoring of our trading partners' currency practices, and effective and transparent ways to counteract anyone seeking to manipulate currencies for unfair trade advantage.*

*The Hatch-Wyden Amendment will allow Congress to speak forcefully on the issue of currency manipulation without putting our trade agreements and domestic policies in limbo.*

*For Senators who are sincerely concerned about currency manipulation – and I am one of those Senators – the Hatch-Wyden Amendment would address these issues in a far more productive way.*

*So, Mr. President, at this point, the choice should be pretty clear. We have strong indications that the House cannot pass a TPA bill with the Portman-Stabenow language. And, even if it could pass the House, Secretary Lew has made it very clear that including this provision in our bill would compel President Obama to veto it.*

*The Hatch-Wyden Amendment, on the other hand, would strengthen our hand by providing a workable set of tools to counteract currency manipulation in a way that will protect our interests and achieve real results. And, most importantly, it will preserve our ability to enact TPA so that we can negotiate strong trade agreements that will help grow our economy and create jobs.*

*That is the choice we face with these two amendments.*

*I urge all of my colleagues who support TPA to oppose the Portman-Stabenow currency amendment and support the Hatch-Wyden alternative.*

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