

**Congress of the United States**  
**Washington, DC 20515**

February 8, 2007

Secretary Henry M. Paulson  
U.S. Department of Treasury  
1500 Pennsylvania Avenue  
Washington, D.C. 20220

Dear Mr. Secretary,

We would like to follow up on your comments made at the Ways and Means Committee Hearing regarding the G-7 meeting and the issue of the value of the Yen.

The question was asked in part because of reports that when the European Union raises this issue, the U.S. is going to side with Japan in not having a serious discussion of the undervalued Yen.

There seems to be no doubt that the weak Yen is substantially assisting Japanese imports to the United States. From 2005 to 2006, imports of Japanese cars and trucks rose by more than 30 percent. It is a little understood fact that Toyota's exports to the United States are almost as great as the number of vehicles produced in the United States by Toyota. Japanese vehicle exports to the United States are the same as twenty years ago. We are certain that the weak yen is also boosting Japanese exports in other economic sectors and is having a significant impact on many U.S. producers. Our trade deficit with Japan rose over 17 percent between 2002 and 2005.

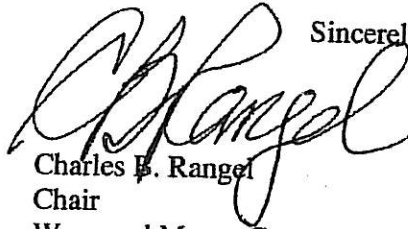
We raise the following two points in the hope that the U.S. will participate in efforts to rectify a real problem.

- (1) We believe that a weak Yen is a reflection of Japanese government policy. It reflects the Japanese government's massive intervention earlier in this decade, an intervention which still reverberates in the value of their currency. The weak Yen also reflects monetary and fiscal policies, including setting low interest rates and failing to stimulate consumer demand. These policies increase Japanese reliance on exports to stimulate economic growth. (China's economic policies show a similar reliance on promoting exports rather than heightening consumer demand). In a word, the evidence is clear that it is not a free market setting the value of the Yen, but Japanese government policy as well.

- (2) We urge you to press the Japanese government to reverse their weak yen policy through concrete action. The Japanese government should be selling the massive reserves it has accumulated thereby changing the imbalances with the dollar and the Euro.

We sincerely hope that you will encourage, not discourage, a frank discussion of this issue that is vital to American manufacturing and sound stewardship of our international economic policies. We look forward to hearing from you about this matter when you return.

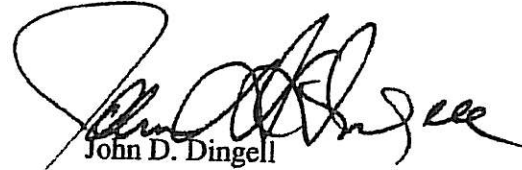
Sincerely,



Charles E. Rangel  
Chair  
Ways and Means Committee



Sander Levin  
Chair  
Trade Subcommittee



John D. Dingell  
Chair  
Energy and Commerce Committee



Barney Frank  
Chair  
Financial Service Committee