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**Knollenberg Introduces Legislation to Challenge Unfair Yen Subsidies
Provided to Japanese Automakers**

WASHINGTON, DC – Congressman Joe Knollenberg of Michigan introduced legislation today to challenge the Japanese government to end the manipulation and severe misalignment of its currency. Since 2001, Japan has taken an unprecedented series of well-documented actions in spending over \$400 billion to artificially weaken its currency. A weak yen provides billions of dollars in direct export subsidies to companies like Toyota, Nissan and Honda that depend on the United States for the lion's share of their sales and profits.

“Toyota's and the other Japanese automakers' push to grab more of the American auto market is being unfairly subsidized by Japan's policy of massive currency manipulation,” Knollenberg said. “The yen subsidy provides a \$4,000 to \$15,000 cost advantage to Japanese vehicles made in Japan and exported to the United States. As a result, this year, Japanese auto exports to the U.S. are on track to reach up to 2.5 million – an eighteen year high – even as more closings of US auto plants are announced. Congress and the Administration need to do something meaningful to press Japan on the yen issue. The grossly misaligned yen is hurting our domestic auto industry and costing America good-paying manufacturing jobs.”

The Automotive Trade Policy Council (ATPC), on behalf of General Motors, Ford, and DaimlerChrysler, praised the Knollenberg yen legislation. “This bill places a direct spotlight on one of the most overlooked and damaging factors fueling disruption in the US auto market. By keeping the yen 30% undervalued against the dollar, the Japanese are subsidizing their exports to boost economic growth at the expense of their international trading partners. We applaud Rep. Knollenberg for standing up to Japan's opportunistic currency policy,” said Stephen J. Collins, President of the ATPC.

Knollenberg's bill, which is the House companion to S. 1021, “The Japan Currency Manipulation Act” introduced by Senator Debbie Stabenow, directs the U.S. Treasury Department and the Council of Economic Advisors, to work with Japan to facilitate the proper alignment of the yen to the dollar. The legislation also directs the Treasury Department to work with our European trading partners and the International Monetary Fund to address the misaligned yen and the resulting trade imbalances.

Japanese automakers are exporting roughly half of the vehicles they sell in the United States each year. The Japanese vehicles exported to America benefit significantly from yen subsidies as do vehicles assembled in the United States with components manufactured in Japan.

In 2006, the United States ran an \$88 billion trade deficit with Japan. Automotive trade accounts for two-thirds of this trade gap between our two countries. A recent study conducted by the Peterson Institute for International Economics found that the yen is now undervalued by 25 percent to 30 percent.

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