

U.S. wants deal with Japan to avoid competitive currency devaluations

U.S. Treasury Secretary Steven Mnuchin said Saturday that Washington is seeking to include an agreement to prevent competitive currency devaluations in any trade deal with Japan.

The United States pushed to include such a clause in the renegotiated North America Free Trade Agreement involving Canada and Mexico as well as a recently revised free trade deal with South Korea as part of President Donald Trump's drive to reduce his country's more than \$700 billion trade deficit.

"That would be one of the issues we discuss, but yes our objective is to incorporate this language into future trade agreements," Mnuchin told reporters in Bali, Indonesia, on the sidelines of a meeting of the International Monetary Fund.

"We think it is really best practice. It's consistent with the IMF language and what everybody has signed up for," he said.

Trump and Japanese Prime Minister Shinzo Abe agreed last month to begin negotiations on a bilateral trade deal that would defer the raising of tariffs on Japanese automobiles but possibly open up the country's protected agriculture market.

The inclusion of a provision against currency manipulation is likely to be a major point of contention in the trade talks when they likely begin in the first half of next year, given Japan resisted the addition of a similar clause to the 11-member Trans Pacific Partnership free trade deal.

An official at Japan's Finance Ministry said there were "no plans" to include the currency agreement in a trade deal with the United States and that it was unnecessary because Tokyo had not intervened in the foreign exchange market since November 2011.

Another government official expressed concern that such a clause would hinder the Bank of Japan's ability to conduct monetary easing measures.

Mnuchin's comments suggest Washington will also pursue a similar currency agreement in ongoing trade negotiations with the European Union.

"I'm not singling out Japan on that," he said, adding that the countries had yet to hold specific discussions on the topic.