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Secretary of the U.S. Department of the Treasury Jacob Lew
Written Statement
Senate Committee on Finance
April 16, 2015

Chairman Hatch and Ranking Member Wyden, and distinguished members of the Committee, thank you for the opportunity to testify on Trade Promotion Authority. Bolstering global economic growth and stability remains a priority of the United States, and the U.S. Department of the Treasury has been working hard over the last six years to achieve a high-standard trade and investment agenda that raises income and spurs growth.

Our robust trade agenda — the cornerstones of which include the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership agreements — will expand opportunities for American businesses, create high-quality jobs, and further unlock the macroeconomic gains from expanded trade and investment.

Today, exports make up some 30 percent of global GDP, and global per-capita incomes are over 50 percent higher than what they were 20 years ago. These macroeconomic gains are due in part to the framework of bilateral, regional, and multilateral trade agreements that are in place and to institutions such as the World Trade Organization that have been developed to implement the rules-based trading system. The rules-based trading system facilitates greater openness to trade — boosting U.S. and global exports of goods and services and opportunities for American workers — even as it raises the standard of living for consumers, through greater choice and access to quality imports.

Much has changed in the way we trade and invest in the last 30 years. The growth of the services sector, the rise of electronic banking and commerce, and the major role of state-owned enterprises in some of the most dynamic regions of the world — altogether, these trends have expanded the sectors in which U.S. firms are investing and competing. At the same time, U.S. firms continue to face market access and fair competition challenges to operating, investing, and exporting overseas.

Reducing trade barriers and securing reforms abroad through well-crafted trade agreements benefit both U.S. economic competitiveness and global economic prosperity. First, our firms and workers stand to benefit directly as our partner countries further open their markets to imported goods and services, including from the United States. Second, as countries open up to trade, over time they innovate more, invest more, and become more productive; the result is a stronger and more stable global economy. That, too, is important for American businesses and workers.

Trade Promotion Authority Legislation

Trade Promotion Authority (TPA) is critical to helping secure the substantial economic gains that our ambitious trade and investment agreements can bring, including labor and environmental standards, consumer protections, and benefits for small and medium-sized businesses. There are few policy measures that can do more to support jobs and deliver sustained high-quality growth than trade agreements, and TPA sends a strong signal to our trading partners that Congress and the Administration speak with one voice to the rest of the world on our priorities.

We strongly agree with Members of Congress that unfair currency practices need to be addressed. Since day one, the President has been clear that no country should grow its exports based on a persistently undervalued exchange rate, and currency has been at the top of Treasury's international agenda. We share the goal of moving major economies to market-determined exchange rate systems that are transparent, flexible, and reflect underlying economic fundamentals.

Progress on Exchange Rate Policies

We are working tirelessly to address currency concerns, and our efforts through bilateral and multilateral engagement have met with considerable success:

We have secured unprecedented commitments in the G-7 and G-20 related to exchange rate practices. Through our leadership, Japan and other G-7 countries have publicly affirmed that they will not target exchange rates and will use only domestic instruments to achieve domestic economic objectives.

Likewise, G-20 members have also pledged to move more rapidly toward more market-determined exchange rate systems and flexibility in order to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments, not target exchange rates, and refrain from competitive devaluations.

We have successfully pressed the IMF to bolster its surveillance of its members' exchange rate policy obligations. As a result of our efforts, the IMF has begun publishing an External Sector Report that includes estimates of exchange rate misalignment for 25 major economies, and has developed an additional tool for monitoring countries' foreign exchange reserves.

We have made progress with China on exchange rates through the S&ED, and continue to raise the issue regularly with our Chinese counterparts. As part of our Strategic and Economic Dialogue (S&ED), China has committed to reduce its foreign exchange intervention as conditions permit — and the amount of China's currency intervention has fallen significantly in the last year. This has contributed to a decline in China's current account surplus from a peak of 10 percent of GDP before this Administration took office to just 2 percent of GDP last year. RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010.

We will continue to intensify our efforts on exchange rates using the tools and channels that are most effective. We will build on our ongoing multilateral and bilateral engagement in the G-20, IMF, and U.S.-China Strategic and Economic Dialogue to press countries even harder towards more market-determined exchange rates and to secure strong commitments on currency disciplines.

We believe that more progress is needed, and Treasury will continue to engage with Congress on how best to address currency issues in a way that is consistent with our overall strategy of bilateral and multilateral engagement.