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Secretary of the U.S. Department of the Treasury Jacob Lew
Written Statement
House Committee on Ways and Means
April 22, 2015

Chairman Ryan and Ranking Member Levin, and distinguished members of the Committee, thank you for the opportunity to testify on the *Bipartisan Congressional Trade Priorities and Accountability Act of 2015*. 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 growth-expanding gains from expanded trade and investment.

Today, exports make up 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 development of global supply chains, 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 rapidly growing global economy. That, too, is important for American businesses and workers.

Trade Promotion Authority Legislation

For all the reasons described above, we believe it is important to continue the long tradition of close, bipartisan cooperation between Congress and the Executive Branch through Trade Promotion Authority (TPA).

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.

Since the first trade negotiating legislation in 1934, trade authority has been renewed or revised by Congress on 18 different occasions. The legislation introduced by Chairman Ryan and Senators Wyden and Hatch is both a continuation of that tradition and a significant strengthening.

TPA is fundamentally an exercise in congressional oversight. Through TPA, Congress puts in place the requirements that Congress wants to see followed for trade negotiations; lays out the priorities Congress wants to see negotiated in trade agreements; and establishes the procedures Congress will use for the consideration of trade legislation.

The TPA legislation currently before Congress includes a number of important leaps forward in trade policy:

It updates negotiating objectives to reflect the consensus on trade that has emerged over the last decade, such as the need to address labor and environmental issues, to take on unfair competition from state-owned enterprises, and to protect a free and open internet.

It requires increased transparency during trade negotiations — mandating, by law, that trade agreements be made public months before the President can sign them and months more before Congress is asked to consider them.

It creates new opportunities for congressional oversight and engagement.

It includes strong sovereignty safeguards that make it absolutely clear that nothing in our trade agreements can change U.S. law without Congressional approval.

And it requires that trade agreements encourage good governance and the rule of law, which are key to promoting democracy.

We support the TPA bill introduced by Chairman Ryan and Senators Hatch and Wyden which includes a currency objective that goes well beyond the 2002 TPA. We appreciate that this bill reflects the importance of currency issues to members of Congress and stakeholders. Specifically: it elevates currency to a principal negotiating objective; it sets clear expectations regarding standards that our trading partners should meet; and it sets forth mechanisms that will help ensure that our trading partners will be held accountable.

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.

Nonetheless, we have serious concerns about the inclusion of enforceable currency provisions in this or any trade agreement. Enforceable currency disciplines would impair our already successful efforts addressing currency practices through our bilateral and multilateral engagement and could grant other countries a legal basis to interfere with the flexibility of U.S. policymakers to take the steps necessary to protect jobs, support growth, and ensure continued price stability in the United States. Seeking enforceable currency provisions would also likely derail the conclusion of the TPP, given the views expressed by our TPP partners that such provisions would force them to reconsider and reopen TPP negotiations. Accordingly, any amendment to TPA legislation requiring that the Administration seek enforceable currency provisions as a principal negotiating objective would be counterproductive.

We also strongly oppose legislation that attempts to use the trade remedy process to address currency undervaluation. Such legislation would be viewed as inconsistent with our international obligations, and we would expect other countries to pursue retaliatory measures by introducing similar approaches that would hurt our exporters. Taking such an aggressive unilateral step would be counterproductive to our ongoing bilateral and multilateral engagement, and would work against our efforts to promote greater accountability on currency policies in the context of the TPP.

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 that fiscal and monetary policies will remain oriented towards meeting domestic economic objectives using domestic policy instruments.

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 also successfully pressed the IMF to strengthen its surveillance of its members' exchange rate policy obligations. As a result of our efforts, the IMF now publishes an External Sector Report that includes estimates of exchange rate misalignment for 25 major economies, and has stepped up its monitoring of countries' excess foreign exchange reserves.

We have made progress with China on exchange rates through our Strategic and Economic Dialogue, as well as our multilateral engagement, and we continue to raise the issue regularly with our Chinese counterparts. As part of our 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. On a trade-weighted basis, the RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010. RMB appreciation 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.

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 China and other countries even harder towards more market-determined exchange rates and to secure strong commitments on currency disciplines.

While we have made real progress, we believe that more 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.