

Statement by

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before the

Committee on Banking, Housing, and Urban Affairs

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Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for giving me the opportunity to speak to you today about the National Advisory Council on International Monetary and Financial Policies (NAC) report to Congress, the Treasury Department's priorities, and our outlook for the global financial system.

The NAC report focuses on U.S. involvement with international financial institutions (IFIs) that represent part of our nation's legacy of leadership in international economic affairs. The Bretton Woods Institutions—the International Monetary Fund (IMF) and World Bank—were founded in the aftermath of World War II to help rebuild and stabilize the global economy. Working through these institutions, the United States helped establish an international economic system that supported historic growth during the second half of the twentieth century. From 1950 to 2000, for example, the volume of [world trade](#) increased to more than twenty-one times its size in 1950, delivering prosperity to millions of people around the world.

Today, the IFIs advance American interests by fighting poverty, supporting robust and inclusive global growth, combating climate change, and promoting stable and transparent markets around the world. They also play a critical role in marshalling global economic resources in times of crisis. This past year, as COVID-19 ravaged economies around the world, numerous international financial institutions took up the mantle of fighting the pandemic. In 2020, the IMF approved more than \$100 billion in emergency lending, concessional financing, debt service relief, and precautionary support to fund pandemic response and economic recovery efforts, while the World Bank Group offered more than \$42 billion in financing to fight the virus. In addition, this year the IMF approved a historic \$650 billion allocation of Special Drawing Rights to support global liquidity and spur recovery from the pandemic. We know that COVID-

19 does not respect borders or boundaries. We must continue to fight this virus globally, with all of our policy tools and the resources of the international financial institutions.

The IMF and World Bank form the core of an international financial architecture that is consistent with our economic interest. It is no accident that the U.S. economy is the largest in the world, that our financial markets are the deepest and the most liquid, and that the dollar is the world's reserve currency. Our economic success is the result of the policy choices we made coming out of World War II, alongside the hard work and determination of the American people. The IFIs have played a key role in reinforcing these choices and strengthening the global economy by supporting market development, promoting strong institutions and good governance, and encouraging efforts to protect vulnerable populations around the world, including minority groups like the LGBTQI+ community. Maintaining our leading economic position will require us to make a number of critical policy choices to adapt this architecture to the needs of the 21st century economy.

Our work to reform the international tax system represents an important step in that process. Today, the global minimum tax rate on multinational corporations is zero. Too often, countries compete over who can offer the lowest tax rate rather than who has the most innovative ideas, the strongest workforce, or the best infrastructure. This dynamic has led companies to move production and jobs offshore to take advantage of tax loopholes, increasing their profits at the expense of American workers. We are on the precipice of changing that. In response to Secretary Yellen's leadership, more than 135 countries have signed onto a reform framework that would set a global minimum tax of at least 15 percent and put in place rules to minimize tax avoidance and ensure corporations pay their fair share.

America's interest in a strong, stable, and rules-based global economy is also deeply entwined with our foreign policy and national security interests. Our economic objectives cannot succeed if the international financial system facilitates the illicit flow of funds to oppressive regimes, terrorist groups, cyber criminals, and other malign actors. Bearing this in mind, Secretary Yellen requested a review of Treasury's use of sanctions since the terrorist attacks of September 11, 2001. An important finding of this review is that, in light of the growing interconnectedness of global finance, trade, and supply chains, it is critical that Treasury use a rigorous framework to guide its recommendations on imposition of economic and financial sanctions. The review also recommended a number of strategic, operational, and procedural actions to help preserve and enhance this tool.

First, whenever possible, we as an Administration must use sanctions in coordination and collaboration with our allies, taking advantage of the greater impact that comes from acting together. While we can inflict significant economic costs unilaterally, multilateral action brings advantages that cannot be achieved without cooperation: broad condemnation and a clear signal that other economies will not offer targets the opportunity to evade our sanctions.

Second, Treasury must modernize its sanctions infrastructure, technology, and workforce to adapt to evolving threats from cybercriminals, ransomware, and others. Third, we must take further steps to minimize the collateral costs of sanctions. This includes costs on domestic groups, like small businesses and community banks, as well as international ones, such as populations in sanctioned jurisdictions struggling to access legitimate humanitarian aid. Intelligence and facts on the ground must be placed at the center of our decision-making, informing our pursuit of these objectives.

This commitment to multilateralism and the restoration of U.S. international leadership lies at the foundation of President Biden's foreign policy. International challenges like combating climate change, defeating COVID-19, securing critical supply chains, and countering China's unfair practices must be addressed cooperatively, working closely with the Department of State and alongside our international partners and allies, including through the international financial institutions and international organizations such as the UN, where possible.

Our efforts to reform international taxation, enhance Treasury sanctions policy, and support the IFIs reflect President Biden's fundamental goal to build a foreign policy for the middle class. Collectively, they embody our belief that the international economy must be governed by fair rules of the road that protect American workers and businesses and promote market competition that rewards hard work and innovation. Where corrupt and malign actors seek to undermine these rules and our values, we will continue to use sanctions and other tools at our disposal to safeguard the security and integrity of the international financial system. And we will continue to work through the IFIs to facilitate global coordination, enable information sharing, and promote a commitment to democratic values and a rules-based international economic system.

Thank you for your time. I look forward to working with you to continue to advance U.S. international economic leadership abroad and create opportunities for Americans at home. I am happy to take your questions.