

U.S. DEPARTMENT OF THE TREASURY

Remarks by Secretary of the Treasury Janet L. Yellen on International Priorities to The Chicago Council on Global Affairs

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America is strongest when we engage with the world.

When I was born, the United States was still recovering from the Great Depression and World War II. These tragedies cost countless lives; too many families lost nearly everything. But from the devastation we learned an invaluable lesson: the United States must not go it alone.

In the aftermath of the destruction, the United States built strong political and security alliances that have helped keep our country safe and helped our economies flourish. We created global institutions, such as the United Nations, and financial institutions, such as the International Monetary Fund and World Bank, to reduce economic conflict and address global poverty. With strong U.S. leadership—and working together with our allies—we contained communism and created a dynamic world economy and growing markets for U.S. exports. America's middle class prospered. Millions across the world were lifted out of poverty.

But over the years, new problems developed that were not properly addressed. In the push to grow our economies, we neglected our environment. As we embraced new technologies, we didn't do enough to prepare our workers and our education systems for the changes underway. While we embraced trade as an engine for growth, we neglected those who did not benefit. And in the most recent period, when we might have adopted policies at home to face these issues and joined with our allies to address issues abroad, we isolated ourselves and retreated from the international order that we created.

Over the last four years, we have seen firsthand what happens when America steps back from the global stage. America first must never mean America alone. For in today's world, no country alone can suitably provide a strong and sustainable economy for its people. Over time, a lack of global leadership and engagement makes our institutions and economy vulnerable.

To make matters worse, COVID-19 struck. The virus has taken over 550 thousand American lives—our family members, our friends, our neighbors—and millions more around the world. We did not respond sufficiently last year to address the devastating health crisis at home and

failed to engage early to address the crisis beyond our borders. And with the health crisis came the economic crisis. We sought to protect those most vulnerable, but millions of workers lost their jobs and all too many small businesses shuttered. Women and people of color bore the brunt of the economic hardship, exacerbating century-long inequalities that plague our society.

We can do better. We must do better.

U.S. credibility begins at home

The American people elected President Biden and Vice President Harris to tackle these challenges—the pandemic, the economic crisis, a hollowing of the middle class, systemic racism, deepening inequality, and climate change. To not just return us to life as it was before the pandemic but to build back better, creating a prosperous economy for all.

Credibility abroad begins with credibility at home. How can America help lead the world out of the dual crises of pandemic and economic recession if we can't lead ourselves out of it? It's a fair question, and it's why last month, President Biden signed the American Rescue Plan into law.

The rescue plan is easily the largest relief package since the Great Depression. It includes powerful measures—rental assistance, unemployment insurance, direct payments—to help Americans make it to the other side of this crisis. And this package is designed not only to help our economy survive the scars of the pandemic, but to create a foundation for our economy to thrive.

The work has already begun. In less than four weeks, this administration issued more than 130 million vital relief payments to individuals and families. We provided more than 100 million vaccine shots in just 58 days.

But we have more to do. Last week, President Biden outlined a plan to Rebuild America, creating a more sustainable and more resilient economy with a 21st century infrastructure. The plan will fix America's crumbling highways and bridges; upgrade ports, airports, and transit systems; build a renewed electric grid; deliver high-speed broadband to all Americans; and invest in basic research and science. It proposes affordable and accessible caretaking options for older Americans and our nation's children, and an education system that trains our workers to thrive in the modern global economy.

International priorities

Beyond our borders, as the pandemic has made clearer than ever before, the global community is in this together. We will fare better if we work together and support each other.

The Biden-Harris Administration is committed to restoring U.S. leadership in the multilateral system to help make the world economy stronger and advance American interests. The United States needs to have a strong presence in global markets on a level playing field. We will cooperate with willing partners to protect and enforce a rules-based order. Our economic relationship with China, like our broader relationship with China, will be competitive where it should be, collaborative where it can be, and adversarial where it must be.

We will defend democracy and the human rights of all people—of women and girls, LGBTQ+ individuals, and people of every race, ethnic background, and religion—to help ensure that those rights are protected at home and abroad. In all our international engagements, President Biden and I will stand up for the American people and American business—as well as these core values that define America.

I would like to spend time today discussing three key objectives that guide our economic engagement with the rest of the world, which I believe are necessary to help realize the vision of our nation.

The first objective is a stable and growing world economy that benefits the U.S. economy.

For the United States to prosper, our neighbors too must prosper. In the modern world, recession, instability, and crime abroad find ways to wash upon our shore. Strong and stable economies abroad make us safer. We will benefit if countries can maintain or create economic, social, and political conditions favorable to an open society. We will benefit if individuals around the world can pursue their aspirations, regardless of conditions of birth, and if women have truly equal rights and opportunity to be included in the economy. We will benefit if people—while retaining cultural differences—share core values of free speech, free exercise of religion, and respect for diversity.

Of course, stronger growth abroad also means a stronger economy here at home. As other economies prosper, demand for U.S. exports of goods and service increase, creating jobs. When developing countries are economically successful, their growing populations and rising living standards mean a higher consumer base for the United States. In 1990, 40 percent of U.S. exports went to emerging economies. By 2020, it was 60 percent. This demand for American products creates U.S. jobs that pay better. Studies have shown that women, in particular, could earn as much as 20 percent more in these export-based jobs.

At the time of the global financial crisis in 2008, we learned that an interconnected economy brings vulnerabilities. Post-crisis reforms have strengthened global banks and reduced systemic risks, but vulnerabilities, particularly in the nonbank financial sector, remain. So, as

we pursue a stronger world economy, we must also pay attention to existing financial stability risks and new risks that may arise. To do so, rather than retreat, we must closely coordinate with our partners. We should aim to mitigate risks and promote a sound financial system at home and abroad, so that Americans have steady access to the finance needed to build back better—money to start a new business, to buy a home, and to create wealth for themselves and their children.

The second objective is to fight poverty and promote a more inclusive global economy that aligns with our values.

Unless we act now, the world is susceptible to the emergence of a deepening global divergence between rich and poor countries. This threat, which has never been more pressing, will likely result from divergent capabilities to contain the virus and bring about economic recovery.

Like the United States, rich countries and some large emerging markets have had the means to support their economies while they pursue a health solution. And, like the United States, they have gained access to vaccination. Of course, it is too early for advanced economies to declare victory. I am urging our partners to continue a strong fiscal effort and avoid withdrawing support too early, to promote a strong recovery and help avoid the emergence of global imbalances.

Many middle and low-income countries are in a different place, lacking the finance to support their economies and people during COVID-19 and constrained in their wherewithal to obtain vaccines.

The result will likely be a deeper and longer-lasting crisis, with mounting problems of indebtedness, more entrenched poverty, and growing inequality. Their crises will push as many as 150 million into extreme poverty this year, reversing the trends of the last two decades, with women, youth, low-skilled and informal workers particularly hard hit. Moreover, an additional 120 million people became acutely food insecure in 2020, and that trend could worsen.

This would be a profound economic tragedy for those countries, one we should care about. But, that's obvious. What's less obvious—but equally true—is that this divergence would also be a problem for America. With few exceptions, stable and prosperous economies tend to be less of a security threat to the United States. And, the human crisis of refugees and migrants will only be solved if we have stable and secure growth in the rest of the world.

So how do we help the poorest countries get through this crisis?

Our first task must clearly be stopping the virus by ensuring that vaccinations, testing, and therapeutics are available as widely as possible. Low-income countries risk falling to the back of the line and may not achieve widespread vaccine coverage until 2023 or 2024 at the current pace. More work and funding are needed to secure vaccine purchases, address manufacturing shortages, and finance and facilitate the domestic rollout in low-income countries.

We also need to help lessen the economic pain in low-income countries during a protracted recovery period and use this opportunity—as we are doing in the United States—to facilitate structural transformations to more inclusive and sustainable economies. The IMF and the World Bank have already played an important role on this front, and we are working to strengthen their ability to support the poorest countries. We have created a new multilateral framework to help low-income countries address unsustainable debt burdens. And at the IMF, we are working to issue \$650 billion in new Special Drawing Rights, an international reserve asset, that will increase buffers for all IMF members and give low-income countries the additional liquidity for greater spending on vaccines and healthcare.

Embedded in recovery efforts, we have an interest in helping countries pursue sustainable and inclusive growth and strengthen long-term resilience. Our response will not be successful if we end up just where we were before.

A personal objective of mine is to focus our international engagements on fostering full legal rights and greater economic and education opportunities for women and girls, given the clear evidence that this will support inclusive economic growth more broadly. Speaking from my own experience, we need to do better at reducing barriers for women's economic empowerment, even unconscious ones, in nearly every country in the world, including the United States.

Finally, there are certain matters where we are in it together—where the challenges are global and no one country will be successful if it goes at it in isolation.

The most evident, immediate example is the need to address global health risks. COVID-19 has clearly shown that pandemic responses require global cooperation. We are working with our partners to enhance pandemic preparedness against future shocks. We need to learn lessons from this pandemic to be better prepared to stop future contagious diseases before they become full-scale pandemics.

Another global challenge we face is how to adapt to technological change, which has brought significant benefits but contributed to greater inequality. Digitalization is the latest technological advance that provides an opportunity to raise productivity and increase connectivity, both at home and globally. Even just a year ago, I never thought that I would

regularly be joining meetings with colleagues in London, Delhi, Sydney, and everywhere in between from the comfort of my office in Treasury. But the digital divide has also exacerbated inequality, and digitalization has raised concerns about privacy, illicit activity, and threats of surveillance and cybersecurity attacks from our adversaries. I will be working domestically and closely with our allies to promote innovation in digital finance, in the interest of cheap, instantaneous, and reliable commercial and financial transactions, but also to ensure that we modernize our legal and regulatory frameworks to take account of the risks and threats inherent in the use of these new technologies.

Another consequence of an interconnected world has been a thirty-year race to the bottom on corporate tax rates. Competitiveness is about more than how U.S.-headquartered companies fare against other companies in global merger and acquisition bids. It is about making sure that governments have stable tax systems that raise sufficient revenue to invest in essential public goods and respond to crises, and that all citizens fairly share the burden of financing government. President Biden's proposals announced last week call for bold domestic action, including to raise the U.S. minimum tax rate, and renewed international engagement, recognizing that it is important to work with other countries to end the pressures of tax competition and corporate tax base erosion. We are working with G20 nations to agree to a global minimum corporate tax rate that can stop the race to the bottom. Together we can use a global minimum tax to make sure the global economy thrives based on a more level playing field in the taxation of multinational corporations, and spurs innovation, growth, and prosperity.

Let me end by discussing the biggest long-term threat the world faces: climate change. After sitting on the sidelines for four years, the United States is committed to doing its part. We have a narrow moment to pursue action at home and abroad to avoid the most catastrophic impacts of that crisis and to seize the opportunity that tackling climate change presents. President Biden has released a plan to combat climate change, including through rejoining the Paris Agreement, investing in sustainable infrastructure, and creating new green jobs. He has committed to release an ambitious strategy this year to outline U.S. domestic greenhouse gas targets that are consistent with our work internationally.

Domestic action must go hand in hand with U.S. international leadership, aimed at significantly enhancing global action. To this end, Treasury is working closely with our international partners and international organizations to implement ambitious emissions reduction measures, protect critical ecosystems, build resilience against the impacts of climate change, and promote the flow of capital toward climate-aligned investments and away from carbon-intensive investments. We are also working to ensure that climate risk is integrated into the financial system so that financial institutions, regulators, and investors

can make informed decisions. I am pleased that Treasury is co-chairing a newly launched G20 sustainable finance working group, where finance ministries and central banks will work together to identify mechanisms for promoting green investments and accelerating transition to a net-zero economy.

Conclusion

As I prepare to meet with my colleagues from around the world this week at the IMF and World Bank Spring Meetings, I find myself thinking back to the policymakers who gathered in Bretton Woods a year before I was born to define our post-war order. Though it was a different time, I empathize with the enormous weight they faced; the pressure to come together after a global catastrophe in building an enduring and interconnected system aimed at promoting peace and prosperity throughout the world. Our current juncture is no less significant—what we do in the coming months and years will have profound impacts on the trajectory of our country and on the global economic order.

Of course, there are key differences from the post-war era. Maybe most noticeably, I will be joined later this week by other female finance ministers, central bank governors, and heads of international financial institutions—not enough, but a start—as well as diverse representatives from all corners of the globe. In our interconnected and digital world, and considering the pandemic, I will be logging onto a computer to join these meetings, not trekking to a mountain resort in New Hampshire.

Yet, the most important difference today is a fundamental recognition that our policies at home and abroad must be designed to be inclusive, tackle inequality, and respect our environment. In this context, I will use the Spring Meetings this week to: advance discussions on climate change; press our partners to do their part to support a strong global economic recovery; strengthen tools to improve vaccine access and financing for the world's poorest countries; and increase the focus on inequality, including for vulnerable populations and women and girls.

I'm honored to serve the American people once again. To listen to the underrepresented. To be bold in action. And to cooperate with our global partners to solve the challenges we face together in building the next century of prosperity.

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