

U.S. DEPARTMENT OF THE TREASURY

Press Center



Under Secretary Lael Brainard Remarks to the Center for Strategic and International Studies, Co-hosted with the Korea Economic Institute and The Johns Hopkins' School for Advanced International Studies

11/16/2010

As Prepared for Delivery

I'd like to thank CSIS, the Korea Economic Institute and SAIS for hosting today. Your efforts to advance the public policy debate here in Washington and around the world are vital to furthering American policy innovation and leadership.

Today, I'll discuss the outcomes and accomplishments of the past few weeks of international economic engagement, which included the President's trip to India, Indonesia, South Korea and Japan, the G-20's Seoul Summit, and the APEC Summit in Yokohama.

Let me start by recounting one of my own recent experiences. On a recent tour of a plant near Albany, a plant manager of more than 30 years described his company's efforts to look for new ways to make their processes and products better so they can gain share in the most highly competitive markets around the world. Every day he and his team come in motivated to work hard, innovate, and be the toughest and best competitor around the world. We want to be number one, he said, and we are constantly looking for new ideas that will help us stay there.

That captures in a nutshell why we are working so hard to put in place a policy framework that will move the U.S. economy from recovery to renewal, that will get Americans back to work and that will get businesses back to investing here at home. As President Obama put it on his way back from Asia, "We should feel confident about our ability to compete. But we need to step up our game."

Exports lie at the heart of this effort. The President's goal of doubling exports in five years gives us a clear prism to ensure that all of our policies remain relentlessly focused on expanding opportunities for American businesses and workers.

Our engagement in the G-20 and APEC and ASEAN, as well as bilaterally with countries such as Korea and China, are core components of our overall effort to revitalize America's innovative edge and renew the competitiveness of our economy. Let me touch on the three key elements of this effort, which were an integral part of our G-20 discussions and the President's trip to Asia.

Strengthening Growth and Rebalancing Demand

Before the crisis, our growth was unhealthy and unbalanced--fueled by cheap credit and fueling massive export surpluses abroad. Looking forward, we have to find more sustainable sources of dynamism in our economy and around the world--sources of dynamism that will enable jobs to return, businesses to reinvest and America's competitiveness to be revitalized.

Helping to put growth on a sounder footing was the core focus of our discussions at APEC and the G-20. As advanced economies like the United States continue repairing balance sheets, deleveraging, and putting public finances on a sound footing, we must work with the other major economies to support new engines of growth for the global economy. Countries that previously relied on the U.S. consumer to fuel their economic expansion in the run up to the crisis will need to identify new sources of growth. The emerging markets are vital to this effort, and the consumers and vast infrastructure needs in the rapidly growing economies in Asia, as well as Latin America and Africa, can be new engines of growth for the world economy.

In Seoul, there was broad agreement among the G-20 that strengthening global growth is the primary goal, and there was broad recognition of the imperative to shift demand in order to lift overall growth. Accordingly, the G-20 committed to a new framework to curb excessive imbalances, and noted that all economies -- surplus no less than deficit -- have a shared responsibility to support rebalancing. The United States proposed this plan and it was widely supported by the G-20 leaders.

To take action, the G-20 will work in the coming months to develop a set of indicators that will serve as an early warning system to ensure preventive and corrective actions. The United States will now work closely with our partners in the G-20 and the International Monetary Fund to create these indicators and to assess country policy trajectories against them.

Exchange rate policies will be a central focus of those discussions, and the G-20 recognized the important role of market-determined exchange rates in helping to facilitate this critical rebalancing. We are working hard to ensure that China makes progress in allowing its exchange rate to appreciate in response to market forces--as Chinese officials have reaffirmed their commitment to do. And we have noted the accelerated pace of appreciation in recent months. If sustained, the pace of China's appreciation could make a material contribution to addressing the undervaluation of its currency.

Expanding Export Opportunities and Enforcing Trade Rules

As the President traveled through the fast-growing markets of Asia this past week, he emphasized the key role of opening new markets to support growth and jobs.

In 2009, exports made up 12 percent of U.S. GDP, which is the smallest percentage of the other leading economies. If we want to create broad-based and sustainable growth that benefits American businesses, workers, farmers and manufacturers, we must expand export opportunities by strengthening trade rules in key markets, by enforcing the rules we have, and by supporting our exporters from the largest multinationals to the newest start ups.

As part of the National Export Initiative, the Administration is providing support for small- and medium-sized businesses, including improved access to credit through Ex-Im, and helping to find and remove obstacles to exporting. I've heard from a number of small business exporters that these programs are among the most helpful and innovative they have encountered

in recent years.

Commerce's advocacy on behalf of America's exporters is also yielding important gains. As President Obama traveled through Asia last week, the Administration announced new trade transactions exceeding \$14.9 billion in total value were finalized, with \$9.5 billion in U.S. export content, and that will support 50,000 U.S. jobs.

Trade agreements are likewise important. On the bilateral side, President Obama noted during his trip that he is committed to completing negotiations with South Korea on the Free Trade Agreement as quickly as possible. While progress has been made, USTR will keep working to improve the proposed FTA so it is beneficial to American industry and workers. This agreement, if done right, could increase the annual export of American goods by some \$10 billion, and billions more in services. The President also reiterated his commitment to complete the pending agreements with Colombia and Panama.

At the APEC Summit, the President discussed progress on the regional Trans-Pacific Partnership Agreement, which can serve as a platform for economic integration across the Asia-Pacific region and serve as a model for a world class, 21st century trade pact. Multilaterally, USTR also continues to seek a successful conclusion to the Doha Round, particularly expanded market access in dynamic emerging economies.

But even as we move forward to create even stronger trade rules with key partners, we must enforce the rules we already have to ensure a level playing field for our companies and our workers. That is why the administration is vigorously defending our rights--from negotiation to filing cases in the WTO, where appropriate. In fact, USTR has launched two WTO cases in recent months and is currently investigating a Section 301 petition.

Pursuing American Renewal

But the most important foundation of our export-oriented renewal strategy is the President's commitment to strengthen the foundations of our economy so we can compete and win globally.

The President's Innovation Strategy is one of the key efforts by the Administration to harness the inherent ingenuity of American workers and industry to promote growth. This strategy focuses on investing in the building blocks of American innovation, such as R&D, education, infrastructure, and advanced communications technologies.

As the President traveled in Asia, he observed that countries were investing in infrastructure while the United States is still living off our investments from decades ago. Noting that it is time to upgrade our roads, railways and airports, the President recently announced a \$50 billion infrastructure effort to bolster our competitiveness and create jobs. We can and should learn from the efforts of other nations as we pursue infrastructure investments and strengthen the foundations of our competitiveness.

Tax initiatives are another area where we can provide incentives for businesses to invest today for the future. The President recently proposed an expanded R&D tax credit and 100-percent expensing of capital investments, and the Administration is considering other measures to spur investment.

As we saw in the financial crisis, the stability of our financial system is a vital component of our future competitiveness and growth. With the enactment of the historic Dodd-Frank law, the United States is now putting in place the most far-reaching reforms of our financial system since the Great Depression.

At the G-20, leaders embraced the new bank capital and liquidity standards that are part of Basel III. They also agreed that no firm is too big to fail, that all countries need robust resolution regimes, and that the world needs to implement higher loss absorbency for the largest, most interconnected firms. The G-20 also addressed derivatives, and noted that we need to move forward together to strengthen regulation of derivatives markets. Together, these reforms will help prevent another financial crisis, create a level playing field, and foster a race to the top.

Let me conclude by noting that the G-20 Summit and the full scope of the President's trip to Asia showcased an America that is committed to working hard to remain innovative, competitive, and strong. Through extensive engagements, we have forged common ground and agreement with our partners in the G-20 and other forums on the major challenges we face and the common solutions we must pursue.

The task before us now is to take the hard steps of action and implementation. By joining in partnership we can leverage the best of America. From training and educational institutions to business and labor, from state and local officials to federal policymakers, from small businesses and communities to international summits--we will create new engines of growth for American products and services and renew the very foundations of our economic competitiveness.