

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Remarks by Under Secretary for International Affairs Lael Brainard at the Annual Meeting of the Bretton Woods Committee

5/19/2011

### “Meeting Global Responsibilities Head-on”

#### *As Prepared for Delivery*

Earlier today, President Obama spoke about the historic transformations taking place in the Middle East and North Africa as a moment of opportunity. The President outlined concrete ways the United States will support nations in this region as they make the transition to democracy and economic opportunity.

This effort is a natural extension of the historic legacy of international support provided by the United States at pivotal moments since the founding of the Bretton Woods institutions. From reconstruction in the wake of World War II, to the fall of the Berlin Wall, to today’s seismic shifts in the global economic and political landscape, U.S. leadership has been central in expanding the reach of political freedom and economic opportunity.

Today our leadership remains essential. But with vast changes in the global economic landscape since 1944, the United States must adapt the way we lead. Today we lead through institutions and partnerships. We lead through the power of our ideas, our values and our example.

So today, with historic shifts taking place in the Middle East and North Africa, we are working with our partners to ensure democracy delivers on its promise, to support Egypt and Tunisia as they transform their economies to expand opportunities and ensure fair treatment for all citizens.

These new democracies need inclusive and fair economies so that fruit vendors can provide for their families with dignity; so that women can get loans to start businesses; so that the young generation whose courage and determination ignited this historic transformation can find jobs to build a better future.

Economic transformation must go hand in hand with political transformation, with more open and accountable government, with clear, fair rules that uphold the rights of the poor no less than the privileged and advance the interests of small vendors no less than big businesses.

As the President outlined in his speech this morning, as Egypt’s young generation transforms their country into a vibrant democracy, the United States stands ready to turn the debts of the past into investments for the future -- relieving Egypt of \$1 billion of debt, and channeling these resources to employment and entrepreneurship. And we intend to work with OPIC to underwrite private sector investments and provide \$1 billion in loan guarantees.

And just as deepening trade and investment underwrote democratic transition in Europe in the past, the United States will initiate consultations on a Trade and Investment Partnership Agreement with today’s transition economies in the Middle East and North Africa.

We lead by extending a hand directly to our foreign partners but also by standing up and continually revitalizing multilateral institutions that have the scale and the staying power to help new democracies build lasting foundations for prosperity.

Working with our international partners, the United States has asked the World Bank, the African Development Bank and the IMF to launch an ambitious action plan for Egypt and Tunisia at the time of the G-8 summit.

We will collaborate with our partners to reorient the European Bank for Reconstruction and Development so it can play the same role today in supporting democratic transitions in the Middle East and North Africa that it played two decades ago in Central and Eastern Europe.

The multilateral institutions are vital supporters of our international agenda because of their unrivalled leverage, their constancy, and their capacity to help nations emerge stronger from financial stress and from fundamental transitions.

As we respond to the fundamental transitions in the Middle East and North Africa and to the financial strains on Europe’s periphery, it is clear: if the multilateral financial institutions did not exist today, we would have to create them.

Nearly a quarter century ago, under President Reagan, the United States made a one-time paid-in capital investment of \$420 million to the World Bank, which supported \$325 billion in development investments over 20 years. Those investments supported countries throughout Eastern Europe as they transitioned to open market economies and democratic societies.

Our leadership has not come primarily through our financial investments but through our active stewardship that continually updates and strengthens the Bretton Woods institutions, ensuring their missions and mandates are as relevant to the economic challenges we confront today as they were in the wake of the Second World War.

That is why the United States supported the IMF's New Arrangements to Borrow, and pursued quota reform to make the Fund more representative of today's global economy. That is why we pushed for a strong Financial Stability Board with expanded representation. And that is why we support recapitalizing the MDBs, and replenishing the soft loan windows of the World Bank and the African Development Bank.

Providing leadership to advance our values and our goals is more important than ever, particularly as the only alternative for developing countries in many cases for large infrastructure finance is to turn to donors who operate without the strict procurement, anti-corruption, and environmental standards that the United States has led in establishing at the MDBs.

That's why we are working hard – with your support – to retain and revitalize American support for the multilateral development banks. Our investments in the MDBs can fuel a new generation of economic opportunities for American firms and workers as developing economies grow and open their markets.

That is why the President committed to make the G-20 the premier forum for economic cooperation. And that is why we have worked hard through the G-20 to promote strong sustainable and balanced growth—including by addressing excessive and persistent external imbalances and pressing for flexibility in exchange rates to facilitate global adjustment.

And that is why today, at a critical time for the global economy, I want to express appreciation that John Lipsky, as Acting Managing Director, is providing able and experienced leadership to the Fund. We want to see an open process that leads to a prompt succession for the Fund's new Managing Director.

It is important that the United States lead from a position of strength.

Following the crisis, we moved quickly to repair our financial system. But we went further, undertaking an ambitious set of reforms through the Dodd Frank Act to thicken capital cushions and lower leverage at our financial institutions make derivatives markets more transparent, and make our system safe for the failure of any institution. And from the start we have worked with our partners in the G-20 and the Financial Stability Board to ensure that the financial reform agenda is global in scope, with financial jurisdictions around the world undertaking convergent reforms to ensure a level playing field and address regulatory arbitrage.

Today, we are working to strengthen our public finances, to reduce our unsustainable fiscal deficits, and to put our national debts on a sustainable and declining path, while safeguarding investments in our competitiveness. The President has proposed a balanced plan that would reduce deficits by \$4 trillion over the next 12 years, through a mix of spending cuts across the entire budget and reforms to reduce tax expenditures. It would be backed up a debt failsafe that would trigger additional reductions in spending and tax expenditures in the event that federal debt is not projected to be declining as a share of the economy in 2014.

Our objective is to seize this moment when Democrats and Republicans now agree that deficits matter, that living within our means is not just an option but a necessity, and that putting this off for another day is no longer possible.

Our ability to lead abroad depends on leadership at home. And our leadership has a real impact on our firms, workers and families. When I talk with workers— in turbine factories, in pharmaceutical facilities and in offices around the country— I am reminded of how vitally important our leadership is to opening export markets and in creating jobs so that Americans can realize their aspirations and provide for their families.

That is why we will continue to strengthen our domestic economy and that is why we are committed to working with our partners and through the multilateral institutions to promote prosperity and stability for Americans and for the world.

Thank you.