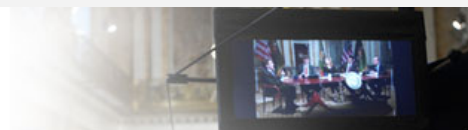


U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Releases Semi-Annual Report to Congress on International Economic and Exchange Rate Policies

4/9/2015

WASHINGTON – The U.S. Department of the Treasury today released the Semi-Annual Report to Congress on International Economic and Exchange Rate Policies, as required under Sections 3004 and 3005 of the Omnibus Trade and Competitiveness Act of 1988.

The Report describes U.S. economic developments as well as international economic, financial, and exchange rate developments during the second half of 2014, and where available and appropriate, through March 2015.

Section 3004 requires the Treasury Department to consider whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade. Based on the analysis in this report, the Treasury Department has concluded that the standard identified in Section 3004 of the Act has not been met with respect to any of the countries covered in this Report for the period evaluated.

The Report highlights that the U.S. economy expanded at a robust 3.6 percent annual rate during the second half of 2014 and that labor market conditions have improved considerably. Favorable fundamentals suggest continued solid growth through the end of 2015 and into 2016.

However, today's Report concludes that a demand deficit and imbalanced mix of macroeconomic policies in a number of countries abroad is having a negative impact on both the pace and composition of global growth.

The Report notes that many countries need to implement structural reforms to help boost potential growth and address persistent stagnation. It calls for more balanced approaches to macroeconomic policy in large surplus countries, consistent with agreed G-7 and G-20 commitments.

The Report takes note of China's reduced level of intervention in the foreign exchange market consistent with its commitment at the Strategic & Economic Dialogue. However, a number of factors detailed in the report indicate that the RMB exchange rate remains significantly undervalued. The Report emphasizes that China should build on the recent reduction in intervention and durably curb its activities in the foreign exchange market, including at times when there is market pressure for appreciation.

The Report also urges Korea to allow more space for won appreciation and increase the transparency of its foreign exchange policies. The Report notes that Korean authorities should limit foreign exchange intervention to the exceptional circumstances of disorderly market conditions.

In particular, the Report underscores the crucial importance of all countries honoring G-7 and G-20 exchange rate commitments. These include the G-7 commitments to orient fiscal and monetary policies towards domestic objectives using domestic instruments and to not target exchange rates. They also include the G-20 commitments to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility, to avoid persistent exchange rate misalignments, to refrain from competitive devaluation, and to not target exchange rates for competitive purposes.

The full report, along with past reports, is available at: <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Pages/index.aspx>.

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