U.S. DEPARTMENT OF THE TREASURY

Treasury Releases Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States

June 10, 2022

WASHINGTON – The U.S. Department of the Treasury delivered its semiannual Report to Congress on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States. In this Report, Treasury reviewed and assessed the policies of major U.S. trading partners, comprising roughly 80 percent of U.S. foreign trade in goods and services, during the four quarters through December 2021.

"The Administration continues to strongly advocate for our major trading partners to carefully calibrate policy tools to support a strong and sustainable global recovery. An uneven global recovery is not a resilient recovery. It intensifies inequality, exacerbates global imbalances, and heightens risks to the global economy." said Secretary of the Treasury Janet L. Yellen.

In accordance with the Omnibus Trade and Competitiveness Act of 1988, the Report concludes that no major U.S. trading partner during 2021 manipulated the rate of exchange between its currency and the U.S. dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade.

The Biden Administration strongly opposes attempts by the United States' trading partners to artificially manipulate currency values to gain unfair advantage over American workers. Treasury remains concerned by certain economies raising the scale and persistence of foreign exchange intervention to resist appreciation of their currencies in line with economic fundamentals.

The Report concludes that Switzerland meets all three criteria under the Trade Facilitation and Trade Enforcement Act of 2015 (the 2015 Act) over the four quarters through December 2021, and therefore Treasury is conducting enhanced analysis of Switzerland's macroeconomic and exchange rate policies in this Report. Switzerland had previously met all three criteria under the 2015 Act in the April 2021 and December 2020 Reports. Since Switzerland has again exceeded the thresholds for all three criteria, Treasury will continue its enhanced bilateral engagement with Switzerland, which commenced in early 2021, to discuss the Swiss authorities' policy options to address the underlying causes of its external imbalances.

Treasury has placed twelve economies on its "Monitoring List" of major trading partners that merit close attention to their currency practices and macroeconomic policies: China, Japan, Korea, Germany, Italy, India, Malaysia, Singapore, Thailand, Taiwan, Vietnam, and Mexico. All except Taiwan and Vietnam (which were subject to enhanced engagement) were on the Monitoring List in the December 2021 Report.

Both Vietnam and Taiwan exceeded the thresholds of fewer than three criteria under the 2015 Act over the four quarters through December 2021. Vietnam had previously exceeded the thresholds for all three criteria as noted in the December 2021, April 2021, and December 2020 Reports. Taiwan had previously exceeded the thresholds for all three criteria as noted in the December 2021 and April 2021 Reports. Though Vietnam and Taiwan no longer meet all three criteria for enhanced analysis, Treasury will continue to conduct an in-depth analysis of these economies' macroeconomic and exchange rate policies until they do not meet all three criteria under the 2015 Act for at least two consecutive Reports.

In early 2021, Treasury commenced enhanced bilateral engagement with Vietnam in accordance with the 2015 Act. As a result of discussions through the enhanced engagement process, Treasury and the State Bank of Vietnam (SBV) reached agreement in July 2021 to address Treasury's concerns about Vietnam's currency practices.[1] Treasury continues to engage closely with the SBV to monitor Vietnam's progress in addressing Treasury's concerns and is thus far satisfied with progress made by Vietnam.

In May 2021, Treasury commenced enhanced bilateral engagement with Taiwan in accordance with the 2015 Act. These productive discussions have helped develop a common understanding of the policy issues related to Treasury's concerns about Taiwan's currency practices. Treasury continues to engage closely with Taiwan's authorities.

The Report also emphasizes that China's failure to publish foreign exchange intervention data and broader lack of transparency around key features of its exchange rate mechanism make it an outlier among major economies, and Treasury will closely monitor the foreign exchange activities of its state-owned banks.

Today's Report is submitted to Congress pursuant to the Omnibus Trade and Competitiveness Act of 1988, 22 U.S.C. § 5305, and Section 701 of the Trade Facilitation and Trade Enforcement Act of 2015, 19 U.S.C. § 4421.

View the full report.

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[1] See “Joint Statement from the U.S. Department of the Treasury and the State Bank of Vietnam.” Available at: https://home.treasury.gov/news/press-releases/jy0280.