

U.S. DEPARTMENT OF THE TREASURY

Transcript of Joint Press Conference Between Secretary of the Treasury Janet L. Yellen and Canadian Deputy Prime Minister and Finance Minister Chrystia Freeland

June 20, 2022

Hon. Chrystia Freeland: Okay, well thank you all for being here.

[Speaking French]: It is a huge pleasure to welcome my friend the secretary of treasury of the United States, Mrs. Janet Yellen, here in Toronto in my own jurisdiction for her first official visit in Canada. [End of interpretation]

This is a very consequential time for both Canada and the United States. The global economy is changing and that poses challenges for both of our countries, but it also offers historic opportunities today and in the years ahead. The hopeful and entirely open post-Cold War world order that we all tried to build starting on November 9, 1989, the day the Berlin Wall fell, ended on February 24 of this year. In its place, we've entered a period of friend-shoring, one in which our allies know that it's worth strengthening their partnerships and building their supply chains with other democracies.

Canada, and I believe, the United States, know this too. The good jobs and prosperity of today and tomorrow belong to the workers who are the heart of the world's democracies, very much including those here in Canada and our neighbors to the south, the US. In our conversations today, Secretary Yellen and I covered a number of topics, including the challenge of global inflation, the impact it is having on our people on both sides of the border, and how we can work together to make life more affordable for middle class Canadians and Americans alike: Canada's wealth of critical minerals and metals and Canada's role in ensuring energy security for our allies, what future action Canada and the United States can take to hold Russia accountable for its illegal invasion of Ukraine and how we can work together to continue supporting Ukraine.

[Speaking French]: We talked about the fight against climate change and the adjustments at the borders and how we can re-enforce our supply chains and the work that needs to be done for equity in the international fiscal system. [End of interpretation]

So again, it's wonderful to be here with you, Secretary Yellen. Secretary Yellen is an excellent friend and partner of Canada. I have seen her in action as a real leader at the G7 and internationally in the many, many meetings we've attended together. Secretary Yellen's intellect, her deep knowledge and understanding of economic issues at this volatile time is universally acknowledged, and this is a time when that expertise and that leadership is more important than ever.

So thank you very much Secretary Yellen for your leadership. Let me hand it over to you.

Sec. Yellen: And thank you Deputy Prime Minister Freeland. Thank you for welcoming me for my first trip to Canada as Treasury Secretary. We deeply value our relationship with Canada. Our close ally and our largest trading partner. Minister Freeland and I, we actually talk very often, but visits like these offer a welcome opportunity for in-depth discussions of our shared priorities and our vision for the global economic agenda. Both of us assumed office during the pandemic. We quickly forged a bond as our governments responded to the urgent situation before us with economic policies designed not only to help us recover but to emerge from the pandemic with a stronger economy and stronger middle class, and we continue to work together to address the needs of today.

One of the key topics of discussion so far during my visit has been the continued importance of strong supply chains to keep costs down for families. This is especially important as both of our countries face high inflation driven by global factors like the lockdowns in China and Russia's war on Ukraine. Making our supply chains more resilient, including with partnerships with close trading partners like allies like Canada will help protect us against costly disruptions and shocks to the economy today and into the future.

Minister Freeland and I have just come from a tour of Evoco, a Canadian company that produces foam materials used by US companies ecologically to make products, including shoe soles and mattresses. This is an example of the advantages of a strong, cross-border economic relationship that can ease bottlenecks or supply disruptions. During our visit, we've also discussed how the United States and Canada can continue to stand united on measures to end Russia's brutal war against Ukraine and mitigate its impacts around the world and at home, including higher energy costs.

Russia's war demonstrates that while we need to boost production of fossil fuels in the short term, it is in our interest to adopt energy technologies that break our dependence over the long term. It's yet another reminder of why it's so critical that we retain our momentum toward creating low carbon economies while adapting and building resilience to climate

change. While we face global challenges in today's environment, we have in our power the ability to deliver effective cooperation as we work together building the economy of the next generation on both sides of our border and around the world.

Thank you.

Moderator: Thank you. We'll now take questions from the press. We'll have time for two Canadian media, two American media and that'll be one question and one follow-up each. And I'll start with (off microphone) American side. Dave (off microphone).

Q: Hi. Thank, thank you Ministers. I wanted to ask you about your discussions today on next steps on Russia sanctions and the war in Ukraine. The sanctions have had a big effect initially, but lately they have, there has been kind of a plateau. There's been some discussion about trying to find an oil price mechanism to the limit of oil revenues. What did you discuss today about that and Minister Freeland, are you on board with this kind of an oil price cap tariff mechanism? Thank you.

Sec. Yellen: I'll start off. Well, we are continuing to have productive conversations today and with our partners and allies around the world on how to further restrict energy revenues to Russia while preventing spillover effects to the global economy. We are talking about price caps or a price exception that would enhance and strengthen recent and proposed energy restrictions by Europe, the United States, the U.K. and others that would push down the price of Russian oil and depress Putin's revenues while allowing more oil supply to reach the global market.

We think a price exception is also an important way to prevent spillover effects to low income in developing countries that are struggling with high costs of food and energy. So we're certainly working on this.

Hon. Chrystia Freeland: Okay, thank you for the question. Let me highlight -especially maybe to our American visitors, that when it comes to Russian sanctions, we hope that in the coming days, my budget legislation will be passed and that does include for the first time in Canada, measures that would allow us to confiscate as well as to freeze sanctioned assets. That's something which I have discussed with Secretary Yellen and with other international partners. We think it's really important to extend our legal authorities because it is going to be really, really important to find the money to rebuild Ukraine. And I can think of no more appropriate source of that funding than confiscated Russian assets. So that's just point one for our American friends.

I would also just challenge the opening premise of the question. I think that the sanctions that we have collectively imposed on Russia are first of all, going – we're going to constantly be ratcheting them up – so Russia's leaders should recognize that that is what is going to continue to happen. And I think it's also important to appreciate that the impact even of the sanctions already in place is only going to grow. And here, I really want to underscore something that the U.S. Treasury has been working on for a while, actually from before the invasion, the new idea of export limits, and the fact that we are limiting our exports to Russia, I think we're only now starting to see the impact on the Russian economy. I think that is going to bite, it's going to become more and more painful and that is the whole idea.

Finally, on oil, we did talk about it. We have talked about it a lot now at many meetings, both in person and over the phone and over video. I have talked about this idea a lot with the Ukrainians and also with Europeans. Canada thinks that it is a really good idea. The key though will be the view of our European partners. And from our perspective, it's really important to ensure that on this, as with anything that has to do with Ukraine, that we keep on talking to the Ukrainians about what we're doing.

Q: You get a follow-up. Okay. Thank you. I like this country. (Laughter)

Hon. Chrystia Freeland: Good!

Q: I'm just, just also, on the price cap mechanism, it would seem like time would be of the essence here since they are taking in tens of billions of dollars a week from Europe, Europe alone. How quickly do you think that can be arranged and do you intend to have something that maybe President Biden might be able to present to G7 leaders at the end of this week?

Sec. Yellen: We're working hard on it and stay tuned. We, we're very active, actively working on this with our partners.

Hon. Chrystia Freeland: Yeah, I'm just going to add I do really want to recognize Canada, I think, was certainly the first major country to announce a full embargo on all of our imports on Russian oil. We recognize it is a more challenging situation for the Europeans and the path forward here is really to be talking with our European partners and to recognize, you know, how central they are in the decision-making here. And I know the Treasury has been involved in very energetic diplomacy there.

Moderator: Thank you. Next question, Canadian (off microphone).

Q: Yeah hi. David George-Cosh, BNN Bloomberg. Secretary Yellen, I just want to ask this to you and Minister Freeland, if you can follow-up as well. First of all, welcome to Canada.

Sec. Yellen: Thank you.

Q: And I would just, want to jump off the comments that you made regarding friend-shoring and resilient supply chains and energy independence, and given the fact that we see crude prices right now, it's down now from recent highs of \$120 a barrel of oil and we're still seeing this delicate dance among global energy producers, including Canada, on supplying crude while transitioning to a greener economy. But with that said, would you consider reopening the presidential permit for the Keystone XL pipeline?

Sec. Yellen: Well, it's up to the President to consider. I don't think it's something that, even if it were, that would take years to come into completion. So I don't see it as a short-term measure to address the current situation and longer term, we remain committed to our climate change objectives. But, you know, it's really up to the President to consider.

Hon. Chrystia Freeland: You know, we are very like-minded with the U.S., with this U.S. administration when it comes to the need to walk and chew gum on energy right now. Obviously, we need to focus on the short-term energy needs of North America, of the fact that Canadians and Americans are feeling real pain at the pumps. And also the real challenges when it comes to energy security that our European partners are facing. And Canada, as an energy producer, we take our responsibility to our allies really seriously and so we are working hard to increase production. And, you know, the Canadian position on Keystone is unchanged. It's something we bring up whenever we have these meetings and I did today. But I also really want to emphasize something Secretary Yellen emphasized in her opening remarks, which is actually, this, the energy crisis which Putin's invasion of Ukraine has prompted is yet another reason to take climate action really, really seriously. We need to do this for the planet and to preserve a livable planet for our children and grandchildren. But we also need to take climate action because it is part of a geopolitically safer and more secure world, and Canada is very, very serious about that.

Q: Hi there. Heather Butts with CTV News. Welcome to Canada.

Sec. Yellen: Thank you.

Q: Minister Freeland, this question may be a little bit more directed towards yourself, but Secretary Yellen, if you, if you don't mind, we'd love to get your response on it as well. There was a report here in Canada, specifically Scotiabank said yesterday that the government must rein in spending to reduce inflation and take the pressure off the Bank of Canada. So what is

your response to that? Can additional government spending solve inflation or just make it worse?

Hon. Chrystia Freeland: Well, I think we've already done that. You know, our budget, which I tabled in April, was a very fiscally responsible budget. In fact, the rate of fiscal consolidation in Canada, the speed at which our deficits and debt are coming down is tied for first place in the G7 and the country we're tied with is the United States. So that's another area where Secretary Yellen and I agree that absolutely, you know, in a time of heightened inflation, and this is a time of heightened inflation, it is chiefly the central bank, the Bank of Canada, which has the job of bringing inflation down. We recognize that and our government certainly respects the central role and the independence of the Bank of Canada.

But we understand that fiscal policy has a role to play. That's why we took this decision in April to pursue a path of really swift, by the standards of our peers, and I can think of no better standard to be measured by, of fiscal consolidation, of fiscal tightening. And it's why last week, in talking about the affordability plan of our government, I chose to stay with the affordability measures that were already in the budget from April and in last year's budget rather than bringing new measures online.

Sec. Yellen: So I would add that I basically agree with the answer my colleague gave. In the United States, the deficit this year has come down by over \$1.5 trillion. And I certainly agree that the primary role for addressing inflation rests with the Federal Reserve. That said, the President, President Biden would be supportive of some complementary fiscal actions that would supplement and support what the Fed is doing. We have a reconciliation package we hope may move through Congress. It's uncertain at this point, but that could certainly incorporate additional deficit reduction. We've put on the table a large number of potential tax policies that we think are good tax policy, could raise trillions of dollars in ways that would not place any additional burdens on American households earning \$400,000 or less. That could really raise a lot of revenue and be good tax policy.

And so we do have the possibility of passing a package that would include some deficit reduction, and I hope that will occur. That said, I think the primary role rests with the Central Banks, and deficits have come down as well, very substantially.

Q: Hi. Thank you. This is a question for both of you. One of the ideas that's been out there for bringing down fuel prices is this idea of a gas tax holiday. I'm curious how each of you view whether a gas tax holiday would actually, in fact, be passed on to consumers or would actually be effective for reducing prices at the pump? Thanks.

Sec. Yellen: So I think there's quite a bit of research on this topic, although it's not totally definitive. A number of states in the US have cut their gas taxes and I think the research suggests that there's reasonably high pass-through when a state does it to prices at the pumps. Not full, but reasonably high. At the federal level, we have lower, much lower gas taxes than at the state level and the evidence is more mixed. So I think there would be some pass-through to prices at the pump and some portion that would end up raising, raising the base. But nevertheless, consumers are really hurting from higher gas prices. It's been a substantial burden on American households and I think while not perfect, it is something that should be under, under consideration as a policy to address it.

Hon. Chrystia Freeland: Yeah, so let me just say I'll start where the Secretary concluded. We really recognize here in Canada that affordability is a real challenge for Canadian families and I think people, in their daily lives, feel that affordability challenge most acutely when they're filling up their tanks with gas, when they're buying their groceries, maybe when they're paying their rent. So these really are issues we need to be looking at all the time. The situation in Canada is a little bit different because our price on pollution does include an element where we return the money to Canadian families and the amount returned to Canadian families has gone up this year and is now meaningful, significant for Canadian families.

I would also say, you know, as I discussed, you know, at some length with the Canadian journalists who are here today, we have a set of affordability measures that are in this year's budget and last year's budget that are targeted at the most vulnerable Canadians, at families with children, especially poor families, at older people, at working poor people and at people who are having challenges with housing affordability. So those measures are there, they're in the pipeline already. We don't need new legislation and that is something people will start feeling now and will feel more in the days, weeks to come.

And the answer about fiscal policy, I did make clear that we take the need for fiscal constraints serious and that includes tax expenditures as well additional spending. Having said that, you know, we are not closing any door and we're going to watch the affordability challenges that Canadian families are facing very, very carefully and we're, we are prepared to do more, if necessary.

Q: Yeah, and I'll just ask, earlier Secretary Yellen, you used the term price exception to describe what is being considered on oil prices. I wonder if you can just explain what, what that means as opposed to a cap or a tariff, just what you meant by price exception?

Sec. Yellen: Well, it's essentially a price cap and it's something that could be, that the Europeans have put in place, have announced a ban on the provision of insurance and other financial services to European companies that ensure Russian oil shipments and you could think of it as an exception to that ban.

Moderator: Next question, Jamie (off microphone).

Q: Hi, Jamie, from CityTV. This is a local question. The City of Toronto had a fair amount of crime happen this weekend, casualties involving guns. How is your new legislation against, for gun control going to prevent the person that has an illegal gun in their possession from shooting a person on the streets of Toronto? How, how are they going to be deterred by your new legislation and how are we going to fix the gun problem?

Hon. Chrystia Freeland: Yeah, thank you for that question. I've actually been thinking about that a lot and it was something that was discussed in my house with my children this weekend. The person who I have been thinking about is someone certainly all the local Toronto reporters will know, Dr. Najma Ahmed, one of my constituents, one of the doctors in the community who has been really very bravely leading a campaign against gun violence and it was talking to her, now a couple of years ago, and hearing her describe to me what it's like to sew back a child who, whose body has torn apart by guns, that I found very painful and very moving. And also she explained to me, how she put it as she said, even if you can sew the kid back together again, that 18-year old has the body of a 65-year old. Really terrible.

So it's an important question. Our government has done more than any previous Canadian government to get unnecessary guns off our streets. We have banned military-style assault weapons. No one should have those. I grew up on a farm, a rancher, a hunter does not need a military-style assault weapon. And then recently, we have gone further, and we have put a freeze on the sale of handguns. And likewise, I have to say you do not need a handgun to go hunting deer. And if there are coyotes who are harassing your cattle, you're not going to go after them with a handgun.

So these are necessary measures. They are not fully in place yet. We need to get that legislation passed and by themselves, they're not going to end everything. You can have laws that ban something and people will still break those laws. That is true. But do we as a country, have to end, you know, what I would describe as these fake fights over guns? Yes, we do. I have a huge amount of respect for people who need a rifle to hunt a wolf or a coyote that is eating their calves. That happens, I've seen it. That's okay. That's necessary. But you

do not need military-style assault weapons for that. You do not need handguns for that and we really, as a country, just have to end this.

Moderator: And follow-up question will be from Mark Rendell, Globe and Mail. This is your last question.

Q: Thank you. Mark Rendell with The Globe and Mail. You spoke a lot about friend-shoring, securing supply chains. I'm wondering in practical terms, what are areas of negotiation that are ongoing where actual progress could be made on improving trade relationships and, I guess getting some practical meat on the bones of what the idea of friend-shoring actually means?

Sec. Yellen: Well, we certainly have a number of task forces, for example, between the United States and Canada, and some of them include other countries, our European allies and partners, where we're beginning to identify areas where we really feel the need to have more resilient supply chains. As we discussed this afternoon, Canada has strong advantages in being able to produce critical minerals and other, other things where we have particular vulnerabilities. I would say our discussions are at a relatively early stage, but similarly, in our Indo-Pacific partnership, there are discussions beginning on supply chain issues there as well.

Hon. Chrystia Freeland: Yeah, so I think it's a great question and I think this is one of the most important issues that we've actually been talking about today and in the weeks leading up to this visit. The first step for us as Canadians is to start doing a more intense job of producing the critical minerals and metals, including processing them. And as a government, we're very committed to that. We are working very closely with provinces and territories, and I just want to give a shout out to my colleague, Jonathan Wilkinson, who has set up some tables, provincial and territorial tables, where there is a lot of excitement at really raising our game in this space.

I talked to a lot of business leaders at PDAC last week who are equally enthusiastic. And as you guys know, we set aside \$3.8 billion in the budget to push Canada's development of critical minerals and metals. So that's on us. The next stage, which we're working on very energetically is to be talking with our partners about how Canada's capacity for producing critical minerals and metals can be part of our work as allies. And that's something I was very glad to have the chance to talk about with Secretary Yellen and I think we had some really good conversations and some new ideas which we're going to pursue. It's something which Canada is also working on with our European partners and allies who are also very focused on

this issue. I think the Russia sanctions touched them the most immediately. And we're talking about it with our Asian partners and allies too.