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ROAD TO HANGZHOU:
TREASURY SECRETARY LEW ON WHAT TO EXPECT
AT THE G20 SUMMIT

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P R O C E E D I N G S

MR. DERVIŞ: Mr. Secretary, dear friends, dear colleagues, welcome.

It's a great honor and a pleasure for us that Secretary Lew visits us to share his perspective on his trip starting tonight to the G20 Summit in China.

I will not do a long introduction, but as you know, he is the 76th Secretary of the Treasury and was confirmed by the Senate in 2013. He served as the White House Chief of Staff to President Obama before and he was the director of the Office of Management and Budget, both in the Obama and the Clinton administration. But he has also wide experience in both the public sector and in academia as he was the professor and executive vice president for New York University, and has always been involved with Brookings. He came to Aspen to our roundtable, twice, I think, and always worked with civil society.

Time is very tight so I won't steal any time, but just let me add perhaps that the G20 was, at the Summit level, launched in 2008 in Washington at the height of the crisis. It was launched at the finance ministers level in 1999. Both were crisis response type of actions. One, a crisis response to the Asian financial crisis and then, of course, in 2008, the United States took the lead to face the great financial crisis.

And despite the difficulties of the political side, and particularly two years ago there were tensions, I think the G20 has survived as the major international economic forum to guide the world economy. It is not representing all of the world, but it represents a huge part of the world, and works with the rest, with the IMF, with the international institutions, to implement some of the decisions, some of the strategies that are agreed on.

And I think it's been -- some people call it a revolution in 2008 because as the world economy changed, as the weights of countries in the world economy

changed, the G7, the G8 just was no longer representative of what the world economy really is/was. And the G20 in that sense has become much more inclusive, much more relevant, much more difficult. I was in corridors sometimes where old high bureaucrats from the G7 were saying, oh, it was nice when we all knew each other personally for years. But I think this reach is not global and it has become the premier forum for international economic discussions and, also, beyond that.

So, Secretary Lew, thank you for joining us. I know you're heading for China tonight. I know time is very short. You will address us and then our distinguished friend, colleague, Senior Fellow David Wessel, the head of the Hutchins Center in Economic Studies, will engage you in a conversation, as well as with the rest of the audience. Many thanks again. (Applause)

SECRETARY LEW: Thank you so much for that kind introduction. And let me begin by thanking the Brookings Institution and Kemal Derviş, in particular, for that kind introduction and David Wessel for hosting this important discussion. It's really a pleasure to be with you here today.

As Kemal noted, later today I depart for Hangzhou, China, to join President Obama at the G20 Leaders Summit, which is, as we all know, the last G20 meeting that the President will attend during his tenure. It's a valuable moment to take stock of how we've used the G20 over the past eight years to promote economic growth and financial stability, both of which remain so important to American workers and families. President Obama will use this summit to advance concrete steps towards a future that's safer, environmentally sustainable, and one in which (inaudible) economic growth are more widely shared. Can you hear me? I wasn't -- there you go.

We've made significant strides during the past eight years. In late 2008, the world economy suffered the worst financial crisis since the 1930s. Recognizing the

truly global nature of the crisis, President Obama joined world leaders from large economies, both advanced and emerging, for his first G20 Summit in April 2009. It was a time of great uncertainty that required a spirit of close cooperation. G20 leaders pledged to do whatever was necessary to halt the crisis, including committing \$5 trillion in new fiscal stimulus and bolstering resources for the IMF and other multilateral institutions.

Coordinated action made a difference. Five months later, in September 2009, President Obama hosted the next meeting of the G20 in Pittsburgh where, in two simple words, leaders assessed the forceful response to the crisis by declaring, and I quote, "It worked." But they also recognized that much more remained to be done. In Pittsburgh, G20 leaders committed to a comprehensive work program aimed at boosting the recovery, strengthening the financial system, and building an architecture to prevent future crises.

Since 2009, we've used the G20 to deliver on that commitment. We addressed the problem of too big to fail by strengthening the global financial regulatory framework and putting in place structures to prevent a repeat of the crisis, including higher capital standards, improved monitoring and regulation of derivatives, and greater transparency and resolution plans. We built a critical consensus on exchange rate policies to avoid beggar thy neighbor actions that leave us all worse off and on working towards shared global growth by using all available means: monetary policy, fiscal policy, and structural reforms.

We reformed the governance of institutions, like the IMF, to make sure that they're well-resourced and more representative of a diverse global economy, so they continue to be relevant and effective in a changing world. We implemented reforms at the World Bank and regional development banks, to advance efforts to close the development gap and fight poverty.

We reaffirmed our resolve to fight terrorism in all of its forms, strengthening efforts to prevent the financing of terrorism. We worked together to strengthen global action to fight climate change and to make sure that financial resources stand behind this commitment. And through a shared belief in the importance of financial inclusion, we continue to strengthen efforts to improve access to the world's financial system. The United States is stronger and the American people are more prosperous because of the work that we've done at the G20.

First, the G20 brings policymakers from leading global economies together to exchange views about key global challenges, diagnose common problems, and debate strategies to address them. Sometimes there's a broad agreement on these issues and the G20 serves as a platform to coordinate policy responses and to maximize their effectiveness, as was the case in the immediate aftermath of the global financial crisis.

At other times, there are divergent policy views and the G20 provides a platform to work through the issues with the goal of building a consensus over time. When I became Secretary of the Treasury in 2013, a debate over growth versus austerity dominated these meetings. The United States believed it was misguided to impose immediate fiscal austerity with the global economic recovery still fragile and unemployment still unacceptably high. We thought there was a need for short-term growth and longer-term structural reforms. But not everyone agreed and our differences would not be resolved immediately. It was only over time, through persistent discussion and evaluation in G20 meetings, and as these issues increasingly became topics of domestic political debate in many countries, that a consensus began to form around the U.S. position.

In February of this year, G20 Finance Ministers Meeting in Shanghai

finally committed to use all policy tools -- monetary, fiscal, and structural -- individually and collectively, to support the recovery. Beyond words in a communiqué, this commitment was almost immediately reflected in new policy measures in several major countries, including Canada, China, South Korea, Japan, and parts of Europe, all undertaking additional fiscal spending or delaying tax increases to support their economies.

And today, the G20 is no longer debating growth versus austerity, but rather how to best employ fiscal policy to support our economies and, increasingly, how to make sure the benefits of growth are more widely shared while continuing to focus on sustainable long-term fiscal policies. More needs to be done, but we've made real progress.

Second, G20 meetings provide a mechanism to hold countries accountable to one another for commitments they make, particularly when their policy actions could harm others. Take currency exchange rate policy. The United States has long opposed using exchange rate policy to devalue a currency to gain an unfair trade advantage. We've pressed this bilaterally and multilaterally, and we've worked in the G20 to build a consensus that all major economies should refrain from unfair exchange rate practices.

At a time of slow economic growth, policymakers can be tempted to look at interventions in foreign exchange markets to lower the value of a currency or prevent it from appreciating as a quick and easy fix. But as we know, these policies in the past have led to a vicious cycle of currency wars and protectionist measures that ultimately lead to lower global growth, which hurts everyone over time.

We engage counterparts on this issue at meeting after meeting, and in 2012, President Obama affirmed with other G20 leaders a new shared commitment to

move rapidly toward market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rates misalignments, and refrain from competitive devaluation of currencies. There, for the first time, China committed to allow market forces to play a larger role in determining movements in the renminbi, to continue to reform its exchange rate regime, and to increase the transparency of its exchange rate policy.

We continued to build upon these commitments, including in Shanghai earlier this year, where the G20 agreed for the first time to consult closely on foreign exchange markets to avoid surprising one another with sudden changes in policy that could have a negative impact on other countries. This was no small achievement considering China's objections to such policies not long ago. And we will continue to hold China and others accountable to those commitments.

It's notable that amid the various political and economic surprises that have periodically unsettled financial markets this year, G20 countries have continued to abide by their exchange rate commitments, providing stability at otherwise volatile moments. To what can we attribute this discipline? At one level G20 members know that they each benefit from a collective restraint that is respected. But they also want to avoid being taken to task by their G20 peers should they be the country that appears to violate the commitment.

On top of the important progress achieved at the G20, the United States and 11 nations that are part of the Trans-Pacific Partnership have agreed to high standards designed to address unfair currency practices, including unprecedented transparency and reporting standards, as well as enhanced communication and cooperation on macroeconomic and exchange rate policy issues. And earlier this year, President Obama signed legislation that puts in place important new exchange rate

reporting and monitoring tools of our trading partners and gives the administration the authority to levy meaningful penalties to hold countries accountable for unfair currency practices.

The Trans-Pacific Partnership puts in place historic labor and environmental standards that ensure our trading partners play by our rules and values. We're committed to securing support for TPP and hope that Congress will approve the agreement as soon as possible. It's the right thing to do for our economy and for American leadership in this strategically important Asia-Pacific region.

Finally, G20 meetings provide a platform for deepening relationships and building trust among senior political and economic leaders throughout the world's leading countries. Solid relationships are indispensable to making progress on the work of the G20. Relationships among G20 leaders, finance ministers, and central bank governors, for example, were critical during the extended efforts to secure U.S. congressional passage of IMF reform legislation.

In 2009, we led the world to embrace reforms which give the IMF sufficient resources to be the first responder at times of economic crisis, and also give emerging and underrepresented countries a greater stake while maintaining U.S. influence. But after more than five years, when the United States failed to ratify these reforms, many countries, including our close allies, began to question our commitment to the very international financial architecture that we helped design.

Time and again at these meetings, either the President or I needed to persuade the world that we would keep our commitment, that the world should not try to move on and find other paths forward that would dilute U.S. influence. Personal trust, forged in large part through the G20 process, prevented the United States from being isolated. And even during this difficult period, we were still able to marshal support for

U.S. priorities, like the IMF's Ukraine program and the response to the Ebola crisis.

And with the approval of IMF quota reform legislation by Congress last December, we quickly restored U.S. political capital for future challenges that lie ahead. Close working relationships also allow for rapid and clear communication and action at challenging times, particularly when events or issues can be difficult to understand and predict at moments of turmoil.

This was certainly the case in the wake of the recent U.K. Brexit referendum. Regulatory and policy collaboration by finance ministers and central bank governors in the lead-up to that vote was effective and helped settle nervous global markets. In the days following the referendum, the Treasury team worked closely with our international counterparts, again drawing on strong relationships of mutual trust.

So, when volatile currency movements could have prompted uncoordinated responses, coordination among G20 counterparts helped to calm financial markets. And the benefits of this coordination are not limited to economic and financial shocks. We also see the benefit, for example, in the wake of terrorist attacks when rapid cooperation on areas like tracking and blocking terrorist financing are so critical.

We've come a long way in a short period of time. When I became Treasury Secretary three and a half years ago there was still a lingering bitter view around the world, based on the fact that the U.S. was at the epicenter of the 2008 global financial crisis. But today, there's broad appreciation for the resilience of the U.S. economy and our ability to again drive growth, providing much needed support for the global economy.

As a result, economic policymakers around the world again see the United States as an example to be emulated, which historically has been a very real source of U.S. leadership and strength. But there's more work to do in Hangzhou.

At his final G20, President Obama will press on several issues to help ensure stronger growth, an environmentally sustainable future, and a global economy that truly works for everyone. The President will call on his counterparts to follow through on the G20's commitment to use all policy tools, including fiscal policy, to achieve robust and inclusive growth. And he will underscore the importance of investing in jobs and supporting middle class incomes. Support for the global economy can and should be stronger and we continue to believe that more countries have room to enact pro-growth policies.

We also see the choice of using fiscal or structural tools as a false choice. Some countries have defined structural reforms as a solution in and of themselves, but it's clear that macroeconomic support is essential for many structural reforms to be successful, both to provide important transitional assistance to displaced workers and regions, and to boost an economy during an adjustment period when necessary structural changes can lead to short-term declines in economic activity, such as when excess industrial capacity is retired.

The President will press for action on excess capacity, most notably in the steel industry. Excess capacity distorts markets and the environment. It harms our workers and runs counter to our efforts to achieve strong, sustainable, and balanced growth. He will also press for fiscal measures, both to smooth the transition and increase short-term demand. As we work to achieve strong, sustainable, and balanced growth, the G20 must also remain mindful of the need to redouble our focus on making sure that the benefits of growth are broadly shared by all of our citizens, and that the benefits of global economic integration reach working and middle-class families through better jobs and living standards.

Around the world the message of anxious and angry citizens who feel left

behind underscores the need for global financial discussions to show both an understanding of this concern and a commitment to action. That's why at the G20 Finance Ministers Meeting in Chengdu in July, we pressed the G20 to refocus on the goal of strong, sustainable, balanced, and inclusive growth.

At Hangzhou, President Obama will advocate for greater emphasis on inclusive growth by the G20, including policies to create opportunities for youth and vulnerable populations, and will encourage countries to develop action plans to promote digital financial inclusion so that banking services become more universally available.

President Obama will also reiterate his support for an open, integrated global economy. As the President has said, there are very real concerns about globalization in technology, but the answer cannot be to close ourselves off. The U.S. has a strong interest in increasing access to markets that are becoming a larger share of the global economy. The United States looks forward to discussing ways to ensure the G20 is upholding high standards, protecting workers, ensuring a level playing field, and expanding opportunity.

The President will also continue to emphasize the importance of the G20's work to assure a level playing field for workers and businesses to compete. In recent years the G20 has made significant progress, cracking down on corruption and addressing tax evasion and avoidance. These efforts remain critical to promoting broad-based economic opportunity.

In the wake of the financial crisis, the United States played a leadership role in pressing for and implementing financial reforms. The U.S. financial system is considerably stronger than it was eight years ago and will continue to work with the G20 and the Financial Stability Board it created to strengthen regulation and supervision of the financial system, which in most cases brought standards closer to our own.

President Obama will stress the need for all countries to implement the agreed-upon financial reform agenda on a timely basis. In Hangzhou, we will take the opportunity to reaffirm our commitment to preserving access to the U.S. financial system, while continuing to protect its integrity by enforcing U.S. laws and regulations against money laundering, terrorist financing, and sanctions evasion. To advance these complementary goals we've worked together with federal banking agencies to bring greater clarity to the conversation about corresponding banking, including through a joint fact sheet released yesterday, which outlined supervisory and enforcement processes with respect to anti-money laundering and sanctions.

Access to the formal banking system is not only a key to unlocking economic potential, it's a critical way to avoid illicit activity in an informal cash economy. Climate change remains a serious threat to the global economy and to international security, and no nation is immune. The longer we wait to address this challenge, the more costly it will be both in financial and human terms. The G20 must continue to exercise leadership in meeting this critical challenge.

At the Pittsburgh Summit in 2009, leaders agreed to phase out inefficient fossil fuel subsidies over the medium term. We must renew our efforts to phase out these subsidies, and at Hangzhou, the President will press to move forward with this commitment. The United States and China have recently completed our respective fossil fuel subsidy peer reviews, the first to be undertaken under the auspices of the G20. We congratulate Germany and Mexico for launching their own reviews and encourage other G20 members to do the same.

The G20 is also making important contributions to meeting climate and other environmental challenges through the new Green Finance Study Group, and a final report showing the group's progress this year will be publicly released along with the

communiqué at the Leaders Summit. And we encourage the G20 to continue developing this valuable body of work. And we'll continue to work for ways the G20 can support the implementation of the Paris Agreement.

Finally, President Obama will underscore the continued importance of the G20 going forward. At the Pittsburgh Summit in 2009, we made the decision to elevate the G20 as the premier forum for international economic cooperation. Since then the G20 has made global economic governance more effective and representative, and provided an indispensable setting to facilitate cooperation among the world's leading economies.

And the President believes the G20 will continue to play a central role in preventing a reemergence of the types of imbalances and regulatory gaps that contributed to the global financial crisis in 2008.

I'll close by noting that the G20 has proven to be a flexible forum for global cooperation. As we've seen over the last few years, moments of global crisis like 2008 and 2009 call for one kind of coordinated response, like we saw in Pittsburgh. Periods of lesser stress require something different, a commitment to common principles and individual action that move important issues towards better outcomes while allowing partners to maintain a dialogue to deal with potential or real crises.

A one-size-fits-all approach to coordination will never work, but the interdependence of the global economy demands the frequent communication, and building consensus requires the investment of constant attention to detail and persistent efforts. Thank you very much and I look forward to the discussion with David Wessel and to taking your questions. (Applause)

MR. WESSEL: Thank you very much, Mr. Secretary, for coming. I was trying to think of some topic that you didn't cover in the speech, but other than not

mentioning Donald Trump, I think you've covered absolutely everything I could ask. But one point I want to start with is, you said that the G20 has made significant progress in addressing tax evasion and avoidance. Okay, progress, but there's some tension as well.

As you know, yesterday the European Union said Apple owes Ireland 13 billion euro. Now, I have a couple questions about that, one about the EU and one about Apple. First the EU. Do you think that the European Union is unfairly targeting U.S.-based multinationals in this crusade?

SECRETARY LEW: You know, David, this is an issue that we've engaged on for some time now. We have a shared commitment with our colleagues in the EU to close down pathways to tax evasion and tax avoidance. We made real progress in the G20, more progress in the last 24 months than in the last 24 years, on dealing with base erosion and profit shifting, and dealing with some of the issues like transfer pricing that are at the core of the problem.

Our concern with the European Commission action is that it is using a state aid theory to make tax law. It is doing it in a way that is retroactive and that overrides national tax law authority, in our view. And we think that it undermines the environment in Europe for international business because it creates uncertainty that ultimately will not be good for the European economy.

As the head of the U.S. tax agency, I've been concerned that it reflected an attempt to reach into the U.S. tax base to tax income that ought to be taxed in the United States. And I understand the frustration that tax reform in the United States has been slow to accomplish. We've been working very hard for the last four years to press forward on this, and I actually believe we've made progress and that there's a growing bipartisan consensus on how to deal with tax reform in a way that will enable us to reach

overseas income.

What I don't think is right is for these issues to be addressed in a way that undermines the spirit of economic cooperation and is inconsistent with well-established principles of tax laws. It's not a difference that we want to get at income that has gone without taxation because of loopholes in the tax laws.

MR. WESSEL: But you think that they're targeting only U.S. companies? Is there some other agenda here?

SECRETARY LEW: Look, I have raised the issue that the pattern of the actions certainly appears to be highly focused on U.S. firms. They point to some smaller actions against non-U.S. firms, but the largest actions do appear to be aimed squarely at our tax base.

MR. WESSEL: All right, now let's talk about Apple. So sometimes what's legal is more outrageous than what's not legal. So, from what the European Commission has said, Apple found a way to basically pay almost no taxes -- less than 1 percent -- on this income it was sending to a head office in Ireland that didn't have an office or any people. You're correct that if they ever brought that money home they'd be taxed in the U.S. They show no interest in doing that.

You know, as Carl Levin, the former senator, said yesterday, "Shame on Apple for dodging taxes and shame on the IRS for failing to crack down on them." Is there something to that argument?

SECRETARY LEW: You know, David, I share the view that our tax laws should make it impossible for income to go taxless, and that's one of the reasons why the tax reform proposal that we have put forward would make it impossible to park income overseas to avoid U.S. taxation. We would have a minimum tax rate that applies to all income that's taxable in the United States, wherever it's earned.

Congress has not acted on that. I believe that we have made progress, that there is an increasing bipartisan consensus about an approach, and I'm hopeful that we will see action, probably not in my tenure, but early in the next administration.

I have said to many CEOs, and I won't comment on any specific tax matter for any individual company, but I've said to many CEOs that you need to be more careful when you think about only maximizing tax advantage because there is a real impact on reputation and the environment for business when you have issues like companies that avoid taxation. And I think that there is a need to balance what decisions are made at a firm level. I've been very clear on issues like inversion; that it's legal, but it's wrong.

And a company doesn't have to take an action just because it's permitted. And if it would hurt a company in the long-term in terms of its reputation and its market access and attractiveness, that's something that matters to shareholders, as well as the quarterly impact of a specific tax decision. I think that we have responsibility as policymakers to take action in these areas. It's one of the reasons that I'm so committed to continuing to work through the issues regarding inversions.

The right way to deal with that, as with stateless income, is the process of tax reform. We have tools that we can use administratively, and we're going to use them as best we can, but, ultimately, Congress needs to act. I've been encouraged that in the last 24 hours I've heard more members on both sides of the aisle talk about the need for tax reform than I have in more recent times.

MR. WESSEL: So maybe you can come back after the election and be the next President's tax reform czar. (Laughter)

SECRETARY LEW: You know, we have a pretty good blueprint. I think we've done a service to Congress and all who seek tax reform because we have a

blueprint out there, a whitepaper, that I think is the basis for a bipartisan agreement.

MR. WESSEL: Let me ask you about the G20. You made the case that the G20 helped save us from Great Depression 2.0 during the financial crisis, and you listed a number of instances where you basically said it would have been worse if not for the G20: protectionism, exchange rates, and such and such. But I think outside of the official circles, people say but is it working? The global growth forecasts continue to be revised down. There are new signs of modest protectionism. The growth in global trade flows has plateaued. There's a lot of antipathy towards globalization, towards trade treaties, and so it kind of leads people to say, well, we give you an A for effort at the G20, but when you look at outcomes in terms of growth and incomes of real people, you don't get a very good grade.

SECRETARY LEW: I cannot disagree with the argument that we should be doing better and we could be doing better. But I think what is quite clear is that if you compare where the United States is to eight years ago, it's night and day. It is the difference between an economy that was spiraling with no bottom, out of control, to a pillar of strength in the global economy, notwithstanding the fact that we would like to see even stronger growth.

You look around the world and we certainly are not seeing a global recession like we did in 2008, but I think that the macroeconomic policies have failed to take advantage of the opportunity to have a more robust period of growth. The United States is actually facing headwinds from a slower growing global economy.

MR. WESSEL: Right.

SECRETARY LEW: It's probably cost us a half a percent of GDP in each of the last couple of years. We can't make policies in other countries, but what we can do is influence the way they think about their policies. And I think that if you look

around the world today, there are more countries that are using macroeconomic tools -- fiscal policy tools, in particular -- than a year ago or two years ago. In part because we have had sustained commitment to that.

MR. WESSEL: But what will you say to your German counterparts? You've been having this argument with them for as long as I can remember. You say you should use fiscal, and they say we're worried about debt or inflation.

SECRETARY LEW: Look, I've always said that we all have to keep our eye on both short-term growth and long-term fiscal balance. You know, as the only person who can say I was the director of OMB for three surplus years, I understand that in --

MR. WESSEL: You should have retired while you were ahead.

(Laughter)

SECRETARY LEW: In good times you need to strive towards balance or a surplus. What we haven't seen in the last eight years is the kind of environment that is the right environment for those kinds of -- that emphasis on surplus. It doesn't mean you can be out of control forever.

So what I would say is if you compare where things are today versus where they were four years ago in Europe, the conversation on using fiscal policy is different than it was. The United Kingdom had a policy that was strict austerity. They're now talking about using the fiscal tools to help navigate the space that is going to be bumpy after the Brexit referendum.

You've seen the European Union, which reflects Germany's cooperation, soften some of the fiscal targets, particularly in countries that are dealing with the refugee crisis.

MR. WESSEL: Right.

SECRETARY LEW: You've even seen Germany deal with the spending required to deal with refugees on top of, not within, prior targets.

So I'm not saying that we're going to see every country in the world jump on the bandwagon and declare that they're using their fiscal tools, but if you look at the facts, more fiscal tools are being used. That is not inconsistent with your basic premise, which is we need to be doing better.

MR. WESSEL: Right.

SECRETARY LEW: I mean, I profoundly agree that we could be doing better and need to be doing better. And I think this issue of inclusive growth has a salience around the world that is important not just for the moment, but it will remain important because I know in the United States there is a benefit to international trade, international economic cooperation because we have the best workers and the best products in the world. We need access to global markets. It won't improve the quality of life in the United States or around the world if countries start to cut themselves off.

MR. WESSEL: Why do you think so many Americans doubt that, doubt that globalization has really produced anything good for them and their families?

SECRETARY LEW: Look, I think that at one level all of us who believe that these are important principles have to be more clear in how we communicate the policies, the purposes of the policies, and, ultimately, the benefits. I mean, I do believe that companies have to share the benefits of global trade in their policies in terms of wages and other things that reach their working people. As governments we need to focus on giving people the tools that they need -- the training, the research and development, the infrastructure -- so that they can see a pathway towards a future that's stronger, not weaker.

I think one of the problems we've had over the last 25 years is we tend to

talk about these issues at the moments when we want to pass trade agreements and people get skeptical because they say what are you doing in between? Now, some of us talk about it in between, but there's not a lot of listening to the conversation in between.

MR. WESSEL: Right.

SECRETARY LEW: I think we need to make it clear not just on the eve of a vote in Congress, but all the months in between that these are shared bipartisan priorities. And I think the reality is we have a challenge to maintain that dialogue. It's something that I believe we need to do better at as policymakers.

MR. WESSEL: When you go to Asia, I'm sure you will be asked about the Trans-Pacific Partnership. You can say that the Obama administration is for it, but your counterparts will say but what are your odds of getting it through Congress this year? And Donald Trump and Hillary Clinton have both expressed opposition. What will you say to them about the TPP?

SECRETARY LEW: Well, I will tell them what I have told them before, which is the President remains committed to getting it done and will use every ounce of energy he and those of us in the administration have to push it forward. We continue to have leaders in Congress, you know, Speaker of the House, the Majority Leader of the Senate, who are committed to getting the agreement approved.

I personally believe that for members of Congress who voted for trade promotion authority, TPP is an easier vote. TPP has in it demonstrable provisions that improve labor standards, that improve environmental standards, that show how the business environment will become a level playing field.

You can see around the world in countries from Mexico to Vietnam that actions are being taken already to improve things like labor standards. So I actually think the case on the merits for TPP are very strong. The access to markets that will come for

the United States is a plus for American workers.

Clearly, the political environment is a complicated one. I don't need to --

MR. WESSEL: That's one word for it, yeah.

SECRETARY LEW: I don't need to tell anyone that; they know that. But they also know that it's always hard and what it requires is a commitment of a President to push forward the cooperation of leaders, and we'll continue doing it.

MR. WESSEL: But will you tell them that they should expect a vote this year or not?

SECRETARY LEW: I will tell them we are going to continue to press forward and that we think it will be done this year and we're going to do whatever we can to make that happen. Obviously, I can't take away the concern that people have when they look at the difficult political environment, but I think they do understand that the effort will be the one that's needed to get it done.

MR. WESSEL: Let me ask you one more question and then I'll, in a few minutes, get questions from the audience. You mentioned in your speech specifically overcapacity in steel, and that's obviously a big issue in China, where you're going. What kind of reaction do you get to the Chinese when you give them this advice that maybe producing more steel than the world could use for the next 20 years is not a great strategy?

SECRETARY LEW: You know, I'll tell you, David, the Chinese have acknowledged for themselves that they have a problem with excess capacity. If you look at the measures that they brought to their National People's Congress a few months ago, it has in it language and policies to deal with excess capacity as part of their structural reforms. So I think we actually don't have to convince them in theory.

What they need to do is tackle the very real challenge of pressing these

changes down into the provinces, where, you know, steel capacity is owned by state-owned enterprises and other powerful interests where they're employing a lot of people and it's not just the local economy, but very much the political and social system, as well. So this is not easy, but I think they understand that if they don't address it, it's corrosive to China's economy and the long-term future for China's economy is much dimmer.

Now, that doesn't mean that I have 100 percent confidence. We are pressing very hard on this. We're urging them to take clear measures, both domestically and in the international arena, to make clear that this is something that they are determined to follow through on. And we will continue for the duration of our tenure to seek real tangible progress. And I think we've seen important reflections in policy, but, you know, the proof of the pudding is in the eating. They have to press that policy to the provinces.

MR. WESSEL: So you haven't yet seen any tangible --

SECRETARY LEW: Well, you know, I wouldn't say we haven't seen any. We haven't seen --

MR. WESSEL: Enough.

SECRETARY LEW: -- the full implementation of the policies and we recognize as we engage with them how hard it is. You know, we went through a restructuring of our steel industry and we have a more efficient, more competitive steel industry because of it. It's just not acceptable for the countries that have gone through an adjustment and have efficient industries to be uncompetitive because of excess capacity that can be addressed through policy.

And I just would add, as I mentioned in my remarks, for China to meet its environment objectives, closing down some of these old and dirty steel plants is critical. And what they can't do is replace it with an equal amount of new capacity.

MR. WESSEL: Okay. We have time for a few questions. I'm going to take three questions and then we'll take it -- three in a row. So, Roberto, do you want to start?

Because we're pressed for time, really tell us who you are and a very short question, not a speech.

SPEAKER: Yes, Roberto (inaudible). Mr. Secretary, so you mentioned earlier that China's made progress, right, in allowing market forces to determine the value of the currency. So I'm wondering if in the context of a slowing Chinese economy you would expect further devaluation of the currency, driven in part by market forces, going forward?

MR. WESSEL: Okay, thank you. The woman on the aisle there.

MS. CHEN: Thank you very much. I'm Jennifer Chen, reporter with Shenzhen Media Group, China. I would like to know as far as I know, there is a U.S. delegation that's talking about the negotiation about the BIT talks right now in Beijing. I would like to know can we expect any announcement regarding the BIT and the TPP following the G20 Summit? Thanks.

MR. WESSEL: Thank you. And over here.

MR. BHATTACHARYA: Mr. Secretary --

MR. WESSEL: Could you tell us who you are?

MR. BHATTACHARYA: I'm Amar Bhattacharya from Brookings. So one area which there has been a sea change is climate change, and U.S. leadership has been pivotal in that. So the question I have is on fossil fuels, the subsidies, the G7 has made a time-bound commitment. Is it possible to have that commitment in the G20?

And second, an aspect of work that Brookings has highlighted very much is the importance of carbon pricing. Now, there are differences across jurisdictions on

carbon pricing, but what is the scope for leadership by the G20 on the issue of carbon pricing?

MR. WESSEL: Okay, three good questions. Let's start with the first one. Do you think that the Chinese will let the RMB fall with market forces to get their economy moving?

SECRETARY LEW: I think that if you look at China's economy today, there has been downward pressure on the RMB. It's very different when market forces are driving an exchange rate and not political decisions to drive an exchange rate.

I've said on many occasions that the real test for China is when market forces are pressing appreciation of the RMB. Will they tolerate the appreciation? And I have tried to be quite objective in the public comments I've made because I think that if we want them to move in an orderly way towards a more market-determined exchange rate, we have to accept that it's going to go up and down with market forces.

I think that what we've heard from them is unequivocal that they are prepared to do that. What we need to see is how they behave in the real world when the market forces are driving the RMB up.

MR. WESSEL: Okay. Bilateral investment treaty with China, can you get that done before you leave?

SECRETARY LEW: Yes, we've made a lot of progress on the bilateral investment treaty. It is a big piece of work. You know, it took us years to do the Information Technology Agreement, which was much narrower in scope. I have had a number of conversations with my counterparts in China, where I think we have a shared view that it is important to make progress this year. Our negotiators just spent a week meeting on this. It will be the continued focus of work.

It's going to require, just because of the time that remains, picking up the

pace to get through the amount of work there is. It's possible and we have urged the teams to press forward, to continue to make as much progress as they can, and hopefully reach an agreement.

MR. WESSEL: And then there was a question that you mentioned about the campaign to reduce fossil fuel subsidies. That is now a G20 --

SECRETARY LEW: Yes. I was going to say, it is a G20 commitment and, you know, the fact that two countries -- the United States and China -- have gone through, two more countries are going through, that reflects a commitment, I think, at the G20 level to do a fossil fuel subsidy review. The challenge after the review is enacting the policies to take away the subsidies. And, you know, I think we've seen around the world, particularly at a time of low oil prices, countries moving in a direction of trying to address these very important structural issues.

It's always hard because you've got consumers, both retail and industrial, who have built the subsidies into their expense models, into their family and business budgets. Because of low energy prices, this is an ideal time for countries to make the adjust.

What we know is that fossil fuel subsidies lead to distorted patterns of use, which is bad for the environment and, ultimately, it's bad business practice. So I hope it's an area we can continue to make progress.

MR. WESSEL: What do the Saudis and other oil exporters say when you bring up this conversation?

SECRETARY LEW: I mean, you know, the Saudis have been taking some steps to review their own fossil fuel subsidies. It is -- I think everyone at some level understands that it's a bad thing. I haven't ever heard anyone advocate for the fossil fuel subsidies that are in place. The challenge is --

MR. WESSEL: I'd probably find a few people in town who could pick --

SECRETARY LEW: There are particular interests.

MR. WESSEL: Right.

SECRETARY LEW: I was talking about policymakers.

MR. WESSEL: And finally, the question about carbon pricing, whether a tax on carbon or something, is that part of the conversation or is that over the horizon?

SECRETARY LEW: No, the IMF has repeatedly pointed to this as an issue that the global community should focus on. We have encouraged attention to this. It's obviously a very challenging issue. You know, having lived through the 1990s and an attempt to put a form of carbon in place, I remember firsthand how difficult it is.

MR. WESSEL: That was something like 3 cents or something, right?

SECRETARY LEW: It was small and it became a metaphor for things that were difficult to do. It doesn't mean the conversation should end. It's an idea that needs to be continually pursued.

MR. WESSEL: Okay. Do we have time for another question or two? All right, the gentleman right here on the aisle.

MR. FARMER: Thank you. Nick Farmer. Can you speak at all to issues at the G20 on cybercrime?

MR. WESSEL: Cybercrime. And there's a woman over here, please.

MS. REISER: Thank you. Mindy Reiser. There's some concern in some quarters that are not very happy about the TPP about the provisions for tribunals for investors who feel that their profits have been harmed by various legislation. I wonder if you'd comment about that because that's a position certainly folks in the union movements have been taking.

SECRETARY LEW: Look, on cyber, the issue of cybercrime and cyber

exposure is sometime that is on the radar of every leader, whether it's in government or business, around the world. I just met yesterday with a group of senior financial industry executives. You couldn't have assembled a group like that 10 years ago to have an intelligent discussion on the issue. We're all seized of the risk and the exposure and the need to be more effective.

The President has taken action administratively. He's worked with Congress to enact legislation. We're working aggressively to stay ahead of what is a constantly evolving and kind of morphing risk.

I don't think it's a problem that will go away quickly because every time we succeed in shutting down one avenue, there are other new attacks that require the kind of coordinated effort that is what it takes to be effective. Domestically, we need to have the kind of flow of information between government and industry that's seamless because you need to be able to see the patterns of what the attacks are in order to get behind them and stop them.

Internationally, we increasingly need to be also in a position to do that kind of sharing. It's hard to share information that you don't yet have fidelity of kind of confidence in, and it's evolving. So we've had conversations at the G7 about how to increase the sharing of resources.

What I can say is that it is -- a day doesn't go by when we are not attentive to what can we do to do better, to be effective at stopping the attacks we see and preventing attacks in the future? And I think that the stigma that comes with being attacked has to go away because one of the risks of having a stigma attached that you did something if you were attacked is it makes you less reluctant to be public and to share --

MR. WESSEL: More reluctant.

SECRETARY LEW: More reluctant, I'm sorry, to share and that means that others are going to be more exposed to a similar attack. So, you know, I think as these attacks happen, we have to just roll up our sleeves, go to work, get behind them, and remain vigilant to do better.

MR. WESSEL: And finally, the question of the tribunals, which are how corporations may settle disputes with governments.

SECRETARY LEW: So on the question of the investor-state dispute resolution process, we have seen this as a way to make sure that other countries can't do things that are unfair and confiscatory in the way that they deal with trying to address competition. We have never lost a case. It's something that we have a very strong record because our processes are very strong and can withstand scrutiny.

We're sensitive to the concern that's been raised and do not see it as a way for companies to go behind legitimate policies and undermine legitimate governmental interests, whether it be about prudential regulatory matters or health and safety. We've continue to work through the process of negotiating to try and clarify that. And frankly, I think it's an area we need to remain very attuned to where there are nuanced changes that can both protect against unfair practices, but not provide a means for doing what it was not intended to be.

I think in the debate over TPP, there have been some inaccuracies in terms of how the mechanism has been described, in terms of both what it is and how it's been used and what the intentions are. And I think that we will continue to work to try and create greater comfort with where we are and where we need to be.

MR. WESSEL: Thank you very much, Mr. Secretary, and thank all of you. If I can ask you just to stay in your seats so the Secretary can get out because he has another appointment. And my colleagues here at Brookings would appreciate it if

there's a coffee cup or a piece of paper at your feet, take it and put it in the garbage can.

And please join me in thanking the Secretary for his time and candor.

(Applause)

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