

U.S. DEPARTMENT OF THE TREASURY

Transcript of Press Conference By Secretary Of The Treasury Janet L. Yellen Following The Close Of The G20 Finance Ministers and Central Bank Governors Meetings

July 11, 2021

Thank you all for joining us. I'd like to start by thanking the Italian government, especially Minister Franco and Governor Visco. They've been wonderful hosts.

At the end of our G7 meetings last month, I said that I believed we were seeing a revival of multilateralism. Then, ten days ago, we got word that the overwhelming majority of the world's nations – now 132 countries representing more than 90 percent of global GDP – agreed to the outlines of a global tax deal.

Which brings us to today. We've just completed a long weekend of very productive meetings, and we continue to see consensus around – and enthusiasm for – a global corporate minimum tax rate of at least 15 percent, as well as a partial reallocation of taxing rights to reflect the realities of the modern business world. This agreement will also put an end to a chaotic array of unilateral digital tax measures and provide increased tax certainty to our businesses.

This deal will end the race to the bottom. Instead of asking the question: "Who can offer the lowest tax rate?," it will allow all of our countries to compete on the basis of economic fundamentals – on the skill of our workforces, our capacity to innovate, and the strength of our legal and economic institutions. And this deal will give our nations the ability to raise the necessary funding for important public goods like infrastructure, R&D, and education.

The international tax deal protects the free, open economic order that is crucial for investment and growth. And at the same time it is welcome news for middle and working class people around the world – and, I think, especially for the American people.

President Biden has spoken about bringing America back onto the world stage, and now you're seeing why. Being back makes America better. We can cooperate in ways that make us more competitive in the global economy. We can solve problems

together that we can't solve alone.

And not just on tax. This weekend, we discussed how our countries can work together to address a range of global challenges.

RECOVERING FROM THE PANDEMIC

First is putting an end to the pandemic. Right now, the best way to fight this pandemic is more equitable vaccine distribution worldwide and more fiscal policy support where feasible.

The United States, like other major economies, has made significant progress rolling out COVID vaccines. But we know that the pandemic is far from under control in many parts of the world, especially in many low-income nations. And as long as the virus continues to spread, we're all still at risk. To that end, the United States has pledged to share 580 million vaccine doses, and I've strongly urged my G20 counterparts to step up their support.

In addition to finance, the international community must do more to fill near-term gaps in planning, coordination, and logistics. This includes accelerating the equitable delivery and distribution of vaccines, as well as diagnostics and therapeutics, and helping low- and middle-income nations fight new flare-ups of the virus quickly. I pressed for G20 finance and health ministers to address these potential gaps in the leadup to our joint meeting in October.

Looking forward, we know this won't be the last global health crisis, and I want to thank Italy for its leadership to enhance pandemic preparedness. The G20 should aim to reach consensus on actionable financing and health governance plans to prevent, detect, and respond to future pandemics by our October meeting.

We also spoke about the pandemic's adjacent economic crisis, and its impact on low-income countries. By some measures, the slowdown of the global economy will erase decades of progress in the fight against extreme poverty in these places. This weekend, the G20 stressed that we will provide support.

For example, a new \$650 billion allocation of IMF Special Drawing Rights, or SDRs, will boost global reserves and provide much-needed liquidity. To amplify the impact of the SDR allocation, the United States is working with our G20 partners to identify how major economies can on-lend a portion of their SDRs to further support vulnerable countries. By our next meeting in October,

we hope the G20 can set an ambitious target of \$100 billion in SDR channeling, and agree to establish a new trust fund at the IMF that complements the Fund's programs and supports green recoveries. The Biden Administration is working with Congress to secure a U.S. contribution to the IMF, and we are encouraging our partner countries to contribute as well.

Some countries struggling with the economic impacts of the pandemic also now face difficulties meeting their debt obligations. Moving forward, the Common Framework for Debt Treatments will be the primary tool for low-income countries to seek debt treatment. We are committed to continuing to strengthen the Common Framework process, and we encourage low-income countries needing debt relief to come forward to the G20's Common Framework process.

CLIMATE

We also spoke about climate change. The G20 includes some of the world's largest emitters, and being across the water from Piazza San Marco and all the rest of Venice's beauty, we had a clear view of what was at stake if we do not act decisively.

This weekend, we spent time discussing how we must better understand and monitor the financial risks of climate change, as well as the role that multilateral development banks will play in the push towards net-zero emissions. That will include the banks setting ambitious timelines to align with the goals of the Paris Agreement, and undertaking further efforts to enable more private climate investment. In fact, I will be convening the heads of the multilateral development banks to encourage them to increase their climate ambition, both to support the most vulnerable and to incentivize private investment. To support these international efforts, I am proud that the United States is co-chairing a G20 working group to coordinate a broad range of efforts on sustainable finance.

And with that, I am happy to take your questions.

Q: I wanted to ask you a bit about the SDR allocation. What are the impediments here to getting this on-lending mechanism put in place? The G20 didn't exactly endorse the \$100 billion target this time around. What do you need to do to get that in place for a broader array of countries? How do you get around the reserve asset issue? And were you able to bring the Chinese officials on board with this plan? Thank you.

SECRETARY YELLEN: So, we have had some discussion of SDR channeling at this meeting. There is no formal proposal yet that countries have been asked to endorse, but we have heard general support around the table for the idea of SDR channeling. I expect more to occur in October, but the IMF has developed a proposal for a trust fund that could serve, along with the Poverty Reduction and Growth Trust that already exists, as two vehicles that would serve to support SDR channeling for a variety of purposes. You mentioned reserve assets. It is true that a number of countries can really only lend their SDRs back to the IMF, if they will continue to count as reserve assets. We've been discussing with the IMF, and others have, ways of structuring a new trust so that countries that need their SDRs to count as reserve assets would be assured that they would be accorded that treatment. So it might require that there be a certain level of outright donations to the fund to observe, to work as a kind of equity base for the fund, so that there could be tranches, with different levels of exposure. But how to design the fund so that countries can have their lending continue to count as reserve assets, that's something we're very focused on. And I believe that's a soluble problem.

Q: Does China support this plan, at this time?

SECRETARY YELLEN: I haven't had specific discussions with China about this. I'm hopeful that they will be supportive.

Q: I have a question about your upcoming trip to Brussels. You'll be meeting again with a wider group of your counterparts in Brussels this week. And I'm wondering about a separate from the existing digital service taxes that the U.S. is clearly, hoping to be eliminated by the new deal. The commission is also on the verge of proposing a new, something like an online sales, tax that many countries do not believe falls into the bucket of a digital services tax. Can you state more clearly, does the U.S. believe that this plan must be abandoned for the current agreement that the G20 endorsed this weekend to go forward? Would it be enough for that to be delayed for that process to continue to go forward?

SECRETARY YELLEN: So, the agreement that we've reached in the OECD framework discussion calls on countries to agree to dismantle existing digital taxes that the United States has regarded as discriminatory and to refrain from erecting similar measures in the future. So, it's really up to the European Commission and the members of the European Union to decide how to proceed, but those countries have agreed to avoid putting in place in the future and to dismantle taxes that are discriminatory against U.S. firms.

Q: I wanted to ask, do you think that the Delta variant and low vaccination rates around the world pose a threat to the global economy recovery and the U.S. recovery? And do you think that nations are declaring victory against the pandemic too early?

SECRETARY YELLEN: We are very concerned about the Delta variant and other variants that could emerge and threaten recovery. We are a connected global economy. What happens in any part of the world affects all other countries. We, therefore, recognize the importance of working together to speed the process of vaccination and have the goal of wanting to vaccinate 70 percent of the world's population next year. We recognize that while a lot has been done to finance the purchase of vaccines that, with respect to logistics both for vaccine distribution, sending vaccines to areas where there is increasing infection to so called hotspots around the world, therapeutics, PPE and other things, that we need to do something more and to be more effective. And so, much of our time this weekend was spent discussing what we can do in the near-term while we're focused on the medium- and longer-term. We had a very important report about preparing for future pandemics; we certainly realized we also need to do more in the near-term. The WTO, the IMF, the World Bank, the WHO have formed a task force to work on this, and we've asked that we have regular, monthly reports on how that work is going and that we address this issue more fully in October, but certainly variants represent a threat to the entire globe.

Q: Tomorrow you're going to be in Brussels, you will participate to the Eurogroup. You know there are three European countries, two that are part of the Eurozone, that are not signing for this global minimum tax. So, what are you going to say tomorrow to them, especially Ireland and Estonia? And then, if I may, Secretary Yellen, you know very well our Prime Minister Mario Draghi. I would like to ask you what do you appreciate about him, and what role do you think he can play in European leadership in the future?

SECRETARY YELLEN: So, with respect to my meeting with the Eurogroup tomorrow, I'm looking forward to meeting with all of the finance ministers, and I have a number of bilateral discussions as well. We see the tax agreement as being strongly in the interest of all members of the European Union and the world more generally. I will use the opportunity to try to explain why we think that the few remaining European Union countries that have not endorsed the inclusive framework, why we think it's in the world's interest and their interests to be part of the agreement. So, in some cases there are very specific technical issues that it may indeed be possible to address, and, where that's possible, I know all of us will be working in the coming months to do that

and to bring those countries on board. I've known Mario Draghi – you asked about [Prime Minister] Draghi – for many years and am a great admirer of his work and leadership.

Q: At the G7 in the UK where the tax agreement was also backed, Prime Minister Boris Johnson talked about learning from the mistakes of 2008 and repairing the scars of inequality. How does the tax deal address those issues?

SECRETARY YELLEN: Address the issues of 2008?

Q: Yeah, the scars of inequality and the impacts from 2008?

SECRETARY YELLEN: The 2008 financial crisis was a huge blow to almost all parts of the global economy, and it created high unemployment and imposed extreme burdens on the most vulnerable members of our populations. Frankly, the pandemic has done exactly the same thing. It has been concentrated in its effects on those who are already lowest income and most vulnerable, and in a broad way, all of the members, participants in the G20, recognize that we absolutely need to relieve the burdens that these developments have placed on the most vulnerable people, especially in the context of longer-term trends that have worked really against the interests of these vulnerable groups.

So, in every way, our focus has been having those countries that have fiscal space use it aggressively, not only in the United States. We want to recover as rapidly as we can to avoid scarring, particularly the most vulnerable, but we recognize, too, that many countries don't have the fiscal space that we and other developed countries have. We want to do what we can to help those countries that we see our own stimulus efforts as having generally positive spillovers to the rest of the world. And as I mentioned, we're very focused on providing additional help – debt service relief and SDR allocation, lending facilities, vaccines – to make sure that the recent trend we'd seen toward reducing poverty and greater equality around the world isn't completely reversed.

You asked about the international tax agreement as well. In a broad sense, I see that as also fitting into a broad mandate, desire to have a global economy that works well for everyone, not only for those who are rich and very well-educated, but for workers and those who are low- or middle-income. Part of the economy working well is making sure that those who are doing well, including very successful corporations, pay their fair share, that they contribute to the revenues that all of us need to be able to provide public goods, education, healthcare, a social safety net – investments that will work to the benefit of all people. Our

mission with respect to international tax, one of the most important parts of that mission is trying to design a global system that will arrest the race to the bottom in corporate taxation, will put tax shelters out of business, and enable all of us to fairly tax these corporations so that we get the revenues that are needed for everyone, including the corporations themselves, to benefit from being in an environment that's well equipped with modern infrastructure and supports.

Q: I'd like to ask if Pillar One will require two-thirds ratification in the Senate, and how would you get that two-thirds?

SECRETARY YELLEN: So, the details of Pillar One remain to be negotiated. I would say that Pillar Two is further along than Pillar One. Pillar Two, we're hoping to have incorporated in the coming budget resolution and reconciliation bill the changes that are necessary to put it into effect, but Pillar One will be on a slightly slower track. We will work with Congress. Maybe it will be ready in the Spring of 2022 and we will try to determine at that point what's necessary for implementation.

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