United States Senate
Committee on Finance
"Hearing to Consider the Nominations of Jay Curtis Shambaugh, of Maryland, to be an Under Secretary of the Treasury and Rebecca Lee Haffajee, of Massachusetts, to be an Assistant Secretary of Health and Human Services"

July 12, 2022

Responses from Dr. Jay Shambaugh

Senator Chuck Grassley (R-IA)

1. One of the main things I hear from Iowans is their concerns about inflation. This time last year, you repeatedly argued that inflation worries may be overstated. However, as I'm sure you know, the United States is now seeing the highest rate in decades. How much do you believe government spending has contributed to the inflation we see today?

    - **Answer: A year ago I wrote about the technical issue of the danger of looking at 12-month changes in prices as opposed to monthly changes as it could be misleading given the unusual "base effects" stemming from the spring of 2020 disruptions in the economy.**

      Inflation remains unacceptably high, and I understand that the Federal Reserve is taking actions to tackle inflation. I agree with the President that inflation should be the Administration's top economic priority. In the near-term, inflation is likely to remain quite high in the United States and most advanced economies due to supply chain challenges and the impacts of Russia's war against Ukraine, which has roiled global oil markets and pushed gasoline prices higher. Food and other non-energy commodities are also being impacted and leading to higher prices for consumers in the United States and around the world.

2. I am very concerned about Putin's ongoing war against Ukraine. We must ensure that Ukraine has the aid it needs and that sanctions on Russia have a meaningful impact. That is why I introduced a bill earlier this year expanding the anti-money laundering whistleblower program to ensure that Russia is not able to evade sanctions and that whistleblowers are able to speak out against violations. If you are confirmed, what would you do to ensure that our sanctions on Russia have real bite?

    - **Answer: I condemn in the harshest terms Russia's brutal, unprovoked invasion of Ukraine. The United States stands with the Ukrainian government and the Ukrainian people. Putin's war is an attack on the sovereignty of a democratic state, has unleashed unrelenting violence and war crimes committed by Russia, has created one of the largest humanitarian crises, and has fundamentally disrupted the economy in Ukraine and in countries around the world. Russia's invasion also represents an assault on fundamental international rules and norms, threatening the underpinnings of the international economic order.**

President Biden has rallied allies and partners to impose swift and severe consequences for Russia's premeditated and unprovoked attack on Ukraine. The United States and more than 30 countries representing well over half the world's economy have implemented substantial sanctions and export controls on Russia. If confirmed, I will work with my colleagues in the Office of Terrorism & Financial Intelligence and with Congress to deprive President Putin of the economic resources he uses to pursue his needless war of choice.

I look forward to learning more about your legislation to expand the anti-money laundering whistleblower program, if confirmed.

3. A paper published by the Regenerative Crisis Responsibility Committee (RCRM), of which you are a member, titled "The Myth of Carbon Offsets," states "In the two years since the start of the COVID-19 pandemic, stimulus and relief spending worth trillions was unleashed by governments around the world. From the sheer size of the disruption and its worldwide reach, this crisis represented a unique opportunity for massive global investment towards the transformation to a clean economy, affording the chance to potentially alter the trajectory of planetary warming. In reality, much of the stimulus spending was directed toward a recovery that pumped money into polluting industries and energy sources like coal, oil and natural gas."

   When the Covid-19 pandemic led to the shutdown of large sections of the economy beginning in 2020, packages such as the CARES Act and other legislation were intended to keep businesses and the economy in general afloat through the crisis. The passage I've quoted from the RCRC paper seems to suggest that Congress should have picked winners and losers in the CARES Act and in other legislation based on policy preferences from a specific partisan interest group. In an editorial for The Washington Post in 2020, Rahm Emanuel takes credit for saying "Never allow a good crisis go to waste. It's an opportunity to do the things you once thought were impossible."

   In this case, the RCRC seems to be lamenting that Congress let the Covid-19 crisis go to waste by not exploiting it to force businesses and industries unpopular with a certain political interest group to be forced out of business. Do you agree with this line of reasoning? Do you think Congress should have used the CARES Act and other legislation intended to provide Covid-19 relief to accomplish policy priorities other than keeping the American economy on life-support and preserving businesses and jobs?

   - **Answer: I was not an author of that paper and did not see it before it was published. The top fiscal priorities in the spring of 2020 were stopping the pandemic and preserving the economy.**

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4. You are listed as an author of the Regenerative Crisis Responsibility Committee (RCRC) paper "The Case for Climate Conscious, Low Carbon Federal Procurement." In a section of the paper titled "Amending Contracts Currently Used in the Procurement Process" the following passage appears. "A good sample contract on which the Federal Government may model its revisions was made publicly available by cloud-based soft-ware company Salesforce. In its Sustainability Exhibit, Salesforce obligates the supplier to agree that "the environment is a key stake-holder" in the agreement and that "climate change is the greatest challenge humans have ever faced.""

   a. Do you think any entity involved in the procurement of goods or services to the Federal government should be required to state that climate change is the greatest challenge humans have ever faced? Do you apply this standard to any entity, such as a bank, cable provider, or supermarket you deal with in your personal life?

      - **Answer: I do not think any entity involved in the procurement of goods or services to the Federal government should be required to state that climate change is the greatest challenge humans have ever faced. That said, climate change is an existential threat to not only our environment, but also to the health of Americans and to our economy. A failure to address climate change would carry substantial and growing costs over time.**

        If left unchecked, climate change will have further effects on global macroeconomic and financial stability. Treasury supports the work of international financial institutions (IFIs) on climate change mitigation and adaptation as well as energy security. If confirmed, I would continue Treasury's engagement with the IFIs so that they continue to focus on areas where the changing climate and policies that affect climate have macro-critical and development impacts, in line with IFIs' missions.

   b. Do you believe climate change is the greatest challenge humans have ever faced? If so, please describe as an economist how you compare climate change to other challenges faced in human history, such as cancer and disease pandemics, past outbreaks of world war, and other cataclysms that have occurred throughout history.

      - **Answer: Please see my answer above.**

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Senator Todd Young (R-IN)

1. What is your view on the effectiveness of newly allocated Special Drawing Rights (SDRs) in supporting financial stability and liquidity around the world?

    - **Answer: The 2021 SDR allocation played a critical role in providing needed financial stability and liquidity to the global economy during the COVID-19 pandemic. The 2021 allocation also provided emerging market and developing countries useful buffers as they deal with the spillovers stemming from Russia's unjustified war against Ukraine.**

2. If confirmed, what steps would you take to ensure that SDRs do not provide a lifeline to dictators?

    - **Answer: I agree that SDRs should not be used to benefit bad actors, and I take this concern seriously. I strongly support ongoing U.S. efforts to prevent governments whose policies we oppose, like Iran, Russia, and Belarus, from receiving any benefit from their SDRs. If confirmed, I will continue working with our partners to prevent these bad actors from benefitting from their SDRs, including by limiting their ability to exchange SDRs for hard currency.**

3. If confirmed what would be your approach in conducting oversight into SDR allocations and SDR sales and purchases?

    - **Answer: I understand that as part of the SDR allocation, Treasury successfully pressed IMF staff to enhance the details it reports on members' SDR holdings and transactions, to publish a note on best practices for SDR use, and to publish members' SDR holdings on a monthly and quarterly basis, as well as an annual summary update on SDR transactions. In addition, I understand that the IMF has committed to undertaking an ex-post report on members' use of SDRs, which it will publish two years after the allocation. IMF country teams also regularly report on their members' use of SDRs in their surveillance and during reviews of IMF financing programs. If confirmed, I will strongly support Treasury's efforts to encourage these oversight tools and will look for further opportunities to increase the transparency around SDR use.**

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4. Do you support efforts to redirect or "recycle" SDRs held by the United States and other wealthy countries towards IMF lending programs for poorer countries?

    - **Answer: Some donor countries are lending their SDRs to help enable the IMF's support for low-income and vulnerable countries, including through the Poverty Reduction and Growth Trust and (PRGT) the newly approved Resiliency and Sustainability Trust (RST). Other countries are supporting these facilities by making loans and contributions in freely usable currencies.**

      I support the Administration's request for Congressional authorization to lend to these IMF facilities to allow the United States to support low income and vulnerable countries as they deal with macroeconomic crises and risks from pandemics and climate change. This need is particularly critical now, as many countries deal with spillovers from Russia's war of aggression against Ukraine, particularly through global high energy and food prices.

5. Iran holds almost $7 billion in Special Drawing Rights at the IMF. If we lift sanctions on the Central Bank of Iran, would there be any constraints on Iran using its SDR funds for any purpose, including terrorism?

    - **Answer: Yes. U.S. sanctions on Iran remain in place, and the U.S. would not conduct any SDR transactions with Iran. The designation of the Central Bank of Iran presents one hurdle to the regime's ability to benefit from its SDR holdings but is not the sole hurdle. If confirmed, I would support Treasury's efforts to continue to engage with like-minded countries and employ diplomatic pressure to work to prevent Iran from benefitting from an SDR exchange. The United States is committed to retaining all the necessary tools and authorities to target Iran's support for terrorism, as well as its other malign activities.**

6. What is your assessment of the economic sustainability of the Ukrainian war? How do you view the ability of the Ukrainian government to sustain itself if the fighting persists?

    - **Answer: Russia's war against Ukraine has resulted in the tragic loss of life, including Russian attacks deliberately targeting civilians, and immense destruction of human and physical capital. According to external estimates, economic output in Ukraine will likely decline by as much as 45% this year. The Government of Ukraine also faces budget deficits of approximately $5 billion per month due to decreased revenues and constrained market access.**

      Ukraine has undertaken emergency measures to help continue essential government functions. However, international economic assistance, including

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assistance provided by the United States, remains a critical source of support without which Ukraine would be less able to provide essential services to the people of Ukraine.

7. If confirmed, how would you approach requests for additional economic assistance for the government of Ukraine?

    - **Answer: Ukraine faces considerable economic uncertainty as a result of Putin’s unjustified and unprovoked war. If confirmed, I would seek to work with my Treasury colleagues as well as the U.S. interagency to identify Ukraine’s economic assistance needs as well as measures to safeguard their use. I would also seek to work with our allies and partners to encourage a fair burden sharing in meeting Ukraine’s economic assistance needs.**

8. Do you feel additional fiscal support such as sovereign loan guarantees are warranted for the government of Ukraine?

    - **Answer: Ukraine needs immediate economic assistance, and the United States is leading the way in providing economic support. Given the vast destruction of physical capital, Ukraine will also need considerable investment for its reconstruction. Ukraine benefits most from grants, which also slow the growth of its debt load.**

9. What oversight or conditions are needed to ensure accountability for U.S. fiscal support for the government of Ukraine?

    - **Answer: The United States has led other international donors by providing Ukraine approximately $4 billion in direct economic support since the start of Russia’s war on Ukraine this February. I firmly believe that strong safeguards and transparency are essential elements of U.S. economic support and must be the cornerstone of that support. If confirmed, I will work with Congress and the U.S. interagency to uphold high standards of accountability and transparency on U.S. economic assistance funds.**

10. From your perspective, why is China stalling in its commitments to negotiate in a responsible and multilateral fashion with indebted countries under the Common Framework?

    - **Answer: I cannot speak to China’s motives, but if confirmed I will strongly support Treasury’s ongoing efforts to press China to participate fully and constructively in multilateral debt restructuring processes.**

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11. What are the risks of China squeezing its debtor countries, leaving the United States, MDBs, and other lenders left to bail out countries so they can pay back China?

    - **Answer: China’s policy banks and other state-owned entities have developed unusually aggressive (among bilateral official creditors) legal instruments to guard themselves against credit risks and limit a borrower’s ability to renegotiate or exit existing loans. Key features in Chinese lending contracts include the prevalent use of collateral arrangements, escrow accounts, repayment guarantees, and strong confidentiality clauses. If confirmed, I would support Treasury’s strategy and efforts to limit the risk of China getting repaid at the expense of other creditors. If confirmed, I am also committed to continuing Treasury’s efforts to improve debt transparency through the G7, G20, and the International Financial Institutions.**

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Senator Elizabeth Warren (D-MA)

Question 1

When you appeared before the Committee on July 12, you discussed the Section 301 tariffs on Chinese imports. The U.S. Trade Representative (USTR) imposed these tariffs in 2018 in response to China's unfair and discriminatory economic practices that steal U.S. intellectual property and unfairly rig the trade system against American businesses and workers.

These tariffs continue to be "a significant piece of leverage," according to USTR Katherine Tai,[1] and important protection for U.S. workers and manufacturers that continue unfair competition from China and for consumers suffering from shortages and price increases due to broken, overseas supply chains.

1. *Do you agree that China has not ended the unfair trades practices implicated in USTR's Section 301 investigation, or met all of its obligations under the 2020 U.S.-China Phase One Economic and Trade Agreement, along with failing to meet numerous basic labor and environmental standards?*

    - **Answer: China continues to engage in a range of unfair trade practices, which generate distortions in the U.S. economy and have harmed U.S. firms and workers. If confirmed, I look forward to working closely with USTR on pushing China to end these unfair practices and fulfill its existing trade obligations.**

2. *Do you agree that tariffs are an important trade policy tool, including for protecting American manufacturers and workers from unfair trade practices?*

    - **Answer: Tariffs can be an important trade policy tool. If confirmed, I look forward to working with the interagency to review the tariffs so they can be adjusted in a way that would be more strategic and aligned with our economic priorities.**

Question 2

For too long, trade agreements have put giant corporations over workers and consumers, so it is powerfully important that the Biden Administration follow through on its historic commitment to a trade policy.

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[1] Bloomberg, "US Tariffs on China Give Negotiating Leverage: Trade Chief," Eric Martin, June 22, 2022, https://www.bloomberg.com/news/articles/2022-06-22/us-must-find-new-tools-to-defend-against-china-trade-chief-says.

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The Biden Administration has announced its intent to negotiate new trade deals, including an Indo-Pacific Economic Framework (IPEF) and Americas Partnership for Economic Prosperity (APEP). The content of these potential trade deals remains unclear, but their proposed scope includes issues that would fall within your portfolio as Treasury's chief trade official, if confirmed, including international supply chains, investment, and financing. We need to secure our supply chains, but the best way to do that is to make critical products here in the United States, and any "friendshoring" mechanism must not undermine U.S. manufacturing.

1. *Do you agree that before the U.S. looks to support the movement of critical supply chains into countries like Vietnam and Malaysia, we should first look to invest in U.S. manufacturing?*

    - **Answer: Shocks to the global economy from the pandemic and Russia's war of aggression in Ukraine have refocused global attention on the importance of economic resilience and addressing supply chain vulnerabilities. Making American supply chains more resilient can help resolve the sorts of bottlenecks that are raising prices for American consumers. Investments like those being made with the Bipartisan Infrastructure Law in our ports, airports, highways, waterways, and clean energy infrastructure, as well as those that Congress is currently considering in R&D and commercialization of new technologies, and in making more semiconductors in the United States, will help to promote U.S. manufacturing.**

      I understand that the Biden Administration is also focused on working with allies and partners to secure supplies of critical goods that we do not make in sufficient quantities at home, while ensuring that high standards for labor and environmental practices are upheld. If confirmed, I look forward to working with Congress on these important issues facing our nation.

2. *Do you agree that any international supply chain negotiations that the U.S. engages in should also include mechanisms to ensure they do not undercut current or future U.S. manufacturing? If so, what mechanisms?*

    - **Answer: If confirmed, I look forward to working with Congress and the other agencies in the Administration to make American supply chains more resilient and to make sure that U.S. trade relationships will continue to make our economy more innovative, productive, and resilient, while ensuring that high standards for labor and environmental practices are upheld.**

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Question 3

If confirmed, as the Treasury Under Secretary for International Affairs, you would lead negotiations on trade rules for financial services. Giant financial institutions have had an outsize role in shaping our trade policy. From the agreement on China's accession to the WTO in 2001 to the 2020 U.S.-China agreement, when the U.S. trade negotiators – including from the Treasury Department – have negotiated with China, instead of insisting on strong labor and environmental protections, they worked hard to help Goldman Sachs make larger profits in China.

Worse, banks have tried to write trade rules to tie financial regulators' hands. Under the Trans-Pacific Partnership (TPP), the U.S. could have been required to permit foreign banks to supply new financial services that were not expressly forbidden by existing law, even if regulators wanted time to consider the risks behind a new product. With Investor-State Dispute Settlement (ISDS), a bank could even directly sue the U.S. government for trying to regulate risky new financial products – not in U.S. court, but before a trade arbitration panel skewed towards industry.[2]

We are fortunately not in TPP, but bank lobbyists would like nothing more than for us to rejoin, or sign new, similar trade deals to lock in financial deregulation. And many TPP supporters hope that IPEF will port over TPP approaches, including on digital trade issues that impact not just big technology companies but also big banks that want to monetize consumer data without any regulatory restrictions to protect consumers and workers.

1. *What are your priorities when it comes to trade and investment in financial services?*

    - **Answer: If confirmed, I look forward to supporting Treasury's role in promoting trade and investment in financial services to facilitate greater economic growth, while preserving the regulatory and supervisory interests of U.S. financial regulators. If confirmed, I will work with Congress, relevant stakeholders, and U.S. financial regulators to better understand and advance our priorities in this sector.**

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[2] Letter from U.S. Senators Elizabeth Warren, Edward J. Markey, and Tammy Baldwin to USTR Michael Froman, December 17, 2014, https://www.warren.senate.gov/files/documents/TPP.pdf; Senator Elizabeth Warren, "No Fast Track for Trade Deals that Weaken Dodd-Frank," May 20, 2015, https://www.warren.senate.gov/newsroom/videos/watch/sen-elizabeth-warren-no-fast-track-for-trade-deals-that-weaken-dodd-frank; Public Citizen, "Why Warren is Right and Obama Is Wrong on Fast Track's Threat to Wall Street Reform" May 13, 2015, https://citizen.typepad.com/eyesontrade/2015/05/why-warren-is-right-and-obama-is-wrong-on-fast-tracks-threat-to-wall-street-reform.html.

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2. *If confirmed, how will you ensure that financial services and digital trade rules allow financial regulators to do their job and can protect American consumers and workers, instead of serve the interests of big banks?*

    - **Answer: It is important that financial regulators are not constrained in their ability to do their jobs so that they can protect American consumers and workers. If confirmed, I look forward to working closely with financial regulators on these issues.**

3. *What is your position on TPP's approach to financial services and digital trade rules?*

    - **Answer: I appreciate you raising your concerns about TPP financial services and digital trade rules. If confirmed, I look forward to working with USTR, financial regulators, and other stakeholders on financial services and digital trade issues.**

4. *Do you support the inclusion of ISDS in trade agreements, including its application to financial services trade rules and use by big banks?*

    - **Answer: If confirmed, I look forward to being briefed by Treasury staff on this issue. I will also engage with financial regulators, members of Congress, and other relevant stakeholders on their views.**

Question 4

Russia's ongoing illegal invasion of Ukraine has only worsened the effects of the COVID-19 pandemic, climate disasters, and soaring energy and food prices in the world's poorest countries. Last year, the President Biden and Secretary Yellen supported the issuance of $650 billion in special drawing rights (SDRs) at the International Monetary Fund (IMF) to support developing countries in addressing the compounded effects of these multiple, simultaneous global crises. This issuance was sorely needed and hugely impactful: at least 99 developing countries made use of their SDR allocations in the first six months, and Ukraine has used its entire allocation.

However, these crises show little sign of stopping, and developing countries are increasingly requesting additional SDR infusions to stabilize their currencies, shore up reserves, pay off debts, and finance health care, such as vaccinations, and other urgent needs. The U.S. is in a position to help – and in fact, has an economic incentive to do so: a strong global recovery would increase demand for American exports, creating jobs and bolstering businesses at home.

Since the issuance in August 2021, circumstances for many developing countries have in fact worsened, due in large part to the Russian invasion of Ukraine. In April 2022, Secretary Yellen stressed the need to mobilize capital in support of developing countries but said that "the

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response to date is just not to the scale that's needed. Experts put the funding needs in the trillions, and we've so far been working in billions.[3] Thus, earlier this week I along with 43 other members of Congress wrote to President Biden and Secretary Yellen urging them to support a new issuance of at least $650 billion in SDRs.[4]

The Under Secretary of the Treasury for International Affairs oversees U.S. relations with the IMF, and thus, if confirmed, you would have a key role to play in future decisions on SDRs.

1. *Do you agree—given the success of last year's issuance and the ongoing and intensifying global economic crisis—that the Treasury should be exploring another SDR issuance with urgency?*

    - **Answer: My understanding is that Secretary Yellen does not support a new allocation of SDRs at this time, given current global liquidity and inflation conditions. Under the IMF's Articles of Agreement, new allocations of SDRs should respond to the "long-term global need, as and when it arises, to supplement existing reserve assets in such manner as…will avoid economic stagnation and deflation as well as excess demand and inflation in the world." Treasury has requested Congressional authorization to lend to the IMF for the Poverty Reduction and Growth Trust and the newly approved Resiliency and Sustainability Trust that would provide support for low-income and vulnerable countries. If confirmed, I will continue to closely monitor global conditions and work with Treasury's leadership to identify appropriate policy responses.**

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[3] The Atlantic Council, "Special address by US Treasury Secretary Janet L. Yellen," April 13, 2022, https://www.atlanticcouncil.org/news/transcripts/transcript-us-treasury-secretary-janet-yellen-on-the-next-steps-for-russia-sanctions-and-friend-shoring-supply-chains/.

[4] https://www.warren.senate.gov/newsroom/press-releases/07/13/2022/icymi-warren-and-jayapal-lead-lawmakers-in-calling-for-biden-administration-to-support-cost-free-aid-to-developing-world.

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2. *The UN Global Crisis Response Group on Food, Energy and Finance recently argued that "all available rapid disbursement mechanisms at international finance institutions must be reactivated, and a new emission of Special Drawing Rights must be pursued."*[5] *A report on the last issuance shows that SDRs' impact for developing countries provided more aid than other forms of international aid at the time.*[6] *Do you agree with these experts' assessments?*

    - **Answer: I am committed to using every appropriate tool to address the impact of the current crisis on vulnerable countries. One important way to do so would be to participate in funding the IMF's trust funds, the Resilience and Sustainability Trust and the Poverty Reduction and Growth Trust. These facilities will provide low-cost financial support to hard-hit countries alongside appropriate reforms to reduce their vulnerabilities over the longer-term.**

3. *A new SDR issuance by the IMF would inject $2.7 billion in reserves directly to Ukraine's Central Bank. Given the enormous economic needs of our Ukrainian partners, is there any other mechanism available to the Treasury, absent Congressional authorization, to support Ukraine at this level of size and speed?*

    - **Answer: I am committed to ensuring that the international financial institutions do everything possible to support Ukraine as it contends with the economic fallout of Russia's brutal invasion. The IMF has already provided $1.4 billion in emergency financing to Ukraine, and is also helping to channel donor resources to Ukraine through its administered account. SDR allocations are not a tool designed to support a single country or a group of countries, but are meant to help meet the long-term global need for international reserves under certain global financial conditions.**

      The IMF can support Ukraine and other countries dealing with the negative spillovers from Putin's unprovoked and unjustified war through existing lending facilities, including by providing loans from the IMF's concessional Poverty Reduction and Growth Trust for the poorest countries and the new Resilience and Sustainability Trust, which could provide up to $1.4 billion to Ukraine.

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[5] UN Global Crisis Response Group on Food, Energy and Finance, "Global impact of the war in Ukraine: Billions of people face the greatest cost-of-living crisis in a generation," June 8, 2022, https://news.un.org/pages/wp-content/uploads/2022/06/GCRG_2nd-Brief_Jun8_2022_FINAL.pdf.
[6] Center for Economic and Policy Research, "Special Drawing Rights: The Right Tool to Use to Respond to the Pandemic and Other Challenges," Kevin Cashman, Andrés Arauz, and Lara Merlin, April 20, 2022, https://cepr.net/report/special-drawing-rights-the-right-tool-to-use/.

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Senator Mike Crapo (R-ID), Ranking Member

Question 1: *Inflation*

As Under Secretary for International Affairs, you will advise on international economic issues, including monetary policy. A San Francisco Fed research paper from March 2022 found that core inflation, that is, inflation excluding the effect of volatile food and energy prices, rose faster in the United States than in other OECD countries, starting in 2021. The researchers attributed this to the direct fiscal transfer programs the U.S. implemented in response to the COVID-19 pandemic, which began with the CARES Act, then spiked again with the passage of the partisan ARPA bill. The researchers concluded that inflation in the U.S. may have been 3 percentage points higher relative to in other developed economies.

On a related note, Jason Furman, former Chairman of the Council of Economic Advisers under President Obama, wrote recently in the *Wall Street Journal* that "…underlying, demand-driven inflation is higher in the U.S. [than Europe]…. It would be a mistake for U.S. policy makers to overstate the degree to which inflation is global and neglect addressing the many U.S. specific causes."

And, Federal Reserve Chair Jerome Powell in testimony before the Senate Banking Committee on June 22, in addition to confirming that "inflation was high before, certainly before the war in Ukraine broke out," identified that "If you look at comparable large advanced economies like ours, you'll see inflation rates that are quite similar to ours, in some cases higher, in some cases lower. Ours is more about demand, I would say, and theirs is more about energy prices…"

- How do you reconcile those findings and statements with President Biden's assertion that inflation in the U.S. has been caused by "corporate greed," "Russia," or "the supply chain" and claims that the inflationary demand stimulus from the American Rescue Plan did not fuel inflation?
    - **Answer: The risk we faced early last year was that we would do too little, potentially scarring the economy. The American Rescue Plan is helping families and businesses, and supporting a historic economic recovery. Furthermore, any analyses point to a role for demand in U.S. inflation also leave plenty of room for important roles for supply chains and Russia's invasion of Ukraine.**

      Inflation remains unacceptably high, and I understand that the Federal Reserve is taking actions to tackle inflation. I agree with the President that inflation should be the Administration's top economic priority. In the near-term, inflation is likely to remain quite high in the United States and most advanced economies due to supply chain challenges and

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the impacts of Russia's war against Ukraine, which has roiled global oil markets and pushed gasoline prices higher. Food and other non-energy commodities are also being impacted and leading to higher prices for consumers in the United States and around the world.

Question 2: *Inflation and Economic Management*

On July 13, BLS released the CPI reading for June, reporting 9.1 percent inflation for the 12 months ended June 2022. This reading marked a 1.3 percent increase from May on a seasonally adjusted basis, and well above consensus estimates. The reading marked the largest increase since November 1981, and included the largest 12-month gain in energy prices since April 1980, the largest 12-month increase in food prices since February 1981, and the largest 12-month increase in shelter costs since February 1991.

Last year, the Penn Wharton Business Model estimated that the House version of the "Build Back Better" bill, H.R. 5376, would increase inflation by 0.1 to 0.2 percentage points over the next two years. The Committee for a Responsible Federal Budget cautioned, "[T]here is a risk the modest inflationary effect of Build Back Better would build on existing inflationary pressures, potentially de-anchoring expectations and increasing the economic cost of bringing inflation back under control."

You also said, in the Q&A at your hearing, "…at the margin, more demand is going to lead possibly to more inflation…."

- In the current inflationary environment, with increasing risks of recession, how would increasing taxes and spending by $1 trillion or more provide for reduced inflation in the near-term or reduced recession risks, even if tax hikes of $1 trillion or more, which would reduce economic activity, are coupled with spending, directly or through the tax code, that is less than $1 trillion, with, say, $500 billion promised for deficit reduction and/or redirecting revenue to the Medicare trust fund?
    - **Answer: The Federal Reserve has primary responsibility for price stability, but Congress can take actions that lower price pressures by reducing the deficit and making supply-side investments in affordable housing and clean energy. Raising taxes by closing loopholes, equalizing tax treatment for multinational companies, and improving tax compliance tend not to be inflationary. The models and analysis cited above would suggest that deficit reducing fiscal policy actions (where revenues exceed new spending) would reduce inflation.**

Question 3: *International Taxation*

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The Biden Administration continues to negotiate a sweeping change to the U.S. international taxation system without consulting Congress meaningfully or treating Congress as an equal partner. In perfunctory "briefings" to Congress, the Administration continues to cite analysis of data supporting its negotiating positions which it refuses to share with the Congressional committees of jurisdiction.

- If you are confirmed to the position to which you have been nominated, would you, if asked by Members of Congress, provide any quantitative analysis, including simulations and projections of effects on U.S. business taxes, of the OECD international tax agreement that currently exist in the U.S. Treasury and any such analysis produced subsequent to your confirmation?
    - **Answer: Yes. I understand that details and estimates of Treasury's proposals implementing Pillar Two can be found in the Greenbook.**

      While I would defer to my colleagues in the Office of Tax Policy, I understand that once Treasury has sufficient information regarding the parameters of Pillar One and the Office of Tax Analysis thinks their model can capture the novel questions presented by the parameters, Treasury will be positioned to share such information.

Question 4: *Economic Research*

In an Annual Committee on Government Relations (CGR) of the American Economic Association (AEA) for 2021, regarding "issues," it is written that: "The CGR discussed and is monitoring concern expressed in a letter from Senators Crapo and Grassley to the Senate Finance Committee that proposes a series of actions on IRS protection, including elimination of the Joint Statistical Research Program of the Statistics of Income Division of the IRS. This program, that allows limited access by collaborating economists to IRS tax microdata, has been a boom for economists' research on factors that affect earning power. If this concern blooms into proposed legislation, the CGR stands ready to comment." You were cited as a member of the AEA's CGR.

In a separate AEA CGR document dated October 18, 2021, titled "Information Items for AEA Committee on Government Relations," item number 2 discussed a "Letter from Senators Crapo and Grassley regarding alleged leaks of IRS data." The letter referred to was an October 4, 2021 letter from Senators Crapo and Grassley to the Honorable J. Russell George, the Treasury Inspector General for Tax Administration. The AEA CGR document's item number 2 made a point that "Another worry is that increased concern about the confidentiality of IRS data could dampen or erase progress made this year through the Treasury Department's plan for actions to allow data synchronization."

While the concerns of users of confidential, legally-protected personal tax data housed at the IRS is noted, increased concern about confidentiality of the data is warranted by the left-leaning ProPublica group’s continuous and as yet unchallenged claims to be in possession of a “trove” of “secret” data obtained from IRS files.

- Please identify the letter claimed by the AEA’s CGR, of which you were a member at the time of the claim, “to the Senate Finance Committee” calling for “elimination of the Joint Statistical Research Program of the Statistics of Income Division of the IRS.”
    - **Answer: I believe the letter referenced is the one here, though I did not participate in any discussion of the letter as I had a conflict during the October 2021 meeting.**
- Do you believe that ProPublica’s belief, as stated by ProPublica’s editor-in-chief in an August 6, 2021 ProPublica article, that “the guiding light here ought to be the public interest, The public interest in what’s happening is so powerful and so important that it was necessary to put some human faces on what are otherwise sort of incomprehensible aggregate numbers?”
    - **Answer: An unauthorized disclosure of taxpayer information in violation of the law would be illegal and must be taken very seriously. I am not personally familiar with all of the circumstances here but understand that the matter has been referred to the appropriate authorities.**
- If you are confirmed to the position to which you have been nominated, would you participate in “the Treasury Department’s plan for action to allow for data synchronization?”
    - **Answer: That is a matter for IRS and the Office of Tax Policy.**

Question 5: *Inflation and Currency Stability*

One way to ensure against inflation is to enhance confidence in currencies.

- What will you do to promote stability of the USD and other currencies in international fora such as the G7/20?
    - **Answer: Treasury has worked with our international partners through the G-7, G-20 and the IMF to support market-determined exchange rates in the major economies. If confirmed, I will strive to hold the**

United States' major trading partners accountable to their commitments in these fora and will work to implement the President's promise to oppose any and all attempts by foreign countries to artificially manipulate currency values to gain an unfair advantage in trade.

- Do you see, currently, any need for use of the Exchange Stabilization Fund for foreign exchange interventions?

    - **Answer: As Secretary Yellen said in May, the dollar's rise has been driven by fundamental factors including rising interest rates and "safe haven" inflows arising from recent geopolitical events.**

- When was the last time the U.S. directly intervened in foreign exchange markets using the Exchange Stabilization Fund and generated significant and persistent changes in the foreign-exchange value of the dollar?

    - **Answer: The last time the U.S. directly intervened in foreign exchange markets using the Exchange Stabilization Fund was on March 18, 2011, when it was used to sell half of $1 billion[7] in Japanese yen in coordination with other G-7 central banks in response to the Yen's surge following the Tsunami. In this period, the dollar's trade-weighted exchange value depreciated 3.7 percent as measured by the Federal Reserve Board's major currencies index.**

[7] Historically, U.S. intervention has been jointly financed by both the Exchange Stabilization Fund and the Federal Reserve's System Open Market Account, and the financing has been equally shared between the two accounts.

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<u>Senator Rob Portman (R-OH)</u>

Question 1 - Tropical Forest Conservation Act

Dr. Shambaugh, I appreciate your willingness to serve again, and note that you taught a little bit at my alma mater, Dartmouth. If confirmed, you would be entering this role at a very challenging time during the world's economic recovery. As you know, I believe the multilateral development banks have played a crucial role for economic development. I also believe that these institutions can greatly incent behavior that would allow us to meet environmental and conservation goals through free market operations. When I was a member of the U.S. House of Representatives in the 90's, I created the Tropical Forest Conservation Act, or TFCA, program. This is a debt-for-nature swap program where the U.S. works with eligible countries with tropical forests or coral reefs to relieve certain official debt owed to the U.S., while at the same time, generating funds to support tropical forest conservation activities. This program goes a long way in supporting conservation, but also helps improve the balance sheets of developing countries around the world. In fact, since the TFCA program was created, it has helped protect more than 67 million acres of tropical forests and sequestered more than 56 million metric tons of carbon. Unfortunately, there is limited concessional debt remaining that could be used to finance future agreements.

1. *How can the United States better leverage its positions on the IMF and World Bank, and through the DFC, to generate public-private partnerships to support conservation investments?*

    - **Answer: I understand that Treasury continues to support the Tropic Forest and Coral Reef Conservation Act and is ready to respond to requests from the countries that owe debt to the United States. The international financial institutions can also play a key role in working with governments to implement policies that facilitate private sector investment in areas with important public and environmental benefits, including conservation. I would defer to my DFC colleagues on the specific role the DFC can play in this area.**

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Senator John Barrasso (R-WY)

Question 1
Inflation is currently at a four decade high. Shortly after the passage of the *American Rescue Plan Act* in March 2021, you wrote, "There are reasons to think inflation will rise, most notably recent fiscal and monetary policy stimulus. There are more reasons to think it will not likely get out of control over the next year."

The June 2022 Consumer Price Index (CPI) numbers showed inflation rose 9.1% year-over-year, the highest since 1981.

With the benefit of hindsight, what is your assessment of the inflationary impact of the American Rescue Plan Act?

- **Answer: The risk we faced early last year was that we would do too little, potentially scarring the economy. The American Rescue Plan is helping families and businesses, and supporting a historic economic recovery.**

  Inflation remains unacceptably high, and I understand that the Federal Reserve is taking actions to tackle inflation. I agree with the President that inflation should be the Administration's top economic priority. In the near-term, inflation is likely to remain quite high in the United States and most advanced economies due to supply chain challenges and the impacts of Russia's war against Ukraine, which has roiled global oil markets and pushed gasoline prices higher. Food and other non-energy commodities are also being impacted and leading to higher prices for consumers in the United States and around the world.

Question 2

The U.S. economy currently faces 40-year high inflation, a first quarter decline in GDP, and increasing odds of a recession and stagflation**.**

As a professor of economics, would you say increasing taxes in the current economic environment is a responsible policy action?

- **Answer: A modest tax increase that reduces the deficit would have little impact on economic growth or the labor market. The expiration of the Bush tax cuts for upper-income households in 2012 and tax increases in 1993 did not result in job losses or a weakening of the labor market.**

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<u>Senator James Lankford (R-OK)</u>

Question 1
In response to questions from Senator Wyden, you acknowledged that the United States already has a global minimum tax, created through the 2017 Tax Cuts and Jobs Act. The United States is currently the only country with such a minimum tax.

a) *Given that the US is the only country with a global minimum tax, as well as the OECD's recent recognition that the timeline for enactment is shifting, do you hold the view that the United States should act first on this agreement?*

   - **Answer: Last year over 130 countries agreed in principle to a sweeping overhaul of the global tax system. We are on the precipice of this generational achievement, and the United States is a world leader in efforts to stabilize the international tax system and make it fairer. If the United States were to act first, we would create pressure on the many others who have agreed in principle to this deal to conform their laws to Pillar Two.**

b) *Do you believe that doing so would threaten the competitiveness of US businesses operating abroad?*

   - **Answer: Please see my answer above. Pillar Two helps level the corporate tax playing field, which has been the single most frequently heard request of US businesses operating abroad for a generation.**

Question 2
Congressional Republicans are not the only ones that have recently voiced concerns with the OECD agreement. Last month, Hungary too voiced concerns with the OECD product – in fact, Mr. Balázs Orbán, a member of the Hungarian Parliament, stated in a Wall Street Journal op-ed that "adopting the European Commission's minimum-tax directive now would be a profound mistake." He continued to say that "restricting competition among member states and adding an extra tax burden on the companies driving our economic growth is just asking for trouble."

a) *Mr. Shambaugh, given the sustained and persistently high inflation that we are seeing here in the US, do you agree with Mr. Orbán that now is a horrible time to raise taxes on our job creators?*

   - **Answer: The Federal Reserve has primary responsibility for price stability, but Congress can take actions that lower price pressures by reducing the deficit and making supply-side investments in affordable housing and clean energy. Raising tax by closing loopholes, equalizing tax treatment for**

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multinational companies, and improving tax compliance tend not to be inflationary.

b) *How do you believe tax increases on businesses, which are undeniably felt by workers and consumers, would lessen our inflation crisis and provide relief to American families?*

- **Answer: Please see my answer above.**

Question 3
On July 8, the Treasury Department announced that it was moving to terminate the 1979 tax treaty that we have with Hungary. As you know, Hungary just blocked the European Commission from moving forward with an EU-wide minimum tax, as outlined by the OECD agreement. Now, not only is the EU looking for ways to get around their unanimity requirement, the US also seems to be taking action to pressure Hungary as well.

a) *Mr. Shambaugh, do you believe that terminating a tax treaty unilaterally because another country has voiced valid, thoughtful concerns with the ongoing negotiations of an unrelated project is an unacceptable and inappropriate move by the US Treasury Department?*

- **Answer: I understand that the United States Treasury Department has been articulating its concerns with the U.S.-Hungary tax treaty to Congress across Administrations of both parties beginning with the Administration of George W. Bush. In the last ten years, the benefits of the bilateral tax treaty have also ceased being reciprocal - with a significant loss of potential revenues to the United States and little in return for U.S. business and investment in Hungary. Hungary made longstanding U.S. concerns with the 1979 tax treaty worse by blocking the EU Directive to implement a global minimum tax. Hungary's approach has also exacerbated its status as a treaty-shopping jurisdiction, further disadvantaging the United States.**

b) *Do you agree that the Treasury Department has a responsibility to make the US Congress aware of the rationale behind termination of the treaty?*

- **Answer: I understand that officials in the Treasury and State Departments have provided the rationales behind this decision to Congress and congressional staff.**

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Question 4
As mentioned during your nominations hearing, I am concerned that under the Pillar Two Model Rules, US companies relying on Congressionally-enacted incentives in the tax code, such as nonrefundable tax credits, will be put at competitive disadvantage compared to their international counterparts because this agreement treats subsidies more favorably than nonrefundable tax credits, which permeate our tax code. Under this agreement, international companies receiving a check from their government will be better off than our US companies.

a) *Are you concerned that the Pillar Two Model Rules create an advantage for countries that provide direct taxpayer subsidies?*

- **Answer: I understand that the distinction between refundable and non-refundable credits in Pillar Two of the OECD/G20 international tax agreement was initially negotiated in the prior Administration and has been a matter of public record since October 2020, when it appeared in the Pillar Two Blueprint. As negotiated by the prior administration, refundable tax credits are treated as income rather than a direct reduction in the taxpayer's effective tax rate. This general rule carries over into the recently released Model Rules and its Commentary.**

b) During your remarks, you said that you believed the OECD international tax agreement would stop a "race to the bottom" on tax rates. However, are you concerned that the rules' current treatment of credits would actually create a "race to the bottom" on subsidies?

a. How is this consistent with the Administration's stated effort to ensure that countries "pay their fair share"?

- **Answer: I understand that, as negotiated by the prior administration, the Pillar Two Model Rules follow financial accounting treatment for credits. Nonrefundable credits reduce tax expense, while refundable tax credits are treated as income, because they are more like a grant or subsidy from the perspective of both the taxpayer and the government. Pillar Two is a common approach to ensure a minimum level of tax is paid by multinational corporations wherever headquartered, and is not and has never been intended to prevent governments from incentivizing behavior through grants or subsidies.**

Question 5
To date, the Department has failed to provide adequate information to Congress regarding the ongoing OECD negotiations. There is a difference between after-the-fact briefings and good-faith consultation.

a) *Given that the implementation of any deal would require Congressional action, can you commit to keeping Congress apprised of the ongoing negotiations underway at the OECD and engage with Congress for input on open issues in advance of making any decisions?*

   - **Answer: I would defer to my colleagues in the Office of Tax Policy.**

b) *Should you be confirmed, can you commit to briefing the Members of this Committee as soon as possible on outstanding issues being discussed with respect to the OECD negotiations?*

   - **Answer: I would defer to my colleagues in the Office of Tax Policy.**

Question 6
In late December, days before the end of the year, the Treasury Department released final regulations pertaining to foreign tax credits. These regulations were published in the Federal Register on January 4, 2022, and in a number of instances, are effective immediately, meaning these regulations are already impacting business decisions and financial statements.
We've heard a number of concerns from taxpayers regarding these regulations, including their significant departure from precedent without any Congressional direction, and the broad impact they will have on the creditability of certain taxes that have been creditable for decades under established case law.

U.S. businesses have reached out to us concerned about the regulations' impact on their ability to compete and grow internationally, which would result in fewer jobs here in the U.S.
In recent months, Treasury Department officials have acknowledged that there are significant issues with these regulations and that guidance is needed, stating that taxpayers "want certainty" and that "they want to be able to rely" on guidance. At the same time, Treasury officials recognize that guidance will take months, will be in proposed form, and will not address all issues that taxpayers are facing.

a) *Given the clear recognition by the Department that guidance is needed and forthcoming, can you commit to providing an update, to both Congress and publicly, on the status of this guidance and any related regulatory packages once confirmed?*

   - **Answer: I would defer to my colleagues in the Office of Tax Policy.**

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Question 7
Mr. Shambaugh, in July of 2021, you said that you thought inflation would slow, and that "I think 2021 will be above what the Fed had hoped, but 2022, it will start to slow down." That has clearly not been the case. Year-over-year inflation in the Consumer Price Index for All Urban Consumers (CPI-U) rose 9.1% in the month of June. These increases are broad-based and persistent, as families continue to contend with increasing prices for homes, gasoline, and food. Former Obama Administration officials Steven Rattner and Larry Summers warned that such a result was possible.

In the words of Rattner, "shoveling an unprecedented amount of spending into an economy already on the road to recovery would mean too much money chasing too few goods." As such, they have characterized the $1.9 trillion American Rescue Plan as "the original sin" (Rattner) and the "least responsible" economic policy in 40 years (Summers).

a) *Do you agree that over-stimulating the economy with an influx of $1.9 trillion unnecessary, untargeted dollars contributed to the economy's overheating and thus, the sky-rocketing inflation that we now face?*

   - **Answer: The risk we faced early last year was that we would do too little, potentially scarring the economy. The American Rescue Plan is helping families and businesses, and supporting a historic economic recovery.**

     Inflation remains unacceptably high, and I understand that the Federal Reserve is taking actions to tackle inflation. I agree with the President that inflation should be the Administration's top economic priority. In the near-term, inflation is likely to remain quite high in the United States and most advanced economies due to supply chain challenges and the impacts of Russia's war against Ukraine, which has roiled global oil markets and pushed gasoline prices higher. Food and other non-energy commodities are also being impacted and leading to higher prices for consumers in the United States and around the world.

Question 8
Many Administration officials claim that to get a handle on inflation, Congress should pass the trillion dollar "Build Back Better" bill and raise taxes.

a) *Do you believe it is prudent fiscal policy to increase taxes or engage in additional deficit spending at this time?*

- **Answer: The Federal Reserve has primary responsibility for price stability, but Congress can take actions that lower price pressures by reducing the deficit and making supply-side investments in affordable housing and clean energy. Raising tax by closing loopholes, equalizing tax treatment for multinational companies, and improving tax compliance tend not to be inflationary.**

b) *With runaway inflation, a first-quarter decline in GDP, and increasing odds of a recession, are you concerned that tax increases could risk killing jobs?*

- **Answer: Please see my answer above.**

Question 9
As we discussed during your confirmation hearing, a big part of your job description will be oversight over U.S. policy and strategy at Multilateral Development Banks and International Financial Institutions (IFI's) such as the International Monetary Fund, World Bank, and Inter-American Development Bank. A few questions on how you plan to approach that:

a) *What is your strategy to coordinate the efforts of U.S. Executive Directors at the IMF, World Bank and IDB are in alignment with our broader foreign policy agenda across all multilateral entities?*

- **Answer: If confirmed, I will work to guide and coordinate the efforts of U.S. Executive Directors at the IMF, World Bank, Inter-American Development Bank, Asian Development Bank, African Development Bank, and the European Bank for Reconstruction and Development to continue to help advance key U.S. objectives. The international financial institutions play a crucial role in the global financial system, in a manner aligned with our values and high standards. They are essential partners in limiting the frequency and intensity of economic crises, helping countries to respond to crises, and building the conditions for longer-term stability, growth, and poverty reduction. I look forward to working with the U.S. Executive Directors at the international financial institutions in which the U.S. is a shareholder to continue to pursue these goals and to coordinate consistent and effective U.S. policy positions across the institutions.**

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Question 10
Iran is the world's largest state sponsor of terrorism and continues to enrich uranium at above 60%. In June, Iran's oil exports surpassed 1 million barrels per day – 80% of which goes to China. Last week, the Administration announced sanctions on 15 vessels and entities carrying Iranian oil to China nearly two months after the Senate passed by Motion to Instruct calling for that action to be taken.

a) *Do you believe the United States should oppose loans to Iran and other state sponsors of terrorism at the IMF and World Bank?*

- **Answer: I strongly support the International Financial Institutions Act's mandate to oppose assistance to countries that are designated as state sponsors of terrorism such as Iran, and if confirmed I will work vigorously to oppose assistance to such countries at the international financial institutions.**

b) *What are your plans to address Iran's malign behavior (including support for terrorism and nuclear proliferation) within your portfolio of responsibility?*

- **Answer: I condemn Iran's malign behavior, including its financial support for malign activities, and if confirmed, I would work with career staff and my colleagues in the Office of Terrorism & Financial Intelligence. For example, I strongly support the ongoing U.S. efforts to prevent countries whose policies we oppose, like Iran, Russia, and Belarus, from receiving any benefit from their SDRs. If confirmed, I will continue to work with like-minded countries to prevent them from doing so.**

Question 11
Reuters reported this week that Binance, the world's largest crypto trader, facilitated transactions with sanctioned entities and individuals from Iran.

a) *If confirmed, how will you work with allies to block platform access to users who are sanctioned, push back against efforts to circumvent U.S. sanctions, and build consensus with international partners on proper access to the financial system?*

- **Answer: I would defer to my colleagues in the Office of Terrorism & Financial Intelligence.**

Question 12

Lebanon is on the verge of becoming a failed state due to fiscal mismanagement and public corruption. The United States has been engaged in productive conversations with Lebanon at the IMF about a liquidity boost to stabilize its economy. I have proposed adopting an incremental, conditions-based approach to any IMF assistance to Lebanon.

a) *Before the US supports any initial IMF assistance to Lebanon, would you agree that the Government of Lebanon must show that it is implementing needed reforms?*

- **Answer: Any IMF program with Lebanon would require deep and far-reaching reforms, under a committed government.**

b) *Would you also agree that it is important to observe and confirm the Government of Lebanon's continued compliance with those reforms when evaluating additional assistance?*

- **Answer: Before supporting any assistance for the Government of Lebanon, including through the international financial institutions such as the IMF, I would want to see evidence of the Lebanese authorities' intent and ability to undertake the deep, systemic reforms necessary to begin to address their acute economic crisis.**

  I understand that Treasury is currently working with other departments across the U.S. government to effectively deliver humanitarian aid through vetted third-party actors to the people of Lebanon.

Question 13

China has increased its investments in Latin America as part of its Belt & Road Initiative.

a) *What is your strategy to utilize U.S. influence and leadership at the Inter-American Development Bank to provide an alternative to China's predatory lending to our friends in Latin America?*

- **Answer: The United States is committed to promoting democratic governance and transparency, and supporting policy reform, growth, and sustainable and inclusive development throughout Latin America. I understand that Treasury has engaged vigorously with other shareholders and IDB management to secure IDB management's commitment to implement a set of priority reforms to improve the relevance and development impact of the IDB in the region. At the Summit of the Americas, President Biden also indicated openness to a possible increase for the private sector arm of the IDB – IDB Invest – to promote private sector-led growth in**

the region. If confirmed, I would work with career staff to evaluate and support proposals from IDB on these actions.

The Partnership for Global Infrastructure and Investment (PGII) infrastructure initiative, launched by President Biden and his G7 counterparts, is another way in which we are distinguishing ourselves from China's approach to development, including the Belt and Road Initiative. The PGII will help support high quality infrastructure projects that are consistent with debt sustainability and include social and environmental safeguards. It will also focus on partnerships that strengthen local capacity.

Bolstering U.S. leadership in the multilateral system, including the IFIs, is important in this regard. This requires meeting our financial obligations to the institutions, putting in new resources when needed, and having confirmed Executive Directors.

Question 14
The Abraham Accords were a historic achievement for peace in the Middle East. These groundbreaking normalization agreements between Israel and Arab states have opened the door to new possibilities for cooperation on trade and economic development.

a) *In the context of the IFI's, what role can the Abraham Accords play in multilateral development strategy? What are your plans to leverage the normalization agreements between Israel and Arab States to bolster cooperation with each other and the United States at the IMF and World Bank?*

- **Answer: The Abraham Accords provide an opportunity to enhance cooperation between Israel and Arab states that can provide benefits for all the participating countries. It is Administration policy to promote development and cooperation between Israel, other Abraham Accords signatories, and their regional neighbors. If confirmed, I would aim to advance this policy. If confirmed, I look forward to working actively with all of the involved parties, including through our efforts at the international financial institutions where appropriate, to support the realization of the economic benefits of increased cooperation and security for their citizens, including through increased development assistance where appropriate.**

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Senator Bob Casey (D-PA)

Question 1
From PPE to computer chips, the pandemic has shined a light on just how vulnerable U.S. supply chains are. We have exported American expertise and know-how to countries like China, ceding our manufacturing power to foreign adversaries and hurting American families and our economy. We need to know how much we're relying on foreign adversaries to design and manufacture goods that are critical to our economic and national security interests.

How does offshoring American expertise and know-how to places like China undermine U.S. national security and economic interests, while hurting American workers and industry?

- **Answer: Shocks to the global economy from the pandemic and Russia's war of aggression in Ukraine have refocused global attention on the importance of economic resilience and addressing supply chain vulnerabilities. Making American supply chains more resilient can help resolve the sorts of bottlenecks that are raising prices for American consumers. Investments like those being made with the Bipartisan Infrastructure Law in our ports, airports, highways, waterways, and clean energy infrastructure, as well as those that Congress is currently considering in R&D and commercialization of new technologies, and in making more semiconductors in the United States, will help to promote U.S. manufacturing.**

  I understand that the Biden-Harris Administration is also focused on working with allies and partners to secure supplies of critical goods that we do not make in sufficient quantities at home, while ensuring that high standards for labor and environmental practices are upheld. If confirmed, I look forward to working with Congress on these important issues facing our nation.

Question 2
For decades, our trade policy has failed to adequately promote the rights and economic interests of women. Very few of our trade agreements mention women at all. Even fewer have enforceable language in the agreement. The Biden Administration has made historic commitments to advancing gender equity and implementing a worker-centered trade policy. Through the *National Strategy on Gender Equity and Equality*, the Biden-Harris Administration has set forth ambitious goals that will help level the playing field for women around the world.

As the Administration seeks to forge a new path with trade policy, such as with the Indo-Pacific Economic Framework and the Americas Partnership for Economic Prosperity, how will Treasury ensure that the rights and economic interests of women are promoted in the development and execution of our trade policy?

- **Answer: In October 2021, the Biden-Harris Administration released the first-ever United States government strategy on gender equity and equality. While the United States Trade Representative has the lead on trade issues in the Administration, if confirmed, I will work with Ambassador Tai, interagency colleagues, and Congress to promote policies that help women participate in and benefit from international trade.**

Question 3
The world is facing an unprecedented hunger crisis. Since 2018, the number of people facing acute food insecurity has almost doubled from 113 million to 193 million, according to the World Food Programme. As global food prices remain at record-breaking levels, in part due to Putin's continued disruption of Ukrainian agriculture, rates of hunger will only continue to grow.

In May 2022, International Financial Institutions (IFIs) released their "IFI Action Plan to Address Food Insecurity," but the plan still needs to be implemented and much work will remain even after successful implementation. *How will you ensure that the IFIs follow through on their action plan and support the financing, policy engagement, technical assistance and knowledge work necessary to address current levels of global food insecurity and lay the groundwork to eradicate hunger globally?*

- **Answer: I am very concerned about rising food insecurity and its impact on the poorest and most vulnerable people and economies around the world. The IFIs have an important role to play responding to the food security crisis by implementing the commitments made in the IFI Action Plan to Address Food Insecurity, as well as supporting investments to help countries develop more productive and resilient agriculture in the longer term. If confirmed, I will work with Congress to continue robust U.S. leadership in the IFIs and work with Treasury staff, as well as the Offices of the U.S. Executive Directors at the IFIs of which the United States is a shareholder, to press for urgent and quality progress on the IFIs' work to address rising food insecurity and underlying vulnerabilities in food systems.**

  I am also committed to using every appropriate tool to address the impact of the current crisis on vulnerable countries. One important way to do so would be to participate in funding the IMF's trust funds, the Resilience and Sustainability Trust and the Poverty Reduction and Growth Trust. These facilities will provide low-cost macroeconomic support to hard-hit countries alongside appropriate reforms to help them maintain economic stability while responding to shocks and reducing their vulnerabilities over the longer-term.