

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks of Secretary Lew at the U.S.-Israel Joint Economic Development Group Meeting in Jerusalem

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As Prepared for Delivery

I would like to thank you for welcoming me here today at the closing session of the Joint Economic Development Group (JEDG). It's good to be back in Israel, a country I have visited many times before. But this time is special as it is my first visit as Secretary of Treasury. Before I begin, I would like to express my deep concern for the welfare of the three teenage Israeli boys who were kidnapped last week in the West Bank. Our thoughts and prayers are with these boys and their families, as we hope for their rapid and safe return home. The U.S. government strongly condemns this despicable act. We call for the immediate release of the boys, and we continue to offer our full support to Israel in its efforts to locate them.

I would also like to thank Ambassador Rivkin for serving as co-host of this year's JEDG. Often lost in the headlines of our important security cooperation and close political ties are other aspects of our relations with Israel that are equally important, including the extraordinary economic and commercial ties that create jobs and contribute to prosperity in both Israel and the United States.

The JEDG provides an ideal venue for experts to meet regularly and find new ways to increase collaboration on economic issues of shared importance to both of our countries. This dialogue has evolved considerably since its establishment in 1985 – nearly 30 years ago – which is one of the reasons for its continued relevancy. With over 80 officials participating from the two sides from a dozen of different agencies and ministries, this year's JEDG is the largest gathering of U.S. and Israeli economic officials to discuss bilateral ties in decades. This is a testament to the importance of our economic ties and, most importantly, a recognition of the enormous opportunities we have to step those ties up to new levels. I am pleased that this group had the opportunity to continue the dialogue yesterday and today and on such diverse issues ranging from lowering the cost of living by easing regulatory hurdles for trade and investment, to cooperation on energy and deepening our science and technology collaboration.

I have been meeting with Minister Lapid to discuss recent economic developments and challenges facing our economies. In the United States, our economy is in its fifth year of recovery now. After a harsh winter that restrained growth in the first quarter, we are still expecting the underlying strength of the economy that was evident last year to result in a strong second half of this year, and economic data over the past three months supports that optimism. I commend Minister Lapid on the strengths of the Israeli economy and the ambitious set of fiscal reforms that the Israeli government has undertaken to reduce its fiscal deficit and boost growth. I have followed the Israeli economy since the 1980s and have watched how the implementation of a robust monetary and fiscal framework generated tremendous results for the Israeli economy. These reforms, coupled with Israel's innovation in science and technology, and now the energy independence that natural gas discoveries can provide, establish a strong foundation for future economic growth. And Israel's competitive footing in the world economy is a clear demonstration for other countries of the results that reform can produce.

As one of the most technologically-advanced and innovative economies in the world, Israel is an important economic partner to the United States. As you discussed during the JEDG, we have a shared commitment to explore new ways to realize our full bilateral trade and investment potential in areas such as science and technology R&D and natural gas development. We look forward to taking concrete steps to liberalize trade standards, increase market access for agricultural products, and advance a new bilateral science and technology agreement, which would allow for close cooperation on innovation and research. The United States remains one of Israel's most

important trading partners – U.S. goods and services trade with Israel are around \$45 billion annually. We look forward to continuing to expand our economic cooperation.

As part of this partnership, the United States remains committed to supporting Israel's economy. Our long-standing loan guarantee program assures that Israel, which normally has very strong access to the market on its own, can access finance even in the context of regional or global shocks. Through this program, we can help reinforce stability for Israel's economy. The program has now been extended three times, most recently in 2012, and is a symbol of our strong relationship and deep commitment to the government.

We recognize that Israel's neighbors face increasing challenges, which create its own complications for Israel's security. Political developments and conflict in the region have increased the risks in the region. We should leverage our close relationship to collaborate on our regional engagement. By working together, we can take steps to promote stability in the region, particularly for those Arab countries currently undergoing transitions, and generate opportunities for growth and development.

Let me say a few words about Iran, and the issues that both the United States and Israel face in dealing with Iran. It is now clear that ongoing sanctions against Iran remain in place, and that the temporary, targeted, and reversible sanctions relief provided by the Joint Plan of Action has been extremely limited. During the same six month period, Iran is losing a significant amount in oil sales alone from the sanctions that remain in place, more than the value of the temporary relief. Iran sanctions are the toughest the world community has imposed on any country and its economy is suffering a serious blow as a result – an impact that is not being reversed. As we approach the last month of the agreed upon period for negotiations, Iran's economy remains in a state of distress that brought the government to the negotiating table in the first place. This sustained pressure gives us the opportunity to pursue a negotiated agreement with Iran, in conjunction with our P5+1 partners, that will assure the international community that Iran's nuclear program is entirely peaceful. Make no mistake: we will not allow Iran to obtain a nuclear weapon. We have always been clear that we will take the time to do this right, and we will not rush into a bad deal. No deal is better than a bad deal.

I would also like to make a few brief comments about the ongoing situations in Iraq and Ukraine. We are concerned about the grave situation in Iraq. President Obama received an update yesterday from his National Security Adviser on the latest information about the situation on the ground, who updated him on the national security team's discussions about the range of options available to respond. As the President makes a decision on next steps, let me be clear that this is not primarily a military challenge.

While it is evident that Iraq needs significantly more help to break the momentum of extremist groups and bolster the capabilities of Iraqi security forces, there is no military solution that will solve Iraq's problems. Any action we take would have to be done in conjunction with a serious and sincere effort by Iraqi leaders to govern in a non-sectarian manner, promote stability and unity among Iraq's diverse population, build and invest in the capacity of Iraq's security forces, and address the legitimate grievances of Iraq's Sunni, Kurd, and Shia communities.

Even as we discuss how to address the grave situation in Iraq, it is important to note that this is not a new threat. Over the past year we have been steadily increasing our security assistance to the Iraqi government, including training inside Iraq by the U.S. Embassy's Office of Security Cooperation and in Jordan; as well as equipment and intelligence. At the request of the Iraqi Government, the Defense Department has been conducting unmanned, unarmed Intelligence, Surveillance, and Reconnaissance flights over Iraq to support the government's counter-terror efforts. We have been increasing our information sharing with the Iraqi government for some time, in response to recent events. We are increasing those missions as the evolving crisis in Iraq continues to intensify.

We are committed to standing by the Iraqi people in confronting terrorists who pose a threat to nations throughout the region and beyond, including the United States. It is important that Iraqi leaders put aside differences and implement a coordinated and effective approach to forge the national unity needed to confront the Islamic State of Iraq and the Levant (ISIL) and move the country forward. And, of course, it is a reminder to the international community that we all need to redouble our efforts to disrupt the financial and support networks not just of ISIL, but the broad range of terrorist groups like Hizballah, Al Qa'ida or the Haqqani network, among others.

With regard to Ukraine, we continue to be deeply concerned about the situation in the eastern part of the country. We call on Russia to support President Poroshenko's peace plan and to cease support for militants and separatists who are further destabilizing the situation

and to stop the provision of arms and materiel across the border.

We continue to support Ukraine's political reform efforts. The recent election demonstrates that the people of Ukraine are committed to a democratic future, and the government continues to make progress despite the significant challenges it faces. Together with our partners, we were able to help mobilize \$27 billion in international donor support for Ukraine.

We have also worked closely with our partners to maximize pressure on Russia by imposing targeted sanctions on Russian officials and Putin's inner circle, as well as other individuals and entities who have attempted to destabilize Ukraine. When President Obama spoke to President Putin in Normandy, he made clear that a failure by Russia to take the necessary steps toward de-escalation would only deepen Russia's isolation. And while we will continue imposing costs on Russia if it continues its provocative activity, our hope is that Russia will work with Ukraine to reach a negotiated resolution to the current situation.

In closing, I would like to reaffirm the United States and Israel share a unique and unshakeable bond, one that stems from our close commercial ties and steadfast shared values. Our relationship is defined by the moral obligation of the U.S. to help ensure Israel's security, shared cultural and political values, and our common strategic interests. Our meeting today underscores that this partnership will continue to grow and thrive, and I look forward to our continued collaboration to promote regional and global economic growth.

I would like to thank the Finance Minister again, as we work together to further strengthen the U.S.-Israel relationship.

Thank you.

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