Remarks by Secretary of the Treasury Janet L. Yellen to the Eurogroup

July 11, 2021

I would like to thank President Donohoe for his invitation to join you all today. It is a pleasure to be with you here in Brussels on my first tour through the European Union as the Treasury Secretary. I am grateful to have the chance to engage with so many leading European policymakers – many of them women— in a single stop.

Let me start by saying that there is no doubt about the United States' commitment to building a stronger transatlantic economic relationship, or about our support for a strong European Union and euro area economy. The United States and the European Union are the bedrock of the global economy, and our open, integrated economic relationship underpins our broader alliance. As President Biden made clear just last month here in Brussels, we share the same values, and we share many of the same challenges. These challenges are not insignificant. They include the devastating impacts of the COVID-19 pandemic and climate change; structural economic vulnerabilities, including persistent regional, racial, and gender disparities; and the unfair practices of non-market actors.

We also share a commitment to address these challenges. The results of last month's U.S.-EU Summit made clear that we will work together to counter these destructive forces. In the United States, we are committed to pursuing additional fiscal measures on top of our $1.9 trillion American Rescue Plan. The American Jobs Plan includes a range of productivity and profitability-boosting public investments over the coming ten years. It aims to build and modernize physical infrastructure like bridges and roads. It also contains investments in infrastructure for the future: broadband, research and development, public transportation, modernized schools, and a more expansive network of child-care providers. And the American Families Plan contains major investments in education, childcare, and low- and middle-income families to address the troubling rise of inequality.

In the European Union, the fiscal response to the crisis was decisive and unprecedented, at both the member state and EU levels. And the ECB responded quickly and forcefully with a series of actions that successfully contained sovereign spreads and helped preserve favorable financial conditions. I think we all agree that uncertainty remains high. In this context, it is important that the fiscal stance remain supportive through 2022. Going forward, it is important that member states seriously consider additional fiscal measures to ensure a robust domestic and global recovery, and to build back in a way that makes Europe's recovery durable into the future and that provides tangible benefits for all EU citizens.

An essential part of a durable recovery is creating an EU fiscal framework with sufficient flexibility to allow countries to respond forcefully to crises and to invest in sustainable infrastructure; research, development and technology to meet the climate crisis head-on; and other areas that can foster economic convergence and inclusive growth. The fiscal framework should support an economy of the future and not lead to pro-cyclical economic outcomes.

This brings me to the Next Generation EU program. The EU's Economic and Monetary Union is a grand and challenging project. You decided last summer—despite many differences—to come together in the face of a profound public health and economic crisis, and to embark on this historic step towards deepening the Economic and Monetary Union. Next Generation EU will reduce the probability that this crisis results in dangerous divergences in economic outcomes across countries in the Union. Like the U.S. American Jobs Plan, Next Generation EU can facilitate critical growth- and productivity-enhancing investments in green and digital transitions. Further progress on the long-term Economic and Monetary Union agenda, including on the Banking Union and Capital Markets Union, is good for Europe, good for the United States, and good for the world.

Providing continued fiscal support to rescue our economies and to invest in an inclusive recovery does not mean that we throw caution to the wind. Long-run fiscal sustainability is critically important, which is one of the reasons why we need to continue working collectively to implement a global minimum tax of at least 15 percent, in line with the commitment the G20 made just days ago. We hope all EU member states will join the consensus and the European Union will move forward on this issue at EU level. We need sustainable sources of revenue that do not rely on further taxing workers' wages and exacerbating the economic disparities that we are all committed to reducing. We need to put an end to corporations shifting capital income to low tax jurisdictions, and to accounting gimmicks that allow them to avoid paying their fair share. We need to ensure that the globalized economy does not continue to shortchange our middle classes so that it can remain open and free, thereby encouraging economic growth and business certainty. This race to the bottom must end, and working together we can ensure that it does.

Next, I would like to say a few words on what is likely the greatest challenge that we collectively face: climate change. As a borderless challenge, it is the area where our continued efforts to deepen economic cooperation could have the most significant impact. We have different regulatory and legal structures and approaches, but our goals are aligned and our collective ambition remains firm. It is important that we work collaboratively on issues ranging from climate risk disclosures to climate development assistance to maximize our collective impact.

In the United States, we aim to leverage finance and financial risk mitigation to increase investment in low emission technologies and adapt to a changing climate, while positioning the economy for strong and sustainable growth that is consistent with a net-zero emissions future. Similarly, the Next Generation EU program provides the EU with a new tool to catalyze investments in clean technology and green infrastructure. U.S. Treasury is focusing on the broad range of its climate-related domestic and international policy work connected to 1) climate transition finance; 2) climate-related economic and tax policy; 3) climate-related financial risks; and 4) multilateral and bilateral support for developing countries – particularly those partners who are ready and willing to make the hard choices to transition away from carbon-intensive fossil fuels. Both the United States and the European Union have the tools to help less developed countries achieve their emissions reduction goals, and we should work together to drive emissions reductions in these markets.

Finally, we need to continue working together to promote the rules-based international order that has benefited our economies and societies since World War II. Together, we need to counter threats to the principles of openness, fair competition, transparency, and accountability. These challenges include China's unfair economic practices, malign behavior, and human rights abuses; the Lukashenka regime's ongoing abuses in Belarus; and Russia's continued and growing malign behavior. The more we confront these threats with a unified front, the more successful we will be.

Thank you once again for hosting me here today. I look forward to an open, frank discussion of these and any other issues related to the revitalization of the transatlantic economic relationship.

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