

Remarks By Secretary of the Treasury Janet L. Yellen at the Eurogroup Finance Ministers Meeting in Luxembourg, Luxembourg

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As Prepared for Delivery

Hello everyone. I want to begin by reaffirming that the United States condemns the terrorist attack by Hamas on the State of Israel and stands with the Israeli people, as the G7 collectively stated last week. With that, thank you to President Donohoe for the invitation. I've appreciated the opportunity to join past meetings in Brussels and Washington, and I'm glad to be here in Luxembourg today.

The United States and the European Union have forged an exceptionally strong partnership. I see that partnership as crucial to addressing global challenges and to advancing shared priorities. And in large part because of our collective work, the global economy is in a better place today than many thought it might be.

In the United States, we've been able to bring about a fast economic recovery from a deep recession. Our unemployment rate remains historically low at 3.8 percent and inflation has declined significantly since its peak last year. We're also investing in our long-term economic strength. President Biden's Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act form a trifecta of historic legislation that advances what I've been calling modern supply-side economics: expanding our economy's long-term productive capacity while reducing inequality and environmental damage.

Europe has also made considerable progress in its economic recovery from the pandemic, even while contending with the direct spillovers from Russia's brutal war against Ukraine. As a labor economist by training, I am particularly heartened that Europe's labor markets are stronger than ever, with the EU's employment rate at a record high. Let me be clear about what we see from across the Atlantic: Europe stands strong and resilient despite Putin's attempts to weaponize Russia's energy exports against the region. And the United States has been proud to stand with you in this effort. The U.S.-EU Task Force on Energy Security and the increase in U.S. exports of liquified natural gas are examples of our joint efforts, which I know

complement the hard decisions you've taken at home to reduce demand for natural gas. I realize there are more decisions to make in coming months to support Europe's recovery, including your ongoing work on reforming the Stability and Growth Pact. I hope that the final agreement, while incentivizing sustainable debt levels, also allows for pursuing growth-enhancing investments.

As we each respond to global events that threaten economic growth, I'd like to focus on two key areas of collaboration: our support for Ukraine and our respective economic relationships with China.

Strong support for Ukraine of course remains a top priority for both the United States and Europe. The United States has provided robust budget support, and our allies, most notably here in Europe, have as well. During my visit to Kyiv, I saw firsthand the importance of our economic assistance in addition to military support. Economic assistance bolsters the home front—Ukraine's schools, first responders, hospitals, and other basic services—to make possible our efforts to sustain Ukraine's resistance on the frontlines. As I've said before, we cannot allow Ukraine to lose the war for economic reasons when it has shown an ability to succeed on the battlefield.

The Biden Administration is committed to supporting Ukraine for as long as it takes. President Biden and I, along with a bipartisan majority of the U.S. Congress and the American people, will fight so that our support is not interrupted and sufficient funding is in place going forward. We will work with Congress to pass a robust Ukraine package into law.

I know you share this commitment as well. I applaud the plans to stand up a 50 billion euro Ukraine Facility to provide sustained economic and reconstruction support. Economic support to Ukraine should have maximum concessionality. Flexibility is also important, as it could enable front-loading budget support in the immediate term when it is needed most. Ukraine has also been able to unlock a \$15.6 billion IMF program in part due to international financial support and on-time delivery on reform and accountability measures to maximize the impact of each dollar and euro. And, looking ahead to additional sources of assistance, I support harnessing windfall proceeds from Russian sovereign assets immobilized in particular clearinghouses and using the funds to support Ukraine, which the G7 has now committed to exploring.

Ultimately, we are in it together. We know that, as President Zelenskyy has said, our support is "not charity"; it's an investment in "global security and democracy." Our assistance is crucial to

our collective national security interests and to our shared goal of a free and prosperous Europe and world.

Our support to Ukraine is also complemented by our joint efforts to impose increasing costs on Russia for waging its reckless war. We've put in place a novel price cap policy, which has significantly reduced Russian revenue over the last 10 months while promoting stable energy markets. We continue to take additional action to ensure that Russia faces hard choices: either sell oil at a significant discount or spend huge amounts on an alternative ecosystem. We announced new sanctions just last week and cracking down on sanctions evasion is a focus this year. Europe has been a key partner in this effort. The EU's 12th Sanctions Package, under discussion now, is an opportunity to clearly demonstrate that our coalition will continue to take bold, creative steps to deprive Russia of the revenue and material it uses on the battlefield.

U.S.-EU collaboration is also crucial in our respective economic relationships with China. As I laid out last April, we do not seek to decouple our economy from China's—We seek to diversify. To de-risk, not decouple, as President von der Leyen aptly put it. As we protect our national security interests, we seek open and direct communication to avoid misunderstanding and miscalculation. In July, I traveled to China to discuss U.S. priorities with China's new economic team. It was a significant step in deepening our bilateral communications and one that we are continuing to build on, such as through the announcement of Economic and Financial Working Groups last month. I know many of you have traveled to China recently as well, and that Executive Vice-President Dombrovskis had a successful visit just last month.

As we deepen communication and seek a healthy economic relationship with China, we are also focused on taking targeted actions to safeguard our national security interests—and those of our allies—and protect human rights. Our work on outbound investments is one key targeted national security measure. This past August, President Biden issued an Executive Order addressing certain outbound investments in sensitive technologies: semiconductors and microelectronics, quantum information technologies, and artificial intelligence. The Treasury Department is currently implementing this program. But like with so many of the risks we face, the concerns that informed this approach are not unique to the United States. We made a constructive joint statement on this last spring, and we look forward to supporting the European Commission's efforts to continue examining this issue and determine next steps before the end of this year.

We also need to work constructively together as we strengthen our critical supply chains. We face shared risks from common vulnerabilities and dependencies, and our work to each build resilience can support one another as well. In the United States, we are building a resilient semiconductor supply chain, like the one you are building in Europe. We're also pursuing an approach I've called friendshoring—deepening economic integration with trading partners and allies we can count on. Our ongoing efforts toward a U.S.-EU Critical Minerals Agreement is a perfect example of putting friendshoring into action. This joint work to fortify the supply of the digital economy's most essential input will mitigate shocks like the one we experienced during the pandemic, and it will bolster the resilience of our economies for years to come.

With that, thank you again for having me. There are many areas on which our collaboration is crucial and there is much joint work to be done. I look forward to the discussion today.

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