

Remarks by Secretary of the Treasury Janet L. Yellen on the Importance and Strength of the Transatlantic Alliance at the Frankfurt School of Finance and Management in Frankfurt, Germany

May 21, 2024

As Prepared for Delivery

I am grateful to the Frankfurt School for awarding me this honorary doctorate and for organizing today's program. I would also like to thank Professor Stieglitz, President Lagarde, and Minister Lindner for their exceptionally kind words. And thanks to all of you in the audience today—students, faculty, and many others. As Professor Stieglitz described, I began my career as an academic and I greatly appreciate the opportunity to speak to those who are committed to thinking deeply and whose ideas shape policy.

I see this is the case here. The Frankfurt School has for decades focused on putting ideas into practice, such as through your partnership with the United Nations Environment Programme.

And I understand this is also an institution that, though very much rooted here in Germany, is internationally-oriented as well, with students from five continents and nearly 100 countries.

So I'm honored to receive this degree. And I also believe that this is a fitting place to speak about a topic aligned with the School's European and global orientation and cutting edge work: the transatlantic alliance.

Since the start of the Biden Administration, the transatlantic alliance has delivered for the American people and economy, for Europe, and for the global economy, and I believe we can raise our ambitions still further. The issues I will speak about today—from security, to sustainable growth, to the shifting global economic landscape—are issues where the strength of our alliance matters for Americans' and Europeans' lives, today and in the future.

I. HISTORY OF THE TRANSATLANTIC ALLIANCE

The transatlantic alliance has underpinned the post World War II order. The U.S. and Europe share a deep commitment to democratic values, from individual liberty to the rule of law. And

from our response to the Cold War to our response to Russia's recent invasion of Ukraine, we've repeatedly stood up for these values, safeguarding them so that our citizens can live in free societies and realize the benefits that brings.

Our alliance has been critical to global peace and security. For decades, its strength has deterred those who might otherwise have pursued aggressive action. We at times take this for granted. But it's this stability and security that has enabled us in the U.S., Germany, and throughout much of Europe to live largely without fear of widespread conflict close to home and to invest and plan for the future.

Our strong partnership has also brought tremendous economic benefits, not just indirectly from this security but directly from trade and investment. The U.S. and EU are each other's largest trade and investment partners, with two-way trade in goods and services totaling nearly \$1.4 trillion and combined foreign direct investment totaling over \$5 trillion. Microsoft's recent investments in Germany, Spain, and the UK are one of countless examples. And U.S. exports to the EU support nearly 2 million American jobs.

Our alliance has also had economic impacts far beyond our borders, including through setting up the international financial institutions that have played a critical role in supporting macroeconomic stability, alleviating poverty, and fueling sustainable growth—transforming countries and lives.

Put simply, the transatlantic alliance has delivered for Americans, Europeans, and many others. And the United States has been committed to advancing it—through multilateralism, most notably through the G7, NATO, and U.S. relations with the EU—and through bilateral relationships between the U.S. and European countries, including, of course, with Germany. The U.S. and Europe have taken action at key moments, when world events have demanded that we step up and jointly lead. And we've maintained a near constant drumbeat of communication and collaboration that informs daily policymaking processes in the U.S. and in Europe.

Despite this long and important history, President Biden inherited a transatlantic alliance that had been threatened and weakened, by attacks on the value of NATO and a rejection of multilateralism. This turn inward undermined a foundation of stability and security. It meant missed economic opportunities for American firms and workers. And it failed to heed the urgent need for joint leadership to address the global challenges that threaten our collective economic future, such as the COVID pandemic and possibility of future global health emergencies and climate change.

So President Biden reversed course. He directed us to rebuild relationships with key partners and allies in Europe and other parts of the world. In the face of those who still try to fracture our world and unprecedented global challenges, we are building on the transatlantic alliance's history and taking decisive action.

Let me talk about what we've accomplished and what I believe we should aim for across three key areas: bolstering security, driving sustainable growth, and navigating a shifting global economic landscape.

II. BOLSTERING SECURITY

I'll start with our joint work to bolster security, which is a prerequisite for economic growth. We've collaborated to bolster security through NATO for decades, but our economic collaboration is crucial too. And our ongoing response to Russia's invasion of Ukraine is a powerful example.

This collaboration started long before the invasion on February 24th, 2022 but tremendously increased in the months leading up to it. When the United States began understanding that Russia was considering an invasion, we immediately recognized the possible grave consequences for Ukraine, for Europe, and for the rest of the world. We knew that Russia's role as a major source of Europe's oil and natural gas meant an invasion wouldn't just pose a threat to Ukraine's territorial integrity. It could disastrously impact European energy markets and, from there, lead to global economic spillovers.

So the U.S. did what committed partners do in such a situation: We began sharing information. In the months leading up to the potential invasion, ministries of finance, central banks, and policymakers across the U.S. and European governments pursued unprecedented coordination in evaluating the financial system and economic channels for contagion, forming a shared view of risks, and readying ourselves to take whatever action would be necessary. Within the first week post-invasion, the United States had sanctioned over 80 percent of Russia's banking sector by assets and the United States and partners had immobilized Russian sovereign assets held abroad.

Since then, our global coalition has had additional successes because we have placed a premium on collective action across all aspects of our response.

Take the price cap on Russian oil. The U.S. understood the need to disrupt Russia's oil revenue,

but we saw the market impact that certain restrictions could have. So we worked with our European counterparts—through countless calls, meetings, and trips across the Atlantic—to design and launch a novel tool that leveraged our market share in services key to the oil trade and would constrict Russia’s revenues while keeping global oil markets stable. Because of our careful and joint work, the price cap worked. Russia’s oil tax revenue was nearly 30 percent lower in 2023 than in 2022. Russia of course took action in response to evade the price cap. But we again turned to the power of collective response, working jointly to tighten enforcement. This too, is making progress: Energy market participants, analysts, and even Russia’s top energy official have linked our increased enforcement activities to the increased discount on Russian oil.

The same is true of our sanctions policy. Since February 2022, the United States has sanctioned over 4,000 individuals and entities as part of our effort to hold Russia accountable for its war in Ukraine, while pursuing an unprecedented level of coordination with the G7.

We’ve also stood together in providing military, economic, and humanitarian support for Ukraine. U.S. and European support packages have bolstered and complemented one another. This is critical to Ukraine sustaining its resistance on the frontlines and the homefront. And let me be clear: It is also critical for the security of the American and European people. If we stand by as dictators violate territorial integrity and flout the international rules-based order, they have no reason to stop at their initial targets. They will keep going. Russia has bet that its brutal aggression can outlast our collective resolve. But we have shown that when a dictator takes action that threatens our people, economies, and the rules-based order, we will not back down. Our countries helped shape and strengthen this order over decades. We will jointly defend it.

Over the past three years, we’ve of course acted jointly to bolster our security in other contexts as well. In the Middle East, conflict is destroying lives and livelihoods across the region and causing headwinds to regional economies. Treasury has used the economic tools at our disposal, issuing 44 rounds of sanctions in connection with Iran against over 400 individuals, entities, tankers, and aircraft for support to terrorism, proliferation of drones and missiles, and human rights violations. We’re heartened that our European allies have acted decisively as well, including in the wake of Iran’s attack in April. We’ve also been jointly committed to providing critical humanitarian aid to Palestinians in Gaza.

Investment screening is another area where close collaboration between the U.S. and European countries has driven crucial developments. Since 2021, 22 EU countries have taken

legislative action related to investment screening, such that all but three are now implementing investment screening reviews. This matters, as our collective national security is greatly enhanced when our partners and allies have and use their own robust investment screening mechanisms.

As we look ahead, the need for collaboration and coordination will only increase. We need to continue cracking down on Russian sanctions evasion, including through third parties, and sensitive goods that originate in the U.S. and Europe. It's also critical that we ensure Ukraine has the support it needs to equip its military, fund critical services, and ultimately rebuild in the medium- to long-term. That's why I believe it's vital and urgent that we collectively find a way forward to unlock the value of Russian sovereign assets immobilized in our jurisdictions for the benefit of Ukraine. This will be a key topic of conversation during G7 meetings this week.

In the Middle East, we must stay in close coordination as we take additional actions to target the Iranian regime and its proxies and provide humanitarian aid. With regard to investment security, the U.S. is moving forward with implementing a program addressing the risks related to U.S. outbound investment in sensitive technologies. But these risks are not unique to us, and we encourage our partners and allies, including European countries, to do the same. I applaud those jurisdictions that have publicly announced work on this. The U.S. stands ready to support these and others' efforts to safeguard our collective national security.

These are just a few examples of what's ahead. All of it will matter for our people and economies. Without security, people live in fear and a key foundation of the global economy is threatened. With it, we have a key foundation of more prosperous economic lives and global growth.

III. DRIVING SUSTAINABLE GROWTH

Alongside bolstering security, the U.S. and Europe have been jointly committed to driving sustainable growth—working to advance energy security, create economic opportunity, and progress toward our climate goals.

Following Russia's invasion, the United States responded to the threat to European energy security by increasing LNG exports to the European Union, with the volume of exports tripling from 2021 to 2023. This enabled Europe to reduce its reliance on Russian gas while maintaining stability for its people. It brought benefits to the U.S. as the largest supplier of

LNG to Europe. And we jointly showed Putin that he had miscalculated: Instead of fracturing, our coalition found an innovative path forward.

But in the medium to long-term, the U.S. and Europe both know that bolstering energy security will depend on driving sustainable growth. We need clean energy economies that are less vulnerable to shocks, including from geopolitics. And we need to build these economies in ways that expand economic opportunity.

President Biden has made this a top priority. At home, the Inflation Reduction Act is fueling investments in manufacturing and clean energy and expanding economic opportunity across the United States. I've had the chance to see this firsthand in my travels: from solar in Georgia to the battery belt emerging across the Midwest and South, we are creating good jobs in American communities that haven't historically had the economic opportunity they deserve.

But the IRA is not a turn toward American protectionism. We're not creating opportunities just at home. U.S.-EU trade in green energy products exceeded \$2 billion in 2022, and European countries can be leaders in this area. The thermal processing equipment in the Suniva factory I visited in March is supplied by Germany's Centrotherm—just one example of potential opportunities for Europe. The U.S. is investing in Europe as well, such as through Bill Gates' Breakthrough Energy. And as we produce more in the U.S., we will drive down the costs of clean energy technologies globally, benefiting people and economies around the world.

Germany, of course, has been creating opportunity as well. It led the way in showing that government policy could drive demand for renewable energy, from putting in place feed-in-tariffs for solar two decades ago, to driving community-based wind projects, to committing to phase out coal. Germany generated more than 50 percent of its electricity from renewables in 2023. It's a leader in green technology. And the Frankfurt School's focus on climate is just one example of what's happening across Europe, where higher education institutions have launched around 1,000 new degree programs in renewable energy and energy efficiency. Today's students will drive tomorrow's innovation.

Alongside increasing energy security and creating opportunity, our collective efforts are getting us closer to our climate goals. We're in a new era in our response to climate change. For decades, the economics and politics of climate action were characterized by a belief that climate change was a textbook case of tragedy of the commons. Countries were incentivized to exploit global natural resources, while people everywhere suffered the costs. In recent years, there has been a fundamental paradigm shift. The transition to green energy is now increasingly recognized as the greatest economic opportunity of the 21st century, with an

estimated over \$3 trillion in investment opportunities each year between now and 2050. Achieving our climate goals is compatible with increasing energy security and driving growth. As we look ahead, there's scope for much more joint and complementary action that will further these three objectives. The IRA is working, and we welcome similar action around the world, including the European Green Deal. We should keep working together to improve critical mineral supply chains, including through the Minerals Security Partnership and ongoing efforts on a U.S.-EU Critical Minerals Agreement. We should also continue collaboration to further decarbonization globally through green investments from our development finance agencies and international initiatives to share policies and harmonize climate disclosure. Like security, driving sustainable growth matters for Americans and Europeans, making us more resilient and more prosperous. And it will save us from a dire fate. As climate-related events continue to increase in severity and frequency, threatening our lives and livelihoods and our children's futures, we have no choice but to jointly lead.

IV. NAVIGATING A SHIFTING GLOBAL ECONOMIC LANDSCAPE

Finally, the world has changed tremendously in my lifetime and will continue to evolve. The U.S. and Europe are two pillars of the free world. We have together led and adapted through many changes, and we must continue to collaborate as we navigate a shifting global economic landscape.

This includes our approaches to the People's Republic of China. The U.S. and Europe both recognize that China's tremendous rise—from representing 3 percent of the global economy to 20 percent—means that it will help shape the global economy. Guided by President Biden, I've worked to put the U.S.-China economic relationship on surer footing, for the benefit of people around the world.

As I've repeatedly emphasized, we do not seek to decouple; we seek to diversify. President von der Leyen has said the same, emphasizing the need to de-risk. Our critical mineral supply chains are currently overconcentrated in China. We saw the danger of overreliance during the COVID pandemic and in the immediate aftermath of Russia's invasion. So the United States has pursued an approach I've called friendshoring to deepen economic ties with a wide range of partners and allies to build resilient supply chains that advance our energy and economic security. We have also engaged directly with China on areas where the U.S. and Europe, along with many others, are concerned by China's actions, from its pursuit of economic coercion to

macroeconomic imbalances that are leading to industrial overcapacity. Following my trip to China in April, where I raised these issues with my counterparts, Chancellor Scholz, President Macron, and President von der Leyen have done the same. And industrial overcapacity not only poses a threat to firms in the U.S. and Europe. It could also prevent countries around the world, including emerging markets, from building the industries that could power their growth.

Last week, the United States announced strategic and targeted steps as a result of the Section 301 review. And the EU and other countries are using their authorities to investigate and consider remedies to China's actions as well.

Our work to evolve the international financial architecture is another key example of our efforts to navigate global shifts. The U.S. and Europe built the Bretton Woods institutions. We now have a responsibility to make sure they are fit-for-purpose in today's world. This is why I've called to evolve the multilateral development banks, including to address global challenges, and pushed for reform of the sovereign debt architecture. Our European allies have been essential partners in this process, which is already bearing fruit. We've also launched new initiatives with the G7, such as the Partnership for Global Infrastructure and Investment, which aims to mobilize hundreds of billions for quality infrastructure. And we aligned 130 countries to endorse a global minimum tax that will end the race to the bottom and support workers around the world.

We've also been coordinated in the face of technological change, including the rise of artificial intelligence. Many economists believe that AI will bring a significant productivity boost to the global economy. Taking advantage of this massive opportunity while mitigating the risks will require coordinated action through fora like the G7 and the U.S.-EU Trade and Technology Council, even if the exact approaches we pursue differ. That's why international engagement was a core pillar of President Biden's Executive Order on AI. At Treasury, we will work with our allies and partners to further our ongoing work to monitor AI's impacts on the financial sector and our efforts to build resilient semiconductor supply chains that are critical to sustained leadership in artificial intelligence. Together, we must also make sure that the benefits of AI accrue not only to advanced economies, but to all countries.

As we look ahead, we will need to stay coordinated as we pursue further work in each of these areas. Like bolstering security and driving sustainable growth, navigating these shifts matters for everyday Americans and Europeans. China's industrial policy may seem remote as we sit here in this room, but if we do not respond strategically and in a united way, the

viability of businesses in both our countries and around the world could be at risk. Support to low- and middle-income countries and to workers around the world is essential for the strength of the global economy.

Artificial intelligence has not yet affected all aspects of our lives, but strategic and coordinated action now will mean that when it does, it is to our peoples' benefit.

V. CONCLUSION

I'll end by emphasizing what President Biden said shortly after assuming the Presidency: "The partnership between Europe and the United States, in my view, is and must remain the cornerstone of all that we hope to accomplish in the 21st century, just as we did in the 20th century." As Treasury Secretary, I am committed to working so that our alliance continues to deliver to increase security and bring prosperity for Americans and Europeans in the face of an uncertain world.

Thank you again to the Frankfurt School for this honor and to all of you for being here today.

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