

# The EU-US partnership for building strong institutions and resilient economies

Good morning, Ladies and Gentlemen,

First of all thank you for this invitation here at the German Marshall Fund today.

This year marks the 70<sup>th</sup> anniversary of the Marshall Plan, whose support was crucial in rebuilding post-war Europe's economy; and which laid the basis for Europe's political integration.

It still offers valuable lessons for how to deal with the economic and security challenges that we face today.

Europe's situation at the time of the Marshall Plan was described by the economist Barry Eichengreen as being stuck in a Catch-22: in order to get the money to invest in its economy, Europe needed to export. But because of the lack of investment, it did not have the capacity to produce those exports.

For those countries receiving it, the Marshall Plan showed a way out of this double bind: it supplied the starting capital to get the gears of the economy turning again, and it strengthened the institutions of the free market economy in Western Europe. In many ways, this was the starting point for the golden decades that followed.

And it was made possible by decisive and coordinated action to restore confidence and kick-start investment after a geopolitical tragedy. This is the first lesson of the Marshall plan.

Unfortunately, Central and Eastern European countries had to wait another 50 years for the Marshall logic to be applied there too.

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This year also marks a decade since the beginning of the global economic and financial crisis. This was a difficult period for the world and for Europe in particular. But in the spirit of the Marshall plan, we took decisive and joint action.

We have rebuilt confidence in our financial system by establishing and applying common standards for Europe's banks. Hence today, our banks are stronger and better capitalised than before. They increasingly have the necessary firepower to lend to the real economy and provide the investment that Europe's companies need.

We have kept the focus on growth by implementing three main economic policy priorities: boosting investment, structural reforms to improve

competitiveness, and implementing responsible fiscal policies.

The Investment Plan, which the Commission launched almost three years ago, is delivering concrete results. The European Fund for Strategic Investments (EFSI) has already mobilised more than €236 billion in both public and private investment to support projects across all 28 EU Member States. Given the success of the initiative, the European Commission has decided to extend the EFSI from its initial €315 to €500 billion by end 2020.

Staying the course of our economic policies pays-off: this year, the EU economy is expanding for the fifth year in a row. Economic growth now stands above 2% for the EU as a whole and at 2.2% for the euro area. We will actually update our forecasts next month. This recovery is broad-based – economies of all 28 Member States, including Greece, are growing. Unemployment is at its lowest level since 2008, investment is picking up, and public finances are in better shape. Public deficits in the EU have been brought down from an average 6.6% of GDP in 2009 to 1.6% now.

Our goal is to use this positive momentum to complete Europe's Economic and Monetary Union. In December we will unveil new proposals for further strengthening of our monetary union.

We will build on the reform strands of recent years: completing the Banking Union, setting up a single market for capital, relaunching convergence within and between our economies, and stepping up our support to Member States to reform their economies. We want to make our economies more resilient, competitive and inclusive.

We need a resilient economic base to successfully cope with Brexit and its potential impact. We should also not lose sight of new challenges stemming from globalisation, the Fourth Industrial Revolution, climate change and geopolitical developments.

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Ladies and gentlemen,

70 years on, the transatlantic partnership holds firm.

Here we have the second lesson of the Marshall Plan in mind: the combination of a political and economic partnership. By investing its own money and looking beyond its own short-term interests, the US ensured that Western Europe turned into a prosperous and reliable ally.

Our partnership transcends economics: it is, above all, a partnership of values. We defend a world view in which nations are not chained to anyone's sphere of interest. Free nations – for example, Ukraine, Georgia and Moldova – have the right to choose their allies for themselves.

Today the EU-US partnership is also crucial to provide 'money for reforms' to countries willing to improve the functioning of their states and economies.

It is not about reform as a one-off measure. We want to reinforce permanent

capacity of institutions to resist shocks and to adapt to an ever changing environment, be it economic, social or geopolitical. This is what we call 'resilience'. This is the third lesson from the Marshall Plan experience: that strongmen don't last, but strong institutions do.

So building strong institutions should be our priority.

This is especially true now that we see new ways to influence politics emerging. Their impact is not to be underestimated. Influencing and dividing from 'inside' is *à la mode*. Initially these influence tools and techniques were tested in the Baltic States. Now they are put to use during the elections in the US, France, Germany and other countries.

'Fake news' or 'destablising propaganda' campaigns is just one example. To illustrate, this year Sputnik, a pro-Kremlin news platform operating in 30 languages, published stories claiming that French Presidential candidate Macron could be a US agent; Angela Merkel takes selfies with terrorists; the EU is supplying drugs to Moldova and the Western world is waging war against Slavs, Russians and Serbs especially.

There are numerous fake and tweaked stories. But the bottom line is always the same: to question the Western values. And in European case – to undermine the credibility of the EU cooperation model among ordinary people in our neighbourhood and within the EU itself.

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A good example of a working EU – US political and economic partnership is our work in Ukraine.

First of all, political alliance is working. Both the EU and the US have imposed sanctions over Russia's actions against Ukraine. Second, both support 'money for reforms' programmes in Ukraine. Like the Marshall Plan, this assistance is conditional upon continued structural reforms.

Despite the fact that the country is facing conflict, Ukraine's commitment to reform has been very strong. In less than four years, major reforms have been launched and implemented in public administrations, energy, banking and judiciary.

And the results are clear: the country has stabilised its financial sector, returned to economic growth last year and is expected to grow – at about 2% this year. Last month, Ukraine tapped international markets for the first time in four years.

Staying the course of reforms also enabled Ukraine to fulfil necessary conditions to move closer to the EU. The Association Agreement and visa-free travel to the Schengen area are major achievements.

Now decisive actions are needed to complete the ambitious anti-corruption reform.

So far, the EU and its Member States have provided by far the largest

assistance to Ukraine: we have pledged around €12.8 billion for the period up to 2020. The European Union has also extended macro-financial assistance of a combined value of €3.4 billion, of which €2.8 billion have been already disbursed. We encourage the Ukrainian authorities to continue to implement the few outstanding conditions for last disbursement of €600 million still this year.

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Ladies, Gentlemen,

To conclude, on the global scene, the EU is a strong and reliable partner. We count on our allies in Washington D.C. to continue to defend our shared values and uphold the transatlantic cooperation. Our partnership has been tried and tested many times, and has always come out strongly.

I see strengthening resilience of our institutions and economies as the priority today. This applies to our Member States as well as to our neighbouring countries.

The Marshall ethos of reforms, integration, capacity-building and openness should guide us and enable us to weather future shocks, be them geopolitical, economic or societal ones.

Thank you!