

# U.S. DEPARTMENT OF THE TREASURY

## Remarks by Deputy Secretary of the Treasury Wally Adeyemo on Economic Statecraft in International Affairs at the Chatham House in London, England

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*As prepared for delivery*

Thank you for hosting me today at Chatham House, and thank you to the U.S. Embassy in London for helping to organize this event. Chatham House has long held a key place on the international stage, helping to develop ideas that contributed to the creation of the institutions that form the bedrock of the post-World War II international economic system—from John Maynard Keynes’ study on gold in 1930 that later helped shape the Bretton Woods system to research that influenced the creation of the International Bank for Reconstruction and Development, now a part of the World Bank. Chatham House left an indelible imprint on the arc of the twentieth century, helping to lay the intellectual foundation for the rules, norms, and values that underpin the international economy and the decades of growth and poverty reduction it has fostered.

After World War II, leaders like Keynes, Treasury Secretary Henry Morgenthau, and others set out to create an international economic system that would promote economic integration, help rebuild war torn regions, and engender shared global prosperity. A key part of this vision was the hope that greater economic integration would reduce the likelihood of war in the future. In addition to a foundation built on shared principles, the system included the creation of new institutions—the International Monetary Fund, the World Bank, and the GATT, which would eventually come to be the World Trade Organization. These institutions reflected not only a vision of market-based economic exchange, but also a commitment to the principles that make this economic system possible: freedom, fairness, and the rule of law.



From its start the system had its challenges, which successive generations have worked to address through continued investment in its ongoing evolution. Still, it is remarkable to consider its success. These rules, norms, and values created an economic framework that has allowed workers, businesses, and governments to dramatically increase world trade, develop an international financial system that has expanded financial access to billions of people around the world, and build global supply chains that dramatically reduce the cost of goods for consumers.

These developments led to the greatest reduction in poverty and among the fastest economic expansions in human history. From 1955 to 2001, the global extreme poverty rate fell from about 50 percent to about 25 percent, and as of 2018 stood at roughly 10 percent.

And during the immediate postwar period, the countries most central to this principles-based approach to economics—members of the OECD—enjoyed historic economic expansion, with annual economic growth of 4 to 5 percent on average in the 1950s and 1960s. In the subsequent decades, nearly every country in the world has sought to join the institutions that form the core of the economic system our allies and partners created.

Today, the relative peace and prosperity we have enjoyed since World War II are under threat from another revisionist power. Russia's brutal and unprovoked attack on Ukraine is—at its most fundamental level—a rejection of the principles that undergird the postwar system we collectively built.

The idea that you can violate the sovereignty of another country and enjoy the privileges of integration into the global economy is one our allies and partners will not tolerate—a position reflected in our swift and decisive actions to counter Russia's aggression. Over the course of the last month, the United States and our allies and partners have implemented a set of unprecedented measures to severely restrict Russia's access to the international financial system in the most robust coordinated response to a collective threat since the attacks of September 11, 2001. Our multilateral response demonstrates that the international financial system and economic marketplace are not open to those that fail to respect the



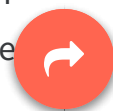
core principles of territorial integrity and self-determination.

At the start of the Biden Administration, Secretary Yellen asked us to conduct a review of the use of sanctions since the terrorist attacks of September 11, 2001. The review included detailed conversations with our allies and partners about what has worked over that twenty-year period and what more is needed to collectively improve the usefulness of this essential tool of foreign economic policy.

One of the most important lessons we learned from the review was the value of taking action multilaterally, whenever possible. When it comes to using economic tools to advance our national security, collective action significantly increases the costs we impose on our adversaries while providing opportunities to limit the collateral impact on our allies and partners.

The economic crisis the Kremlin faces is a direct result of multilateral approach President Biden has taken to using sanctions and export controls to limit Russia's ability to project power. The United States, United Kingdom, European Union, and Canada, for example, account for nearly 50 percent of Russia's international trade. And when it comes to technology, the key components of the most advanced semiconductors, critical to Russia's military industrial complex, are only made by a select few countries—including Taiwan, Japan, South Korea, and the United States. The broad coalition we have built in response to Russia's actions has enabled us to inflict significant and immediate damage on Russia's economy. Over the long-term, it will put us in a position to degrade Russia's ability to project power by forcing the Kremlin to choose between spending its dwindling resources on propping up its domestic economy or continuing to finance the invasion of Ukraine and other destabilizing activity.

The Russian economy is forecasted to contract at its fastest pace since the Kremlin defaulted on its debt in 1998 because of our collective actions. Today, Russian officials are attempting to manage a financial crisis, implementing draconian capital controls to prevent foreign investors from taking money out of the country and limiting the amount of foreign curre



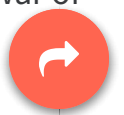
ordinary Russians can take out of their bank accounts. This is because anyone that can take money out of Russia is doing so—as quickly as possible.

In order to stabilize their financial system, the Russian Central Bank was forced to more than double interest rates, from 9.5 percent to 20 percent, which will dramatically slow economic activity in the country. In response to our actions, President Putin has said that the Russian economy must fundamentally transform.

The truth is that this transformation will weaken the Russian economy while leaving the Kremlin with fewer resources to pursue its aggressive and autocratic agenda in the future.

Our Allies and partners are committed to taking additional significant steps to constrain the Russian economy, for as long as Russia's invasion continues. I am in Europe this week to advance our collective efforts to limit the financial resources available to the Kremlin to pursue this war, stamp out avenues for evasion of our sanctions, and collectively target key sectors of the Russian economy that are critical to the Kremlin's ability to sustain the invasion of Ukraine and project power in the future.

Two weeks ago, the U.S. Department of the Treasury and the U.S. Department of Justice launched a multilateral task force in coordination with our partners from the United Kingdom, the European Commission, Germany, Italy, France, Australia, Canada, and Japan to identify and go after the assets of key Russian individuals complicit in Russia's bellicose foreign policy. This task force, called "REPO"—which is short for Russian elites, proxies, and oligarchs—is led by the Finance Ministries and Justice or Home Ministries of each member jurisdiction, helping them to share information and intelligence and to facilitate the enforcement of our sanctions, namely to freeze and seize assets of sanctioned individuals. Many of these individuals are attempting to move assets in order to avoid accountability. To those considering assisting these elites in hiding their ill-gotten wealth: We will find you. And let me be clear: We are prepared to sanction those providing material support to sanctioned Russian elites and will hold them accountable for their role in enabling this unjustified war of choice.



Now that our actions have blunted Russia's ability to use its central bank assets to prop up its economy and fund Putin's brutal war, we are going to increasingly focus our efforts on going after industries that are critical to Russia's ability to project power, purchase the military equipment necessary to continue the war effort, and invest in the other tools of repression that are a part of the Kremlin's playbook. As we continue to provide Ukraine with equipment to defend their country, we will focus on using sanctions and export controls to frustrate the Kremlin's ability to build military equipment. Last week, we took actions against a number of firms tied to Russia's military industrial complex. We are also going after the front companies and proxies the Kremlin is using to support the invasion of Ukraine.

Now, we are planning to target additional sectors that are critical to the Kremlin's ability to operate its war machine, where a loss of access will ultimately undermine Russia's ability to build and maintain the tools of war that rely on these inputs. In addition to sanctioning companies in sectors that enable the Kremlin's malign activities, we also plan to take actions to disrupt their critical supply chains. These are actions we will take in coordination with the more than 30 partners and allies that have joined our coalition in response to Russia's invasion of Ukraine.

Our ability to effectively use economic tools to hold Russia accountable is the result of the collective investment we made to build an international economic system after World War II—through the construction of financial, payments, and trading systems that support free market exchange and widespread economic prosperity and through the economic isolation of actors that fail to respect our shared principles.

In the aftermath of the Second World War, the United States and our allies across the Atlantic made unprecedented investments in a new system of international institutions and rules, something that had never been previously attempted on so grand a scale. To rebuild the economic capacity of the nations committed to the principles the Allies defended during the war, the United States undertook the Marshall Plan—an investment of more than \$115 billion in today's dollars in the reconstruction of Western Europe's economy. This monumental effort was about more than just economic recovery. It was an example of what economic



diplomacy can accomplish—the empowerment of likeminded allies and partners through economic means—at its best.

As General Marshall put it in his 1947 speech, his idea was a plan “against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.”

The ideas developed at Chatham House nearly a century ago are reflected in the present shape of the international economy. Most critically, the Bretton Woods agreement represented the first attempt in world history to create an international monetary system, with rules to facilitate international exchange and promote economic prosperity. The institutions it created remain relevant today because of the credibility and principles they represent.

The impact of our collective actions in Russia is a testament to the enduring strength of our international economic architecture and the international cooperation needed to sustain it. Let me be clear: Our ability to so swiftly curtail the Kremlin’s ability to fund its priorities and degrade its ability to project power is a direct result of our cooperation and collective investment in the international economic system. It is because our governments worked together during the 20th century to build an integrated and comprehensive international financial architecture that exclusion from that system is so costly today. A country like Russia will struggle to operate its economy without access to this system—despite Moscow’s best efforts to disentangle from it and build up defenses for this very scenario—because of the power of the system we have collectively built. That cooperation is something to revere, and it is something we should seek to build upon in the coming decades as the international economy continues to evolve.

A key element needed to sustain our collective actions against Russia, as well as ensure that these tools are available in the future, is ongoing investment in strengthening the global economic system.



While the international economic system today is strong and central enough to inflict this kind of damage on a rogue actor like Russia, now is the time to take the steps needed to ensure it remains so tomorrow. We must act with the same foresight that Keynes and others did in forging the foundations of a system that would underwrite decades of shared prosperity. This starts by taking practical steps to demonstrate to our citizens the ability of the system and institutions we have built to address problems that cannot be resolved within our borders alone. I see at least four concrete areas where we need to act today:

First, we must work together to address the challenge of food insecurity arising out of Russia's aggression. Much of the world is unable to get access to wheat and other products coming out of Ukraine due to the invasion, and Russia's interference with shipping in the Black Sea is making the transport of other commodities difficult. In addition to a lack of concern for the lives of Ukraine's people, the Kremlin has shown a disregard for the pain and suffering its invasion will cause to those that lack access to food and other vital agricultural products. We must work collectively to address this challenge, using the tools that exist at the international organizations we helped to create.

Second, we must finalize the international agreement on a global minimum tax that finance ministers helped reached at the OECD last fall. As Secretary Yellen has said, "This deal will remake the global economy into a more prosperous place ... Rather than competing on our ability to offer lower rates, America will now compete on the skills of our people, our ideas, & our capacity to innovate." This is the most significant global tax agreement in more than 100 years, with 137 countries joining the agreement, demonstrating that the world is capable of working together to address critical economic issues. We are working with Congress at home to take the steps we need to complete this agreement, and we encourage others around the world to do the same.

Third, we must continue to work together to provide the financial resources needed to fight the pandemic, in our respective countries and around the world. The pandemic, like so many of our challenges, does not respect boundaries or borders—none of us can beat it on our own. To date, the United States has provided more than 500 million COVID-19 vaccine doses to more than 110 countries and economies around the world and made available nearly \$24



billion in assistance to fight the virus. These actions are part of the broader set of G7 commitments since the start of the pandemic to provide a total of 2 billion vaccine doses. We must build on these efforts to keep our citizens around the world safe and healthy, as well as demonstrate the importance of our collective action.

Finally, we must work together to hone the use of economic sanctions and preserve the efficacy of this vital tool. Many of the steps to do so that we identified during our sanctions review last fall match the lessons we've seen in Russia: in particular, that multilateral sanctions are more likely to succeed than those we undertake alone; that sanctions should be rooted in rigorous economic analysis to determine appropriate targets and inflict damage on our adversaries while minimizing unintended spillovers; and that sanctions should be tied to clearly communicated, discrete policy objectives and designed to be easily reversible when those objectives are met.

This moment has reinforced just how important joint action is in upholding our most fundamental commitments. As we move forward, both in continuing to combat Russia's aggression and in preparing our tools to take on the next threat, we should continue to work to align our authorities and maximize opportunities for cooperation. I know this is a priority for the Biden Administration, and we look forward to continuing to collaborate closely with our allies and partners around the world on it.

The last few months have been challenging. We have had to watch an unspeakable and utterly unnecessary tragedy occur on the global stage. I know many of my counterparts in this country's government and others worldwide have worked around the clock to take the action needed to confront this unprovoked and unjustified attack on Ukraine, flying across oceans and taking calls around the clock and across time zones.

But to close on an optimistic note, from where I sit in a finance ministry, I have also been heartened by how the world has responded to this crisis. We have come together quickly and brought to bear the full force of our economic tools. We have shown Russia that the international financial system has no place for rogue, belligerent actors. And we have





reminded the world why our alliances in Europe, Asia, and elsewhere are so essential. We have far further to go to fully address this threat and restore justice for the people of Ukraine. But what I have seen so far gives me hope that we will continue to do all we can, together.

Thank you again, and I look forward to answering your questions.

