

Transcript of Press Conference from Secretary of the Treasury Janet L. Yellen as Part of 2022 IMF–World Bank Spring Meetings, G7 and G20 Finance Ministers and Central Bank Governors Meetings

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As Prepared for Delivery

Thank you for being here. This has been a very productive week and I'd like to thank the IMF and World Bank – as well as my counterparts in Germany and Indonesia at the G7 and G20 respectively – for their leadership this week.

A significant amount of our focus this week has been on Russia's reckless, devastating, and illegal war against Ukraine, and our allies coming together on what more we can do to support the Ukrainian government and people as they fight for their homeland.

This morning, I met with the Prime Minister of Ukraine Denys Shmyhal. I shared with him our continued, firm stance alongside Ukraine as they defend their lives and their country. I am committed to working with our partners and allies to support Ukraine's economic needs in the short and long term. In the meeting, I shared the United States' commitment to another \$500 million of immediate funding to help Ukraine continue critical government operations, such as salaries, pensions, and other social assistance programs, necessary to avoid a worsening of the humanitarian situation in Ukraine. This builds on the \$500 million that President Biden committed to President Zelensky in March.

The needs of Ukraine are urgent, and we plan to deploy this direct aid to Ukraine as soon as possible to be used on the most urgent needs. We know this is only the beginning of what Ukraine will need to rebuild and I'm committed to working with Congress, and with our international allies and partners to build on this support in the medium and long term.

The power of working together with our partners has been essential in supporting Ukraine – and in confronting Russia. In fact, Russia's war brought about the kind of swift and multilateral response not seen for decades. The coalition includes more than 30 countries from around the globe who represent more than 50% of the global economy, issue the world's most widely

used convertible currencies, and produce the world's cutting-edge technologies. The tremendous blow on the Russian economy resulting from our sanctions is only possible because of the breadth of our coalition.

This week, our partners and allies agreed to continue united efforts to maximize economic pressure on Russia. Yesterday, we continued to tighten the vice of our economic pressure campaign against Russia by targeting financial and operational support networks used in attempts to evade U.S. sanctions. Treasury sanctioned a Russian bank at the heart of such efforts as well as a network of cut outs, proxies, and facilitators used by the oligarch Konstantin Malofeyev.

I want to mention, before taking your questions, the rising threat of food insecurity. I am deeply concerned about this risk to emerging and developing countries, particularly those still recovering from the pandemic. There is a very real risk that soaring global market prices of food and fertilizer will result in more people going hungry, further exacerbate inflation, and harm government fiscal and external positions. We are doing everything we can both bilaterally and through the IFIs to address the food security risks. I convened a productive meeting this week with counterparts where we discussed developing and putting into action ways to address the growing crisis of 275 million people around the world facing acute food insecurity, and over 800 million people facing chronic food insecurity. We will share more action items resulting from that meeting in the coming weeks.

Lastly, we also discussed the global need to end the pandemic and prevent future ones. Global health emergencies are no longer a once-in-a-generation threat, and we must act now so that the tragic impacts of Covid do not reoccur. Our top priority is to end the COVID-19 pandemic, and we must press forward to overcome the hurdles to vaccinating at least 70 percent of the population in all countries. But we also need to learn the lessons of this pandemic and advance plans to reform the global health security architecture. With increasing pandemic threats, climate change, and conflict, experts agree COVID-19 will not be our last major global health emergency.

And with that, I am happy to take your questions.

Q & A:

Q: Thank you Secretary. Do you believe that European allies should move faster and join the US on imposing a full ban on Russian energy imports to maintain the financial pressure on Russia and cut off what is an enduring the source of funding for the war? Or are you

concerned that such a step would be too drastic in damaging European economies with possible spillover effects?

SEC. YELLEN: I am sorry – Did you say to ban?

Q: energy imports from Russia.

SEC. YELLEN: So, our objective from the outset has been to impose maximum pain on Russia while attempting to mitigate damage to the United States to Europe and throughout the global economy. In the case of oil and natural gas, clearly, Europe's situation is different than that of the United States. So, we did ban Russian energy imports of all types, but we imported, very little from Russia to start with that isn't true for Europe. For the medium term, Europe clearly needs to reduce its dependence on Russia with respect to energy. But we need to be careful when we think about a complete European ban on say oil imports. We want to harm Russia that would clearly raise global oil prices would have a damaging impact on Europe and other parts of the world. And counterintuitively it could actually have very little negative impact on Russia because although Russia might export less, its price for its exports would go up. So, I think it's important of course, proceeds from sales of oil and gas are an important source of income for Russia. It would be very useful to try to devise a way to reduce proceeds from those sales and that really is the proper objective I think of a ban. But if we can think of a way to do that without harming the entire world from higher energy prices that would be ideal and it's a matter that we're all trying to think of and we're all trying to work through together.

Q: Thank you very much, Secretary Yellen. Can you describe some of the specific measures that you and your counterparts have been talking about to ease food price inflation that's been amplified on sanctions on Russia, and are you concerned that greater fragmentation of global economy where countries concentrate trade amongst each other could lead to permanently higher prices?

SEC. YELLEN: So, with respect to specific measures, we will have a little bit more for you with specific detail in the coming weeks. There were technical discussions among experts, but certainly taking every measure we can to bolster food supplies, which means we make sure that planting continue after all the price of fertilizer has gone up, making sure that yields are preserved so small farmers can afford fertilizer. So, taking all the steps we can to bolster the supply of food while taking steps as well to make sure that the social safety nets are working in countries with food insecurity because often when there's a shortage of food and prices are high you can see export controls or things that even when hypothetically there's enough

supply of food to supply the needs of a population it doesn't get to the poorest people. So, measures on both the supply and demand are appropriate. We are thinking through concrete steps that we can get back to you on.

SEC. YELLEN: I am sorry you asked a second questions?

Q: [Inaudible, but restates questions on permanent inflation]

SEC. YELLEN: We have developed supply chains that are extremely efficient and serve to lower costs. But as we discovered during the pandemic, and more recently now with Russian invasion of Ukraine. Our supply chains are not secure and are not resilient. I think that's something in terms of long-term risk to the U.S. and to other countries that is a threat that needs to be addressed. And I think if countries go in a fully protectionist direction saying we need to do everything ourselves at home that could be a lot more expensive in terms of costs that producers face, which is why in the talk I gave last week at the Atlantic Council. I mentioned this idea of networks or friend sharing or trust networks. Ideally, we would have a large group of trusted partners so that we can maintain the efficiencies that come from the global division of labor, but also feel more secure about the supplies we have in so there may be some cost to bear and permanently with higher inflation, but just a somewhat higher local costs, somewhat less efficient system, but one that is more resilient, but I think this approach of friend-sharing is a way to manage that trade off.

Q: Thank you, Secretary Yellen. There have been a number of suggestions that the U.S. we use some of the frozen central bank reserves from Russia to help support Ukraine as a result of the war. Do you think the U.S. has the authority to do that or would it require some legislative changes by Congress and with the Treasury support such legislation?

SEC. YELLEN: It's clear that building costs of Ukraine are going to be enormous. Certainly, looking to Russia one way or another to help provide some of what's necessary for Ukraine is something to build is something I think we ought to be pursuing. In the United States, I am unclear whether or not it would be possible without legislation authorizing the use of those assets. More generally, I would say that is very significant, and it is one that we would carefully need to think through the consequences of before undertaking it. I wouldn't want to do so lightly and it's something that I think our coalition and partners would need to feel comfortable with and be supportive of. I think we would need to have those discussions and think through those issues before I would want to say what our position would be on that.

Q: Hi Secretary Yellen. Thanks. Yesterday you and a number of U.S. allies walked out of the G20 meeting when the Russian officials started to speak. I just wonder how you see this forum going forward. Do you expect this thing to continue to happen? How does the G20 accomplish what it needs to on debt relief and climate changes things and things that it is charged with working on if you sort of can't agree on communiques. I also wanted to get a little more detail on your views on revamping the international financial architecture you discussed the other day at the Atlantic Council.

SEC. YELLEN: Sure. So, you know, I think it's simply cannot be business as usual for Russia in terms of its participation in our global forums whether it's G20 or other forums, where to address common challenges. I think participation in those forums really requires commitment on the part of countries to the fundamental norms and values underlying international cooperation. And my decision to work with others to leave when the Russian finance minister began to speak was intended to make clear Russia's behavior so violates, is so offensive to international norms, we're not willing to allow Russia to participate or to listen to what the Russians have to say. Now, to remove a country from any participation requires a very high level of agreement in any forums, including the G20, and there wasn't that level of agreement, but I think we look for a way to make our disapproval known while still recognizing we have a lot of work to accomplish.

A key piece of that work is meeting to discuss the impact of Russia's horrible war of choice on the global economy, to talk about food insecurity, rising energy prices and the like, and we are continuing to get that work done in all the forums I'm participating in this week, while making clear that we thoroughly disapprove of Russia's involvement. So, President Biden has made clear as we know, with which I agree, that Russia should be removed from participation in the G20, but we'll see where we go moving forward.

You also asked about my comments on redesigning Bretton Woods institutions. So, I think after World War Two, we set up the WTO where its predecessor began in the IMF, the World Bank, and I think they're playing a very constructive role in managing the challenges of integrating global economy in the entire post war period. So, we need those institutions, and they continue to do very important work, but there are challenges they face in this day and age that they weren't really designed to deal with. In the case of the IMF, just to give an example, the IMF was intended to help individual countries facing shocks or internal macro problems they add that face balance of payments crisis to enable individual countries to meet

their needs for external financing while undertaking structural reforms. It wasn't designed to address a global challenge, like the pandemic that created growing problems for the largest number of countries or especially low income countries participating in global economy, or the challenges that entire global economy face after the global financial crisis in 2008, or today when we have a Russia-induced crisis that is causing – especially when coupled with a pandemic -- most countries with already high debt are now facing really unmanageable debt, many countries and not due to any failings of their own macroeconomic policies but due to huge external shock., I can't tell you what the answer is, but to work the appropriate forums are to look to the IMF to be the kind of global lender of last resort. And I think that's an important function for them to play.

In the case of the World Bank, I think the original idea was a large number of countries don't have access to capital in global markets and created an institution to provide project financing. Well, the times have changed and now many of those countries do have access to financial markets. And we face challenges that require investment on a scale that an international institutional can't manage on its own-- like climate change. And the investments needed for climate change will add on up to just trillions and trillions of dollars. We have pools of private capital that are clearly ready, willing, and able, to make investments around the world in emerging markets, in infrastructure, in energy, renewable energy to address climate change. But maybe the conditions need to be right in the World Bank and other multilateral development banks, need to figure out how to move that capital and make the investments that are required and safer. So, I think that is a new function.

The other aspect of it is there are global public goods. And we've been discussing this in connection with preparing for future pandemics. We need countries around the world to have basic public health infrastructure that will let us rapidly respond to the next pandemic, and many low-income countries don't have that in place. And that's not something that's just at the benefit of individual country, it's to our benefit. Because as we know, when you have a pandemic, if you don't address it throughout the entire world, no one around the world will be safe from the development of new variants. So, we're creating, we hope to create at the G20, to set up a Finance Ministers Task Force. We are discussing the creation of the special fund at the World Bank called the Financial Intermediary Fund to which members might make contributions to meet this need. But just the provision of global public goods in general – it seems like a logical goal for the World Bank and multilateral development banks, but perhaps requires some slightly altered mandate in governance of the multilateral development banks to succeed.

So those are the kinds of things I was referring to.

Q: Good morning, Secretary Yellen. I'd also like to refer back to the speech that you gave last week at the Atlantic Council, in which you said, "The world's attitude towards China, and its willingness to embrace further economic integration may well be affected by China's reaction to our call for resolute action on Russia." I'm wondering if China is judged to not be contributing to this resolute action on Russia, can you be clearer or specific about what exactly you're proposing the US and its allies would or should do with respect to China.

SEC. YELLEN: So, I don't mean to be making any specific proposal. I didn't have anything specific in mind. But this is a time when those who are in favor of the core institutions in the global system and core set of values are standing together to address threats to that system. And China has been a part of it. And China has benefited from that system, and over decades, wanted to participate in that system. And I simply think that not only the United States, but many countries, want to see China show that it understands the threats the global system faces because of China's behavior. And to show their own adherence and appreciation of the value of that system. And to be on the side of being helpful to all the countries that are trying to protect the core functioning of our global system.

Going forward, we would be less trustful of China, if China fails to show that adherence to core values. It could play out in a whole variety of ways. But you know, when you think about trusted and secure trading networks, supply chain networks, it can play a role there and probably in other ways as well.

Q: Thank you Secretary Yellen. The IMF chief has said that Ukraine needs five billion dollars a month in order to sustain its economy and rebuild, and that number could go up -- where exactly will this money be coming from? Secondly, yesterday, there was a new set of sanctions that were imposed including on a cryptocurrency firm. And the Administration and Treasury have said that cryptocurrency is not a major way of evading sanctions. We're curious if this new set of sanctions on the crypto firm indicates a rethinking of that.

SEC. YELLEN: I'm sorry, remind me the first thing that you asked -- this is about crypto and then where the money is coming from? Ok yes, where the money is coming from.

Well, we're having discussions this week in the G7 and in several international financial institutions and in fact, we have a meeting this afternoon that I'll be attending the heads of the IMF and World Bank, the Ukrainian president will be speaking to the to the group. And we will discuss financing needs and how to raise that money. But, as I've mentioned, today we've

doubled our contribution, we've given a billion dollars that will be immediately available to Ukraine. There have been other contributions. I think we stand united in recognizing we've got to find ways to meet Ukraine's needs. And on our part, it will involve going back to Congress with a supplemental request -- I'm not in a position to give any details. But I'm certainly committed to working with Congress to ask for their help to meet Ukraine's needs. I think all of us are. The G20 met with, we met with the finance minister, the Ukrainian finance minister. I, just before this, was with Ukraine's prime minister and finance minister and we were inspired by their courage and stand with them and will do everything we can to pull our resources to support the needs that are identified.

On cryptocurrency -- So I don't think we have seen widespread evasion of sanctions yet. But certainly, there are attempts in Russia to evade these sanctions. Crypto is one of the ways in which -- along with others -- in which sanctions can occur. And we've said that also we haven't seen broad evasion, and it's hard to imagine that occurring using crypto. We intend to make sure that our sanctions stick. When we discover routes that are being used to evade them, we intend to crack down on them, and that's what we've done.

Q: Thank you, Secretary Yellen. The World Bank President was talking about humanitarian catastrophe from this combination of food crisis and sovereign debt crisis. These countries were told advice to increase borrowing during the pandemic. And now they face rising interest rates, partly because of the actions of the US Federal Reserve on impossible borrowing costs. Do you think the Federal Reserve should take into account the impact on potential developing country crises when it sets interest rates? And more generally, is it time for a widespread systemic series of debt relief with these types of low-income countries that can't afford their pandemic debts?

SEC. YELLEN: Let me say that, even before Russia's invasion of Ukraine, we were concerned and we have been quite concerned and it's a regular matter we've discussed in G20, the IMF, in other fora, that many lower income countries have unsustainable burdens. First, we had the DSSI debt suspension and sustainability initiative. And then designed a process called the Common Framework that was intended to manage debt restructuring for countries with unsustainable debt. And we've been very disappointed -- at least I will say I have been very disappointed -- by the failure of that framework to deliver relief for more countries. And I've explicitly called out China. China is a very significant lender to many of these lower income countries, and China needs to participate, along with the Paris Club and private creditors. I've called on China to, specifically, for example, participate right away for Zambia, which wishes to

undergo debt restructuring. And I'm hopeful that China will agree to play a more constructive role, but there are quite a number of countries who want to be candidates for that. And of course, humanitarian and global economic disaster due to the war in Ukraine further exacerbates this problem. But I think that's the way we need to go.

Q: Secretary Yellen, I wanted to ask about, in reference to your remarks last week at the Atlantic Council, the countries still sitting on the fence that are not China -- I'm curious if your message to them is the same in terms of, if you don't side with us you may be left out of the supply-chain networks or the friend sharing system. What do you say to some of these other countries? What do you have in mind those countries?

SEC. YELLEN: Well, there are a number of countries who have maintained neutrality or not come out as opposed to Russia's actions. And to all of them, I think the message is the same - that what we're seeing here violates the basic norms of behavior that's expected, that's embedded in the UN charter and expected of all countries that participate in the global economy and our governance institutions. And we really urge them to take actions to condemn Russia's behavior. But beyond that, we certainly want to make sure that they do not need evade sanctions or provide any active support to Russia.

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