U.S. DEPARTMENT OF THE TREASURY

Transcript of Press Conference from Secretary of the Treasury Janet L. Yellen in Nusa Dua, Indonesia

July 14, 2022

Good afternoon. Thank you for being here. This has been a very productive week already, and I am looking forward to the meeting of G20 Finance Ministers and Central Bank Governors here in Bali starting tomorrow.

First, I'd like to thank Finance Minister Sri Mulyani for her leadership and personal partnership to advance critical work of the G20 during this challenging time for the global economy.

We recently saw the fruits of our efforts as the World Bank Board approved the creation of a critical new fund to fill gaps in pandemic preparedness and prevention. This is something for which both Minister Mulyani and I strongly advocated, along with many others. And I'm proud that the United States will provide $450 million as an initial contribution to help launch this important financing mechanism.

The COVID-19 pandemic has caused devastating human and economic consequences, and it's unlikely to be the last pandemic we face. Stronger health and finance collaboration will enable us all to be better prepared to respond to future global health emergencies.

Throughout my first trip to the Indo-Pacific as Treasury Secretary, our work has been motivated by two overarching objectives set forward by President Biden. In Japan earlier this week, here in Indonesia, and next in Korea, we are first reaffirming and strengthening some of our closest relationships. Second, at all of the stops on this trip, we're advancing policies that will strengthen and grow America's economy and middle class.

President Biden and I agree that we will be stronger in responding to the immense global challenges we face today by acting together instead of going it alone, and that America plays a critical role in leading and coordinating these efforts.

Our greatest challenge today comes from Russia's illegal and unprovoked war against Ukraine. We are seeing negative spillover effects from that war in every corner of the world – particularly with respect to higher energy prices and rising food insecurity.

That was reflected in yesterday's CPI data, which showed almost half of the increase coming from higher energy prices. Inflation in the United States remains unacceptably high and it's our Administration's top economic priority to bring it down. We should also be mindful of the spillover effects of Putin's war — the effect it's having in countries that were already facing heightened vulnerabilities.

The United States remains unwavering in condemning Putin's war and the atrocities being committed by his forces. The international community must be clear-eyed in holding Putin accountable for the global economic and humanitarian consequences of his war.

Since the start of the war, Russian forces have continued committing unthinkable destruction — especially across Ukraine's eastern region.

Russia's actions are not the actions of a government that upholds international norms and laws. Representatives of the Putin regime have no place at this forum.

We stand firmly with the people of Ukraine, and I look forward to welcoming the Ukrainian Finance Minister to this G20 meeting tomorrow.

Throughout my trip to the region, and here in Indonesia, we will also continue our conversations about what we can do together to help others around the world impacted by Russia's war. This includes addressing food insecurity, and the design and implementation of a price cap on Russian oil.

A price cap on Russian oil is one of our most powerful tools to address the pain that Americans, and families across the world, are feeling at the gas pump and the grocery store right now. A limit on the price of Russian oil would deny Putin revenue his war machine needs and would build on the historic sanctions we have already implemented that make it more difficult for him to wage his war or grow his economy. It will also aid in maintaining the global supply of oil, helping put downward pressure on prices for consumers in America and globally at a time when energy prices are spiking.

Energy security is a key element of President Biden's foreign policy agenda focused on America's workers, businesses, and consumers. That agenda has been an area of focus on this trip.

In Tokyo, I had the opportunity to meet with Japanese leaders to discuss the strength of our bilateral economic relationship.

By deepening our economic ties with allies like Japan, Korea, and many of the countries represented here at the G20, we can make our economies and our supply chains stronger and more resilient and avoid the sort of costly disruptions that have driven up inflation in America and globally.

This is the type of partnership that strengthens the international system we have built, while also protecting ourselves from some of the fragilities in global trade networks that we have seen over the last few years.

This is particularly important in the Indo-Pacific when we consider the challenges posed by non-market tactics pursued by countries like China.

We also know that global challenges stemming from Russia's war in Ukraine have been particularly acute for emerging markets. It's troubling to see how the war is contributing to higher energy costs, food insecurity and hunger for the most vulnerable globally.

We have already taken swift action to help mitigate food insecurity, including through our call-to-action for International Financial Institutions to redouble their work, and through our leading role with the Global Agriculture and Food Security Program — to which the United States is donating an additional $155 million.

But more needs to be done to help the most vulnerable, and this is a key message I will be emphasizing at these G20 meetings. Given the deteriorating global economic conditions since Russia's invasion of Ukraine, a key objective of this trip is to push G20 creditors, including China, to finalize debt restructuring for developing countries now facing debt distress. The United States will also provide a grant of $70 million to the IMF's Poverty Reduction and Growth Trust to further enable the IMF to make zero-interest loans to the world's poorest economies.

So, there's important work to do here this week in Indonesia, but throughout we will remain focused on delivering on our commitment to confronting the world's challenges with our partners.

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

Q & A:

Q: Hi, Secretary Yellen, thanks for doing this. I wanted to ask on inflation, you say it's long been the Biden Administration's top economic policy priority. I'm curious how combating inflation compares to the desire to avoid a recession. Recently, Chair Powell said that bringing down inflation is more important than or is worth risking a recession, and so I'm curious if that's your view as well, or just how you compare those two goals?

Sec. Yellen: Well, inflation is unacceptably high, and that's something that's evident from Wednesday's report. And I believe it's appropriate that it's our top — it should be the top priority to bring inflation down. The labor market is currently very strong. We have witnessed an historic recovery in employment — we've now regained all of the private sector jobs that were lost. The labor market is tight, and the labor market is in good shape.

We're first and foremost supportive of the Fed's efforts — what they see, deemed to be necessary to get inflation under control. And beyond that, we're taking our own steps that we believe will be supportive in the short term to get inflation down, particularly what we're doing on energy prices, the Strategic Petroleum Reserve. Also, the work that we're doing to institute a price cap on Russian oil to avoid potential future spikes in oil prices.

We're very supportive of deficit reduction and very much hope that Congress will pass a reconciliation bill that would help lower some of the important costs faced by consumers, particularly prescription drugs.

Q: Thank you, Madam Secretary. I know you addressed the impact of war on emerging markets. Could you talk about your expectation for how emerging markets and developing economies will be affected by the interest rate hikes that are coming? And just quickly was hoping you could also respond to Senator Manchin saying yesterday that the inflation report makes him — gives him some pause about passing another economic package. Thank you.

Sec. Yellen: Well, starting with Senator Manchin's comments. The package that's under consideration, I believe, involves deficit reduction, and I think that's an important way in which the Administration and Congress can complement the monetary policy measures that are being put in place by the Fed. On top of that, if the package does, for example, contain a package that would lower prescription drug prices, that would be very important to American households in bringing down the cost of one of the most expensive items in their budget. So, I would draw the conclusion that passing a package along these lines would be [a] very positive way of addressing inflation.

You asked about the impact of Russia's actions on the global economy. Oh, sorry.

Q: [Inaudible.]

Sec. Yellen: Oh, sorry, the Fed's interest rate increases. So, there are a number of different things that are affecting emerging market economies at the moment. I would say most importantly, the outlook for growth and inflation in those countries has deteriorated and you can see that in the IMF projections, for example. Mainly because of Russia's war on Ukraine that have led to higher food and energy prices, which are particularly damaging for countries that already were suffering, often from food insecurity.

The Fed rate hikes, interest rates in the United States, have increased more rapidly than those in the rest of the world that’s had the impact of strengthening the dollar and leading to some depreciation in the currencies of emerging market and developing economies, and that can have mixed effects. On the one hand, it can strengthen their ability to export, which is good for their growth. On the other hand, to the extent that countries have dollar-denominated debt, it can make those debt problems, which already are very severe, more difficult.

But countries are in different positions. A number of emerging market countries are important commodity exporters, and they've seen benefits from higher commodity prices. So, the Fed policy is just one of a number of factors affecting the outlook.

Q: Good afternoon. Thank you, Secretary Yellen. Chris Condon from Bloomberg News. As you have just said, you're working on this trip to build support for a mechanism that would cap the price of Russian oil exports. I have two questions related to that. First of all, can that plan work if China and India are not on board? And second, can you — are you and other would-be participants not worried that Moscow might retaliate, perhaps by shutting off gas supplies to Europe or Japan or elsewhere? Thank you.

Sec. Yellen: So, I'm hopeful that China and India will see that observing a price cap would serve their own interests in lowering the price that they pay for Russian oil, they're important importers. But even so, even if they don't observe the price cap, I think it's certain that many countries that import Russian oil will be affected by the insurance and financial services ban that the EU, and presumably the UK and U.S., will put into effect.

And without the price cap or price exception to that ban, we would likely see very much higher global prices because that ban would result in, we could debate the exact magnitude, but a significant amount of a shut-in of Russian oil. And global prices, regardless of what China and India pay, global prices would rise to the extent that Russian oil would be shut-in even if Russia is able to maintain some exports to China and India.

And I think you should see the price exception or price cap as mitigating the impact that the insurance and financial services ban would otherwise have. It will give Russia a way to continue exporting oil at a price I expect would be, remain quite profitable for them relative to shutting it in. And it will help consumers throughout the world, including in China and India, avoid a spike in global oil prices. It will hold oil prices down.

And I’m sorry, did you ask — did you have another piece of that question that?

Q: [Inaudible.]

Sec. Yellen: You’re good. Okay.

Q: Thank you so much. You mentioned the pressure on China and other countries to get involved on the global debt front and to do more to restructure debt. Just this week, or in these last few days, we've seen quite dramatic developments in Sri Lanka, which is not a low-income country. China until now has been very reluctant to extend any debt restructuring efforts to countries that are not the lowest-income countries. Can you say what your response is to that, what China's role is in terms of dealing with Sri Lanka's massive problems?

Sec. Yellen: So, I don't have anything specific on Sri Lanka, but China is, of course, a very important creditor of Sri Lanka. Sri Lanka is clearly unable to repay that debt. And it's my hope that China will be willing to work with Sri Lanka to restructure the debt — it would likely be both in China and Sri Lanka's interest.

But more broadly, we're really looking to China to step up their role in debt restructurings that are eligible for treatment under the Common Framework. We've not seen much progress and part of what I expect to do over the next several days is urge our partners in the G20 to put pressure on China to be more cooperative in restructuring these unsustainable debts.

Q: Secretary Yellen, thank you. Back to the issue of price caps on Russian oil. I'm curious, how much consensus is there in the G20 around this idea, one? And more specifically, on the price level. You know, people have talked about the idea of $40 a barrel, right? Enough to keep incentivizing — or Russia to keep producing, but not enough to, for them to price gouge and continue funding the war in Ukraine. How much, in your mind, what do you think an appropriate number would be to achieve both ends?

Sec. Yellen: So, we haven't decided on what an appropriate level is. There's been no decision on that. But in principle, we would want a number that clearly gives Russia incentive to continue to produce, that would make production profitable for Russia.

It's very expensive, both in terms of immediate loss of revenue, for Russia to stop selling oil to the global economy, and it would have an adverse impact on Russia’s longer-term capacity if it shuts down wells, to be able to restart them. So, I think we want to make it clear that Russia will continue to have an incentive to produce.

And I think if you look at this from Russia's point of view, it's important to remember that the alternative to a price cap or exception is simply that the European — EU and probably U.S. ban on providing insurance and other financial services goes into effect, if there is no exception to that ban. So, we're proposing an exception that would allow Russia to export as long as the price doesn't exceed a to-be-determined level. Otherwise, Russia faces a situation where it will be completely cut off from those critical services, and that's likely to shut-in a substantial amount of Russian oil.

So, you know, I think from Russia's point of view, a price cap or price exception to a policy that would otherwise be yet harsher on Russia is something that they should be willing to go along with.

Q: Thank you, Madam Secretary. I just wondered, what is your message to the Russian Finance Minister at this meeting? And I just also wondered, is there any prospect of a walkout, such as you partook in in April's meeting in Washington?

Sec. Yellen: Well, you know, I think I've made clear that it cannot be business as usual with respect to Russia's participation at these meetings. And I can tell you that I certainly expect to express in the strongest possible terms my views on Russia's invasion, the war against Ukraine, and I certainly intend to talk about its impact on Ukraine and on the entire global economy and to condemn it. So, that's certainly — and I expect that many of my colleagues will do the same.

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